CHAPTER

8

FINANCIAL PERFORMANCE AND STATEMENTS

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FINANCIAL CALENDAR

> 24 FEBRUARY 2016

Announcement of the audited consolidated results and declaration of second interim single-tier dividend of 12.1 sen per share for the financial year ended 31 December 2015.

> 10 MARCH 2016

Date of entitlement of the second interim single-tier dividend of 12.1 sen per share for the financial year ended 31 December 2015.

> 24 MARCH 2016

Date of payment of the second interim single-tier dividend of 12.1 sen per share for the financial year ended 31 December 2015.

> 4 APRIL 2016

Issuance of the 31st AGM Notice, 2015 Annual Report and 2015 Sustainability Report.

> 13 APRIL 2016

Issuance of the Extraordinary General Meeting (EGM) Notice and Circular to Shareholders.

> 28 APRIL 2016

31st AGM and EGM of the Company.

> 25 MAY 2016

Announcement of the unaudited consolidated results for the 1st quarter ended 31 March 2016.

> 30 AUGUST 2016

Announcement of the unaudited consolidated results for the 2nd quarter ended 30 June 2016.

> 20 SEPTEMBER 2016

Date of entitlement of the 1st interim single-tier dividend of 9.3 sen per share for the financial year ended 31 December 2016.

> 7 OCTOBER 2016

Date of payment of the 1st interim single-tier dividend of 9.3 sen per share for the financial year ended 31 December 2016.

> 25 NOVEMBER 2016

Announcement of the unaudited consolidated results for the 3rd quarter ended 30 September 2016.

> 22 FEBRUARY 2017

Announcement of the audited consolidated results for the financial year ended 31 December 2016.

> 9 MARCH 2017

Date of entitlement of the second interim single-tier dividend of 12.2 sen per share for the financial year ended 31 December 2016.

> 24 MARCH 2017

Date of payment of the second interim single-tier dividend of 12.2 sen per share for the financial year ended 31 December 2016.

> 4 APRIL 2017

Issuance of the 32nd AGM Notice, Integrated Annual Report 2016, Sustainability Report 2016 and Circular to Shareholders.

> 26 APRIL 2017

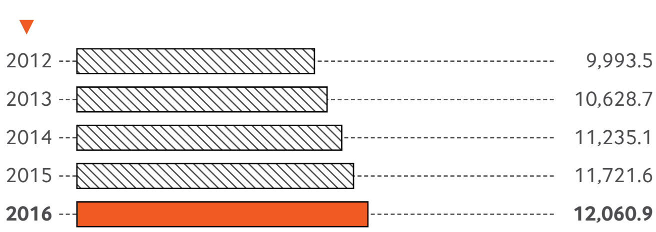
32nd AGM of the Company.

GROUP FINANCIAL HIGHLIGHTS

In RM Million	2012	2013	2014	2015	2016
OPERATING RESULTS					
1. Operating revenue	9,993.5	10,628.7	11,235.1	11,721.6	**12,060.9**
2. Profit before taxation and zakat	1,069.6	1,046.0	1,105.5	911.8	**918.5**
3. Profit for the financial year	1,305.9	1,047.8	842.5	591.8	**613.4**
4. Profit attributable to equity holders of the Company	1,263.7	1,012.2	831.8	700.3	**776.0**
KEY DATA OF FINANCIAL POSITION					
1. Total shareholders' equity	6,894.8	7,136.7	7,571.1	7,780.6	**7,692.3**
2. Total assets	22,195.9	21,146.5	22,623.2	24,413.1	**25,001.6**
3. Total borrowings	7,140.4	6,455.2	6,448.4	7,583.7	**8,363.3**
SHARE INFORMATION					
1. Per share					
Earnings (basic)	35.3 sen	28.3 sen	22.9 sen	18.7 sen	**20.6 sen**
Gross dividend	22.0 sen	26.1 sen	22.9 sen	21.4 sen	**21.5 sen**
Net assets	192.7 sen	199.5 sen	203.6 sen	207.0 sen	**204.7 sen**
2. Share price information					
High	RM6.40	RM6.00	RM7.57	RM7.79	**RM6.90**
Low	RM4.71	RM5.05	RM5.28	RM6.00	**RM5.81**
FINANCIAL RATIOS					
1. Return on shareholders' equity	17.7%	14.4%	11.3%	9.1%	**10.0%**
2. Return on total assets	5.9%	5.0%	3.7%	2.4%	**2.5%**
3. Debt equity ratio	1.0	0.9	0.9	1.0	**1.1**
4. Dividend cover	1.6	1.1	1.0	0.9	**1.0**

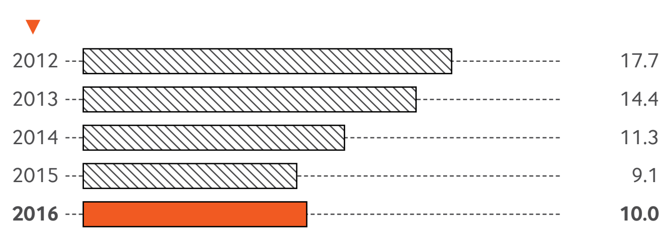
OPERATING REVENUE

(RM Million)



RETURN ON SHAREHOLDERS' EQUITY

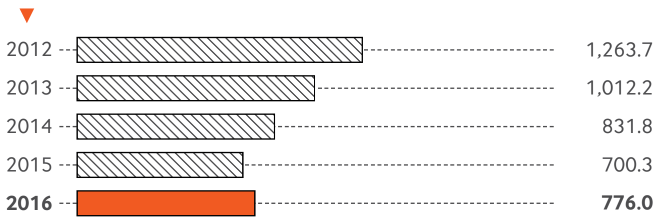
(%)



GROUP FINANCIAL HIGHLIGHTS

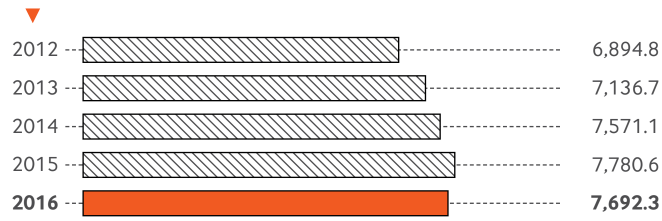
PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

(RM Million)



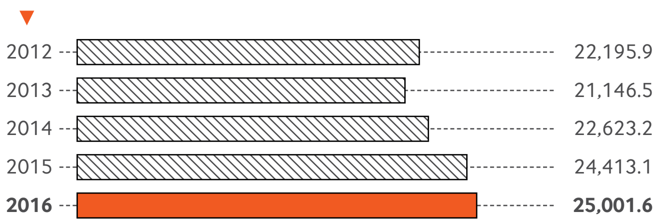
TOTAL SHAREHOLDERS' EQUITY

(RM Million)



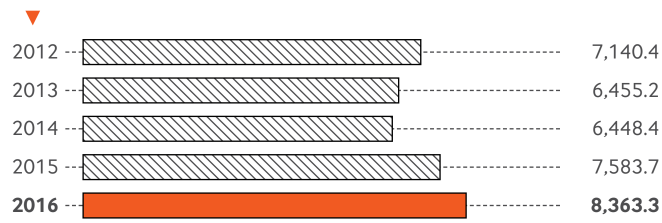
TOTAL ASSETS

(RM Million)



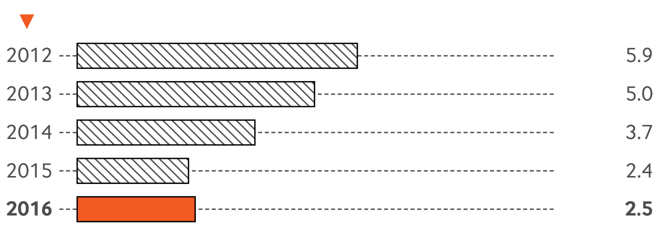
TOTAL BORROWINGS

(RM Million)

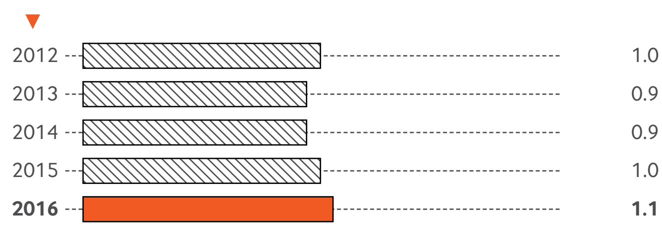


RETURN ON TOTAL ASSETS

(%)



DEBT EQUITY RATIO



INVESTOR RELATIONS

COMMUNICATING WITH OUR SHAREHOLDERS

In line with our ambitions to make both life and business easier, we are committed to communicating our strategies and activities clearly to all our shareholders.

Shareholder base

22,434*

Institutional/Retail Shareholders

** as at 28 February 2017*

Substantial Shareholders

Khazanah National Berhad
Employees Provident Fund
Amanahraya Trustees Berhad

55.17%

Foreign Shareholdings

12.34%

How we've communicated with our shareholders throughout the year

We maintained an active dialogue with our shareholders throughout the year through a planned programme of investor relations activities. We also respond to daily queries from investors and analysts through our Investor Relations team and maintain a portal on TM's corporate website, www.tm.com.my/investor, which serves as an excellent communication platform and source of information for investors and the general public. Additionally, the portal contains the Group's annual reports, financial results, investor presentations, capital structure information, press releases and disclosures to Bursa Securities, and is updated in a comprehensive and timely manner.

What our shareholders have asked us this year

We regularly reach out to our Stakeholders and encourage dialogue on various subject matters. In 2016, on top of the regular financial performance and strategy related questions, investors also enquired on news relating to spectrum reallocation by MCMC, the Budget 2017 announcement relating to broadband pricing as well as updates on webe. Below are some of the commonly asked questions.

General/Financial

- What are TM's biggest challenges and opportunities at the moment?
- What is TM's outlook with the implementation of the broadband price reductions announced by the Prime Minister? When can we expect clarity on the 2019 broadband pricing overhang?
- What will be your revenue drivers over the near to mid-term?
- What is the outlook for fixed broadband?
- What is TM's content strategy?
- With the high capex intensity planned over the mid-term as well as the challenges ahead, will this affect TM's dividend payout level?
- Based on TM's headline KPI's we can assume that there is margin pressure – what can you do to reduce this pressure, and how long do you expect this to persist?
- How do you define "Convergence"?
- What are the key risks for TM in the near to mid-term?
- What caused the weakness in TM's share price in 2016?

What differentiates webe from the other mobile operators?

Why did we decide to build our own network instead of acquiring or merging with an existing operator?

What are our targets and achievements thus far?

webe-related

When can webe become profitable, and at what market share?

What challenges can TM expect to face in the mobile space?

What must the Convergence services achieve to be considered "successful"?

Our Annual General Meeting and investor engagements

Our annual general meeting is attended by our Board and Executive Committee members and is open to all our shareholders to attend. A presentation of the year's highlights and financial results are given before the Chairman deals with the formal business of the meeting. All shareholders present can question the Board during the meeting. We hold meetings with institutional investors, individual shareholder groups, financial analysts and rating agencies to discuss our business performance and strategy. These are attended by the appropriate mix of Directors and senior management, including our Chairman, Group Chief Executive Officer, Group Chief Financial Officer, senior leaders and the Investor Relations team.

Ensuring compliance with best practices, all communication with the capital market is governed by our Investor Relations Policy and Guidelines and is line with Bursa Malaysia's Corporate Disclosure Guide 2011.

Our Investor Relations Calendar

Set below is a calendar of our investor conferences and non-deal roadshows throughout the year:

Date	Location
January 2016	Singapore
	Kuala Lumpur
March 2016	London
	Singapore
April 2016	Kuala Lumpur
May 2016	London
June 2016	Kuala Lumpur
September 2016	Stamford CN, New York City, Boston MA
	Hong Kong
October 2016	Taipei

Below are our senior management engagement sessions in 2016:

Date	Event
January 2016	Engagement with EVP Global Wholesale
June 2016	Engagement with EVP New Media
October 2016	Engagement with CEO of Webe Digital Sdn Bhd
November 2016	Engagement with EVP TM Enterprise
	Engagement with EVP and GM Global Wholesale

Analyst briefings (via teleconference) held in 2016:

Date	Event
24 February 2016	FY2015 TM Group Results
25 May 2016	1Q2016 TM Group Results
30 August 2016	1H2016 TM Group Results
24 October 2016	Broadband Improvement Plan 2017
25 November 2016	3Q2016 TM Group Results

DIVIDEND POLICY

We reiterate our dividend commitment as stated in our dividend policy statement:

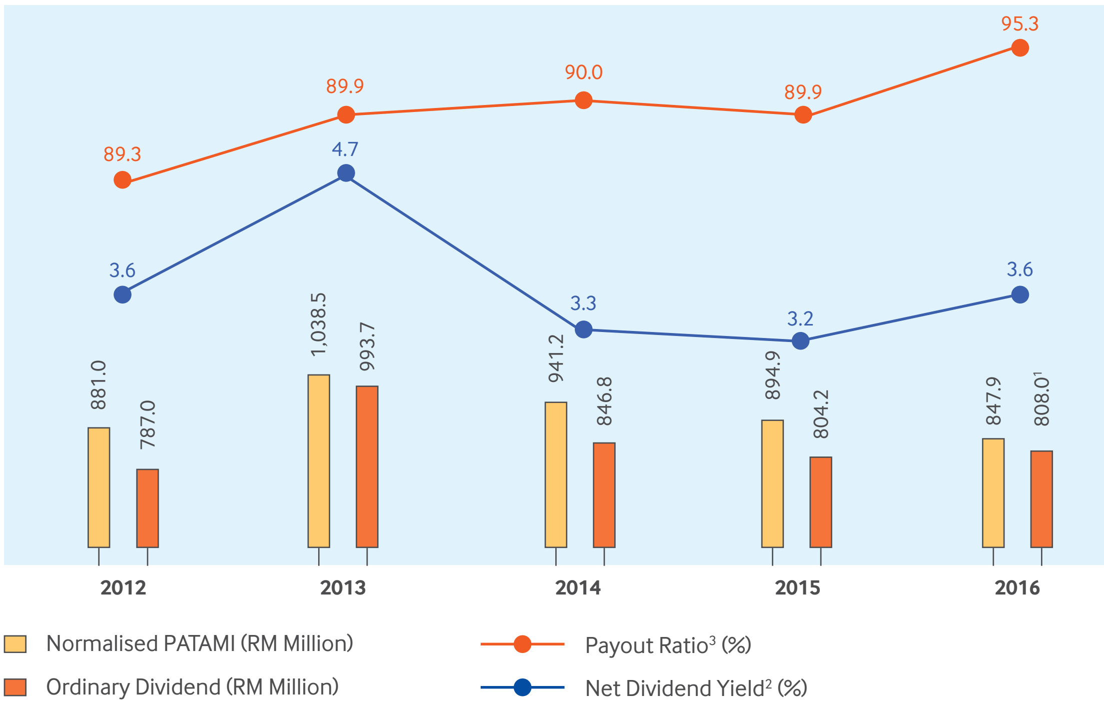
"In determining the dividend payout ratio in respect of any financial year after the Proposed Demerger, our Company intends to adopt a progressive dividend policy which enables us to provide stable and sustainable dividends to our shareholders while maintaining an efficient capital structure and ensuring sufficiency of funding for future growth.

Our Company intends to distribute yearly dividends of RM700 million or up to 90.0% of our normalised PATAMI, whichever is higher.

Dividends will be paid only if approved by our Board out of funds available for such distribution. The actual amount and timing of dividend payments will depend upon our level of cash and retained earnings, results of operations, business prospects, monetisation of non-core assets, projected levels of capital expenditure and other investment plans, current and expected obligations and such other matters as our Board may deem relevant."

SHAREHOLDER RETURNS (2012-2016)

Dividend Payout Policy of RM700 million or up to 90.0% of Normalised PATAMI whichever is higher



1 *2016 1st Interim Dividend of 9.3 sen per share and 2nd Interim Dividend of 12.2 sen per share*
2 *Net Dividend Yield based on closing price at year end*
3 *Excludes Capital Distributions/Repayment*

TM CREDIT RATING

TM continues to exhibit strong fundamentals and a sound balance sheet. This is evident from the credit ratings accorded by both local and international rating agencies, as indicated below:

Rating Agency of Malaysia	AAA
Moody's Investors Service	A3 (with a baseline credit assessment of "a3")
Standard & Poor's	A- (with a standalone credit profile of "a-")
Fitch	A- (outlook stable)

We are dedicated to maintaining our investment grade credit ratings and will continue with our prudent approach to financial and capital management and positive engagements with the rating agencies in order for them to have transparent and fair access to our key information.

Local Currency Debt

	TMISIS B
Coupon	4.870%
Maturity Date	28 Dec 2018
Principal (RM)	925,000,000

Note:
TMISIS is an abbreviation for TM Islamic Stapled Income Securities

	IMTN 001	IMTN 002	IMTN 003	IMTN 004	IMTN 005	IMTN 006	IMTN 007
Coupon	4.50%	4.20%	4.20%	4.00%	3.95%	3.95%	3.93%
Maturity Date	25 Jun 2021	13 Sep 2021	10 Dec 2021	13 May 2022	19 Dec 2022	28 Apr 2023	23 Jun 2023
Principal (RM)	300,000,000	300,000,000	200,000,000	250,000,000	300,000,000	400,000,000	250,000,000

	IMTN 008	IMTN 009	IMTN 010	IMTN 011	IMTN 012	IMTN 013	IMTN 014
Coupon	4.30%	4.82%	4.738%	4.55%	4.55%	4.23%	4.88%
Maturity Date	18 Dec 2020	21 Mar 2024	27 Jun 2024	7 Oct 2024	20 Dec 2024	10 Jun 2022	28 Nov 2025
Principal (RM)	200,000,000	300,000,000	300,000,000	300,000,000	300,000,000	300,000,000	300,000,000

Note:
(i) ICP is an abbreviation for Islamic Commercial Paper and IMTN is an abbreviation for Islamic Medium Term Note
(ii) IMTN 001 to IMTN 007 were issued under the ICP/IMTN programme of up to RM2.0 billion
(iii) IMTN 008 to IMTN 014 were issued under ICP/IMTN programme of up to RM3.0 billion

Foreign Currency Debt

	Yankee Bond	JPY Term Loan	USD Term Loan
Coupon	7.875%	0.91375%	3mLibor + 0.91%
Maturity Date	1 Aug 2025	20 Nov 2017	30 Oct 2020
Principal (USD)	300,000,000	7,800,000,000	100,000,000

Note:
(i) The JPY term loan was swapped to RM exposure with an interest rate of 3.62%
(ii) The USD term loan was swapped to RM exposure with an average interest rate of 4.01%

	EMTN 001	EMTN 002	EMTN 003
Currency	USD	USD	USD
Coupon	3.70%	1mLibor + 1.35%	3.422%
Maturity Date	25 Feb 2026	19 Aug 2023	15 Nov 2026
Principal(RM)	50,000,000	50,000,000	75,000,000

Note:
(i) EMTN is an abbreviation for Euro Medium Term Note.
(ii) EMTN 001 to EMTN 003 were issued under the multi currency EMTN programme of up to USD750.0 million, which is Islamic.

TRANSPARENCY

We continue to maintain a high level of transparency in our financial reporting, and are equally stringent in our corporate governance. Our operations are guided by the Malaysian Code on Corporate Governance, the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (Bursa Securities) as well as international best practices.

RECOGNITION

TM continued to receive recognition in 2016, most notably:

Alpha Southeast Asia's Institutional Investor - Corporate Awards 2016 (Malaysia)
- Most Organised Investor Relations
- Strongest Adherence to Corporate Governance
- Most Consistent Dividend Policy
- Best CFO in Malaysia - Datuk Bazlan Osman

National Center for Sustainable Reporting (NCSR)'s Sustainability Reporting Awards 2016
- Commendation for Best Practice in Sustainability Reporting in Malaysia

Malaysia-Asean Corporate Governance Transparency Index, Findings & Recognition (MSWG) 2016
- Excellence Award for Top CG and Performance (Overall Category)
- Excellence Award for Long-Term Value Creation
- Merit Award for CG Disclosures
- Industry Excellence (Telecommunications & Media)
- Merit Award for Board Diversity
- Merit Award for Best AGM (Overall Category)

FEEDBACK

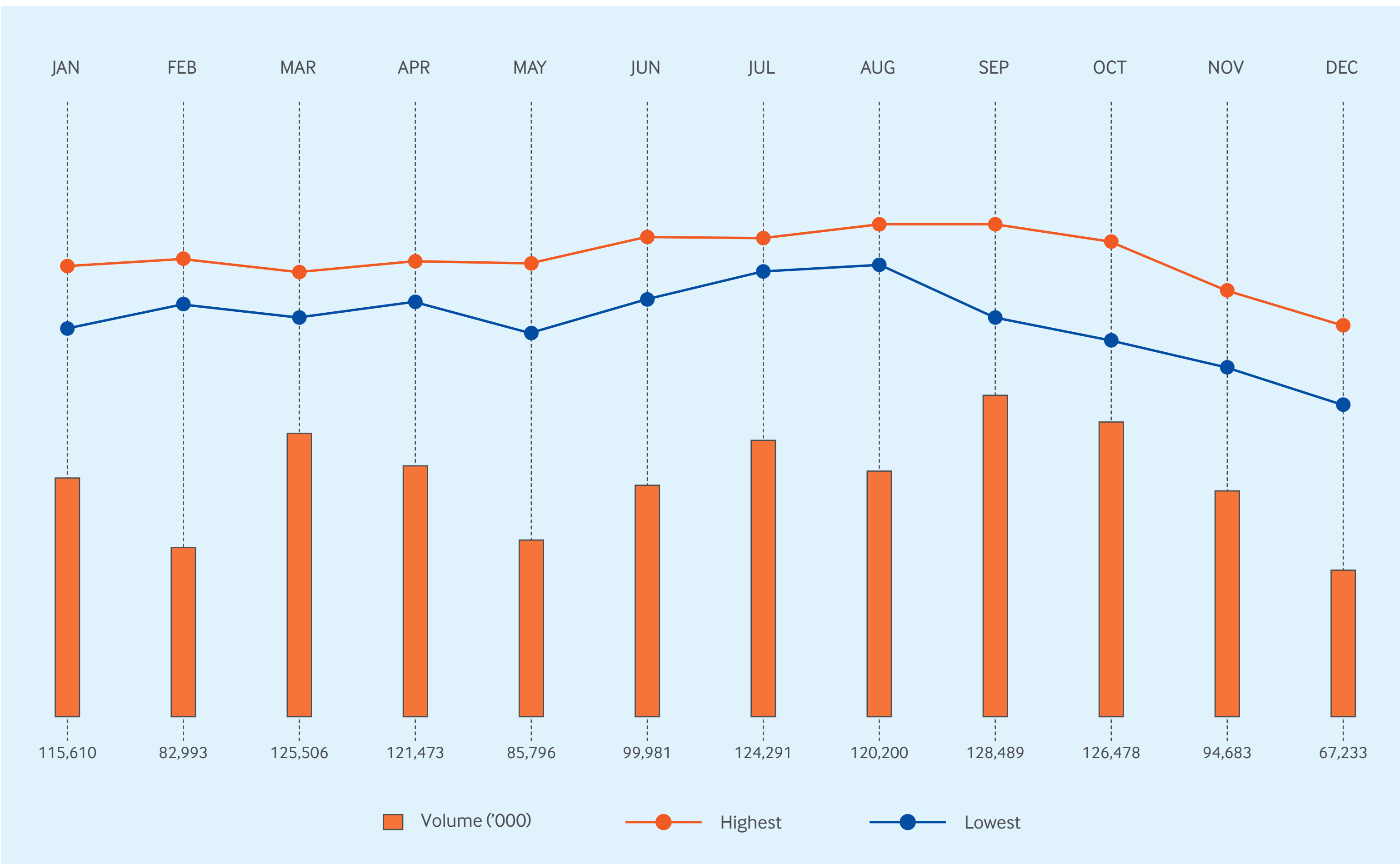
TM highly values feedback from the investing community, as it allows us to keep improving our relationship with this stakeholder group. To further enhance our Investor Relations function, we continuously seek constructive ideas through ongoing engagement with stakeholders as well as provide an avenue through which they may communicate with the team at investor@tm.com.my.

STOCK PERFORMANCE

We have been listed on Bursa Malaysia since 1990. In 2016, we recorded a total shares turnover of RM8,576 million with 1,290 million shares traded as compared to a total turnover of RM11,228 million with 1,630 million shares traded in 2015.

SHARE PRICE & VOLUME TRADED

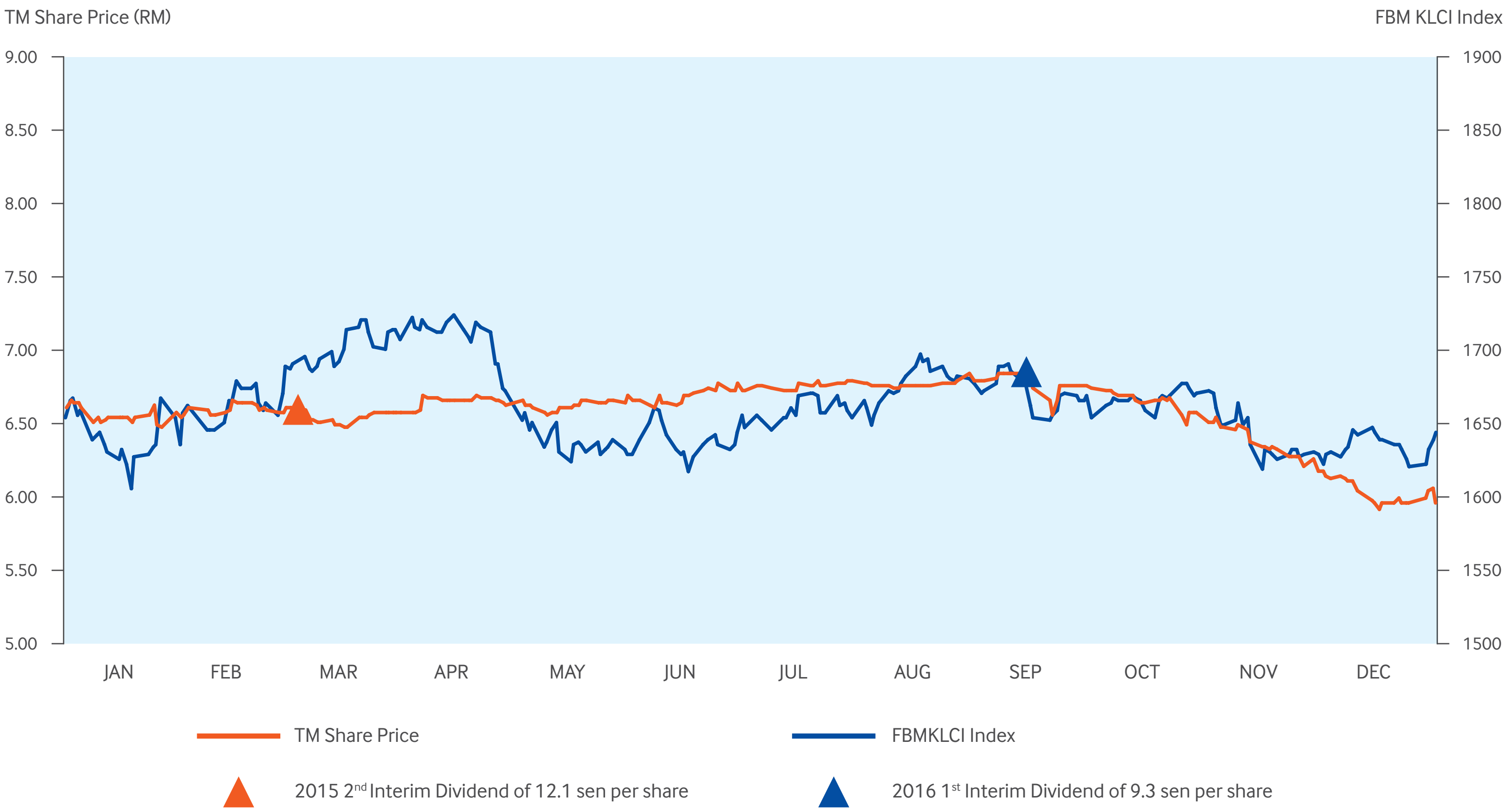
2016 Monthly Trading Volume & Highest-Lowest Share Price



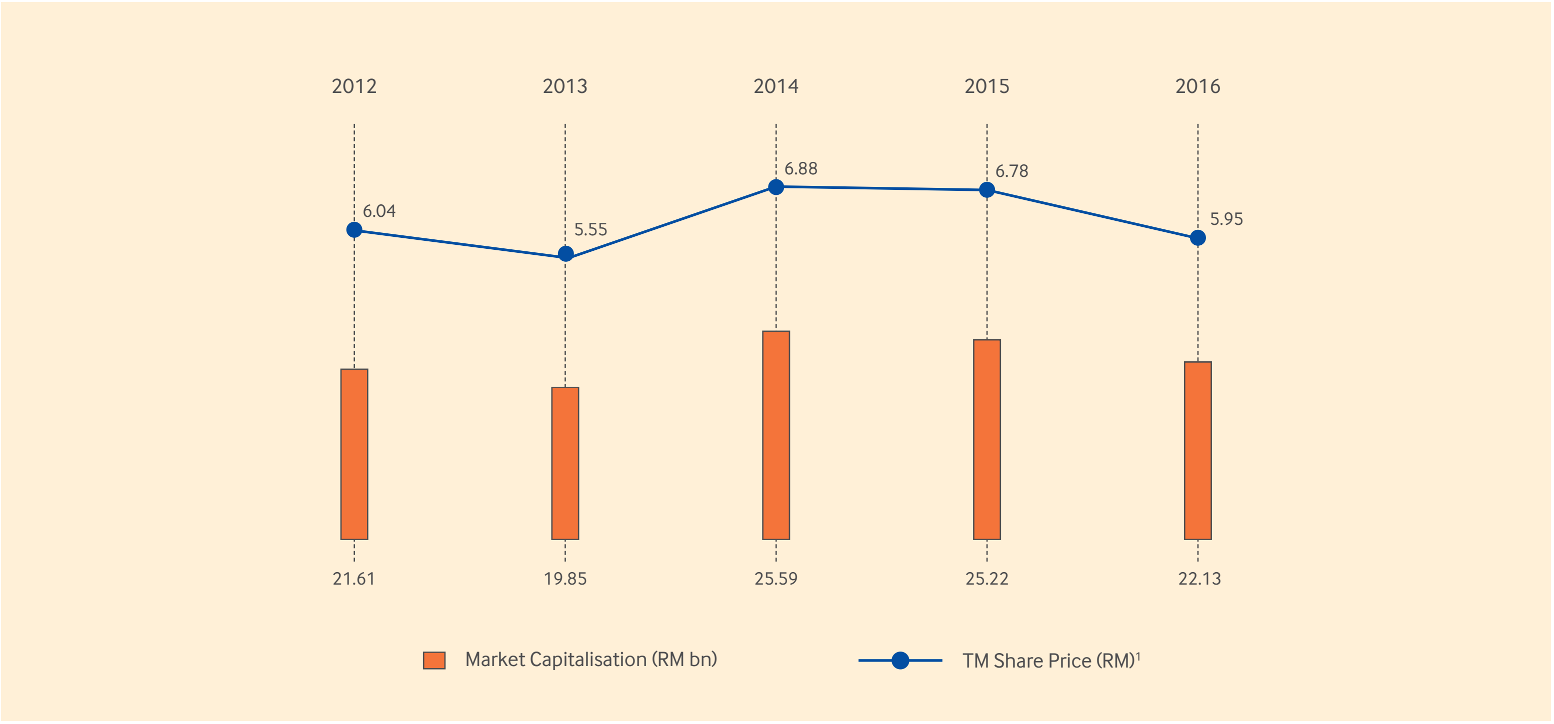
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Volume ('000)	115,610	82,993	125,506	121,473	85,796	99,981	124,291	120,200	128,489	126,478	94,683	67,233
Highest (RM)	6.74	6.80	6.70	6.78	6.75	6.87	6.85	6.90	6.90	6.83	6.60	6.24
Lowest (RM)	6.44	6.50	6.47	6.54	6.43	6.56	6.70	6.73	6.47	6.41	6.13	5.81

STOCK PERFORMANCE

TM SHARE PRICE VS. FBM KLCI INDEX 2016

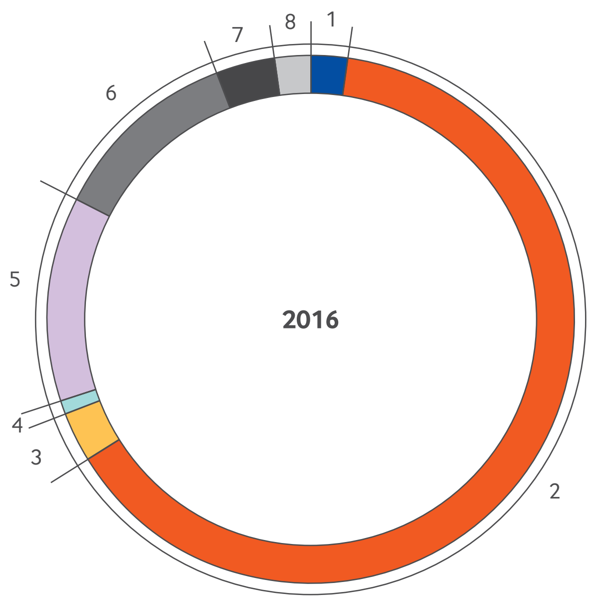


MARKET CAPITALISATION/SHARE PRICE

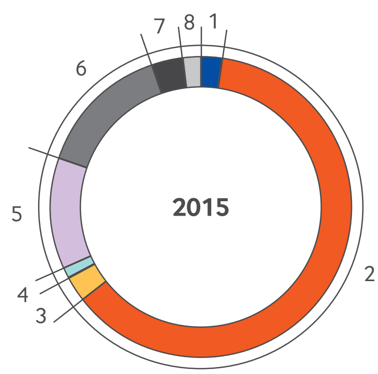


[1] *Closing share price at year end*

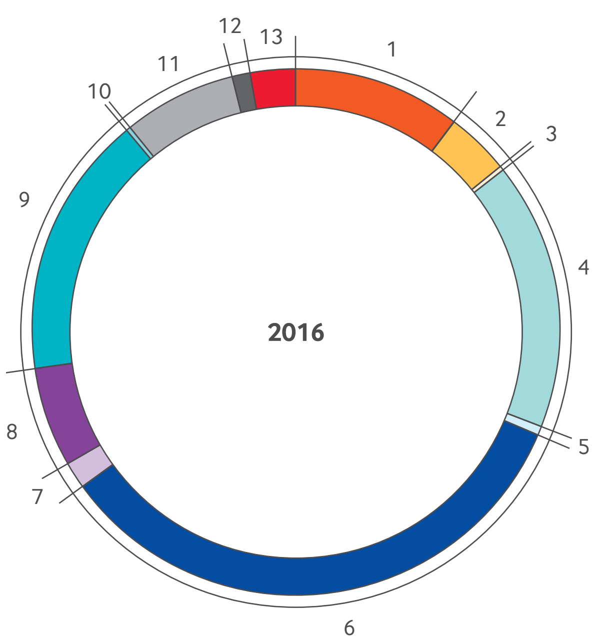
SIMPLIFIED GROUP STATEMENT OF FINANCIAL POSITION & SEGMENTAL ANALYSIS



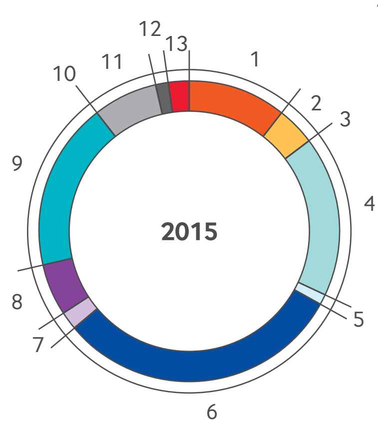
		2016	2015
Intangible assets	1	**2.3%**	2.5%
Property, plant and equipment	2	**64.0%**	62.2%
Available-for-sale investments	3	**2.9%**	2.8%
Inventories	4	**0.8%**	0.9%
Trade and other receivables	5	**12.6%**	12.1%
Cash and bank balances	6	**11.7%**	14.4%
Other non-current receivables	7	**3.5%**	3.2%
Other assets	8	**2.2%**	1.9%



TOTAL ASSETS



		2016	2015
Share capital	1	**10.5%**	10.8%
Share premium	2	**3.9%**	4.0%
Other reserves	3	**(0.2%)**	0.1%
Retained profits	4	**16.6%**	17.1%
Non-controlling interests	5	**0.6%**	1.1%
Borrowings	6	**33.5%**	31.0%
Customer deposits	7	**1.8%**	1.9%
Deferred tax liabilities	8	**6.0%**	5.6%
Trade and other payables	9	**16.4%**	18.0%
Taxation and zakat	10	**0.2%**	0.1%
Deferred income	11	**6.8%**	6.8%
Derivative financial instruments	12	**1.2%**	1.3%
Advance rental billings	13	**2.7%**	2.2%

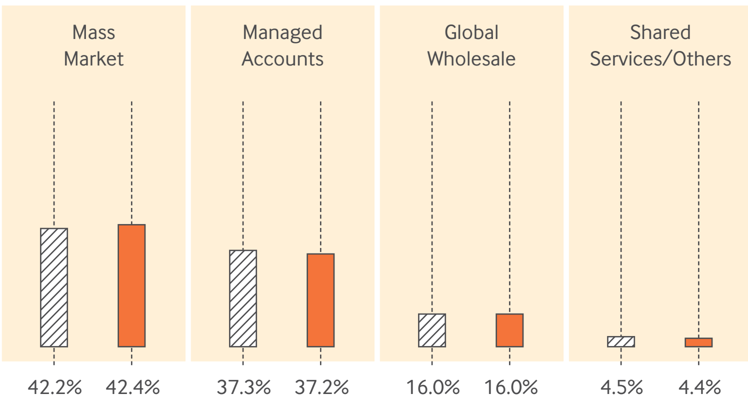


TOTAL LIABILITIES & SHAREHOLDERS' EQUITY

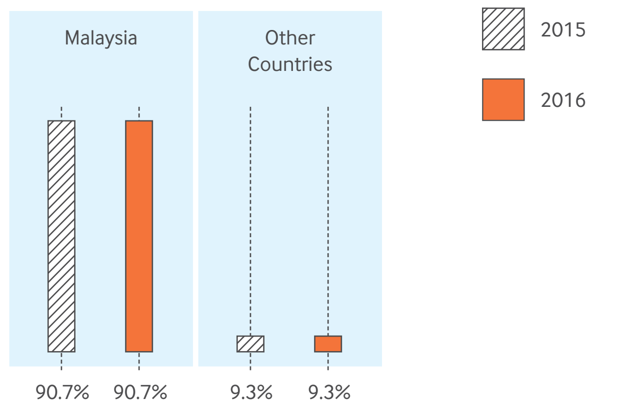
SEGMENT OPERATING REVENUE

for the financial year ended 31 December

By Business



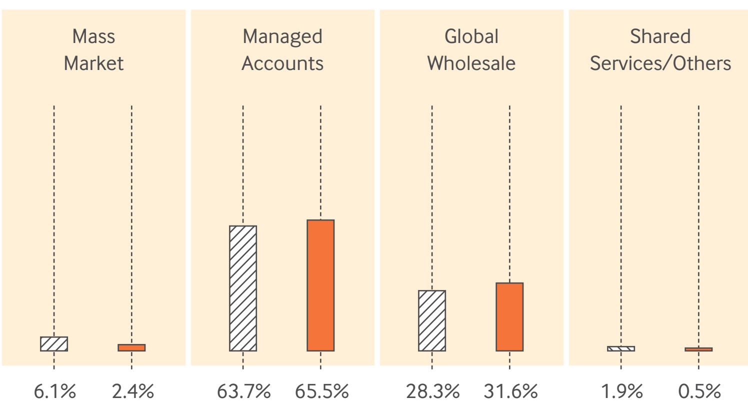
By Geographical Location



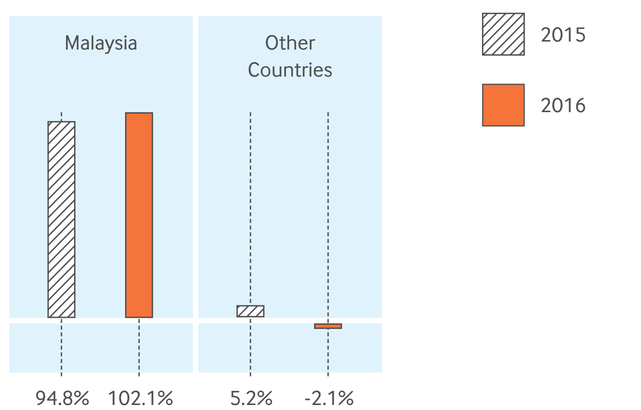
SEGMENT RESULTS

for the financial year ended 31 December

By Business



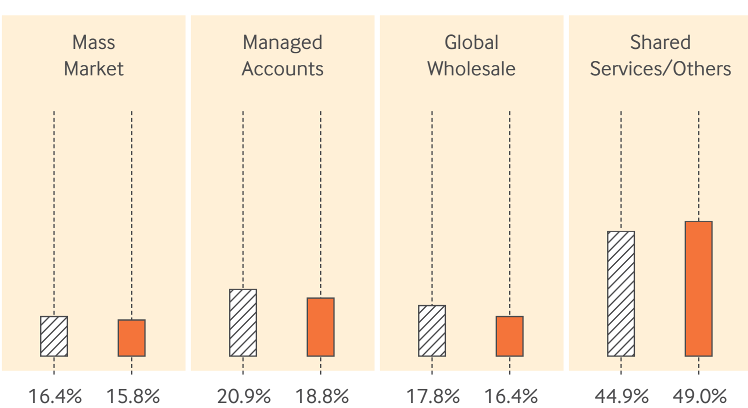
By Geographical Location



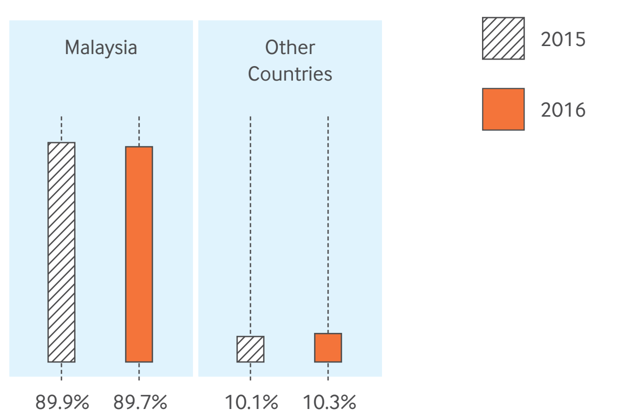
SEGMENT ASSETS

as at 31 December

By Business



By Geographical Location



GROUP QUARTERLY FINANCIAL PERFORMANCE

2016

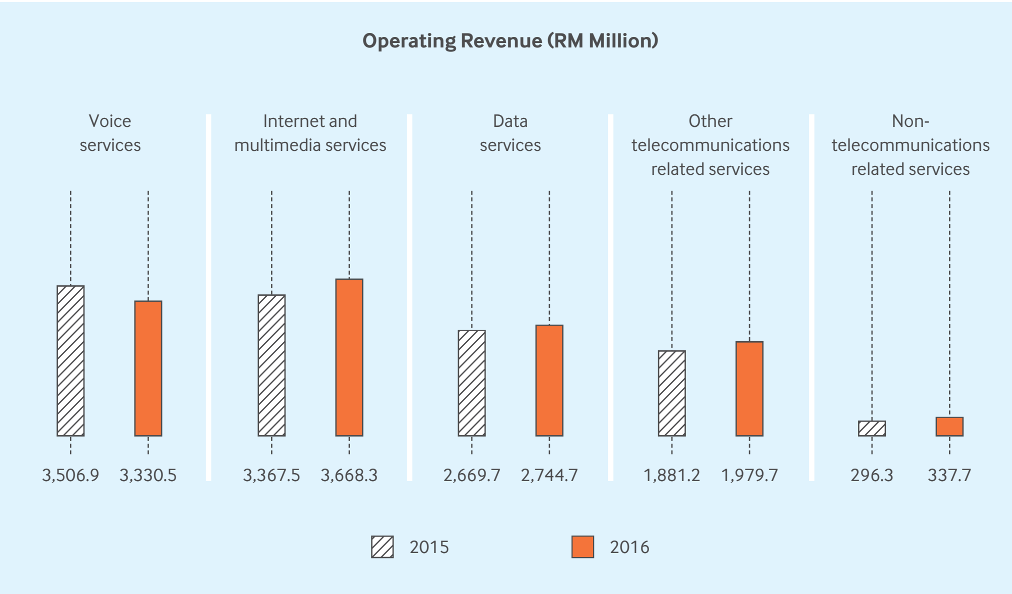
In RM Million	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Year 2016
Operating revenue	2,855.4	3,045.4	2,923.1	3,237.0	**12,060.9**
Operating profit before finance cost	330.4	280.0	304.0	286.8	**1,201.2**
Profit before taxation and zakat	393.2	195.9	218.8	110.6	**918.5**
Profit attributable to equity holders of the Company	322.4	139.5	159.8	154.3	**776.0**
Basic earnings per share (sen)	8.6	3.7	4.2	4.1	**20.6**
Dividend per share (sen)	-	9.3	-	12.2	**21.5**

2015

In RM Million	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Year 2015
Operating revenue	2,774.1	2,840.6	2,922.5	3,184.4	11,721.6
Operating profit before finance cost	242.8	304.7	448.5	234.5	1,230.5
Profit before taxation and zakat	172.1	256.1	259.0	224.6	911.8
Profit attributable to equity holders of the Company	128.9	212.1	166.8	192.5	700.3
Basic earnings per share (sen)	3.5	5.7	4.4	5.1	18.7
Dividend per share (sen)	–	9.3	–	12.1	21.4

GROUP FINANCIAL REVIEW

Financial capital



OPERATING REVENUE

TM Group revenue crossed the RM12.0 billion mark in 2016, grew by 2.9% from RM11,721.6 million in 2015 to RM12,060.9 million driven by higher revenue from the non-voice services namely Internet and multimedia, other telecommunication related services, data and non-telecommunication related services, which now collectively represents 72.4% of the Group's revenue.

Internet and multimedia services

As Malaysia's Convergence Champion, the Group's broadband customer base grew by 1.3% to 2.37 million customers. This was driven by UniFi which continues to see a strong 13.1% year-on-year growth in customer base, with more than 949,000 customers as at December 2016, of which 79.0% of them were on the speed of 10Mbps and above. The strong take up of higher value packages from the all new UniFi Advance and Pro plans and higher buys of content, as well as traction in upselling resulted in a strong ARPU trend. Combined, these factors have contributed to the healthy 8.9% growth in Internet and multimedia services from RM3,367.5 million in 2015 to RM3,668.3 million in 2016. In line with this, Internet and multimedia services contributed 30.4% to the Group's operating revenue, as compared to 28.7% in the previous financial year.

Other telecommunications related services

Despite challenging economic conditions, the Group successfully increased its revenue from other telecommunications related services by 5.2%, amounting to RM1,979.7 million for 2016 compared to RM1,881.2 million in 2015. Revenue from this segment is derived primarily from customer projects, maintenance, broadcasting, managed Information and Communications Technology (ICT), business process outsourcing and enhanced value-added telecommunications services. The increase was primarily due to stable growth in customer project revenue at the back of continuing realisation of grant revenue from Public Private Partnership (PPP) projects with the Government whilst VADS Berhad Group contributed higher Business Process Outsourcing (BPO) revenue. The contribution from other telecommunications related services to the Group's operating revenue increased slightly to 16.4% from 16.0% in the previous financial year.

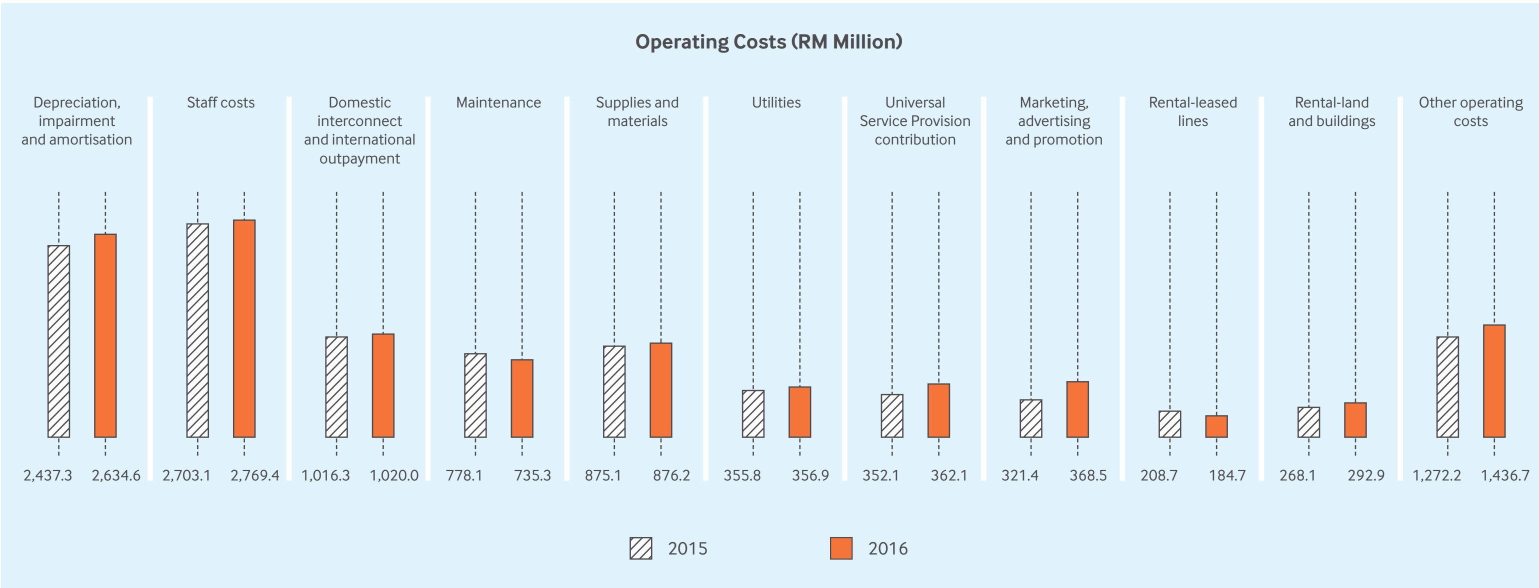
Data services

Data services which mainly comprise leased, Ethernet, IPVPN and IP services, increased by 2.8% in the current financial year to RM2,744.7 million compared to RM2,669.7 million in 2015. Servicing the Managed Accounts and Global Wholesale clusters, the increase was contributed by higher leased, Ethernet and data services revenue, both domestic and global as well as sales of international Indefeasible Right of Use (IRU) capacity. Consistent with the previous financial year, data services contributed 22.8% of the Group's operating revenue in 2016.

Non-telecommunications related services

With RM337.7 million revenue in 2016, non-telecommunications related services contributed 2.8% of the Group's operating revenue in 2016, slightly higher than the 2.5% contribution in 2015. The slight increase from this revenue segment which comprise services from subsidiaries focusing on education, printing and publication of directories, property development and trading in customer premise equipment, was mainly due to revenue recognition on share of Gross Development Value (GDV) from a joint land development. There were also higher revenue recorded by the education and tourism clusters contributed by subsidiaries like Universiti Telekom Sdn Bhd and Menara Kuala Lumpur Sdn Bhd.

