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 2017.

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	**2,191,554**	**1,005,429**

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 2016:	
- Fourth interim single-tier tax-exempt dividend of 5.0 sen per share on 7,510,348,200 shares, paid on 28 March 2017	**375,517**
In respect of the financial year ended 31 December 2017:	
- First interim single-tier tax-exempt dividend of 5.0 sen per share on 7,510,500,400 shares, paid on 29 June 2017	**375,525**
- Second single-tier tax-exempt dividend of 5.0 sen per share on 7,810,523,900 shares, paid on 28 September 2017	**390,526**
- Third single-tier tax-exempt dividend of 5.0 sen per share on 7,810,560,700 shares, paid on 28 December 2017	**390,528**
	1,156,579

Directors' Report

DIVIDENDS (CONTINUED)

Subsequent to the financial year, on 8 February 2018, 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 2017 which will be paid on 29 March 2018. The financial statements for the financial year ended 31 December 2017 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 2018.

The Directors do not recommend the payment of any final dividend in respect of the financial year ended 31 December 2017.

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 7,510,313,500 ordinary shares to 7,810,564,100 ordinary shares by the issuance of:

(a) 300,000,000 new ordinary shares for cash pursuant to a private placement exercise on 30 June 2017 at an issue price of RM5.52 per share; and

(b) 250,600 new ordinary shares for cash pursuant to the exercise of share options under the Employee Share Option Scheme. The details of the issuance are as follows:

Exercise price per share	Number of issued and paid-up ordinary shares '000
RM5.45	239
RM6.41	7
RM6.78	4
	250

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.

Directors' Report

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

(a) ESOS (continued)

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

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

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

	Quantity '000
Total outstanding as at 1 January 2017	89,556
Total exercised	(250)
Total forfeited/lapsed	(4,835)
Total outstanding as at 31 December 2017	84,471

(b) LTIP

The Company's LTIP is governed by the By-Laws which was approved by the shareholders on 28 April 2015 and is administered by the Remuneration Committee which is appointed by the Board of Directors of the Company, in accordance with the By-Laws. The Remuneration Committee may from time to time, offer LTIP to eligible employees (including 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, 7,151,400 PS Grant under the LTIP were granted to the eligible employees of the Group. Subject to the terms and conditions of the By-Laws governing the LTIP, the employees shall be entitled to receive new ordinary shares in the Company, to be allotted and issued pursuant to the LTIP ("new shares"), upon meeting the vesting conditions as set out in the letter of offer for the new shares. The vesting conditions comprise, amongst others, the performance targets and/or conditions for the period commencing from 1 January 2017 and ending on 31 December 2019, as stipulated by the Remuneration Committee. The vesting date is on 30 June 2020, subject to meeting such performance targets.

Directors' Report

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

(b) LTIP (continued)

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

	Quantity '000
Total outstanding as at 1 January 2017	13,279
Total granted	7,151
Total forfeited	(769)
Total outstanding as at 31 December 2017	19,661

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 31.12.2017	Since implementation date	Financial year 31.12.2017
Key management personnel	50%	50%	12%	29%

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

Non-Executive Directors

Raja Tan Sri Dato' Seri Arshad bin Raja Tun Uda
Tan Sri Mokhzani bin Mahathir
Robert Alan Nason
Alvin Michael Hew Thai Kheam
Dato' Hamidah Naziadin
Lim Ghee Keong
Mohammed Abdullah K. Alharbi
Mazen Ahmed M. AlJubeir
Naser Abdulaziz A. AlRashed
Dr. Kaizad B. Heerjee

Executive Director

Morten Lundal

Directors' Report

LIST OF DIRECTORS OF SUBSIDIARIES

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

Nasution bin Mohamed
Su Puay Leng

DIRECTORS' REMUNERATION AND BENEFITS

During and at the end of the financial year, no arrangements subsisted to which the Company or any of its subsidiaries are a party, being arrangements with the object or objects of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, 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 required to be kept under Section 59 of the Companies Act 2016, particulars of interests of the Directors who held office at the end of the financial year in shares in the Company are as follows:

	Number of ordinary shares in the Company			
	At 1.1.2017	Vested/ Acquired	Sold	At 31.12.2017
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)[2]	-
Indirect Interest				
Tan Sri Mokhzani bin Mahathir	1,000[3]	-	-	1,000[3]
Morten Lundal	1,594,178[4]	605,813[4]	-	2,199,991[4]

Directors' Report

DIRECTORS' INTERESTS (CONTINUED)

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 Group.

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

(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 Group, 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.

INDEMNITY AND INSURANCE COSTS

The Directors of the Group and of the Company were insured against certain liabilities under a Directors' and Officers' liability insurance policy maintained as a group basis under Binariang GSM Sdn. Bhd., the ultimate holding company, for up to a maximum of RM210,000,000 for any one claim and in aggregate. During the financial year, the Group and the Company paid an aggregate of RM600,000 and RM227,000 respectively based on the apportioned premium in respect of such policy.

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.

STATUTORY INFORMATION ON THE FINANCIAL STATEMENTS

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

(a) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for impairment and satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for impairment; and

(b) to ensure that any current assets, other than debts, which were unlikely to realise in the ordinary course of business, their values as shown in the accounting records of the Group and of the Company, had been written down to an amount which they might be expected so to realise.

Directors' Report

STATUTORY INFORMATION ON THE FINANCIAL STATEMENTS (CONTINUED)

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

(a) which would render the amounts written off for bad debts or the amount of the allowance for impairment in the financial statements of the Group and of the Company inadequate to any substantial extent; or

(b) which would render the values attributed to current assets in the financial statements of the Group and of the Company misleading; or

(c) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company, misleading or inappropriate.

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

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

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

(b) any contingent liability of the Group and of the Company which has arisen since the end of the financial year.

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

In the opinion of the Directors:

(a) the results of the Group's and of the Company's operations during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature, other than as disclosed in Note 18 to the financial statements; and

(b) there has not arisen in the interval between the end of the financial year and the date of this Report any item, transaction or event of a material and unusual nature likely to affect substantially the results of the operations of the Group or of the Company for the financial year in which this Report is made.

SUBSIDIARIES

Details of subsidiaries are set out in Note 18 to the financial statements.

EVENT AFTER THE FINANCIAL YEAR

Significant event subsequent to the financial year is disclosed in Note 39 to the financial statements.

Directors' Report

AUDITORS

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

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

PricewaterhouseCoopers PLT (LLP0014401-LCA & AF 1146) was registered on 2 January 2018 and with effect from that date, PricewaterhouseCoopers (AF 1146), a conventional partnership was converted to a limited liability partnership.

Signed on behalf of the Board of Directors in accordance with their resolution dated 8 February 2018.

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 2017

	Note	Group		Company	
		2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Revenue	6	**8,696,438**	8,611,796	**1,220,000**	8,858,400
Traffic, commissions and other direct costs		**(1,954,559)**	(2,139,053)	**-**	-
Spectrum licence fees		**(198,275)**	(147,243)	**-**	-
Network costs		**(786,698)**	(791,971)	**-**	-
Staff and resource costs	7	**(576,098)**	(526,540)	**-**	-
Operation and maintenance costs		**(341,776)**	(319,050)	**-**	-
Marketing costs		**(160,419)**	(196,475)	**-**	-
Impairment of receivables and deposits, net		**(93,877)**	(82,392)	**-**	-
Impairment of investments in subsidiaries	18	**-**	-	**(195,000)**	(6,725,000)
Government grant and other income		**233,574**	203,754	**562**	472
Other operating expenses		**(122,115)**	(30,082)	**(10,344)**	(11,935)
Depreciation and amortisation	9	**(1,418,540)**	(1,430,741)	**-**	-
Finance income	10(a)	**61,309**	54,778	**21,326**	8,628
Finance costs	10(b)	**(445,032)**	(469,943)	**(25,483)**	(299,629)
Profit before tax	11	**2,893,932**	2,736,838	**1,011,061**	1,830,936
Tax expenses	12	**(702,378)**	(724,212)	**(5,632)**	(604)
Profit for the financial year		**2,191,554**	2,012,626	**1,005,429**	1,830,332
Attributable to:					
- equity holders of the Company		**2,191,554**	2,013,161		
- non-controlling interest		**-**	(535)		
		2,191,554	2,012,626		
Earnings per share for profit attributable to the equity holders of the Company:					
- basic (sen)	13(a)	**28.61**	26.81		
- diluted (sen)	13(b)	**28.61**	26.81		

The notes on pages 95 to 191 form part of these financial statements.

Statements of Comprehensive Income

For the financial year ended 31 December 2017

	Note	Group		Company	
		2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Profit for the financial year		**2,191,554**	2,012,626	**1,005,429**	1,830,332
Other comprehensive expenses:					
Item that will be reclassified subsequently to profit or loss:					
- net change in cash flow hedge	32(d)	**(32,442)**	(28,819)	**(27,026)**	(36,165)
Total comprehensive income for the financial year		**2,159,112**	1,983,807	**978,403**	1,794,167
Attributable to:					
- equity holders of the Company		**2,159,112**	1,984,342		
- non-controlling interest		**-**	(535)		
		2,159,112	1,983,807		

The notes on pages 95 to 191 form part of these financial statements.

Statements of Financial Position

As at 31 December 2017

	Note	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
ASSETS					
NON-CURRENT ASSETS					
Property, plant and equipment	15	**4,841,261**	4,502,020	**-**	-
Intangible assets	16	**11,354,176**	11,296,627	**-**	-
Investments in subsidiaries	18	**-**	-	**27,689,195**	28,372,380
Available-for-sale investment	20	**-**	-	**-**	-
Receivables, deposits and prepayments	21	**801,522**	871,280	**-**	-
Derivative financial instruments	22	**2,565**	470,045	**-**	463,444
Deferred tax assets	23	**7,625**	45,229	**-**	-
TOTAL NON-CURRENT ASSETS		**17,007,149**	17,185,201	**27,689,195**	28,835,824
CURRENT ASSETS					
Inventories	24	**4,494**	5,942	**-**	-
Receivables, deposits and prepayments	21	**1,581,662**	1,582,431	**4,651**	35
Amount due from penultimate holding company	25	**1,289**	765	**-**	-
Amounts due from fellow subsidiaries	25	**-**	29	**-**	-
Amounts due from related parties	26	**29,336**	21,922	**-**	-
Amounts due from subsidiaries	17	**-**	-	**-**	4
Loan to a subsidiary	17	**-**	-	**392,036**	-
Derivative financial instruments	22	**-**	143,585	**-**	141,329
Tax recoverable		**23,167**	20,858	**-**	974
Deposits, cash and bank balances	27	**602,127**	682,346	**9,757**	12,300
TOTAL CURRENT ASSETS		**2,242,075**	2,457,878	**406,444**	154,642
TOTAL ASSETS		**19,249,224**	19,643,079	**28,095,639**	28,990,466

The notes on pages 95 to 191 form part of these financial statements.

Statements of Financial Position
As at 31 December 2017

	Note	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
LESS: CURRENT LIABILITIES					
Provisions for liabilities and charges	28	**110,661**	96,708	**-**	-
Payables and accruals	29	**3,299,107**	3,633,201	**1,213**	611
Amount due to a subsidiary	17	**-**	-	**268**	177
Amounts due to fellow subsidiaries	25	**2,004**	-	**-**	-
Amounts due to related parties	26	**22,874**	14,229	**-**	-
Borrowings	30	**205,358**	1,101,294	**-**	590,035
Derivative financial instruments	22	**1,535**	-	**-**	-
Taxation		**291,145**	151,174	**3,251**	-
TOTAL CURRENT LIABILITIES		**3,932,684**	4,996,606	**4,732**	590,823
NET CURRENT (LIABILITIES)/ASSETS		**(1,690,609)**	(2,538,728)	**401,712**	(436,181)
NON-CURRENT LIABILITIES					
Provisions for liabilities and charges	28	**170,341**	164,353	**-**	-
Payables and accruals	29	**227,380**	418,105	**-**	-
Borrowings	30	**7,439,936**	8,762,728	**-**	1,449,039
Deferred tax liabilities	23	**436,972**	580,388	**-**	-
TOTAL NON-CURRENT LIABILITIES		**8,274,629**	9,925,574	**-**	1,449,039
NET ASSETS		**7,041,911**	4,720,899	**28,090,907**	26,950,604
EQUITY					
Share capital	31	**2,468,942**	751,031	**2,468,942**	751,031
Reserves	32	**4,572,969**	3,969,868	**25,621,965**	26,199,573
TOTAL EQUITY		**7,041,911**	4,720,899	**28,090,907**	26,950,604

The notes on pages 95 to 191 form part of these financial statements.

Statements of Changes in Equity

For the financial year ended 31 December 2017

Group	Note	Issued and fully paid ordinary shares Number of shares '000	Share capital RM'000	Share premium RM'000	Merger relief (Note 32(b)) RM'000	Reserve arising from reverse acquisition (Note 32(c)) RM'000	Other reserves (Note 32(d)) RM'000	Retained earnings RM'000	Total equity RM'000
At 1 January 2017		7,510,314	751,031	61,974	22,728,901	(22,728,901)	145,379	3,762,515	4,720,899
Transition to no-par value regime	32(a)	-	61,994	(61,994)	-	-	-	-	-
Profit for the financial year		-	-	-	-	-	-	2,191,554	2,191,554
Other comprehensive expense for the financial year		-	-	-	-	-	(32,442)	-	(32,442)
Total comprehensive (expense)/ income for the financial year		-	-	-	-	-	(32,442)	2,191,554	2,159,112
Issuance of new shares, net of expenses		300,000	1,654,504	-	-	-	-	-	1,654,504
Dividends for the financial year ended 2016	14	-	-	-	-	-	-	(375,517)	(375,517)
Dividends for the financial year ended 2017	14	-	-	-	-	-	-	(1,156,579)	(1,156,579)
ESOS and LTIP:									
- share-based payment expense		-	-	-	-	-	37,333	-	37,333
- shares issued		250	1,413	20	-	-	(54)	-	1,379
- share options lapsed		-	-	-	-	-	(175)	175	-
Incentive arrangement:									
- share-based payment expense	31(d)	-	-	-	-	-	4,334	-	4,334
- shares acquired		-	-	-	-	-	(3,554)	-	(3,554)
Total transactions with owners, recognised directly in equity		300,250	1,655,917	20	-	-	37,884	(1,531,921)	161,900
At 31 December 2017		7,810,564	2,468,942	-	22,728,901	(22,728,901)	150,821	4,422,148	7,041,911

The notes on pages 95 to 191 form part of these financial statements.