GROUP FINANCIAL REVIEW



OPERATING COSTS

The Group's operating costs increased by 4.2% from RM10,588.2 million in 2015 to RM11,037.3 million in 2016 with increase mainly from depreciation and write-off of WiMAX assets in view of the Group's roll out of our Long Term Evolution (LTE) network as part of our plan to deliver on Convergence. Direct and other operating costs are also among the main contributors of the increase as explained below.

Depreciation, impairment and amortisation

This group of expenditure consisting of depreciation, impairment and write-off of property, plant and equipment (PPE), as well as amortisation of intangible assets, increased by 8.1% from RM2,437.3 million in 2015 to RM2,634.6 million in 2016. The increase was mainly contributed by the increase at webe with impact from RM195.2 million accelerated depreciation and write-off of WiMAX and other assets in line with the gradual roll-out of the Group's LTE network in place of the WiMAX network thus enabling the successful commercial launch of webe in September 2016, marking the Group's entrance into the mobility space. Depreciation also increased with a larger property, plant and equipment base of the Group with assetisation of sites under the High Speed Broadband 2 (HSBB 2) and Sub Urban Broadband (SUBB) projects further expanding the reach out of our digital broadband footprint across the nation. As a proportion of the Group's overall revenue, depreciation, impairment and amortisation was at 21.8% in 2016 as compared to 20.8% in 2015. Against the Group's total cost, depreciation and amortisation is 23.9% in 2016 compared to 23.0% in 2015.

Staff costs

Staff costs for the Group increased by 2.5% from RM2,703.1 million in 2015 to RM2,769.4 million in 2016 with impact of annual increment. Staff cost contributed 25.1% of the overall Group's operating costs in 2016 compared to 25.5% in 2015.

Domestic interconnect and international outpayment

At RM1,020.0 million, the Group's domestic interconnect and international outpayment was relatively level with a marginal 0.4% increase from the RM1,016.3 million recorded in 2015 despite increase in domestic interconnect costs as well as cost of Indefeasible Rights of Use (IRU) and international capacity together with impact from foreign currency translation on international outpayments. Domestic interconnect and international outpayment in 2016 reduced to 9.2% of the Group's total cost compared to 9.6% in 2015.

Supplies and materials

Supplies and materials, being 7.9% of the Group's total cost in 2016, increased marginally by only 0.1% to RM876.2 million in 2016 from RM875.1 million in 2015. Consisting of material costs incurred for customer projects, customer equipment costs and cable costs among others, the year-on-year increase was mainly from increase in equipment and material components of customer projects in 2016 in line with increase in revenue from other telecommunication related services.

Maintenance

The result of continuing effectiveness of cost control measures reported from the previous financial year which resulted from more comprehensive maintenance contracts negotiated with business partners continues to have positive impact to the Group. The Group's overall maintenance cost decreased 5.5% during the year to RM735.3 million in 2016 from RM778.1 million in 2015. The net cost reduction was realised despite additional site maintenance cost as the Group rolls out new LTE sites nationwide.

OTHER OPERATING INCOME

Other operating income increased by 5.4% to RM130.4 million in 2016 from RM123.7 million in 2015 due to higher dividend income during 2016 from the Group's equity investments.

Other Gains/(Losses)

Other gains in 2016 largely comprise of RM31.8 million favourable carrying value movement over the Group's obligation to purchase back shares of a subsidiary from a Non-controlling Interest, arising from a dilution of the Non-controlling Interest's effective shareholding in the subsidiary during the year. Favourable fair value movement was also recorded on another call option on shares held by another Non-controlling Interest.

NET FINANCE COST

The Group's net finance cost decreased by 9.1% from RM343.4 million to RM312.1 million in the current financial year mainly from lower unrealised foreign exchange losses on re-translation of borrowings as explained below.

Finance cost

Finance cost for the Group increased by 17.7% from RM323.4 million in 2015 to RM380.7 million in 2016 following the full year impact in 2016 of the RM600.0 million Islamic Medium Term Notes (IMTN) issued across the previous financial year coupled with additional impact of the interest on the USD175.0 million Euro Medium Term Note (EMTN) Sukuk issued in three separate tranches by the Group during 2016. The EMTN Sukuk were issued mainly to fund the Group's capital expenditure as well as business operating requirements.

Finance income

Finance income decreased by 5.5% to RM155.3 million from RM164.4 million in 2015 contributed by lower interest income from deposits with relatively lower yield during the year and net reduction in average cash holding in view of the Group's increased capital expenditure spending during the year.

Foreign exchange on translation of borrowings

Despite an increase in the Group's unhedged US Dollar borrowings balance during the year in view of the issuance of the USD175.0 million EMTN Sukuk across 2016 and amidst continued weakening of the Malaysian Ringgit at the end of the financial year against major currencies such as the US Dollar, the Group recorded a lower foreign exchange loss on borrowings of RM86.7 million in 2016 compared to RM184.4 million in 2015.

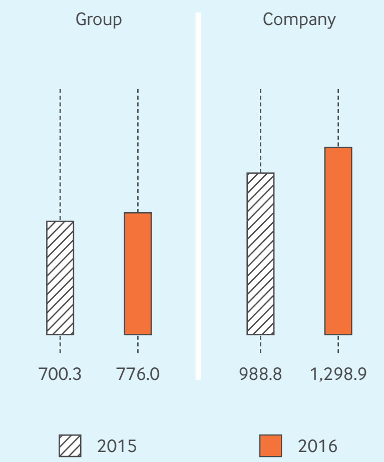
TAXATION EXPENSE

At RM299.0 million, the net taxation charge for 2016 was lower than the RM314.3 million taxation charge in 2015 despite a higher profit before taxation as mentioned below. This was mainly due to the tax incentives in the form of investment tax allowances recognised by the Group in 2016 on qualifying expenditures relating to high speed broadband infrastructures assetised during the current and preceding financial year for which approval was recently granted to the Group. The effective tax rate for the Group in 2016 remains higher than the statutory tax rate in view of deferred tax assets/credits relating to the operational losses of Webe Digital Sdn Bhd (webe) which has yet to be recognised by the Group. This is deferred to a future point when the Group is more reasonably certain of the operational profits to be contributed by webe against which the deferred tax credits can eventually be utilised.

PROFITABILITY

The Group's profit before taxation and zakat was 0.7% higher at RM918.5 million in 2016 compared to the RM911.8 million in 2015 due to other gains and lower foreign exchange losses on Group borrowings in 2016. Consequently, profit attributable to equity holders (PATAMI) also increased 10.8% from RM700.3 million in 2015 to RM776.0 million, further to the higher profit before tax as well as tax incentives recognised in 2016 as mentioned above.

Profit Attributable to Equity Holders of the Company (RM Million)



TOTAL ASSETS

Total assets of the Group increased 2.4% to RM25,001.6 million, from RM24,413.1 million as at the end of the preceding financial year. Increase in property, plant and equipment (PPE) and trade and other receivables offsets the reduction in cash and bank balances as well as inventories.

Trade and other receivables

The 7.2% increase in trade and other receivables was mainly from the increase in other receivables with increase in trade balances being relatively lower by 0.2% despite the 2.9% increase in revenue year-on-year. This is reflective of the improved effectiveness of the Group's credit management policies and debt recovery trend that was evident through the significant reduction in impairment charges on trade and other receivables in 2016 compared to 2015.

Cash and bank balances

The Group's cash and bank balances remains healthy at RM2,926.0 million. The reduction from the RM3,511.6 million at the end of the previous financial year corresponds with the increase in the Group's PPE as described below, reflective of 2016 being a year of intensive capital investment for the Group with investments in the LTE network together with expansion of high speed broadband infrastructure through HSBB 2 and SUBB. Maintaining the Group's annual dividend payments to shareholders (RM804.2 million paid during 2016), net cash outflows used in investing activities of the Group in 2016 was at RM3,259.5 million, higher than the healthy RM2,848.6 million net inflows from operations.

Inventories

Reduction in inventories from RM236.8 million to RM207.1 million at the end of 2016 was in view of sales of international capacity held for resale by the Group's global business namely international submarine cables partially offset by increase in work-in-progress deliverables relating to the Group's telecommunication related services and customer projects.

Property, plant and equipment (PPE)

At RM16,010.6 million, the Group's PPE increased 5.4% from RM15,186.9 million as at the end of 2015. The increase was partially due to higher asset additions and capital expenditure through significant network expansion projects that would enable us to deliver Convergence namely LTE roll-out, HSBB 2, SUBB and Sistem Kabel Rakyat 1 Malaysia (SKR1M) that would provide high speed broadband connectivity between East and West Malaysia. These new investments were offset by accelerated depreciations of WiMAX asset in making way for LTE roll-out and write-offs of certain other assets.

TOTAL LIABILITIES

The Group's total liabilities as at the end of 2016 was RM17,169.1 million, a 4.9% increase from RM16,374.4 million at the end of the previous financial year, primarily due to higher borrowings which were partially offset by lower trade and other payables.

Borrowings

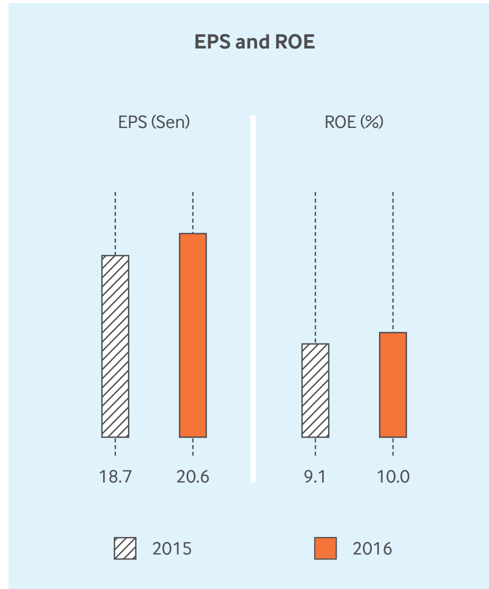
Borrowings increased by 10.3% from RM7,583.7 million to RM8,363.3 million recorded at the end of 2016 financial year mainly due to the issuance of 3 tranches of Multi Currency Euro Medium Term Notes Sukuks by the Group totalling up to USD175.0 million (RM735.4 million) through Tulip Maple Berhad, a subsidiary of the Group, with the main purpose of financing the Group's USD denominated capital expenditures. There were also significant increase from foreign exchange revaluation as an impact from weakening RM against USD and JPY.

Trade and other payables

Total trade and other payables reduced by 6.5% from RM4,392.2 million to RM4,106.7 million at end 2016 mainly due to reduction in trade payable and accruals and amount payable for Universal Service Provision, an amount contributed by all telecommunication licensees to Malaysian Communications and Multimedia Commission (MCMC) remitted upon MCMC's established provisions and procedures.

SHAREHOLDERS' EQUITY

The Group maintains a strong RM7,692.3 million shareholders' equity with significant movement during the year comprising mainly of the RM776.0 million profit from the financial year attributable to shareholders against RM804.2 million dividends paid out to shareholders during 2016.



Earnings per share (EPS) and return on shareholders' equity (ROE)

In line with the higher profit attributable to the equity holders of the Company, the basic EPS for 2016 increased to 20.6 sen as compared to 18.7 sen in 2015. Consistently, ROE increased from 9.1% in 2015 to 10.0% in 2016.

Dividends

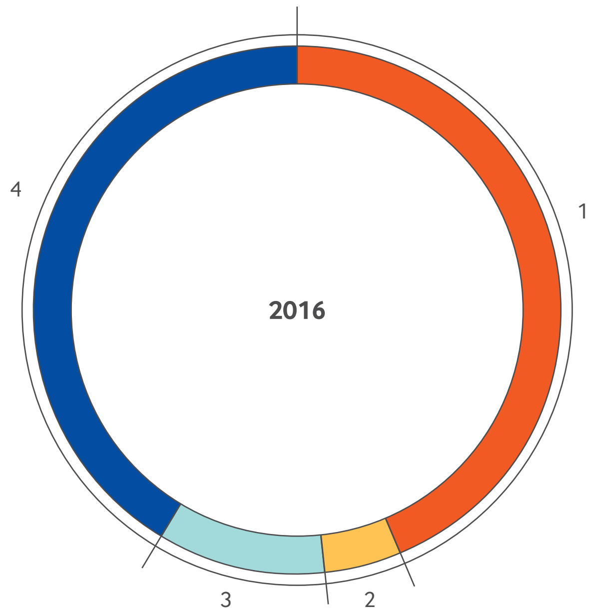
To demonstrate the Group's commitment to grow TM's value creation through sustainable return on capital, on 22 February 2017, the Board of Directors declared a second interim single-tier cash dividend of 12.2 sen per share amounting to RM458.5 million payable on 24 March 2017. No further final dividend will be recommended. Together with the first interim single-tier dividend of 9.3 sen per share, the total dividend payout in respect of the financial year ended 31 December 2016 would be RM808.0 million or 21.5 sen per share, in line with the Company's dividend payout policy of RM700.0 million or up to 90.0% of normalised profit attributable to equity holders, whichever is higher.

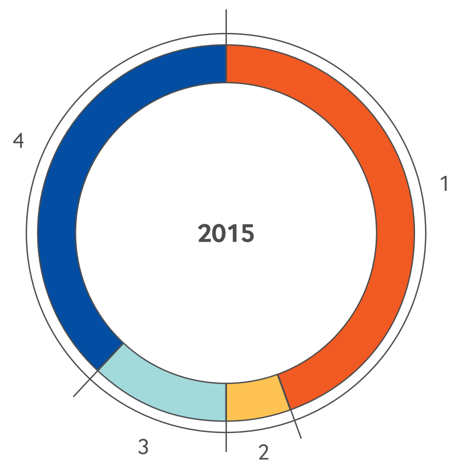
STATEMENT OF VALUE ADDED

Value added is a measure of wealth created. The following statement shows the Group's value added for 2015 and 2016 and its distribution by way of payments to employees, government/approved agencies and shareholders, with the balance retained in the Group for reinvestment and future growth.

	2015 RM Million	2016 RM Million
VALUE ADDED		
Revenue	11,721.6	**12,060.9**
Purchase of goods and services	(5,447.8)	**(5,633.3)**
Value added by the Group	6,273.8	**6,427.6**
Other operating income (net)	123.7	**130.4**
Other (losses)/gains (net)	(26.6)	**47.2**
Finance income	164.4	**155.3**
Finance cost	(323.4)	**(380.7)**
Foreign exchange loss on borrowings	(184.4)	**(86.7)**
Share of results of associates	24.7	**29.4**
Value added available for distribution	6,052.2	**6,322.5**
DISTRIBUTION		
To Employees		
Employment cost	2,703.1	**2,769.4**
To Government/Approved Agencies		
Taxation and Zakat	320.0	**305.1**
To Shareholders		
Dividends	847.9	**804.2**
Non-controlling interests	(108.5)	**(162.6)**
Retained for reinvestment and future growth		
Depreciation, impairment and amortisation	2,437.3	**2,634.6**
Net reduction in retained profits	(147.6)	**(28.2)**
Total distributed	6,052.2	**6,322.5**

DISTRIBUTION OF VALUE ADDED





		2016	2015
Employees – Employment cost	1	**43.8%**	44.7%
Government/Approved Agencies – Taxation and zakat	2	**4.8%**	5.3%
Shareholders – Dividends and non-controlling interests	3	**10.2%**	12.2%
Retained for reinvestment and future growth – Depreciation, impairment, amortisation and retained profits	4	**41.2%**	37.8%

STATEMENT OF RESPONSIBILITY BY DIRECTORS

IN RESPECT OF THE AUDITED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

The Directors are required by the Companies Act, 1965 (CA 1965) to prepare the financial statements for each financial year in accordance with applicable Malaysian Financial Reporting Standards (MFRS), International Financial Reporting Standards, the requirements of the CA 1965 and the Main Market Listing Requirements. The Directors are responsible to ensure that the financial statements give a true and fair view of the financial position of the Group and the Company at the end of the financial year, and of their financial performance and cash flows for the financial year then ended.

In preparing the financial statements, the Directors have:

- adopted appropriate and relevant accounting policies and applied them consistently;
- made judgments and estimates that are reasonable and prudent;
- ensured that all applicable approved accounting standards have been followed; and
- prepared the financial statements on a going concern basis as the Directors have a reasonable expectation, having made enquiries, that the Group and the Company have adequate resources to continue in operational existence for the foreseeable future.

The Directors have the responsibility to ensure that the Group and the Company keep accounting records which disclose with reasonable accuracy the financial position of the Group and the Company, enabling them to ensure that the financial statements comply with the CA 1965.

The Directors also have the overall responsibilities to take such steps as are reasonably open to them to safeguard the assets of the Group and of the Company, and for the establishment, implementation and maintenance of appropriate accounting and internal control systems for the prevention and detection of fraud and other irregularities.

DIRECTORS' REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

The Directors have pleasure in submitting their integrated annual report and the audited financial statements of the Group and the Company for the financial year ended 31 December 2016.

PRINCIPAL ACTIVITIES

The principal activities of the Company are the establishment, maintenance and provision of telecommunications and related services. The principal activities of subsidiaries are set out in note 51 to the financial statements. There was no significant change in the principal activities of the Group and the Company during the financial year.

RESULTS

The results of the operations of the Group and the Company for the financial year were as follows:

	The Group RM Million	The Company RM Million
Profit for the financial year attributable to:		
- equity holders of the Company	776.0	1,298.9
- non-controlling interests	(162.6)	-
Profit for the financial year	613.4	1,298.9

In the opinion of the Directors, the results of the operations of the Group and the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature.

DIVIDENDS

Since the end of the previous financial year, dividends paid, declared or proposed on ordinary shares by the Company were as follows:

		The Company RM Million
(a)	In respect of the financial year ended 31 December 2015, a second interim single-tier cash dividend (2nd Interim Dividend) of 12.1 sen per share was paid on 24 March 2016	**454.7**
(b)	In respect of the financial year ended 31 December 2016, an initial interim single-tier cash dividend (1st Interim Dividend) of 9.3 sen per share was paid on 7 October 2016	**349.5**

On 28 April 2016, the Shareholders approved the renewal of authority for Directors of the Company to allot and issue new ordinary shares of RM0.70 each in the Company (TM Shares) in accordance to the Dividend Reinvestment Scheme (DRS) (as disclosed in the note 13(c) to the financial statements) at the Thirty-first Annual General Meeting (AGM) until the conclusion of the next AGM.

The DRS was not made applicable to the abovesaid 2nd and 1st Interim Dividends.

On 22 February 2017, the Board of Directors declared a second interim single-tier cash dividend of 12.2 sen per share for the financial year ended 31 December 2016. The dividend will be paid on 24 March 2017 to shareholders whose names appear in the Register of Members and Record of Depositors on 9 March 2017. The Board of Directors is not recommending payment of any final dividend in respect of the financial year ended 31 December 2016.

SHARE CAPITAL

The Company will be seeking shareholders' approval at the forthcoming Thirty-second (32nd) AGM for the renewal of the authority for the Directors of the Company to allot and issue new TM Shares and the approval of Bursa Malaysia Securities Berhad for the listing and quotation of the new TM Shares.

SHARE CAPITAL (continued)

Shares issued pursuant to DRS

No new shares were issued pursuant to the DRS during the financial year as the DRS was not made applicable to any dividends appropriated during the financial year.

LONG TERM INCENTIVE PLAN (LTIP)

On 29 September 2016, the Company implemented a LTIP for a period of 10 years, having obtained shareholders' approval at an Extraordinary General Meeting (EGM) on 28 April 2016 and all other subsequent required approvals. The EGM also approved the By-Laws governing the LTIP.

The main features of the LTIP and details of granting during the financial year are set out in note 14 of the notes to the financial statements.

MULTI-CURRENCY EURO MEDIUM TERM NOTES (EMTN) SUKUK PROGRAMME

During the financial year, the Company through its wholly-owned subsidiary, Tulip Maple Berhad issued EMTN under the sukuk programme approved by the Securities Commission Malaysia on 3 March 2015, with details as follows.

Date of Issue	Nominal Value	Maturity Date
25 February 2016	USD50.0 million	25 February 2026
19 August 2016	USD50.0 million	21 August 2023
15 November 2016	USD75.0 million	15 November 2026

Details of the EMTN programme are as disclosed in note 17(g) of the financial statements.

The proceeds from the issuance of the EMTN are used by the Company to meet its capital expenditure and business operating requirements.

MOVEMENTS ON RESERVES AND PROVISIONS

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

STATUTORY INFORMATION ON THE FINANCIAL STATEMENTS

Before the financial statements of the Group and the Company were prepared, the Directors took reasonable steps to:

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

(b) ensure that any current assets which were unlikely to be realised at their book value in the ordinary course of business had been written down to their expected realisable values.

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

(a) would render the amounts written off for bad debts or the amount of allowance for doubtful debts in the financial statements of the Group and the Company inadequate to any substantial extent or the values attributed to current assets in the financial statements of the Group and the Company misleading; and

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

STATUTORY INFORMATION ON THE FINANCIAL STATEMENTS (continued)

In the interval between the end of the financial year and the date of this report:

(a) no items, transactions or other events of material and unusual nature has arisen which, in the opinion of the Directors, would substantially affect the results of the operations of the Group and the Company for the financial year in which this report is made; and

(b) no charge has arisen on the assets of any Company in the Group which secures the liability of any other person nor has any contingent liability arisen in any Company in the Group.

No contingent or other liability of any Company in the Group 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 the Company to meet their obligations when they fall due.

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 the Company, which would render any amount stated in the financial statements misleading.

DIRECTORS

The Directors in office since the date of the last report are as follows:

Directors	Alternate Directors
Tan Sri Dato' Seri Dr Sulaiman Mahbob	
Tan Sri Dato' Sri Zamzamzairani Mohd Isa	
Datuk Bazlan Osman	
Dato' Sri Dr Mohmad Isa Hussain	Asri Hamidin @ Hamidon
Tunku Dato' Mahmood Fawzy Tunku Muhiyiddin	Nik Rizal Kamil Tan Sri Nik Ibrahim Kamil
Dato' Ibrahim Marsidi	
Datuk Zalekha Hassan	
Davide Giacomo Federico Benello @ David Benello	
Datuk Seri Fateh Iskandar Tan Sri Dato' Mohamed Mansor	
Gee Siew Yoong	
Balasingham A. Namasiwayam *[Appointed on 28 April 2016]*	
Tunku Afwida Tunku Dato' A.Malek *[Appointed on 28 April 2016]*	
Dato' Ir Abdul Rahim Abu Bakar *[Retired on 28 April 2016]*	
Dato' Danapalan T.P. Vinggrasalam *[Retired on 28 April 2016]*	

Pursuant to Article 98(2) of the Company's Articles of Association (AA), Mr Balasingham A. Namasiwayam and Tunku Afwida Tunku Dato' A.Malek, who were appointed Directors of the Company during the year, shall retire at the forthcoming 32nd AGM of the Company and being eligible, offer themselves for re-election.

In accordance with Article 103 of the Company's AA, the following Directors shall retire by rotation from the Board at the forthcoming 32nd AGM of the Company and being eligible, offer themselves for re-election:

(i) Datuk Seri Fateh Iskandar Tan Sri Dato' Mohamed Mansor;
(ii) Gee Siew Yoong; and
(iii) Tan Sri Dato' Seri Dr Sulaiman Mahbob.

DIRECTORS' INTEREST

In accordance with the Register of Directors' Shareholdings, the Directors who held office at the end of the financial year and have interest in shares in the Company are as follows:

	Number of ordinary shares of RM0.70 each			
Interest in the Company	**Balance at 1.1.2016/Date of Appointment**	**Bought**	**Sold**	**Balance at 31.12.2016**
Tan Sri Dato' Sri Zamzamzairani Mohd Isa	**9,607***	-	-	**9,607***
Datuk Bazlan Osman	**2,134**	-	-	**2,134**
Balasingham A. Namasiwayam	**16,013**	-	-	**16,013**

Note:
* Including deemed interest held by spouse, which as at 31.12.16 amounts to 4,270 shares

In accordance with the Register of Directors' Shareholdings, none of the other Directors who held office at the end of the financial year has any direct or indirect interests in the shares in the Company and its related corporations during the financial year. None of the Directors who held office at the end of the financial year have been granted any units under the LTIP of the Group and the Company as described in note 14 of the notes to the financial statements.

DIRECTORS' BENEFITS

Since the end of the previous financial year, none of the Directors has received or become entitled to receive any benefit (except for the Directors' fees, remuneration and other emoluments as disclosed in note 6(b) 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 is a member or with a company in which he has a substantial financial interest and any benefit that may deem to have been received by certain Directors.

Neither during nor at the end of the financial year was the Company or any of its related corporations, a party to any arrangement with the object(s) of enabling the Directors to acquire benefits by means of the acquisition of shares in, or debentures of the Company or any other body corporate.

AUDITORS

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

In accordance with a resolution of the Board of Directors dated 22 February 2017.

TAN SRI DATO' SERI DR SULAIMAN MAHBOB
Director

TAN SRI DATO' SRI ZAMZAMZAIRANI MOHD ISA
Director

INCOME STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

All amounts are in million unless otherwise stated	Note	The Group 2016 RM	The Group 2015 RM	The Company 2016 RM	The Company 2015 RM
OPERATING REVENUE	5	**12,060.9**	11,721.6	**10,747.1**	10,285.3
OPERATING COSTS					
- depreciation, impairment and amortisation	6(a)	**(2,634.6)**	(2,437.3)	**(2,067.1)**	(2,026.9)
- other operating costs	6(b)	**(8,402.7)**	(8,150.9)	**(7,169.4)**	(7,077.8)
OTHER OPERATING INCOME (net)	7	**130.4**	123.7	**390.5**	409.1
OTHER GAINS /(LOSSES) (net)	8	**47.2**	(26.6)	**1.1**	(0.3)
OPERATING PROFIT BEFORE FINANCE COST		**1,201.2**	1,230.5	**1,902.2**	1,589.4
FINANCE INCOME		**155.3**	164.4	**129.9**	136.3
FINANCE COST		**(380.7)**	(323.4)	**(367.5)**	(312.7)
FOREIGN EXCHANGE LOSS ON BORROWINGS		**(86.7)**	(184.4)	**(88.6)**	(159.1)
NET FINANCE COST	9	**(312.1)**	(343.4)	**(326.2)**	(335.5)
ASSOCIATES					
- share of results (net of tax)	27	**29.4**	24.7	**-**	-
PROFIT BEFORE TAXATION AND ZAKAT		**918.5**	911.8	**1,576.0**	1,253.9
TAXATION AND ZAKAT	10	**(305.1)**	(320.0)	**(277.1)**	(265.1)
PROFIT FOR THE FINANCIAL YEAR		**613.4**	591.8	**1,298.9**	988.8
ATTRIBUTABLE TO:					
- equity holders of the Company		**776.0**	700.3	**1,298.9**	988.8
- non-controlling interests		**(162.6)**	(108.5)	**-**	-
PROFIT FOR THE FINANCIAL YEAR		**613.4**	591.8	**1,298.9**	988.8
EARNINGS PER SHARE (sen)					
- basic/diluted	11	**20.6**	18.7		

The above Income Statements are to be read in conjunction with the Notes to the Financial Statements on pages 215 to 328.

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STATEMENTS OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

All amounts are in million unless otherwise stated	Note	The Group 2016 RM	The Group 2015 RM	The Company 2016 RM	The Company 2015 RM
PROFIT FOR THE FINANCIAL YEAR		**613.4**	591.8	**1,298.9**	988.8
OTHER COMPREHENSIVE INCOME					
Items that may be reclassified subsequently to income statement:					
- increase in fair value of available-for-sale investments	28	**13.0**	34.7	**13.0**	34.7
- increase in fair value of available-for-sale receivables	29	**#**	#	**#**	#
- reclassification adjustments relating to available-for-sale investments disposed	8	**(1.6)**	(2.3)	**(1.6)**	(2.3)
- cash flow hedge					
- increase in fair value of cash flow hedge	19	**55.1**	241.6	**55.1**	241.6
- reclassification to foreign exchange loss on borrowings	9	**(59.6)**	(209.9)	**(59.6)**	(209.9)
- fair value hedge					
- increase in fair value		**5.2**	-	**5.2**	-
- currency translation differences					
- subsidiaries		**10.5**	22.1	**-**	-
- associate		**0.7**	1.7	**-**	-
Other comprehensive income for the financial year		**23.3**	87.9	**12.1**	64.1
TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR		**636.7**	679.7	**1,311.0**	1,052.9
ATTRIBUTABLE TO:					
- equity holders of the Company		**799.3**	788.2	**1,311.0**	1,052.9
- non-controlling interests		**(162.6)**	(108.5)	**-**	-
TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR		**636.7**	679.7	**1,311.0**	1,052.9

Amount less than RM0.1 million

The above Statements of Comprehensive Income are to be read in conjunction with the Notes to the Financial Statements on pages 215 to 328.

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STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2016

All amounts are in million unless otherwise stated	Note	The Group 2016 RM	The Group 2015 RM	The Company 2016 RM	The Company 2015 RM
SHARE CAPITAL	13	**2,630.6**	2,630.6	**2,630.6**	2,630.6
SHARE PREMIUM		**964.9**	964.9	**964.9**	964.9
OTHER RESERVES	15	**(43.1)**	17.0	**271.0**	257.0
RETAINED PROFITS	16	**4,139.9**	4,168.1	**3,793.9**	3,299.2
TOTAL CAPITAL AND RESERVES ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY		**7,692.3**	7,780.6	**7,660.4**	7,151.7
NON-CONTROLLING INTERESTS		**140.2**	258.1	**-**	-
TOTAL EQUITY		**7,832.5**	8,038.7	**7,660.4**	7,151.7
Borrowings	17	**7,662.6**	7,175.4	**6,309.1**	6,299.3
Payable to subsidiaries	18	**-**	-	**1,229.3**	706.3
Derivative financial instruments	19	**301.9**	321.9	**-**	16.7
Deferred tax liabilities	20	**1,514.8**	1,367.6	**1,445.4**	1,269.4
Deferred income	21	**1,711.4**	1,661.7	**1,694.0**	1,661.7
Trade and other payables	37	**3.7**	25.2	**3.7**	25.2
DEFERRED AND NON-CURRENT LIABILITIES		**11,194.4**	10,551.8	**10,681.5**	9,978.6
		19,026.9	18,590.5	**18,341.9**	17,130.3
Property, plant and equipment	22	**16,010.6**	15,186.9	**13,945.1**	13,138.5
Investment property	23	**-**	-	**110.1**	112.4
Intangible assets	24	**563.6**	607.8	**-**	-
Subsidiaries	25	**-**	-	**1,742.1**	1,741.6
Loans and advances to subsidiaries	26	**-**	-	**1,349.3**	914.3
Associates	27	**45.8**	26.3	**-**	-
Available-for-sale investments	28	**196.5**	155.9	**196.4**	155.8
Available-for-sale receivables	29	**4.8**	6.0	**4.8**	6.0
Other non-current receivables	30	**870.7**	786.3	**484.3**	397.2
Derivative financial instruments	19	**391.5**	334.9	**369.0**	327.1
Deferred tax assets	20	**30.6**	11.5	**-**	-
NON-CURRENT ASSETS		**18,114.1**	17,115.6	**18,201.1**	16,792.9

STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2016

All amounts are in million unless otherwise stated	Note	The Group 2016 RM	The Group 2015 RM	The Company 2016 RM	The Company 2015 RM
Inventories	31	**207.1**	236.8	**90.9**	142.5
Non-current assets held for sale	32	**19.0**	20.3	**19.0**	20.3
Customer acquisition costs	33	**53.2**	59.1	**53.2**	59.1
Trade and other receivables	34	**3,158.2**	2,947.1	**2,723.1**	2,333.1
Derivative financial instruments	19	**-**	0.4	**-**	-
Available-for-sale investments	28	**518.0**	515.6	**518.0**	515.6
Financial assets at fair value through profit or loss	35	**6.0**	6.6	**6.0**	6.6
Cash and bank balances	36	**2,926.0**	3,511.6	**2,167.3**	2,580.0
CURRENT ASSETS		**6,887.5**	7,297.5	**5,577.5**	5,657.2
Trade and other payables	37	**4,103.0**	4,367.0	**3,661.5**	4,181.9
Customer deposits	38	**443.1**	467.6	**442.5**	466.8
Advance rental billings		**667.4**	545.0	**634.6**	477.6
Borrowings	17	**700.7**	408.3	**331.1**	152.8
Payable to subsidiaries	18	**-**	-	**299.4**	-
Taxation and zakat		**60.5**	34.7	**67.6**	40.7
CURRENT LIABILITIES		**5,974.7**	5,822.6	**5,436.7**	5,319.8
NET CURRENT ASSETS		**912.8**	1,474.9	**140.8**	337.4
		19,026.9	18,590.5	**18,341.9**	17,130.3

The above Statements of Financial Position are to be read in conjunction with the Notes to the Financial Statements on pages 215 to 328.

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

		Attributable to equity holders of the Company										
		Issued and Fully Paid of RM0.70 each Special Share*/ Ordinary Shares										
All amounts are in million unless otherwise stated	Note	Share Capital RM	Share Premium RM	Fair Value Reserves RM	Hedging Reserve RM	Long Term Incentive Plan Reserve RM	Capital Redemption Reserve RM	Other Reserve RM	Currency Translation Differences RM	Retained Profits RM	Non-controlling Interests RM	Total Equity RM
At 1 January 2016		2,630.6	964.9	90.2	95.2	-	71.6	(267.6)	27.6	4,168.1	258.1	8,038.7
Profit/(loss) for the financial year		-	-	-	-	-	-	-	-	776.0	(162.6)	613.4
Other comprehensive income												
Items that may be reclassified subsequently to income statement:												
- increase in fair value of available-for-sale investments	28	-	-	13.0	-	-	-	-	-	-	-	13.0
- increase in fair value of available-for-sale receivables	29	-	-	#	-	-	-	-	-	-	-	#
- reclassification adjustments relating to available-for-sale investments disposed	8	-	-	(1.6)	-	-	-	-	-	-	-	(1.6)
- cash flow hedge												
- increase in fair value of cash flow hedge	19	-	-	-	55.1	-	-	-	-	-	-	55.1
- reclassification to foreign exchange loss on borrowings	9	-	-	-	(59.6)	-	-	-	-	-	-	(59.6)
- fair value hedge												
- increase in fair value of fair value hedge		-	-	-	5.2	-	-	-	-	-	-	5.2
- currency translation differences												
- subsidiaries		-	-	-	-	-	-	-	10.5	-	-	10.5
- associate		-	-	-	-	-	-	-	0.7	-	-	0.7
Total comprehensive income/(loss) for the financial year		-	-	11.4	0.7	-	-	-	11.2	776.0	(162.6)	636.7

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

		Attributable to equity holders of the Company										
		Issued and Fully Paid of RM0.70 each Special Share*/ Ordinary Shares										
All amounts are in million unless otherwise stated	Note	Share Capital RM	Share Premium RM	Fair Value Reserves RM	Hedging Reserve RM	Long Term Incentive Plan Reserve RM	Capital Redemption Reserve RM	Other Reserve RM	Currency Translation Differences RM	Retained Profits RM	Non-controlling Interests RM	Total Equity RM
Transactions with owners:												
Second interim dividend paid for the financial year ended 31 December 2015	12	-	-	-	-	-	-	-	-	(454.7)	-	(454.7)
First interim dividend paid for the financial year ended 31 December 2016	12	-	-	-	-	-	-	-	-	(349.5)	-	(349.5)
Dividends paid to non-controlling interests		-	-	-	-	-	-	-	-	-	(41.6)	(41.6)
Transaction with non-controlling interest	51(a)	-	-	-	-	-	-	(85.3)	-	-	85.3	-
Long Term Incentive Plan (LTIP):												
- ordinary shares granted	14, 15	-	-	-	-	1.9	-	-	-	-	-	1.9
Capital contribution by non-controlling interest	41	-	-	-	-	-	-	-	-	-	1.0	1.0
Total transactions with owners		-	-	-	-	1.9	-	(85.3)	-	(804.2)	44.7	(842.9)
At 31 December 2016		2,630.6	964.9	101.6	95.9	1.9	71.6	(352.9)	38.8	4,139.9	140.2	7,832.5

Amount less than RM0.1 million

* Issued and fully paid shares include the Special Rights Redeemable Preference Share (Special Share) of RM1.00. Refer to note 13(a) to the financial statements for details of the terms and rights attached to the Special Share.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

		Attributable to equity holders of the Company										
		Issued and Fully Paid of RM0.70 each Special Share*/ Ordinary Shares										
All amounts are in million unless otherwise stated	Note	Share Capital RM	Share Premium RM	Fair Value Reserves RM	Hedging Reserve RM	Long Term Incentive Plan Reserve RM	Capital Redemption Reserve RM	Other Reserve RM	Currency Translation Differences RM	Retained Profits RM	Non-controlling Interests RM	Total Equity RM
At 1 January 2015		2,603.6	722.7	57.8	63.5	-	71.6	(267.6)	3.8	4,315.7	388.8	7,959.9
Profit/(loss) for the financial year		-	-	-	-	-	-	-	-	700.3	(108.5)	591.8
Other comprehensive income												
Items that may be reclassified subsequently to income statement:												
- increase in fair value of available-for-sale investments	28	-	-	34.7	-	-	-	-	-	-	-	34.7
- increase in fair value of available-for-sale receivables	29	-	-	#	-	-	-	-	-	-	-	#
- reclassification adjustments relating to available-for-sale investments disposed	8	-	-	(2.3)	-	-	-	-	-	-	-	(2.3)
- cash flow hedge												
- increase in fair value of cash flow hedge	19	-	-	-	241.6	-	-	-	-	-	-	241.6
- reclassification to foreign exchange loss on borrowings	9	-	-	-	(209.9)	-	-	-	-	-	-	(209.9)
- currency translation differences												
- subsidiaries		-	-	-	-	-	-	-	22.1	-	-	22.1
- associate		-	-	-	-	-	-	-	1.7	-	-	1.7
Total comprehensive income/(loss) for the financial year		-	-	32.4	31.7	-	-	-	23.8	700.3	(108.5)	679.7

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

		Attributable to equity holders of the Company										
		Issued and Fully Paid of RM0.70 each Special Share*/ Ordinary Shares										
All amounts are in million unless otherwise stated	Note	Share Capital RM	Share Premium RM	Fair Value Reserves RM	Hedging Reserve RM	Long Term Incentive Plan Reserve RM	Capital Redemption Reserve RM	Other Reserve RM	Currency Translation Differences RM	Retained Profits RM	Non-controlling Interests RM	Total Equity RM
Transactions with owners:												
Shares issued pursuant to Dividend Reinvestment Scheme (DRS)	13(c)	27.0	242.2	-	-	-	-	-	-	-	-	269.2
Final dividend paid for the financial year ended 31 December 2014	12	-	-	-	-	-	-	-	-	(498.4)	-	(498.4)
Interim dividend paid for the financial year ended 31 December 2015	12	-	-	-	-	-	-	-	-	(349.5)	-	(349.5)
Dividends paid to non-controlling interests		-	-	-	-	-	-	-	-	-	(31.2)	(31.2)
Capital contribution by non-controlling interest	41	-	-	-	-	-	-	-	-	-	7.3	7.3
Equity portion of Convertible Medium Term Notes subscribed by non-controlling interest	41, 17(f)	-	-	-	-	-	-	-	-	-	1.7	1.7
Total transactions with owners		27.0	242.2	-	-	-	-	-	-	(847.9)	(22.2)	(600.9)
At 31 December 2015		2,630.6	964.9	90.2	95.2	-	71.6	(267.6)	27.6	4,168.1	258.1	8,038.7

\# Amount less than RM0.1 million

* Issued and fully paid shares include the Special Rights Redeemable Preference Share (Special Share) of RM1.00. Refer to note 13(a) to the financial statements for details of the terms and rights attached to the Special Share.

The above Consolidated Statement of Changes in Equity is to be read in conjunction with the Notes to the Financial Statements on pages 215 to 328.

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COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

		Issued and Fully Paid of RM0.70 each Special Share*/ Ordinary Shares	Non-distributable					Distributable	
All amounts are in million unless otherwise stated	**Note**	**Share Capital RM**	**Share Premium RM**	**Fair Value Reserves RM**	**Hedging Reserve RM**	**Long Term Incentive Plan Reserve RM**	**Capital Redemption Reserve RM**	**Retained Profits RM**	**Total Equity RM**
At 1 January 2016		**2,630.6**	**964.9**	**90.2**	**95.2**	**-**	**71.6**	**3,299.2**	**7,151.7**
Profit for the financial year		-	-	-	-	-	-	1,298.9	1,298.9
Other comprehensive income									
Items that may be reclassified subsequently to income statement:									
- increase in fair value of available-for-sale investments	28	-	-	13.0	-	-	-	-	13.0
- increase in fair value of available-for-sale receivables	29	-	-	#	-	-	-	-	#
- reclassification adjustments relating to available-for-sale investments disposed	8	-	-	(1.6)	-	-	-	-	(1.6)
- cash flow hedge									
- increase in fair value of cash flow hedge	19	-	-	-	55.1	-	-	-	55.1
- reclassification to foreign exchange loss on borrowings	9	-	-	-	(59.6)	-	-	-	(59.6)
- fair value hedge									
- increase in fair value of fair value hedge		-	-	-	5.2	-	-	-	5.2
Total comprehensive income for the financial year		-	-	11.4	0.7	-	-	1,298.9	1,311.0
Transactions with owners:									
Long Term Incentive Plan (LTIP):									
- ordinary shares granted	14, 15	-	-	-	-	1.9	-	-	1.9
Second interim dividend paid for the financial year ended 31 December 2015	12	-	-	-	-	-	-	(454.7)	(454.7)
First interim dividend paid for the financial year ended 31 December 2016	12	-	-	-	-	-	-	(349.5)	(349.5)
Total transactions with owners		-	-	-	-	1.9	-	(804.2)	(802.3)
At 31 December 2016		**2,630.6**	**964.9**	**101.6**	**95.9**	**1.9**	**71.6**	**3,793.9**	**7,660.4**

COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

All amounts are in million unless otherwise stated	Note	Issued and Fully Paid of RM0.70 each Special Share*/ Ordinary Shares Share Capital RM	Non-distributable Share Premium RM	Fair Value Reserves RM	Hedging Reserve RM	Long Term Incentive Plan Reserve RM	Capital Redemption Reserve RM	Distributable Retained Profits RM	Total Equity RM
At 1 January 2015		2,603.6	722.7	57.8	63.5	-	71.6	3,158.3	6,677.5
Profit for the financial year		-	-	-	-	-	-	988.8	988.8
Other comprehensive income									
Items that may be reclassified subsequently to income statement:									
- increase in fair value of available-for-sale investments	28	-	-	34.7	-	-	-	-	34.7
- increase in fair value of available-for-sale receivables	29	-	-	#	-	-	-	-	#
- reclassification adjustments relating to available-for-sale investments disposed	8	-	-	(2.3)	-	-	-	-	(2.3)
- cash flow hedge									
- increase in fair value of cash flow hedge	19	-	-	-	241.6	-	-	-	241.6
- reclassification to foreign exchange loss on borrowings	9	-	-	-	(209.9)	-	-	-	(209.9)
Total comprehensive income for the financial year		-	-	32.4	31.7	-	-	988.8	1,052.9
Transactions with owners:									
Shares issued pursuant to DRS	13(c)	27.0	242.2	-	-	-	-	-	269.2
Final dividend paid for the financial year ended 31 December 2014	12	-	-	-	-	-	-	(498.4)	(498.4)
Interim dividend paid for the financial year ended 31 December 2015	12	-	-	-	-	-	-	(349.5)	(349.5)
Total transactions with owners		27.0	242.2	-	-	-	-	(847.9)	(578.7)
At 31 December 2015		2,630.6	964.9	90.2	95.2	-	71.6	3,299.2	7,151.7

\# Amount less than RM0.1 million
* Issued and fully paid shares include the Special Rights Redeemable Preference Share (Special Share) of RM1.00. Refer to note 13(a) to the financial statements for details of the terms and rights attached to the Special Share.

The above Company Statement of Changes in Equity is to be read in conjunction with the Notes to the Financial Statements on pages 215 to 328.

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STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

All amounts are in million unless otherwise stated	Note	The Group 2016 RM	The Group 2015 RM	The Company 2016 RM	The Company 2015 RM
CASH FLOWS FROM OPERATING ACTIVITIES	39	**2,848.6**	2,942.0	**2,493.8**	2,896.3
CASH FLOWS USED IN INVESTING ACTIVITIES	40	**(3,259.5)**	(2,549.9)	**(2,977.5)**	(2,693.1)
CASH FLOWS (USED IN)/FROM FINANCING ACTIVITIES	41	**(206.8)**	142.5	**44.8**	16.3
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(617.7)**	534.6	**(438.9)**	219.5
EFFECT OF EXCHANGE RATE CHANGES		**32.1**	1.2	**26.2**	12.7
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR		**3,510.8**	2,975.0	**2,580.0**	2,347.8
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR	36	**2,925.2**	3,510.8	**2,167.3**	2,580.0

The above Statements of Cash Flows are to be read in conjunction with the Notes to the Financial Statements on pages 215 to 328.

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NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

All amounts are in million unless otherwise stated

1. PRINCIPAL ACTIVITIES

The principal activities of the Company are the establishment, maintenance and provision of telecommunications and related services. The principal activities of subsidiaries are set out in note 51 to the financial statements. There was no significant change in the principal activities of the Group and the Company during the financial year.

Telekom Malaysia Berhad is a public limited liability company, incorporated and domiciled in Malaysia, and is listed on the Main Board of Bursa Malaysia Securities Berhad. The registered office of the Company is Level 51, North Wing, Menara TM, Jalan Pantai Baharu, 50672 Kuala Lumpur. The principal office and place of business of the Company is Menara TM, Jalan Pantai Baharu, 50672 Kuala Lumpur.

2. SIGNIFICANT ACCOUNTING POLICIES

The following accounting policies have been used consistently in dealing with items that are considered material in relation to the financial statements, and have been consistently applied to all the financial years presented, unless otherwise stated.

(a) Basis of Preparation of the Financial Statements

The financial statements of the Group and the Company have been prepared in accordance with the Malaysian Financial Reporting Standards (MFRS), International Financial Reporting Standards and the requirements of the Companies Act, 1965, in Malaysia.

The financial statements have been prepared under the historical cost convention except as disclosed in the Significant Accounting Policies below.

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 the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of the revenue and expenses during the reported period. It also requires Directors to exercise their judgment in the process of applying the Group's and the Company's accounting policies. Although these estimates and judgment 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 3 to the financial statements.

(i) Amendments to published standards that are effective and applicable for the Group's and the Company's financial year beginning on 1 January 2016

The amendments to published standards issued by Malaysian Accounting Standards Board (MASB) that are effective and applicable for the Group's and the Company's financial year beginning on 1 January 2016, are as follows:

Amendments to MFRS 5, 7, 119 and 134	Amendments to MFRSs contained in the document entitled "Annual Improvements to MFRSs 2012 – 2014 Cycle"
Amendments to MFRS 10, 12 and 128	Investment Entities: Applying the Consolidation Exception
Amendments to MFRS 11	Accounting for Acquisitions of Interests in Joint Operations
Amendments to MFRS 101	Disclosure Initiative
Amendments to MFRS 116 and 138	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to MFRS 127	Equity Method in Separate Financial Statements

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Basis of Preparation of the Financial Statements (continued)

(i) Amendments to published standards that are effective and applicable for the Group's and the Company's financial year beginning on 1 January 2016 (continued)

The amendments to published standards issued by Malaysian Accounting Standards Board (MASB) that are effective and applicable for the Group's and the Company's financial year beginning on 1 January 2016, are as follows: (continued)

- Amendments to MFRS 5 "Non-current Assets Held for Sale and Discontinued Operations" introduce specific guidance in MFRS 5 for when an entity reclassifies an asset (or disposal group) from held-for-sale to held-for-distribution to owners (or vice versa), or when held-for-distribution is discontinued.

- Amendments to MFRS 7 "Financial Instruments: Disclosures" provide additional guidance to clarify whether servicing contracts constitute continuing involvement for the purposes of applying the disclosure requirements of MFRS 7 and clarify the applicability of Disclosure–Offsetting Financial Assets and Financial Liabilities (Amendments to MFRS 7) to condensed interim financial statements.

- Amendments to MFRS 10, MFRS 12 and MFRS 128 on Investment Entities: Applying the Consolidation Exception addresses issues that have arisen in the context of applying the consolidation exception for investment entities. The amendments also provide relief in particular circumstances, which will reduce the costs of applying the Standards, clarifying the exemption from preparing consolidated financial statements for an intermediate parent entity, a subsidiary providing services that relate to the parent's investment activities, application of the equity method by a non-investment entity investor to an investment entity investee and the disclosures required.

- Amendments to MFRS 11 "Joint Arrangements" on Accounting for Acquisitions of Interests in Joint Operations clarify that when an entity acquires an interest in a joint operation in which the activity of the joint operation constitutes a business, as defined in MFRS 3 Business Combinations, it shall apply the relevant principles on business combinations accounting in MFRS 3, and other MFRSs, that do not conflict with MFRS 11. Some of the impact arising may be the recognition of goodwill, recognition of deferred tax assets/liabilities and recognition of acquisition-related costs as expenses. The amendments do not apply to joint operations under common control and also clarify that previously held interests in a joint operation are not remeasured if the joint operator retains joint control.

- Amendments to MFRS 101 "Presentation of Financial Statements" on Disclosure Initiative aim to improve the effectiveness of disclosures and are designed to encourage companies to apply professional judgment in determining the information to be disclosed in the financial statements.

- Amendments to MFRS 116 and MFRS 138 on Clarification of Acceptable Methods of Depreciation and Amortisation provide additional guidance on how the depreciation or amortisation of property, plant and equipment and intangible assets should be calculated. MFRS 116 prohibits revenue-based depreciation because revenue does not, as a matter of principle, reflect the way in which an item of property, plant and equipment is used or consumed. The amendments to MFRS 138 introduce a rebuttable presumption that an amortisation method that is based on the revenue generated by an activity that includes the use of an intangible asset is inappropriate except in limited circumstances.

- Amendments to MFRS 119 clarifies that the high quality corporate bonds used to estimate the discount rate for post-employment benefit obligations should be denominated in the same currency as the liability. The amendment also clarifies that the depth of the market for high quality corporate bonds should be assessed at a currency level.

- Amendments to MFRS 127 "Separate Financial Statements" on Equity Method in Separate Financial Statements allow a parent and investors to use the equity method in its separate financial statement to account for investments in subsidiaries, joint ventures and associates, in addition to the existing options.

- Amendments to MFRS 134 "Interim Financial Reporting" clarifies the meaning of disclosure of information 'elsewhere in the interim financial report' as used in MFRS 134. The amendment requires such disclosures to be given either in the interim financial statements or incorporated by cross-reference from the interim financial statements to some other statement that is available to users of the financial statements on the same terms as the interim financial statements and at the same time.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Basis of Preparation of the Financial Statements (continued)

(i) Amendments to published standards that are effective and applicable for the Group's and the Company's financial year beginning on 1 January 2016 (continued)

The adoption of the above applicable amendments to published standards has not given rise to any material impact on the financial statements of the Group and the Company.

(ii) New Standards, Interpretation Committee (IC) Interpretation and amendments to published standards that are not yet effective and have not been early adopted by the Group and the Company

The new standards, IC Interpretation and amendments to published standards that are applicable to the Group and the Company, which the Group and the Company have not early adopted, are as follows:

Effective for annual periods beginning on or after 1 January 2017

Amendments to MFRS 12	Disclosure of Interests in Other Entities
Amendments to MFRS 107	Statement of Cash Flows - Disclosure Initiative
Amendments to MFRS 112	Income Taxes - Recognition of Deferred Tax Assets for Unrealised Losses

Effective for annual periods beginning on or after 1 January 2018

MFRS 9	Financial Instruments (IFRS 9 issued by IASB in July 2014) (with subsequent amendments)
MFRS 15	Revenue from Contracts with Customers
Amendments to MFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to MFRS 128	Investment in Associates and Joint Ventures
Amendments to MFRS 140	Transfers of Investment Property
IC Interpretation 22	Foreign Currency Transactions and Advance Consideration

Effective for annual periods beginning on or after 1 January 2019

MFRS 16	Leases

Effective for annual periods to be announced by MASB

Amendments to MFRS 10 and 128	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Basis of Preparation of the Financial Statements (continued)

(ii) New Standards, Interpretation Committee (IC) Interpretation and amendments to published standards that are not yet effective and have not been early adopted by the Group and the Company (continued)

The new standards, IC Interpretation and amendments to published standards that are applicable to the Group and the Company, which the Group and the Company have not early adopted, are as follows: (continued)

- Amendments to MFRS 2 "Share-based Payment" provides specific guidance on how to account for the effects of vesting and non-vesting conditions on the measurement of cash-settled share based payments, share-based payment transactions with net settlement feature for withholding tax obligations and a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

- MFRS 9 "Financial Instruments (as issued by International Accounting Standard Board (IASB) in July 2014)" replaces the guidance in MFRS 139 that relates to the classification and measurement of financial instruments. MFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through other comprehensive income (OCI) and fair value through profit or loss (FVTPL). The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at FVTPL with the irrevocable option at inception to present changes in fair value in OCI, with only dividend income from the investment to be recognised in profit or loss. MFRS 9 introduces a new expected credit loss model that replaces the incurred loss impairment model used in MFRS 139.

  For financial liabilities, there were no changes to classification and measurement except for liabilities designated at inception to be measured at FVTPL. For these, the portion of fair value changes caused by changes in an entity's own credit risk shall be recognised in OCI rather than in profit or loss. MFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under MFRS 139.

  MFRS 7 requires disclosures on transition from MFRS 139 to MFRS 9.

- Amendments to MFRS 10 and MFRS 128 on Sale or Contribution of Assets between an Investor and its Associate or Joint Venture address an acknowledged inconsistency between the requirements in MFRS 10 "Consolidated Financial Statements" and MFRS 128 "Investment in Associates and Joint Ventures". Full gain or loss should be recognised on the loss of control of a business, whether the business is housed in a subsidiary or not. At the same time, the gain or loss resulting from the sale or contribution of a subsidiary that does not constitute a business as defined in IFRS 3 "Business Combinations" to an associate or joint venture should only be recognised to the extent of unrelated investors' interests in the associate or joint venture.

- The amendments on MFRS 12 on Disclosure of Interests in Other Entities clarifies the applicability of this Standard to an entity's interest in other entities which are classified as held for sale or discontinued operations.

- MFRS 15 "Revenue from Contracts with Customers" is a new Standard aimed to improve financial reporting of revenue and comparability whilst providing better clarity on revenue recognition on areas where existing requirements unintentionally created diversity in practice. MFRS 15 deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. It also includes clarification on how certain principles should be applied in identifying whether performance obligations are distinct, determining whether an entity is principal or an agent and assessing whether revenue from a license of intellectual property is recognised over time or at a point in time. MFRS 15 replaces MFRS 118 "Revenue" and MFRS 111 "Construction Contracts" and related interpretations.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Basis of Preparation of the Financial Statements (continued)

(ii) New Standards, Interpretation Committee (IC) Interpretation and amendments to published standards that are not yet effective and have not been early adopted by the Group and the Company (continued)

The new standards, IC Interpretation and amendments to published standards that are applicable to the Group and the Company, which the Group and the Company have not early adopted, are as follows: (continued)

- MFRS 16 "Leases" is a new Standard that will supersede MFRS 117 "Leases" and related IC interpretations effective for financial period beginning 1 January 2019. MFRS 16 eliminates the distinction between finance and operating leases for lessees. It requires a lessee to recognise a "right-to-use" of the underlying assets and a lease liability reflecting future lease payments for most leases. The "right-to-use" is depreciated in accordance with the principles in MFRS 116 "Property, Plant and Equipment" and the lease liability is accreted over time with interest expense to be recognised in income statement. This effectively means all leases are reflected on the balance sheet for lessees. For lessors, MFRS 16 retains most of the requirements in MFRS 117 and lessors continue to classify all leases as either operating or finance lease and account for them differently.

- The Disclosure Initiative amendments on MFRS 107 "Statement of Cash Flows" are intended to clarify MFRS 107 to improve information provided to users of financial statements about an entity's financing activities. Disclosures that enable users to evaluate changes in liabilities arising from financing activities shall be provided including changes from financing cash flows, arising from obtaining or losing control of subsidiaries or other businesses, the effect of changes in foreign exchange rates and changes in fair values.

- Amendments to MFRS 112 "Income Taxes - Recognition of Deferred Tax Assets for Unrealised Losses" clarify how to account for deferred tax assets related to debt instruments measured at fair value as well as requirements on recognition of deferred tax assets on unrealised losses to address diversity in practice prior to this.

- Amendments to MFRS 128 "Investment in Associates and Joint Ventures" clarifies that an entity, which is a venture capital organisation, or a mutual fund, unit trust or similar entities, has an investment-by-investment choice to measure its investments in associates and joint-ventures at fair value in accordance with the Standard.

- Amendments to MFRS 140 "Investment Property" provide guidance on transfers to or from investment properties, and that a property under construction or development that was previously classified as inventory could be transferred to investment property only when there is evidence of a change in use.

- IC Interpretation 22 "Foreign Currency Transactions and Advance Consideration" addresses which exchange rate to use in reporting foreign currency transaction that involve advance consideration paid or received.

The adoption of the above applicable new standards, IC Interpretation and amendments to published standards are not expected to have a material impact on the financial statements of the Group and the Company except for MFRS 9, MFRS 15 and MFRS 16. The Group has yet to assess the full impact of MFRS 9, MFRS 15 and MFRS 16. The Group has commenced the project to implement MFRS 15 group-wide including the assessment of the impact of adopting the new revenue standard. At the time of preparing this financial statements, the impact from the adoption of this standard has yet to be fully quantified.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Economic Entities in the Group

(i) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the entity),
- Exposure, or rights, to variable returns from its involvement with the entity, and
- The ability to use its power over the entity to affect its returns.

When the Group has less than a majority of the voting or similar rights of an entity, the Group considers all relevant facts and circumstances in assessing whether it has power over that entity, including:

- The contractual arrangement with the other vote holders of the entity
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

Subsidiaries are consolidated using the acquisition method of accounting except for business combinations involving entities or businesses under common control with agreement dates on/after 1 January 2006, which were accounted for using the merger method.

The Group has taken advantage of the exemption provided by MFRS 1 to not restate business combinations that occurred before the date of transition to MFRS i.e. 1 January 2011. Accordingly, business combinations entered into prior to transition date have not been restated.

Under the acquisition method of accounting, subsidiaries are fully consolidated from the date on which control is transferred to the Group and are excluded from consolidation from the date that control ceases.

The consideration transferred for acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred 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. Acquisition-related costs are expensed as incurred.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

In a business combination achieved in stages, the previously held equity interest in the acquiree is remeasured at its acquisition-date fair value and the resulting gain or loss is recognised in the Consolidated Income Statement.

The excess 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 is recorded as goodwill. If this 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 in the Consolidated Income Statement (refer to Significant Accounting Policies note 2(f)(i) on Goodwill).

Non-controlling interest is the equity in a subsidiary not attributable, directly or indirectly, to a parent. On an acquisition-by-acquisition basis, the Group measures any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets. At the end of reporting period, non-controlling interest consists of amount calculated on the date of combinations and its share of changes in the subsidiary's equity since the date of combination.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Economic Entities in the Group (continued)

(i) Subsidiaries (continued)

Intra-group 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 accounting policies adopted by the Group.

The gain or loss on disposal of a subsidiary is the difference between the net disposal proceeds and the Group's share of the subsidiary's net assets as of the date of disposal, including the cumulative amount of any exchange differences that relate to that subsidiary and is recognised in the Consolidated Income Statement.

(ii) Transactions with non-controlling interests

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions - that is, transactions with the owners in their capacity as owners. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share of the carrying value of net assets of the subsidiary acquired is recorded in equity. For disposals to non-controlling interests, differences between any proceeds received and the relevant share of non-controlling interests are also recognised in equity.

(iii) Associates

Associates are corporations, partnerships or other entities in which the Group exercises significant influence but which it does not control. Significant influence is the power to participate in the financial and operating policy decisions of the associates but not control over those policies.

Investments in associates are accounted for in the consolidated financial statements using the equity method of accounting and are initially recognised at cost. Equity accounting is discontinued when the Group ceases to have significant influence over the associates. The Group's investments in associates include goodwill identified on acquisition, net of any accumulated impairment loss.

The Group's share of its associates' post-acquisition profits or losses is recognised in the Consolidated Income Statements, and its share of post-acquisition movements in reserves is recognised within other comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investments. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group's interest is reduced to nil and recognition of further loss is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to 'share of profit/(loss) of an associate' in the income statement.

The results of associates are taken from the most recent unaudited financial statements of the associates concerned, made up to dates not more than 3 months prior to the end of the financial year of the Group.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates; unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Where necessary, in applying the equity method, appropriate adjustments are made to the financial statements of the associates to ensure consistency of accounting policies with those of the Group.

Dilution gains and losses are recognised in the Consolidated Income Statement.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Economic Entities in the Group (continued)

(iii) Associates (continued)

When the Group increases its stake in an existing investment and the investment becomes an associate for the first time, goodwill is calculated at each stage of the acquisition. The Group does not revalue its previously owned share of net assets to fair value. Any existing available-for-sale reserve is reversed in other comprehensive income, restating the investment to cost. A share of profits (after dividends) together with a share of any equity movements relating to the previously held interest are accounted for in other comprehensive income.

The gain or loss on disposal of an associate is the difference between the net disposal proceeds and the Group's share of the associate's net assets as of the date of disposal, including the cumulative amount of any exchange differences that relate to that associate which were previously recognised in other comprehensive income, and is recognised in the Consolidated Income Statement.

(iv) Changes in Ownership Interests

When the Group ceases to have control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in the Consolidated Income Statement. This fair value is its fair value on initial recognition as a financial asset in accordance with MFRS 139. Any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities.

(c) Investments in Subsidiaries and Associates

Investments in subsidiaries and associates are stated at cost less accumulated impairment losses in the separate financial statements of the Company. Where an indication of impairment exists, the carrying amount of the investment is assessed and written down immediately to its recoverable amount (refer to Significant Accounting Policies note 2(g) on Impairment of Non-Financial Assets). Impairment losses are charged to the Income Statement.

On disposal of investments in subsidiaries and associates, the difference between the net disposal proceeds and the carrying amounts of the investments are recognised in the Income Statement.

(d) Property, Plant and Equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items. Certain freehold land are carried at fair value, being their deemed cost in accordance with the exemption provided by MFRS 1 "First-time Adoption of Malaysian Financial Reporting Standards" as at 1 January 2011, the date of transition to MFRS.

(i) Cost

Cost of telecommunications network comprises expenditure up to and including the last distribution point before the customers' premises and includes contractors' charges, materials, direct labour and related overheads. The cost of other property, plant and equipment comprises their purchase cost and any incidental cost of acquisition. These costs include the costs of dismantling, removal and restoration, the obligation which was incurred as a consequence of installing the asset. Cost also includes borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset (refer to Significant Accounting Policies note 2(q)(ii) on borrowing costs).

Subsequent cost is included in the carrying amount of the asset or recognised as a separate asset, as appropriate, only when it is probable that the future economic benefit 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 Income Statement during the period in which they are incurred.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Property, Plant and Equipment (continued)

(ii) Depreciation

Freehold land is not depreciated as it has an infinite life. Leasehold land classified as finance lease is amortised in equal instalments over the period of the respective lease. Long term leasehold land has an unexpired lease period of 50 years and above. Other property, plant and equipment are depreciated on a straight line basis to write-off the cost of the assets to their residual values over their estimated useful lives in years as summarised below:

Telecommunications network	3 - 30
Movable plant and equipment	5 - 8
Computer support systems	3 - 8
Buildings	5 - 40

Capital work-in-progress are stated at cost and are not depreciated. Upon completion, capital work-in-progress are transferred to categories of property, plant and equipment depending on the nature of the assets. Capital work-in-progress includes servicing equipment, materials and spares. Depreciation on property, plant and equipment under construction commences when the property, plant and equipment are ready for their intended use. Depreciation on property, plant and equipment ceases at the earlier of derecognition and classification as held for sale.

The assets' residual values and useful lives are reviewed and adjusted as appropriate at each reporting date.

(iii) Impairment

At each reporting date, the Group assesses whether there is any indication of impairment. If such indication exists, an analysis is performed to assess whether the carrying value of the asset is fully recoverable. A write-down is made if the carrying value exceeds the recoverable amount (refer to Significant Accounting Policies note 2(g) on Impairment of Non-Financial Assets).

(iv) Gains or Losses on Disposal

Gains or losses on disposal are determined by comparing the proceeds with the carrying amount of the related asset and are included in other operating income in the Income Statement.

(v) Asset Exchange Transaction

Property, plant and equipment may be acquired in exchange for a non-monetary asset or for a combination of monetary and non-monetary assets and is measured at fair values unless

- the exchange transaction lacks commercial substance; or
- the fair value of neither the assets received nor the assets given up can be measured reliably.

The acquired item is measured in this way even if the Group cannot immediately derecognise the assets given up. If the acquired item is not reliably measured at fair value, its cost is measured at the carrying amount of the asset given up.

(vi) Repairs and Maintenance

Repairs and maintenance are charged to the Income Statement during the period in which they are incurred. The cost of major renovations is included in the carrying amount of the asset when it is probable that future economic benefits in excess of the originally assessed standard of performance of the existing asset will flow to the Group. This cost is depreciated over the remaining useful life of the related asset.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Investment Properties

Investment properties, principally comprising land and office buildings, are held for long term rental yields or for capital appreciation or for both, and are not occupied by the Group or the Company.

Investment properties are carried at cost less accumulated depreciation and impairment losses. Investment properties are depreciated on a straight line basis to write-off the cost of the investment properties to their residual values over their estimated useful lives in years as summarised below:

Leasehold land	over the period of the respective leases
Buildings	5 - 40

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

Subsequent expenditure is capitalised to the asset's carrying amount only when it is probable that future economic benefits associated with the expenditure will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed when incurred. When part of an investment property is replaced, the carrying amount of the replaced part is derecognised.

On disposal of an investment property, or when it is permanently withdrawn from use and no future economic benefits are expected, then it shall be derecognised (eliminated from the Statement of Financial Position). Gain or loss on disposal is determined by comparing the net disposal proceeds with the carrying amount and are included in the Income Statement.

(f) Intangible Assets

(i) Goodwill

Goodwill represents the excess of the cost of acquisition of subsidiaries over the Group's share of the fair value of the identifiable net assets including contingent liabilities of subsidiaries at the date of acquisition. Goodwill on acquisition occurring on or after 1 January 2002 in respect of a subsidiary is included in the Consolidated Statement of Financial Position as an intangible asset. Goodwill on acquisitions that occurred prior to 1 January 2002 was written off against reserves in the year of acquisition.

As part of the transition to MFRS, the Group elected not to restate business combinations that occurred before the date of transition to MFRS i.e. 1 January 2011. Goodwill arising from acquisitions before 1 January 2011 has been carried forward from the previous Financial Reporting Standards framework as at the date of transition.

Goodwill is carried at cost less accumulated impairment losses. Goodwill is tested for impairment at least annually, or when events or circumstances occur indicating that an impairment may exist. Impairment of goodwill is charged to the Consolidated Income Statement as and when it arises. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity disposed.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. Each cash-generating unit or a group of cash-generating units represents the lowest level within the Group at which goodwill is monitored for internal management purposes and which are expected to benefit from the synergies of the combination.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Intangible Assets (continued)

(ii) Software

Costs that are directly associated with identifiable and unique software products controlled by the Group and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. Amortisation is calculated using straight line method at 20% per annum subject to impairment.

(iii) Programme Rights

Programme rights comprise rights licensed from third parties with the primary intention to broadcast in the normal course of operating cycle. The rights are stated at cost less accumulated amortisation and accumulated impairment losses (refer to Significant Accounting Policies note 2(g) on Impairment of Non-Financial Assets).

The Group amortises programme rights on a straight line basis over the license period or estimated useful life if shorter, from the date of first transmission, to match the costs of consumption with the estimated benefits to be received. Amortisation is included in the Income Statement.

(iv) Telecommunication Spectrum

Telecommunication spectrum acquired in a business combination is recognised at fair value at the acquisition date, with an indefinite useful life as there is a presumption of renewal at negligible cost. It is subjected for impairment review on an annual basis or whenever adverse events or changes in circumstances indicate that impairment may have occurred.

(v) Customer Base

Customer base acquired in a business combination is recognised at fair value at the acquisition date. It is expected to have a finite useful life and carried at cost less accumulated amortisation calculated using the straight-line method over the estimated useful life of three years. The expected useful life principally reflects the Group's view of the average economic life of the customer base, assessed by reference to customer churn rates.

(g) Impairment of Non-Financial Assets

Assets that have an indefinite useful life are not subject to amortisation and are tested for impairment annually, or as and when events or circumstances occur indicating that an impairment may exist. Property, plant and equipment and other non-current assets, including intangible assets with definite useful life, are reviewed for impairment losses 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 cost to sell and value-in-use. For the purpose of assessing impairment, assets are grouped at the lowest level for which there is separately identifiable cash flows (cash-generating units). Assets other than goodwill that suffered an impairment are reviewed for possible reversal at each reporting date.

The impairment loss is charged to the Income Statement. Impairment losses on goodwill are not reversed. In respect of other assets, any subsequent increase in recoverable amount is recognised in the Income Statement.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Financial Assets

Financial assets are classified in the following categories: at fair value through profit or loss, loans and receivables and available-for-sale. Management determines the classification of its financial assets at initial recognition based on the nature of the asset and the purpose for which the asset was acquired.

(i) Financial Assets at Fair Value through Profit or Loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets.

Quoted equity securities (within current assets), determined on an aggregate portfolio basis, are classified as financial assets at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed to the Income Statement.

Changes in the fair values of financial assets at fair value through profit or loss are recognised in the Income Statement in the period in which the changes arise.

(ii) Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise non-current receivables, trade and other receivables and cash and bank balances in the Statement of Financial Position.

Loans and receivables are measured at fair value plus transaction costs initially and subsequently, at amortised cost using the effective interest method.

When loans and receivables are impaired, the carrying amount of the asset is reduced and the amount of the loss is recognised in the Income Statement. Impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the asset's original effective interest rate.

(iii) Available-for-sale Financial Assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months from the end of the reporting period.

Fixed income securities (within current assets) and certain non-current equity investments are classified as available-for-sale investments, whilst convertible education loans (within non-current assets) are classified as available-for-sale receivables. These are initially measured at fair value plus transaction costs and subsequently, at fair value.

Changes in the fair values of available-for-sale investments are recognised in other comprehensive income. Whereas, changes in the fair value of available-for-sale receivables classified as non-current assets can be analysed by way of changes arising from conversion of the receivables to scholarship and other fair value changes. Changes arising from the conversion are recognised in the Income Statement, whereas, other fair value changes are recognised in other comprehensive income. Interests on available-for-sale receivables calculated using the effective interest method are recognised in the Income Statement.

When available-for-sale financial assets are sold, the accumulated fair value adjustments recognised in other comprehensive income are reclassified to the Income Statement.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Financial Assets (continued)

(iv) Derecognition

Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

Receivables that are factored out to banks and other financial institutions with recourse to the Group are not derecognised until the recourse period has expired and the risks and rewards of the receivables have been fully transferred. The corresponding cash received from the financial institutions is recorded as borrowings.

(v) Offsetting Financial Instruments

Financial assets and liabilities are offset and the net amount presented on 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.

(i) Impairment of Financial Assets

(i) Assets Carried at Amortised Cost

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The criteria that the Group uses to determine that there is objective evidence of an impairment loss include:

- significant financial difficulty of the customer or obligor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- it becomes probable that the customers will enter bankruptcy or other financial reorganisation;
- observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:
    - adverse changes in the payment status of customers in the portfolio; and
    - national or local economic conditions that correlate with defaults on the assets in the portfolio.

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The asset's carrying amount is reduced and the amount of the loss is recognised in the Income Statement. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

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 (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the Income Statement.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Impairment of Financial Assets (continued)

(ii) Assets Classified as Available-for-sale

In the case of equity and fixed income securities classified as available-for-sale, in addition to the criteria for 'assets carried at amortised cost' above, the following criteria are also considered as indicators of impairment:

- significant financial difficulty of the issuer or obligor;
- the disappearance of an active market for that financial asset because of financial difficulties; or
- a significant or prolonged decline in the fair value of the financial asset below its cost is considered as an indicator that the asset is impaired.

If any such evidence exists, the cumulative loss, measured as the difference between the acquisition cost and the current fair value, less any impairment loss previously recognised in the Income Statement, is reversed from equity and recognised in the Income Statement. If, in a subsequent period, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the Income Statement, the impairment loss is reversed through the Income Statement. Impairment losses recognised in the Income Statement on equity instruments classified as available-for-sale are reversed through other comprehensive income and not through the Income Statement.

(j) Derivative Financial Instruments and Hedging Activities

Derivative financial instruments are recognised and measured at fair value on the date a derivative contract is entered into and are subsequently remeasured at fair value with changes in fair value recognised in the Income Statement at each reporting date. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as either hedges of the fair value of recognised assets or liabilities (fair value hedge) or hedges of a particular risk associated with a recognised asset or liability (cash flow hedge).

The Group documents 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 also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months, and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as a current asset or liability.

Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the Income Statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The Group applies fair value hedge accounting for hedging fixed interest risk on borrowings. The gain or loss relating to the effective portion of interest rate swaps hedging fixed rate borrowings is recognised in the Income Statement within 'finance cost'. The gain or loss relating to the ineffective portion is recognised in the Income Statement within 'other gains or losses – net'. Changes in the fair value of the hedged fixed rate borrowings attributable to interest rate risk are recognised in the Income Statement within 'finance cost'.

If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest method is used is amortised to the Income Statement over the period to maturity.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Derivative Financial Instruments and Hedging Activities (continued)

Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualified as cash flow hedges is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in the Income Statement within 'other gains or losses – net'.

Amounts accumulated in equity are reclassified to the Income Statement in the periods when the hedged item affects the Income Statement. The gain or loss relating to the effective portion of cross currency interest rate swaps hedging fixed rate borrowings is recognised in the Income Statement within 'finance cost'.

When a hedging instrument matures, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the hedged item is ultimately recognised in the Income Statement.

(k) Embedded Derivatives

Derivatives embedded in other financial instruments or contracts are treated as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contract and the host contract is not itself held-for-trading or designated as fair value to profit or loss. The embedded derivatives separated from the host are carried at fair value to profit or loss with changes in the fair value recognised in the Income Statement.

(l) Inventories

Inventories are stated at lower of cost and net realisable value.

Cost is determined on a weighted average basis and comprises all costs of purchase and other costs incurred in bringing the inventories to their present location. The cost of finished goods and work-in-progress comprises design costs, raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs.

Net realisable value represents the estimated selling price in the ordinary course of business, less all estimated costs to completion and applicable variable selling expenses. In arriving at the net realisable value, due allowance is made for all obsolete and slow moving items.

(m) Non-current Assets Held for Sale

Non-current assets are classified as held for sale when their carrying amounts are to be recovered principally through sale transaction and the sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell. Any subsequent write-down of the assets to fair value less cost to sell are recognised as impairment losses and are charged to the Income Statement.

(n) Customer Acquisition Costs

Customer acquisition costs are incurred in activating new customers pursuant to a contract. Customer acquisition costs are capitalised and amortised over the contract period. In the event that a customer terminates the service within the contract period, any unamortised customer acquisition costs are written off to the Income Statement immediately.

(o) Cash and Cash Equivalents

For the purpose of the Statement of Cash Flows, cash and cash equivalents comprise cash on hand, deposits held at call with banks, other short term, highly liquid investments with original maturities of 3 months or less. Deposits held as pledged securities for term loans granted are not included as cash and cash equivalents.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(p) Share Capital

(i) Classification

Ordinary shares and non-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.

Distribution to holders of a financial instrument classified as an equity instrument is debited directly to equity.

(ii) Share Issue Costs

Incremental external costs directly attributable to the issuance of new shares or options are shown in equity as a deduction, net of tax from the proceeds.

(iii) Dividend to Shareholders of the Company

Dividends on redeemable preference shares are recognised as a liability and expressed on an accrual basis. Other dividends are recognised as a liability in the period in which they are declared.

Dividend in specie of shares distributed to the Company's shareholders is recorded at the carrying value of net asset distributed. The distribution is recorded as a movement in equity.

(q) Financial Liabilities

Trade and other payables, customer deposits and borrowings are classified as other financial liabilities. These are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

(i) Trade Payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). Otherwise, they are presented as non-current liabilities.

(ii) Bonds, Notes, Debentures and Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the initial recognised amount and the redemption value is recognised in the Income Statement over the period of the borrowings using the effective interest method, except for borrowing costs incurred for the construction of any qualifying asset.

Interests, dividends, gains and losses relating to a financial instrument, or a component part, classified as a liability are reported within finance cost in the Income Statement. Foreign exchange gains or losses arising from translation of foreign currency borrowings are reported within 'finance cost' in the Income Statement.

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 reporting date.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(q) Financial Liabilities (continued)

(ii) Bonds, Notes, Debentures and Borrowings (continued)

Borrowing cost incurred in connection with financing the construction and installation of property, plant and equipment is capitalised until the property, plant and equipment are ready for their intended use. All other borrowing costs are charged to the Income Statement.

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 draw down occurs. To the extent there is no evidence that it is probable that some or all of the facilities 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.

(iii) Put Option Liability Over Shares Held By Non-Controlling Interest

A contract that contains an obligation for the Group to deliver cash or other financial asset in exchange for its own (or its subsidiary's) equity shares is a financial liability. This liability is recorded irrespective of whether the contract meets the definition of an equity instrument. The financial liability is recognised at the present value of the redemption amount of the option, when it is exercised.

The initial redemption liability is recognised as Other Reserve in equity as a reduction of the Group's equity if the risk and rewards of ownership remain with the non-controlling interest or a reduction of non-controlling interest's equity if the risks and rewards of ownership transfer to the Group. Subsequently, the put option is remeasured at fair value as a result of changes in the expected liability with any resulting gain or loss recognised in the Income Statement. In the event that the option expires unexercised, the put option liability is de-recognised with a corresponding adjustment to equity.

(r) Leases

(i) Finance Leases

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

Finance leases are capitalised at the inception of the leases at the lower of the present value of the minimum lease payments and the fair value of the leased assets. The corresponding rental obligations, net of finance charges, are included in borrowings.

Each lease payment is allocated between the reduction of the liability and finance charges so as to achieve a periodic constant rate of interest on the remaining balance of the liability. Finance charges are recognised in the Income Statement.

Assets acquired under finance leases are depreciated over the shorter of their estimated useful lives or the lease terms.

(ii) Operating Leases

Leases of assets where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the Income Statement on a straight line basis over the lease period.

When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(s) Government Grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to income are deferred and recognised in the Income Statement 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 non-current liabilities as deferred income and are credited to the Income Statement on a straight line basis over the estimated useful lives of the related assets.

(t) Income Taxes

Current tax expense is determined according to the tax laws of each jurisdiction in which the Group operates and include all taxes based upon the taxable profits, including withholding taxes payable by foreign subsidiaries or associates on distributions of retained profits to companies in the Group, and real property gains taxes payable on disposal of properties.

Deferred tax is recognised 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 is 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 nor loss. Deferred tax is determined using tax rates (and tax laws) that have been enacted or substantially 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.

Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available in the future, against which the deductible temporary differences or unutilised tax losses and tax credits (including investment allowances) can be utilised.

Deferred tax is recognised on temporary differences arising from investments in subsidiaries and associates except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred and income 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 income tax assets and liabilities relate to taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

The Group's share of income taxes of associates are included in the Group's share of results of associates.

(u) Provisions

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. Where the Group expects a provision to be reimbursed (for example, under an insurance contract), the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in a settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using 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 finance cost.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(v) Contingent Liabilities and Contingent Assets

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 occurrence or non-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. However, contingent liabilities do not include financial guarantee contracts.

A contingent asset is a possible asset that arises from past events whose existence will be confirmed by occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group. The Group does not recognise a contingent asset but discloses its existence where inflows of economic benefits are probable, but not virtually certain.

In the acquisition of subsidiaries by the Group under a business combination, the contingent liabilities assumed are measured initially at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest.

The Group recognises separately the contingent liabilities of the acquirees as part of allocating the cost of a business combination where their fair values can be measured reliably. Where the fair values cannot be measured reliably, the resulting effect will be reflected in the goodwill arising from the acquisitions.

Subsequent to the initial recognition, the Group measures the contingent liabilities that are recognised separately at the date of acquisition at the higher of the amount that would be recognised in accordance with the provisions of MFRS 137 and the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with MFRS 118.

(w) Revenue Recognition

Operating revenue comprises the fair value of the consideration received or receivables for the sale of products and rendering of services net of returns, duties, sales discounts and goods and services tax, after eliminating sales within the Group. Operating revenue is recognised or accrued at the time of the provision of products or services, when the amount of revenue can be reliably measured and it is probable that future economic benefits will flow to the Group.

Advance rental billing comprises mainly billing in advance for data services, which is amortised on a straight line basis according to contractual terms.

Dividend income from investment in subsidiaries, associates and equity investments is recognised within 'other operating income (net)' when a right to receive payment is established.

Finance income includes income from deposits with licensed banks, other financial institutions, other deposits, available-for-sale receivables and staff loans, and is recognised using the effective interest method.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(x) Employee Benefits

(i) Short Term Employee Benefits

Wages, salaries, paid annual leave and sick leave, bonuses and non-monetary benefits are accrued in the period in which the associated services are rendered by employees of the Group.

(ii) Defined Contribution Plans

The Group's contributions to defined contribution plans are charged to the Income Statement in the period to which they relate. Once the contributions have been paid, the Group has no further payment obligations. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(iii) Termination Benefits

Termination benefits are payable whenever an employee's employment is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either terminate the employment of current employees according to a detailed formal plan without possibility of withdrawal or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the reporting date are discounted to present value. These include limited medical benefits provided up to a certain age for eligible ex-employees under certain optional retirement scheme.

(iv) Share-based Compensation

- **Equity-settled Share-based Compensation**

  The fair value of the employee services received in exchange for the grant of shares to employees of the Company are recognised as an expense in the Income Statements over the vesting period of the grant (or each respective grants in the event of multiple grants) with a corresponding increase in equity.

  For shares granted to the employees of subsidiaries, the fair value of the grant is recognised as a cost to investment in the subsidiaries over the vesting period with a corresponding adjustment to equity.

- **Cash-settled Share-based Compensation**

  The fair value of the employee services received in exchange for the cash payment by the Group or the Company to employees in lieu of shares of the Company are recognised at the fair value of the liability incurred, as expense in the Income Statements over the vesting period of the grant (or each respective grants in the event of multiple grants).

For both Share-based Compensations, the total amount to be expensed over the respective vesting periods is determined by reference to the fair value of the shares granted, excluding the impact of any non-market vesting conditions. Non-market vesting conditions are included in the assumptions about the number of shares that are expected to vest. At each reporting date, the Group revises its estimates of the number of shares that are expected to vest. It recognises the impact of the revision of original estimates of the grant liability, if any, in the Income Statement with a corresponding adjustment to share option reserve in equity.

The fair value of shares granted to employees of subsidiaries are allocated to the subsidiaries.

When the shares granted are vested and issued, the fair value is credited to share capital (nominal value) and share premium with corresponding debit to reserves and cash received (if any).

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(y) 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). The consolidated financial statements are presented in Ringgit Malaysia, which is the Company's functional and presentation currency.

(ii) Transactions and Balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Income Statement, except when deferred in other comprehensive income as qualifying cash flow hedges.

Foreign exchange gains and losses that relate to borrowings are presented in the Income Statement within 'net finance cost'. All other foreign exchange gains and losses are presented in the Income Statement within 'operating costs'.

(iii) Group Companies

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each Statement of Financial Position presented are translated at the closing rate at the reporting date;
- income and expenses for each Income Statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated using the rates prevailing on the date of the transactions); and
- all resulting exchange differences are recognised as a separate component in other comprehensive income.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations are taken to other comprehensive income. When a foreign operation is disposed off or sold, such exchange differences that were recorded in equity are recognised in the Income Statement as part of the gain or loss on disposal.

(z) Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-makers. The chief operating decision-makers are responsible for allocating resources and assessing performance of the operating segments and make overall strategic decisions.

Further disclosures on Segment Reporting are set out in note 45 to the financial statements.

3. CRITICAL ACCOUNTING ESTIMATES

Estimates 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 makes 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 material impact to the Group'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 year are mentioned below.

(a) Estimated Useful Lives of Property, Plant and Equipment

The Group reviews annually the estimated useful lives of property, plant and equipment based on factors such as business plan and strategies, expected level of usage, changes in technology, latest findings in research and development, updated practices to enhance performance of certain network assets and future technological developments. Future results of operations could be materially affected by changes in these estimates brought about by changes in the factors mentioned. A change in the estimated useful lives of property, plant and equipment would change the recorded depreciation and the carrying amount of property, plant and equipment.

(b) Impairment of Property, Plant and Equipment, Intangible Assets (other than goodwill) and Investment in Subsidiaries

The Group assesses impairment of the assets mentioned above whenever the events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable i.e. the carrying amount of the asset is more than the recoverable amount. Recoverable amount is measured at the higher of the fair value less cost to sell for that asset and its value-in-use. The value-in-use is the net present value of the projected future cash flow derived from that asset discounted at an appropriate discount rate.

Projected future cash flows are based on the Group's estimates calculated based on historical, sector and industry trends, general market and economic conditions, changes in technology and other available information.

(c) Impairment of Goodwill

The Group tests goodwill for impairment annually in accordance with its accounting policy or whenever events or changes in circumstances indicate that this is necessary. The assumptions used, results and conclusion of the impairment assessment are stated in note 24 to the financial statements.

(d) Impairment of Trade Receivables

The Group assesses at each reporting date whether there is objective evidence that trade receivables have been impaired. Impairment loss is calculated periodically based on a review of the current status of existing receivables and historical collection trends to reflect the actual and anticipated experience.

(e) Useful Lives of Intangibles Assets Acquired through Business Combination

The useful life over which intangible assets are amortised depends on management's estimate of the period over which economic benefit will be derived from the asset. Useful lives are periodically reviewed to ensure that they remain appropriate. The basis for determining the useful lives for the intangible assets acquired through business combination are as follows:

- Telecommunication spectrum estimated useful life is estimated to have an indefinite useful life with the presumption that any renewal are at negligible cost and the Group is expected to continue utilising the spectrum in providing its telecommunication services indefinitely.

- The estimated useful life of the acquired customer base principally reflects the Group's view of the average economic life of the customer base and is assessed by reference to customer churn rates.

3. CRITICAL ACCOUNTING ESTIMATES (continued)

Critical Accounting Estimates and Assumptions (continued)

(f) Taxation

(i) Income Taxes

The Group is subject to income taxes in numerous jurisdictions. Judgment is involved in determining the group-wide provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for tax matters based on estimates of whether additional taxes will be due. If the final outcome of these tax matters result in a difference in the amounts initially recognised, such differences will impact the income tax and/or deferred tax provisions in the period in which such determination is made.

(ii) Deferred Tax Assets

Deferred tax asset is recognised to the extent that it is probable that future taxable profit will be available against which temporary differences or unutilised tax losses and tax credits (including investment allowances) can be utilised. This involves judgment regarding future taxable profits of a particular entity in which the deferred tax asset has been recognised.

Estimating the future taxable profits involved significant assumptions, especially in respect of demand on existing and new services, competition and regulatory changes that may impact the pricing of services. These assumptions were derived based on past performance and adjusted for non-recurring circumstances.

(g) Contingent Liabilities

Determination of the treatment of contingent liabilities is based on Directors' view of the expected outcome of the contingencies after consulting legal counsel for litigation cases and experts internal and external to the Group for matters in the ordinary course of business. Details of the legal proceedings in which the Group is involved as at 31 December 2016 is disclosed in note 50 to the financial statements.

(h) Fair Value of Derivatives and Other Financial Instruments

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. The Group exercises its judgment in selecting a variety of valuation methods and makes assumptions that are mainly based on market conditions existing at the end of each reporting period.

The fair value of derivatives is the present value of their future cash flows. The Group estimated the fair values at the reporting date, of certain available-for-sale financial assets that are not traded in an active market by using the net tangible assets and the discounted cash flow methods. In estimating the fair value of put and call options on shares of a subsidiary, the Group has used valuation models in projecting expected share prices utilising comparable discount and growth rates reflective of market conditions specific to relevant industry existing at the end of the reporting period. Although the Group and the Company believe that estimates of fair value are appropriate, the use of different methodologies or assumptions could lead to different measurements of fair value.

The summary of financial instruments by category is disclosed in note 46 to the financial statements. The valuation of such financial instruments is further discussed in note 47 to the financial statements.

4. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

(a) Financial Risk Factor

The main risks arising from the Group's financial assets and liabilities are market risk (comprises foreign exchange risk, price risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management seeks to minimise potential adverse effects of these risks on the financial performance of the Group.

The Group has established risk management policies, guidelines and procedures in order to manage its exposure to these financial risks. Hedging strategies are determined in light of commercial commitments to mitigate the relevant risks exposures. Derivative financial instruments are used to hedge the underlying commercial exposures and are not held for speculative purposes.

(i) Market Risk

- Foreign Exchange Risk

The Group's foreign exchange risk refers to adverse exchange rate movements on foreign currency positions originating from trade receivables and payables, deposits and borrowings denominated in foreign currencies, and from retained profits in overseas subsidiaries, where the functional currencies are not in Ringgit Malaysia.

The Group's objective is to mitigate foreign exchange exposure to an acceptable level against pre-determined limits and impact to the Income Statement. The Group monitors its foreign currency denominated assets and liabilities and uses various hedging instruments such as forward contracts, Cross Currency Interest Rate Swaps (CCIRS) contracts and option structures as well as maintaining funds in foreign currencies at appropriate levels to support operating cash flows requirement. The Group's policy requires all transactions for hedging foreign currency exchange risk exposure be executed within the parameters approved by the Board of Directors.

The foreign exchange risk of the Group arises predominantly from borrowings denominated in foreign currencies, mainly the US Dollar and Japanese Yen. During the financial year, in addition to the existing US Dollar and Japanese Yen forward and CCIRS contracts, the Group entered into additional forward contracts to hedge US Dollar purchases in order to reduce foreign currency exposures. After hedging of the US Dollar and Japanese Yen borrowings, the foreign currency borrowings composition is reduced to 20.1% (2015: 13.1%) of the Group's total borrowings as at 31 December 2016.

Based on the borrowings position as at 31 December 2016, if the Ringgit Malaysia had weakened/strengthened by 5.0% against the US Dollar and Japanese Yen with all other variables held constant, the post-tax profit for the financial year for the Group would have been lower/higher by approximately RM129.0 million and RM15.0 million (before hedging) respectively and RM84.1 million and RM nil million (after hedging) respectively as a result of foreign exchange losses or gains on translation of US Dollar and Japanese Yen denominated borrowings.

- Price Risk

The Group is exposed to equity and fixed income securities price risk arising from investments as reflected on the Statement of Financial Position, classified either as available-for-sale or at fair value through profit or loss. The Group is not exposed to commodity price risk. The quoted equity securities portfolio has decreased to RM6.0 million as at 31 December 2016 from RM6.6 million at the end of 2015 due to decline in market value for the existing portfolio.

Based on the quoted equity securities portfolio as at 31 December 2016, if Bursa Malaysia equity index move by 5.0%, with all other variables remain constant, post-tax profit for the financial year would have been impacted by approximately RM0.3 million. Post-tax profit for the financial year would increase or decrease as a result of gains/losses on equity securities classified as fair value through profit or loss.

Other components of equity would increase/decrease as a result of gains/losses on equity and fixed income securities classified as available-for-sale.

4. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(a) Financial Risk Factor (continued)

(i) Market Risk (continued)

- Interest Rate Risk

The Group has cash and short term deposits and fixed income securities that are exposed to interest rate movement. The Group manages its interest rate risk on cash and short term deposits through allocation in suitable tenure. While on fixed income securities, the Group applies suitable duration and basis point valuation analysis impact to manage its interest rate risk.

The Group's investments in money market and fixed income securities as at 31 December 2016 were RM1,647.3 million (2015: RM2,359.4 million) and RM518.0 million (2015: RM515.6 million) respectively. For an increase of 25 basis points in the Overnight Policy Rate (OPR) by Bank Negara Malaysia and assuming the overall yield curve also increases by the same percentage, the finance income from the money market portfolio would correspondingly move by approximately RM4.1 million while the net asset value of the fixed income portfolio would inversely move by approximately RM6.9 million.

The Group's debts include revolving credits, borrowings, bonds, notes and debentures. The Group's objective is to manage the interest rate risk to an acceptable level of exposure on the finance cost. The Group reviews its composition of fixed and floating rate debt based on assessment of its existing exposure and desirable interest rate profile acceptable to the Group. Hedging instruments such as interest rate swaps are used to manage these risks.

The Group's policy requires all transactions for hedging interest rate risk exposure be executed within the parameters approved by the Board of Directors.

The Group has entered into a few interest rate swap transactions with creditworthy financial institutions. Based on the hedging position as at 31 December 2016, if there were to be a hike in the OPR by 25 basis points, the finance cost would be higher by approximately RM0.6 million.

As at 31 December 2016, the Group's interest rate profile, after hedging, was at 100% fixed interest rate (2015: 93:7 fixed-to-floating).

The interest rate exposure is mitigated, to some extent, by the offsetting effect between assets and liabilities.

(ii) Credit Risk

Financial assets that are primarily exposed to credit risks are receivables, cash and bank balances, marketable securities and financial instruments used in hedging activities.

Due to the nature of the Group's business, customers are mainly segregated according to business segments. The Group has no significant concentration of credit risk due to its diverse customer base. Credit risk is managed through the application of stringent credit control assessment and approval, credit limit and monitoring procedures. Where appropriate, the Group obtains deposits or bank guarantees from customers to be held as collaterals.

The Group places its cash and cash equivalents with various creditworthy financial institutions. The Group's policy limits the concentration of credit exposure to any single financial institution based on its net tangible asset position and/or credit rating, which is subject to annual review.

The Group has appointed several fixed income and commercial papers fund managers to manage its investment portfolios. In managing the portfolios' credit risks, the investment parameter was established to restrict all fund managers to only invest in securities that carry at least A3/P1 credit ratings or equivalent. This is in accordance with the Group's Treasury Investment Policies and Guidelines. In the current financial year, the Group's investment portfolios were predominantly securities carrying AA/P1 credit ratings or above, as shown in note 28 to the financial statements.

4. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(a) Financial Risk Factor (continued)

(ii) Credit Risk (continued)

All hedging instruments are executed with creditworthy financial institutions with a view to limiting the credit risk exposure of the Group. The Group, however, is exposed to credit-related losses in the event of non-performance by counterparties to financial derivative instruments, but does not expect any counterparties to fail to meet their obligations.

In complying with the risk management policies, all counterparties are required to maintain certain credit rating as defined by the international and local rating agencies.

(iii) Liquidity Risk

Group Treasury maintains cash and cash equivalents at a level that is deemed appropriate by the management to finance the Group's operations. It also actively monitors and controls liquidity risk exposures and funding needs across legal entities within the Group, business lines and currencies, taking into account legal, regulatory and operational limitations via a centralised Treasury operation.

Due to the dynamic nature of the underlying business, the Group also aims at maintaining flexibility in funding by keeping both committed and uncommitted credit lines available.

Cash flow forecasts are performed in the operating entities of the Group on a rolling basis and are aggregated by Group Treasury to ensure sufficient cash is available to meet operational needs while maintaining adequate headroom on its undrawn committed credit facilities at all times. As at 31 December 2016, the Group held deposits with financial institutions of RM1,647.3 million (2015: RM2,359.4 million) and cash and bank balances of RM1,278.7 million (2015: RM1,152.2 million) that are expected to be readily available to meet any payment obligation when it falls due.

Refinancing risk is managed by limiting the amount of borrowings that mature within any specific period and by having appropriate strategies in place to manage refinancing needs as they arise. The Group has available funding with the establishment of the new Islamic Commercial Papers programme, Islamic Medium Term Notes and Multi-Currency Euro Medium Term Notes programmes with remaining combined limit of up to RM3.6 billion in nominal value to meet capital expenditure and business operating requirements. The analysis of the maturity profile of the Group's and the Company's financial liabilities are shown in note 48 to the financial statements.

There has been no significant change in the Group's financial risk management objectives and policies as well as its financial risk exposure in the current financial year as compared to the preceding financial year.

(b) Capital Risk Management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide long term return to shareholders and benefits for other stakeholders. The Group's capital management framework comprises of a dividend policy and strives to maintain an optimal capital structure that will improve its capital efficiency.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends to be paid to the shareholders or may return capital to shareholders vis-à-vis its debt-to-equity ratio (gearing level). In 2014, the Group introduced a Dividend Reinvestment Scheme (DRS) whereby its shareholders have the option to either receive cash dividends or reinvest the dividends in new ordinary shares of the Company. Depending on the level of subscription of DRS, the Group would be able to enlarge its share capital base as well as strengthen its capital position through the DRS whenever applicable.

4. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(b) Capital Risk Management (continued)

The gearing ratios as at 31 December were as follows:

	The Group	
	2016	2015
Borrowings (RM million) (note 17)	**8,363.3**	7,583.7
Total Shareholders' Equity (RM million)	**7,692.3**	7,780.6
Debt-to-equity Ratio	**1.1**	1.0

The Group also monitors its gearing level in comparison to its peers within the industry while maintaining the desired level of credit rating. During 2016, the Group's credit rating remained unchanged at AAA by RAM, A- by S&P and A3 by Moody's.

Furthermore, the Group complies with Bursa Malaysia Securities Berhad Main Market Listing Requirement to maintain a consolidated shareholders' equity of more than 25 percent of the issued and paid up capital and maintain such shareholders' equity at not less than RM40.0 million.

5. OPERATING REVENUE

	The Group		The Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Voice services	**3,330.5**	3,506.9	**3,326.4**	3,501.0
Internet and multimedia services	**3,668.3**	3,367.5	**3,555.0**	3,169.4
Data services	**2,744.7**	2,669.7	**2,465.0**	2,372.3
Other telecommunications related services	**1,979.7**	1,881.2	**1,400.7**	1,242.6
Non-telecommunications related services	**337.7**	296.3	**-**	-
TOTAL OPERATING REVENUE	**12,060.9**	11,721.6	**10,747.1**	10,285.3

6(a) DEPRECIATION, IMPAIRMENT AND AMORTISATION

	The Group		The Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Depreciation of property, plant and equipment (PPE) (note 22)	**2,512.0**	2,329.6	**2,020.5**	1,988.7
Depreciation of investment property (note 23)	**-**	-	**2.3**	2.3
Impairment of PPE (note 22 (d))	**14.0**	31.9	**-**	-
Impairment reversal of non-current assets held for sale (note 32(a))	**-**	(6.3)	**-**	(6.3)
Write-off/retirement of PPE (note 22)	**71.7**	44.5	**44.3**	42.2
Amortisation of intangible assets (note 24)	**36.9**	37.6	**-**	-
TOTAL DEPRECIATION, IMPAIRMENT AND AMORTISATION	**2,634.6**	2,437.3	**2,067.1**	2,026.9

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6(b) OTHER OPERATING COSTS

	The Group		The Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Agency commissions and charges	**76.0**	73.1	**88.1**	88.6
Domestic interconnect and international outpayment	**1,020.0**	1,016.3	**1,083.4**	1,080.3
Impairment of trade and other receivables (net of debt recoveries)	**40.7**	165.6	**32.2**	157.1
Impairment for investment in subsidiaries	**-**	-	**-**	2.8
Maintenance	**735.3**	778.1	**717.9**	772.4
Marketing, advertising and promotion	**368.5**	321.4	**370.6**	333.4
Net gain on foreign exchange on settlements and placements				
- realised	**(16.0)**	(42.7)	**(11.6)**	(47.7)
- unrealised	**(45.5)**	(95.4)	**(57.0)**	(96.8)
Outsourcing costs	**52.8**	58.2	**288.2**	309.4
Rental - equipment	**51.1**	45.7	**80.5**	90.7
Rental - land and buildings	**292.9**	268.1	**158.7**	164.3
Rental - leased lines	**184.7**	208.7	**-**	-
Rental - others	**49.2**	29.1	**33.5**	14.3
Research and development	**8.5**	10.7	**59.6**	70.4
Staff costs	**2,769.4**	2,703.1	**2,048.1**	1,979.6
Staff costs capitalised into PPE	**(128.4)**	(115.5)	**(121.7)**	(115.5)
Supplies and materials	**876.2**	875.1	**533.2**	503.2
Transportation and travelling	**68.9**	68.4	**49.4**	50.7
Universal Service Provision contribution	**362.1**	352.1	**333.9**	325.6
Utilities	**356.9**	355.8	**295.6**	296.3
Others	**1,279.4**	1,075.0	**1,186.8**	1,098.7
TOTAL OTHER OPERATING COSTS	**8,402.7**	8,150.9	**7,169.4**	7,077.8

6(b) OTHER OPERATING COSTS (continued)

	The Group		The Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Staff costs include:				
- salaries, allowances, overtime and bonus	**2,139.3**	2,078.8	**1,556.1**	1,492.3
- contribution to Employees Provident Fund (EPF)	**321.8**	314.1	**238.3**	227.2
- termination benefit	**76.7**	77.4	**70.3**	72.2
- other staff benefits	**217.5**	224.9	**169.9**	180.7
- Long Term Incentive Plan	**1.9**	-	**1.4**	-
- remuneration of Executive Directors of the Company				
- salaries, allowances and bonus	**7.6**	3.7	**7.6**	3.7
- contribution to EPF	**1.1**	0.8	**1.1**	0.8
- remuneration of Non-Executive Directors of the Company				
- fees	**2.6**	2.6	**2.0**	2.0
- allowances and bonus	**0.9**	0.8	**0.9**	0.7
Others include:				
- statutory audit fees				
- PricewaterhouseCoopers Malaysia	**2.8**	2.9	**1.6**	1.7
- member firms of PricewaterhouseCoopers International Limited	**0.2**	0.2	**-**	-
- audit related fees	**1.1**	0.7	**0.7**	0.6
- tax and other non-audit services	**1.7**	0.9	**1.7**	0.3

Estimated money value of benefits of Directors amounted to RM622,381 (2015: RM721,388) for the Group and the Company.

In ensuring independence of the external auditors, the Board Audit Committee has policies governing the engagement of the external auditors for non-audit services and the related approval process that has to be adhered before any such non-audit services commence. Non-audit services can be offered by the external auditors if there are efficiencies and value-added benefits to the Group.