Statements of Changes in Equity

For the financial year ended 31 December 2017

		Attributable to equity holders of the Company									
		Issued and fully paid ordinary shares									
Group	Note	Number of shares '000	Share capital RM'000	Share premium RM'000	Merger relief (Note 32(b)) RM'000	Reserve arising from reverse acquisition (Note 32(c)) RM'000	Other reserves (Note 32(d)) 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)
ESOS and 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	38	-	-	-	-	-	-	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 95 to 191 form part of these financial statements.

Statements of Changes in Equity

For the financial year ended 31 December 2017

Company	Note	Issued and fully paid ordinary shares: Number of shares '000	Issued and fully paid ordinary shares: Share capital RM'000	Share premium RM'000	Merger relief (Note 32(b)) RM'000	Other reserves (Note 32(d)) RM'000	Retained earnings RM'000	Total equity RM'000
At 1 January 2017		7,510,314	751,031	61,974	22,728,901	137,967	3,270,731	26,950,604
Transition to no-par value regime	32(a)	-	61,994	(61,994)	-	-	-	-
Profit for the financial year		-	-	-	-	-	1,005,429	1,005,429
Other comprehensive expense for the financial year		-	-	-	-	(27,026)	-	(27,026)
Total comprehensive (expense)/income for the financial year		-	-	-	-	(27,026)	1,005,429	978,403
Issuance of new shares, net of expenses		300,000	1,654,504	-	-	-	-	1,654,504
Dividends for the financial year ended 2016	14	-	-	-	-	-	(375,517)	(375,517)
Dividends for the financial year ended 2017	14	-	-	-	-	-	(1,156,579)	(1,156,579)
ESOS and LTIP:								
- share-based payment expense		-	-	-	-	37,333	-	37,333
- shares issued		250	1,413	20	-	(54)	-	1,379
- share options lapsed		-	-	-	-	(175)	175	-
Incentive arrangement:								
- share-based payment expense	31(d)	-	-	-	-	4,334	-	4,334
- shares acquired		-	-	-	-	(3,554)	-	(3,554)
Total transactions with owners, recognised directly in equity		300,250	1,655,917	20	-	37,884	(1,531,921)	161,900
At 31 December 2017		7,810,564	2,468,942	-	22,728,901	148,825	2,744,239	28,090,907

The notes on pages 95 to 191 form part of these financial statements.

Statements of Changes in Equity

For the financial year ended 31 December 2017

Company	Note	Issued and fully paid ordinary shares Number of shares '000	Issued and fully paid ordinary shares Share capital RM'000	Share premium RM'000	Merger relief (Note 32(b)) RM'000	Other reserves (Note 32(d)) RM'000	Retained earnings RM'000	Total equity RM'000
At 1 January 2016		7,509,976	750,998	60,027	23,003,864	141,824	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	(274,963)	32,308	(1,226,916)	(1,467,591)
At 31 December 2016		7,510,314	751,031	61,974	22,728,901	137,967	3,270,731	26,950,604

The notes on pages 95 to 191 form part of these financial statements.

Statements of Cash Flows

For the financial year ended 31 December 2017

	Note	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit for the financial year		**2,191,554**	2,012,626	**1,005,429**	1,830,332
Adjustments for:					
Allowance for/(reversal of) (net) impairment of:					
- available-for-sale investment		**-**	50	**-**	-
- investments in subsidiaries		**-**	-	**195,000**	6,725,000
- receivables and deposits		**115,774**	104,615	**-**	-
(Reversal of)/allowance for (net) inventories obsolescence		**(12)**	910	**-**	-
Bad debts recovered		**(21,897)**	(22,223)	**-**	-
Dividend income		**-**	-	**(1,220,000)**	(8,858,400)
Unrealised fair value losses/(gains) on forward foreign exchange contracts		**2,421**	(1,313)	**-**	-
Finance costs		**445,032**	469,943	**25,483**	299,629
Finance income		**(61,309)**	(54,778)	**(21,326)**	(8,628)
Intangible assets:					
- amortisation		**397,585**	340,987	**-**	-
- impairment		**129**	296	**-**	-
Property, plant and equipment:					
- depreciation		**1,020,955**	1,089,754	**-**	-
- gain on disposal		**(5,391)**	(19,438)	**-**	-
- net allowance for/(reversal of) impairment		**2,899**	(46,612)	**-**	-
- write offs		**15,085**	33,729	**-**	-
(Write-back of)/provision for (net):					
- contract obligations and legal claims		**(4,358)**	(47,979)	**-**	-
- site rectification and decommissioning works		**4,647**	41	**-**	-
- staff incentive scheme		**104,895**	85,213	**-**	-
Share-based payments		**41,667**	38,375	**-**	-
Tax expenses		**702,378**	724,212	**5,632**	604
Unrealised gain on foreign exchange		**(80,267)**	(18,623)	**-**	-
		4,871,787	4,689,785	**(9,782)**	(11,463)
Payments for:					
- site rectification and decommissioning works	28	**(2,381)**	(6,340)	**-**	-
- staff incentive scheme	28	**(95,790)**	(85,282)	**-**	-
Operating cash flows before working capital changes		**4,773,616**	4,598,163	**(9,782)**	(11,463)

The notes on pages 95 to 191 form part of these financial statements.

Statements of Cash Flows

For the financial year ended 31 December 2017

	Note	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES (continued)					
Changes in working capital:					
Inventories		**1,460**	6,395	**-**	-
Receivables		**(189,158)**	(865,259)	**(3,683)**	45
Payables		**(130,851)**	(86,540)	**602**	166
Balances with:					
- related parties		**1,231**	7,425	**-**	-
- fellow subsidiaries		**2,033**	(2,241)	**-**	-
- penultimate holding company		**(524)**	(558)	**-**	-
- subsidiaries		**-**	-	**145**	1,526
Cash flows from/(used in) operations		**4,457,807**	3,657,385	**(12,718)**	(9,726)
Dividends received		**-**	-	**1,749,800**	8,858,400
Interest received		**36,441**	36,392	**19,289**	10,698
Tax paid		**(671,458)**	(593,684)	**(2,337)**	(614)
Net cash flows from operating activities		**3,822,790**	3,100,093	**1,754,034**	8,858,758
CASH FLOWS FROM INVESTING ACTIVITIES					
Loan to a subsidiary		**-**	-	**(444,360)**	-
Loan repayments from subsidiaries		**-**	-	**54,360**	635,000
Purchase of intangible assets		**(455,263)**	(370,783)	**-**	-
Property, plant and equipment:					
- purchase		**(1,492,438)**	(1,487,250)	**-**	-
- disposal proceeds		**5,457**	28,046	**-**	-
Placement of deposits with maturity of more than three months		**(2,820)**	(20,501)	**-**	-
Net cash flows (used in)/from investing activities		**(1,945,064)**	(1,850,488)	**(390,000)**	635,000

The notes on pages 95 to 191 form part of these financial statements.

Statements of Cash Flows

For the financial year ended 31 December 2017

	Note	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 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 private placement		**1,654,504**	-	**1,654,504**	-
Proceeds from issuance of shares pursuant to ESOS		**1,379**	1,914	**1,379**	1,914
Shares acquired pursuant to incentive arrangement		**(3,554)**	(5,831)	**(3,554)**	(5,831)
Drawdown of borrowings		**744,360**	7,790,000	**-**	-
Repayments of:					
- borrowings		**(2,414,560)**	(7,631,500)	**(1,460,200)**	(7,631,500)
- lease financing		**(7,462)**	(6,836)	**-**	-
- loan from a related party		**-**	(28,875)	**-**	-
Payments of finance costs		**(403,336)**	(485,371)	**(26,610)**	(349,312)
Ordinary share dividends paid		**(1,532,096)**	(1,502,049)	**(1,532,096)**	(1,502,049)
Net cash flows used in financing activities		**(1,960,765)**	(1,884,381)	**(1,366,577)**	(9,502,611)
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(83,039)**	(634,776)	**(2,543)**	(8,853)
EFFECTS OF EXCHANGE RATE CHANGES		**-**	173	**-**	-
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL YEAR		**661,845**	1,296,448	**12,300**	21,153
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR	27	**578,806**	661,845	**9,757**	12,300

The notes on pages 95 to 191 form part of these financial statements.

Notes to the Financial Statements

31 December 2017

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 2016 in Malaysia. The financial statements have been prepared under the historical cost convention except as disclosed in the summary of significant accounting policies in Note 3 to the financial statements.

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

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

Notes to the Financial Statements
31 December 2017

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 2017:

- Amendments to MFRS 107 "Statement of Cash Flows – Disclosure Initiative"
- Amendments to MFRS 112 "Income Taxes – Recognition of Deferred Tax Assets for Unrealised Losses"
- Annual Improvements to MFRSs 2014-2016 Cycle: MFRS 12 "Disclosures of Interests in Other Entities"

The adoption of the Amendments to MFRS 107 required disclosures of changes in liabilities arising from financing activities. Other than that, the adoption of these 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 2017. 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:

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

  Classification of financial assets

  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 ("OCI"). 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 always measured at fair value through profit or loss with an irrevocable option at inception to present changes in fair value in OCI (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.

  Classification of financial liabilities

  MFRS 9 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 OCI rather than the statement of profit or loss, unless this creates an accounting mismatch.

Notes to the Financial Statements
31 December 2017

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 9 "Financial Instruments" (effective from 1 January 2018) replaces MFRS 139 "Financial Instruments: Recognition and Measurement". (continued)

  Impairment of financial assets

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

  It applies to financial assets classified at amortised cost, debt instruments measured at fair value in OCI, contract assets under MFRS 15 "Revenue from Contracts with Customers", lease receivables, loan commitments and certain financial guarantee contracts.

  Based on the assessments undertaken to date, the Group does not expect the above new requirements to affect the classification and measurements of its financial assets and financial liabilities. On the ECL impact, the Group expects an increase in the Group's allowance for impairment by less than 5% of receivables and deposits.

- MFRS 15 "Revenue from Contracts with Customers" (effective from 1 January 2018) replaces 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.

  A new five-step process is applied before revenue can be recognised:
  (i) Identify contracts with customers;
  (ii) Identify the separate performance obligations;
  (iii) Determine the transaction price of the contract;
  (iv) Allocate the transaction price to each of the separate performance obligations; and
  (v) Recognise the revenue as each performance obligation is satisfied.

  The Group has identified the following areas that will have a material impact on the Group's financial statements:

  Accounting for sale of device as part of bundled telecommunication service package

  MFRS 15 requires devices which the Group promises to transfer as part of a bundled package with mobile telecommunication services to be considered distinct and thus accounted for as a separate performance obligation. As a result, total consideration received from such package will be allocated to the service and device based on relative stand-alone selling prices. This will result in an allocation and early recognition of a portion of telecommunication service revenue as device revenue, an earlier recognition of customer acquisition cost which is capitalised as intangible asset currently as loss on device sale in the month of acquisition and subsequently, a reduction in service revenue throughout the contract period.

  A contract asset will be recognised when the Group delivers the device before the payment is due. If the payment happens before the delivery of device, then a contract liability will be recognised. Contract assets and contract liabilities will be presented separately in the statements of financial position.

Notes to the Financial Statements
31 December 2017

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 15 "Revenue from Contracts with Customers" (effective from 1 January 2018) replaces MFRS 118 "Revenue" and MFRS 111 "Construction Contracts" and related interpretations. (continued)

  Incremental costs of obtaining a contract

  Under MFRS 15, the Group will capitalise sales commissions and device costs (for those device which is bundled with fixed line telecommunication service and not distinct) as costs of obtaining a contract with a customer when they are incremental and expected to be recovered over more than a year. These costs will then be amortised consistently with the transfer of the good or service to the customer. Currently, these costs are recognised in the statement of profit or loss.

  The Group intends to adopt the standard using the full retrospective approach, requiring the restatement of comparative period presented in the financial statements.

  Arising from the above, the Group estimates the below impact to its consolidated financial statements:
  (i) Reductions in the below balances on 1 January 2018:
    - on intangible assets by approximately RM410,000,000; and
    - on retained earnings, in the range of RM120,000,000 to RM140,000,000.

  (ii) Contract assets in the range of RM500,000,000 to RM550,000,000 will be presented in the statements of financial position.

- Amendments to MFRS 2 "Share-based Payment" ("MFRS 2") (effective from 1 January 2018) on Classification and Measurement of Share-based Payment Transactions clarifies the measurement basis for cash-settled, share-based payments and the accounting for modifications that change an award from cash-settled to equity-settled. It also introduces an exception to the principles in MFRS 2 that will require an award to be treated as if it was wholly equity-settled, where an employer is obliged to withhold an amount for the employee's tax obligation associated with a share-based payment and pay that amount to the tax authority.