7. OTHER OPERATING INCOME (net)

	The Group		The Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Dividend income from subsidiaries	**-**	-	**179.0**	224.5
Dividend income from equity securities - quoted	**1.1**	1.2	**1.1**	1.2
- unquoted	**15.7**	5.9	**15.7**	5.9
Income from sales of scraps	**17.7**	13.8	**17.6**	13.8
Income from subsidiaries - interest	**-**	-	**51.2**	20.6
- others	**-**	-	**0.7**	3.3
Insurance claims	**7.2**	6.2	**6.8**	6.1
Loss on disposal of staff loans	**(0.6)**	(0.6)	**(0.6)**	(0.6)
Profit on disposal of PPE	**2.5**	2.4	**2.7**	2.8
Profit on disposal of non-current asset held for sale	**0.3**	0.1	**0.3**	0.1
Penalty on breach of contract	**3.8**	6.7	**3.6**	6.7
Rental income from land and buildings	**45.9**	43.9	**69.7**	70.6
Rental income from vehicles	**-**	-	**0.4**	0.6
Revenue from training and related activities	**1.8**	1.6	**3.6**	3.2
Others	**35.0**	42.5	**38.7**	50.3
TOTAL OTHER OPERATING INCOME (net)	**130.4**	123.7	**390.5**	409.1

8. OTHER GAINS/(LOSSES) (net)

	The Group		The Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Fair value movement of financial assets at fair value through profit or loss				
- equity securities quoted on the Bursa Malaysia Securities Berhad	**(0.5)**	(2.6)	**(0.5)**	(2.6)
- call option on shares held by non-controlling interest	**14.7**	(1.3)	**-**	-
- forward foreign currency contract on purchases	**(0.4)**	0.4	**-**	-
Fair value movement of put option liability over shares of a subsidiary (note 47(a))	**31.8**	(25.4)	**-**	-
Available-for-sale investments				
- reclassification from fair value reserves	**1.6**	2.3	**1.6**	2.3
TOTAL OTHER GAINS/(LOSSES) (net)	**47.2**	(26.6)	**1.1**	(0.3)

9. NET FINANCE COST

The Group	2016 Foreign RM	2016 Domestic RM	2016 Islamic Principles RM	2016 Total RM	2015 Foreign RM	2015 Domestic RM	2015 Islamic Principles RM	2015 Total RM
Finance income from								
- short term bank deposits	**1.0**	**45.6**	**62.7**	**109.3**	0.2	56.8	64.9	121.9
- other deposits	**-**	**11.4**	**2.6**	**14.0**	-	9.2	2.5	11.7
- Redeemable Exchangeable Medium Term Notes (note 30)	**-**	**15.8**	**-**	**15.8**	-	11.1	-	11.1
- staff loans	**-**	**0.3**	**8.7**	**9.0**	-	1.0	4.9	5.9
- accretion of finance income	**-**	**6.6**	**-**	**6.6**	-	12.3	-	12.3
- available-for-sale receivables	**-**	**0.6**	**-**	**0.6**	-	1.5	-	1.5
TOTAL FINANCE INCOME	**1.0**	**80.3**	**74.0**	**155.3**	0.2	91.9	72.3	164.4
Finance cost on								
- borrowings	**(118.4)**	**(10.8)**	**(0.4)**	**(129.6)**	(124.6)	(15.9)	-	(140.5)
- TM Islamic Stapled Income Securities (note 17(b))	**-**	**-**	**(44.9)**	**(44.9)**	-	-	(44.9)	(44.9)
- fair value gain on interest rate swaps								
- realised (note 17(c))	**-**	**-**	**1.9**	**1.9**	-	-	1.8	1.8
- Islamic Medium Term Notes (note 17(d))	**-**	**-**	**(187.8)**	**(187.8)**	-	-	(156.8)	(156.8)
- accretion of finance cost (note 17(e) and 37(b))	**-**	**(5.0)**	**-**	**(5.0)**	-	(6.7)	-	(6.7)
- finance lease (note 17(h))	**-**	**(3.4)**	**-**	**(3.4)**	-	(2.7)	-	(2.7)
- unwinding of discount on put option over shares of a subsidiary (note 47(a))	**-**	**(28.5)**	**-**	**(28.5)**	-	(9.7)	-	(9.7)
- amortisation of interest subsidy on staff loan	**-**	**-**	**(2.7)**	**(2.7)**	-	-	(1.0)	(1.0)
Borrowing costs capitalised	**0.3**	**4.3**	**14.7**	**19.3**	2.8	6.3	28.0	37.1
TOTAL FINANCE COST	**(118.1)**	**(43.4)**	**(219.2)**	**(380.7)**	(121.8)	(28.7)	(172.9)	(323.4)
Foreign exchange gain/(loss) on borrowings								
- realised	**2.1**	**-**	**-**	**2.1**	(7.8)	-	-	(7.8)
- unrealised	**(148.4)**	**-**	**-**	**(148.4)**	(386.5)	-	-	(386.5)
- reclassification from hedging reserve	**59.6**	**-**	**-**	**59.6**	209.9	-	-	209.9
TOTAL FOREIGN EXCHANGE LOSS ON BORROWINGS	**(86.7)**	**-**	**-**	**(86.7)**	(184.4)	-	-	(184.4)
NET FINANCE COST	**(203.8)**	**36.9**	**(145.2)**	**(312.1)**	(306.0)	63.2	(100.6)	(343.4)

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9. NET FINANCE COST (continued)

The Company	2016 Foreign RM	2016 Domestic RM	2016 Islamic Principles RM	2016 Total RM	2015 Foreign RM	2015 Domestic RM	2015 Islamic Principles RM	2015 Total RM
Finance income from								
- short term bank deposits	**0.9**	**44.4**	**61.6**	**106.9**	0.1	54.4	63.5	118.0
- other deposits	**-**	**11.4**	**2.0**	**13.4**	-	9.1	1.8	10.9
- staff loans	**-**	**0.3**	**8.7**	**9.0**	-	1.0	4.9	5.9
- available-for-sale receivables	**-**	**0.6**	**-**	**0.6**	-	1.5	-	1.5
TOTAL FINANCE INCOME	**0.9**	**56.7**	**72.3**	**129.9**	0.1	66.0	70.2	136.3
Finance cost on								
- borrowings	**(116.4)**	**-**	**-**	**(116.4)**	(114.6)	-	-	(114.6)
- TM Islamic Stapled Income Securities (note 17(b))	**-**	**-**	**(44.9)**	**(44.9)**	-	-	(44.9)	(44.9)
- fair value gain on interest rate swaps - realised (note 17(c))	**-**	**-**	**1.9**	**1.9**	-	-	1.8	1.8
- Islamic Medium Term Notes (note 17(d))	**-**	**-**	**(187.8)**	**(187.8)**	-	-	(156.8)	(156.8)
- accretion of finance cost (note 17(e) and 37(b))	**-**	**(5.0)**	**-**	**(5.0)**	-	(6.7)	-	(6.7)
- finance lease (note 17(h))	**-**	**(3.0)**	**-**	**(3.0)**	-	(2.7)	-	(2.7)
- Inter-Company Fund Optimisation (note 43(a) and (b))	**-**	**(27.3)**	**(1.6)**	**(28.9)**	-	(23.4)	(1.5)	(24.9)
- amortisation of interest subsidy on staff loan	**-**	**-**	**(2.7)**	**(2.7)**	-	-	(1.0)	(1.0)
Borrowing costs capitalised	**0.3**	**4.3**	**14.7**	**19.3**	2.8	6.3	28.0	37.1
TOTAL FINANCE COST	**(116.1)**	**(31.0)**	**(220.4)**	**(367.5)**	(111.8)	(26.5)	(174.4)	(312.7)
Foreign exchange (loss)/gain on borrowings								
- realised	**(0.2)**	**-**	**-**	**(0.2)**	#	-	-	#
- unrealised	**(148.0)**	**-**	**-**	**(148.0)**	(369.0)	-	-	(369.0)
- reclassification from hedging reserve	**59.6**	**-**	**-**	**59.6**	209.9	-	-	209.9
TOTAL FOREIGN EXCHANGE LOSS ON BORROWINGS	**(88.6)**	**-**	**-**	**(88.6)**	(159.1)	-	-	(159.1)
NET FINANCE COST	**(203.8)**	**25.7**	**(148.1)**	**(326.2)**	(270.8)	39.5	(104.2)	(335.5)

Amount less than RM0.1 million

10. TAXATION AND ZAKAT

	The Group		The Company	
	2016 RM	2015 RM	2016 RM	2015 RM
The taxation charge for the Group and the Company comprise:				
Malaysia				
Income Tax				
Current year	**176.9**	212.3	**104.9**	139.4
Prior year	**(7.3)**	(13.5)	**(7.8)**	(11.4)
Deferred Tax (net)	**129.0**	113.6	**176.0**	134.5
	298.6	312.4	**273.1**	262.5
Overseas				
Income Tax				
Current year	**1.7**	2.0	**-**	-
Prior year	**(0.6)**	(0.1)	**-**	-
Deferred Tax (net)	**(0.7)**	#	**-**	-
	0.4	1.9	**-**	-
TOTAL TAXATION	**299.0**	314.3	**273.1**	262.5
Zakat	**6.1**	5.7	**4.0**	2.6
TAXATION AND ZAKAT	**305.1**	320.0	**277.1**	265.1
Current taxation				
Current year	**178.6**	214.3	**104.9**	139.4
Over accrual in prior years (net)	**(7.9)**	(13.6)	**(7.8)**	(11.4)
Deferred taxation				
Origination and reversal of temporary differences	**214.4**	105.1	**241.4**	126.7
Tax incentive	**(65.4)**	-	**(65.4)**	-
Change in tax rate	**-**	8.5	**-**	7.8
Benefit from previously unrecognised capital allowances	**(20.7)**	-	**-**	-
	299.0	314.3	**273.1**	262.5

Amount less than RM0.1 million

10. TAXATION AND ZAKAT (continued)

The relationship between taxation and profit before taxation and zakat can be explained by the numerical reconciliation between taxation expense and the product of accounting profit multiplied by the Malaysian tax rate as follows:

	The Group		The Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Profit Before Taxation and Zakat	**918.5**	911.8	**1,576.0**	1,253.9
Taxation calculated at the applicable Malaysian taxation rate of 24.0% (2015: 25.0%)	**220.4**	228.0	**378.2**	313.5
Tax effects of:				
- share of results of associates	**(7.1)**	(6.2)	**-**	-
- different taxation rates in other countries	**0.1**	0.2	**-**	-
- expenses not deductible for taxation purposes	**175.2**	201.1	**108.4**	174.3
- income not subject to taxation	**(94.1)**	(161.9)	**(124.3)**	(203.4)
- tax incentive	**(65.4)**	-	**(65.4)**	-
- expenses allowed for double deduction	**(16.0)**	(18.3)	**(16.0)**	(18.3)
- previously unrecognised capital allowances	**(20.7)**	(9.3)	**-**	-
- changes in tax rate	**-**	11.1	**-**	7.8
- current year tax losses not recognised	**114.5**	83.2	**-**	-
- over accrual of income tax (net)	**(7.9)**	(13.6)	**(7.8)**	(11.4)
TOTAL TAXATION	**299.0**	314.3	**273.1**	262.5

11. EARNINGS PER SHARE

(a) Basic earnings per share

Basic earnings per share of the Group was calculated by dividing the net profit attributable to equity holders by the weighted average number of issued and paid-up ordinary shares of the Company in issue during the financial year.

	The Group	
	2016 RM	2015 RM
Profit attributable to equity holders of the Company (RM million)	**776.0**	700.3
Weighted average number of ordinary shares (million)	**3,757.9**	3,740.2
Basic earnings per share (sen) attributable to equity holders of the Company	**20.6**	18.7

11. EARNINGS PER SHARE (continued)

(b) Diluted earnings per share

Diluted earnings per share for the current financial year was calculated by dividing the net profit attributable to equity holders of the Company by the weighted average number of issued and paid-up ordinary shares adjusted for conversion of all dilutive potential ordinary shares granted to employees under a Long Term Incentive Plan (LTIP) (note 14 to the financial statements) which is an employee share scheme which will vest subject to certain performance conditions being met.

	The Group	
	2016 RM	2015 RM
Profit attributable to equity holders of the Company (RM million)	**776.0**	700.3
Weighted average number of ordinary shares (million)	**3,757.9**	3,740.2
Adjustment for dilutive effect of LTIP (million)	**#**	-
Weighted average number of ordinary shares (million)	**3,757.9**	3,740.2
Diluted earnings per share (sen) attributable to equity holders of the Company	**20.6**	18.7

Amount less than RM0.1 million

12. DIVIDENDS IN RESPECT OF ORDINARY SHARES

Dividends approved and paid in respect of ordinary shares:

The Company	2016		2015	
	Dividend per share Sen	Amount of single-tier dividend RM	Dividend per share Sen	Amount of single-tier dividend RM
Final dividend in respect of the financial year ended 31 December 2014	-	-	13.4	498.4
1st interim dividend paid in respect of the financial year ended 31 December 2015	-	-	9.3	349.5
2nd interim dividend paid in respect of the financial year ended 31 December 2015	**12.1**	**454.7**	-	-
1st interim dividend paid in respect of the financial year ended 31 December 2016	**9.3**	**349.5**	-	-
DIVIDENDS RECOGNISED AS DISTRIBUTION TO ORDINARY EQUITY HOLDERS OF THE COMPANY	**21.4**	**804.2**	22.7	847.9

The Dividend Reinvestment Scheme (DRS) as explained in note 13(c) to the financial statements was made applicable to only the entire Final Dividend of the financial year ended 31 December 2014 where the entire Electable Portion of the Final Dividend could be elected to be reinvested in new ordinary shares of RM0.70 each in the Company (TM Shares) in accordance to the DRS. The DRS was not made applicable to any dividends appropriated to date by the Company subsequent to that.

The Board of Directors has declared a second interim single-tier cash dividend of 12.2 sen per share for the financial year ended 31 December 2016. The dividend will be paid on 24 March 2017 to shareholders whose names appear in the Register of Members and Record of Depositors on 9 March 2017.

The Board of Directors is not recommending the payment of any final dividend in respect of the financial year ended 31 December 2016. The total dividends for the current financial year ended 31 December 2016 is 21.5 sen per ordinary share (2015: 21.4 sen).

13. SHARE CAPITAL

The Company	2016 Number of shares	2016 RM	2015 Number of shares	2015 RM
Authorised:				
Ordinary shares of RM0.70 each	**5,040.0**	**3,528.0**	5,040.0	3,528.0
Special Share of RM1.00 (sub-note (a))	**#**	**#**	#	#
2,000 Class C Non-Convertible Redeemable Preference Shares of RM1.00 each (sub-note (b))	**#**	**#**	#	#
1,000 Class D Non-Convertible Redeemable Preference Shares of RM1.00 each (sub-note (b))	**#**	**#**	#	#
TOTAL AUTHORISED SHARE CAPITAL	**5,040.0**	**3,528.0**	5,040.0	3,528.0
Issued and fully paid:				
Ordinary shares of RM0.70 each				
At 1 January	**3,758.0**	**2,630.6**	3,719.4	2,603.6
Shares issued under Dividend Reinvestment Scheme (sub-note (c))	**-**	**-**	38.6	27.0
At 31 December	**3,758.0**	**2,630.6**	3,758.0	2,630.6
Special Share of RM1.00 (sub-note (a))				
At 1 January and 31 December	**#**	**#**	#	#
Class D Non-Convertible Redeemable Preference Shares of RM1.00 (sub-note (b))				
At 1 January and 31 December	**#**	**#**	#	#
TOTAL ISSUED AND FULLY PAID-UP SHARE CAPITAL	**3,758.0**	**2,630.6**	3,758.0	2,630.6

Amount less than RM0.1 million

(a) Special Rights Redeemable Preference Share (Special Share)

The Special Share of RM1.00 is held by the Special Shareholder, Minister of Finance, a body corporate established under the Minister of Finance (Incorporation) Act 1957 (MOF). MOF's holding would enable the Government through the Minister of Finance to ensure that certain major decisions affecting the operations of the Company are consistent with the Government's policy. The Special Shareholder, which may only be the Government or any representative or person acting on its behalf, is entitled to receive notice of meetings but does not carry any right to vote at such meetings of the Company. However, the Special Shareholder is entitled to attend and speak at such meetings.

Certain matters, in particular, the alteration of the Articles of Association of the Company relating to the rights of the Special Shareholder, the dissolution of the Company, any substantial acquisitions and disposal of assets, amalgamation, merger and takeover, require the prior consent of the Special Shareholder.

The Special Shareholder has the right to require the Company to redeem the Special Share at par at any time. In a distribution of capital in a winding up of the Company, the Special Shareholder is entitled to the repayment of the capital paid up on the Special Share in priority to any repayment of capital to any other members. The Special Share does not confer any right to participate in the capital or profits of the Company.

(b) Non-Convertible Redeemable Preference Shares (NCRPS)

These comprise 2,000 Class C NCRPS of RM1.00 each and 1,000 Class D NCRPS of RM1.00 each. On 20 July 2007, the Company issued 2,000 Class C NCRPS (TM NCRPS C) and 925 Class D NCRPS (TM NCRPS D) at a premium of RM999.00 each over the par value of RM1.00 each. TM NCRPS C and TM NCRPS D rank pari passu amongst themselves but below the Special Share and ahead of the ordinary shares of the Company in distribution of capital in the event of the winding up or liquidation of the Company. TM NCRPS C and TM NCRPS D have been classified as liabilities. On 30 December 2013, the Company had redeemed TM NCRPS C upon its maturity.

The details of TM NCRPS C and TM NCRPS D are set out in note 17(b)(I) to the financial statements.

13. SHARE CAPITAL (continued)

(c) Dividend Reinvestment Scheme (DRS)

On 27 March 2014, the Company announced a proposal to undertake a DRS that provides shareholders of the Company (Shareholders) the option to elect to reinvest, in whole or in part, their cash dividend which includes interim, final, special or any other cash dividend, in new ordinary share(s) of RM0.70 each in the Company (New TM Share).

The DRS received the approval from the Bursa Malaysia Securities Berhad via its letter dated 7 April 2014 and the Shareholders' approval at the Company's Extraordinary General Meeting on 8 May 2014.

Whenever the DRS is made applicable to any dividend distributed, shareholders have the following options to reinvest their cash dividend in New TM Shares (Option to Reinvest):

- to elect to participate by reinvesting in whole or in part the portion of such dividend to which the Option to Reinvest applies (Electable Portion), at the issue price for New TM Shares.

  In the event that only part of the Electable Portion is reinvested, the Shareholders shall receive the remaining portion of the dividend in cash; or

- to elect not to participate in the Option to Reinvest and thereby receive the entire dividend in cash.

On 26 February 2015, the Company announced a final dividend in respect of financial year ended 31 December 2014 of 13.4 sen per share (Final Dividend) for approval in the 30th Annual General Meeting (AGM) of the Company. The Directors determined that the DRS (as approved in the Company's Extraordinary General Meeting on 8 May 2014) would be applicable to the entire Final Dividend for the financial year ended 31 December 2014. Pursuant to the approval, 38,565,824 New TM Shares were issued on 18 June 2015 at an issue price of RM6.98 per New TM Shares. This translates to 54.0% rate of acceptance of shareholders to reinvest in their cash dividend in New TM Shares.

The DRS was not made applicable to any of the dividends distributed subsequent to the above i.e. all dividends distributed for the financial year ended 31 December 2015 and 2016.

14. EMPLOYEE SHARE SCHEME - LONG TERM INCENTIVE PLAN (LTIP)

On 28 April 2016, shareholders of the Company approved the LTIP and the Grants of Shares of the Company to eligible employees of the Group and Company at an Extraordinary General Meeting. The LTIP is a scheme under which shares may be issued by the Company to employees for no cash consideration.

The LTIP comprises a Restricted Share (RS) Grant and Performance Share (PS) Grant where for clarification purposes, the main differences in the features of the RS Grant and the PS Grant are the eligibility of the Eligible Employees in terms of their job grades in the Group, the performance metrics to be met which will be determined prior to the grant being made in writing to the Eligible Employees and the vesting periods of the Grant to the Eligible Employees. The Company's Board of Directors have established a sub-committee comprising a certain members of the Board to administer the LTIP in accordance with the by-laws governing the LTIP (LTIP Committee).

Features of LTIP

(i) Eligibility

All employees other than a non-executive or independent Directors of the Company, who has entered into a full-time or fixed-term employment with, and is on the payroll of the Group or Company are eligible to participate in the scheme (Eligible Employees) subject to fulfilling any other eligibility criteria which may be determined by the LTIP Committee at its sole discretion from time to time. Eligible Employees may elect not to participate in the scheme.

(ii) Maximum number of new ordinary shares of the Company under the LTIP

Under the LTIP, the total number of ordinary shares of the Company which may be made available under the LTIP shall not exceed in aggregate ten percent (10%) of the issued and paid-up ordinary share capital of the Company (excluding treasury shares) (Maximum Shares) at any point in time over the duration of the LTIP.

14. EMPLOYEE SHARE SCHEME - LONG TERM INCENTIVE PLAN (LTIP) (continued)

Features of LTIP (continued)

(iii) Basis of allocation and maximum allowable allotment

The total number of new ordinary shares of the Company that can be offered and allotted to any Eligible Employees (as defined in the By-Laws in relation to the LTIP shall be at the absolute discretion of the LTIP Committee) after taking into consideration amongst other factors, the performance, his/her potential for future development and contribution to the success and development of the Group and such other criteria as the LTIP Committee may deem relevant.

Further, not more than 10% of the Company's new ordinary shares available under the LTIP will be allocated to any individual Eligible Employee who, either singly or collectively through persons connected with the Eligible Employees, holds 20% or more of the Company's issued and fully paid-up share capital.

The LTIP Committee shall have sole and absolute discretion in determining whether the shares of the Company available for vesting under the Proposed LTIP are to be granted to the Eligible Employees or any group or groups of Eligible Employees via:

(a) one single Grant (as the case may be) at a time determined by the LTIP Committee; or

(b) several Grants (as the case may be) where the vesting of the Company's Shares comprised in those Grants are staggered or made in several tranches at such times and on terms determined by the LTIP Committee.

In the event the LTIP Committee decides that the Grant or vesting of any number of shares of the Company under LTIP is to be staggered, the number of shares to be granted in each Grant and the timing for the vesting of the same shall be decided by the LTIP Committee at its sole and absolute discretion. Each Grant shall be separate and independent from the others.

(iv) Duration of the LTIP

The LTIP shall continue to be in force for a period of ten (10) years commencing from the effective date of implementation of the Proposed LTIP, being the date on which full compliance with the relevant requirements under the By-Laws and the Listing Requirements in relation to the Proposed LTIP, have been obtained and/or met.

On the expiry of the LTIP, any Grants which have yet to be vested (whether fully or partially) shall be deemed terminated and be null and void. Notwithstanding anything set out in the By-Laws and subject to compliance with the Bursa Malaysia Listing Requirements in relation to the LTIP, the Group and the Company may terminate the LTIP at any time during its term.

(v) Ranking of the shares issued under the LTIP

The new shares issued under the LTIP shall be subject to the provisions of the memorandum and articles of association of the Company. The new shares, shall, upon issuance and allotment, rank equally in all respects with the then existing shares of the Company, except that they shall not be entitled to any dividend, rights, allotment and/or other distribution, the entitlement date of which is prior to the date on which the new shares are allotted to the Grantees pursuant to the LTIP.

(vi) Restrictions on Transfer

The new shares issued under the LTIP will be subject to such restriction on transfer upon the terms and conditions in accordance with the By-Laws.

The Group and Company implemented the LTIP with effect from 29 September 2016, after having obtained all required approvals and complied with the requirements pertaining to the LTIP. As at the end of the financial year ended 31 December 2016, only the RS has been granted to the relevant Eligible Employees.

14. EMPLOYEE SHARE SCHEME - LONG TERM INCENTIVE PLAN (LTIP) (continued)

Restricted Shares (RS)

Under the RS, selected eligible employees and Executive Directors of the Group and Company will be vested shares of the Company over the duration of the LTIP Period (as determined by the LTIP Committee for each tranche of RS respectively), subject to individual performance metrics being met and the achievement of certain operational measures, including but not limited to a profit after taxation target and/or other financial measure(s) as may be relevant, in accordance with terms and conditions stipulated and determined by the LTIP Committee in its sole and absolute discretion.

In the event the performance metrics are not met over the period set by the LTIP Committee as being applicable to the RS Grantees, the RS Grant will not be vested to them at the end of the said period.

(a) The total number of the RS granted for the Group and the Company, percentage of shares to be vested and the vesting period is as follows:

The Group and Company

			Entitlement over the Company's Shares	
RS	Grant Date	Vesting Date	Number of shares granted	Reference Price per unit (RM)[1]
Grant 1, 2016	1 December 2016	30 April 2019	9,219,500	6.15

[1] Refers to the price at reference date for the purpose of granting the number of shares to the employees.

(b) The movement during the financial year in the number of RS shares of RM0.70 each of the Company, in which the employees of the Group and the Company are entitled to, is as follows:

Attributed to Grantees from the Group:

	Closing Price per unit at Grant Date (RM)	At 1 January 2016	Granted	Adjusted	Vested	Lapse/ Forfeited	At 31 December 2016	Fair Value at Grant Date (RM)
Grant 1, 2016	6.15	-	9,219,500	-	-	-	9,219,500	6.15

Attributed to Grantees from the Company:

	Closing Price per unit at Grant Date (RM)	At 1 January 2016	Granted	Adjusted	Vested	Lapse/ Forfeited	At 31 December 2016	Fair Value at Grant Date (RM)
Grant 1, 2016	6.15	-	6,749,600	-	-	-	6,749,600	6.15

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14. EMPLOYEE SHARE SCHEME - LONG TERM INCENTIVE PLAN (LTIP) (continued)

Restricted Shares (RS) (continued)

(c) The fair value of the RS granted in which MFRS 2 Share-based Payment (MFRS 2) applies, were estimated using the Monte Carlo simulation model. The significant inputs in the model are as follows:

	Entitlement Over the Company's Share Reference Price per unit (RM)*
Reference Price	6.15
Grant Date*	1 December 2016
Vesting Date	30 April 2019
Closing Share Price at Grant Date*	6.15
Expected Dividend Yield	0.00%
Risk Free Interest Rates	
(Yield of Malaysian Government Securities)	3.98%
Expected Volatility#	14.27%

* Grant date refers to the date where majority of employees accepted the offer.

Expected volatility rate of the Company's RS is measured over a 628-days period on a daily basis to increase the number of data points and hence increase the credibility of assumption. The volatility period is decided based on the vesting period of the RS.

(d) The amounts recognised in the income statements as disclosed in note 6(b) to the financial statements for all employees arising from the RS are summarised as below:

	The Group		The Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Restricted Shares	**1.9**	-	**1.4**	-

15. OTHER RESERVES

	The Group		The Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Fair value reserves (note 2(h)(iii))	**101.6**	90.2	**101.6**	90.2
Hedging reserve (note 2(j))	**95.9**	95.2	**95.9**	95.2
Long term incentive plan reserve (note 2(x)(iv))	**1.9**	-	**1.9**	-
Capital redemption reserve	**71.6**	71.6	**71.6**	71.6
Other reserve (note 2(q)(iii) and note 51(a))	**(352.9)**	(267.6)	**-**	-
Currency translation differences arising from translation of:				
- subsidiaries	**36.2**	25.7	**-**	-
- associate	**2.6**	1.9	**-**	-
TOTAL OTHER RESERVES	**(43.1)**	17.0	**271.0**	257.0

16. RETAINED PROFITS

As at 31 December 2016, all of the Company's retained profits of RM3,793.9 million (2015: RM3,299.2 million) is available for tax exempt dividend distribution to shareholders.

17. BORROWINGS

The Group	2016 Weighted Average Rate of Finance	2016 Non-current RM	2016 Current RM	2016 Total RM	2015 Weighted Average Rate of Finance	2015 Non-current RM	2015 Current RM	2015 Total RM
DOMESTIC								
Secured								
Borrowings from financial institutions (sub-note (a))	**5.17%**	**85.5**	**25.9**	**111.4**	4.93%	134.0	119.8	253.8
Finance lease (sub-note (h))	**2.89%**	**4.1**	**3.2**	**7.3**	2.89%	0.1	0.1	0.2
Total Domestic Secured	**5.17%**	**89.6**	**29.1**	**118.7**	4.93%	134.1	119.9	254.0
Unsecured								
Borrowings from financial institutions	**3.61%**	**-**	**161.0**	**161.0**	-	-	-	-
Borrowings under Islamic principles								
- TM Islamic Stapled Income Securities (sub-note (b) and (c))	**4.87%**	**925.0**	**-**	**925.0**	4.87%	925.0	-	925.0
- Fair value of hedged risk (sub-note (c))	**-**	**-**	**-**	**-**	-	1.8	-	1.8
- Islamic Medium Term Notes (sub-note (d))	**4.35%**	**4,000.0**	**-**	**4,000.0**	4.35%	4,000.0	-	4,000.0
Convertible Medium Term Notes (sub-note (f))	**4.88%**	**34.6**	**0.1**	**34.7**	4.88%	35.7	0.1	35.8
Other borrowings (sub-note (e))	**4.71%**	**0.3**	**197.9**	**198.2**	4.71%	46.0	148.0	194.0
Finance lease (sub-note (h))	**5.88%**	**36.9**	**8.3**	**45.2**	6.23%	37.6	4.6	42.2
Total Domestic Unsecured	**4.45%**	**4,996.8**	**367.3**	**5,364.1**	4.47%	5,046.1	152.7	5,198.8
Total Domestic	**4.46%**	**5,086.4**	**396.4**	**5,482.8**	4.50%	5,180.2	272.6	5,452.8
FOREIGN								
Unsecured								
Borrowings from financial institutions	**1.52%**	**447.5**	**304.1**	**751.6**	1.55%	706.3	135.5	841.8
Borrowings under Islamic principles								
- Euro Medium Term Notes (sub-note (g))	**3.14%**	**781.8**	**-**	**781.8**	-	-	-	-
Debentures (sub-note (i))	**7.88%**	**1,344.0**	**-**	**1,344.0**	7.88%	1,286.1	-	1,286.1
Other borrowings	**-**	**2.9**	**0.2**	**3.1**	-	2.8	0.2	3.0
Total Foreign	**4.92%**	**2,576.2**	**304.3**	**2,880.5**	5.37%	1,995.2	135.7	2,130.9
TOTAL BORROWINGS	**4.62%**	**7,662.6**	**700.7**	**8,363.3**	4.74%	7,175.4	408.3	7,583.7

	2016 Domestic RM	2016 Foreign RM	2016 Total RM	2015 Domestic RM	2015 Foreign RM	2015 Total RM
The Group's non-current borrowings are repayable as follows:						
After one year and up to five years	**2,028.9**	**448.2**	**2,477.1**	1,310.1	706.9	2,017.0
After five years and up to ten years	**3,057.5**	**2,126.7**	**5,184.2**	3,867.0	1,286.8	5,153.8
After ten years and up to fifteen years	**-**	**0.9**	**0.9**	3.1	0.8	3.9
After fifteen years	**-**	**0.4**	**0.4**	-	0.7	0.7
	5,086.4	**2,576.2**	**7,662.6**	5,180.2	1,995.2	7,175.4

17. BORROWINGS (continued)

The Company	2016 Weighted Average Rate of Finance	2016 Non-current RM	2016 Current RM	2016 Total RM	2015 Weighted Average Rate of Finance	2015 Non-current RM	2015 Current RM	2015 Total RM
DOMESTIC								
Unsecured								
Borrowings from financial institutions	**3.64%**	**-**	**125.0**	**125.0**	-	-	-	-
Borrowings under Islamic principles								
- TM Islamic Stapled Income Securities (sub-note (b) and (c))	**4.87%**	**925.0**	**-**	**925.0**	4.87%	925.0	-	925.0
- Fair value of hedged risk (sub-note (c))	**-**	**-**	**-**	**-**	-	1.8	-	1.8
- Islamic Medium Term Notes (sub-note (d))	**4.35%**	**4,000.0**	**-**	**4,000.0**	4.35%	4,000.0	-	4,000.0
Other borrowings (sub-note (e))	**4.71%**	**0.3**	**197.9**	**198.2**	4.71%	46.0	148.0	194.0
Finance lease (sub-note (h))	**5.89%**	**36.9**	**8.0**	**44.9**	6.23%	37.6	4.6	42.2
Total Domestic	**4.45%**	**4,962.2**	**330.9**	**5,293.1**	4.47%	5,010.4	152.6	5,163.0
FOREIGN								
Unsecured								
Debentures (sub-note (i))	**7.88%**	**1,344.0**	**-**	**1,344.0**	7.88%	1,286.1	-	1,286.1
Other borrowings	**-**	**2.9**	**0.2**	**3.1**	-	2.8	0.2	3.0
Total Foreign	**7.87%**	**1,346.9**	**0.2**	**1,347.1**	7.87%	1,288.9	0.2	1,289.1
TOTAL BORROWINGS	**5.15%**	**6,309.1**	**331.1**	**6,640.2**	5.15%	6,299.3	152.8	6,452.1

	2016 Domestic RM	2016 Foreign RM	2016 Total RM	2015 Domestic RM	2015 Foreign RM	2015 Total RM
The Company's non-current borrowings are repayable as follows:						
After one year and up to five years	**1,952.4**	**0.7**	**1,953.1**	1,194.3	0.6	1,194.9
After five years and up to ten years	**3,009.8**	**1,344.9**	**4,354.7**	3,816.1	1,286.8	5,102.9
After ten years and up to fifteen years	**-**	**0.9**	**0.9**	-	0.8	0.8
After fifteen years	**-**	**0.4**	**0.4**	-	0.7	0.7
	4,962.2	**1,346.9**	**6,309.1**	5,010.4	1,288.9	6,299.3

The currency exposure profile of borrowings is as follows:

	The Group 2016 RM	The Group 2015 RM	The Company 2016 RM	The Company 2015 RM
Ringgit Malaysia	**5,482.8**	5,452.8	**5,293.1**	5,163.0
US Dollar	**2,578.0**	1,849.5	**1,344.0**	1,286.1
Other currencies	**302.5**	281.4	**3.1**	3.0
	8,363.3	7,583.7	**6,640.2**	6,452.1

17. BORROWINGS (continued)

(a) Secured borrowings of subsidiaries are facilities relating to projects of the subsidiaries and are secured mainly by either assignment of proceeds receivable from projects as well as fixed and floating charge over assets.

(b) On 20 July 2007, the Company had, through itself and its wholly-owned subsidiary, Hijrah Pertama Berhad (HPB), issued the TM Islamic Stapled Income Securities (TM ISIS) consisting of:

(i) (a) RM2.0 million Class C Non-Convertible Redeemable Preference Shares (NCRPS) (TM NCRPS C) consisting of 2,000 Class C NCRPS of RM1.00 each at a premium of RM999.00 issued by the Company at an issue price of RM1,000 each;

(b) Sukuk Ijarah Class A of nominal value RM1,998.0 million issued by HPB; and

(ii) (a) RM925,000 Class D NCRPS (TM NCRPS D) consisting of 925 Class D NCRPS of RM1.00 each at a premium of RM999.00 issued by the Company at an issue price of RM1,000 each;

(b) Sukuk Ijarah Class B of nominal value RM924,075,000 issued by HPB.

Sukuk Ijarah Class A and B are collectively referred to as 'Sukuk'.

The TM NCRPS (which comprises Class C and Class D NCRPS respectively) are effectively linked to the Sukuk in that the TM NCRPS and the Sukuk are issued simultaneously to the same parties and the periodic distribution obligations under the Sukuk are dependent on the payments made under the TM NCRPS. The outstanding amount of Sukuk are treated as borrowing by the Company as the Sukuk are effectively obligations of the Company.

The TM ISIS are classified as debt instruments and hence are reported as liabilities. Consequently, dividend payable under TM NCRPS and rental payable under Sukuk are reported as finance cost.

On 30 December 2013, the Company repaid the RM2.0 million Class C NCRPS and RM1,998.0 million Class A Sukuk at nominal value.

Salient terms of the above transactions are:

(I) TM NCRPS

The principle features of the TM NCRPS are summarised as follows:

(i) The NCRPS will not be convertible to ordinary shares of the Company.

(ii) The NCRPS are not transferable/tradable and will be held by Primary Subscribers. The NCRPS will be mandatorily redeemed by the Company upon maturity of the Sukuk.

(iii) There will be no voting rights except with regards to the proposal to reduce the capital of the Company, sanctioning the disposal of the whole of the Company's property, business and undertaking or where the proposition to be submitted to the meeting directly affects the rights and privileges of the NCRPS holders or as provided for in the Companies Act, 1965.

(iv) The NCRPS will not be listed on any of the boards of Bursa Malaysia Securities Berhad.

(v) The NCRPS shall rank pari passu amongst themselves but below the Special Share and ahead of the Company's ordinary shares in a distribution of capital in the event of the winding up or liquidation of the Company.

17. BORROWINGS (continued)

(b) Salient terms of the above transactions are: (continued)

(II) Sukuk Ijarah

The Sukuk are issued in 4 classes and is for the purposes of financing the purchase by HPB of the beneficial ownership of certain assets. The Sukuk comprise the following classes:

(i) Class A Sukuk comprising Class A1 Sukuk and Class A2 Sukuk (collectively referred to as 'Class A Sukuk')

(ii) Class B Sukuk comprising Class B1 Sukuk and Class B2 Sukuk (collectively referred to as 'Class B Sukuk')

The Class A Sukuk and Class B Sukuk shall represent undivided beneficial ownership in the relevant assets and shall constitute direct, unconditional and unsecured trust obligations of HPB and shall at all times rank pari passu, without discrimination, preference or priority amongst themselves.

Features of the Sukuk are summarised as follows:

(i) The Sukuk shall constitute trust obligations of HPB in relation to, and represent undivided beneficial ownership in the assets.

(ii) Class A2 Sukuk and Class B2 Sukuk are not transferable/tradable and will be held by Primary Subscribers until maturity of the Sukuk.

(iii) The Sukuk will constitute, inter alia, the obligations of the Company.

(iv) The obligations of the Company in respect of the Sukuk will constitute direct, unconditional and unsecured obligations of the Company and shall at all times rank pari passu, without discrimination, preference or priority amongst themselves and at least pari passu with all other present and future unsecured and unsubordinated obligations of the Company, subject to those preferred by law or the transaction documents.

(v) The Sukuk carry a rating of AAA by RAM Rating Services Berhad at the date of issue.

The respective tenure of the Sukuk are as follows:

Class	Maturity Dates
A1	30 December 2013
A2	30 December 2013
B1	28 December 2018
B2	28 December 2018

During the tenure of the TM ISIS, the Company can elect to either:

(i) Pay gross dividends, comprising net dividend with the respective tax credits to investors and Nominal Rental payable to HPB; or

(ii) Pay full rental to HPB, which in turn distributes the same as periodic distribution to investors who are holding Class A2 Sukuk and Class B2 Sukuk.

Where the Company elects to pay dividend, HPB will only receive Nominal Rental under the lease agreement which it in turn would pay out to investors under Class A2 Sukuk and Class B2 Sukuk as nominal periodic distribution. The nominal periodic distribution rate is 0.01% per annum.

17. BORROWINGS (continued)

(b) Salient terms of the above transactions are: (continued)

(II) Sukuk Ijarah (continued)

Where the Company elects to pay full rental, the Periodic Distribution Rate as in the TM ISIS of Class C NCRPS and Class D NCRPS which is linked to Class A Sukuk and Class B Sukuk is 6.20% and 5.25% per annum respectively, payable semi-annually in arrears. The Periodic Distribution Rate for Class B Sukuk was reset on 31 December 2008 to 4.193% per annum payable semi-annually in arrears. The Periodic Distribution Rate for Class B Sukuk was reset again on 31 December 2013 to 4.87% per annum payable semi-annually in arrears. There will be no resetting of the Periodic Distribution Rate for Class B Sukuk subsequent to 2013 up to the maturity dates of the Sukuk.

Pursuant to Finance Act, 2007, tax credits can no longer be passed on to the investors who are not ordinary shareholders effective from 1 January 2008.

(c) A portion of the security as described in sub-note (b) above, has been hedged with interest rate swaps which are accounted for using hedge accounting. Hence, fair value attributable to the changes in interest rate risk that has been hedged, is included in borrowings. As disclosed in note 19(c)(i) to the financial statements, the hedging matured/was unwound on 30 December 2016.

(d) On 30 August 2013, the Company received approval from the Securities Commission Malaysia for the establishment of an Islamic Commercial Papers (ICP) programme and Islamic Medium Term Notes (IMTN) programme with a total combined limit of up to RM3.0 billion in nominal value, which have respective tenures of 7 and 20 years from the date of first issue. The ICP shall have a tenure of not more than 12 months whilst the IMTN between 1 to 20 years provided that the respective debt securities mature before the expiry of the respective programmes.

Earlier on 5 April 2011, the Company established an ICP and IMTN programme with a combined limit of up to RM2.0 billion in nominal value, which had been fully issued by 2013.

The proceeds from the issuance of the ICP and/or IMTN were used by the Company to meet its capital expenditure and business operating requirements. The IMTN in issue comprise the following:

	The Group and Company	
	2016 RM	**2015 RM**
IMTN due in 2020 (4.30%)	**200.0**	200.0
IMTN due in 2021 (4.20% - 4.50%)	**800.0**	800.0
IMTN due in 2022 (3.95% - 4.00%)	**850.0**	850.0
IMTN due in 2023 (3.93% - 3.95%)	**650.0**	650.0
IMTN due in 2024 (4.55% - 4.82%)	**1,200.0**	1,200.0
IMTN due in 2025 (4.88%)	**300.0**	300.0
	4,000.0	4,000.0

(e) Domestic other borrowings include the present value of future payment obligation related to a government grant received by the Company.

(f) Convertible Medium Term Notes (Convertible MTN)

On 15 September 2015, Webe Digital Sdn Bhd (webe) (formerly known as Packet One Networks (Malaysia) Sdn Bhd issued RM660.0 million nominal value of the first tranche issuance of a Convertible MTN (First Tranche Convertible MTN). RM622.5 million was subscribed by Mobikom Sdn Bhd, a wholly-owned subsidiary of the Group. The remaining RM37.5 million of the First Tranche Convertible MTN was subscribed by Packet One Sdn Bhd (a wholly-owned subsidiary of Green Packet Berhad) which holds a non-controlling interest in webe. The Convertible MTN which will mature on 15 September 2023 has an annual coupon rate of 1.0%, payable annually, and additional yield at redemption of 4.0% per annum, resulting in a yield to maturity of approximately 4.88% per annum.

17. BORROWINGS (continued)

(g) Multi-Currency Euro Medium Term Notes (EMTN) Sukuk programme

On 3 March 2015, the Company through its wholly-owned subsidiary, Tulip Maple Berhad, received approval from the Securities Commission Malaysia for the establishment of a EMTN Sukuk programme of up to USD750.0 million in nominal value (or its equivalent in foreign currencies).

Proceeds from these transactions were utilised to finance the Company's capital expenditure and business operating requirements. The carrying EMTN in issue comprise the following:

	The Group	
	2016 RM	2015 RM
EMTN due in 2026 (3.70%)	**221.3**	-
EMTN due in 2023 (1 month London Inter-Bank Overnight Rate (LIBOR) plus 1.35%)	**224.3**	-
EMTN due in 2026 (3.422%)	**336.2**	-
	781.8	-

(h) Minimum lease payments at the reporting date are as follows:

The Group	2016 RM	2015 RM
Not later than one year	**14.4**	7.2
Later than one year and not later than five years	**37.4**	28.5
Later than five years and not later than ten years	**10.0**	17.1
	61.8	52.8
Future finance charges	**(9.3)**	(10.4)
Present value of finance lease liabilities	**52.5**	42.4
Present value of finance lease liabilities at the reporting date is as follows:		
Not later than one year	**11.5**	4.7
Later than one year and not later than five years	**31.5**	21.7
Later than five years and not later than ten years	**9.5**	16.0
	52.5	42.4

The Company	2016 RM	2015 RM
Not later than one year	**10.5**	7.1
Later than one year and not later than five years	**33.0**	28.4
Later than five years and not later than ten years	**10.0**	17.1
	53.5	52.6
Future finance charges	**(8.6)**	(10.4)
Present value of finance lease liabilities	**44.9**	42.2
Present value of finance lease liabilities at the reporting date is as follows:		
Not later than one year	**8.0**	4.6
Later than one year and not later than five years	**27.4**	21.6
Later than five years and not later than ten years	**9.5**	16.0
	44.9	42.2

The finance lease refers to an office building of the Company in Melaka and computer support systems of the Group, which are under finance lease arrangements.

17. BORROWINGS (continued)

(i) Debentures consist of the following:

	The Group		The Company	
	2016 RM	2015 RM	2016 RM	2015 RM
USD300.0 million 7.875% Debentures due in 2025	**1,344.0**	1,286.1	**1,344.0**	1,286.1

None of the Debentures was redeemed, purchased or cancelled during the current financial year.

18. PAYABLE TO SUBSIDIARIES

(a) On 20 November 2012, the Company's wholly-owned subsidiary, TM Global Incorporated (TM Global), a company incorporated in the Federal Territory of Labuan under the Offshore Companies Act, 1990, obtained a 5-year JPY7.8 billion loan from a financial institution which will mature on 20 November 2017. The loan carries a fixed JPY interest rate of 0.91375% per annum payable semi-annually on 20 May and 20 November of each financial year. The loan was utilised to repay the two Islamic Commercial Papers issued by the Company of RM150.0 million each which matured on 21 November 2012. The loan is unconditionally and irrevocably guaranteed by the Company.

On 12 November 2013, TM Global obtained a 7-year USD100.0 million loan from another financial institution which will mature on 30 October 2020. The loan carries a floating USD interest rate of 3 months London Inter-Bank Offer Rate (LIBOR) plus 0.91% per annum payable quarterly on 12 February, May, August and November of each financial year including 30 October 2020. The loan is unconditionally and irrevocably guaranteed by the Company.

(b) On 3 March 2015, the Company's wholly-owned subsidiary, Tulip Maple Berhad (Tulip Maple), received approval from the Securities Commission Malaysia for the establishment of a Multi-Currency Euro Medium Term Notes (EMTN) Sukuk Programme of up to USD750.0 million in nominal value (or its equivalent in foreign currencies).

On 25 February 2016, Tulip Maple issued a 10-year USD50.0 million Sukuk due on 25 February 2026. The Sukuk carries a periodic distribution rate of 3.7% per annum payable semi-annually in arrears on 25 August and 25 February of each financial year commencing August 2016.

On 19 August 2016, Tulip Maple issued a 7-year USD50.0 million Sukuk due on 21 August 2023. The Sukuk carries a periodic distribution rate of 1 month LIBOR plus 1.35% per annum payable monthly in arrears on the 19th of every month commencing September 2016.

On 15 November 2016, Tulip Maple issued a 10-year USD75.0 million Sukuk due on 15 November 2026. The Sukuk carries a periodic distribution rate of 3.422% per annum payable semi-annually in arrears on 15 May and 15 November of each financial year commencing May 2017.

Proceeds from these transactions were utilised to finance the Company's capital expenditure and business operating requirements.

The term loans and Sukuk are reflected as borrowings of the Group (note 17 to the financial statements).

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

19. DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING TRANSACTIONS

The Group	Contract or notional amount RM	Fair value Assets RM	Fair value Liabilities RM	Fair value changes during the financial year RM
2016				
Derivatives at fair value through profit or loss				
Forward foreign currency contracts (sub-note (b)(i) and (ii))				
- matured during the financial year	**19.3**	**-**	**-**	**(0.4)**
Call option on shares held by non-controlling interest				
- more than 3 years (sub-note (f)(ii))	**87.1**	**22.5**	**-**	**14.7^**
Put option liability over shares held by non-controlling interest				
- more than 3 years (sub-note (f)(i) and note 47(a))	**-**	**-**	**301.9**	**31.8^**
Derivatives accounted for under hedge accounting				
Interest rate swaps - fair value hedge (sub-note (i))				
- less than 1 year (sub-note (c)(i))	**500.0**	**-**	**-**	**(1.8)**
- more than 3 years (sub-note (c)(ii))	**224.3**	**5.3**	**-**	**5.3**
Cross currency interest rate swaps - cash flow hedge (sub-note (i))				
- less than 1 year (sub-note (d))	**298.9**	**1.0**	**-**	**17.7**
- more than 3 years (sub-note (a) and (e))	**627.3**	**362.7**	**-**	**37.4**
TOTAL	**1,756.9**	**391.5**	**301.9**	**104.7**
2015				
Derivatives at fair value through profit or loss				
Forward foreign currency contracts (sub-note (b)(i) and (ii))				
- less than 1 year	19.3	0.4	-	0.4
Call option on shares held by non-controlling interest				
- more than 3 years (sub-note (f)(ii))	87.1	7.8	-	(1.2)
Put option liability over shares held by non-controlling interest				
- more than 3 years (sub-note (f)(i) and note 47(a))	-	-	305.2	(25.4)
Derivatives accounted for under hedge accounting				
Interest rate swaps - fair value hedge (sub-note (i))				
- less than 1 year (sub-note (c)(i))	500.0	1.8	-	(1.8)
Cross currency interest rate swaps - cash flow hedge (sub-note (i))				
- 1 year to 3 years (sub-note (d))	298.9	-	16.7	51.0
- more than 3 years (sub-note (a) and (e))	627.3	325.3	-	190.6
TOTAL	1,532.6	335.3	321.9	213.6

^ Fair value changes during the financial year included fair value movement arising from a dilution of non-controlling interests' effective shareholding of a subsidiary (note 51(a) to the financial statements).

19. DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING TRANSACTIONS (continued)

The Company	Contract or notional amount RM	Fair value		Fair value changes during the financial year RM
		Assets RM	Liabilities RM	
2016				
Derivatives accounted for under hedge accounting				
Interest rate swaps - fair value hedge (sub-note (i))				
- matured during the financial year (sub-note (c)(i))	**500.0**	**-**	**-**	**(1.8)**
- more than 3 years (sub-note (c)(ii))	**224.3**	**5.3**	**-**	**5.3**
Cross currency interest rate swaps - cash flow hedge (sub-note (ii))				
- less than 1 year (sub-note (d))	**298.9**	**1.0**	**-**	**17.7**
- more than 3 years (sub-note (a) and (e))	**627.3**	**362.7**	**-**	**37.4**
TOTAL	**1,650.5**	**369.0**	**-**	**58.6**
2015				
Derivatives accounted for under hedge accounting				
Interest rate swaps - fair value hedge (sub-note (i))				
- less than 1 year (sub-note (c))	500.0	1.8	-	(1.8)
Cross currency interest rate swaps - cash flow hedge (sub-note (ii))				
- 1 year to 3 years (sub-note (d))	298.9	-	16.7	51.0
- more than 3 years (sub-note (a) and (e))	627.3	325.3	-	190.6
TOTAL	1,426.2	327.1	16.7	239.8

(i) The cumulative gains or losses on the hedged items attributable to the hedged risk is disclosed in note 17 to the financial statements or taken to reserve.

(ii) Hedge accounting has been applied for these cash flow hedges where the underlying hedged items are as follows:

(a) the hedged portion of the recurring semi-annual coupon payment and final settlement of the USD300.0 million 7.875% Debentures due in 2025.

(b) semi-annual interest payment and final settlement of the JPY7.8 billion loan due in 2017.

(c) quarterly interest payment and final settlement of the USD100.0 million loan due in 2020.

There is no ineffectiveness to be recorded from fair value and cash flow hedges accounted for under hedge accounting.

Fair values of financial derivative instruments are the present values of their future cash flows. Favourable fair value indicates amount receivable by the Group and the Company if the contracts are terminated or vice versa. The Group and the Company are exposed to credit risk where the fair value of the contract is favourable, where the counterparty is required to pay the Group or the Company in the event of contract termination.

The maximum exposure to credit risk at the reporting date is the carrying amount of the derivative assets as presented on the Statements of Financial Position.

19. DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING TRANSACTIONS (continued)

Summarised below are the derivative hedging transactions entered into by the Company:

(a) Cross Currency Interest Rate Swap (CCIRS) Contracts

Underlying Liability
USD300.0 million 7.875% Debentures due in 2025

In 1995, the Company issued USD300.0 million 7.875% Debentures due in 2025.

Hedging Instruments

On 17 October 2011, the Company entered into a CCIRS agreement with a notional amount of USD50.0 million that entitles it to receive interest at a fixed rate of 7.875% per annum on USD notional amount and obliges it to pay interest at a fixed rate of 7.875% on the RM notional amount (calculated at a pre-determined exchange rate). The swap will mature on 1 August 2025. On the maturity date, the Company would receive the USD notional amount and pay the counterparty an equivalent RM amount of RM154.0 million.

On 2 December 2011, the Company entered into another CCIRS agreement with a notional amount of USD50.0 million that entitles it to receive interest at a fixed rate of 7.875% per annum on USD notional amount and obliges it to pay interest at a fixed rate of 7.875% on the RM notional amount (calculated at a pre-determined exchange rate). The swap will mature on 1 August 2025. On the maturity date, the Company would receive the USD notional amount and pay the counterparty an equivalent RM amount of RM156.5 million.

The CCIRS contracts effectively convert part of the USD liability into RM liability.

(b) Forward Foreign Currency Contracts

(i) Underlying Liability
USD4.8 million purchase contract due in December 2015, January and February 2016

Hedging Instruments

On 1 September 2015, Webe Digital Sdn Bhd (webe) (formerly known as Packet One Networks (Malaysia) Sdn Bhd) entered into three (3) forward foreign currency contracts (contract value of USD0.7 million, USD1.4 million and USD2.7 million) which matured on 14 December 2015, 13 January 2016 and 12 February 2016 respectively. Upon maturity of these forward foreign currency contracts in 2016, webe received RM21.0 million from the counterparties in return for payment of USD4.8 million.

(ii) Underlying Liability
USD0.5 million purchase contract due in January and February 2016

Hedging Instruments

On 4 December 2015, webe entered into two (2) forward foreign currency contracts (contract value of USD0.1 million and USD0.4 million) which matured on 8 January 2016 and 12 February 2016 respectively. On maturity, webe received a total of RM2.1 million from the counterparties in return for payment of USD0.5 million in total.

(c) Interest Rate Swap (IRS) Contract

(i) Underlying Liability
RM925.0 million 4.87% TM Islamic Stapled Income Securities (TM ISIS) due in 2018

In 2007, the Company issued RM925.0 million 5.25% TM ISIS due in 2018. The coupon was reset to 4.193% per annum payable semi-annually in arrears on 31 December 2008 and was reset again on 31 December 2013 to 4.87% per annum.

19. DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING TRANSACTIONS (continued)

Summarised below are the derivative hedging transactions entered into by the Company: (continued)

(c) Interest Rate Swap (IRS) Contract (continued)

(i) Underlying Liability (continued)
RM925.0 million 4.87% TM Islamic Stapled Income Securities (TM ISIS) due in 2018 (continued)

Hedging Instrument

On 2 November 2009, the Company entered into an IRS agreement with a notional principal of RM500.0 million that entitles it to receive interest at a fixed rate of 4.193% per annum and obliges it to pay interest at a floating rate of 6 months KLIBOR minus 0.035% per annum. On 31 December 2013, in tandem with the reset of the underlying liability's coupon to 4.87% per annum, the Company is obliged to pay interest at a floating rate of 6 months KLIBOR plus 0.642% instead. The swap matured on 30 December 2016.

(ii) Underlying Liability
USD50.0 million 1 month LIBOR plus 1.35% Islamic Euro Medium Term Notes (EMTN) due in 2023

In 2016, the Company, through its wholly-owned subsidiary, Tulip Maple Berhad issued USD50.0 million Sukuk due in 2023.

Hedging Instrument

On 19 August 2016, the Company entered into an IRS agreement with a notional amount of USD50.0 million that entitles it to receive interest semi-annually at a monthly accrued floating rate of 1 month LIBOR plus 1.35% per annum. The Company is obliged to pay interest at a fixed rate of 2.85% per annum. The swap will mature on 21 August 2023.

(d) Cross Currency Interest Rate Swap (CCIRS) Contract

Underlying Liability
JPY7.8 billion 0.91375% Loan due in 2017

In 2012, the Company, through its wholly-owned subsidiary, TM Global Incorporated, obtained a 5-year JPY7.8 billion loan from a financial institution.

Hedging Instrument

On 20 November 2012, the Company entered into a CCIRS agreement with a notional amount of JPY7.8 billion that entitles it to receive interest at a fixed rate of 0.91375% per annum on JPY notional amount and obliges it to pay interest at a fixed rate of 3.62% on the RM notional amount (calculated at a pre-determined exchange rate). The swap will mature on 20 November 2017. On the maturity date, the Company would receive the JPY notional amount and pay the counterparty an equivalent RM amount of RM298.9 million.

The CCIRS contracts effectively convert the JPY liability into RM liability.

(e) Cross Currency Interest Rate Swap (CCIRS) Contract

Underlying Liability
USD100.0 million 3 months LIBOR plus 0.91% Loan due in 2020

In 2013, the Company, through its wholly-owned subsidiary, TM Global Incorporated, obtained a 7-year USD100.0 million loan from a financial institution.

19. DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING TRANSACTIONS (continued)

Summarised below are the derivative hedging transactions entered into by the Company: (continued)

(e) Cross Currency Interest Rate Swap (CCIRS) Contract (continued)

Underlying Liability (continued)
USD100.0 million 3 months LIBOR plus 0.91% Loan due in 2020 (continued)

Hedging Instrument

On 12 November 2013, the Company entered into two CCIRS agreements with notional amount of USD70.0 million and USD30.0 million respectively. The former CCIRS entitles the Company to receive interest at a floating rate of 3 months LIBOR plus 0.91% per annum on the USD notional amount and obliges it to pay interest at a fixed rate of 4.02% per annum on the RM notional amount (calculated at a pre-determined exchange rate). The latter CCIRS entitles the Company to receive interest at a floating rate of 3 months LIBOR plus 0.91% per annum on the USD notional amount and obliges it to pay interest at a fixed rate of 4.00% per annum on the RM notional amount (calculated at a pre-determined exchange rate). The swaps will mature on 30 October 2020. On the maturity date, the Company would receive the USD notional amount and pay the counterparties an equivalent combined RM amount of RM316.8 million.

The CCIRS contracts effectively convert the USD liability into RM liability.

(f) Call and Put Options on Shares of a Subsidiary of the Group

On 27 March 2014, the Group announced that its wholly-owned subsidiary, Mobikom Sdn Bhd (Mobikom) had entered into a conditional investment agreement with the following parties in relation to, amongst others, the subscription by Mobikom of new ordinary shares of RM1.00 each in webe (webe shares) for a total consideration of RM350.0 million (Share Subscription) (Investment Agreement):

(a) Packet One Sdn Bhd (Packet One), a wholly-owned subsidiary of Green Packet Berhad (Green Packet);
(b) SK Telecom Co. Ltd (SKT);
(c) Green Packet;
(d) Telekom Malaysia Berhad (the Company); and
(e) Webe Digital Sdn Bhd (webe) (formerly known as Packet One Networks (Malaysia) Sdn Bhd)

The Investment Agreement amongst others includes certain granting of call and put options between Mobikom with Packet One and SKT respectively over shares of webe, as follows:

(i) Put Option liability over shares held by non-controlling interest

The Group through Mobikom has granted Packet One Sdn Bhd (Packet One) an option to sell, which would require Mobikom to buy, all shares in the capital of webe registered in Packet One's (including Packet One's related corporation) name, collectively (Packet One Put Option).

The Packet One Put Option may be exercised in whole and not in part at any time on or after 31 March 2021 up to 30 September 2022 at the volume weighted average market price of webe at the time of the exercise if it is traded or listed at a recognised stock exchange such as Bursa Malaysia Securities or if webe shares are not publicly traded, the fully distributed market or equity value at which the webe shares would trade on a recognised stock exchange.

This instrument represents the present value of the Group's liability to purchase its own equity. Fair value movements from changes in expected future liability is recognised as other gains and losses in the Income Statement whilst unwinding of discount of expected future outflow is recognised as finance cost.

19. DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING TRANSACTIONS (continued)

Summarised below are the derivative hedging transactions entered into by the Company: (continued)

(f) Call and Put Options on Shares of a Subsidiary of the Group (continued)

(ii) Call Option on shares held by non-controlling interest

SKT has granted to Mobikom an option to buy and SKT to sell, all shares in the capital of webe registered under SKT's (including SKT's related corporation) name, collectively (SKT Call Option).

Among other conditions, the SKT Call Option may be exercised only in whole and not in part, any time after SKT and its related corporation ceases to own at least 10% of the issued share capital of webe and will automatically lapse upon the earlier of:

(i) two (2) months after the completion of the issuance of the RM1.65 billion Convertible MTN;

(ii) the date immediately prior to completion of any capital increase other than those contained in the Investment Agreement; or

(iii) any initial public offering implemented by webe.

The exercise price is at a price equal to Mobikom's per share subscription price during the completion of the acquisition of webe by the Group on 30 September 2014.

Other than the above, there were other derivatives arising from the Group's investment in webe but for which exercise prices are at fair market value of the shares in webe at the time when the options are to be exercised and as such, the fair value of these options are nil.

20. DEFERRED TAX

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 presented on the Statements of Financial Position:

	The Group		The Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Subject to income tax:				
Deferred tax assets	**30.6**	11.5	**-**	-
Deferred tax liabilities	**1,514.8**	1,367.6	**1,445.4**	1,269.4
TOTAL DEFERRED TAX	**1,484.2**	1,356.1	**1,445.4**	1,269.4
At 1 January	**1,356.1**	1,243.2	**1,269.4**	1,135.0
Current year (credited)/charged to the Income Statement arising from:				
- property, plant and equipment	**(92.2)**	(66.2)	**(63.8)**	(78.9)
- tax incentive	**146.0**	265.3	**146.0**	265.3
- provisions and others	**74.5**	(85.6)	**93.8**	(52.0)
	128.3	113.5	**176.0**	134.4
- currency translation differences	**(0.2)**	(0.6)	**-**	-
At 31 December	**1,484.2**	1,356.1	**1,445.4**	1,269.4

20. DEFERRED TAX (continued)

Breakdown of cumulative balances by each type of temporary difference:

	The Group		The Company	
	2016 RM	2015 RM	2016 RM	2015 RM
(a) Deferred tax assets				
Property, plant and equipment	**104.1**	9.6	**-**	-
Tax incentive	**368.9**	514.9	**368.9**	514.9
Tax losses	**0.4**	8.5	**-**	-
Provisions and others	**512.6**	559.3	**449.3**	519.8
	986.0	1,092.3	**818.2**	1,034.7
Offsetting	**(955.4)**	(1,080.8)	**(818.2)**	(1,034.7)
Total deferred tax assets after offsetting	**30.6**	11.5	**-**	-
(b) Deferred tax liabilities				
Property, plant and equipment	**2,404.1**	2,401.8	**2,203.0**	2,266.8
Intangible assets	**2.5**	5.7	**-**	-
Provisions and others	**63.6**	40.9	**60.6**	37.3
	2,470.2	2,448.4	**2,263.6**	2,304.1
Offsetting	**(955.4)**	(1,080.8)	**(818.2)**	(1,034.7)
Total deferred tax liabilities after offsetting	**1,514.8**	1,367.6	**1,445.4**	1,269.4

The Company was granted approval under Section 127(3A) of the Income Tax Act, 1967 for income tax exemption in the form of the following Investment Allowance (IA):

(i) 60% on qualifying high speed broadband assets acquired within a period of 5 years commencing 16 September 2008 to 15 September 2013 to be set off against a maximun of 70% of statutory income for each year of assessment.

(ii) 60% on qualifying high speed broadband assets acquired within a period of 5 years commencing 1 January 2015 to 31 December 2019 to be set off against a maximun of 70% of statutory income for each year of assessment. (Approval was granted post the financial year ended 31 December 2016 and accordingly, the relevant tax credits have been recognised in the financial year ended 31 December 2016 for qualifying expenditures capitalised during the current and preceeding financial year).

Any unutilised allowance can be carried forward to subsequent years until fully utilised. The amount of income exempted from tax is credited to a tax-exempt account from which tax-exempt dividends can be declared.

The deferred tax assets on unutilised IA have been recognised on the basis of the Company's previous history of recording profits, and to the extent that it is probable that future taxable profits will be available against which temporary differences can be utilised.

20. DEFERRED TAX (continued)

The unutilised tax losses and unabsorbed capital/other tax allowances of subsidiaries for which no deferred tax asset has been recognised on the Statement of Financial Position are as follows:

	The Group	
	2016 RM	2015 RM
Unutilised tax losses	**1,312.3**	933.2
Unabsorbed capital/other tax allowances	**2,026.5**	2,014.7
	3,338.8	2,947.9

The benefits of these tax losses and credits will only be obtained if the relevant subsidiaries derive future assessable income of a nature and amount sufficient for the benefits to be utilised.

21. DEFERRED INCOME

	The Group		The Company	
	2016 RM	2015 RM	2016 RM	2015 RM
At 1 January	**1,661.7**	1,823.1	**1,661.7**	1,823.1
Additions	**307.7**	192.4	**283.4**	192.4
Credited to the Income Statement	**(258.0)**	(353.8)	**(251.1)**	(353.8)
At 31 December	**1,711.4**	1,661.7	**1,694.0**	1,661.7

Deferred income includes government funding for Universal Service Provision (USP), High Speed Broadband (HSBB) and Broadband to the General Population (BBGP) project which is amortised on a straight line basis over the estimated useful lives of the related assets.

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22. PROPERTY, PLANT AND EQUIPMENT

The Group	Telecom-munications Network RM	Movable Plant and Equipment RM	Computer Support Systems (sub-note (e)) RM	Land (sub-note (f)) RM	Buildings (sub-note (e)) RM	Capital Work-In-Progress RM	Total Property, Plant and Equipment RM
Net Book Value							
At 1 January 2016	**9,634.9**	**418.1**	**751.1**	**827.2**	**1,883.7**	**1,671.9**	**15,186.9**
Additions (sub-note (a))	**322.4**	**104.8**	**23.6**	**-**	**12.6**	**3,110.6**	**3,574.0**
Assetisation	**1,810.6**	**130.0**	**241.2**	**0.3**	**124.2**	**(2,306.3)**	**-**
Disposals	**(2.5)**	**(3.6)**	**(0.5)**	**-**	**(0.1)**	**-**	**(6.7)**
Charged to Income Statement	**-**	**-**	**-**	**-**	**-**	**(148.7)**	**(148.7)**
Write-off (note 6(a))	**(42.4)**	**(24.8)**	**1.8**	**-**	**(1.8)**	**(4.5)**	**(71.7)**
Depreciation (note 6(a) and sub-note (c))	**(1,792.8)**	**(214.7)**	**(361.0)**	**(1.0)**	**(140.9)**	**(1.6)**	**(2,512.0)**
Impairment (note 6(a) and sub-note (d))	**-**	**(0.2)**	**-**	**-**	**-**	**(13.8)**	**(14.0)**
Currency translation differences	**0.2**	**1.0**	**0.1**	**-**	**1.5**	**-**	**2.8**
Reclassification	**13.2**	**(21.7)**	**(12.8)**	**-**	**21.3**	**-**	**-**
At 31 December 2016	**9,943.6**	**388.9**	**643.5**	**826.5**	**1,900.5**	**2,307.6**	**16,010.6**
At 31 December 2016							
Cost (sub-note (b))	**42,881.0**	**2,580.3**	**4,868.7**	**845.3**	**4,277.3**	**2,307.6**	**57,760.2**
Accumulated depreciation	**(32,684.1)**	**(2,179.1)**	**(4,218.4)**	**(16.2)**	**(2,376.8)**	**-**	**(41,474.6)**
Accumulated impairment	**(253.3)**	**(12.3)**	**(6.8)**	**(2.6)**	**-**	**-**	**(275.0)**
Net Book Value	**9,943.6**	**388.9**	**643.5**	**826.5**	**1,900.5**	**2,307.6**	**16,010.6**
Net Book Value							
At 1 January 2015	9,958.6	387.9	790.5	828.1	1,933.7	886.3	14,785.1
Additions (sub-note (a))	135.2	129.8	23.4	0.5	8.9	2,618.4	2,916.2
Assetisation	1,277.8	81.1	283.2	-	74.4	(1,716.5)	-
Disposals	(2.3)	(3.7)	-	-	-	-	(6.0)
Charged to Income Statement	-	-	-	-	-	(116.0)	(116.0)
Write-off (note 6(a))	(42.2)	(1.1)	(0.2)	-	(0.7)	(0.3)	(44.5)
Depreciation (note 6(a) and sub-note (c))	(1,675.6)	(169.4)	(345.5)	(1.0)	(138.1)	-	(2,329.6)
Impairment (note 6(a) and sub-note (d))	(21.5)	(9.0)	(1.4)	-	-	-	(31.9)
Transfer to non-current assets held for sale (note 32)	-	-	-	(0.4)	(1.3)	-	(1.7)
Currency translation differences	2.4	5.6	0.4	-	6.9	-	15.3
Reclassification	2.5	(3.1)	0.7	-	(0.1)	-	-
At 31 December 2015	9,634.9	418.1	751.1	827.2	1,883.7	1,671.9	15,186.9
At 31 December 2015							
Cost (sub-note (b))	41,531.0	2,445.9	4,862.8	845.1	4,109.9	1,671.9	55,466.6
Accumulated depreciation	(31,642.6)	(2,015.6)	(4,104.8)	(15.2)	(2,226.0)	-	(40,004.2)
Accumulated impairment	(253.5)	(12.2)	(6.9)	(2.7)	(0.2)	-	(275.5)
Net Book Value	9,634.9	418.1	751.1	827.2	1,883.7	1,671.9	15,186.9

22. PROPERTY, PLANT AND EQUIPMENT (continued)

The Company	Telecom-munications Network RM	Movable Plant and Equipment RM	Computer Support Systems (sub-note (e)) RM	Land (sub-note (f)) RM	Buildings (sub-note (e)) RM	Capital Work-In-Progress RM	Total Property, Plant and Equipment RM
Net Book Value							
At 1 January 2016	**8,864.1**	**331.4**	**610.0**	**348.1**	**1,326.9**	**1,658.0**	**13,138.5**
Additions (sub-note (a))	**97.6**	**78.2**	**4.6**	**-**	**3.4**	**2,839.6**	**3,023.4**
Assetisation	**1,611.0**	**98.3**	**204.5**	**0.3**	**115.9**	**(2,030.0)**	**-**
Disposals	**(2.3)**	**(2.7)**	**(0.5)**	**-**	**(0.1)**	**-**	**(5.6)**
Charged to Income Statement	**-**	**-**	**-**	**-**	**-**	**(146.4)**	**(146.4)**
Write-off (note 6(a))	**(42.3)**	**-**	**(1.6)**	**-**	**(0.2)**	**(0.2)**	**(44.3)**
Depreciation (note 6(a))	**(1,430.0)**	**(157.8)**	**(319.1)**	**(0.9)**	**(112.7)**	**-**	**(2,020.5)**
Reclassification	**13.2**	**(21.7)**	**(12.8)**	**-**	**21.3**	**-**	**-**
At 31 December 2016	**9,111.3**	**325.7**	**485.1**	**347.5**	**1,354.5**	**2,321.0**	**13,945.1**
At 31 December 2016							
Cost (sub-note (b))	**40,195.1**	**1,963.8**	**4,185.5**	**363.8**	**3,404.5**	**2,321.0**	**52,433.7**
Accumulated depreciation	**(30,882.5)**	**(1,638.1)**	**(3,700.4)**	**(13.7)**	**(2,050.0)**	**-**	**(38,284.7)**
Accumulated impairment	**(201.3)**	**-**	**-**	**(2.6)**	**-**	**-**	**(203.9)**
Net Book Value	**9,111.3**	**325.7**	**485.1**	**347.5**	**1,354.5**	**2,321.0**	**13,945.1**
Net Book Value							
At 1 January 2015	9,029.2	319.2	646.4	348.9	1,370.2	850.2	12,564.1
Additions (sub-note (a))	120.9	73.7	12.2	0.5	3.7	2,516.7	2,727.7
Assetisation	1,223.8	59.4	247.7	-	62.7	(1,593.6)	-
Disposals*	(1.7)	(4.0)	-	-	-	-	(5.7)
Charged to Income Statement	-	-	-	-	-	(115.0)	(115.0)
Write-off (note 6(a))	(40.4)	(1.1)	-	-	(0.4)	(0.3)	(42.2)
Depreciation (note 6(a))	(1,470.2)	(112.7)	(297.0)	(0.9)	(107.9)	-	(1,988.7)
Transfer to non-current assets held for sale (note 32)	-	-	-	(0.4)	(1.3)	-	(1.7)
Reclassification	2.5	(3.1)	0.7	-	(0.1)	-	-
At 31 December 2015	8,864.1	331.4	610.0	348.1	1,326.9	1,658.0	13,138.5
At 31 December 2015							
Cost (sub-note (b))	39,340.6	1,872.1	4,233.3	363.5	3,270.1	1,658.0	50,737.6
Accumulated depreciation	(30,275.2)	(1,540.7)	(3,623.3)	(12.8)	(1,943.2)	-	(37,395.2)
Accumulated impairment	(201.3)	-	-	(2.6)	-	-	(203.9)
Net Book Value	8,864.1	331.4	610.0	348.1	1,326.9	1,658.0	13,138.5

* Included RM0.4 million being movable plant and equipment disposed to a subsidiary.

22. PROPERTY, PLANT AND EQUIPMENT (continued)

(a) Included in additions of the Group and the Company are borrowing costs of RM19.3 million (2015: RM37.1 million) directly attributable to the construction of qualifying assets.

(b) Included in property, plant and equipment of the Group and the Company are fully depreciated assets which are still in use costing RM26,620.9 million (2015: RM26,307.3 million) and RM25,834.6 million (2015: RM25,521.0 million) respectively.

(c) Reflective of the latest available roll-out plan of a subsidiary's Long Term Evolution (LTE) network which will phase out the use of existing WiMAX assets, depreciation charges during the year included RM36.1 million accelerated depreciation of WiMAX assets in addition to the RM119.0 million (2015: RM20.3 million) already accelerated in 2016 from the initial roll-out plan existing at the end of the preceding financial year.

(d) Impairment loss

The review of impairment for property, plant and equipment carried out during the year resulted in certain property, plant and equipment being impaired. RM14.0 million impairment loss during the financial year was in relation to equipment and assets under construction affected by technology obsolescence and were impaired to estimated market value less cost to sale. RM30.5 million of the impairment loss recognised in the preceding financial year were relating to assets located at sites that are no longer in operation as well as assets that were affected by obsolescence. As the assets impaired were highly specialised, their fair value less cost to sell for these items were estimated to be nil. The remaining RM1.4 million impairment loss in 2015 were in respect of assets with uncertain future cash flows for which recoverable value has been estimated to approximately nil.

(e) Included in property, plant and equipment of the Group and the Company is an office building and computer support systems with net book value of RM51.0 million (2015: RM45.6 million) and RM51.2 million (RM45.6 million) respectively, which are under finance lease arrangement.

22. PROPERTY, PLANT AND EQUIPMENT (continued)

(f) Details of land are as follows:

The Group	Freehold RM	Leasehold (sub-note (i)) RM	Other Land (sub-note (ii)) RM	Total RM
Net Book Value				
At 1 January 2016	**728.7**	**69.6**	**28.9**	**827.2**
Assetisation	**-**	**0.3**	**-**	**0.3**
Depreciation	**-**	**(1.0)**	**-**	**(1.0)**
At 31 December 2016	**728.7**	**68.9**	**28.9**	**826.5**
At 31 December 2016				
Cost	**731.3**	**84.7**	**29.3**	**845.3**
Accumulated depreciation	**-**	**(15.8)**	**(0.4)**	**(16.2)**
Accumulated impairment	**(2.6)**	**-**	**-**	**(2.6)**
Net Book Value	**728.7**	**68.9**	**28.9**	**826.5**
Net Book Value				
At 1 January 2015	729.1	67.6	31.4	828.1
Addition	-	0.5	-	0.5
Depreciation	-	(1.0)	-	(1.0)
Transfer to non-current asset held for sale (note 32)	(0.3)	(0.1)	-	(0.4)
Reclassification	(0.1)	2.6	(2.5)	-
At 31 December 2015	728.7	69.6	28.9	827.2
At 31 December 2015				
Cost	731.4	84.4	29.3	845.1
Accumulated depreciation	-	(14.8)	(0.4)	(15.2)
Accumulated impairment	(2.7)	-	-	(2.7)
Net Book Value	728.7	69.6	28.9	827.2

22. PROPERTY, PLANT AND EQUIPMENT (continued)

(f) Details of land are as follows: (continued)

The Company	Freehold RM	Leasehold (sub-note (i)) RM	Other Land (sub-note (ii)) RM	Total RM
Net Book Value				
At 1 January 2016	**259.9**	**59.3**	**28.9**	**348.1**
Assetisation	**-**	**0.3**	**-**	**0.3**
Depreciation	**-**	**(0.9)**	**-**	**(0.9)**
At 31 December 2016	**259.9**	**58.7**	**28.9**	**347.5**
At 31 December 2016				
Cost	**262.5**	**72.0**	**29.3**	**363.8**
Accumulated depreciation	**-**	**(13.3)**	**(0.4)**	**(13.7)**
Accumulated impairment	**(2.6)**	**-**	**-**	**(2.6)**
Net Book Value	**259.9**	**58.7**	**28.9**	**347.5**
Net Book Value				
At 1 January 2015	260.3	57.2	31.4	348.9
Addition	-	0.5	-	0.5
Depreciation	-	(0.9)	-	(0.9)
Transfer to non-current asset held for sale (note 32)	(0.3)	(0.1)	-	(0.4)
Reclassification	(0.1)	2.6	(2.5)	-
At 31 December 2015	259.9	59.3	28.9	348.1
At 31 December 2015				
Cost	262.5	71.7	29.3	363.5
Accumulated depreciation	-	(12.4)	(0.4)	(12.8)
Accumulated impairment	(2.6)	-	-	(2.6)
Net Book Value	259.9	59.3	28.9	348.1

22. PROPERTY, PLANT AND EQUIPMENT (continued)

(f) Details of land are as follows: (continued)

(i) Leasehold land comprise the followings:

	The Group		The Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Long term leasehold land	**49.0**	49.3	**48.0**	48.3
Short term leasehold land	**19.9**	20.3	**10.7**	11.0
Total	**68.9**	69.6	**58.7**	59.3

Long term leasehold land has an unexpired lease period of 50 years and above.

(ii) The title deeds pertaining to other land have not yet been registered in the name of the Company. Pending finalisation with the relevant authorities, these lands have not been classified according to their tenures.

Other land will be reclassified accordingly as and when the title deeds pertaining to these lands have been registered.

23. INVESTMENT PROPERTY

	The Group		The Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Net Book Value				
At 1 January	**-**	-	**112.4**	114.7
Depreciation (note 6(a))	**-**	-	**(2.3)**	(2.3)
At 31 December	**-**	-	**110.1**	112.4
At 31 December				
Cost	**-**	-	**128.0**	128.0
Accumulated depreciation	**-**	-	**(17.9)**	(15.6)
Net Book Value	**-**	-	**110.1**	112.4

The investment property of the Company comprise of an office building located on a freehold land which is rented and occupied by a wholly-owned subsidiary.

The fair value of the property of the Company at 31 December 2016 was RM135.0 million (2015: RM128.0 million) based on a valuation performed by an independent professional valuer. The valuation was based on current price observable in the market, classified as a Level 2 fair value.

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24. INTANGIBLE ASSETS

The Group	Goodwill RM	Customer Base RM	Telecommunication Spectrum RM	Other Intangibles* RM	Total RM
Net Book Value					
At 1 January 2016	**361.7**	**23.9**	**168.2**	**54.0**	**607.8**
Additions	**-**	**-**	**-**	**2.2**	**2.2**
Amortisation (note 6(a))	**-**	**(13.4)**	**-**	**(23.5)**	**(36.9)**
Utilisation (sub-note (a))	**-**	**-**	**-**	**(9.5)**	**(9.5)**
At 31 December 2016	**361.7**	**10.5**	**168.2**	**23.2**	**563.6**
Net Book Value					
At 1 January 2015	361.7	37.3	168.2	14.5	581.7
Additions	-	-	-	31.3	31.3
Reclassification (sub-note (a))	-	-	-	32.4	32.4
Amortisation (note 6(a))	-	(13.4)	-	(24.2)	(37.6)
At 31 December 2015	361.7	23.9	168.2	54.0	607.8
At 31 December 2016					
Cost	**366.7**	**40.6**	**168.2**	**94.4**	**669.9**
Accumulated amortisation	**-**	**(30.1)**	**-**	**(71.2)**	**(101.3)**
Accumulated impairment	**(5.0)**	**-**	**-**	**-**	**(5.0)**
Net Book Value	**361.7**	**10.5**	**168.2**	**23.2**	**563.6**
At 31 December 2015					
Cost	366.7	40.6	168.2	101.7	677.2
Accumulated amortisation	-	(16.7)	-	(47.7)	(64.4)
Accumulated impairment	(5.0)	-	-	-	(5.0)
Net Book Value	361.7	23.9	168.2	54.0	607.8

* Other intangibles comprise the fair value of acquired development expenditure incurred in the design, development and testing of products and services, software and programme rights of other subsidiaries.

During the previous financial year, fully amortised other intangibles of a subsidiary amounting to RM9.7 million were written off against accumulated amortisation of the same amount.

(a) Included in other intangible assets are the fair value of irrevocable vouchers of RM22.9 million (2015: RM32.4 million). A subsidiary of the Group was granted irrevocable vouchers by a major supplier as part of a Debt Settlement Agreement entered in year 2013 in relation to equipment purchase. These can be used to set-off against future purchase costs of network equipment manufactured by the supplier and/or technical services provided by the supplier to the subsidiary within a pre-determined period as set out in the Debt Settlement Agreement and/or can be used to offset certain payables amount outstanding or redeemed as cash subject to the terms and conditions of the Debt Settlement Agreement.

On 15 July 2015, the subsidiary had fully settled the total payable sums and thus invalidating the Debt Settlement Agreement. The supplier has extended the validity of the irrevocable vouchers to 31 December 2018. In the event there is any unutilised portion of the irrevocable vouchers on 31 December 2018, it shall be extended for a further twenty-four months from the expiry date on 31 December 2018. In addition, the irrevocable vouchers have been extended for utilisation within TM Group of companies, by the supplier, from 1 January 2016 to 31 December 2018 with the amount capped at USD5.0 million.

The vouchers utilised during the year have been set-off against amount payable to the supplier.

24. INTANGIBLE ASSETS (continued)

(b) Impairment test for goodwill

The Group undertakes an annual test for impairment of its cash-generating units. No impairment loss was required for the carrying amounts of goodwill assessed as at 31 December 2016 as their recoverable amounts were in excess of their carrying amounts.

The Group's total goodwill is attributable to the following cash-generating units, being the lowest level of asset for which there are separately identifiable cash flows:

	2016 RM	2015 RM
VADS Berhad (VADS)	**308.4**	308.4
Webe Digital Sdn Bhd (webe)	**52.1**	52.1
Others	**1.2**	1.2
	361.7	361.7

The amount of goodwill initially recognised is dependent upon the allocation of the purchase price to the fair value of identifiable assets acquired and the liabilities assumed. The determination of the fair value of the assets and liabilities is based, to a considerable extent, on management's judgment.

(i) Key assumptions used in the value-in-use calculation

The recoverable amount of the cash-generating unit including goodwill in this test, is determined based on value-in-use calculation.

This value-in-use calculation applies a discounted cash flow model using cash flows projection based on forecast and projection approved by management covering a three-year period for VADS. As for webe, the cash flows projection used is based on a ten-year forecast in view of the long term nature and capital intensive plan of the Group to roll-out a Long Term Evolution (LTE) network through webe. The ten-year projection used, has been approved by management. The forecast and projection reflect management's expectation of revenue growth, operating costs and margins for the cash-generating unit based on past experience. Cash flows beyond the third year for VADS and tenth year for webe respectively are extrapolated using estimated terminal growth rate. The rates have been determined with regards to projected growth rate for the market in which the cash-generating units participate.

The discount rate applied to the cash flows forecast is benchmarked against local peers at the date of the assessment of the cash-generating unit.

The following assumptions have been applied in the value-in-use calculation:

	2016		2015	
	VADS	webe	VADS	webe
Pre-tax discount rate	**11.8%**	**19.7%**	11.7%	19.7%
Terminal growth rate	**1.5%**	**1.0%**	1.5%	1.0%

(ii) Impact of possible change in key assumptions used

Changing the assumptions selected by management, in particular the discount rate assumption used in the discounted cash flow model could significantly affect the result of the impairment test and consequently the Group's results. The Group's review includes an impact assessment of changes in key assumptions. Based on the sensitivity analysis performed, management has concluded that no reasonable change in the base case key assumptions would cause the carrying amount of the cash-generating units to exceed their recoverable amounts respectively.

24. INTANGIBLE ASSETS (continued)

(b) Impairment test for goodwill (continued)

(ii) Impact of possible change in key assumptions used (continued)

If the following pre-tax discount rates are applied to the cash flow forecasts and projection of the Group's cash-generating units respectively, the carrying amount of the cash-generating units including goodwill will equal the corresponding recoverable values, assuming all other variables remain unchanged.

	2016		2015	
	VADS	webe	VADS	webe
Pre-tax discount rate	**18.0%**	**26.9%**	21.3%	24.1%

25. SUBSIDIARIES

The Company	2016 Malaysia RM	2016 Overseas RM	2016 Total RM	2015 Malaysia RM	2015 Overseas RM	2015 Total RM
Unquoted investments, at cost	**1,713.0**	**22.0**	**1,735.0**	1,713.0	22.0	1,735.0
Accumulated impairment	**(4.5)**	**(13.2)**	**(17.7)**	(4.5)	(13.2)	(17.7)
	1,708.5	**8.8**	**1,717.3**	1,708.5	8.8	1,717.3
Options granted to employees of subsidiaries	**24.3**	**-**	**24.3**	24.3	-	24.3
LTIP granted to employees of subsidiaries	**0.5**	**-**	**0.5**	-	-	-
Unquoted investments, at written down value (sub-note (a))	**-**	**-**	**-**	-	-	-
NET INVESTMENTS IN SUBSIDIARIES	**1,733.3**	**8.8**	**1,742.1**	1,732.8	8.8	1,741.6

(a) Investments in certain subsidiaries have been written down to recoverable amount of RM1.00 each.

The Group's effective equity interest in the subsidiaries, their respective principal activities and countries of incorporation are listed in note 51 to the financial statements. Other than Yayasan Telekom Malaysia, which is 100% consolidated in the Group's financial results, the proportion of the Group's voting rights in the subsidiaries held by the Group do not differ from the proportion of ordinary shares held or the Group's effective equity interests in the subsidiaries. The Group has de facto control over Yayasan Telekom Malaysia due to a combination of facts including source of funding and right to appoint the Board of Trustees.

There are no significant restrictions on the ability of the subsidiaries to transfer funds in the form of dividends and other capital distributions or for loans or advances being made or repaid, to (or from) the Group.

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25. SUBSIDIARIES (continued)

Set out below are the summarised financial information for each subsidiary which has non-controlling interests that are material to the Group, before any inter-company eliminations:

	Webe Digital Sdn Bhd		Fiberail Sdn Bhd		Fibrecomm Networks (M) Sdn Bhd	
	2016 RM	2015 RM	2016 RM	2015 RM	2016 RM	2015 RM
Summarised Income Statement						
Revenue	**200.3**	231.1	**201.1**	230.8	**150.6**	126.7
(Loss)/Profit before income tax	**(681.8)**	(320.7)	**71.6**	96.7	**12.5**	6.1
Income tax (expense)/credit	**-**	-	**(10.7)**	(30.8)	**(9.0)**	4.6
(Loss)/Profit after taxation and total comprehensive income	**(681.8)**	(320.7)	**60.9**	65.9	**3.5**	10.7
Total comprehensive (loss)/income attributed to non-controlling interests	**(190.6)**	(143.4)	**28.0**	30.3	**1.7**	5.2
Dividends paid to non-controlling interests	**-**	-	**40.6**	28.8	**1.0**	2.4
Summarised Statement of Financial Position						
Current assets	**484.0**	575.6	**130.7**	154.9	**90.4**	98.9
Current liabilities	**(553.0)**	(397.7)	**(56.6)**	(52.4)	**(106.5)**	(122.2)
Total net current (liabilities)/assets	**(69.0)**	177.9	**74.1**	102.5	**(16.1)**	(23.3)
Non-current assets	**740.4**	660.0	**178.2**	182.3	**169.5**	178.9
Non-current liabilities	**(774.2)**	(673.0)	**(33.6)**	(38.7)	**(23.8)**	(27.4)
Total net non-current (liabilities)/assets	**(33.8)**	(13.0)	**144.6**	143.6	**145.7**	151.5
Net (liabilities)/assets	**(102.8)**	164.9	**218.7**	246.1	**129.6**	128.2
Cumulative non-controlling interests	**(27.9)**	73.7	**100.6**	113.2	**63.5**	62.8
Summarised Statement of Cash Flows						
Cash generated (used in)/from operations	**(0.6)**	(313.0)	**94.5**	100.3	**29.4**	32.0
Interest paid	**(7.7)**	(14.3)	**-**	-	**(0.4)**	(0.3)
Income tax paid	**-**	-	**(17.9)**	(27.4)	**(9.2)**	(17.2)
Cash flows (used in)/from operating activities	**(8.3)**	(327.3)	**76.6**	72.9	**19.8**	14.5
Cash flows used in investing activities	**(399.7)**	(27.3)	**(12.2)**	(1.7)	**(22.0)**	(14.9)
Cash flows from/(used in) financing activities	**260.7**	805.0	**(88.2)**	(62.7)	**12.9**	(17.9)
Net (decrease)/increase in cash and cash equivalents	**(147.3)**	450.4	**(23.8)**	8.5	**10.7**	(18.3)
Effect of exchange rate changes	**-**	-	**-**	-	**(0.4)**	1.0
Cash and cash equivalents at beginning of the financial year	**496.8**	46.4	**74.1**	65.6	**21.8**	39.1
Cash and cash equivalents at end of the financial year	**349.5**	496.8	**50.3**	74.1	**32.1**	21.8

26. LOANS AND ADVANCES TO SUBSIDIARIES

Loans and advances to subsidiaries of RM1,349.3 million (2015: RM914.3 million) represent shareholder loans and advances for working capital purposes. These loans and advances are unsecured and bear interest ranging from 2.92% to 4.68% (2015: 2.44% to 5.03%) and will mature between 1 to 6 years.

27. ASSOCIATES

The Group	2016 RM	2015 RM
Share of net assets of associates		
Unquoted investments	**45.8**	26.3
TOTAL	**45.8**	26.3
The Group's share of revenue and profit of associates is as follows:		
Revenue	**40.3**	32.0
Profit after taxation and total comprehensive income	**29.4**	24.7
The Group's share of assets and liabilities of associates is as follows:		
Non-current assets	**69.7**	47.0
Current assets	**8.9**	8.7
Non-current liabilities	**(22.5)**	(2.8)
Current liabilities	**(10.3)**	(26.6)
Net assets	**45.8**	26.3

The Group's associates are not material individually to the financial position, financial performance and cash flows of the Group.

On 30 September 2016, the Company had entered into a Share Sale and Purchase Agreement to sell its entire equity interest of 30% in Mutiara.Com Sdn Bhd. The disposal was completed on 10 October 2016. Consequently, the share of loss after taxation of an associate not recognised by the Group in respect of the current and cumulative financial year was RM nil million (2015: RM1.2 million) and RM1.1 million (2015: RM3.2 million) respectively.

The Group's effective equity interest in the associates, all of which are unquoted, their respective principal activities and countries of incorporation are listed in note 52 to the financial statements.

There are no contingent liabilities relating to the Group's interest in the associates and there are no significant restrictions on the ability of the associates to transfer funds in the form of dividend to the Group.

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28. AVAILABLE-FOR-SALE INVESTMENTS

The Group	Investment in Technology Investment Fund RM	Investment in Unquoted Equity Securities RM	Investment in Fixed Income Securities RM	Total RM
At 1 January 2016	**23.6**	**132.3**	**515.6**	**671.5**
Additions	**31.8**	**-**	**298.3**	**330.1**
Fair value changes transferred to other comprehensive income	**1.0**	**7.8**	**4.2**	**13.0**
Disposals	**-**	**-**	**(300.7)**	**(300.7)**
Accretion of finance income (net)	**-**	**-**	**0.6**	**0.6**
At 31 December 2016	**56.4**	**140.1**	**518.0**	**714.5**
Current portion	**-**	**-**	**518.0**	**518.0**
Non-current portion	**56.4**	**140.1**	**-**	**196.5**
TOTAL AVAILABLE-FOR-SALE INVESTMENTS	**56.4**	**140.1**	**518.0**	**714.5**
At 1 January 2015	-	99.0	469.3	568.3
Additions	23.6	-	353.6	377.2
Fair value changes transferred to other comprehensive income	-	35.6	(0.9)	34.7
Disposals	-	(2.3)	(307.6)	(309.9)
Accretion of finance income (net)	-	-	1.2	1.2
At 31 December 2015	23.6	132.3	515.6	671.5
Current portion	-	-	515.6	515.6
Non-current portion	23.6	132.3	-	155.9
TOTAL AVAILABLE-FOR-SALE INVESTMENTS	23.6	132.3	515.6	671.5

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28. AVAILABLE-FOR-SALE INVESTMENTS (continued)

The Company	Investment in Technology Investment Fund RM	Investment in Unquoted Equity Securities RM	Investment in Fixed Income Securities RM	Total RM
At 1 January 2016	**23.6**	**132.2**	**515.6**	**671.4**
Additions	**31.8**	**-**	**298.3**	**330.1**
Fair value changes transferred to other comprehensive income	**1.0**	**7.8**	**4.2**	**13.0**
Disposals	**-**	**-**	**(300.7)**	**(300.7)**
Accretion of finance income (net)	**-**	**-**	**0.6**	**0.6**
At 31 December 2016	**56.4**	**140.0**	**518.0**	**714.4**
Current portion	**-**	**-**	**518.0**	**518.0**
Non-current portion	**56.4**	**140.0**	**-**	**196.4**
TOTAL AVAILABLE-FOR-SALE INVESTMENTS	**56.4**	**140.0**	**518.0**	**714.4**
At 1 January 2015	-	98.9	469.3	568.2
Additions	23.6	-	353.6	377.2
Fair value changes transferred to other comprehensive income	-	35.6	(0.9)	34.7
Disposals	-	(2.3)	(307.6)	(309.9)
Accretion of finance income (net)	-	-	1.2	1.2
At 31 December 2015	23.6	132.2	515.6	671.4
Current portion	-	-	515.6	515.6
Non-current portion	23.6	132.2	-	155.8
TOTAL AVAILABLE-FOR-SALE INVESTMENTS	23.6	132.2	515.6	671.4

The currency exposure profile of available-for-sale investments is as follows:

	The Group		The Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Ringgit Malaysia	**520.2**	517.8	**520.1**	517.7
US Dollar	**142.3**	94.9	**142.3**	94.9
Singapore Dollar	**52.0**	58.8	**52.0**	58.8
	714.5	671.5	**714.4**	671.4

The maximum exposure to credit risk at the reporting date is the carrying amount of the investment in fixed income securities.

28. AVAILABLE-FOR-SALE INVESTMENTS (continued)

The credit quality of investment in fixed income securities is as follows:

	The Group and Company	
	2016 RM	**2015 RM**
AAA	**164.4**	153.2
AA	**303.2**	307.2
A	**21.8**	26.2
P1	**-**	5.0
BBB	**4.9**	-
Malaysian Government Securities	**23.7**	24.0
	518.0	515.6

29. AVAILABLE-FOR-SALE RECEIVABLES

The Group and Company	2016 RM	2015 RM
At 1 January	**24.8**	25.7
Additions (including interest)	**0.5**	1.4
Repayments	**(1.7)**	(2.3)
Fair value changes transferred to other comprehensive income	**#**	#
At 31 December	**23.6**	24.8
Impairment at 1 January and 31 December	**(18.8)**	(18.8)
TOTAL AVAILABLE-FOR-SALE RECEIVABLES (net)	**4.8**	6.0

Amount less than RM0.1 million

Available-for-sale receivables of the Company are in respect of education loans provided to undergraduates and are convertible to scholarships if certain performance criteria are met. The loans are contractually interest free and if not converted to scholarship will be repayable over a period of not more than 11 years.

As of 31 December 2016, all overdue amounts have been impaired.

During the financial year, RM# million (2015: RM# million) was converted to scholarship and expensed off to the Income Statement.

The Company does not hold any collateral for security in respect of education loans.

30. OTHER NON-CURRENT RECEIVABLES

	The Group		The Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Staff loans at amortised cost				
- under Islamic principles	**205.0**	142.4	**205.0**	142.4
- under conventional principles	**0.3**	1.9	**0.3**	1.9
Total staff loans (sub-note (i))	**205.3**	144.3	**205.3**	144.3
Other non-current receivables				
- other deposits (sub-note (ii))	**155.0**	133.1	**155.0**	133.1
- tax recoverable (sub-note (iii))	**113.8**	113.8	**113.8**	113.8
- Redeemable Exchangeable Medium Term Notes receivable (sub-note (iv))	**216.4**	200.3	**-**	-
- others (sub-note (v))	**170.0**	188.8	**-**	-
	860.5	780.3	**474.1**	391.2
Prepaid employee benefits	**24.2**	10.4	**24.2**	10.4
	884.7	790.7	**498.3**	401.6
Staff loans receivable within twelve months included under other receivables (note 34)	**(14.0)**	(4.4)	**(14.0)**	(4.4)
TOTAL OTHER NON-CURRENT RECEIVABLES	**870.7**	786.3	**484.3**	397.2

(i) Staff loans comprise housing, vehicle, computer and club membership loans offered to employees with contractual financing cost of 4.0% per annum on a reducing balance basis except for club membership loans which are free of financing cost. There is no single significant credit risk exposure as the amount is mainly receivable from individuals. Staff loans inclusive of financing cost, are repayable in equal monthly instalments as follows:

- Housing loans - 25 years or upon employees attaining 55 years of age, whichever is earlier
- Vehicle loans - maximum of 8 years for new cars and 6 years for second hand cars
- Computer loans - 3 years

Credit risk arising from staff loans is mitigated by the enforcement of salary deductions as a mode of repayment. In addition, collateral is obtained for the following:

- Housing loans - registered land charges and assignments over the properties financed
- Vehicle loans - ownership claims over the vehicles financed

During the current financial year, the Company disposed RM11.6 million (2015: RM11.9 million) of its employees housing loans for a total cash consideration of RM11.0 million (2015: RM11.3 million) pursuant to the Sale and Purchase (S&P) Agreement entered on 27 May 2009 with AmMortgage One Berhad (AmMortgage One), a wholly-owned subsidiary of AmBank (M) Berhad (AmBank). In tandem with the S&P Agreement, a Servicing Agreement between the Company, AmMortgage One and AmBank was also executed. The arrangement reflects the outsourcing of the Company's mortgage servicing operations to AmBank.

30. OTHER NON-CURRENT RECEIVABLES (continued)

(i) The disposal in 2009 included loan portfolio of employees where the repayment terms go beyond the employees' retirement age. This loan portfolio was not derecognised as the credit risk in the event of default after the employees' retirement age, remains with the Company. The carrying amount of the loan portfolio and its fair value are as follows:

	The Group and Company			
	2016		2015	
	Carrying amount RM	Fair value RM	Carrying amount RM	Fair value RM
Staff loans at amortised cost	**0.4**	**0.4**	0.5	0.5
Other borrowings (note 17)	**(0.4)**	**(0.4)**	(0.5)	(0.5)
Net amount	**#**	**#**	#	#

Amount less than RM0.1 million

(ii) Other deposits comprise deposit and accrued interest relating to the non-cancellable operating lease of four office buildings and long term deposits.

The Company entered into two Ringgit Malaysia deposit agreements in 2011 with maturity on 1 August 2025, under which the Company will deposit RM4.1 million and RM4.2 million respectively every six months until the deposits' maturity date. On maturity, the Company will be entitled for deposits repayments of RM154.0 million and RM156.5 million respectively. The deposits are collateralised by Malaysian Government Bonds.

The deposits effectively build up a sinking fund with an assured value of RM154.0 million and RM156.5 million respectively on 1 August 2025 for the repayment of the Company's Debentures.

(iii) This comprise tax credit in respect of prior years arising from the last mile broadband tax incentive as explained in note 20 to the financial statements, to be offset against future tax payables.

(iv) This comprise the carrying value of the first three tranches and accrued interest of the 8-year Redeemable Exchangeable Medium Term Notes (Exchangeable MTNs) issued by Green Packet Berhad (Green Packet) subscribed by a wholly-owned subsidiary of the Group. The credit risk arising from the Exchangeable MTNs is limited as the Exchangeable MTNs is secured against Webe Digital Sdn Bhd (webe) ordinary shares held by Packet One Sdn Bhd (Packet One), a wholly-owned subsidiary of Green Packet and the 8-year Convertible Medium Term Notes issued by webe which has been subscribed by Packet One.

(v) Include the present value of receivables for land disposed by a wholly-owned subsidiary, due over the remaining contractual period of the joint land development agreement and long term leasing receivables of the wholly-owned subsidiary.

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31. INVENTORIES

	The Group		The Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Telecommunications equipment	**39.9**	22.5	**39.9**	22.5
Capacity held for resale	**12.6**	71.2	**12.6**	71.2
Work-in-progress	**105.7**	96.0	**30.8**	39.8
Land held for sale	**4.4**	4.4	**-**	-
Land held for property development	**35.5**	31.4	**-**	-
Others	**9.0**	11.3	**7.6**	9.0
TOTAL INVENTORIES	**207.1**	236.8	**90.9**	142.5

32. NON-CURRENT ASSETS HELD FOR SALE

Total consideration for the assets held for sale excluding the assets in sub-note (a) as at 31 December 2016 was RM6.4 million (2015: RM8.2 million).

The Group and Company	At 1 January RM	Carrying amount immediately before reclassification from property, plant and equipment (note 22) RM	Disposal RM	Impairment reversal (note 6(a) and sub-note (a)) RM	At 31 December RM
Carrying amount					
2016					
Land					
- Freehold	**13.5**	**-**	**-**	**-**	**13.5**
- Leasehold	**1.0**	**-**	**-**	**-**	**1.0**
Buildings	**5.8**	**-**	**(1.3)**	**-**	**4.5**
	20.3	**-**	**(1.3)**	**-**	**19.0**
2015					
Land					
- Freehold	11.8	0.3	(0.3)	1.7	13.5
- Leasehold	0.9	0.1	#	-	1.0
Buildings	0.3	1.3	(0.4)	4.6	5.8
	13.0	1.7	(0.7)	6.3	20.3

Amount less than RM0.1 million

(a) The RM6.3 million reversal of impairment loss recognised in the previous financial year was in respect of land and buildings that were impaired to the contracted selling price, less cost to sell in 2014. The sales contract was subsequently unwound in 2015 and the impairment loss reversed, as the fair value of the assets based on current price observable in the market (Level 2 fair value), exceeds the assets' carrying amount immediately prior to reclassification from property, plant and equipment (RM15.9 million). The Group remains committed in an active programme to locate a buyer to complete the disposal of the assets.