  Based on the assessment undertaken to date, the Group does not expect amendments to MFRS 2 to have a significant effect on the consolidated and separate financial statements of the Group and of the Company.

- 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.

  An entity has the option to apply IC Interpretation 22 retrospectively or prospectively.

  Based on the assessment undertaken to date, the Group does not expect IC Interpretation 22 to have a significant effect on the consolidated and separate financial statements of the Group and of the Company.

Notes to the Financial Statements
31 December 2017

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

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

- IC Interpretation 23 "Uncertainty over Income Tax Treatments" (effective 1 January 2019) provides guidance on how to recognise and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment.

  If an entity concludes that it is not probable that the tax treatment will be accepted by the tax authority, the effect of the tax uncertainty should be included in the period when such determination is made. An entity shall measure the effect of uncertainty using the method which best predicts the resolution of the uncertainty.

  IC Interpretation 23 will be applied retrospectively.

The Group and the Company are in the process of assessing the impact of MFRS 16 and IC Interpretation 23 to the financial statements of the Group and of the Company in the year of initial application.

(c) Prior year comparatives

The presentation of the statements of profit or loss has been changed as management is of the view that this will be more useful to the financial statements users. As a result, certain reclassifications were made to the comparatives of the statements of profit or loss to conform to the current financial year presentation.

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.

Notes to the Financial Statements

31 December 2017

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of consolidation (continued)

(i) Subsidiaries (continued)

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

Acquisition-related costs are expensed as incurred.

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

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in 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 2017

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	**2017 RM**	2016 RM
1 Singapore Dollar ("SGD")	**3.03**	3.10
1 Special Drawing Rights ("SDR")[1]	**5.84**	6.04
1 United States Dollar ("USD")	**4.05**	4.49

Note:
[1] Represents international accounting settlement rate with international carriers.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Property, plant and equipment

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

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

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

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

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

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

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

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

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

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

Notes to the Financial Statements
31 December 2017

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Property, plant and equipment (continued)

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.

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.

Notes to the Financial Statements
31 December 2017

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Intangible assets (continued)

(ii) Goodwill

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

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

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

Goodwill is allocated to cash-generating units ("CGUs") for the purpose of impairment testing. Goodwill is not amortised but is tested annually for impairment or more frequently if events or changes in circumstances indicate that it might be impaired. See accounting policy Note 3(g)(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.

(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.

Notes to the Financial Statements

31 December 2017

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Financial instruments (continued)

(i) Classification and measurement

Financial assets

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

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

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

Loans and receivables

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

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

Available-for-sale

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

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

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

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 2017

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 2017

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 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 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 uses 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 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.

Notes to the Financial Statements
31 December 2017

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Fair value estimates

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

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

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

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

(j) Inventories

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

(k) 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 deposits with maturity more than three months.

Notes to the Financial Statements
31 December 2017

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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.

(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.

Notes to the Financial Statements
31 December 2017

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Borrowings (continued)

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

(i) Borrowings in a designated hedging relationship

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

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

(ii) Borrowings not in a designated hedging relationship

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

(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.

Notes to the Financial Statements
31 December 2017

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) Provisions for liabilities and charges (continued)

(ii) Contract obligations and legal claims

Provisions for contract obligations and legal claims were made in respect of network and content costs. The Group recognised a provision for contract obligations when the expected benefits to be derived from a contract were less than the unavoidable costs of meeting the obligations under the contract. Contract obligations were 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.

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.

Notes to the Financial Statements

31 December 2017

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(q) Income taxes (continued)

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 2017

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(t) Employee benefits

(i) Short-term employee benefits

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

(ii) Post-employment benefits

Defined contribution plans

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity on a mandatory, contractual or voluntary basis, and the Group has no legal or constructive 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 contributions to defined contribution plans are charged to the statement of profit or loss in the period to which they relate. Once the contributions have been paid, the Group has no further payment obligations. The Group recognises a provision when an employee has provided services in exchange for employee benefits to be paid in the future. When contributions to a defined contribution plan are not expected to be settled wholly before 12 months after the end of the reporting period in which the employees render the related service, they shall be discounted to present value.

(iii) Other long-term employee benefits

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

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

Notes to the Financial Statements
31 December 2017

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(t) Employee benefits (continued)

(iv) Share-based compensation benefits

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

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

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

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

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

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

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

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 2017

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

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3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(u) Revenue recognition (continued)

(ii) Dividend income

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

(iii) Interest income

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

(v) Government grants

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

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

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

(w) Contingent liabilities

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

(x) Segment reporting

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

Notes to the Financial Statements
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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. See Note 15 to the financial statements for the impact of the changes in the estimated useful lives.

(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
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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	
	2017 RM'000	**2016 RM'000**
Malaysia	**8,497,648**	8,447,915
Other countries[2]	**198,790**	163,881
Total revenue	**8,696,438**	8,611,796
EBITDA[1]	**4,708,917**	4,550,719

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	
	2017 RM'000	**2016 RM'000**	**2017 RM'000**	**2016 RM'000**
Telecommunications and digital services	**8,620,219**	8,539,235	**-**	-
Sale of devices	**76,219**	72,561	**-**	-
Dividend income from subsidiaries	**-**	-	**1,220,000**	8,858,400
	8,696,438	8,611,796	**1,220,000**	8,858,400

Notes to the Financial Statements
31 December 2017

7 STAFF AND RESOURCE COSTS

	Group	
	2017 RM'000	2016 RM'000
Wages, salaries and bonuses	**425,334**	384,199
Defined contribution plan	**48,207**	45,463
Other short-term employee benefits	**58,924**	54,577
Other long-term employee benefits	**1,966**	3,926
Incentive arrangement	**4,334**	7,648
ESOS and LTIP	**37,333**	30,727
	576,098	526,540

Staff and resource costs include the following:

(a) Director's salaries, other short-term and long-term employee benefits, and incentive arrangement as disclosed in Note 8(a); and

(b) Key management personnel salaries and other short-term employee benefits, defined contribution plan and share-based payments as disclosed in Note 8(b).

8 REMUNERATION OF DIRECTORS AND KEY MANAGEMENT PERSONNEL

(a) Directors' remuneration

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

		Group		Company	
	Note	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Non-Executive Directors					
Fees		**3,180**	2,777	**3,180**	2,777
Estimated monetary value of benefits-in-kind		**51**	45	**51**	45
		3,231	2,822	**3,231**	2,822
Executive Director					
Salaries and other short-term employee benefits		**26,999**	20,183	**-**	-
Other long-term employee benefits		**-**	3,926	**-**	-
Incentive arrangement	31(d)	**4,334**	7,648	**-**	-
Estimated monetary value of benefits-in-kind		**470**	186	**-**	-
		31,803	31,943	**-**	-
Total Directors' remuneration		**35,034**	34,765	**3,231**	2,822

Notes to the Financial Statements
31 December 2017

8 REMUNERATION OF DIRECTORS AND KEY MANAGEMENT PERSONNEL (CONTINUED)

(b) Key management personnel remuneration

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

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

	Group	
	2017 RM'000	**2016 RM'000**
Salaries and other short-term employee benefits	**14,140**	11,902
Defined contribution plan	**1,601**	1,385
Share-based payments	**12,755**	4,901
Estimated monetary value of benefits-in-kind	**70**	69
	28,566	18,257

Total key management personnel remuneration of the Group and of the Company for the financial year is RM63,600,000 (2016: RM53,022,000) and RM3,231,000 (2016: RM2,822,000) respectively.

9 DEPRECIATION AND AMORTISATION

		Group	
	Note	**2017 RM'000**	**2016 RM'000**
Depreciation of property, plant and equipment	15	**1,020,955**	1,089,754
Amortisation of intangible assets	16	**397,585**	340,987
		1,418,540	1,430,741

Notes to the Financial Statements
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10 FINANCE INCOME AND COSTS

	Note	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
(a) Finance income					
Interest income on:					
- deposits with licensed banks		**36,341**	36,489	**13,319**	1,737
- loans due from subsidiaries		**-**	-	**8,007**	6,891
- receivables		**24,968**	18,289	**-**	-
		61,309	54,778	**21,326**	8,628
(b) Finance costs					
Accretion of site rectification and decommissioning works costs and changes in costs estimate on provision (net)	28	**5,000**	8,749	**-**	-
Loss/(gain) from cross currency interest rate swap ("CCIRS") and interest rate swap ("IRS") settlements		**274**	(9,192)	**(7,615)**	(9,192)
Interest expense on:					
- bank borrowings		**106,450**	144,815	**34,883**	111,979
- deferred payment creditors		**26,518**	19,542	**-**	-
- finance leases		**329**	1,004	**-**	-
- loan from a related party		**-**	2,504	**-**	-
- others		**1,821**	2,978	**-**	279
Gain on foreign exchange on bank borrowings		**(579,532)**	(139,495)	**(579,532)**	(139,495)
Net fair value loss on CCIRS and IRS: cash flow hedge, reclassified from equity	32(d)	**577,737**	136,188	**577,747**	136,163
Profit on:					
- Commodity Murabahah Term Financing		**102,517**	119,735	**-**	52,227
- Islamic Medium Term Notes		**203,918**	183,115	**-**	147,668
		445,032	469,943	**25,483**	299,629

Notes to the Financial Statements
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11 PROFIT BEFORE TAX

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

	Note	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
Allowance for/(reversal of) (net) impairment of:					
- available-for-sale investment	20	-	50	-	-
- receivables and deposits	21(c)	**115,774**	104,615	-	-
(Reversal of)/allowance for (net) inventories obsolescence		**(12)**	910	-	-
Auditors' remuneration:					
- fees for statutory audits:					
- auditors of the Group		**951**	819	**30**	30
- fees for audit related services:					
- auditors of the Group[(1)]		**898**	473	**336**	341
- others		**48**	36	-	-
- fees for other services:					
- auditors of the Group[(1)]		-	12	-	-
- member firms of PwC Malaysia[(2)]		**1,666**	738	**21**	17
- others		-	290	-	-
Bad debts recovered		**(21,897)**	(22,223)	-	-
Commissions and incentives		**382,408**	401,476	-	-
Fair value losses/(gains) on forward foreign exchange contracts					
- unrealised		**2,421**	(1,313)	-	-
- realised		**11,062**	(7,654)	-	-
Government grant		**(218,511)**	(171,232)	-	-
Intangible assets:					
- impairment	16	**129**	296	-	-
Inter-operator traffic expenses		**966,637**	1,084,242	-	-
Licences and Universal Service Provision ("USP") contributions under the Communications and Multimedia Act, 1998 and subsidiary legislation		**339,495**	445,923	-	-

Notes:

(1) Fees incurred in connection with performance of half-year reviews, agreed-upon procedures, and regulatory compliance reporting paid or payable to PricewaterhouseCoopers PLT (LLP0014401–LCA & AF 1146) ("PwC Malaysia"), auditors of the Group and of the Company.

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

Notes to the Financial Statements
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11 PROFIT BEFORE TAX (CONTINUED)

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

		Group		Company	
	Note	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Loss/(gain) on foreign exchange:					
- realised		**21,705**	37,936	**34**	78
- unrealised		**(80,267)**	(18,623)	**-**	-
Management fees charged by subsidiaries		**-**	-	**3,265**	5,028
Property, plant and equipment:					
- gain on disposal		**(5,391)**	(19,438)	**-**	-
- net allowance for/(reversal of) impairment	15	**2,899**	(46,612)	**-**	-
- write offs		**15,085**	33,729	**-**	-
(Write-back of)/provision for (net):					
- contract obligations and legal claims	28	**(4,358)**	(47,979)	**-**	-
- site rectification and decommissioning works	28	**4,647**	41	**-**	-
- staff incentive scheme (included in staff and resource costs)	28	**104,895**	85,213	**-**	-
Rental of:					
- equipment		**33,067**	15,951	**-**	-
- land and buildings		**51,811**	51,010	**-**	-
- network cell sites		**320,705**	315,178	**-**	-

Notes to the Financial Statements
31 December 2017

12 TAX EXPENSES

	Note	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
Current tax:					
- current year		**788,208**	642,265	**5,600**	570
- under/(over) accruals in prior years		**19,982**	(15,066)	**32**	34
		808,190	627,199	**5,632**	604
Deferred tax:					
- origination and reversal of temporary differences		**(87,159)**	91,686	**-**	-
- recognition and reversal of prior years' temporary differences		**(18,653)**	5,327	**-**	-
	23	**(105,812)**	97,013	**-**	-
Tax expenses		**702,378**	724,212	**5,632**	604

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

	Group 2017 %	Group 2016 %	Company 2017 %	Company 2016 %
Numerical reconciliation between the Malaysian tax rate and average effective tax rate				
Malaysian tax rate	**24**	24	**24**	24
Tax effects of:				
- expenses not deductible for tax purposes	**1**	3	**6**	92
- income not subject to tax	**-**	-	**(29)**	(116)
- reduction from standard income tax rate as a result of increase in taxable income	**(1)**	-	**-**	-
Average effective tax rate	**24**	27	**1**	-

As announced in the Malaysian Budget 2017, the Group is eligible for a tax rate reduction of up to 4% when its incremental taxable income as compared to the preceding year of assessment increases by a certain threshold.

Notes to the Financial Statements

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13 EARNINGS PER SHARE

(a) Basic earnings per share

	Group	
	2017	**2016**
Profit attributable to the equity holders of the Company (RM'000)	**2,191,554**	2,013,161
Weighted average number of issued ordinary shares ('000)	**7,660,823**	7,509,122
Basic earnings per share (sen)	**28.61**	26.81

(b) Diluted earnings per share

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

Share grants are treated as contingently issuable shares because their issuance is contingent upon satisfying specified vesting conditions comprising, amongst others, performance targets and/or conditions, as disclosed in Note 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	
	2017	**2016**
Profit attributable to the equity holders of the Company (RM'000)	**2,191,554**	2,013,161
Weighted average number of issued ordinary shares ('000)	**7,660,823**	7,509,122
Adjustment for share options ('000)	**341**	412
Adjusted weighted average number of ordinary shares for diluted earnings per share ('000)	**7,661,164**	7,509,534
Diluted earnings per share (sen)	**28.61**	26.81

Notes to the Financial Statements
31 December 2017

14 DIVIDENDS

	Group and Company			
	2017		2016	
	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 2015:				
- fourth interim ordinary	-	-	5.0	375,507
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
- fourth interim ordinary	**5.0**	**375,517**	-	-
	5.0	**375,517**	15.0	1,126,542
Dividends paid in respect of the financial year ended 31 December 2017:				
- first interim ordinary	**5.0**	**375,525**	-	-
- second interim ordinary	**5.0**	**390,526**	-	-
- third interim ordinary	**5.0**	**390,528**	-	-
	15.0	**1,156,579**	-	-
Dividend per share recognised as distribution to equity holders of the Company	**20.0**	**1,532,096**	20.0	1,502,049

Subsequent to the financial year, on 8 February 2018, 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 2017 which will be paid on 29 March 2018.

The Directors do not recommend the payment of any final dividend in respect of the financial year ended 31 December 2017.

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15 PROPERTY, PLANT AND EQUIPMENT

Group	At 1.1.2017 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 31.12.2017 RM'000
2017							
At cost							
Long-term leasehold land	3,111	-	-	-	-	-	3,111
Short-term leasehold land	3,490	-	-	-	-	-	3,490
Freehold land	11,141	-	-	-	-	-	11,141
Buildings	75,429	-	-	-	-	-	75,429
Telecommunications equipment	7,656,559	37,732	-	969,675	-	(164,246)	8,499,720
Motor vehicles	16,523	543	-	-	(1,235)	-	15,831
Office furniture, fittings and equipment	1,453,509	49,707	-	98,489	-	(530)	1,601,175
	9,219,762	87,982	-	1,068,164	(1,235)	(164,776)	10,209,897
Capital work-in-progress	504,711	1,173,934	-	(953,734)	-	(853)	724,058
Capital inventories	16,409	116,330	-	(114,430)	(438)	-	17,871
	9,740,882	1,378,246	-	-	(1,673)	(165,629)	10,951,826

	At 1.1.2017 RM'000	Charge 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 31.12.2017 RM'000
Accumulated depreciation							
Long-term leasehold land	266	35	-	-	-	-	301
Short-term leasehold land	588	85	-	-	-	-	673
Buildings	14,805	1,312	-	-	-	-	16,117
Telecommunications equipment	4,152,319	826,410	-	-	-	(150,216)	4,828,513
Motor vehicles	3,339	3,510	-	-	(1,169)	-	5,680
Office furniture, fittings and equipment	1,066,279	189,603	-	-	-	(328)	1,255,554
	5,237,596	1,020,955	-	-	(1,169)	(150,544)	6,106,838
Accumulated impairment loss							
Capital inventories	1,266	2,899	-	-	(438)	-	3,727
Accumulated depreciation and impairment loss	5,238,862	1,023,854	-	-	(1,607)	(150,544)	6,110,565

Notes to the Financial Statements
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15 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

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
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15 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Group	
	2017 RM'000	2016 RM'000
Carrying amount		
Long-term leasehold land	**2,810**	2,845
Short-term leasehold land	**2,817**	2,902
Freehold land	**11,141**	11,141
Buildings	**59,312**	60,624
Telecommunications equipment	**3,671,207**	3,504,240
Motor vehicles	**10,151**	13,184
Office furniture, fittings and equipment	**345,621**	387,230
Capital work-in-progress	**724,058**	504,711
Capital inventories	**14,144**	15,143
	4,841,261	4,502,020

For the current financial year, the Group revised the useful lives of certain telecommunications equipment and office equipment ranging from 6 to 10 years (2016: 1 to 10 years), to remaining useful lives ranging from 1 month to 6 years (2016: 1 month to 2 years). The revision was accounted for as a change in accounting estimate and as a result, the depreciation charge for the current financial year has increased by RM17,394,000 (2016: RM8,288,000).

For the financial year ended 31 December 2016, a net reversal of impairment of property, plant and equipment amounted to RM46,612,000 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.

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

	Group	
	2017 RM'000	2016 RM'000
Office furniture, fittings and equipment	**1,723**	4,721

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16 INTANGIBLE ASSETS

Group	Note	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
2017						
At 1 January		**219,087**	**10,707,381**	**12,484**	**357,675**	**11,296,627**
Additions		**-**	**-**	**-**	**455,263**	**455,263**
Amortisation charge	9	**-**	**-**	**(12,484)**	**(385,101)**	**(397,585)**
Impairment loss	11	**-**	**-**	**-**	**(129)**	**(129)**
At 31 December		**219,087**	**10,707,381**	**-**	**427,708**	**11,354,176**
Cost		**219,087**	**10,707,381**	**37,453**	**820,073** [1]	**11,783,994**
Accumulated amortisation		**-**	**-**	**(37,453)**	**(392,236)** [1]	**(429,689)**
Accumulated impairment loss		**-**	**-**	**-**	**(129)**	**(129)**
At 31 December		**219,087**	**10,707,381**	**-**	**427,708**	**11,354,176**
2016						
At 1 January		219,087	10,707,381	19,975	320,684	11,267,127
Additions		-	-	-	370,783	370,783
Amortisation charge	9	-	-	(7,491)	(333,496)	(340,987)
Impairment loss	11	-	-	-	(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

Note:

[1] During the year, the Group wrote off customer acquisition costs of RM368,768,000 (2016: RM264,675,000) that had been fully amortised or impaired.

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16 INTANGIBLE ASSETS (CONTINUED)

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

	Group	
	2017	**2016**
Customer acquisition costs	**1 to 23 months**	1 to 23 months
Other spectrum rights	**-**	12 months

The carrying amount of intangible assets held under a finance lease at the reporting date is RM Nil (2016: RM4,151,000).

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") and 2100MHz.

In the previous financial year, the Group accepted the offer from Malaysian Communications and Multimedia Commission ("MCMC") on the spectrum reallocation and the conversion from Apparatus Assignment to Spectrum Assignment ("SA") for the allocated bands. 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 had assessed the terms and conditions of the SA and are of the view that most of the conditions are existing conditions which the Group does not foresee having difficulties to continue to comply with.

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

On 29 September 2017, the Group received an offer of SA reissuance for the 2100MHz frequency band from MCMC. The details of the offer are as disclosed in Note 39 to the financial statements. The Group accepted the offer on 30 January 2018.

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 (2016: five-year) period.

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16 INTANGIBLE ASSETS (CONTINUED)

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

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

(a) up to mid single digit and high single digit decline in revenue and EBITDA respectively in the next financial budget periods considering the full impact from the termination of a network sharing arrangement and after which, low single digit annual revenue and EBITDA growth for subsequent financial budget periods (2016: compounded revenue and EBITDA annual growth rates of 0.3% and 0.5% respectively). This reflects management's expectation based on past experience and future expectations of business performance and market outlook;

(b) post-tax discount rate of 7.5% (2016: 7.3%). In accordance with the requirements of MFRS 136 "Impairment of Assets", this translates into pre-tax discount rate of 13.2% (2016: 13.9%). The discount rates used reflect specific risks relating to the integrated telecommunication services CGU; and

(c) terminal growth rate of 1.90% (2016: 1.25%) represents the growth rate applied to extrapolate pre-tax cash flow beyond the five (2016: 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% (2016: 10%) in the base case assumptions would not cause the carrying amount of the CGU to exceed its recoverable amount.

17 INTEREST IN SUBSIDIARIES

		Company	
	Note	2017 RM'000	2016 RM'000
Non-current asset:			
- investments in subsidiaries	18	**27,689,195**	28,372,380
Current assets:			
- amounts due from subsidiaries	(a)	**-**	4
- loan to a subsidiary	(b)	**392,036**	-
Current liability:			
- amount due to a subsidiary	(a)	**(268)**	(177)
		28,080,963	28,372,207

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

The amounts due from/(to) subsidiaries are unsecured and with 30 days' credit period (2016: 30 days).

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17 INTEREST IN SUBSIDIARIES (CONTINUED)

(b) Loan to a subsidiary - Interest bearing

The terms of the loan were as follows:

Company					
2017		2016			
Principal amount RM'000	Loans outstanding RM'000	Principal amount RM'000	Loans outstanding RM'000	Currency denomination	Repayment terms
390,000	**392,036**	-	-	RM	The loan is repayable on 25 March 2018.

The above loan to a subsidiary is unsecured and carries interest rate of 5.15% per annum as at 31 December 2017.

18 INVESTMENTS IN SUBSIDIARIES

	Note	Company 2017 RM'000	Company 2016 RM'000
Unquoted shares, at carrying value			
At 1 January		**28,372,380**	35,045,523
Add: Acquisition of additional interest in a subsidiary	38	**-**	15,833
Less: Impairment losses	11	**(195,000)**	(6,725,000)
Less: Recovery of cost of investment through dividend income		**(529,800)**	-
		27,647,580	28,336,356
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		**41,615**	36,024
At 31 December	17	**27,689,195**	28,372,380

During the current financial year, the Company recognised:

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

(b) dividends received from Maxis Mobile Services Sdn. Bhd. ("MMSSB"), a wholly-owned subsidiary, as return of capital thereby reducing the cost of investment as the distribution was made subsequent to the Group's internal reorganisation that was completed on 1 April 2016 where the business and undertakings including relevant assets and liabilities of MMSSB were sold.

In the previous financial year, the Company recognised impairment losses of RM6,725,000,000 in respect of its investment in a wholly-owned subsidiary subsequent to a distribution in connection with the Group's internal reorganisation as disclosed above. The recoverable amount was determined using value in use based on a discount rate of 8.0%.

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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		Paid-up capital	
			2017	2016	2017	2016
Advanced Wireless Technologies Sdn. Bhd. ("AWTSB") (517551-U)	Malaysia	Provider of wireless multimedia related services.	**100%**	100%	**RM3,333,336**	RM3,333,336
Maxis Broadband Sdn. Bhd. ("MBSB") (234053-D)	Malaysia	Provider of a full suite of converged telecommunications, digital and related services and solutions, and corporate support and services functions to its holding companies and fellow subsidiaries.	**100%**	100%	**RM1,000,002**	RM1,000,002
Maxis Collections Sdn. Bhd. (383275-M)	Malaysia	Dormant.	**100%**	100%	**RM2**	RM2
Maxis International Sdn. Bhd. (240071-T)	Malaysia	Provision of telecommunications services.	**100%**	100%	**RM2,500,002**	RM2,500,002
Maxis Mobile Sdn. Bhd. (229892-M)	Malaysia	Operator of mobile telecommunications services for special niche projects such as USP.	**100%**	100%	**RM2,500,002**	RM2,500,002
Maxis Mobile Services Sdn. Bhd. ("MMSSB") (73315-V)	Malaysia	Provision of mobile telecommunications services for special niche projects such as USP.	**100%**	100%	**RM1,293,884,000**	RM1,293,884,000
Maxis Multimedia Sdn. Bhd. (530188-A) - under member's voluntary winding up	Malaysia	Dormant.	**100%**	100%	**RM2**	RM2

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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		Paid-up capital	
			2017	2016	2017	2016
Subsidiary of AWTSB						
UMTS (Malaysia) Sdn. Bhd. (520422-D)	Malaysia	2100MHz spectrum assignment holder.	**100%**	100%	**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)[1]	Malaysia	Holder of investments.	**100%**	100%	**USD10,000**	USD10,000

Note:
[1] Maxis Mobile (L) Ltd is a company registered under the Labuan Companies Act 1990, with shares issued in USD.

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19 FINANCIAL INSTRUMENTS BY CATEGORY

	Note	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
Financial assets:					
Loan to a subsidiary	17	**-**	-	**392,036**	-
Receivables and deposits		**1,491,767**	1,453,745	**7**	35
Amount due from penultimate holding company	25	**1,289**	765	**-**	-
Amounts due from fellow subsidiaries	25	**-**	29	**-**	-
Amounts due from related parties	26	**29,336**	21,922	**-**	-
Amounts due from subsidiaries	17	**-**	-	**-**	4
Deposits, cash and bank balances	27	**602,127**	682,346	**9,757**	12,300
Loans and receivables		**2,124,519**	2,158,807	**401,800**	12,339
Derivative financial instruments	22	**1,030**	613,630	**-**	604,773
Financial liabilities:					
Payables and accruals		**2,328,983**	2,837,448	**1,213**	611
Amount due to a subsidiary	17	**-**	-	**268**	177
Amounts due to fellow subsidiaries	25	**2,004**	-	**-**	-
Amounts due to related parties	26	**22,874**	14,229	**-**	-
Borrowings	30	**7,645,294**	9,864,022	**-**	2,039,074
Other financial liabilities		**9,999,155**	12,715,699	**1,481**	2,039,862

20 AVAILABLE-FOR-SALE INVESTMENT

	Group 2017 RM'000	Group 2016 RM'000
Unquoted shares, at cost	**50**	50
Less: Accumulated impairment losses	**(50)**	(50)
	-	-

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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.