33. CUSTOMER ACQUISITION COSTS

	The Group and Company	
	2016 RM	2015 RM
At 1 January	**59.1**	62.7
Additions	**81.8**	73.6
Amortised to the Income Statement	**(87.7)**	(77.2)
At 31 December	**53.2**	59.1

34. TRADE AND OTHER RECEIVABLES

	The Group		The Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Receivables from external customers	**2,676.3**	3,022.7	**1,870.4**	2,037.7
Receivables from subsidiaries	**-**	-	**184.1**	202.5
Receivables from associates	**119.4**	82.0	**119.4**	82.0
	2,795.7	3,104.7	**2,173.9**	2,322.2
Impairment of trade receivables	**(1,157.6)**	(1,250.6)	**(746.3)**	(818.6)
	1,638.1	1,854.1	**1,427.6**	1,503.6
Accrued earnings	**719.0**	499.1	**597.6**	364.7
Total trade receivables (net)	**2,357.1**	2,353.2	**2,025.2**	1,868.3
Prepayments	**235.7**	213.7	**142.3**	118.8
Tax recoverable	**122.2**	124.0	**85.4**	85.4
Staff loans (note 30)	**14.0**	4.4	**14.0**	4.4
Goods and Services Tax (GST)	**18.9**	3.6	**0.7**	0.7
Other receivables from subsidiaries	**-**	-	**288.5**	186.8
Other receivables from associates	**-**	1.0	**-**	1.0
Other receivables	**451.2**	287.2	**244.0**	142.5
Impairment of other receivables	**(40.9)**	(40.0)	**(77.0)**	(74.8)
Total other receivables (net)	**801.1**	593.9	**697.9**	464.8
TOTAL TRADE AND OTHER RECEIVABLES (net)	**3,158.2**	2,947.1	**2,723.1**	2,333.1

34. TRADE AND OTHER RECEIVABLES (continued)

Movements in the impairment accounts of trade and other receivables are as follows:

	The Group		The Company	
	2016 RM	2015 RM	2016 RM	2015 RM
(a) Trade receivables				
At 1 January	**1,250.6**	1,387.8	**818.6**	971.7
Impairment (net)	**58.1**	186.9	**41.7**	158.0
Receivables written off as uncollectible	**(151.2)**	(324.6)	**(114.0)**	(311.1)
Foreign exchange difference	**0.1**	0.5	**-**	-
At 31 December	**1,157.6**	1,250.6	**746.3**	818.6
(b) Other receivables				
At 1 January	**40.0**	32.4	**74.8**	71.3
Net impairment	**0.9**	8.1	**2.2**	3.9
Receivables written off as uncollectible	**-**	(0.5)	**-**	(0.4)
At 31 December	**40.9**	40.0	**77.0**	74.8

The creation and release of impaired receivables has been included in 'other operating costs' on the Income Statement (note 6(b) to the financial statements). Amounts charged to the impairment accounts are generally written off, when there is no expectation of recovering additional cash.

The other classes within trade and other receivables do not contain impaired assets.

Certain amount of trade receivables have been subjected to offsetting with trade payables where these balances are from transactions transacted with the same counterparty and are settled on net basis, summarised as follows:

	2016			2015		
	Gross amount of trade receivables RM	Gross amount of trade payables and accruals set off against trade receivables (note 37) RM	Net amount of trade receivables RM	Gross amount of trade receivables RM	Gross amount of trade payables and accruals set off against trade receivables (note 37) RM	Net amount of trade receivables RM
The Group	**2,558.0**	**(200.9)**	**2,357.1**	2,555.8	(202.6)	2,353.2
The Company	**2,226.1**	**(200.9)**	**2,025.2**	2,070.9	(202.6)	1,868.3

For trade receivables and trade payables subject to netting arrangements above, each agreement between the Group and the counterparties is carried out on net settlement basis, including events of default.

34. TRADE AND OTHER RECEIVABLES (continued)

Trade receivables of RM738.8 million (2015: RM881.5 million) and RM774.6 million (2015: RM788.9 million) for the Group and the Company respectively were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

The Group	Not past due RM	Past due but not impaired 1 to 3 months RM	4 to 6 months RM	> 6 months RM	Total RM
2016					
Collectively assessed	**204.5**	**0.7**	**0.2**	**1.8**	**207.2**
Individually assessed	**694.8**	**288.2**	**196.2**	**251.7**	**1,430.9**
	899.3	**288.9**	**196.4**	**253.5**	**1,638.1**
2015					
Collectively assessed	263.9	0.9	2.7	10.6	278.1
Individually assessed	708.7	303.0	259.1	305.2	1,576.0
	972.6	303.9	261.8	315.8	1,854.1

The Company	Not past due RM	Past due but not impaired 1 to 3 months RM	4 to 6 months RM	> 6 months RM	Total RM
2016					
Collectively assessed	**203.6**	**-**	**-**	**-**	**203.6**
Individually assessed	**411.0**	**259.0**	**181.1**	**188.8**	**1,039.9**
Amount due from subsidiaries	**38.4**	**41.7**	**19.2**	**84.8**	**184.1**
	653.0	**300.7**	**200.3**	**273.6**	**1,427.6**
2015					
Collectively assessed	210.7	-	-	-	210.7
Individually assessed	451.8	216.1	219.5	203.0	1,090.4
Amount due from subsidiaries	52.2	106.7	14.3	29.3	202.5
	714.7	322.8	233.8	232.3	1,503.6

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34. TRADE AND OTHER RECEIVABLES (continued)

An analysis of trade receivables that are neither past due nor impaired is as follows:

	The Group		The Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Global Wholesale	**163.2**	275.2	**127.0**	227.1
Mass Market	**204.5**	217.1	**203.6**	210.7
Managed Accounts	**377.1**	293.0	**284.0**	224.7
Amount due from subsidiaries	**-**	-	**38.4**	52.2
Others*	**154.5**	187.3	**-**	-
	899.3	972.6	**653.0**	714.7

* Others mainly comprise student debtors and receivables for the provision of managed network services, information and communications technology, system integration services and last mile broadband services of subsidiaries.

The Group and the Company are not exposed to major concentrations of credit risk due to the diversed customer base. The analysis of trade receivables by lines of business is considered the most appropriate disclosure of credit concentration. In addition, credit risk is mitigated to a certain extent by cash deposits (note 38 to the financial statements) and bankers' guarantee obtained from customers amounting to RM5.2 million (2015: RM6.4 million). The Group and the Company consider the impairment at the reporting date to be adequate to cover the potential financial loss.

Credit terms of trade receivables excluding accrued earnings range from 30 to 90 days (2015: 30 to 90 days).

The maximum exposure to credit risk at the reporting date is the carrying amount of each class of receivable mentioned above.

The currency exposure profile of trade and other receivables after impairment is as follows:

	The Group		The Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Ringgit Malaysia	**2,285.8**	2,175.8	**1,827.9**	1,540.7
US Dollar	**849.7**	742.5	**890.6**	789.3
Special Drawing Rights	**0.6**	0.6	**0.6**	0.6
Other currencies	**22.1**	28.2	**4.0**	2.5
	3,158.2	2,947.1	**2,723.1**	2,333.1

35. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	The Group and Company	
	2016 RM	2015 RM
Equity securities quoted on the Bursa Malaysia Securities Berhad	**6.0**	6.6
TOTAL FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS	**6.0**	6.6
Market value of quoted equity securities	**6.0**	6.6

36. CASH AND BANK BALANCES

	The Group		The Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Deposits with:				
Licensed banks	**522.8**	839.9	**522.1**	835.6
Other financial institutions	**16.8**	15.7	**16.8**	15.7
Deposits under Islamic principles	**1,107.7**	1,503.8	**1,029.8**	1,430.8
Total deposits	**1,647.3**	2,359.4	**1,568.7**	2,282.1
Cash and bank balances	**918.9**	1,101.5	**308.7**	278.8
Cash and bank balances under Islamic principles	**359.8**	50.7	**289.9**	19.1
TOTAL CASH AND BANK BALANCES	**2,926.0**	3,511.6	**2,167.3**	2,580.0
Less:				
Deposits pledged	**(0.8)**	(0.8)	**-**	-
TOTAL CASH AND CASH EQUIVALENTS	**2,925.2**	3,510.8	**2,167.3**	2,580.0
The currency exposure profile of cash and bank balances is as follows:				
Ringgit Malaysia	**2,257.4**	3,219.4	**1,631.5**	2,452.9
US Dollar	**601.7**	246.9	**535.8**	127.1
Other currencies	**66.9**	45.3	**-**	-
	2,926.0	3,511.6	**2,167.3**	2,580.0

The deposits are placed mainly with a number of creditworthy financial institutions. There is no major concentration of deposits in any single financial institution. The credit quality of the financial institutions in which cash and deposits are placed is as follows:

	The Group		The Company	
	2016 RM	2015 RM	2016 RM	2015 RM
AAA	**1,427.5**	1,170.1	**766.1**	433.4
AA	**1,172.1**	1,569.8	**1,083.2**	1,493.7
A	**290.3**	692.2	**282.1**	577.4
NR (sub-note (a))	**36.1**	79.5	**35.9**	75.5
	2,926.0	3,511.6	**2,167.3**	2,580.0

(a) Mainly comprise deposits with other financial institutions with sovereign equivalent rating.

Deposits have maturities ranging from overnight to 90 days (2015: from overnight to 90 days) for the Group and the Company. Bank balances are deposits held at call with banks.

The weighted average interest rate of deposits as at 31 December 2016 was 3.38% (2015: 4.32%) and 3.34% (2015: 4.32%) for the Group and the Company respectively.

37. TRADE AND OTHER PAYABLES

	The Group		The Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Trade payables and accruals	**2,295.8**	2,612.6	**1,981.5**	2,230.9
Payable for Universal Service Provision	**201.2**	655.2	**180.4**	637.7
Deferred revenue	**146.7**	152.6	**15.7**	19.3
Provision for Skim MESRA (sub-note (b))	**102.0**	93.2	**92.5**	85.4
Finance cost payable	**73.3**	65.3	**73.3**	64.5
Duties and other taxes payable	**28.1**	23.9	**19.4**	7.2
Deposits and trust monies	**105.5**	93.3	**68.0**	57.8
Payables to subsidiaries (sub-note (a))	**-**	-	**683.3**	646.4
Other payables and accruals	**1,154.1**	696.1	**551.1**	457.9
	4,106.7	4,392.2	**3,665.2**	4,207.1
Current portion	**4,103.0**	4,367.0	**3,661.5**	4,181.9
Non-current portion (sub-note (b))	**3.7**	25.2	**3.7**	25.2
TOTAL TRADE AND OTHER PAYABLES	**4,106.7**	4,392.2	**3,665.2**	4,207.1

(a) Include excess funds of subsidiaries managed and invested by the Company, which are interest bearing as disclosed in note 43(b) to the financial statements.

(b) Provision for Skim MESRA for eligible employees

On 1 October 2016, the Group and the Company announced the 3rd of a series of offering of the special optional retirement scheme, called Skim MESRA, to its employees aged 55 and above as at 31 December 2016. Eligible employees who accepts the optional retirement offer are compensated through special incentives and designated benefits until they reach the age of 60. A similar scheme was also offered to eligible employees of the Group and the Company in the previous two financial years.

The expected financial impact of this scheme which involves a one-off compensation payment within 12 months of the financial year end during which the acceptance was made as well as pre-determined limited healthcare benefits expected over the subsequent 5 financial years or when the recipient reaches 55 years of age (if earlier), have been recognised in the financial statements based on the number of employees who have accepted the offer at the end of the respective financial years.

Certain amount of trade payables and accruals have been subjected to offsetting with trade receivables where these balances are from transactions transacted with the same counterparties and are settled on net basis, summarised as follows:

	2016			2015		
	Gross amount of trade payables and accruals RM	Gross amount of trade receivables set off against trade payables and accruals (note 34) RM	Net amount of trade payables and accruals RM	Gross amount of trade payables and accruals RM	Gross amount of trade receivables set off against trade payables and accruals (note 34) RM	Net amount of trade payables and accruals RM
The Group	**2,496.7**	**(200.9)**	**2,295.8**	2,815.2	(202.6)	2,612.6
The Company	**2,182.4**	**(200.9)**	**1,981.5**	2,433.5	(202.6)	2,230.9

37. TRADE AND OTHER PAYABLES (continued)

Credit terms of trade and other payables excluding accruals vary from 30 to 90 days (2015: 30 to 90 days) depending on the terms of the contracts.

The currency exposure profile of trade and other payables is as follows:

	The Group		The Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Ringgit Malaysia	**3,701.7**	3,943.9	**3,334.4**	3,876.5
US Dollar	**372.8**	417.8	**325.5**	326.6
Special Drawing Rights	**0.7**	0.7	**0.7**	0.7
Other currencies	**31.5**	29.8	**4.6**	3.3
	4,106.7	4,392.2	**3,665.2**	4,207.1

38. CUSTOMER DEPOSITS

	The Group		The Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Telephone services	**441.1**	465.8	**441.1**	465.8
Data services	**2.0**	1.8	**1.4**	1.0
TOTAL CUSTOMER DEPOSITS	**443.1**	467.6	**442.5**	466.8

Customer deposits for telephone services are subject to rebate at 2.5% per annum effective 1 April 2010 in accordance with the provisions of Communications and Multimedia (Rates) Rules 2002. Customer deposits are repayable on demand as and when the customers terminate their services.

39. CASH FLOWS FROM OPERATING ACTIVITIES

	The Group		The Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Receipts from customers	**11,545.0**	11,105.2	**10,155.0**	9,666.0
Payments to suppliers and employees	**(8,206.8)**	(7,526.1)	**(7,257.3)**	(6,249.5)
Payments of finance cost	**(342.3)**	(304.4)	**(329.7)**	(278.2)
Payments of income taxes and zakat (net)	**(147.3)**	(332.7)	**(74.2)**	(242.0)
TOTAL CASH FLOWS FROM OPERATING ACTIVITIES	**2,848.6**	2,942.0	**2,493.8**	2,896.3

40. CASH FLOWS USED IN INVESTING ACTIVITIES

	The Group		The Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Contribution for purchase of property, plant and equipment	**392.5**	54.5	**392.5**	54.5
Disposal of property, plant and equipment	**9.2**	8.4	**8.3**	8.5
Purchase of property, plant and equipment	**(3,683.5)**	(2,547.2)	**(3,136.9)**	(2,347.6)
Subscription of shares in a subsidiary	**-**	-	**-**	(7.7)
Subscription of Exchangeable Medium Term Notes	**-**	(67.5)	**-**	-
Disposal of current available-for-sale investments	**300.7**	307.6	**300.7**	307.6
Disposal of non-current available-for-sale investments	**-**	2.3	**-**	2.3
Purchase of current available-for-sale investments	**(298.3)**	(353.0)	**(298.3)**	(353.0)
Purchase of non-current available-for-sale investments	**(31.8)**	(23.5)	**(31.8)**	(23.5)
Disposal of non-current assets held for sale	**2.9**	10.8	**2.9**	10.8
Long term deposits	**(16.6)**	(16.6)	**(16.6)**	(16.6)
Repayments from subsidiaries - loans and advances	**-**	-	**129.1**	35.1
- other receivables	**-**	-	**43.2**	91.6
Advances to subsidiaries	**-**	-	**(663.3)**	(792.3)
Repayments to subsidiaries for Inter-Company Fund Optimisation (ICFO)	**-**	-	**(3,902.5)**	(4,116.8)
Receipts from subsidiaries for ICFO	**-**	-	**3,958.0**	4,111.1
Repayments of loans by employees	**12.2**	9.9	**12.2**	9.9
Loans to employees	**(97.7)**	(88.0)	**(97.7)**	(88.0)
Disposal of housing loan	**11.0**	11.3	**11.0**	11.3
Interests received	**123.2**	134.0	**116.0**	121.6
Dividends received	**16.7**	7.1	**195.7**	288.1
TOTAL CASH FLOWS USED IN INVESTING ACTIVITIES	**(3,259.5)**	(2,549.9)	**(2,977.5)**	(2,693.1)

41. CASH FLOWS (USED IN)/FROM FINANCING ACTIVITIES

	The Group		The Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Proceeds from issuance of shares (note 13(c))	**-**	269.2	**-**	269.2
Capital contribution by non-controlling interest	**1.0**	7.3	**-**	-
Equity portion of Convertible Medium Term Notes subscribed by non-controlling interest	**-**	1.7	**-**	-
Proceeds from borrowings	**2,479.8**	1,779.8	**2,429.7**	1,500.0
Repayments of borrowings (net)	**(1,832.2)**	(1,031.8)	**(1,573.2)**	(900.7)
Repayments of finance lease	**(9.6)**	(4.6)	**(7.5)**	(4.3)
Dividend paid to shareholders	**(804.2)**	(847.9)	**(804.2)**	(847.9)
Dividend paid to non-controlling interests	**(41.6)**	(31.2)	**-**	-
TOTAL CASH FLOWS (USED IN)/FROM FINANCING ACTIVITIES	**(206.8)**	142.5	**44.8**	16.3

42. SIGNIFICANT NON-CASH TRANSACTIONS

Significant non-cash transactions during the financial year are as follows:

	The Group		The Company	
	2016 RM	2015 RM	2016 RM	2015 RM
(a) Contra settlements with subsidiaries between trade and other receivables and trade and other payables	**-**	-	**0.9**	14.2
(b) Contra settlements with customers cum suppliers between trade receivables and trade payables	**227.1**	259.2	**227.1**	259.2

43. SIGNIFICANT RELATED PARTY DISCLOSURES

Set out below are the significant related party transactions and balances, in addition to related party transactions and balances mentioned elsewhere in the financial statements:

(a) Significant transactions with subsidiaries and associates

The Company has significant related party transactions with its subsidiaries and associate, as listed below:

BlueTel Networks Pte Ltd
Fiberail Sdn Bhd
Fibrecomm Network (M) Sdn Bhd
GITN Sdn Berhad
VADS Lyfe Sdn Bhd
(formerly known as GTC Global Sdn Bhd)
Meganet Communications Sdn Bhd
Menara Kuala Lumpur Sdn Bhd
Webe Digital Sdn Bhd
(formerly known as Packet One Networks (Malaysia) Sdn Bhd)
Telekom Applied Business Sdn Bhd
Telekom Malaysia (Australia) Pty Ltd
Telekom Malaysia (Hong Kong) Limited
Telekom Malaysia (S) Pte Ltd
Telekom Malaysia (UK) Limited
Telekom Malaysia (USA) Inc
Telekom Multi-Media Sdn Bhd
Telekom Research & Development Sdn Bhd
Telekom Sales and Services Sdn Bhd
TM ESOS Management Sdn Bhd
TM Facilities Sdn Bhd
TMF Autolease Sdn Bhd
TM Global Incorporated
TM Info-Media Sdn Bhd
TM Net Sdn Bhd
Universiti Telekom Sdn Bhd
VADS Berhad
VADS e-Services Sdn Bhd
VADS Solutions Sdn Bhd
VADS Business Process Sdn Bhd

43. SIGNIFICANT RELATED PARTY DISCLOSURES (continued)

(a) Significant transactions with subsidiaries and associates (continued)

	The Group		The Company	
	2016 RM	2015 RM	2016 RM	2015 RM
(i) Sales of goods and rendering of services to subsidiaries and associates:				
- telecommunications related services	**65.2**	101.0	**821.1**	749.7
- lease/rental and maintenance of buildings and vehicles	**-**	-	**27.0**	31.4
- other income*	**-**	-	**14.3**	18.3
(ii) Dividend and interest income from subsidiaries	**-**	-	**230.2**	245.1
(iii) Purchases of goods and services from subsidiaries and associates:				
- telecommunications related services	**104.0**	87.4	**1,197.6**	1,164.3
- lease/rental of buildings	**-**	-	**5.7**	5.7
- maintenance of vehicles and buildings	**-**	-	**47.2**	47.4
- other expenses	**-**	-	**108.9**	118.5
(iv) Finance cost paid/payable to subsidiaries				
- term loans	**-**	-	**18.8**	6.9
- Inter-Company Fund Optimisation	**-**	-	**28.9**	24.9

* Includes management fees, royalties, charges for security and other shared services, training and related activities.

(b) Year end balances arising from:

	The Group		The Company	
	2016 RM	2015 RM	2016 RM	2015 RM
(i) Sales/Purchases of goods/services				
- receivables from subsidiaries	**-**	-	**472.6**	389.3
- receivables from associates	**119.4**	82.0	**119.4**	82.0
- payables to subsidiaries	**-**	-	**287.1**	333.0
- payables to associates	**47.0**	29.6	**47.0**	29.6
(ii) Other payables				
- subsidiaries	**-**	-	**396.2**	311.8

The above receivables from/payables to related parties arise mainly from sale/purchase transactions with credit terms of 30 to 90 days. The receivables/payables are unsecured and interest free.

Other payables to subsidiaries mainly comprise excess funds of subsidiaries managed and invested by the Company under the fund optimisation arrangement. This amount is repayable on demand and the interest paid to subsidiaries during the financial year ranges from 3.31% to 4.04% (2015: 3.60% to 4.58%).

43. SIGNIFICANT RELATED PARTY DISCLOSURES (continued)

(c) Loans and advances to subsidiaries

	The Company	
	2016 RM	2015 RM
At 1 January	**914.3**	250.5
Cash advanced	**564.1**	708.9
Repayments (note 40)	**(129.1)**	(35.1)
Impairment on loans and advances to a subsidiary	**-**	(10.0)
Interest charged (note 7)	**51.2**	20.6
Reclassified as other receivables	**(51.2)**	(20.6)
At 31 December (note 26)	**1,349.3**	914.3

(d) Key management personnel

Key management personnel are the persons who have authority and responsibility for planning, directing and controlling the activities of the Group or the Company either directly or indirectly. Consistent with the previous financial year, key management personnel has been defined as the Directors (executive and non-executive) of the Company and heads or senior management officers who are members of the Management Committee for the Group and the Company respectively.

Whenever exist, related party transactions also include transactions with entities that are controlled, jointly controlled or significantly influenced directly or indirectly by any key management personnel or their close family members.

	The Group		The Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Key management personnel compensation[@]				
- short term employee benefits				
- fees	**2.6**	2.6	**2.0**	2.0
- salaries, allowances and bonus	**22.6**	20.2	**22.6**	20.1
- contribution to Employees Provident Fund	**3.9**	3.0	**3.9**	3.0
- estimated money value of benefits	**1.3**	1.3	**1.3**	1.3

[@] Includes the Directors' remuneration (whether executive or otherwise) as disclosed in note 6(b) to the financial statements.

In addition, certain key management personnel have family members who are officers of subsidiaries of the Company with total remuneration amounting to RM0.2 million (2015: RM0.2 million).

(e) Government-related entities

Khazanah Nasional Berhad (Khazanah) is a major shareholder with 26.21% (2015: 28.65%) equity interest and is a related party of the Group and the Company. Khazanah is a wholly-owned entity of MoF Inc, which is in turn owned by the Ministry of Finance, a ministry of the Federal Government of Malaysia. Therefore, the Government of Malaysia and bodies controlled or jointly controlled by the Government of Malaysia are also related parties to the Group and the Company.

43. SIGNIFICANT RELATED PARTY DISCLOSURES (continued)

(e) Government-related entities (continued)

The individually significant transactions that the Group and the Company entered into with identified related parties and their corresponding balances for the provision of telecommunications related services as at the respective reporting dates are as follows:

	Total amount of individually significant transactions		Corresponding outstanding balances	
	2016 RM	2015 RM	2016 RM	2015 RM
The Group				
Sales and Receivables	**721.4**	813.3	**61.0**	69.8
The Company				
Sales and Receivables	**71.7**	181.8	**-**	-

The Group and the Company also have individually significant contracts with other Government-related entities where the Group and the Company was provided funding for projects of which the amortisation of grants to the income statement in the current financial year was RM329.5 million (2015: RM360.7 million) with corresponding receivables of RM43.0 million (2015: RM219.5 million).

In addition to the above, the Group and the Company also have transactions that are collectively, but not individually significant with other Government-related entities in respect of the provision of telecommunications related services as well as procurement of telecommunications and related equipments and services in the normal course of business.

44. CAPITAL AND OTHER COMMITMENTS

(a) Property, plant and equipment

	The Group		The Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Commitments in respect of expenditure approved and contracted for	**3,237.8**	3,570.9	**2,931.1**	3,337.4
Commitments in respect of expenditure approved but not contracted for	**3,240.4**	3,712.7	**2,850.5**	3,154.0

(b) High Speed Broadband (HSBB) Project

On 25 July 2008, the Company received the Letter of Award from the Government of Malaysia (GoM) for the implementation of the HSBB project under a Public-Private Partnership (PPP) arrangement. The PPP agreement was executed by the GoM and the Company on 16 September 2008.

The objective of the HSBB project is to develop the country's broadband infrastructure to increase broadband penetration and the competitiveness of the country in attracting foreign investments. The project involves the deployment of access, domestic core and international networks to deliver an end-to-end HSBB infrastructure. The estimated roll-out cost, to be incurred over a 10 years period (up to 25 July 2018) is projected to be RM11.3 billion. As a Co-Sponsor of the project, the GoM has agreed to fund RM2.4 billion of the project cost. The remaining RM8.9 billion will be borne by the Company. The HSBB roll-out has covered 1.3 million premises in 2012.

Under the above arrangement, the Company shall claim from the GoM fifty percent (50.0%) of the capital expenditure incurred for the HSBB project on a quarterly basis over a projected 3.5 years period up to the maximum amount of RM2.4 billion.

44. CAPITAL AND OTHER COMMITMENTS (continued)

(b) High Speed Broadband (HSBB) Project (continued)

In conjunction with the arrangement, the Company has to fulfil certain undertakings for the GoM including sharing of appropriate portion of any excess of the actual revenue and other cost savings incurred in relation to the project.

Other undertakings includes roll-out of the HSBB network outside the coverage area for the GoM, develop certain number of telecentres, formulate a broadband package with low cost internet access and provide promotion and public awareness on HSBB which would contribute towards achieving the objective of the project.

(c) High Speed Broadband Project Phase 2 (HSBB2) and the Sub-Urban Broadband Project (SUBB)

On 17 December 2015, the Company signed two (2) PPP agreements with the GoM for the implementation of the HSBB2 and the SUBB to deploy access and domestic core networks to deliver an end-to-end broadband network infrastructure and services for the nation.

The 10-year HSBB2 project encompasses the deployment of additional access and core capacity covering state capitals and selected major towns throughout the country. It includes planning, designing, implementation, operation and maintenance of HSBB network infrastructure and services. Under the project, 95 additional exchanges will be HSBB ready providing access to 390,000 premises by 2017.

The SUBB infrastructure will also be rolled out over a period of ten (10) years, involving the upgrading of existing copper lines to deliver high-speed broadband access speeds of up to 20Mbps and up to 100Mbps in areas deployed with Fibre-to-the-Home (FTTH) technology, to over 420,000 premises by 2019.

The total cost of the HSBB2 investment for a period of ten (10) years is RM1.8 billion whereby the Government will be investing RM500.0 million and the remaining RM1.3 billion will be invested by the Company. The total cost of the SUBB investment for a period of ten (10) years is RM1.6 billion with the Government investing RM600.0 million and the Company investing RM1.0 billion.

(d) Donation to Yayasan Telekom Malaysia

	The Group and Company	
	2016 RM	2015 RM
Amount approved and committed	**13.3**	10.5

(e) Future minimum lease payments of non-cancellable operating lease commitments

	The Group and Company	
	2016 RM	2015 RM
Not later than one year	**75.2**	75.2
Later than one year and not later than five years	**345.9**	334.6
Later than five years	**86.5**	173.0
	507.6	582.8

The above lease payments relate to the non-cancellable operating lease of four office buildings from Menara ABS Berhad.

44. CAPITAL AND OTHER COMMITMENTS (continued)

(f) Funding Commitment

Pursuant to the Investment Agreement entered into by the Group with the non-controlling interests of Webe Digital Sdn Bhd (webe) (formerly known as Packet One Network (Malaysia) Sdn Bhd) which includes an 8-year Convertible Medium Term Notes Programme (Convertible MTN Programme), on 15 September 2015, webe issued RM660.0 million nominal value of the first tranche issuance of the Convertible MTN (First Tranche Convertible MTN). RM622.5 million was subscribed by Mobikom Sdn Bhd, whilst the remaining RM37.5 million of the First Tranche Convertible MTN was subscribed by Packet One Sdn Bhd (a wholly-owned subsidiary of Green Packet Berhad), which holds a non-controlling interest in webe. On 7 September 2016, Mobikom subscribed to RM495.0 million nominal value of a second tranche issuance. The Convertible MTN Programme provides webe the avenue to raise funds of up to RM1.65 billion in tranches from its shareholders. Mobikom has a base subscription entitlement of RM990.0 million of the Convertible MTN Programme, up to any other additional entitlement right as per the terms of the Investment Agreement, in the event of unsubcribed entitlements by the other relevant shareholders (or their related corporations). To date, RM1,155.0 million of the Convertible MTN has been issued. The proceeds raised under the Convertible MTN Programme shall be utilised to finance and fund the implementation of webe's business plan which would involve the roll-out of Long Term Evolution (LTE) network.

45. SEGMENT REPORTING

By Business Segments

The Group organises its business into the following segments, summarised as follows:

- Mass Market comprises the Company's retail arm and its subsidiaries which complement the retail business. The line of business is responsible for the position of a wide range of telecommunication services and communications solutions to households, individuals as well as small and medium enterprise (SME) companies.

- Managed Accounts is responsible for the provision of a wide range of telecommunications services and communications solutions to small and medium businesses as well as corporate and government customers except for consumer business, which provides only voice and Internet and multimedia services.

- Global Wholesale comprises the wholesale arm of the Company and its subsidiaries that complement the wholesale business. This line of business is responsible for the provision of a wide range of wholesale telecommunications services delivered over the Group's networks to domestic and international carriers.

Shared Services/Others include all shared services divisions, all business functions divisions such as information technology and network, and subsidiaries that do not fall under the above lines of business.

Segment profits represent segment operating revenue less segment expenses. Unallocated income/other gains or losses comprises other operating income such as dividend income and other gains such as gain on disposal of available-for-sale investments which is not allocated to a particular business segment. Unallocated costs represent expenses incurred by corporate divisions such as Group Human Capital, Group Finance, Group Legal, Compliance & Company Secretary, Group Procurement and special purpose entities and foreign exchange differences arising from translation of foreign currency placements which are not allocated to a particular business segment. The accounting policies used to derive reportable segment profits are consistent with those as described in the Significant Accounting Policies.

Segment assets disclosed for each segment represent assets directly managed by each segment, primarily include intangibles, property, plant and equipment, receivables and inventories. Unallocated assets mainly include available-for-sale investments, available-for-sale receivables, other non-current receivables, financial assets at fair value through profit or loss, deferred tax assets as well as cash and bank balances of the Company and general telecommunication network and information technology, property, plant and equipment at business function divisions as well as those at corporate divisions.

Segment liabilities comprise operating liabilities and exclude borrowings, interest payable on borrowings, taxation and zakat liabilities, deferred tax liabilities and dividend payable.

Segment capital expenditure comprises additions to property, plant and equipment and intangibles, including additions resulting from acquisition of subsidiaries.

Significant non-cash expenses comprise mainly allowance for impairment of receivables and unrealised foreign exchange gains or losses on settlement as disclosed in note 6(b) to the financial statements.

45. SEGMENT REPORTING (continued)

	Mass Market[>] RM	Managed Accounts RM	Global Wholesale RM	Shared Services/ Others RM	Total RM
Financial year ended 31 December 2016					
Operating revenue					
Total operating revenue	5,216.4	4,907.3	2,330.1	5,323.0	17,776.8
Inter-segment[@]	(110.8)	(415.9)	(401.8)	(4,787.4)	(5,715.9)
External operating revenue	5,105.6	4,491.4	1,928.3	535.6	12,060.9
Results					
Segment profits	33.8	938.0	452.2	8.1	1,432.1
Unallocated income/other gains					69.1
Unallocated costs					(300.0)
Operating profit before finance cost					1,201.2
Finance income					155.3
Finance cost					(380.7)
Foreign exchange loss on borrowings					(86.7)
Associates					
- share of results (net of tax)					29.4
Profit before taxation and zakat					918.5
Taxation and zakat					(305.1)
Profit for the financial year					613.4
At 31 December 2016					
Segment assets	1,570.9	1,863.8	1,632.3	4,870.1	9,937.1
Associates					45.8
Unallocated assets					15,018.7
Total assets					25,001.6
Segment liabilities	1,298.2	1,022.1	1,150.3	3,359.6	6,830.2
Borrowings					8,363.3
Unallocated liabilities					1,975.6
Total liabilities					17,169.1
Financial year ended 31 December 2016					
Other information					
Capital expenditure					
- additions during the financial year	461.3	150.6	199.0	2,765.3	3,576.2
Depreciation and amortisation	353.5	289.7	68.2	1,837.5	2,548.9
Write-off of property, plant and equipment	28.6	0.9	-	42.2	71.7
Impairment of property, plant and equipment	14.0	-	-	-	14.0
Significant non-cash expenses/(gains)	51.9	4.1	(4.4)	(8.0)	43.6

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45. SEGMENT REPORTING (continued)

	Mass Market^ RM	Managed Accounts RM	Global Wholesale RM	Shared Services/ Others RM	Total RM
Financial year ended 31 December 2015					
Operating revenue					
Total operating revenue	4,985.3	4,825.3	2,236.5	5,422.6	17,469.7
Inter-segment@	(35.7)	(451.9)	(365.9)	(4,894.6)	(5,748.1)
External operating revenue	4,949.6	4,373.4	1,870.6	528.0	11,721.6
Results					
Segment profits	98.6	1,022.7	453.6	30.2	1,605.1
Unallocated income/other losses					(10.7)
Unallocated costs					(363.9)
Operating profit before finance cost					1,230.5
Finance income					164.4
Finance cost					(323.4)
Foreign exchange loss on borrowings					(184.4)
Associates					
- share of results (net of tax)					24.7
Profit before taxation and zakat					911.8
Taxation and zakat					(320.0)
Profit for the financial year					591.8
At 31 December 2015					
Segment assets	1,575.0	2,005.0	1,702.3	4,302.6	9,584.9
Associates					26.3
Unallocated assets					14,801.9
Total assets					24,413.1
Segment liabilities	1,123.9	832.6	1,120.5	3,870.1	6,947.1
Borrowings					7,583.7
Unallocated liabilities					1,843.6
Total liabilities					16,374.4
Financial year ended 31 December 2015					
Other information					
Capital expenditure					
- additions during the financial year	80.6	312.3	121.0	2,433.6	2,947.5
Depreciation and amortisation	202.6	175.2	67.3	1,922.1	2,367.2
Write-off of property, plant and equipment	1.8	1.8	-	40.9	44.5
Impairment of property, plant and equipment	31.9	-	-	-	31.9
Reversal of impairment of non-current asset held for sale	(6.3)	-	-	-	(6.3)
Significant non-cash expenses/(gains)	161.2	10.3	2.9	(62.7)	111.7

45. SEGMENT REPORTING (continued)

[@] Inter-segment operating revenue relates to inter-division recharge and inter-company revenue and has been eliminated at the respective segment operating revenue. The inter-division recharge was agreed between the relevant lines of business. These inter-segment trading arrangements are entered into in the normal course of business and are subject to periodic review.

[>] Mass Market segment for the current financial year as well as comparatives includes financial information of Webe Digital Sdn Bhd (webe) (formerly known as Packet One Networks (Malaysia) Sdn Bhd) and its subsidiaries, as disclosed in the note 25 to the financial statements, reflective of webe's current customer profile in aligning to the Group's overall operational segmentation.

Certain revenue and cost elements in the comparative period have been revised to better reflect realignment from the movement of Medium Enterprise Business (MEB) customers previously under SME in Mass Market to Enterprise under Managed Accounts cluster.

By Geographical Location

The Group operates in a few countries as disclosed in note 51 to the financial statements. Accordingly, the segmentation of the Group's operations by geographical location is segmented into Malaysia and overseas. The overseas operation is not further segregated as no individual overseas country contributed more than 10.0% of the consolidated operating revenue or assets.

In presenting information for geographical segments of the Group, sales are based on the country in which the customers are located. Total assets and capital expenditure are determined based on where the assets are located.

	Operating Revenue		Capital Expenditure	
	2016 RM	2015 RM	2016 RM	2015 RM
Malaysia	**10,938.0**	10,630.3	**3,348.7**	2,804.0
Other countries	**1,122.9**	1,091.3	**227.5**	143.5
	12,060.9	11,721.6	**3,576.2**	2,947.5

	2016					2015				
Assets	Property, Plant and Equipment RM	Intangible Assets RM	Associates RM	Others RM	Total RM	Property, Plant and Equipment RM	Intangible Assets RM	Associates RM	Others RM	Total RM
Malaysia	**3,558.7**	**563.6**	**-**	**4,837.1**	**8,959.4**	3,375.6	607.8	-	4,661.0	8,644.4
Other countries	**806.3**	**-**	**45.8**	**171.4**	**1,023.5**	764.8	-	26.3	175.7	966.8
Unallocated assets	**11,645.6**	**-**	**-**	**3,373.1**	**15,018.7**	11,046.5	-	-	3,755.4	14,801.9
	16,010.6	**563.6**	**45.8**	**8,381.6**	**25,001.6**	15,186.9	607.8	26.3	8,592.1	24,413.1

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46. FINANCIAL INSTRUMENTS BY CATEGORY

The Group	Loans and receivables RM	At fair value through profit or loss RM	Derivatives accounted for under hedge accounting RM	Available-for-sale RM	Other financial liabilities at amortised cost RM	Total RM
2016						
Assets as per Statement of Financial Position						
Derivative financial instruments (note 19)	-	22.5	369.0	-	-	391.5
Available-for-sale investments (note 28)	-	-	-	714.5	-	714.5
Available-for-sale receivables (note 29)	-	-	-	4.8	-	4.8
Staff loans and other non-current receivables (excluding tax recoverable and prepaid employee benefits) (note 30)	746.7	-	-	-	-	746.7
Trade and other receivables (excluding prepayments, GST and tax recoverable and staff loans) (note 34)	2,767.4	-	-	-	-	2,767.4
Financial assets at fair value through profit or loss (note 35)	-	6.0	-	-	-	6.0
Cash and bank balances (note 36)	2,926.0	-	-	-	-	2,926.0
Total	6,440.1	28.5	369.0	719.3	-	7,556.9
Liabilities as per Statement of Financial Position						
Borrowings (excluding finance lease liabilities) (note 17)	-	-	-	-	8,310.8	8,310.8
Finance lease liabilities (note 17)	-	-	-	-	52.5	52.5
Derivative financial instruments (note 19)	-	301.9	-	-	-	301.9
Trade and other payables (excluding statutory liabilities and deferred revenue) (note 37)	-	-	-	-	3,730.7	3,730.7
Customer deposits (note 38)	-	-	-	-	443.1	443.1
Total	-	301.9	-	-	12,537.1	12,839.0

46. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

The Group	Loans and receivables RM	At fair value through profit or loss RM	Derivatives accounted for under hedge accounting RM	Available-for-sale RM	Other financial liabilities at amortised cost RM	Total RM
2015						
Assets as per Statement of Financial Position						
Derivative financial instruments (note 19)	-	8.2	327.1	-	-	335.3
Available-for-sale investments (note 28)	-	-	-	671.5	-	671.5
Available-for-sale receivables (note 29)	-	-	-	6.0	-	6.0
Staff loans and other non-current receivables (excluding tax recoverable and prepaid employee benefits) (note 30)	666.5	-	-	-	-	666.5
Trade and other receivables (excluding prepayments, GST and tax recoverable and staff loans) (note 34)	2,601.4	-	-	-	-	2,601.4
Financial assets at fair value through profit or loss (note 35)	-	6.6	-	-	-	6.6
Cash and bank balances (note 36)	3,511.6	-	-	-	-	3,511.6
Total	6,779.5	14.8	327.1	677.5	-	7,798.9
Liabilities as per Statement of Financial Position						
Borrowings (excluding finance lease liabilities) (note 17)	-	-	-	-	7,541.3	7,541.3
Finance lease liabilities (note 17)	-	-	-	-	42.4	42.4
Derivative financial instruments (note 19)	-	305.2	16.7	-	-	321.9
Trade and other payables (excluding statutory liabilities and deferred revenue) (note 37)	-	-	-	-	3,560.5	3,560.5
Customer deposits (note 38)	-	-	-	-	467.6	467.6
Total	-	305.2	16.7	-	11,611.8	11,933.7

46. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

The Company	Loans and receivables RM	At fair value through profit or loss RM	Derivatives accounted for under hedge accounting RM	Available-for-sale RM	Other financial liabilities at amortised cost RM	Total RM
2016						
Assets as per Statement of Financial Position						
Derivative financial instruments (note 19)	-	-	369.0	-	-	369.0
Loans and advances to subsidiaries (note 26)	1,349.3	-	-	-	-	1,349.3
Available-for-sale investments (note 28)	-	-	-	714.4	-	714.4
Available-for-sale receivables (note 29)	-	-	-	4.8	-	4.8
Staff loans and other non-current receivables (excluding tax recoverable and prepaid employee benefits) (note 30)	360.3	-	-	-	-	360.3
Trade and other receivables (excluding prepayments, GST and tax recoverable and staff loans) (note 34)	2,480.7	-	-	-	-	2,480.7
Financial assets at fair value through profit or loss (note 35)	-	6.0	-	-	-	6.0
Cash and bank balances (note 36)	2,167.3	-	-	-	-	2,167.3
Total	6,357.6	6.0	369.0	719.2	-	7,451.8
Liabilities as per Statement of Financial Position						
Borrowings (excluding finance lease liabilities) (note 17)	-	-	-	-	6,595.3	6,595.3
Finance lease liabilities (note 17)	-	-	-	-	44.9	44.9
Payable to subsidiaries (note 18)	-	-	-	-	1,528.7	1,528.7
Trade and other payables (excluding statutory liabilities and deferred revenue) (note 37)	-	-	-	-	3,449.7	3,449.7
Customer deposits (note 38)	-	-	-	-	442.5	442.5
Total	-	-	-	-	12,061.1	12,061.1

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46. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

The Company	Loans and receivables RM	At fair value through profit or loss RM	Derivatives accounted for under hedge accounting RM	Available-for-sale RM	Other financial liabilities at amortised cost RM	Total RM
2015						
Assets as per Statement of Financial Position						
Derivative financial instruments (note 19)	-	-	327.1	-	-	327.1
Loans and advances to subsidiaries (note 26)	914.3	-	-	-	-	914.3
Available-for-sale investments (note 28)	-	-	-	671.4	-	671.4
Available-for-sale receivables (note 29)	-	-	-	6.0	-	6.0
Staff loans and other non-current receivables (excluding tax recoverable and prepaid employee benefits) (note 30)	277.4	-	-	-	-	277.4
Trade and other receivables (excluding prepayments, GST and tax recoverable and staff loans) (note 34)	2,123.8	-	-	-	-	2,123.8
Financial assets at fair value through profit or loss (note 35)	-	6.6	-	-	-	6.6
Cash and bank balances (note 36)	2,580.0	-	-	-	-	2,580.0
Total	5,895.5	6.6	327.1	677.4	-	6,906.6
Liabilities as per Statement of Financial Position						
Borrowings (excluding finance lease liabilities) (note 17)	-	-	-	-	6,409.9	6,409.9
Finance lease liabilities (note 17)	-	-	-	-	42.2	42.2
Derivative financial instruments (note 19)	-	-	16.7	-	-	16.7
Payable to a subsidiary (note 18)	-	-	-	-	706.3	706.3
Trade and other payables (excluding statutory liabilities and deferred revenue) (note 37)	-	-	-	-	3,542.9	3,542.9
Customer deposits (note 38)	-	-	-	-	466.8	466.8
Total	-	-	16.7	-	11,168.1	11,184.8

47. FAIR VALUES

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date.

(a) Financial Instruments Carried at Fair Value

The table below analyses financial instruments carried at fair value, by valuation method. The different levels of valuations are:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

The following table presents the Group's and the Company's financial assets and liabilities that are measured at fair value at 31 December.

	2016				2015			
The Group	**Level 1 RM**	**Level 2 RM**	**Level 3 RM**	**Total RM**	**Level 1 RM**	**Level 2 RM**	**Level 3 RM**	**Total RM**
Assets								
Financial assets at fair value through profit or loss								
- quoted securities	**6.0**	**-**	**-**	**6.0**	6.6	-	-	6.6
Derivatives at fair value through profit or loss	**-**	**22.5**	**-**	**22.5**	-	8.2	-	8.2
Derivatives accounted for under hedge accounting	**-**	**142.4**	**226.6**	**369.0**	-	121.0	206.1	327.1
Available-for-sale financial assets								
- investments	**-**	**662.5**	**52.0**	**714.5**	-	612.8	58.7	671.5
- receivables	**-**	**4.8**	**-**	**4.8**	-	6.0	-	6.0
Total	**6.0**	**832.2**	**278.6**	**1,116.8**	6.6	748.0	264.8	1,019.4
Liabilities								
Derivatives accounted for under hedge accounting	**-**	**-**	**-**	**-**	-	16.7	-	16.7
Put option liability over shares held by non-controlling interest	**-**	**-**	**301.9**	**301.9**	-	-	305.2	305.2
Total	**-**	**-**	**301.9**	**301.9**	-	16.7	305.2	321.9

47. FAIR VALUES (continued)

(a) Financial Instruments Carried at Fair Value (continued)

The Company	2016 Level 1 RM	2016 Level 2 RM	2016 Level 3 RM	2016 Total RM	2015 Level 1 RM	2015 Level 2 RM	2015 Level 3 RM	2015 Total RM
Assets								
Financial assets at fair value through profit or loss								
- quoted securities	**6.0**	**-**	**-**	**6.0**	6.6	-	-	6.6
Derivatives accounted for under hedge accounting	**-**	**142.4**	**226.6**	**369.0**	-	121.0	206.1	327.1
Available-for-sale financial assets								
- investments	**-**	**662.4**	**52.0**	**714.4**	-	612.7	58.7	671.4
- receivables	**-**	**4.8**	**-**	**4.8**	-	6.0	-	6.0
Total	**6.0**	**809.6**	**278.6**	**1,094.2**	6.6	739.7	264.8	1,011.1
Liabilities								
Derivatives accounted for under hedge accounting	**-**	**-**	**-**	**-**	-	16.7	-	16.7
Total	**-**	**-**	**-**	**-**	-	16.7	-	16.7

The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group and the Company is the current bid price. These instruments are included in Level 1. Instruments included in Level 1 comprise of equity securities quoted on the Bursa Malaysia Securities Berhad classified as fair value through profit or loss.

The fair value of financial instruments that are not traded in an active market (for example over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3.

47. FAIR VALUES (continued)

(a) Financial Instruments Carried at Fair Value (continued)

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments.
- The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves.
- The fair value of forward foreign exchange contracts is determined using forward exchange rates at the reporting date, with the resulting value discounted back to present value.
- The fair value of the put option liability over shares of a subsidiary held by a non-controlling interest are determined using expected future value of a subsidiary with the resulting value discounted to present value.
- The fair value of the call option on shares of a subsidiary held by non-controlling interests is determined through an option valuation model with the use of observable market inputs.
- Fair value of staff loans and long term receivables are determined through discounting future cash flows at market observable borrowing rates reflective of the credit ratings of the individuals from whom the receivables are due.
- Fair value of borrowings and long term payables are based on the expected cost and cash outflows if the borrowings and amount due are to be unwound or settled immediately.
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

All of the resulting fair value estimates are included in Level 2 except for an investment in non-traded equity security, two cross currency interest rate swap contracts and a put option liability over shares of a subsidiary held by non-controlling interest. There were no transfers of any instruments between Level 1, 2 and 3 of the fair valuation hierarchy during the current financial year.

The following table shows a reconciliation from the opening balance to the closing balance for fair value measurements at Level 3 of the fair value hierarchy:

The Group and Company	Cross Currency Interest Rate Swaps (sub-note (i)) RM	Non-traded Equity Investment (sub-note (ii)) RM
Assets		
2016		
At 1 January	**206.1**	**58.7**
Fair value changes transferred to other comprehensive income	**20.5**	**(6.7)**
At 31 December	**226.6**	**52.0**
2015		
At 1 January	-	48.4
Transfer from Level 2	226.5	-
Fair value changes transferred to other comprehensive income	(20.4)	10.3
At 31 December	206.1	58.7

47. FAIR VALUES (continued)

(a) Financial Instruments Carried at Fair Value (continued)

The following table shows a reconciliation from the opening balance to the closing balance for fair value measurements in Level 3 of the fair value hierarchy: (continued)

The Group	Put Option Liability Over Shares Held by Non-controlling Interest (sub-note (iii)) RM
Liabilities	
2016	
At 1 January	**305.2**
Unwinding of discounts (note 9)	**28.5**
Fair value charges to profit and loss (note 8)	**(31.8)**
At 31 December	**301.9**
2015	
At 1 January	270.1
Unwinding of discounts (note 9)	9.7
Fair value charges to profit and loss (note 8)	25.4
At 31 December	305.2

(i) During the previous financial year, certain Cross Currency Interest Rate Swap contracts were transferred from Level 2 to Level 3 due to adjustments made by counterparty on yield curves in the valuation.

(ii) The fair valuation of non-traded equity investment is based on discounted future cash flows derived from the budgets and forecasts of the investee entity, duly approved by its Board of Directors. The future cash flows are discounted based on discount factors of comparable entities which are publicly listed whenever available, as well as industry benchmarks, having considered historical ability of the investee in meeting its previous budgets and forecasts. The Group also has Board representation in the investee through which due understanding of actual and forecasted performance are used by the Group in assessing the appropriateness of the estimates and assumptions used in arriving to the valuation.

(iii) In estimating the fair value of the put option on shares of a subsidiary held by non-controlling interest, the Group has used a valuation model in projecting the expected share price of the subsidiary on average over the period from 2021 to 2022 using recently transacted price, comparable growth rates and discount factors specific to certain industry available at the reporting date.

Although the Group and the Company believe that estimates of fair value are appropriate, the use of different methodologies or assumptions could lead to different measurements of fair value. For fair value measurement in Level 3, if the discount rate used in the discounted cash flow analysis is to differ by 10% from management's estimates, the carrying amount of available-for-sale financial assets would be approximately RM0.8 million (2015: RM0.8 million) lower or RM0.7 million (2015: RM0.9 million) higher. The fair value of Cross Currency Interest Rate Swaps at Level 3 would approximately be RM12.0 million lower or RM12.0 million higher if forward yield curves were to differ by 5%. The carrying amount of the put option on shares of a subsidiary of the Group would be an estimated RM8.8 million lower or RM9.2 million higher if the discount rate used in the valuation were to differ by 5% from management's estimates.

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47. FAIR VALUES (continued)

(b) Financial Instruments Other Than Those Carried at Fair Value

The carrying amounts of the financial assets and liabilities of the Group and the Company at the reporting date reasonably approximate their fair values except as set out below:

	The Group				The Company			
	2016		2015		2016		2015	
	Carrying amount RM	Net fair value RM	Carrying amount RM	Net fair value RM	Carrying amount RM	Net fair value RM	Carrying amount RM	Net fair value RM
Assets								
Staff loans	**205.3**	**190.4**	144.3	135.1	**205.3**	**190.4**	144.3	135.1
Redeemable Exchangeable Medium Term Notes receivable	**216.4**	**201.1**	200.3	199.5	**-**	**-**	-	-
Other non-current receivables (excluding tax recoverable)	**325.0**	**319.1**	321.9	317.1	**155.0**	**149.1**	133.1	128.3
Liabilities								
Borrowings	**8,363.3**	**8,865.9**	7,583.7	8,146.6	**6,640.2**	**7,147.5**	6,452.1	6,976.4
Payable to subsidiaries	**-**	**-**	-	-	**1,528.7**	**1,511.5**	706.3	733.5

Assets

In assessing the fair value of non-traded financial instruments, the Group and the Company use a variety of methods and make assumptions that are based on market conditions existing at each reporting date. Where impairment is made in respect of any investment, the carrying amount net of impairment made is deemed to be a close approximation of its fair value.