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

21 RECEIVABLES, DEPOSITS AND PREPAYMENTS

		Group		Company	
	Note	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Non-current					
Trade receivables	(a)	**67,145**	82,398	**-**	-
Prepayments	(b)	**735,075**	789,525	**-**	-
		802,220	871,923	**-**	-
Allowance for impairment:	(c)				
- trade receivables		**(698)**	(643)	**-**	-
		801,522	871,280	**-**	-
Current					
Trade receivables	(a)	**985,532**	1,034,382	**-**	-
Other receivables		**382,720**	297,894	**4,648**	2
Deposits		**144,978**	130,836	**3**	33
Prepayments	(b)	**156,342**	210,441	**-**	-
		1,669,572	1,673,553	**4,651**	35
Allowance for impairment:	(c)				
- trade receivables		**(67,298)**	(76,172)	**-**	-
- other receivables		**(13,211)**	(4,262)	**-**	-
- deposits		**(7,401)**	(10,688)	**-**	-
		(87,910)	(91,122)	**-**	-
		1,581,662	1,582,431	**4,651**	35
		2,383,184	2,453,711	**4,651**	35

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21 RECEIVABLES, DEPOSITS AND PREPAYMENTS (CONTINUED)

(a) Trade receivables

The Group's trade receivables include receivables on deferred payment terms amounting to RM275,138,000 (2016: RM292,875,000), which allow 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 (2016: 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	
	2017 **RM'000**	**2016** **RM'000**
Subscribers:		
- individual	**651,885**	659,448
- corporate	**179,685**	190,893
Interconnect and roaming:		
- domestic	**78,926**	143,808
- international	**93,793**	67,192
Distributors	**48,388**	55,439
	1,052,677	1,116,780

Trade receivables are secured by subscribers' deposits and bank guarantees of RM16,312,000 (2016: RM27,005,000) and RM36,550,000 (2016: RM35,700,000) respectively.

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

	Group	
	2017 **RM'000**	**2016** **RM'000**
Neither past due nor impaired	**841,732**	863,029
1 to 90 days past due not impaired	**15,629**	59,662
91 to 180 days past due not impaired	**2,811**	951
More than 180 days past due not impaired	**578**	953
	860,750	924,595
Impaired[1]:		
- collectively	**157,523**	152,593
- individually[2]	**34,404**	39,592
	191,927	192,185
	1,052,677	1,116,780

Notes:

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

(2) Individually impaired due to default in payment terms.

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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 paid in the financial year ended 31 December 2016 for the 900MHz and 1800MHz Spectrum Assignment. The upfront fee is amortised over a period of 15 years effective 1 July 2017. The carrying amount as at 31 December 2017 is RM789,525,000 (2016: RM816,750,000).

(c) Allowance for impairment

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

		Group	
	Note	2017 RM'000	2016 RM'000
At 1 January		**91,765**	60,516
Charged to statement of profit or loss	11	**130,953**	128,236
Reversed from statement of profit or loss	11	**(15,179)**	(23,621)
Amount written off		**(118,931)**	(73,366)
At 31 December		**88,608**	91,765

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22 DERIVATIVE FINANCIAL INSTRUMENTS

	Note	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
Non-current assets					
Derivative designated in hedging relationship					
CCIRS:	(a)				
- cash flow hedge on USD denominated borrowings		-	409,034	-	409,034
- cash flow hedge on SGD denominated borrowings		-	54,410	-	54,410
		-	463,444	-	463,444
IRS:	(b)				
- cash flow hedge on RM denominated borrowings		**2,565**	6,601	-	-
		2,565	470,045	-	463,444
Current assets					
Derivative designated in hedging relationship					
CCIRS:	(a)				
- cash flow hedge on USD denominated borrowings		-	141,329	-	141,329
Forward foreign exchange contracts:	(c)				
- cash flow hedge on USD forecast transactions		-	786	-	-
Derivative not designated in hedging relationship					
Forward foreign exchange contracts	(c)	-	1,470	-	-
		-	143,585	-	141,329
		2,565	613,630	-	604,773

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22 DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

	Note	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
Current liabilities					
Derivative designated in hedging relationship					
Forward foreign exchange contracts:	(c)				
- cash flow hedge on USD forecast transactions		**584**	-	**-**	-
Derivative not designated in hedging relationship					
Forward foreign exchange contracts	(c)	**951**	-	**-**	-
		1,535	-	**-**	-
		1,030	613,630	**-**	604,773

(a) CCIRS

The details of the open CCIRS were as below:

	Group and Company 2017	Group and Company 2016
Notional principal (RM'000 equivalent)	**-**	1,460,200
Fixed interest rate	**-**	4.75% - 5.25%
Floating interest rate	**-**	3.82% - 4.11%

The Group and the Company entered into CCIRS to hedge the volatility in the cash flow attributable to variability in the foreign currency denominated borrowings. Following the repayments of such borrowings as disclosed in Note 30 to the financial statements, the Group and the Company settled all outstanding CCIRS.

During the financial year, the Group and the Company paid RM in exchange for receiving USD and SGD at predetermined exchange rates that ranged from RM3.03/USD to RM4.45/USD (2016: RM3.03/USD to RM3.40/USD) and RM2.39/SGD to RM3.17/SGD (2016: RM2.39/SGD) on the notional amounts at their respective settlement dates.

(b) IRS

The Group has entered into IRS to hedge its exposure to interest rate risk on borrowings. During the financial year, the Group early settled one of its IRS amounting to RM200,000,000.

The details of the open IRS are set out below:

	Group 2017	Group 2016
Notional principal (RM'000 equivalent)	**500,000**	700,000
Fixed interest rate	**4.70%**	4.76% - 4.87%

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22 DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

(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	
	2017	**2016**
Notional principal (RM'000 equivalent)	**66,410**	79,055
Contract value in foreign currency (USD'000)	**16,000**	18,100

The Group pays RM in exchange for receiving USD at predetermined exchange rates that range from RM4.08/USD to RM4.24/USD (2016: RM4.22/USD to RM4.44/USD) on the notional amounts at their respective maturity dates.

At the reporting date, the Group and the Company have recognised derivative financial assets of RM1,030,000 (2016: RM613,630,000) and RM Nil (2016: RM604,773,000) respectively, a decrease in fair value gains by RM612,600,000 and RM604,773,000 (2016: RM163,694,000 and RM172,328,000) respectively from the prior financial year, on settling and re-measuring the fair values of open 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 RM610,179,000 and RM604,773,000 (2016: RM165,007,000 and RM172,328,000) 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 RM577,737,000 and RM577,747,000 respectively to the statements of profit or loss to offset:

(i) the foreign exchange gains of the Group and the Company amounting to RM579,532,000 which realised upon CCIRS settlement; and

(ii) the interest expense of the Group and the Company amounting to RM1,795,000 and RM1,785,000 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 RM1,996,000 in the cash flow hedging reserve of the Group as at 31 December 2017.

For the financial year ended 31 December 2016, 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.

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22 DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

(a) Derivative designated in hedging relationship (continued)

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 both the borrowings and associated derivative financial instruments will be held 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 values 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.

(b) Derivative not designated in hedging relationship

The increase in fair value losses from the prior financial year for the Group of RM2,421,000 (2016: fair value gains of RM1,313,000) due to changes in foreign currency exchange spot and forward rates has been charged to the statements of profit or loss.

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 until the maturity of the derivative financial instruments.

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

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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	
	2017 RM'000	**2016 RM'000**
Deferred tax assets	**7,625**	45,229
Deferred tax liabilities	**(436,972)**	(580,388)
	(429,347)	(535,159)

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

	Group	
	2017 RM'000	**2016 RM'000**
Deferred tax assets:		
- to be recovered after more than 12 months	**8,233**	8,528
- to be recovered within 12 months	**(608)**	36,701
	7,625	45,229
Deferred tax liabilities:		
- to be recovered after more than 12 months	**(499,372)**	(598,072)
- to be recovered within 12 months	**62,400**	17,684
	(436,972)	(580,388)
Deferred tax liabilities (net)	**(429,347)**	(535,159)

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23 DEFERRED TAXATION (CONTINUED)

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

	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
Group								
At 1 January 2017		**(855,922)**	**(86,550)**	**106,942**	**237,448**	**29,113**	**33,810**	**(535,159)**
Credited/(charged) to statement of profit or loss:								
- relating to origination and reversal of temporary differences	12	**149,204**	**(15,116)**	**(9,537)**	**32,402**	**(12,188)**	**(38,953)**	**105,812**
At 31 December 2017		**(706,718)**	**(101,666)**	**97,405**	**269,850**	**16,925**	**(5,143)**	**(429,347)**
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:								
- relating to origination and reversal of temporary differences	12	(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)

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23 DEFERRED TAXATION (CONTINUED)

	Group 2017 RM'000	Group 2016 RM'000
Deferred tax assets (before offsetting):		
- deferred income	**97,405**	106,942
- provisions	**269,850**	237,448
- investment allowance	**16,925**	29,113
- others	**231**	33,810
	384,411	407,313
Offsetting	**(376,786)**	(362,084)
Deferred tax assets (after offsetting)	**7,625**	45,229
Deferred tax liabilities (before offsetting):		
- property, plant and equipment	**(706,718)**	(855,922)
- intangible assets	**(101,666)**	(86,550)
- others	**(5,374)**	-
	(813,758)	(942,472)
Offsetting	**376,786**	362,084
Deferred tax liabilities (after offsetting)	**(436,972)**	(580,388)

24 INVENTORIES

	Group 2017 RM'000	Group 2016 RM'000
Telecommunications materials and supplies	**1,875**	2,167
Devices	**2,619**	3,775
	4,494	5,942

The Group reversed RM1,822,000 (2016: RM364,000) of inventory write down during the financial year as the Group was able to utilise those inventories.

Notes to the Financial Statements
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25 FELLOW SUBSIDIARIES AND PENULTIMATE HOLDING COMPANY BALANCES

	Group	
	2017 RM'000	**2016 RM'000**
Current assets:		
- amount due from penultimate holding company	**1,289**	765
- amounts due from fellow subsidiaries	**-**	29
Current liability:		
- amounts due to fellow subsidiaries	**(2,004)**	-
	(715)	794

The amounts due from/(to) penultimate holding company and fellow subsidiaries are unsecured, non-interest bearing and with 30 days' credit period (2016: 30 days).

26 RELATED PARTIES BALANCES

	Group	
	2017 RM'000	**2016 RM'000**
Current asset:		
- amounts due from related parties	**29,336**	21,922
Current liability:		
- amounts due to related parties	**(22,874)**	(14,229)

The amounts due from/(to) related parties are trade in nature, unsecured, interest free and with credit periods of up to 60 days (2016: up to 60 days).

Notes to the Financial Statements
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27 DEPOSITS, CASH AND BANK BALANCES

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

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Deposits with licensed banks	**439,369**	485,242	**8,000**	10,000
Cash and bank balances	**162,758**	197,104	**1,757**	2,300
Deposits, cash and bank balances	**602,127**	682,346	**9,757**	12,300
Less: Deposits with maturity more than three months	**(23,321)**	(20,501)	**-**	-
Cash and cash equivalents	**578,806**	661,845	**9,757**	12,300

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 30 days (2016: 23 days) and 14 days (2016: 5 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	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Local licensed banks[1]:				
- AAA	**429,726**	358,111	**1,686**	2,022
- AA1	**1,711**	80,174	**-**	-
- AA2	**167,179**	110,020	**8,056**	10,263
- AA3	**-**	130,170	**-**	-
Offshore licensed banks[2]:				
- Aa2	**-**	38	**-**	-
- A2	**3,163**	3,515	**-**	-
	601,779	682,028	**9,742**	12,285

Notes:
Source: Bloomberg with ratings provided by:
(1) RAM Ratings Services Berhad
(2) Moody's

Notes to the Financial Statements
31 December 2017

27 DEPOSITS, CASH AND BANK BALANCES (CONTINUED)

Reconciliation of liabilities arising from financing activities:

			Non-cash changes			
	2016 RM'000	Cash flows RM'000	Interest expenses RM'000	Foreign exchange movement RM'000	Fair value changes RM'000	2017 RM'000
Group						
Borrowings	9,850,919	(2,044,728)	412,885	(579,532)	-	**7,639,544**
Lease liabilities	13,103	(7,682)	329	-	-	**5,750**
Derivative financial assets held to hedge borrowings	(611,374)	(274)	-	-	609,083	**(2,565)**
	9,252,648	(2,052,684)	413,214	(579,532)	609,083	**7,642,729**
Company						
Borrowings	2,039,074	(1,494,425)	34,883	(579,532)	-	**-**
Derivative financial assets held to hedge borrowings	(604,773)	7,615	-	-	597,158	**-**
	1,434,301	(1,486,810)	34,883	(579,532)	597,158	**-**

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
2017					
At 1 January		**159,404**	**4,358**	**97,299**	**261,061**
Capitalised		**7,928**	**-**	**-**	**7,928**
Changes in cost estimates:					
- included in finance costs	10(b)	**(10,898)**	**-**	**-**	**(10,898)**
Charged to statement of profit or loss:					
- included in profit before tax	11	**5,711**	**-**	**104,965**	**110,676**
- included in finance costs	10(b)	**15,898**	**-**	**-**	**15,898**
Paid		**(2,381)**	**-**	**(95,790)**	**(98,171)**
Reversed from statement of profit or loss	11	**(1,064)**	**(4,358)**	**(70)**	**(5,492)**
At 31 December		**174,598**	**-**	**106,404**	**281,002**

Notes to the Financial Statements
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28 PROVISIONS FOR LIABILITIES AND CHARGES (CONTINUED)