The fair values of staff loans, Redeemable Exchangeable Medium Term Notes and other non-current receivables were estimated by discounting the estimated future cash flows using the prevailing market rates for similar credit risks and remaining period to maturity, respectively.

Collaterals are taken for staff loans and the Directors are of the opinion that the potential losses in the event of default will be covered by the collateral values on individual loan basis.

Liabilities

The fair value of quoted bonds was estimated using the respective quoted offer price. For unquoted borrowings with fixed interest rate, the fair values were estimated by discounting the estimated future cash flows using the prevailing market rates for similar credit risks and remaining period to maturity.

The financial liabilities will be realised at their carrying amounts and not at their fair values as the Directors have no intention to settle these liabilities other than in accordance with their contractual obligations.

For all other short term financial instruments maturing within one year or are repayable on demand, the carrying amounts reasonably approximate their fair values at the reporting date.

48. LIQUIDITY RISK

The following table analyses the maturity profile of the Group's and the Company's financial liabilities (including derivative financial liabilities) based on contractual undiscounted cash flows:

The Group	Less than 1 year RM	> 1 year to 2 years RM	> 2 years to 5 years RM	> 5 years RM	Total contractual undiscounted cash flow RM	Difference from carrying amount RM	Carrying amount as per Statement of Financial Position RM
2016							
Borrowings	**(704.5)**	**(955.7)**	**(1,527.3)**	**(5,187.5)**	**(8,375.0)**	**11.7**	**(8,363.3)**
Put option liability over shares held by non-controlling interest	**-**	**-**	**-**	**(500.5)**	**(500.5)**	**198.6**	**(301.9)**
Trade and other payables (excluding statutory liabilities and deferred revenue)	**(3,730.7)**	**-**	**-**	**-**	**(3,730.7)**	**-**	**(3,730.7)**
Customer deposits	**(443.1)**	**-**	**-**	**-**	**(443.1)**	**-**	**(443.1)**
Total	**(4,878.3)**	**(955.7)**	**(1,527.3)**	**(5,688.0)**	**(13,049.3)**	**210.3**	**(12,839.0)**
Interest	**(375.2)**	**(363.9)**	**(973.7)**	**(743.8)**	**(2,456.6)**		
2015							
Borrowings	(412.9)	(364.6)	(1,663.7)	(5,161.7)	(7,602.9)	19.2	(7,583.7)
Put option liability over shares held by non-controlling interest	-	-	-	(651.2)	(651.2)	346.0	(305.2)
Cross currency interest rate swaps	(8.2)	(8.7)	-	-	(16.9)	0.2	(16.7)
Trade and other payables (excluding statutory liabilities and deferred revenue)	(3,560.5)	-	-	-	(3,560.5)	-	(3,560.5)
Customer deposits	(467.6)	-	-	-	(467.6)	-	(467.6)
Total	(4,449.2)	(373.3)	(1,663.7)	(5,812.9)	(12,299.1)	365.4	(11,933.7)
Interest	(342.0)	(335.2)	(898.6)	(901.2)	(2,477.0)		

48. LIQUIDITY RISK (continued)

The following table analyses the maturity profile of the Group's and the Company's financial liabilities (including derivative financial liabilities) based on contractual undiscounted cash flows: (continued)

The Company	Less than 1 year RM	> 1 year to 2 years RM	> 2 years to 5 years RM	> 5 years RM	Total contractual undiscounted cash flow RM	Difference from carrying amount RM	Carrying amount as per Statement of Financial Position RM
2016							
Borrowings	**(335.7)**	**(934.4)**	**(1,024.0)**	**(4,358.0)**	**(6,652.1)**	**11.9**	**(6,640.2)**
Payable to subsidiaries	**(299.4)**	**-**	**(447.5)**	**(781.8)**	**(1,528.7)**	**-**	**(1,528.7)**
Trade and other payables (excluding statutory liabilities and deferred revenue)	**(3,449.7)**	**-**	**-**	**-**	**(3,449.7)**	**-**	**(3,449.7)**
Customer deposits	**(442.5)**	**-**	**-**	**-**	**(442.5)**	**-**	**(442.5)**
Total	**(4,527.3)**	**(934.4)**	**(1,471.5)**	**(5,139.8)**	**(12,073.0)**	**11.9**	**(12,061.1)**
Interest	**(332.5)**	**(331.9)**	**(879.3)**	**(643.3)**	**(2,187.0)**		
2015							
Borrowings	(157.4)	(57.3)	(1,148.8)	(5,107.7)	(6,471.2)	19.1	(6,452.1)
Payable to a subsidiary	-	(278.3)	(428.0)	-	(706.3)	-	(706.3)
Cross currency interest rate swaps	(8.2)	(8.7)	-	-	(16.9)	0.2	(16.7)
Trade and other payables (excluding statutory liabilities and deferred revenue)	(3,542.9)	-	-	-	(3,542.9)	-	(3,542.9)
Customer deposits	(466.8)	-	-	-	(466.8)	-	(466.8)
Total	(4,175.3)	(344.3)	(1,576.8)	(5,107.7)	(11,204.1)	19.3	(11,184.8)
Interest	(329.6)	(329.4)	(890.0)	(883.9)	(2,432.9)		

49. INTEREST RATE RISK/MATURITY ANALYSIS

The table below summarises the Group's and the Company's exposure to interest rate risk. Included in the tables are the Group's and the Company's financial assets and liabilities at their carrying amounts, categorised by the earlier of repricing or contractual maturity dates. As such the spread of balances between the ageing brackets in the table below may not necessarily coincide with those shown in the liquidity risk schedule in note 48 or the repayment schedules in note 17 to the financial statements. Sensitivity to interest rates arises from mismatches in the repricing dates, cash flows and other characteristics of assets and their corresponding liability funding.

		Maturing or repriced (whichever is earlier)								
The Group	WARF*	1 year or less RM	> 1 - 2 years RM	> 2 - 3 years RM	> 3 - 4 years RM	> 4 - 5 years RM	More than 5 years RM	Total interest sensitive RM	Non-interest sensitive RM	Total RM
2016										
Financial assets										
Derivative financial instruments	-	391.5	-	-	-	-	-	391.5	-	391.5
Available-for-sale investments										
- non-interest sensitive	-	-	-	-	-	-	-	-	196.5	196.5
- fixed interest rate	4.52%	518.0	-	-	-	-	-	518.0	-	518.0
Available-for-sale receivables	8.04%	0.7	0.1	0.2	0.3	0.4	3.1	4.8	-	4.8
Staff loans and other non-current receivables (excluding tax recoverable and prepaid employee benefits)										
- non-interest sensitive	-	-	-	-	-	-	-	-	122.1	122.1
- fixed interest rate										
- conventional	6.63%	0.1	0.1	0.1	-	-	365.6	365.9	-	365.9
- balances under Islamic principles	4.42%	54.6	1.8	2.0	3.9	6.9	189.5	258.7	-	258.7
Trade and other receivables (excluding prepayments, GST and tax recoverable and staff loans)	-	-	-	-	-	-	-	-	2,767.4	2,767.4
Financial assets at fair value through profit or loss	-	-	-	-	-	-	-	-	6.0	6.0
Cash and bank balances										
- non-interest sensitive	-	-	-	-	-	-	-	-	1,278.7	1,278.7
- fixed interest rate										
- conventional	2.54%	539.6	-	-	-	-	-	539.6	-	539.6
- balances under Islamic principles	3.78%	1,107.7	-	-	-	-	-	1,107.7	-	1,107.7
Total		**2,612.2**	**2.0**	**2.3**	**4.2**	**7.3**	**558.2**	**3,186.2**	**4,370.7**	**7,556.9**
Financial liabilities										
Borrowings										
- non-interest sensitive	-	-	-	-	-	-	-	-	3.1	3.1
- floating interest rate	1.73%	15.4	-	-	447.5	-	224.3	687.2	-	687.2
- fixed interest rate										
- conventional	5.59%	680.2	22.9	21.7	18.1	18.1	1,987.0	2,748.0	-	2,748.0
- balances under Islamic principles	4.45%	-	925.0	-	200.0	800.0	3,000.0	4,925.0	-	4,925.0
Derivative financial instruments	-	-	-	-	-	-	301.9	301.9	-	301.9
Trade and other payables (excluding statutory liabilities and deferred revenue)										
- non-interest sensitive	-	-	-	-	-	-	-	-	3,730.7	3,730.7
Customer deposits	-	-	-	-	-	-	-	-	443.1	443.1
Total		**695.6**	**947.9**	**21.7**	**665.6**	**818.1**	**5,513.2**	**8,662.1**	**4,176.9**	**12,839.0**
Interest sensitivity gap		**1,916.6**	**(945.9)**	**(19.4)**	**(661.4)**	**(810.8)**	**(4,955.0)**			

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49. INTEREST RATE RISK/MATURITY ANALYSIS (continued)

The Group	WARF*	1 year or less RM	> 1 - 2 years RM	> 2 - 3 years RM	> 3 - 4 years RM	> 4 - 5 years RM	More than 5 years RM	Total interest sensitive RM	Non-interest sensitive RM	Total RM
	Maturing or repriced (whichever is earlier)									
2015										
Financial assets										
Derivative financial instruments	-	335.3	-	-	-	-	-	335.3	-	335.3
Available-for-sale investments										
- non-interest sensitive	-	-	-	-	-	-	-	-	155.9	155.9
- fixed interest rate	4.44%	515.6	-	-	-	-	-	515.6	-	515.6
Available-for-sale receivables	8.04%	2.3	0.8	1.1	0.7	0.5	0.6	6.0	-	6.0
Staff loans and other non-current receivables (excluding tax recoverable and prepaid employee benefits)										
- non-interest sensitive	-	-	-	-	-	-	-	-	149.3	149.3
- fixed interest rate										
- conventional	6.71%	-	-	0.1	0.1	0.1	322.8	323.1	-	323.1
- balances under Islamic principles	4.41%	52.7	1.5	2.6	2.7	3.2	131.4	194.1	-	194.1
Trade and other receivables (excluding prepayments, GST and tax recoverable and staff loans)	-	-	-	-	-	-	-	-	2,601.4	2,601.4
Financial assets at fair value through profit or loss	-	-	-	-	-	-	-	-	6.6	6.6
Cash and bank balances										
- non-interest sensitive	-	-	-	-	-	-	-	-	1,152.2	1,152.2
- fixed interest rate										
- conventional	4.06%	855.6	-	-	-	-	-	855.6	-	855.6
- balances under Islamic principles	4.47%	1,503.8	-	-	-	-	-	1,503.8	-	1,503.8
Total		3,265.3	2.3	3.8	3.5	3.8	454.8	3,733.5	4,065.4	7,798.9
Financial liabilities										
Borrowings										
- non-interest sensitive	-	-	-	-	-	-	-	-	3.0	3.0
- floating interest rate	1.50%	427.9	-	-	-	-	-	427.9	-	427.9
- fixed interest rate										
- conventional	6.01%	408.0	357.9	33.1	33.0	37.8	1,356.2	2,226.0	-	2,226.0
- balances under Islamic principles	4.45%	-	-	926.8	-	200.0	3,800.0	4,926.8	-	4,926.8
Derivative financial instruments	-	16.7	-	-	-	-	305.2	321.9	-	321.9
Trade and other payables (excluding statutory liabilities and deferred revenue)										
- non-interest sensitive	-	-	-	-	-	-	-	-	3,560.5	3,560.5
Customer deposits	-	-	-	-	-	-	-	-	467.6	467.6
Total		852.6	357.9	959.9	33.0	237.8	5,461.4	7,902.6	4,031.1	11,933.7
Interest sensitivity gap		2,412.7	(355.6)	(956.1)	(29.5)	(234.0)	(5,006.6)			

* WARF - Weighted Average Rate of Finance as at 31 December

49. INTEREST RATE RISK/MATURITY ANALYSIS (continued)

The table below summarises the weighted average rate of finance (WARF) as at 31 December by major currencies for each class of financial asset and liability:

The Group	2016 USD	2016 RM	2015 USD	2015 RM
Financial assets				
Available-for-sale investments	**-**	**4.52%**	-	4.44%
Available-for-sale receivables	**-**	**8.04%**	-	8.04%
Staff loans and other non-current receivables (excluding tax recoverable and prepaid employee benefits)	**-**	**6.04%**	-	5.85%
Cash and bank balances	**-**	**3.37%**	-	4.32%
Financial liabilities				
Borrowings	**5.32%**	**4.46%**	6.04%	4.50%

The Company	WARF*	Maturing or repriced (whichever is earlier) 1 year or less RM	> 1 - 2 years RM	> 2 - 3 years RM	> 3 - 4 years RM	> 4 - 5 years RM	More than 5 years RM	Total interest sensitive RM	Non-interest sensitive RM	Total RM
2016										
Financial assets										
Derivative financial instruments	-	369.0	-	-	-	-	-	369.0	-	369.0
Loans and advances to subsidiaries (net)										
- floating interest rate	4.42%	1,349.3	-	-	-	-	-	1,349.3	-	1,349.3
Available-for-sale investments										
- non-interest sensitive	-	-	-	-	-	-	-	-	196.4	196.4
- fixed interest rate	4.52%	518.0	-	-	-	-	-	518.0	-	518.0
Available-for-sale receivables	8.04%	0.7	0.1	0.2	0.3	0.4	3.1	4.8	-	4.8
Staff loans and other non-current receivables (excluding tax recoverable and prepaid employee benefits)										
- fixed interest rate										
- conventional	3.53%	0.1	0.1	0.1	-	-	101.3	101.6	-	101.6
- balances under Islamic principles	4.44%	54.6	1.8	2.0	3.9	6.9	189.5	258.7	-	258.7
Trade and other receivables (excluding prepayments, GST and tax recoverable and staff loans)	-	-	-	-	-	-	-	-	2,480.7	2,480.7
Financial assets at fair value through profit or loss	-	-	-	-	-	-	-	-	6.0	6.0
Cash and bank balances										
- non-interest sensitive	-	-	-	-	-	-	-	-	598.6	598.6
- fixed interest rate										
- conventional	2.54%	538.9	-	-	-	-	-	538.9	-	538.9
- balances under Islamic principles	3.75%	1,029.8	-	-	-	-	-	1,029.8	-	1,029.8
Total		3,860.4	2.0	2.3	4.2	7.3	293.9	4,170.1	3,281.7	7,451.8

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49. INTEREST RATE RISK/MATURITY ANALYSIS (continued)

	Maturing or repriced (whichever is earlier)							Total	Non-	
The Company	WARF*	1 year or less RM	> 1 - 2 years RM	> 2 - 3 years RM	> 3 - 4 years RM	> 4 - 5 years RM	More than 5 years RM	interest sensitive RM	interest sensitive RM	Total RM
2016										
Financial liabilities										
Borrowings										
- non-interest sensitive	-	-	-	-	-	-	-	-	3.1	3.1
- fixed interest rate										
- conventional	7.15%	326.3	2.1	2.1	-	-	1,381.6	1,712.1	-	1,712.1
- balances under Islamic principles	4.45%	-	925.0	-	200.0	800.0	3,000.0	4,925.0	-	4,925.0
Payable to subsidiaries										
- fixed interest rate	2.62%	299.4	-	-	-	-	557.5	856.9	-	856.9
- floating interest rate	1.71%	-	-	-	447.5	-	224.3	671.8	-	671.8
Trade and other payables (excluding statutory liabilities and deferred revenue)										
- non-interest sensitive	-	-	-	-	-	-	-	-	3,053.5	3,053.5
- floating interest rate	3.78%	396.2	-	-	-	-	-	396.2	-	396.2
Customer deposits	-	-	-	-	-	-	-	-	442.5	442.5
Total		1,021.9	927.1	2.1	647.5	800.0	5,163.4	8,562.0	3,499.1	12,061.1
Interest sensitivity gap		2,838.5	(925.1)	0.2	(643.3)	(792.7)	(4,869.5)			

49. INTEREST RATE RISK/MATURITY ANALYSIS (continued)

The Company	WARF*	Maturing or repriced (whichever is earlier) 1 year or less RM	> 1 - 2 years RM	> 2 - 3 years RM	> 3 - 4 years RM	> 4 - 5 years RM	More than 5 years RM	Total interest sensitive RM	Non-interest sensitive RM	Total RM
2015										
Financial assets										
Derivative financial instruments	-	327.1	-	-	-	-	-	327.1	-	327.1
Loans and advances to subsidiaries (net)										
- floating interest rate	4.71%	914.3	-	-	-	-	-	914.3	-	914.3
Available-for-sale investments										
- non-interest sensitive	-	-	-	-	-	-	-	-	155.8	155.8
- fixed interest rate	4.44%	515.6	-	-	-	-	-	515.6	-	515.6
Available-for-sale receivables	8.04%	2.3	0.8	1.1	0.7	0.5	0.6	6.0	-	6.0
Staff loans and other non-current receivables (excluding tax recoverable and prepaid employee benefits)										
- fixed interest rate										
- conventional	3.55%	-	-	0.1	0.1	0.1	83.0	83.3	-	83.3
- balances under Islamic principles	4.41%	1.0	1.5	2.6	2.7	3.2	183.1	194.1	-	194.1
Trade and other receivables (excluding prepayments, GST and tax recoverable and staff loans)	-	-	-	-	-	-	-	-	2,123.8	2,123.8
Financial assets at fair value through profit or loss	-	-	-	-	-	-	-	-	6.6	6.6
Cash and bank balances										
- non-interest sensitive	-	-	-	-	-	-	-	-	297.9	297.9
- fixed interest rate										
- conventional	4.06%	851.3	-	-	-	-	-	851.3	-	851.3
- balances under Islamic principles	4.47%	1,430.8	-	-	-	-	-	1,430.8	-	1,430.8
Total		4,042.4	2.3	3.8	3.5	3.8	266.7	4,322.5	2,584.1	6,906.6
Financial liabilities										
Borrowings										
- non-interest sensitive	-	-	-	-	-	-	-	-	3.0	3.0
- fixed interest rate										
- conventional	7.43%	152.5	50.6	5.3	5.7	5.9	1,302.3	1,522.3	-	1,522.3
- balances under Islamic principles	4.45%	-	-	926.8	-	200.0	3,800.0	4,926.8	-	4,926.8
Payable to a subsidiary										
- fixed interest rate	0.91%	-	-	278.4	-	-	-	278.4	-	278.4
- floating interest rate	1.50%	427.9	-	-	-	-	-	427.9	-	427.9
Derivative financial instruments	-	16.7	-	-	-	-	-	16.7	-	16.7
Trade and other payables (excluding statutory liabilities and deferred revenue)										
- non-interest sensitive	-	-	-	-	-	-	-	-	3,231.1	3,231.1
- floating interest rate	4.58%	311.8	-	-	-	-	-	311.8	-	311.8
Customer deposits	-	-	-	-	-	-	-	-	466.8	466.8
Total		908.9	50.6	1,210.5	5.7	205.9	5,102.3	7,483.9	3,700.9	11,184.8
Interest sensitivity gap		3,133.5	(48.3)	(1,206.7)	(2.2)	(202.1)	(4,835.6)			

* WARF - Weighted Average Rate of Finance as at 31 December

49. INTEREST RATE RISK/MATURITY ANALYSIS (continued)

The table below summarises the weighted average rate of finance (WARF) as at 31 December by major currencies for each class of financial asset and liability:

	2016		2015	
The Company	**USD**	**RM**	**USD**	**RM**
Financial assets				
Loans and advances to subsidiaries (net)	**3.08%**	**4.44%**	2.49%	4.86%
Available-for-sale investments	**-**	**4.52%**	-	4.44%
Available-for-sale receivables	**-**	**8.04%**	-	8.04%
Staff loans and other non-current receivables (excluding tax recoverable and prepaid employee benefits)	**-**	**4.15%**	-	4.15%
Cash and bank balances	**-**	**3.34%**	-	4.32%
Financial liabilities				
Borrowings	**7.88%**	**4.36%**	7.88%	4.47%
Payable to subsidiaries	**2.22%**	**-**	1.27%	-
Trade and other payables (excluding statutory liabilities and deferred revenue)	**-**	**3.78%**	-	4.58%

50. CONTINGENT LIABILITIES (UNSECURED)

(a) On 26 November 2007, the Company and TESB were served with a Writ of Summons and Statement of Claim in respect of a suit filed by Mohd Shuaib Ishak (MSI). MSI is seeking from the Company, TESB and 12 others (including the former and existing directors of the Company) jointly and/or severally, inter alia, the following:

(i) a Declaration that the Sale and Purchase Agreement dated 28 October 2002 between Celcom and the Company (or TESB) for the acquisition by Celcom of the shares in TM Cellular Sdn Bhd, and all matters undertaken thereunder including but not limited to the issuance of shares by Celcom are illegal and void and of no effect;

(ii) a Declaration that all purchases of shares in Celcom made by TESB and/or the Company and/or parties acting in concert with them with effect from and including the date of the Notice of the Mandatory Offer dated 3 April 2003 issued by Commerce International Merchant Bankers Berhad (now known as CIMB) are illegal and void and of no effect;

(iii) all necessary and fit orders and directions as may be required to give effect to the aforesaid Declarations as the Court deemed fit including but not limited to directions for the rescission of all transfers of shares of Celcom made after the Notice of Mandatory Offer for shares in Celcom dated 3 April 2003;

(iv) that the Company by itself, its servants and agents be restrained from giving effect to or executing any of the proposals relating to the proposed demerger of the mobile and fixed line businesses of the Group; and

(v) various damages to be assessed.

On 30 November 2007, the Company and TESB obtained leave to enter conditional appearance and subsequently on 17 December 2007, the Company and TESB filed the relevant application to strike out the suit (Striking Out Application).

On 20 July 2012, the High Court found in favour of the Company and granted an order in terms of the Striking Out Application.

On 13 August 2012, MSI filed an appeal to the Court of Appeal against the decision of the High Court above. The appeal was dismissed on 30 October 2013.

On 28 November 2013, MSI filed an application for leave to appeal to the Federal Court against the decision of the Court of Appeal above stated.

50. CONTINGENT LIABILITIES (UNSECURED) (continued)

(a) On 1 March 2016, the Federal Court dismissed the said application with costs of RM10,000.00.

Based on the Federal Court's decision and the Company's external legal advice, the legal suit brought by MSI against the Company has effectively ended.

(b) On 6 March 2013, TM Facilities Sdn Bhd (TMF), a wholly-owned subsidiary of the Group, has through its solicitors, been served with a Writ and Statement of Claim by Menara Intan Langkawi Sdn Bhd (MIL) and HBA Development Bhd (HBA), through their solicitors.

The claim by HBA is premised upon an alleged wrongful termination of an Agreement to Lease dated 14 August 2003 between MIL and TMF (Agreement). Under the Agreement, TMF had agreed to take a lease of a telecommunication tower to be constructed at the Mukim of Kuah in Langkawi, from MIL, a joint venture company between Lembaga Pembangunan Langkawi and HBA, for a lease period of 15 years and at a lease rental of RM17.0 million per annum.

The Lease Agreement was subsequently terminated by TMF on 6 February 2007, as TMF was of the view that MIL has failed to secure the necessary approvals and commence construction of the telecommunication tower despite the time given.

Based on the Amended Writ and Statement of Claim (Statement of Claim), MIL and HBA are seeking for the following:

(a) Damages in respect of loss of profit of RM168,701,922.00;

(b) Damages in respect of works and expenses of RM86,298,078.60;

(c) Damages in respect of the value of a land measuring 28.49 acres of RM80,600,000.00;

(d) General damages;

(e) Interest; and

(f) Costs.

On 28 March 2013, TMF filed an application to strike out the Statement of Claim by the 2nd Plaintiff, HBA against TMF (Striking Out Application).

On 1 April 2013, TMF was served with an Amended Statement of Claim dated 29 March 2013 by both the Plaintiffs in the legal suit. In the Amended Statement of Claim, the Plaintiffs have amended their claim of loss of profits from RM168,701,922.00 to RM225,000,000.00.

On 17 May 2013, the Striking Out Application was allowed with cost by the High Court. On the same day, TMF filed its Defence to the Amended Statement of Claim by the 1st Plaintiff, MIL.

On 1 July 2013, the High Court ordered MIL to provide security for cost in the sum of RM175,000.00 within a period of 45 days and further ordered for the legal suit to be stayed pending payment of the same. On 26 August 2013, MIL paid the security for costs into TMF's solicitor's account.

On 18 November 2013, TMF's solicitors were served with a Summary Judgment Application in which MIL seeks for the following Orders from the High Court:

(i) An Order for declaration that TMF has wrongfully and unlawfully terminated the Agreement;

(ii) An Order for assessment of damages to be paid by TMF to MIL for all the damages and losses suffered by MIL as compensation for the termination of the Agreement wrongfully and unlawfully;

50. CONTINGENT LIABILITIES (UNSECURED) (continued)

(b) On 18 November 2013, TMF's solicitors were served with a Summary Judgment Application in which MIL seeks for the following Orders from the High Court: (continued)

(iii) An Order for TMF to pay MIL immediately after the assessment of damages by the Court; and

(iv) Interest and cost.

The hearing date for the Summary Judgment Application was fixed on 26 May 2014.

On 26 May 2014, MIL withdrew the Summary Judgment Application. The legal suit then proceeded for trial on 26 - 27 May 2014 and on 23 - 24 June 2014.

On 31 October 2014, the High Court dismissed MIL's claim and awarded costs in the sum of RM50,000.00 in favour of TMF.

On 12 November 2014, MIL filed its appeal against the said decision of the High Court. The appeal was fixed for case management on 17 March 2015.

On 15 April 2015, the Court of Appeal allowed the extension of time sought by MIL in respect of the filing of the Record of Appeal with cost in the sum of RM2,000.00 to be paid to TMF.

On 2 December 2015, the Court of Appeal allowed MIL's solicitors' application to discharge themselves from representing MIL with no order as to costs.

The Court of Appeal further allowed TMF's application for security for costs in the sum of RM30,000.00 with costs of RM3,000.00 to be paid by MIL to TMF. The appeal shall, unless the security for costs is paid to TMF within a period of 14 days, be dismissed by the Court of Appeal with costs to be paid by MIL to TMF.

On 3 February 2016, TMF's solicitors served the sealed copy of the order to MIL and demanded the payment of the security for costs within a period of 14 days from the date of service, failing which TMF's solicitors will file a motion by way of application to strike out MIL's appeal. On 24 March 2016, TMF's solicitors filed a Notice of Motion to strike out MIL's appeal. On 11 May 2016, the Court of Appeal allowed TMF's application to strike out MIL's appeal ("Order") with cost of RM1,000.00.

On 15 August 2016, TMF's solicitors served the sealed Order on the registered and business addresses of MIL and MIL may file an application to the Court of Appeal to set aside the Order within a period of thirty (30) days from the date of receipt of the sealed Order by MIL. On 15 September 2016, TMF's solicitors informed that the period of the said thirty (30) days has lapsed and they have not been served with any application from MIL to set aside the Order. Based on the said Order and TMF's solicitors' legal advice, the legal suit brought by MIL against TMF has effectively come to an end.

Apart from the above, the Directors are not aware of any other proceedings pending against the Company and/or its subsidiaries or of any facts likely to give rise to any proceedings which might materially affect the financial position or business of the Company and/or its subsidiaries.

There were no other contingent liabilities or material litigations or guarantees other than those arising in the ordinary course of the business of the Group and the Company and on these, no material losses are anticipated.

51. LIST OF SUBSIDIARIES AS AT 31 DECEMBER 2016

The subsidiaries are as follows:

	Group's Effective Interest		Paid-up Capital		
Name of Company	2016 %	2015 %	2016 Million	2015 Million	Principal Activities
Fiberail Sdn Bhd	**54**	54	**RM15.8**	RM15.8	Provision of network connectivity and bandwidth services in Malaysia and project management services in relation to telecommunications
Fibrecomm Network (M) Sdn Bhd	**51**	51	**RM75.0**	RM75.0	Provision of fibre optic transmission network services
GITN Sdn Berhad	**100**	100	**RM50.0**	RM50.0	Provision of managed network services and enhanced value added telecommunication and information technology services
Hijrah Pertama Berhad	**100**	100	**RM#**	RM#	Special purpose entity
Intelsec Sdn Bhd	**100**	100	**RM10.7**	RM10.7	Provision of information and communications technology (ICT) services and cloud consumption by designing and leveraging the network and exchange platforms
Menara Kuala Lumpur Sdn Bhd	**100**	100	**RM10.0**	RM10.0	Managing and operating of Menara Kuala Lumpur
Mobikom Sdn Bhd	**100**	100	**RM610.0**	RM610.0	Provision of transmission of voice and data through the cellular system
Parkside Properties Sdn Bhd	**100**	100	**RM0.1**	RM0.1	Dormant
Tekad Mercu Berhad (In liquidation)<	**100**	100	**RM#**	RM#	Special purpose entity
Telekom Applied Business Sdn Bhd	**100**	100	**RM1.6**	RM1.6	Provision of software development and sale of software products
Telekom Enterprise Sdn Bhd	**100**	100	**RM0.6**	RM0.6	Investment holding
Telekom Malaysia (Australia) Pty Ltd*	**100**	100	**AUD#**	AUD#	Provision of international telecommunications services
Telekom Malaysia (Hong Kong) Limited*	**100**	100	**HKD18.5**	HKD18.5	Provision of international telecommunications services
Telekom Malaysia (S) Pte Ltd*	**100**	100	**SGD#**	SGD#	Provision of international telecommunications services
Telekom Malaysia (UK) Limited*	**100**	100	**GBP#**	GBP#	Provision of international telecommunications services

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51. LIST OF SUBSIDIARIES AS AT 31 DECEMBER 2016 (continued)

The subsidiaries are as follows: (continued)

Name of Company	Group's Effective Interest 2016 %	Group's Effective Interest 2015 %	Paid-up Capital 2016 Million	Paid-up Capital 2015 Million	Principal Activities
Telekom Malaysia (USA) Inc*	**100**	100	**USD3.5**	USD3.5	Provision of international telecommunications services
Telekom Multi-Media Sdn Bhd	**100**	100	**RM1.7**	RM1.7	Investment holding
Telekom Research & Development Sdn Bhd	**100**	100	**RM20.0**	RM20.0	Provision of research and development activities in the areas of communications, hi-tech applications and products and services in related business
Telekom Sales and Services Sdn Bhd	**100**	100	**RM14.5**	RM14.5	Provision of management of customers care services and trading of customer premises telecommunication equipment
Telekom Technology Sdn Bhd	**100**	100	**RM13.0**	RM13.0	Ceased operations
TM Broadcasting Sdn Bhd˃	**-**	100	**RM#**	RM#	Dormant
TM ESOS Management Sdn Bhd	**100**	100	**RM0.1**	RM0.1	Special purpose entity
TM Facilities Sdn Bhd	**100**	100	**RM2.3**	RM2.3	Provision of property development activities
TM Global Incorporated	**100**	100	**USD#**	USD#	Investment holding
TM Info-Media Sdn Bhd	**100**	100	**RM6.0**	RM6.0	Publication of printed and online telephone directories services as well as provision of multi platform solutions for advertising
TM Net Sdn Bhd	**100**	100	**RM180.0**	RM180.0	Content and application development for Internet services
Tulip Maple Berhad	**100**	100	**RM#**	RM#	Special purpose entity
Universiti Telekom Sdn Bhd	**100**	100	**RM650.0**	RM650.0	Managing and administering a private university known as Multimedia University
VADS Berhad	**100**	100	**RM5.0**	RM5.0	Provision of managed network services, network system integration services and network centric services
VADS Lyfe Sdn Bhd (formerly known as GTC Global Sdn Bhd)	**100**	100	**RM1.1**	RM1.1	Provision of information and communications technology (ICT) system security services, integrated security management system, and build, provide and manage the smart building services including smart tenant services for the building owners, operators, residents and visitors

51. LIST OF SUBSIDIARIES AS AT 31 DECEMBER 2016 (continued)

The subsidiaries are as follows: (continued)

	Group's Effective Interest		Paid-up Capital		
Name of Company	2016 %	2015 %	2016 Million	2015 Million	Principal Activities
Subsidiaries held through Intelsec Sdn Bhd					
Inneonusa Sdn Bhd	**51**	51	**RM15.0**	RM15.0	Provision of ICT system security and smart building services including smart tenant services for building owners, operators, residents and visitors
Lyfe Medini Sdn Bhd	**51**	50	**RM2.0**	RM#	Provision of innovative and best value smart products and services
Subsidiary held through Mobikom Sdn Bhd					
Webe Digital Sdn Bhd (formerly known as Packet One Networks (Malaysia) Sdn Bhd) (sub-note (a))	**72.9**	55.3	**RM27.5**	RM16.7	Providing last mile broadband network infrastructure facilities and services
Subsidiaries held through Webe Digital Sdn Bhd					
P1.Com Sdn Bhd	**72.9**	55.3	**RM#**	RM#	A collector of telecommunications revenue for fellow group companies
Millercom Sdn Bhd	**72.9**	55.3	**RM0.3**	RM0.3	Providing project management services
RuumzNation Sdn Bhd	**72.9**	55.3	**RM0.1**	RM0.1	Dormant
Packet One (L) Ltd	**72.9**	55.3	**RM#**	RM#	Investment holding
Subsidiary held through TM Info-Media Sdn Bhd					
Cybermall Sdn Bhd	**100**	100	**RM2.7**	RM2.7	Ceased operations
Subsidiaries held through TM Facilities Sdn Bhd					
TMF Autolease Sdn Bhd	**100**	100	**RM1.0**	RM1.0	Provision of fleet management services
TMF Services Sdn Bhd (In liquidation)[@]	**100**	100	**RM1.0**	RM1.0	Ceased operation
Subsidiaries held through Universiti Telekom Sdn Bhd					
Unitele Multimedia Sdn Bhd	**100**	100	**RM1.0**	RM1.0	Provision of training and related services
Multimedia College Sdn Bhd	**100**	100	**RM2.0**	RM1.0	Managing and administering a private college known as Multimedia College

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

51. LIST OF SUBSIDIARIES AS AT 31 DECEMBER 2016 (continued)

The subsidiaries are as follows: (continued)

	Group's Effective Interest		Paid-up Capital		
Name of Company	2016 %	2015 %	2016 Million	2015 Million	Principal Activities
Subsidiary held through Unitele Multimedia Sdn Bhd					
MMU Creativista Sdn Bhd	**100**	100	**RM#**	RM#	Provision of digital video and film production and post production services
Subsidiaries held through VADS Berhad					
Meganet Communications Sdn Bhd	**100**	100	**RM11.0**	RM11.0	To develop, operate and provide Intelligent Building Systems, Intelligent Security, Integrated Telecommunications and Information Technology Solutions to both the Government and private sectors
VADS Business Process Sdn Bhd	**100**	100	**RM10.0**	RM10.0	Provision of managed contact centre services
VADS e-Services Sdn Bhd	**100**	100	**RM1.0**	RM1.0	Provision of managed information technology services, managed application services and contact centre service
VADS Professional Services Sdn Bhd	**100**	100	**RM#**	RM#	Dormant
VADS Solutions Sdn Bhd	**100**	100	**RM1.5**	RM1.5	Provision of system integration services
Subsidiary held through VADS Business Process Sdn Bhd					
PT VADS Indonesia (collectively with VADS Berhad)^	**100**	100	**IDR17,052.8**	IDR17,052.8	Provision of managed contact centre services
Subsidiary consolidated through effective control as defined by MFRS 10					
Yayasan Telekom Malaysia	**-**	-	**^^**	^^	A trust established under the provision of Trustees (Incorporation) Act, 1952, for promotion and advancement of education, research and dissemination of knowledge

51. LIST OF SUBSIDIARIES AS AT 31 DECEMBER 2016 (continued)

All subsidiaries are incorporated in Malaysia except the following:

Name of Company	Place of Incorporation
PT VADS Indonesia	- Indonesia
Telekom Malaysia (Australia) Pty Ltd	- Australia
Telekom Malaysia (Hong Kong) Limited	- Hong Kong
Telekom Malaysia (S) Pte Ltd	- Singapore
Telekom Malaysia (UK) Limited	- United Kingdom
Telekom Malaysia (USA) Inc	- USA

AUD	Australian Dollar
IDR	Indonesian Rupiah
HKD	Hong Kong Dollar
SGD	Singapore Dollar
GBP	Pound Sterling
USD	US Dollar

Amount less than 0.1 million in their respective currencies
* Audited by a member firm of PricewaterhouseCoopers International Limited which is a separate and independent legal entity from PricewaterhouseCoopers Malaysia.
> Application for striking-off was submitted to the Registrar of Companies on 7 November 2014 pursuant to the said Section 308(1) of the Companies Act, 1965 (CA 1965) (now Section 551(3) of Companies Act 2016 (CA 2016)). The company was struck-off on 24 May 2016.
< Granted order for members' voluntary winding up pursuant to Section 254(1)(b) of the CA 1965 (now Section 441(1)(b) of the CA 2016) on 13 January 2016 including appointment of liquidator.
@ Granted order for members' voluntary winding up pursuant to Section 254(1)(b) of the CA 1965 (now Section 441(1)(b) of the CA 2016) on 15 February 2016 including appointment of liquidator.
^ VADS Berhad and VADS Business Process Sdn Bhd hold a direct interest of 10.0% and 90.0% respectively in PT VADS Indonesia.
^^ As an entity established under the Trustees (Incorporation) Act, 1952, this entity has an initial contribution of RM13.0 million instead of paid-up capital.

(a) Subsequent to Mobikom Sdn Bhd's (Mobikom) subscription of the Convertible MTN issued by webe as disclosed in note 17(f) to the financial statements on 11 February 2016, Mobikom received 10,674,640 new webe shares pursuant to an early conversion of the Convertible MTN subscribed by Mobikom (Early Conversion). The Early Conversion is a right for Packet One Sdn Bhd (Packet One) to acquire from Mobikom, as the subscribing noteholder of the Convertible MTN, for an early conversion of RM410,299,000.00 of the Convertible MTN into new ordinary shares of webe, during a pre-determined conversion period subject to the fulfilment of certain conditions in accordance with the Investment Agreement entered into by Mobikom and the shareholders of webe namely Packet One, a wholly-owned subsidiary of Green Packet Berhad (Green Packet) and SK Telecom Co., Ltd (SKT) on 27 March 2014 (Investment Agreement).

In addition, webe also issued 133,726 new webe shares to Mobikom due to a net debt adjustment in accordance to the terms of the Investment Agreement.

Pursuant to the above an additional 10,808,366 new webe shares were issued to Mobikom. The Group's shareholding (via Mobikom) in webe increased from 55.3% to 72.9% while the remaining shares are held by Green Packet (via Packet One) and SKT at 18.9% and 8.2% respectively with changes in the non-controlling interest's share in webe reflected as changes in the Group's reserves.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

52. LIST OF ASSOCIATES AS AT 31 DECEMBER 2016

The associates are as follows:

Name of Company	Group's Effective Interest 2016 %	2015 %	Principal Activities
Associates held through Telekom Multi-Media Sdn Bhd			
Mahirnet Sdn Bhd (In liquidation)	**49**	49	Granted Order for Creditors' winding up by the Kuala Lumpur High Court pursuant to Section 217 of the CA 1965
Mutiara.Com Sdn Bhd (sub-note (a))	**-**	30	Provision and promotion of internet-based communications services
Associate held through Telekom Malaysia (S) Pte Ltd			
BlueTel Networks Pte Ltd	**29**	29	Provision of telecommunications and network solutions

All associates are incorporated in Malaysia, except for BlueTel Networks Pte Ltd (BTN), which is incorporated in Singapore.
All associates have co-terminous financial year end with the Company.

(a) On 30 September 2016, the Company had entered into a Share Sale and Purchase Agreement to sell its entire equity interest of 30% in Mutiara.Com Sdn Bhd. The disposal was completed on 10 October 2016.

53. CURRENCY

All amounts are expressed in Ringgit Malaysia (RM) unless otherwise stated.

54. APPROVAL OF FINANCIAL STATEMENTS

The financial statements have been approved for issuance in accordance with a resolution of the Board of Directors on 22 February 2017.

55. SUPPLEMENTARY INFORMATION PURSUANT TO BURSA MALAYSIA SECURITIES BERHAD LISTING REQUIREMENTS

Realised and Unrealised Profits

On 25 March 2010, Bursa Malaysia Securities Berhad (Bursa Malaysia) issued a directive to all listed issuers pursuant to Paragraphs 2.06 and 2.23 of Bursa Malaysia Main Market Listing Requirements. The directive requires all listed issuers to disclose the breakdown of the unappropriated profits or accumulated losses as at the end of the reporting period, into realised and unrealised profits or losses. On 20 December 2010, Bursa Malaysia further issued guidance on the disclosure and the format required.

The breakdown of retained profits of the Group and the Company as at the reporting date, into realised and unrealised profits, pursuant to the directive, is as follows:

	The Group		The Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Retained profits:				
- realised	**2,607.2**	2,367.7	**5,064.4**	4,362.3
- unrealised - in respect of deferred tax recognised in the Income Statements				
- in respect of other items of income and expense	**(1,484.2)**	(1,356.1)	**(1,445.4)**	(1,269.4)
	445.1	480.2	**174.9**	206.3
Share of accumulated profits of associates				
- realised	**67.3**	37.9	**-**	-
	1,635.4	1,529.7	**3,793.9**	3,299.2
Add: consolidation adjustments	**2,504.5**	2,638.4	**-**	-
TOTAL RETAINED PROFITS	**4,139.9**	4,168.1	**3,793.9**	3,299.2

The determination of realised and unrealised profits is based on the Guidance of Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants on 20 December 2010.

STATEMENT BY DIRECTORS

PURSUANT TO SECTION 169(15) OF THE COMPANIES ACT, 1965

We, Tan Sri Dato' Seri Dr Sulaiman Mahbob and Tan Sri Dato' Sri Zamzamzairani Mohd Isa, two of the Directors of Telekom Malaysia Berhad, state that, in the opinion of the Directors, the financial statements on pages 204 to 328 are drawn up so as to exhibit a true and fair view of the state of affairs of the Group and the Company as at 31 December 2016 and of the results and the cash flows of the Group and the Company for the financial year ended on that date in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965.

The supplementary information set out in note 55 on page 329 have been prepared in accordance with the Guidance of Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants.

In accordance with a resolution of the Board of Directors dated 22 February 2017.

TAN SRI DATO' SERI DR SULAIMAN MAHBOB
Director

TAN SRI DATO' SRI ZAMZAMZAIRANI MOHD ISA
Director

STATUTORY DECLARATION

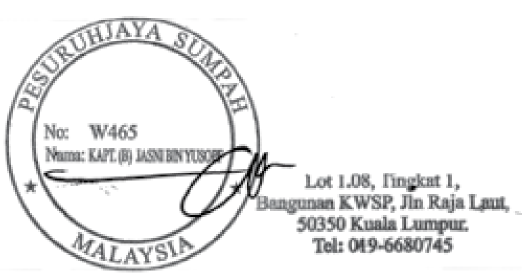
PURSUANT TO SECTION 169(16) OF THE COMPANIES ACT, 1965

I, Datuk Bazlan Osman, the Director primarily responsible for the financial management of Telekom Malaysia Berhad, do solemnly and sincerely declare the financial statements set out on pages 204 to 328 are, in my opinion, 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.

Subscribed and solemnly)
declared at Kuala Lumpur)
this 22 February 2017.)

DATUK BAZLAN OSMAN

Before me:



Commissioner for Oaths
Kuala Lumpur

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF TELEKOM MALAYSIA BERHAD
INCORPORATED IN MALAYSIA
(COMPANY NO. 128740-P)

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our opinion

In our opinion, the financial statements of Telekom Malaysia Berhad (the Company) and its subsidiaries (the Group) give a true and fair view of the financial position of the Group and of the Company as at 31 December 2016, and of their financial performance and their cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

What we have audited

We have audited the financial statements of the Group and of the Company, which comprise the statements of financial position as at 31 December 2016 of the Group and of the Company, and the statements of income, 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 204 to 328.

Basis for opinion

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

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

Independence and other ethical responsibilities

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

Our audit approach

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements of the Group and the Company. In particular, we considered where the Directors made subjective judgments; 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 TELEKOM MALAYSIA BERHAD
INCORPORATED IN MALAYSIA
(COMPANY NO. 128740-P)

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

Key audit matters

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

Key audit matters	How our audit addressed the key audit matters
1) Useful lives for property, plant and equipment (PPE)	
During the financial year, Webe Digital Sdn Bhd (webe), a subsidiary of the Company, revised the remaining useful lives of its WiMAX related telecommunications network equipment (equipment). This revision is in line with webe's latest Long Term Evolution (LTE) roll-out and network migration plan (Plan). The impact of this change in estimate of useful lives resulted in an additional depreciation charge of RM36.1 million for the current financial year. We focused on this area as the assessment performed by management on the revision of useful lives is solely dependent on the Plan. *Refer to notes 2(d)(ii), 3(a) and 22(c) to the financial statements.*	We performed the following audit procedures: • Read the Plan and discussed with management to understand the type of assets that depreciation is being accelerated; and • Agreed the revised useful lives in management's accelerated depreciation calculation to the Plan. Based on the procedures performed above, the revised useful lives as applied by management are consistent with our understanding of the Plan.
2) Assessment on carrying value of goodwill	
As at 31 December 2016, the Group's goodwill amounted to RM361.7 million, attributable to 2 significant cash-generating units (CGUs); VADS Berhad (RM308.4 million) and webe (RM52.1 million). We focused on these areas as the recoverable amount of these CGUs is subject to the use of significant accounting estimates and assumptions in the projected future cash flows. *Refer to notes 2(f)(i), 3(c) and 24(b) to the financial statements.*	Based on the recoverable amount calculations, we performed the following: • Agreed the cash flows to the budgets approved by the Board of Directors; • Discussed with management the key assumptions used in the recoverable amount calculations and compared the revenue and subscriber growth rates, and earnings before interest, tax, depreciation and amortisation (EBITDA) margin used in the cash flows to the historical performance of the CGUs and market comparable data; and • Checked the reasonableness of the discount rates and terminal growth rates with the assistance of our valuation experts by benchmarking to market comparable data. We also performed sensitivity analysis around the EBITDA margins, revenue and subscriber growth rates. Based on the procedures performed above, no impairment is required as the recoverable amounts for both CGUs exceed the carrying values.

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF TELEKOM MALAYSIA BERHAD
INCORPORATED IN MALAYSIA
(COMPANY NO. 128740-P)

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

Key audit matters (continued)

Key audit matters	How our audit addressed the key audit matters
3) Valuation of put option	
Acquisition of webe includes a put option written in relation to webe's shares held by Green Packet Berhad and SK Telecom Co. Ltd. This put option is a financial liability as the Company cannot avoid the contractual obligation to purchase its own shares and is measured based on the present value of the redemption amount of the option, when it is exercised. The fair value of this option liability as at 31 December 2016 was RM301.9 million. We focused on this area as the valuation of the put option is subject to the use of significant accounting estimates and assumptions in the projected future cash flows of webe. *Refer to notes 2(q)(iii), 3(h), 19(f)(i), and 47(a) to the financial statements.*	We performed the following audit procedures: • Agreed the cash flows to the budget approved by the Board of Directors; • Discussed with management the key assumptions used in the recoverable amount calculations and compared the revenue and subscriber growth rates, and earnings before interest, tax, depreciation and amortisation (EBITDA) margin used in the cash flows to the historical performance of webe and market comparable data; • Checked the reasonableness of the discount rate and terminal growth rate with the assistance of our valuation experts by benchmarking to market comparable data; and • Discussed the valuation method with management and worked together with our valuation experts to assess the reasonableness of the valuation method by comparing against the methods used in the industry. We found the assumptions made by management in the valuation of the put option to be within a reasonable range.
4) Accuracy of telecommunication services revenue due to complex billing system	
Telecommunication service revenue amounting to RM11,723.2 million represents a significant component of the Group's revenue. The accuracy of revenue amounts recorded is affected by the complex billing systems that process large volumes of data with a combination of different products sold and price changes in the year, through a number of different systems. *Refer to notes 2(w) and 5 to the financial statements.*	We performed the following audit procedures: • We evaluated the relevant Information Technology systems and the design of controls, and tested the operating effectiveness of controls over the following procedures to enable us to rely on the continued and proper operation of the billing systems for the purpose of the audit: – capturing and recording of revenue transactions; and – authorisation of rate changes and the input of this rate changes to the billing systems; and – calculation of amounts billed to customers; • We tested a sample of customer bills and checked these to payments received from customers; and • We examined material non-standard journal entries and other adjustments posted to the revenue accounts. Based on the procedures performed above, we did not identify any material exceptions in the accuracy of telecommunication services revenue recognition during the year.

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF TELEKOM MALAYSIA BERHAD
INCORPORATED IN MALAYSIA
(COMPANY NO. 128740-P)

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

Information other than the financial statements and auditors' report thereon

The Directors of the Company are responsible for the other information. The other information comprises the Directors' Report and Statement of Risk Management and Internal Control, which we obtained prior to the date of this auditors' report, and other sections of the 2016 Integrated 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, 1965 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

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

Auditors' responsibilities for the audit of the financial statements

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

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgment 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.

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF TELEKOM MALAYSIA BERHAD
INCORPORATED IN MALAYSIA
(COMPANY NO. 128740-P)

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(d) Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.

(e) Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.

(f) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report the following:

(a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

(b) We have considered the financial statements and the auditors' reports of all the subsidiaries of which we have not acted as auditors, which are indicated in note 51 to the financial statements.

(c) We are satisfied that the financial statements of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.

(d) The auditors' reports on the financial statements of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF TELEKOM MALAYSIA BERHAD
INCORPORATED IN MALAYSIA
(COMPANY NO. 128740-P)

OTHER REPORTING RESPONSIBILITIES

The supplementary information set out in note 55 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The Directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants (MIA Guidance) and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

OTHER MATTERS

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

PRICEWATERHOUSECOOPERS
(No. AF: 1146)
Chartered Accountants

NURUL A'IN BINTI ABDUL LATIF
(No. 2910/02/19 (J))
Chartered Accountant

Kuala Lumpur
22 February 2017

SHAREHOLDING STATISTICS

AS AT 3 MARCH 2017

ANALYSIS OF SHAREHOLDINGS

Issued and Paid-up Share : 3,757,935,749

Class of Shares :
- 3,757,934,823 ordinary shares;
- One (1) Special Rights Redeemable Preference Share; and
- 925 Class D Non-Convertible Redeemable Preference Shares (NCRPS D).

Number of Shareholders : 22,444 shareholders

Voting Rights :
- One (1) vote for each ordinary share.
- Special Share and NCRPS D have no voting rights other than those referred to in notes 13(a) and 17(b)(1)(iii) respectively of the financial statements.