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	10(b)	(7,898)	-	-	(7,898)
- included in property, plant and equipment	15	47	-	-	47
Charged to statement of profit or loss:					
- included in profit before tax	11	522	30	94,425	94,977
- included in finance costs	10(b)	16,647	-	-	16,647
Paid		(6,340)	-	(85,282)	(91,622)
Reversed from statement of profit or loss	11	(481)	(48,009)	(9,212)	(57,702)
At 31 December		159,404	4,358	97,299	261,061
Represented by:					
Non-current liabilities		**166,842**	**-**	**3,499**	**170,341**
Current liabilities		**7,756**	**-**	**102,905**	**110,661**
At 31 December 2017		**174,598**	**-**	**106,404**	**281,002**
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

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

Notes to the Financial Statements
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28 PROVISIONS FOR LIABILITIES AND CHARGES (CONTINUED)

Site decommissioning works

As at 31 December 2017, a non-current provision of RM166,842,000 (2016: RM156,221,000) 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 (2016: 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

In the financial year ended 31 December 2016, the Group reversed the contract obligations amounted 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	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Non-current				
Trade payables	**214,878**	408,436	**-**	-
Other accruals	**12,502**	9,669	**-**	-
	227,380	418,105	**-**	-
Current				
Intercarrier and roaming payables	**62,421**	107,780	**-**	-
Intercarrier and roaming accruals	**98,072**	119,506	**-**	-
Subscribers' deposits	**95,417**	99,028	**-**	-
Trade payables	**1,554,947**	1,705,750	**-**	-
Trade accruals	**373,734**	328,586	**-**	-
Other payables	**66,989**	68,736	**445**	355
Other accruals	**367,876**	533,181	**768**	256
Advance payments from subscribers	**58,180**	59,225	**-**	-
Deferred income	**397,032**	435,770	**-**	-
Government grant	**224,439**	175,639	**-**	-
	3,299,107	3,633,201	**1,213**	611
	3,526,487	4,051,306	**1,213**	611

Notes to the Financial Statements
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29 PAYABLES AND ACCRUALS (CONTINUED)

Current trade payables and other payables of the Group and of the Company carry credit periods of up to 90 days (2016: 90 days). The Group's current and non-current trade payables include payables under deferred payment schemes and carry interest rates ranging from 4.04% to 4.50% (2016: 3.06% to 4.25%) per annum as at the reporting date. Details of the deferred payment schemes' payables are as follows:

Group			
Balance outstanding		Currency denomination	Repayment terms
2017 RM'000	2016 RM'000		
276,067	436,630	USD	Repayable on a half-yearly basis in 11 (2016: 10 to 11) equal instalments commencing from 36 months (2016: 30 to 36 months) from the commencement dates of the contracts.
256,530	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 USD8,000,000 (2016: USD8,800,000) are hedged against exchange rate fluctuations using forward foreign exchange contracts for which no hedge accounting is applied.

The Group's other accruals include lease equalisation for office buildings of RM11,255,000 (2016: RM9,768,000) with the remaining lease period of 10 years 5 months (2016: 8 months to 11 years 5 months).

30 BORROWINGS

	Note	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
Non-current					
Secured					
Finance lease liabilities	(a)	**760**	1,844	**-**	-
Unsecured					
Syndicated term loan	(b)	**-**	448,133	**-**	448,133
Term loans	(c)	**1,000,466**	2,001,516	**-**	1,000,906
Islamic Medium Term Notes	(d)	**4,143,740**	3,806,108	**-**	-
Commodity Murabahah Term Financing	(e)	**2,294,970**	2,505,127	**-**	-
		7,439,936	8,762,728	**-**	1,449,039

Notes to the Financial Statements
31 December 2017

30 BORROWINGS (CONTINUED)

	Note	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
Current					
Secured					
Finance lease liabilities	(a)	**4,990**	11,259	-	-
Unsecured					
Revolving credit	(f)	**200,368**	500,000	-	-
Syndicated term loan	(b)	-	590,035	-	590,035
		205,358	1,101,294	-	590,035
		7,645,294	9,864,022	-	2,039,074

(a) Finance lease liabilities

The Group leased certain assets under finance lease with terms of three to five years (2016: three to five years). The finance leases have remaining terms of one to two years (2016: one to three years) which the Group has options for another one to five years' extension subject to renewal conditions imposed by the lessor for certain leased assets.

The weighted average effective interest rate of the Group's finance lease liabilities is 11.57% (2016: 10.58%) per annum. These leases are effectively secured as the rights to the leased assets revert to the lessor in the event of defaults.

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

	Group 2017 RM'000	Group 2016 RM'000
Not later than one year	**5,048**	11,588
Later than one year and not later than five years	**777**	1,919
	5,825	13,507
Less: Future finance charges	**(75)**	(404)
Present value	**5,750**	13,103
Representing lease liabilities:		
- non-current	**760**	1,844
- current	**4,990**	11,259
	5,750	13,103

Notes to the Financial Statements
31 December 2017

30 BORROWINGS (CONTINUED)

(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 was repayable in six semi-annual installments commencing from 48 months from the drawn down date.

(ii) USD100,000,000 syndicated term loan

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

As disclosed in Note 22, the Group and the Company had entered into CCIRS where the principal sums and interests under these loans were hedged against fluctuations in USD/RM exchange rate and in London Interbank Offered Rate ("LIBOR").

All the above syndicated term loans and their corresponding CCIRS were fully settled during the current financial year.

(c) Term loans

(i) RM1,000,000,000 term loan

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

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

(ii) MB - USD100,000,000, SGD70,000,000 and USD75,000,000 term loans

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

These term loans and the corresponding CCIRS were early settled during the current financial year.

(iii) USD50,000,000 and SGD70,000,000 term loans

During the financial year, MBSB, a wholly-owned subsidiary of the Company, entered into term loan facility agreements with financial institutions for USD50,000,000 and SGD70,000,000 term loans with corresponding CCIRS contracts to hedge against exchange and interest rates fluctuation on these loans.

The loans carried a term of four years and were repayable in one lump sum on their respective loan maturity dates.

These loans were fully drawn down to part settle the remaining purchase consideration in relation to the purchase of business and undertakings including relevant assets and liabilities of the Company's wholly-owned subsidiaries under the Group's internal reorganisation.

The loans and their corresponding CCIRS were subsequently settled in full prior to their maturity dates.

Notes to the Financial Statements
31 December 2017

30 BORROWINGS (CONTINUED)

(d) Islamic Medium Term Notes - Sukuk Murabahah

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

As at 31 December 2017, four (2016: three) series of the Sukuk Murabahah had been issued for a total nominal value of RM4,090,000,000 (2016: RM3,790,000,000) with a tenure of four to nine years. All series of Sukuk Murabahah are redeemable on their respective maturity dates. The profits are payable semi-annually.

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

The Group has a CMTF facility up to RM2.50 billion based on the Islamic principle of Murabahah and had fully drawn down the facility. This facility expires on 7 April 2024 and is repayable in one lump sum on its expiry date.

During the financial year, the Group made an early repayment of RM210,000,000 reducing the facility limit to RM2.29 billion.

(f) Revolving credit

On 27 October 2016, the Group entered into a RM500,000,000 revolving credit facility for a term of one year with bullet repayment on its maturity date.

During the financial year, the Group made a partial repayment of RM300,000,000 and extended the facility for another year, maturing on 25 November 2018.

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 2017							
Secured							
Finance lease liabilities		RM/RM	5,750	4,990	760	-	-
Unsecured							
Revolving credit	0.50% + COF[(1)]	RM/RM	200,368	200,368	-	-	-
Term loans	0.75% + COF[(1)]	RM/RM	1,000,466	-	-	1,000,466	-
Islamic Medium Term Notes	4.70% - 5.40%	RM/RM	4,143,740	-	-	3,302,622	841,118
CMTF	0.70% + COF[(1)]	RM/RM	2,294,970	-	-	-	2,294,970
			7,645,294	205,358	760	4,303,088	3,136,088

Note:
(1) COF denotes Cost of Funds.

Notes to the Financial Statements
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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 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 loan	1.35% - 1.60% + LIBOR	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	RM/USD	784,191	-	-	784,191	-
	1.25% + SOR [2]	RM/SGD	216,715	-	-	216,715	-
Islamic Medium Term Notes	4.70% - 5.40%	RM/RM	3,806,108	-	-	504,250	3,301,858
CMTF	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] SOR denotes Singapore Swap Offer Rate.

Notes to the Financial Statements
31 December 2017

30 BORROWINGS (CONTINUED)

Contractual terms of borrowings (continued)

Company	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							
Unsecured							
Syndicated term loan	1.35% - 1.60% + LIBOR	RM/USD	1,038,168	590,035	-	448,133	-
Term loans	1.50% - 1.60% + LIBOR	RM/USD	784,191	-	-	784,191	-
	1.25% + SOR[1]	RM/SGD	216,715	-	-	216,715	-
			2,039,074	590,035	-	1,449,039	-

Note:
[1] SOR denotes Singapore Swap Offer Rate.

Notes to the Financial Statements
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31 SHARE CAPITAL

(a) Share capital

Disclosures of authorised share capital and par value of share capital are not made as the Companies Act 2016 ("New Act") which came into operation on 31 January 2017 has abolished the concept.

(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.

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

The salient features of the ESOS are as follows:

(i) The total number of shares which may be issued under the ESOS shall not exceed in aggregate 250,000,000 shares during the existence of the ESOS save and except for any circumstances which may be specified in the Bye-Laws;

(ii) Subject to the discretion of the Directors, any employee of the Company and its subsidiaries who has a written employment contract and any director (executive or non-executive) of the Company, shall be eligible to participate in the ESOS;

(iii) The number of new shares that may be offered under the ESOS shall be at the discretion of the Directors after taking into consideration the performance, seniority and number of years of service as well as the employees' actual or potential contribution to the Group;

(iv) In the event of a change in the capital structure of the Company except under certain circumstances, the Directors may make or provide for adjustments to be made in the share options price and/or in the number of shares covered by outstanding share options as the Directors at their discretion, may in good faith determine to be equitably required in order to prevent dilution or enlargement of the rights of the optionee or provide for adjustments in the number of shares to give the optionee the same proportion of the issued ordinary share capital of the Company to which the optionee was previously entitled;

(v) The subscription price upon the exercise of the share options under the ESOS shall be the weighted average market price quoted for the five market days immediately preceding the date on which the share options are granted;

(vi) The ESOS has a contractual term of 10 years. All share options shall become exercisable to the extent of one-third of the share options granted on each of the first three anniversaries from the date the share options were granted provided the optionee has been in continuous service with the Group throughout the period;

(vii) Subject to paragraph (vi) above, an optionee may exercise share options in whole or part in multiples of 100 shares only at such time in accordance with any guidelines as may be prescribed by the Directors from time to time; and

(viii) The optionees have no right to participate by virtue of the share options in any share issue of any other company. However, shares issued upon the exercise of the share options shall rank pari passu in all respects with the then existing issued shares save that they will not entitle the holders thereof to receive any rights or bonus issues or dividends or distributions, the entitlement date of which precedes the date of issue of the shares.

Notes to the Financial Statements
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31 SHARE CAPITAL (CONTINUED)

(b) ESOS (continued)

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

			Number of options over ordinary shares in the Company					
Grant date	Expiry date	Exercise price RM/share	Outstanding as at 1 January '000	Granted '000	Exercised '000	Forfeited/ Lapsed '000	Outstanding as at 31 December '000	Exercisable as at 31 December '000
2017								
1 July 2011	17 September 2019	5.45	**4,138**	**-**	**(239)**	**(25)**	**3,874**	**3,874**
1 July 2012	17 September 2019	6.41	**13,352**	**-**	**(7)**	**-**	**13,345**	**13,345**
1 July 2013	17 September 2019	6.78	**10,274**	**-**	**(4)**	**(467)**	**9,803**	**9,803**
1 August 2015	17 September 2019	6.53	**61,792**	**-**	**-**	**(4,343)**	**57,449**	**38,373**
			89,556	**-**	**(250)**	**(4,835)**	**84,471**	**65,395**
Weighted average exercise price (RM per share)			**6.49**	**-**	**5.50**	**6.55**	**6.49**	**6.48**
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

The share options exercised during the financial year resulted in 250,600 (2016: 337,700) shares being issued and the related weighted average share price at the date of exercise was RM6.29 (2016: RM6.24) per share.

The weighted average remaining contractual life for the share options as at the reporting date is 1 year 8 months (2016: 2 years 8 months).

Notes to the Financial Statements
31 December 2017

31 SHARE CAPITAL (CONTINUED)

(b) ESOS (continued)

Value of employee services received for issue of share options:

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Share-based payment expense	**4,952**	19,103	**4,952**	19,103
Capitalised as investments in subsidiaries for share-based payments allocated to the employees of the subsidiaries	**-**	-	**(4,952)**	(19,103)
Total expense recognised as share-based payments	**4,952**	19,103	**-**	-

(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 Remuneration Committee which is appointed by the Board of Directors of the Company, in accordance with the By-Laws. The Remuneration Committee may from time to time, offer LTIP to eligible employees (including 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.

The salient features of the LTIP are as follows:

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

(ii) The Remuneration Committee shall decide from time to time at its discretion to determine or vary the terms and conditions of the offer, such as eligibility criteria and allocation for each grant (i.e. the entitlement to receive new shares under the LTIP), the timing and frequency of the award of the grant, the performance target and/or performance conditions to be met prior to offer and vesting of the grant and the vesting period;

(iii) The total number of new shares that may be offered under the LTIP shall be at the discretion of the Remuneration Committee;

(iv) In the event of any alteration in the capital structure of the Company except under certain circumstances, the Remuneration Committee may make or provide for alterations or adjustments to be made in the number of unvested new shares and/or the method and/or manner in the vesting of the new shares comprised in a grant;

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31 SHARE CAPITAL (CONTINUED)

(c) LTIP (continued)

(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 Remuneration Committee and as set out in their offer of grants.

During the financial year, 7,151,400 PS Grant under the LTIP were granted to the eligible employees of the Group. Subject to the terms and conditions of the By-Laws governing the LTIP, the employees shall be entitled to receive new ordinary share in the Company, to be allotted and issued pursuant to the LTIP ("new shares"), upon meeting the vesting conditions as set out in the letter of offer for the new shares. The vesting conditions comprising, amongst others, the performance targets and/or conditions for the period commencing from 1 January 2017 and ending on 31 December 2019, as stipulated by the Remuneration Committee. The vesting date is on 30 June 2020, subject to meeting such performance targets.

Notes to the Financial Statements
31 December 2017

31 SHARE CAPITAL (CONTINUED)

(c) LTIP (continued)

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

		Number of share grants over ordinary share in the Company			
Grant date	Vesting date	Outstanding as at 1 January '000	Granted '000	Forfeited '000	Outstanding as at 31 December '000
2017					
31 July 2015	30 April 2018	**7,677**	**-**	**(680)**	**6,997**
1 July 2016	30 June 2019	**5,602**	**-**	**(89)**	**5,513**
4 December 2017	30 June 2020	**-**	**7,151**	**-**	**7,151**
		13,279	**7,151**	**(769)**	**19,661**
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

The weighted average fair value of share grants under the PS Grant based on observable market price was RM5.92 (2016: RM6.02).

Value of employee services received under the LTIP:

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Share-based payment expense	**32,381**	11,624	**32,381**	11,624
Capitalised as investments in subsidiaries for share-based payments allocated to the employees of the subsidiaries	**-**	-	**(32,381)**	(11,624)
Total expense recognised as share-based payments	**32,381**	11,624	**-**	-

Notes to the Financial Statements
31 December 2017

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 Group, the cash incentives payable to the eligible director were used to acquire shares of the Company from the open market. During the financial year, 605,813 shares of the Company were acquired from the open market and 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	
	2017	**2016**
	'000	**'000**
At 1 January	**1,594**	1,002
Acquired	**606**	953
Vested	**-**	(361)
At 31 December	**2,200**	1,594

The weighted average fair value of shares acquired under the incentive arrangement based on observable market price was RM6.97 (2016: RM6.97).

Value of employee services received under the incentive arrangement:

	Group		Company	
	2017	**2016**	**2017**	**2016**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Share-based payment expense	**4,334**	7,648	**4,334**	7,648
Capitalised as investments in subsidiaries for share-based payments allocated to the employee of the subsidiaries	**-**	-	**(4,334)**	(7,648)
Total expense recognised as share-based payments	**4,334**	7,648	**-**	-

Notes to the Financial Statements
31 December 2017

32 RESERVES

(a) Share premium

Pursuant to Section 618(2) of the New Act which came into effect on 31 January 2017, the credit standing on the share premium account of RM61,994,000 has been transferred to and became part of the share capital account. Pursuant to Section 618(3) of the New Act, the Group may exercise its rights to use the credit amounts from share premium account within 24 months after the commencement of the New Act. The Board of Directors will make a decision thereon by 31 January 2019.

(b) Merger relief

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

(c) Reserve arising from reverse acquisition

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

Notes to the Financial Statements
31 December 2017

32 RESERVES (CONTINUED)

(d) Other reserves

Group	Note	Share-based payments RM'000	Cash flow hedging RM'000	Total RM'000
2017				
At 1 January		**110,941**	**34,438**	**145,379**
Net change in hedging:				
- fair value losses		**-**	**(610,179)**	**(610,179)**
- reclassified to finance costs	10(b)	**-**	**577,737**	**577,737**
ESOS and LTIP:				
- share-based payment expense		**37,333**	**-**	**37,333**
- shares issued		**(54)**	**-**	**(54)**
- share options lapsed		**(175)**	**-**	**(175)**
Incentive arrangement:				
- share-based payment expense		**4,334**	**-**	**4,334**
- shares acquired		**(3,554)**	**-**	**(3,554)**
At 31 December		**148,825**	**1,996**	**150,821**
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	10(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

Notes to the Financial Statements
31 December 2017

32 RESERVES (CONTINUED)

(d) Other reserves (continued)

Company	Note	Share-based payments RM'000	Cash flow hedging RM'000	Total RM'000
2017				
At 1 January		**110,941**	**27,026**	**137,967**
Net change in hedging:				
- fair value losses		**-**	**(604,773)**	**(604,773)**
- reclassified to finance costs	10(b)	**-**	**577,747**	**577,747**
ESOS and LTIP:				
- share-based payment expense		**37,333**	**-**	**37,333**
- shares issued		**(54)**	**-**	**(54)**
- share options lapsed		**(175)**	**-**	**(175)**
Incentive arrangement:				
- share-based payment expense		**4,334**	**-**	**4,334**
- shares acquired		**(3,554)**	**-**	**(3,554)**
At 31 December		**148,825**	**-**	**148,825**
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	10(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

The share-based payments reserve comprises:

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

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

(c) fair value of shares less any shares acquired under the incentive arrangement.

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

Notes to the Financial Statements

31 December 2017

33 FINANCIAL RISK MANAGEMENT

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

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

(a) Market risk

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

(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 were 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. There is no currency risk in respect of intragroup receivables and payables since they are all denominated in the functional currency.

Notes to the Financial Statements
31 December 2017

33 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Market risk (continued)

(i) Foreign exchange risk (continued)

Group	Currency exposure at 31 December			
	SGD RM'000	**USD RM'000**	**SDR RM'000**	**Others RM'000**
Functional currency				
Ringgit Malaysia				
2017				
Receivables	**-**	**2,459**	**44,383**	**-**
Deposits, cash and bank balances	**-**	**24,797**	**-**	**-**
Payables	**(3,297)**	**(402,789)**	**(33,350)**	**(6)**
Amounts due to fellow subsidiaries	**-**	**(1,985)**	**(19)**	**-**
Amounts due to related parties, net	**-**	**5,124**	**(13,666)**	**-**
Gross exposure	**(3,297)**	**(372,394)**	**(2,652)**	**(6)**
Forward foreign exchange contracts:				
- payables	**-**	**32,388**	**-**	**-**
Net exposure	**(3,297)**	**(340,006)**	**(2,652)**	**(6)**
2016				
Receivables	-	12,377	33,300	-
Deposits, cash and bank 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 loan	-	(1,038,168)	-	-
Term loans	(216,715)	(784,191)	-	-
Gross exposure	(219,277)	(2,372,068)	(22,825)	(76)
CCIRS:				
- syndicated term loan	-	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)

Notes to the Financial Statements
31 December 2017

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, cash and bank balances	-	2
Syndicated term loan	-	(1,038,168)
Term loans	(216,715)	(784,191)
Gross exposure	(216,715)	(1,822,357)
CCIRS:		
- syndicated term loan	-	1,038,168
- term loans	216,715	784,191
Net exposure	-	2

Notes to the Financial Statements
31 December 2017

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	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
USD/RM						
- strengthened 5% (2016: 5%)	**(16,998)**	(25,509)	**1,612**	6,208	**-**	4,128
- weakened 5% (2016: 5%)	**16,998**	25,509	**(1,612)**	(6,208)	**-**	(4,128)

Note:
[1] Represents cash flow hedging reserve

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

(ii) Interest rate risk

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

The Group manages its cash flow interest rate risk by using 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 2017

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 2017							
Deposits with licensed banks	3.68	439,369	-	439,369	-	-	-
Trade payables	3.98	(532,597)	(276,067)	(207,316)	(49,214)	-	-
Finance lease liabilities	11.57	(5,750)	-	(4,990)	(760)	-	-
Revolving credit	4.20	(200,368)	(200,368)	-	-	-	-
Term loan	4.30	(1,000,466)	(1,000,466)	-	-	-	-
Islamic Medium Term Notes	5.03	(4,143,740)	-	-	-	(3,302,622)	(841,118)
CMTF	4.17	(2,294,970)	(2,294,970)	-	-	-	-
Gross exposure		(7,738,522)	(3,771,871)				
IRS:							
- term loan	4.70		500,238	-	-	(500,238)	-
Net exposure			(3,271,633)				

Notes to the Financial Statements

31 December 2017

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 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 loan	2.58	(1,038,168)	(1,038,168)	-	-	-	-
Term loan	3.50	(2,001,516)	(2,001,516)	-	-	-	-
Islamic Medium Term Notes	5.05	(3,806,108)	-	-	-	(504,250)	(3,301,858)
CMTF	4.17	(2,505,127)	(2,505,127)	-	-	-	-
Gross exposure		(10,047,038)	(6,481,441)				
CCIRS and IRS:							
- syndicated term loan	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)				

Notes to the Financial Statements
31 December 2017

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	Fixed interest rate 1-2 years RM'000	Fixed interest rate 2-5 years RM'000	Fixed interest rate > 5 years RM'000
At 31 December 2017							
Deposits with licensed banks	3.80	8,000	-	8,000	-	-	-
Net exposure		8,000	-				
At 31 December 2016							
Deposits with licensed banks	3.95	10,000	-	10,000	-	-	-
Syndicated term loan	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 loan	4.97		1,038,168	(590,035)	-	(448,133)	-
- term loans	4.99		336,682	-	-	(336,682)	-
Net exposure			(664,224)				

Notes to the Financial Statements
31 December 2017

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	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
RM				
- increased by 0.5% (2016: 0.5%)	**(14,978)**	(16,527)	-	-
- decreased by 0.5% (2016: 0.5%)	**14,978**	16,527	-	-
USD				
- increased by 0.5% (2016: 0.5%)	**(1,380)**	(2,183)	-	-
- decreased by 0.5% (2016: 0.5%)	**1,380**	2,183	-	-

	Impact on equity[(1)]			
	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
RM				
- increased by 0.5% (2016: 0.5%)	**8,858**	15,225	-	-
- decreased by 0.5% (2016: 0.5%)	**(8,858)**	(15,225)	-	-
USD				
- increased by 0.5% (2016: 0.5%)	-	16,633	-	16,633
- decreased by 0.5% (2016: 0.5%)	-	(16,633)	-	(16,633)

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 on floating rate payables and borrowings not in a designated hedging relationship. For borrowings in a designated hedging relationship, as these are effectively hedged, the interest rate movements will not have any impact on the statement of profit or loss.

Notes to the Financial Statements
31 December 2017

33 FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk

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

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 enters into the contracts with various reputable counterparties to minimise the credit risks. The Group considers the risk of material loss in the event of non-performance by the above parties to be unlikely. The Group's 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 2017, the Group has unissued Sukuk of RM5.91 billion under the Unrated Sukuk Murabahah Programme, as disclosed in Note 30(d) 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.

Notes to the Financial Statements

31 December 2017

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 2017					
Payables and accruals[2]					
- principal	2,328,921	2,114,043	159,616	55,262	-
- interest[3]	25,358	17,509	6,713	1,136	-
Amounts due to related parties	22,874	22,874	-	-	-
Amounts due to fellow subsidiaries	2,004	2,004	-	-	-
Finance lease liabilities	5,825	5,048	777	-	-
Bank borrowings[2]					
- principal	1,200,000	200,000	-	1,000,000	-
- interest[3]	221,888	50,502	42,950	128,436	-
Islamic Medium Term Notes					
- nominal value	4,090,000	-	-	3,250,000	840,000
- profit[3]	1,028,366	205,910	205,910	503,332	113,214
CMTF					
- nominal value	2,290,000	-	-	-	2,290,000
- profit[3]	603,568	95,493	95,493	286,741	125,841
Net settled derivative financial instruments (IRS and forward foreign exchange contracts)[2][3]	7,662	2,077	1,400	4,185	-
	11,826,466	2,715,460	512,859	5,229,092	3,369,055

Notes:

(1) As the amounts included in the table are the contractual undiscounted cash flows, these amounts will not reconcile with the amounts disclosed in the statements of financial position.

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

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

Notes to the Financial Statements
31 December 2017

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 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
CMTF					
- 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 2017

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 2017					
Payables and accruals	**1,213**	**1,213**	-	-	-
Amount due to a subsidiary	**268**	**268**	-	-	-
	1,481	**1,481**	-	-	-
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/profit margin as at the reporting date.

Notes to the Financial Statements
31 December 2017

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 its borrower, MBSB to maintain financial covenant ratios on its net debt to EBITDA and EBITDA to interest expense. These financial covenant ratios have been fully complied with by MBSB for the financial year ended 31 December 2017.

The Group also monitors capital which comprise of borrowings and equity on the basis of the gearing ratio. This ratio is calculated as net debt divided by total equity. Net debt is calculated as total interest bearing financial liabilities (include current and non-current borrowings and derivative financial instruments designated in hedging relationship on borrowings on a net basis as shown in the statements of financial position but exclude deferred payment scheme as disclosed in Note 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 2017 and 2016 were as follows:

		Group	
	Note	2017 RM'000	2016 RM'000
Total interest bearing financial liabilities		**7,642,729**	9,252,648
Less: Deposits, cash and bank balances	27	**(602,127)**	(682,346)
Net debt		**7,040,602**	8,570,302
Total equity		**7,041,911**	4,720,899
Gearing ratio		**1.0**	1.8

Notes to the Financial Statements
31 December 2017

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 at the reporting date approximated their fair values except as set out below measured using Level 3 valuation technique:

		Group			
		2017		2016	
	Note	Carrying amount RM'000	Fair value RM'000	Carrying amount RM'000	Fair value RM'000
Financial asset:					
Receivables, deposits and prepayments	21	**67,145**	**60,226**	82,398	74,012
Financial liability:					
Borrowings					
- finance lease liabilities	30	**760**	**688**	1,844	1,639
- Islamic Medium Term Notes	30	**4,143,740**	**4,220,161**	3,806,108	3,896,005

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.