Distribution of Ordinary Shares

Size of Shareholdings	Shareholders				Holding			
	Malaysian		Foreign		Malaysian		Foreign	
	No.	%	No.	%	No.	%	No.	%
Less than 100	1,544	6.88	21	0.09	26,189	0.00	344	0.00
100 - 1,000	5,773	25.72	96	0.43	4,378,494	0.12	71,412	0.00
1,001 - 10,000	12,275	54.70	266	1.19	37,722,325	1.00	1,079,482	0.03
10,001 - 100,000	1,546	6.89	265	1.18	34,904,626	0.93	10,524,160	0.28
100,001 - 187,896,740 (*)	338	1.51	314	1.40	1,186,364,437	31.57	452,734,046	12.05
187,896,741 and above (**)	3	0.01	0	0.00	2,030,129,308	54.02	0	0.00
Total	**21,479**	**95.71**	**962**	**4.29**	**3,293,525,379**	**87.64**	**464,409,444**	**12.36**

Notes:
** Less than 5% of issued holdings*
*** 5% and above of issued holdings*

Distribution of Preference Shares in accordance with their respective Classes

Category	Special Share				NCRPS D			
	Shareholder		Holding		Shareholder		Holding	
	Malaysian	%	Malaysian	%	Malaysian	%	Malaysian	%
Less than 100	1	100.00	1	100.00	0	0.00	0	0.00
100 - 1,000	0	0.00	0	0.00	2	100.00	925	100.00
1,001 - 10,000	0	0.00	0	0.00	0	0.00	0	0.00
Total	**1**	**100.00**	**1**	**100.00**	**2**	**100.00**	**925**	**100.00**

SHAREHOLDING STATISTICS
AS AT 3 MARCH 2017

Classification of Shareholders Holding Ordinary Shares:

Category	No. of Shareholders		No. of Shares Held		% of Issued Shares	
	Malaysian	Foreign	Malaysian	Foreign	Malaysian	Foreign
INDIVIDUAL		252		1,395,749		0.04
a. Bumiputera	3,230		11,493,244		0.31	
b. Chinese	14,213		47,824,151		1.27	
c. Indian	921		3,016,640		0.08	
d. Others	89		324,150		0.01	
BODY CORPORATE						
a. Banks/Finance	109	1	1,238,179,451	44,400	32.94	0.00
b. Investment/Trust	5	0	463,823	0	0.01	0.00
c. Societies	4	0	16,270	0	0.00	0.00
d. Industrial	229	11	15,829,679	7,238,139	0.42	0.19
GOVERNMENT AGENCIES/ INSTITUTION	15	0	995,163,775	0	26.48	0.00
NOMINEES	2,664	698	981,214,196	455,731,156	26.11	12.13
OTHERS	0	0	0	0	0.00	0.00
TOTAL	21,479	962	3,293,525,379	464,409,444	87.64	12.36

Substantial Shareholders
as per Register of Substantial Shareholders

No.	Shareholders	No. of Ordinary Shares Held		Percentage (%)	
		Direct	Indirect	Direct	indirect
1	Khazanah Nasional Berhad	984,825,713	-	26.21	-
2	Citigroup Nominees (Tempatan) Sdn Bhd - *Employees Provident Fund Board*	601,448,574	-	16.00	-
3	Amanah Raya Trustees Berhad - *Amanah Saham Bumiputera*	484,140,200	-	12.88	-
	Total	**2,070,414,487**	-	**55.09**	-

Directors' Direct and Deemed Interest in the Company
as per Register of Directors' Shareholdings

Interest in the Company	Number of Ordinary Shares Held		
	Direct	Deemed Interest	Percentage (%)
Tan Sri Dato' Sri Zamzamzairani Mohd Isa	5,337	4,270#	-
Datuk Bazlan Osman	2,134	-	-
Balasingham A. Namasiwayam	16,013	-	-

Notes:

\# *Deemed interest in TM shares held by spouse*

* *less than 0.01%*

SHAREHOLDING STATISTICS
AS AT 3 MARCH 2017

List of Top 30 Shareholders
as per the Register of Members and Record of Depositors

No.	Name	No. of Ordinary Shares Held	% of Issued Shares
1	Khazanah Nasional Berhad	984,825,713	26.21
2	Citigroup Nominees (Tempatan) Sdn Bhd - *Employees Provident Fund Board*	563,803,595	15.00
3	AmanahRaya Trustees Berhad - *Amanah Saham Bumiputera*	481,500,000	12.81
4	Kumpulan Wang Persaraan (Diperbadankan)	153,965,231	4.10
5	AmanahRaya Trustees Berhad - *Amanah Saham Wawasan 2020*	83,601,500	2.22
6	AmanahRaya Trustees Berhad - *Amanah Saham Malaysia*	64,855,100	1.73
7	AmanahRaya Trustees Berhad - *As 1Malaysia*	58,931,158	1.57
8	Maybank Nominees (Tempatan) Sdn Bhd - *Maybank Trustees Berhad For Public Ittikal Fund (N14011970240)*	58,000,000	1.54
9	AmanahRaya Trustees Berhad - *Amanah Saham Bumiputera 2*	48,461,000	1.29
10	Permodalan Nasional Berhad	45,060,797	1.20
11	AmanahRaya Trustees Berhad - *Public Islamic Dividend Fund*	44,945,539	1.20
12	HSBC Nominees (Asing) Sdn Bhd - *Pictet And Cie (Europe) For Pictet Global Selection Fund - Global Utilities Equity Fund*	37,941,900	1.01
13	Cartaban Nominees (Tempatan) Sdn Bhd - *PAMB For Prulink Equity Fund*	37,321,737	0.99
14	Cartaban Nominees (Asing) Sdn Bhd - *Exempt An For State Street Bank & Trust Company (West CLT Od67)*	35,309,970	0.94
15	AmanahRaya Trustees Berhad - *Amanah Saham Didik*	30,425,758	0.81
16	AMSEC Nominees (Tempatan) Sdn Bhd - *AMTrustee Berhad For CIMB Islamic Dali Equity Growth Fund (UT-CIMB-DALI)*	28,785,103	0.77
17	Malaysia Nominees (Tempatan) Sendirian Berhad - *Great Eastern Life Assurance (Malaysia) Berhad (Par 1)*	26,193,767	0.70
18	AmanahRaya Trustees Berhad - *Public Islamic Equity Fund*	20,647,685	0.55
19	Citigroup Nominees (Tempatan) Sdn Bhd - *Exempt An For AIA Bhd*	20,114,346	0.54
20	HSBC Nominees (Asing) Sdn Bhd - *BBH And Co Boston For Vanguard Emerging Markets Stock Index Fund*	20,023,140	0.53

SHAREHOLDING STATISTICS
AS AT 3 MARCH 2017

No.	Name	No. of Ordinary Shares Held	% of Issued Shares
21	Citigroup Nominees (Tempatan) Sdn Bhd - *Employees Provident Fund Board (Nomura)*	19,175,905	0.51
22	Pertubuhan Keselamatan Sosial	18,636,645	0.50
23	HSBC Nominees (Asing) Sdn Bhd - *Exempt An For JPMorgan Chase Bank, National Association (U.S.A.)*	18,603,038	0.50
24	AmanahRaya Trustees Berhad - *Public Ittikal Sequel Fund*	18,546,805	0.49
25	Maybank Nominees (Tempatan) Sdn Bhd - *Maybank Trustees Berhad For Public Regular Savings Fund (N14011940100)*	17,425,816	0.46
26	AmanahRaya Trustees Berhad - *Public Islamic Select Enterprises Fund*	17,286,411	0.46
27	AmanahRaya Trustees Berhad - *Public Islamic Sector Select Fund*	15,099,649	0.40
28	Cartaban Nominees (Asing) Sdn Bhd - *RBC Investor Services Bank S.A. For Robeco Capital Growth Funds*	14,575,641	0.39
29	Citigroup Nominees (Asing) Sdn Bhd - *Exempt An For Citibank New York (Norges Bank 12)*	14,122,200	0.38
30	AmanahRaya Trustees Berhad - *Public Islamic Optimal Growth Fund*	12,698,062	0.34
	TOTAL	**3,010,883,211**	**80.14**

Changes in Share Capital:

There is no change to the issued and paid-up share capital of the Company since the last report. The issued and paid-up share capital of the Company prior to the effective date of the Companies Act, 2016 since incorporation are:

Date	No. of Shares Allotted	Description	Cumulative (RM)
31/12/1984	2	Cash	2.00
31/12/1986	9,999,998	Cash	10,000,000.00
31/12/1987	490,000,000	Bonus issue on the basis of 49 ordinary shares for every 1 existing ordinary share held	500,000,000.00
11/09/1990	1,000,000,000	Bonus issue on the basis of 2 ordinary shares for every 1 existing ordinary share held	1,500,000,000.00
11/09/1990	1	Special Share	1,500,000,001.00
29/10/1990 – 31/12/1990	470,500,000	Issued pursuant to the exercise of options under the Employees Share Option Scheme (ESOS)	1,970,500,001.00
31/12/1992	9,249,000	Cash	1,979,749,001.00
31/12/1993	6,067,000	Issued pursuant to the exercise of options under the ESOS	1,985,816,001.00
31/12/1994	3,555,000	Issued pursuant to the exercise of options under the ESOS	1,989,371,001.00
31/12/1995	2,832,000	Issued pursuant to the exercise of options under the ESOS	1,992,203,001.00
31/12/1996	6,877,000	Issued pursuant to the exercise of options under the ESOS	1,999,080,001.00
06/06/1997	10,920	Eurobond – Conversion of 4% Convertible Bonds due 2004	1,999,090,921.00

SHAREHOLDING STATISTICS
AS AT 3 MARCH 2017

Date	No. of Shares Allotted	Description	Cumulative (RM)
20/06/1997	999,545,460	Bonus issue on the basis of 1 ordinary share for every 2 existing ordinary shares held	2,998,636,381.00
31/12/1998	398,500	Issued pursuant to the exercise of options under the ESOS	2,999,034,881.00
31/12/1999	22,408,000	Issued pursuant to the exercise of options under the ESOS	3,021,442,881.00
31/12/2000	65,876,500	Issued pursuant to the exercise of options under the ESOS	3,087,319,381.00
31/12/2001	13,996,000	Issued pursuant to the exercise of options under the ESOS	3,101,315,381.00
31/12/2002	65,692,000	Issued pursuant to the exercise of options under the ESOS	3,167,007,381.00
01/01/2003 – 11/12/2003	71,503,000	Issued pursuant to the exercise of options under the ESOS	3,238,510,381.00
12/12/2003	1,000	Issuance of Class A RPS of RM0.01 each	3,238,510,391.00
12/12/2003	1,000	Issuance of Class B RPS of RM0.01 each	3,238,510,401.00
15/12/2003 – 31/12/2003	12,222,000	Issued pursuant to the exercise of options under the ESOS	3,250,732,401.00
31/12/2004	131,708,000	Issued pursuant to the exercise of options under the ESOS	3,382,440,401.00
31/12/2005	9,077,000	Issued pursuant to the exercise of options under the ESOS	3,391,517,401.00
31/12/2006	6,139,500	Issued pursuant to the exercise of options under the ESOS	3,397,656,901.00
04/01/2007 – 17/07/2007	37,605,000	Issued pursuant to the exercise of options under the ESOS	3,435,261,901.00
20/07/2007	(1,000)	Redemption of Class A RPS of RM0.01 each	3,435,261,891.00
20/07/2007	(1,000)	Redemption of Class B RPS of RM0.01 each	3,435,261,881.00
20/07/2007	2,000	Issuance of Class C NCRPS of RM1.00 each	3,435,263,881.00
20/07/2007	925	Issuance of Class D NCRPS of RM1.00 each	3,435,264,806.00
23/07/2007 – 31/12/2007	4,547,800	Issued pursuant to the exercise of options under the ESOS	3,439,812,606.00
17/03/2008	137,592,300	Issued to TM ESOS Management Sdn Bhd as Trustee for the implementation of TM Special ESOS	3,577,404,906.00
02/06/2009	3,577,401,980	Issuance of Class E RPS of RM0.01 each	3,613,178,925.80
02/06/2009	(3,577,401,980)	Redemption of Class E RPS of RM0.01 each	3,577,404,906.00
07/06/2011	3,577,401,980	Issuance of Class F RPS of RM0.01 each	3,613,178,925.80
07/06/2011	(3,577,401,980)	Redemption of Class F RPS of RM0.01 each	3,577,404,906.00
01/08/2012	–	Reduction of par value of each ordinary share from RM1.00 to RM0.70 pursuant to completion of the Capital Reduction exercise	2,504,184,312.00
30/12/2013	(2,000)	Redemption of Class C NCRPS of RM1.00 each	2,504,182,312.00
04/07/2014	89,770,254	Issued pursuant to Dividend Reinvestment Scheme (DRS)	2,567,021,489.80
29/10/2014	52,196,765	Issued pursuant to DRS	2,603,559,225.30
19/06/2015	38,565,824	Issued pursuant to DRS	**2,630,555,302.10**

Note: Increases in the issued and paid-up share capital pursuant to the ESOS were disclosed on annual basis.

NET BOOK VALUE OF LAND & BUILDINGS

AS AT 31 DECEMBER 2016

Location	Freehold		Leasehold		Other Land*		Excepted Land**		Net Book Value of Land*** (RM Million)	Net Book Value of Buildings# (RM Million)
	No. of Lots	Area ('000 sq ft)	No. of Lots	Area ('000 sq ft)	No. of Lots	Area ('000 sq ft)	No. of Lots	Area ('000 sq ft)		
1. Federal Territory										
a. Kuala Lumpur	32	1,596	6	155	1	114	-	-	262.4	936.4
b. Labuan	-	-	6	511	-	-	-	-	0.6	4.5
c. Putrajaya	-	-	-	-	1	20	-	-	0.8	3.7
2. Selangor	10	9,965	21	1,335	2	144	70	6,078	505.3	384.2
3. Perlis	-	-	4	51	-	-	9	678	0.3	2.4
4. Perak	4	17	21	945	3	213	85	5,141	4.0	36.5
5. Pulau Pinang	3	5,015	16	929	-	-	35	6,804	4.6	28.5
6. Kedah	8	524	14	976	-	-	45	2,947	21.9	48.2
7. Johor	5	146	29	1,455	9	285	94	7,845	6.3	58.5
8. Melaka	2	3	24	2,109	-	-	21	4,271	15.0	163.1
9. Negeri Sembilan	4	160	11	397	4	200	47	2,242	36.6	16.1
10. Terengganu	-	-	16	809	-	-	41	5,929	0.6	28.7
11. Kelantan	-	-	16	708	-	-	35	2,050	0.5	10.7
12. Pahang	1	40	28	2,107	7	489	61	6,316	2.2	30.4
13. Sabah	-	-	14	184	4	162	53	5,653	3,2	42.5
14. Sarawak	4	46	29	1,035	10	400	92	9,939	16.6	51.7
15. Hong Kong	-	-	-	-	-	-	-	-	-	58.9
Total	**73**	**17,512**	**255**	**13,706**	**41**	**2,027**	**688**	**65,893**	**880.9**	**1,905.0**

* The title deeds pertaining to other land have not yet been registered in the name of the Company. Pending finalisation with the relevant authorities, the lands have not been classified according to their tenure and land areas are based on estimation.

** Excepted land are lands situated outside the Federal Territory which are either alienated land, reserved land owned by the Federal Government or land occupied, used, controlled and managed by the Federal Government for federal purposes (in Melaka, Pulau Pinang, Sabah and Sarawak) as set out in Section 3(2) of the Telecommunication Services (Successor Company) Act, 1985. The Government has agreed to lease these lands to Telekom Malaysia Berhad for a term of 60 years with an option to renew, under article 85 and 86 of the Federal Constitution.

*** Includes land held for property development and land held for sale of a wholly-owned subsidiary, and non-current assets held for sale of the Company.

Includes non-current assets held for sale of the Company.

USAGE OF PROPERTIES

AS AT 31 DECEMBER 2016

Location	Exchanges/ Data Centres	Transmission Stations	Office Buildings	Residential	Stores/ Warehouses	Satellite/ Submarine Cable Stations	Resort	TMpoint/ Primatel/ Business Centre	University/ Training College	Telecom-munications/ Tourism Tower
1. Federal Territory										
a. Kuala Lumpur	13	2	6	4	-	-	-	-	1	-
b. Labuan	1	-	1	-	-	2	-	-	-	-
2. Selangor	75	8	6	7	3	-	-	4	1	-
3. Perlis	8	1	1	2	1	-	-	1	-	-
4. Perak	85	10	3	12	2	-	-	4	1	-
5. Pulau Pinang	40	1	3	4	2	1	1	4	-	-
6. Kedah	44	7	1	3	1	-	1	4	-	1
7. Johor	90	11	3	3	2	1	-	2	-	-
8. Melaka	29	1	1	1	1	2	-	2	1	-
9. Negeri Sembilan	45	8	3	2	-	-	-	2	-	-
10. Terengganu	44	4	2	3	2	-	-	2	1	-
11. Kelantan	30	2	2	4	2	-	-	-	-	-
12. Pahang	56	14	2	11	1	3	4	-	-	-
13. Sabah	46	18	1	3	2	3	1	4	-	-
14. Sarawak	76	24	2	8	2	3	-	3	1	-
15. Hong Kong	1	-	-	-	-	-	-	-	-	-

GROUP DIRECTORY

HEAD OFFICE

Level 51, North Wing, Menara TM, Jalan Pantai Baharu, 50672 Kuala Lumpur, Malaysia
Tel : **+603-2240 9494**
100, if you are calling from a fixed line in Malaysia
1 300 888 123 if you are calling from mobile
+603-2241 1290 if you are calling from overseas
Fax : **+603-2283 2415**
Website : **www.tm.com.my**

RETAIL BUSINESS

Customer Experience Management & Transformation
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Menara TM
Jalan Pantai Baharu
50672 Kuala Lumpur
Tel : +603-2240 4499
: +603-2240 2944
Fax : +603-2240 8590

Network Management Command Centre
Ground Floor
Telekom Complex Cyberjaya
3300 Lingkaran Usahawan 1 Timur
63000 Cyberjaya
Selangor
Tel : +61 800 88 9947

GITN Sdn Berhad
Head Office
Level 31, Menara TM
Jalan Pantai Baharu
50672 Kuala Lumpur
Tel : +603-2245 0000
Fax : +603-2240 0709

Network Operations Centre
Level 13
Annexe 1 TM Berhad
50672 Jalan Pantai Baharu
Kuala Lumpur
Tel : +603-2240 2948
Fax : +603-2241 1424

TM Info-Media Sdn Bhd
Level 36 (North Wing)
Menara TM
Jalan Pantai Baharu
50672 Kuala Lumpur
Tel : +61 300 88 9355
Fax : +603-2241 4526

Telekom Applied Business Sdn Bhd
Head Office
Level 16, Menara 2
Faber Tower
Jalan Desa Bahagia
Taman Desa
Jalan Klang Lama
58100 Kuala Lumpur
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Fax : +603-7980 1605

Cyberjaya Office
Level 2
Kompleks TM Cyberjaya
3300 Lingkaran Usahawan 1 Timur
63000 Cyberjaya, Selangor
Tel : +603-8318 1706
Fax : +603-8318 1721

Telekom Research & Development Sdn Bhd
TM Innovation Centre
Lingkaran Teknokrat Timur
63000 Cyberjaya
Selangor
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Fax : +603-8883 9596

VADS Berhad
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Tel : +603-7859 2222

PT VADS, NARIBA OFFICE
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Mampang Prapatan
Jakarta Selatan, 12790 Indonesia
Tel : (62-21)7991 445

Telekom Sales & Services Sdn Bhd
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Tel : +603-2240 3000
Fax : +603-2241 3000

For addresses to TMpoint Outlets, please SCAN this QR code.

GROUP DIRECTORY

TM GLOBAL WHOLESALE
Headquarters
Website : tm.com.my/globalwholesale
Email : global@tm.com.my

DOMESTIC MARKET
Carrier Sales, Level 7
TM Annexe 1, Jalan Pantai Baharu
50672 Kuala Lumpur
Tel : 1800 88 1090

INTERNATIONAL MARKET
Carrier Sales, Level 54, North Wing
Menara TM, Jalan Pantai Baharu
50672 Kuala Lumpur
Tel : +603 8318 2797

FIBERAIL SDN BHD
7th Floor, Wisma TM
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Pusat Bandar Taman Desa
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Fax : +603-7980 9900
Website : www.fiberail.com.my

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MENARA KUALA LUMPUR SDN BHD
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Lot 1, Persiaran Jubli Perak
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Selangor
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Fax : +603-5510 0286

PROPERTY MANAGEMENT
Level 11, Wisma TM
Taman Desa
Jalan Desa Utama
58100 Kuala Lumpur
Tel : +603-7987 5040
Fax : +603-7982 1429

PROPERTY OPERATIONS
Mezzanine Floor, Wisma TM
Taman Desa
Jalan Desa Utama
58100 Kuala Lumpur
Tel : +603-7987 1001
Fax : +603-7987 6006

SECURITY MANAGEMENT
Level 1, TM Annexe 2
No. 1, Jalan Pantai Jaya
59200 Kuala Lumpur
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Fax : +603-2240 0996

GLOSSARY

A

ABAC
Audit and Business Assurance Committee

AESP
Authorised Entrant and Stand-by Person

APPS
Applications

ARPU
Average Revenue Per User

B

B2B2C
Business-to-business-to-consumer

BBGP
Broadband for General Population

BCM
Business Continuity Management

BDM
Batam-Dumai-Melaka

BOD
Board of Directors

BOFA
Basic Occupational First-Aid

BPO
Business Process Outsourcing

BRC
Board Risk Committee

BSC
Balance Score Card

BSS
Business Support System

C

CAP
Cinematic Arts Programme

CAGR
Compound Annual Growth Rate

CAPEX
Capital Expenditure

CBE
Code of Business Ethics

CCIRS
Cross currency interest rate swaps

CEP
Customer Experience Programme

CMA
Communications and Multimedia Act

CMS
Credit Management System

CPEO
Customer Premises Equipment Ownership

CR
Corporate Responsibility

CRM
Customer Relationship Management

CSA
Customer Service Academy

CSAs
Control Self-Assessments

CSR
Corporate Social Responsibility

D

dB(A)
DeciBels of Noice Power Calculated

DBKL
Kuala Lumpur City Hall

DMCS
Dumai (Sumatera) Melaka Cable System

DWDM
Dense Wavelength Division Multiplexing

E

EBITDA
Earnings Before Interest, Tax, Depreciation and Amortisation

EC
Everyone Connects

EEI
Employee Engagement Index

EES
Employee Engagement Survey

ERM
Enterprise Risk Management

F

FCCAS
Financial Controls and Assurance Statement

FTTB
Fibre-to-the Building

FTTH
Fibre-to-the Home

FTTS
Fibre-to-the School

G

GDP
Gross Domestic Product

GEOP
Graduate Employability Outreach Programme

GHCM
Group Human Capital Management

GHG
Greenhouse Gas

GLC
Government-linked Companies

GLT
Group Leadership Team

GoM
Government of Malaysia

GRI
Global Reporting Initiative

GTM
Go-To-Market

H

HIRARC
Hazard Identification, Risk Assessment and Risk Control

HSBB
High Speed Broadband

I

IBS
In-Building Broadband Service

ICI
Internal Control Incident

ICT
Information & Communications Technology

IIA
Institute of Internal Auditors

IIM
Institute of Integrity Malaysia

IOT
Internet of things

IP
Internet Protocol

IPPF
International Professional Practices Framework

IPTV
Internet Protocol Television

IPVPN
Internet Protocol Virtual Private Network

IRU
Indefeasible Right of Use

ISMS
Information Security Management System

ISVs
Independent Software Vendors

ITG
IT Governance

IT&NT
IT and Network Technology

IVR
Interactive Voice Response

K

KPI
Key Performance Indicator

KPO
Knowledge Process Outsourcing

KTS
Key Telephone System

L

LOA
Limit of Authority

LOBs
Lines of Business

LTE
Long Term Evolution

M

MACC
Malaysian Anti-Corruption Commission

MAMPU
Malaysian Administrative Modernisation and Planning Unit

GLOSSARY

MCMC
Malaysian Communications and Multimedia Commission

MDeC
Multimedia Development Corporation

MIDA
Malaysia Industrial Development Authorities

MII
Malaysian Institute of Integrity

MIER
Malaysian Institute of Economic Research

MIHRM
Malaysian Institute of Human Resource Management

MKL
Menara Kuala Lumpur

MNS
Malaysian Nature Society

MoE
Ministry of Education

MOHE
Ministry of Higher Education

MoU
Memorandum of Understanding

MSC
Multimedia Super Corridor

MTTR
Mean Time to Restore

N

NCSM
National Cancer Society Malaysia

NCSR
National Centre for Sustainability Reporting

NE
Non Executive

NGN
Next Generation Network

NIOSH
National Institute of Occupational Safety & Health

NIP
National Integrity Plan

NKRA
National Key Results Areas

NSC
National Sports Council

NTMSP
NIOSH – TM Safety Passport

NTT Com
NTT Communications Corporation

O

OSHA
Occupational Safety and Health Act

OSHE
Occupational Safety, Health and Environment

OTT
Over-The-Top

P

PaaS
Platform-as-as-Service

PATAMI
Profit After Tax and Minority Interests

PCCW
Pacific Century Cyberworks

PDPA
Personal Data Protection Act

PEMANDU
Performance Management and Delivery Unit

PIP
Performance Improvement Programme

PM
Property Management

PO
Property Operations

PoP
Point of Presence

PPP
Public-Private Partnership

PSTN
Public Switched Telephone Network

Q

QoS
Quality of Service

S

SaaS
Software-as-a Service

SAT-3
South Atlantic-3 Cable System

SEA-ME-WE3 (SMW3)
South East Asia-Middle East-Western Europe Cable System 3

SEA-ME-WE4 (SMW4)
South East Asia-Middle East-Western Europe Cable System 4

SI
System Integrator

SIRIM
Standards and Industrial Research Institute of Malaysia

SME
Small & Medium Enterprise

SOCSO
Social Security Organisation

SOHO
Small Office Home Office

SRM
Supplier Relationship Management

SWIFT
Service Without Frontier

T

TI
Transparency Index

TMCC
TM Convention Centre

TMFA
TMF Autolease Sdn Bhd

TMTC
TM Training Centre

TRI*M
Measurement of customer satisfaction index

TRS
Total Return to Shareholders

TWP
Teaming With Passion

TM ROVers
TM Reaching Out Volunteers

U

UC
Unified Communications

USP
Universal Service Provision

Broadband PC

V

VAS
Value Added Services

VOD
Video on Demand

VoIP
Voice over Internet Protocol

VPN
Virtual Private Network

W

WAN
Wide Area Network

WiFi
Wireless Fidelity

WSE
Wholesale Ethernet

Y

YTM
Yayasan TM

Z

ZBC
Zone Business Council

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Thirty-second (32nd) Annual General Meeting (AGM) of the Company will be held at Kristal Hall, TM Convention Centre, Menara TM, Jalan Pantai Baharu, 50672 Kuala Lumpur, Malaysia on Wednesday, 26 April 2017 at 10:00 a.m. for the following purposes:

As Ordinary Business

1. To receive the Audited Financial Statements for the financial year ended 31 December 2016 together with the Reports of the Directors and Auditors thereon.
   Please refer to Explanatory Note A

2. To re-elect the following Directors, who retire pursuant to Article 98(2) of the Company's Articles of Association and being eligible offer themselves for re-election:
   (i) Tunku Afwida Tunku Dato' A.Malek **(Ordinary Resolution 1)**
   (ii) Balasingham A. Namasiwayam **(Ordinary Resolution 2)**
   Please refer to Explanatory Note B

3. To re-elect the following Directors, who retire by rotation pursuant to Article 103 of the Company's Articles of Association and being eligible offer themselves for re-election:
   (i) Datuk Seri Fateh Iskandar Tan Sri Dato' Mohamed Mansor **(Ordinary Resolution 3)**
   (ii) Ms Gee Siew Yoong **(Ordinary Resolution 4)**
   (iii) Tan Sri Dato' Seri Dr Sulaiman Mahbob **(Ordinary Resolution 5)**
   Please refer to Explanatory Note C

4. To approve the payment of the following Directors' fees:
   (i) RM23,000 per month for the Non-Executive Chairman (NEC), RM15,000 per month for each Non-Executive Director (NED) and RM2,250 per month for Senior Independent Director (SID) of the Company with effect from the 32nd AGM until the next AGM; and
   (ii) RM11,500 per month and RM7,500 per month for NEC and NEDs respectively, of Tier 1 Subsidiaries with effect from 31 January 2017 until the next AGM.
   Please refer to Explanatory Note D **(Ordinary Resolution 6)**

5. To approve the payment of benefits payable to NEC and NEDs of the Company up to an amount of RM2,350,000 from 31 January 2017 until the next AGM.
   Please refer to Explanatory Note E **(Ordinary Resolution 7)**

6. To re-appoint Messrs. PricewaterhouseCoopers (PwC), having consented to act as Auditors of the Company, for the financial year ending 31 December 2017 and to authorise the Board of Directors to fix their remuneration.
   Please refer to Explanatory Note F **(Ordinary Resolution 8)**

As Special Business

7. To consider and if thought fit, to pass the following Resolutions:

   7.1 Authority to Issue and Allot Shares pursuant to Section 75 of the Companies Act, 2016 (CA 2016)

   THAT subject always to the CA 2016, the Articles of Association of the Company and the approvals of the relevant government and/or regulatory authorities, where such approval is necessary, authority be and is hereby given to the Directors to issue and allot shares in the capital of the Company pursuant to Section 75 of the CA 2016, to any person other than a Director or major shareholder of the Company or person connected with any Director or major shareholder of the Company, at any time until the conclusion of the next annual general meeting, in such number and to such person and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit provided that the aggregate number of shares to be issued does not exceed ten percent (10%) of the issued and paid up share capital of the Company for the time being **AND THAT** the Directors be and are also empowered to obtain the approval from Bursa Malaysia Securities Berhad for the listing of and quotation for the additional shares so issued, **AND FURTHER THAT** such authority shall commence immediately upon the passing of this resolution and continue to be in force until the conclusion of the next annual general meeting of the Company. **(Ordinary Resolution 9)**

7.2 Proposed Renewal of the Authority for Directors to Allot and Issue New Ordinary Shares in the Company (TM Shares) in relation to the Dividend Reinvestment Scheme (DRS)

THAT pursuant to the DRS approved at the Extraordinary General Meeting held on 8 May 2014, approval be and is hereby given to the Company to allot and issue such number of new TM Shares for the DRS until the conclusion of the next annual general meeting, upon such terms and conditions and to such persons as the Directors may, in their absolute discretion, deem fit and in the interest of the Company **PROVIDED THAT** the issue price of the said new TM Shares shall be fixed by the Directors at not more than ten percent (10%) discount to the adjusted five (5)-day volume weighted average market price (**VWAMP**) of TM Shares immediately prior to the price-fixing date, of which the VWAMP shall be adjusted ex-dividend before applying the aforementioned discount in fixing the issue price and not less than the par value of TM Shares at the material time;

AND THAT the Directors and the Secretary of the Company be and are hereby authorised to do all such acts and enter into all such transactions, arrangements and documents as may be necessary or expedient in order to give full effect to the DRS with full power to assent to any conditions, modifications, variations and/or amendments (if any) as may be imposed or agreed to by any relevant authorities or consequent upon the implementation of the said conditions, modifications, variations and/or amendments, as they, in their absolute discretion, deemed fit and in the best interest of the Company. **(Ordinary Resolution 10)**

7.3 Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature (Proposed Renewal of Shareholders' Mandate)

THAT in accordance with paragraph 10.09 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, approval be and is hereby given for the Company and/or its subsidiaries to enter into recurrent related party transactions of a revenue or trading nature as set out in Appendix 1 of the Company's Circular to Shareholders dated 4 April 2017, dispatched together with the Company's Integrated Annual Report 2016, which are necessary for the day-to-day operations **PROVIDED THAT** such transactions are entered into in the ordinary course of business of the Company and/or its subsidiaries, are carried out on terms not more favourable to the related party than those generally available to the public and are not detrimental to the minority shareholders of the Company;

THAT such approval shall continue to be in full force and effect until:

(i) the conclusion of the next annual general meeting of the Company at which time the authority will lapse, unless the authority is renewed by a resolution passed at such general meeting;
(ii) the expiration of the period within which the Company's next annual general meeting is required to be held under Section 340(1) of the Companies Act, 2016 (CA 2016) (but shall not extend to such extension as may be allowed under Section 340(4) of CA 2016); or
(iii) revoked or varied by resolution passed by the shareholders of the Company at a general meeting,

whichever is the earlier;

AND THAT the Board of Directors of the Company be and is hereby empowered and authorised to do or procure to be done all acts, deeds and things (including executing such documents under the common seal in accordance with the provisions of the Articles of Association of the Company, as may be required) to give effect to the Proposed Renewal of Shareholders' Mandate. **(Ordinary Resolution 11)**

8. To transact any other ordinary business for which due notice has been given in accordance with Section 340(1) of the CA 2016.

FURTHER NOTICE IS HEREBY GIVEN THAT for the purpose of determining a Member who shall be entitled to attend, speak and vote at this 32nd AGM, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd (Bursa Depository) in accordance with Article 74(3)(a) of the Company's Articles of Association and Section 34(1) of the Securities Industry (Central Depositories) Act 1991 (SICDA) to issue a General Meeting Record of Depositors (ROD) as at 18 April 2017. Only a depositor whose name appears on the Register of Member/ROD as at 18 April 2017 shall be entitled to attend the said meeting or appoint proxies to attend, speak and vote on his/her behalf.

By Order of the Board
Hamizah Abidin (LS0007096)
Zaiton Ahmad (MAICSA 7011681)
Secretaries

Kuala Lumpur
4 April 2017

NOTES:

Proxy and/or Authorised Representatives

1. A Member entitled to attend, speak and vote at the Meeting is entitled to appoint a proxy to attend, speak and vote in his/her stead. A proxy or representative may but need not be a Member of the Company. A Member may appoint any person to be his/her proxy without restriction to the proxy's qualifications.

2. A Member shall not be entitled to appoint more than two (2) proxies to attend, speak and vote at the Meeting provided that where a Member of the Company is an authorised nominee as defined in accordance with the provisions of SICDA, it may appoint at least one (1) proxy but not more than two (2) proxies in respect of each securities account it holds with ordinary shares in the Company standing to the credit of the said securities account. Where a Member is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one (1) securities account (omnibus account), there shall be no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.

3. Where a Member appoints two (2) proxies, the appointments shall be invalid unless the proportions of the holdings to be represented by each proxy are specified.

4. The instrument appointing a proxy shall be in writing under the hand of the appointer or his attorney duly appointed under a Power of Attorney or if such appointer is a corporation, either under its common seal or under the hand of an officer or attorney duly appointed under a Power of Attorney. If the proxy form is signed under the hand of an officer duly authorised, it should be accompanied by a statement reading "signed as authorised officer under an Authorisation Document which is still in force, and no notice of revocation has been received". If the proxy form is signed under the attorney duly appointed under a Power of Attorney, it should be accompanied by a statement reading "signed under a Power of Attorney which is still in force, and no notice of revocation has been received". A copy of the Authorisation Document or the Power of Attorney, which should be valid in accordance with the laws of the jurisdiction in which it was created and is exercised, should be enclosed with the proxy form.

5. A corporation which is a Member, may by resolution of its Directors or other governing body authorises such person as it thinks fit to act as its representative at the Meeting, in accordance with Article 92 of the Company's Articles of Association.

6. The instrument appointing the proxy together with the duly registered Power of Attorney referred to in Note 4 above, if any, must be deposited at the office of the Share Registrar, Symphony Share Registrars Sdn Bhd (378993-D), Level 6, Symphony House, Pusat Dagangan Dana 1, Jalan PJU 1A/46, 47301 Petaling Jaya, Selangor, Malaysia not less than 48 hours before the time appointed for holding the Meeting or any adjournment thereof. The Share Registrar will also provide a box at the ground floor of its office building for drop-in of proxy forms.

7. **Explanatory Note A**
   The audited financial statements are for discussion only as it does not require shareholders' approval pursuant to the provisions of Section 340(1)(a) of CA 2016. Hence, it is not put forward for voting.

8. **Explanatory Notes B and C**
   Tunku Afwida Tunku Dato' A.Malek, Mr Balasingham A. Namasiwayam, Ms Gee Siew Yoong, Datuk Seri Fateh Iskandar Tan Sri Dato' Mohamed Mansor and Tan Sri Dato' Seri Dr Sulaiman bin Mahbob are standing for re-election as Directors of the Company and being eligible, have offered themselves for re-election at this 32nd AGM.

   The Board has conducted an assessment on the independence of the NEDs who are seeking re-election at this 32nd AGM, inclusive of their skills, experience, character, integrity, competency and contribution. As stated in the Statement Accompanying Notice of the 32nd AGM, the profiles of the retiring Directors are set out in the profile of Directors on pages 94 to 101 inclusive of the Integrated Annual Report (IAR) 2016.

   Details of the assessment of all directors standing for re-election, are provided on pages 126 to 127 inclusive, of the Corporate Governance Statement in the IAR 2016.

9. **Explanatory Note D and E**

Section 230(1) of CA 2016 which came into effect on 31 January 2017, provides amongst others, that "fees" of the directors and "any benefits" payable to the directors of a listed company and its subsidiaries shall be approved at a general meeting. Pursuant thereto, shareholders' approval is sought for the payment of fees and benefits payable to NEC and NEDs, in two (2) separate resolutions as follows:

- Ordinary Resolution (OR) 6 on the payment of Directors' fees for the Company from the date of the 32nd AGM until the next AGM and Tier 1 Subsidiaries from 31 January 2017 until the next AGM; and
- OR 7 on the payment of benefits payable to the NEC and NEDs from 31 January 2017 until the next AGM (Stipulated Period).

OR 6: Directors' Fees

The shareholders had at the 31st AGM held on 28 April 2016, approved the payment of directors' fees with effect from the 31st AGM until the 32nd AGM of the Company. The fees for the NEDs were last reviewed and approved at the 28th AGM held on 7 May 2013 following an independent review conducted by an external consultant in 2013. Despite the recommendation pursuant to Clause 6.11 of the Board Charter to review the Directors' remuneration at least once every three years, the Board is not proposing for any change to the existing directors' fees as it is still competitive and at par with the prevalent market.

TM has also in place a Subsidiaries' Remuneration Framework (SRF) in which subsidiaries are categorized into tiers based on its strategic, revenue and impact levels to TM, as well as focus of business. The NEC and NEDs appointed on the boards of the Tier 1 Subsidiaries are entitled to directors' fees of RM11,500 per month and RM7,500 per month, respectively. Shareholders' approval is sought for the payment of this directors' fees from 31 January 2017 until the next AGM.

OR 7: Benefits Payable

Benefits Payable applicable to NEC and NEDs pursuant to the Board Charter comprise meeting fee, emoluments and claimable benefits as stipulated below:

(i) Meeting fee structure for Board and Board Committees:

	TM Board (RM)	Board Audit Committee (RM)	Nomination & Remuneration Committee (RM)	Board Tender Committee (RM)	Board Risk Committee (RM)	Board Investment Committee (RM)	LTIP Committee (RM)
Chairman	3,500	3,250	2,500	3,250	2,500	2,500	2,500
NED	3,000	2,500	2,000	2,500	2,000	2,000	2,000

(ii) Pursuant to the SRF, the NEC and NEDs appointed on the boards of TM subsidiaries are entitled to the following meeting fees:

Category of TM Subsidiaries	NEC	NED	Committee Fee	
	Meeting Fee (RM)	Meeting Fee (RM)	Chairman Meeting Fee (RM)	Member Meeting Fee (RM)
Tier 1 Subsidiaries	1,500	1,000	500	300
Tier 2 Subsidiaries	1,500	1,000	Nil	Nil

(iii) Customary benefits such as claimable benefits on annual overseas business development trips, leave passage, business equipment, telecommunication bills, insurance and medical coverage.

In determining the estimated amount of benefits payable for the NEC and NEDs, the number of scheduled meetings for the Board, Board Committees and Boards of subsidiaries as well as the number of NEDs involved in these meetings were considered. The estimated amount of RM2,350,000 for the Stipulated Period is derived from a total of RM1,776,500 for the financial year 2017 and approximately one-fourth (1/4) of the said amount equivalent to RM573,500 for the period from 1 January 2018 until the next AGM in 2018.

Subject to the shareholders' approval of OR 6 and OR 7, the payment of fees and benefits throughout the Stipulated Period will be made by the Company and its subsidiaries on a monthly basis and/or as and when incurred. The Board opined that it is just and equitable for the NEC and NEDs to be paid such payment on such basis upon them discharging their responsibilities and rendering their services to the Company and its subsidiaries.

10. **Explanatory Note F**
The Board Audit Committee and the Board have considered the re-appointment of PwC as Auditors of the Company and recommended the re-appointment of PwC for shareholders' approval based on the evaluation result of the Request for Proposal conducted by the Company in 2016. It was also agreed that PwC has met the relevant criteria prescribed by Paragraph 15.21 of the Main LR of Bursa Securities.

EXPLANATORY NOTES ON SPECIAL BUSINESSES

11. The Company has not issued any new shares under the general mandate for issuance and allotment of shares up to 10% of the issued and paid-up capital of the Company, which was approved at the 31st AGM held on 28 April 2016 and which shall lapse at the conclusion of the 32nd AGM to be held on 26 April 2017.

The proposed OR 9 is a renewal of the general mandate obtained from the shareholders of the Company at the previous AGM. In accordance with Section 75 of CA 2016, a renewal is sought from shareholders for Directors to issue and allot new shares in the Company of up to an amount not exceeding 10% of the issued and paid up share capital of the Company for such purposes as the directors may deem fit in the best interest of the Company including for any possible fund raising activities for the Company's working capital requirements and strategic investments.

This resolution if approved, will give the Company and its Directors the mandate and flexibility to issue and allot new shares in the Company for possible fund raising activities without the need to seek shareholders' approval via a general meeting subsequent to this 32nd AGM, which may delay the capital raising initiatives and incur relevant cost in organising the general meeting.

The authorisation, unless revoked or varied by the Company at a general meeting, will be valid until the next AGM of the Company.

12. The proposed OR 10 is for the proposed renewal of the authority for Directors to allot and issue new ordinary shares in the Company in respect of dividends to be declared, if any, under the DRS, until the conclusion of the next AGM.

13. The proposed OR 11, if passed, will authorise the Company and/or its subsidiaries to enter into recurrent related party transactions with related parties in the ordinary course of business which are necessary for the Group's day-to-day operations and are on normal commercial terms not more favourable to the related parties than those generally available to the public and shall lapse at the conclusion of the next AGM unless authority for its renewal is obtained from shareholders of the Company at a general meeting.

STATEMENT ACCOMPANYING NOTICE OF THE 32ND ANNUAL GENERAL MEETING

PURSUANT TO PARAGRAPH 8.27(2) AND APPENDIX 8A OF THE MAIN MARKET LISTING REQUIREMENTS (MAIN LR) OF BURSA MALAYSIA SECURITIES BERHAD (BURSA SECURITIES)

1. The profiles of the following Directors who are retiring pursuant to Article 98(2) of the Company's Articles of Association (AA) as per Ordinary Resolutions 1 and 2 of the Notice of the 32nd AGM are stated in pages 100 to 101 inclusive, of this Integrated Annual Report (IAR) 2016:

   (i) Tunku Afwida Tunku Dato' A.Malek (Independent Non-Executive Director) (INED)
   (ii) Mr Balasingham A. Namasiwayam (INED)

2. The profiles of the following Directors who are retiring pursuant to Article 103 of the Company's AA as per Ordinary Resolutions 3 to 5 of the Notice of the 32nd AGM, are stated in pages 94 to 99 inclusive, of this IAR 2016:

   (i) Datuk Seri Fateh Iskandar Tan Sri Dato' Mohamed Mansor (INED);
   (ii) Ms Gee Siew Yoong (INED); and
   (iii) Tan Sri Dato' Seri Dr Sulaiman Mahbob (Non-Independent Non-Executive Chairman).

None of the above Directors, save for Mr Balasingham A. Namasiwayam, has any interest in the securities of the Company. The securities' holdings of Mr Balasingham are disclosed on pages 203 and 338 of this IAR 2016.

None of the abovenamed Directors, has any family relationship with any Director and/or major shareholder of the Company. They do not have any conflict of interests with TM, convicted for any offences other than traffic offences, for the past 5 years, or have been imposed for any sanction or penalty by any regulatory bodies during the financial year ended 31 December 2016.

The abovenamed Directors, save for Tan Sri Dato' Seri Dr Sulaiman Mahbob, satisfy the criteria of independent directors as defined under Paragraph 1.01 of Bursa Securities' Main LR, which include being independent of management, free from any business or other relationship which could interfere with the exercise of independent judgement, objectivity or the ability to act in the best interests of the Company, and also being independent of the major shareholders.

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PROXY FORM

TELEKOM MALAYSIA BERHAD
(Company No. 128740-P)
(Incorporated in Malaysia)

"A"

I/We ______________________________
(Full Name as per NRIC/Passport No./Certificate of Incorporation in capital letters)

Company No./NRIC No. (new) /Passport No.______________ (Old NRIC No.) ______________

of ______________________________
(Full address)

being a member of **TELEKOM MALAYSIA BERHAD** (128740-P) (the Company) hereby appoint: ______________________________
(Full Name as per NRIC/Passport in capital letters)

with NRIC No. (new)/Passport No. ______________ (Old NRIC No.) ______________

of ______________________________
(Full address)

or failing him/her ______________________________
(Full Name as per NRIC/Passport in capital letters)

with NRIC No. (new)/Passport No. ______________ (Old NRIC No.) ______________

of ______________________________
(Full address)

or failing him/her, the Chairman of the Meeting, as my/our **first** proxy/proxies to vote for me/us on my/our behalf at the Thirty-second (32nd) Annual General Meeting (AGM) of the Company to be held at Kristal Hall, TM Convention Centre, Menara TM, Jalan Pantai Baharu, 50672 Kuala Lumpur, Malaysia on Wednesday, 26 April 2017 at 10:00 a.m. and at any adjournment thereof.

"B" If you wish to appoint a second proxy, please complete this section.

I/We ______________________________
(Full Name as per NRIC/Passport No./Certificate of Incorporation in capital letters)

Company No./NRIC No. (new)/Passport No. ______________ (Old NRIC No.) ______________

of ______________________________
(Full address)

being a member of **TELEKOM MALAYSIA BERHAD** (128740-P) (the Company) hereby appoint: ______________________________
(Full Name as per NRIC/Passport in capital letters)

with NRIC No. (new)/Passport No. ______________ (Old NRIC No.) ______________

of ______________________________
(Full address)

or failing him/her ______________________________
(Full Name as per NRIC/Passport in capital letters)

with NRIC No. (new)/Passport No. ______________ (Old NRIC No.) ______________

of ______________________________
(Full address)

or failing him/her, the Chairman of the Meeting, as my/our **second** proxy/proxies to vote for me/us on my/our behalf at the 32nd AGM of the Company to be held at Kristal Hall, TM Convention Centre, Menara TM, Jalan Pantai Baharu, 50672 Kuala Lumpur, Malaysia on Wednesday, 26 April 2017 at 10:00 a.m. and at any adjournment thereof.

For appointment of two (2) proxies, percentage of shareholdings to be represented by the respective proxies must be indicated below:	
	Percentage (%)
Proxy "A"	
Proxy "B"	
Total	**100%**

I/We direct my/our proxy to vote on the following resolutions as I/we have indicated by marking the appropriate box with an 'X'. If no indication is given, my/our proxy will vote or abstain from voting at his or her discretion and I/we authorise my/our proxy to vote (or abstain from voting) as he or she thinks fit in relation to any other matter which is put before the meeting.

No.	Resolutions		Proxy "A" For	Proxy "A" Against	Proxy "B" For	Proxy "B" Against
	Ordinary Business:					
1.	Re-election of Tunku Afwida Tunku Dato' A.Malek pursuant to Article 98(2)	- Resolution 1				
2.	Re-election of Mr Balasingham A. Namasiwayam pursuant to Article 98(2)	- Resolution 2				
3.	Re-election of Datuk Seri Fateh Iskandar Tan Sri Dato' Mohamed Mansor pursuant to Article 103	- Resolution 3				
4.	Re-election of Ms Gee Siew Yoong pursuant to Article 103	- Resolution 4				
5.	Re-election of Tan Sri Dato' Seri Dr Sulaiman Mahbob pursuant to Article 103	- Resolution 5				
6.	Payment of Directors' fees	- Resolution 6				
7.	Payment of benefits payable to NEDs	- Resolution 7				
8.	Re-appointment of Messrs. PricewaterhouseCoopers as Auditors of the Company and authorisation to Directors to fix their remuneration	- Resolution 8				
	Special Business:					
9.	(i) Authority for Directors to Allot and Issue Shares under Section 75 of the Companies Act, 2016	- Resolution 9				
	(ii) Proposed Renewal of the Authority for Directors to Issue Shares in relation to the Dividend Reinvestment Scheme	- Resolution 10				
	(iii) Proposed Renewal of Shareholders' Mandate	- Resolution 11				

Signed this ______________ day of ______________ 2017

No. of Ordinary Shares held	
CDS Account No. of the Authorised Nominee*	
Telephone No.	

* *Applicable to shares held under nominee account only*

____
Signature(s)/Common Seal of Member(s)

NOTES:

Proxy and/or Authorised Representatives

1. A Member entitled to attend, speak and vote at the meeting is entitled to appoint a proxy to attend, speak and vote in his/her stead. A proxy or representative may but need not be a Member of the Company. A member may appoint any person to be his /her proxy without verification to the proxy's qualification.

2. A Member shall not be entitled to appoint more than two (2) proxies to attend, speak and vote at the Meeting provided that where a Member of the Company is an authorised nominee as defined in accordance with the provisions of Securities Industry (Central Depositories) Act 1991 (SICDA), it may appoint at least one (1) proxy but not more than two (2) proxies in respect of each securities account it holds with ordinary shares in the Company standing to the credit of the said securities account. Where a Member is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one (1) securities account (omnibus account), there shall be no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.

3. Where a Member appoints two (2) proxies, the appointments shall be invalid unless the proportions of the holdings to be represented by each proxy are specified.

4. The instrument appointing a proxy shall be in writing under the hand of the appointer or his attorney duly appointed under a Power of Attorney or if such appointer is a corporation, either under its common seal or under the hand of an officer or attorney duly appointed under a Power of Attorney. If the proxy form is signed under the hand of an officer duly authorised, it should be accompanied by a statement reading "signed as authorised officer under an Authorisation Document which is still in force, and no notice of revocation has been received". If the proxy form is signed under the attorney duly appointed under a Power of Attorney, it should be accompanied by a statement reading "signed under a Power of Attorney which is still in force, and no notice of revocation has been received". A copy of the Authorisation Document or the Power of Attorney, which should be valid in accordance with the laws of the jurisdiction in which it was created and is exercised, should be enclosed with the proxy form.

5. A corporation which is a Member, may by resolution of its Directors or other governing body authorises such person as it thinks fit to act as its representative at the Meeting, in accordance with Article 92 of the Company's Articles of Association (AA).

6. The instrument appointing the proxy together with the duly registered Power of Attorney referred to in Note 4 above, if any, must be deposited at the office of the Share Registrar, Symphony Share Registrars Sdn Bhd (378993-D), Level 6, Symphony House, Pusat Dagangan Dana 1, Jalan PJU 1A/46, 47301 Petaling Jaya, Selangor, Malaysia not less than 48 hours before the time appointed for holding the Meeting or any adjournment thereof. The Share Registrar will also provide a box at the ground floor of its office building for drop-in of proxy forms.

Members entitled to Attend

7. For the purpose of determining a Member who shall be entitled to attend the 32nd AGM, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd in accordance with Article 74(3) of the Company's AA and Section 34(1) of the SICDA, to issue a General Meeting Record of Depositors (ROD) as at 18 April 2017. Only a depositor whose name appears on the Register of Members/ROD as at 18 April 2017 shall be entitled to attend, speak and vote at the said meeting or appoint proxy/proxies to attend, speak and/or vote on his/her behalf.

Personal Data Privacy

8. By submitting the duly executed proxy form, the Member and his/her proxy consent to the Company (and/or its agents/service providers) collecting, using and disclosing the personal data therein in accordance with the Personal Data Protection Act 2010, for the purpose of the AGM, and any adjournment thereof.

2. Fold this flap to seal

AFFIX STAMP
RM0.80 HERE

The Share Registrar
Symphony Share Registrars Sdn Bhd
Level 6, Symphony House
Pusat Dagangan Dana 1
Jalan PJU 1A/46
47301 Petaling Jaya
Selangor
Malaysia

1. Fold here

www.tm.com.my