Notes to the Financial Statements
31 December 2017

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:

		Group		Company	
	Note	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Derivative financial instruments (CCIRS, IRS and forward foreign exchange contracts):					
- assets	22	**2,565**	613,630	**-**	604,773
- liabilities	22	**(1,535)**	-	**-**	-
		1,030	613,630	**-**	604,773

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.

Notes to the Financial Statements
31 December 2017

33 FINANCIAL RISK MANAGEMENT (CONTINUED)

(f) Offsetting financial assets and financial liabilities

(i) Financial assets

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

Group	Gross amounts of recognised financial assets RM'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 2017						
Receivables and deposits	**515,959**	**(8,234)**	**507,725**	**-**	**(16,312)**	**491,413**
Amounts due from fellow subsidiaries	**237**	**(237)**	**-**	**-**	**-**	**-**
Amounts due from related parties	**7,586**	**(616)**	**6,970**	**-**	**-**	**6,970**
	523,782	**(9,087)**	**514,695**	**-**	**(16,312)**	**498,383**
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 2017

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)

Company	Gross amounts of recognised financial assets RM'000	Gross amounts of recognised financial liabilities set-off in the statement of financial position RM'000	Net amounts of financial assets presented in the statement of financial position RM'000	Related amounts not set-off in the statement of financial position		Net amount RM'000
				Financial instruments RM'000	Cash collateral received RM'000	
At 31 December 2017						
Amounts due from subsidiaries	**1**	**(1)**	**-**	**-**	**-**	**-**
At 31 December 2016						
Amounts due from subsidiaries	9	(5)	4	-	-	4

Notes to the Financial Statements
31 December 2017

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 2017						
Payables and accruals	**264,145**	**(8,234)**	**255,911**	**(16,312)**	**-**	**239,599**
Amounts due to fellow subsidiaries	**1,227**	**(237)**	**990**	**-**	**-**	**990**
Amounts due to related parties	**15,657**	**(616)**	**15,041**	**-**	**-**	**15,041**
	281,029	**(9,087)**	**271,942**	**(16,312)**	**-**	**255,630**
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

Notes to the Financial Statements
31 December 2017

33 FINANCIAL RISK MANAGEMENT (CONTINUED)

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

(ii) Financial liabilities (continued)

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

Company	Gross amounts of recognised financial liabilities RM'000	Gross amounts of recognised financial assets set-off in the statement of financial position RM'000	Net amounts of financial liabilities presented in the statement of financial position RM'000	Related amounts not set-off in the statement of financial position		Net amount RM'000
				Financial instruments RM'000	Cash collateral received RM'000	
At 31 December 2017						
Amount due to a subsidiary	**269**	**(1)**	**268**	**-**	**-**	**268**
At 31 December 2016						
Amount due to a subsidiary	182	(5)	177	-	-	177

Notes to the Financial Statements
31 December 2017

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	
	2017 RM'000	**2016 RM'000**
Contracted for	**257,287**	258,377
Not contracted for	**652,619**	1,011,584
	909,906	1,269,961

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 (2016: 2 to 15 years). Certain operating leases contain renewal options with market review clauses. The Group does not have the option to purchase the leased assets at the expiry of the lease period.

	Group	
	2017 RM'000	**2016 RM'000**
Not later than one year	**243,391**	234,339
Later than one year but not later than five years	**562,645**	661,196
Later than five years	**161,955**	159,804
	967,991	1,055,339

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 2017

36 RELATED PARTIES

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

	Transaction value		Balance outstanding		Commitments		Total balance outstanding, including commitments	
Group	**2017 RM'000**	**2016 RM'000**	**2017 RM'000**	**2016 RM'000**	**2017 RM'000**	**2016 RM'000**	**2017 RM'000**	**2016 RM'000**
Sales of goods and services:								
- MEASAT Broadcast Network Systems Sdn. Bhd.(1) (telephony and broadband services)	**98,021**	95,395	**17,446**	17,246	-	-	**17,446**	17,246
- Saudi Telecom Company ("STC")(2) (roaming and international calls)	**-**	11,204	**-**	-	-	-	**-**	-
- MEASAT Global Berhad Group(3) (revenue share for the leasing of satellite bandwidth)	**6,036**	5,283	**6,955**	579	-	-	**6,955**	579

Notes to the Financial Statements
31 December 2017

36 RELATED PARTIES (CONTINUED)

Group	Transaction value		Balance outstanding		Commitments		Total balance outstanding, including commitments	
	2017 RM'000	**2016 RM'000**	**2017 RM'000**	**2016 RM'000**	**2017 RM'000**	**2016 RM'000**	**2017 RM'000**	**2016 RM'000**
Purchases of goods and services from:								
- Aircel Limited Group[4] (interconnect, roaming and international calls)	**5,578**	2,263	**(19)**	(29)	**-**	-	**(19)**	(29)
- Tanjong City Centre Property Management Sdn. Bhd.[5] (rental, signage, parking and utility charges)	**32,874**	31,462	**3,657**	2,318	**(198,285)**	(212,452)	**(194,628)**	(210,134)
- STC[2] (roaming and international calls)	**4,499**	4,254	**(10,341)**	(373)	**-**	-	**(10,341)**	(373)
- MEASAT Global Berhad Group[3] (transponder and teleport lease rental)	**46,496**	45,445	**(3,822)**	(4,614)	**(9,437)**	(13,356)	**(13,259)**	(17,970)

Notes to the Financial Statements

31 December 2017

36 RELATED PARTIES (CONTINUED)

Group	Transaction value		Balance outstanding		Commitments		Total balance outstanding, including commitments	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Purchases of goods and services from: (continued)								
- UTSB Management Sdn. Bhd.[(5)] (corporate management services)	**26,500**	25,375	**(4,584)**	(6,605)	**(46,375)**	(72,875)	**(50,959)**	(79,480)
- SRG Asia Pacific Sdn. Bhd.[(6)] (call handling and telemarketing services)	**14,668**	14,646	**(3,486)**	(2,235)	**-**	-	**(3,486)**	(2,235)
- MBNS Multimedia Technologies Sdn. Bhd. ("MMTSB") and/or its related corporations[(1)] (goods and services)	**-**	-	**-**	-	**(3,000)**	(3,000)	**(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.

Notes to the Financial Statements
31 December 2017

36 RELATED PARTIES (CONTINUED)

Notes: (continued)

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

(1) Subsidiary of a company which is an associate of UTSB
(2) 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

	Company	
	2017 RM'000	**2016 RM'000**
Management fees charged by subsidiaries	**3,265**	5,028
Payment on behalf of operating expenses for subsidiaries	**75**	51

37 CONTINGENT LIABILITIES

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

38 ACQUISITION OF ADDITIONAL INTEREST IN A SUBSIDIARY

During the financial year ended 31 December 2016, the Company completed its acquisition of the remaining 25% equity interest, comprising 833,334 ordinary shares of RM1 each in AWTSB for a purchase consideration of RM15,833,334. Consequently, AWTSB became a wholly-owned subsidiary of the Company.

39 EVENT AFTER THE FINANCIAL YEAR

On 30 January 2018, the Group accepted the reissuance offer from MCMC of its 2100MHz SA for an upfront price component fee of RM118,400,000 and an annual fixed fee of RM50,000,000 for the SA period. The SA is valid for 16 years and will be effective on 2 April 2018. The upfront price was paid in full together with the acceptance of the offer.

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 2018.

Statement by Directors

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

We, Raja Tan Sri Dato' Seri Arshad bin Raja Tun Uda and 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 84 to 191 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2017 and of their financial performance and cash flows for the year then ended.

Signed on behalf of the Board of Directors in accordance with their resolution dated 8 February 2018.

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

MORTEN LUNDAL
DIRECTOR

Kuala Lumpur

Statutory Declaration

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

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 84 to 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 2018, before me.

COMMISSIONER FOR OATH

SURUHJAYA SUMPAH
No: W626
Nama: HAJJAH
JAMILAH ISMAIL
MALAYSIA

Lot 5.28, Tingkat 5
Wisma Central
Jalan Ampang
60450 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 2017, and of their financial performance and their cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

What we have audited

We have audited the financial statements of the Group and of the Company, which comprise the statements of financial position as at 31 December 2017 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 84 to 191.

Basis for opinion

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

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

Independence and other ethical responsibilities

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

Our audit approach

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

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

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 as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. There are no key audit matters in relation to the financial statements of the Company.

Key audit matter	How our audit addressed the key audit matter
Assessment of useful life and carrying value of intangible assets with indefinite useful life *Refer to Note 3(d) - Summary of significant accounting policies: Intangible assets, Note 4(a) - Critical accounting estimates and judgements: Intangible assets and Note 16 - Intangible assets.* As at 31 December 2017, the carrying amount of the Group's goodwill and telecommunications licences with allocated spectrum rights ("spectrum rights") amounted to RM10.9 billion. We focused on this area due to the size of the carrying amount of the goodwill and spectrum rights, which represented 56.8% of total assets as at 31 December 2017, and the significant assumptions and judgements involved in determining the indefinite useful life of the spectrum rights and impairment assessment. The spectrum rights are considered to have an indefinite economic useful life as the Directors are of the opinion that the spectrum rights can be renewed indefinitely without significant cost when compared with the expected future economic benefits expected to flow to the Group from the renewal and there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows for the entity. Based on the annual impairment test performed, the Directors concluded that no impairment is required for goodwill and spectrum rights. The key assumptions and sensitivities are disclosed in Note 16 to the financial statements.	We performed the following audit procedures: In respect of the useful life of the spectrum rights, we checked management's assessment of the significance of the cost of renewal by performing the following: • Read the letter of offer from the Malaysian Communications and Multimedia Commission ("MCMC") for the renewal of 2100MHz spectrum rights to understand the terms and conditions of the renewal, and discussed with management on how the conditions will be met. All relevant conditions are existing conditions which the Group does not foresee having difficulties to continue to comply with; • Obtained evidence that based on past experience, the Group was able to renew the spectrum rights without any material or significant disruptions to business operations; • Compared the estimated total renewal costs for all spectrum rights against the future estimated revenue and net cash flows which we checked as part of our audit procedures on impairment assessment; and • Discussed with management to understand the key assumptions used to estimate the total spectrum renewal costs, future revenue and net cash flows generated by the assets, which we checked as part of our audit procedures on impairment assessment.

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
Assessment of useful life and carrying value of intangible assets with indefinite useful life (continued)	Based on the procedures performed above, we did not find any exceptions in the Directors' estimate and judgement of the asset's useful life, specifically on the significance of the costs of renewal of the existing spectrum rights when compared with the expected future economic benefits expected to flow to the Group from the renewals. In respect of the goodwill and spectrum rights, we performed the following audit procedures on the value-in-use ("VIU") calculations which were based on cash flow projections that cover a period of 5 years comprising the approved financial budget for 2018 and a forecast for the next 4 years: • Evaluated the reasonableness of the Directors' assessment that the integrated telecommunications services is the cash generating unit ("CGU") which represents the smallest identifiable group of assets that generate independent cash inflows, by understanding the business model of the Group; • Agreed the 2018 VIU cash flows to the budget approved by the Directors; • Discussed with management the key assumptions used in the VIU calculations and compared the compounded revenue and earnings before interest, tax, depreciation and amortisation annual growth rates used in the 5-year VIU cash flows to the historical performance of the Group; • Discussed with management on the capital expenditure required to maintain the Group's network performance and assessed the impact on the VIU cash flows; and • Checked the reasonableness of the discount rate and terminal growth rate with the assistance of our valuation experts by benchmarking to industry reports, and checked the sensitivity analysis performed by management on the discount rate. Based on the procedures performed above, we did not find any exceptions to the Directors' conclusion that the goodwill and spectrum rights are not impaired as at 31 December 2017.

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
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 2017, the Group had short term payables and accruals of RM3.3 billion and short term borrowings of RM0.2 billion. We focused on the Group's funding and ability to meet its short term obligations due to the significant amount of the short term liabilities, which resulted in the current liabilities of the Group exceeding current assets by RM1.7 billion 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: • Checked management's cash flow forecasts for the Group over the next 12 months to the annual budget which includes operating, investing and financing cash flows approved by the Directors; • Discussed with management on key assumptions used in the cash flow forecasts including cash collection trends, payment profiles and significant transactions that may occur in developing the cash flow forecasts for the Group; • Checked the borrowing repayment profile of the Group against the loan agreements; and • Checked the extent of debt that the Group can raise from its existing Unrated Sukuk Murabahah Programme. Based on the procedures performed above, we did not find any exceptions to the Directors' assessment that the Group will be able to meet its short term obligations.
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 RM8.6 billion represents a significant component of the Group's revenue for the year ended 31 December 2017. 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 year.	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 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 recognised during the year.

There are no key audit matters in relation to the financial statements of the Company.

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 2017 Annual Report, which is expected to be made available to us after that date. Other information does not include the financial statements of the Group and of the Company and our auditors' report thereon.

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

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

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

Responsibilities of the Directors for the financial statements

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

In preparing the financial statements of the Group and of the Company, the Directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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)

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.

(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.

Independent Auditors' Report

to the Members of Maxis Berhad (Incorporated in Malaysia) (Company No. 867573 A)

OTHER MATTERS

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

PRICEWATERHOUSECOOPERS PLT
LLP0014401-LCA & AF 1146
Chartered Accountants

SRIDHARAN NAIR
2656/05/18 (J)
Chartered Accountant

Kuala Lumpur
8 February 2018