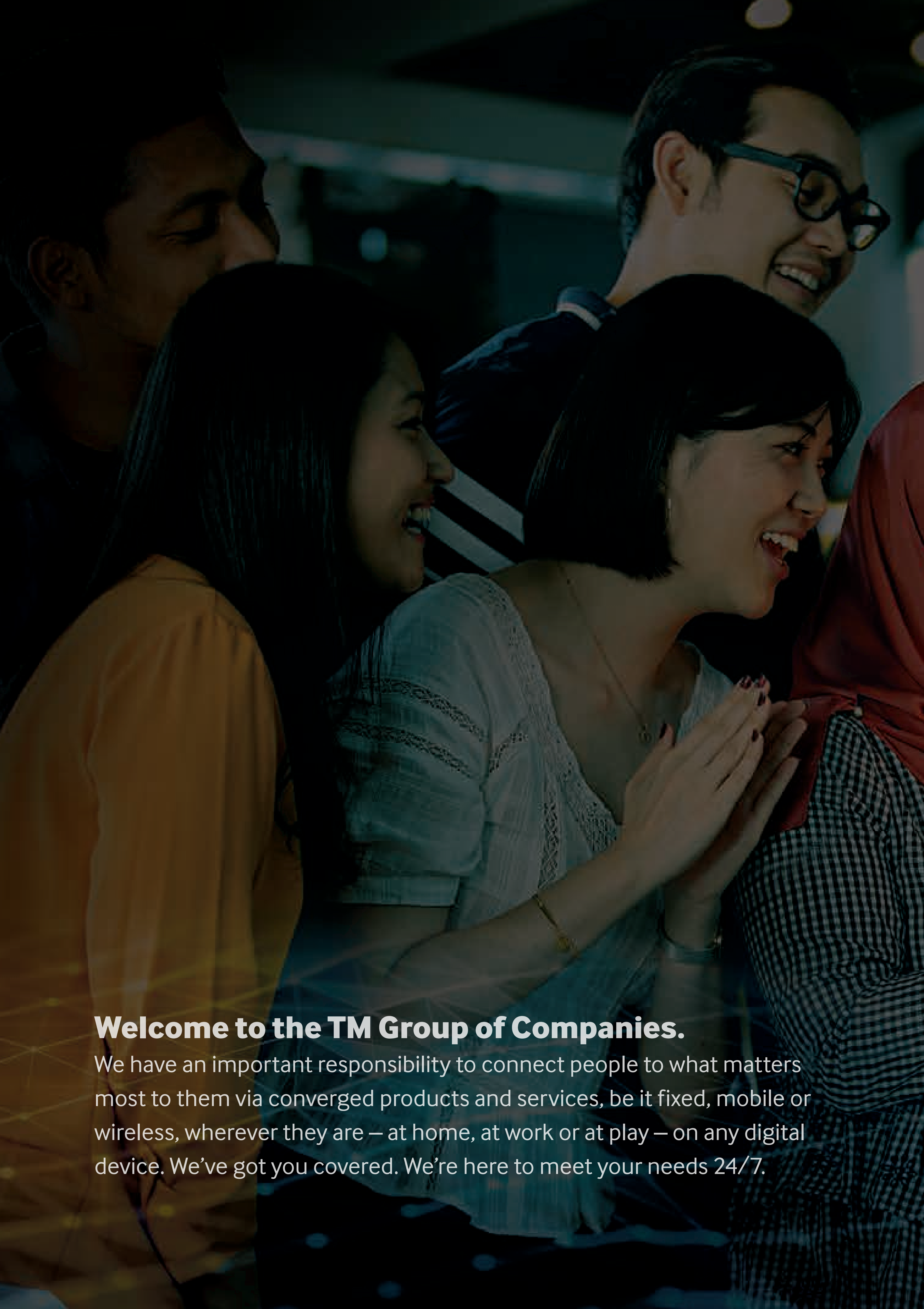
INTEGRATED ANNUAL REPORT 2018 | TELEKOM MALAYSIA BERHAD
FINANCIAL STATEMENTS

Here for you...



Welcome to the TM Group of Companies.

We have an important responsibility to connect people to what matters most to them via converged products and services, be it fixed, mobile or wireless, wherever they are – at home, at work or at play – on any digital device. We've got you covered. We're here to meet your needs 24/7.

As the enabler of Malaysia's Digital Nation aspiration, we have always been with you through every advancement. Beyond just connectivity, we touch every facet of your lives. It is the very purpose of our existence – to improve lives, fuel aspirations and foster growth that is meaningful for each one of you – to make life easier for a better Malaysia.

At the heart of everything that we do, we bring each and every one together – we connect people, businesses and communities to each other and to a world of possibilities. Because at the end of the day, you are the reason for all our achievements and all that we do. Now and always, we are HERE FOR YOU. And we are here to stay.


Here for you ...
to create value

In life and in business, things aren't always in perfect sync all of the time. But with a positive attitude and a determination to succeed, a struggle can be turned into a favourable outcome. At TM, when faced with difficulties, we take them up as challenges and overcome them through our initiatives and efforts. We focus on providing solutions and improvements, so that you can keep enjoying the good times.

What's Inside

Where to find more information
www.tm.com.my/annualreport

Financial Calendar

27 February 2018
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 2017.

16 March 2018
Date of entitlement of the second interim single-tier dividend of 12.1 sen per share for the financial year ended 31 December 2017.

28 March 2018
Issuance of the 33^{rd} Annual General Meeting (AGM) Notice, Integrated Annual Report (IAR) 2017 and Circular to Shareholders.

13 April 2018
Date of payment of the second interim single-tier dividend of 12.1 sen per share for the financial year ended 31 December 2017.

26 April 2018
33^{rd} AGM of the Company.

22 May 2018
Announcement of the unaudited consolidated results for the 1^{st} quarter ended 31 March 2018.

29 August 2018
Announcement of the unaudited consolidated results for the 2^{nd} quarter ended 30 June 2018.

26 November 2018
Announcement of the unaudited consolidated results for the 3^{rd} quarter ended 30 September 2018.

FY18
OUR STRENGTH

FY19
STEADFASTNESS

26 February 2019
Announcement of the audited consolidated results and declaration of interim single-tier dividend of 2.0 sen per share for the financial year ended 31 December 2018.

18 March 2019
Date of entitlement of the interim single-tier dividend of 2.0 sen per share for the financial year ended 31 December 2018.

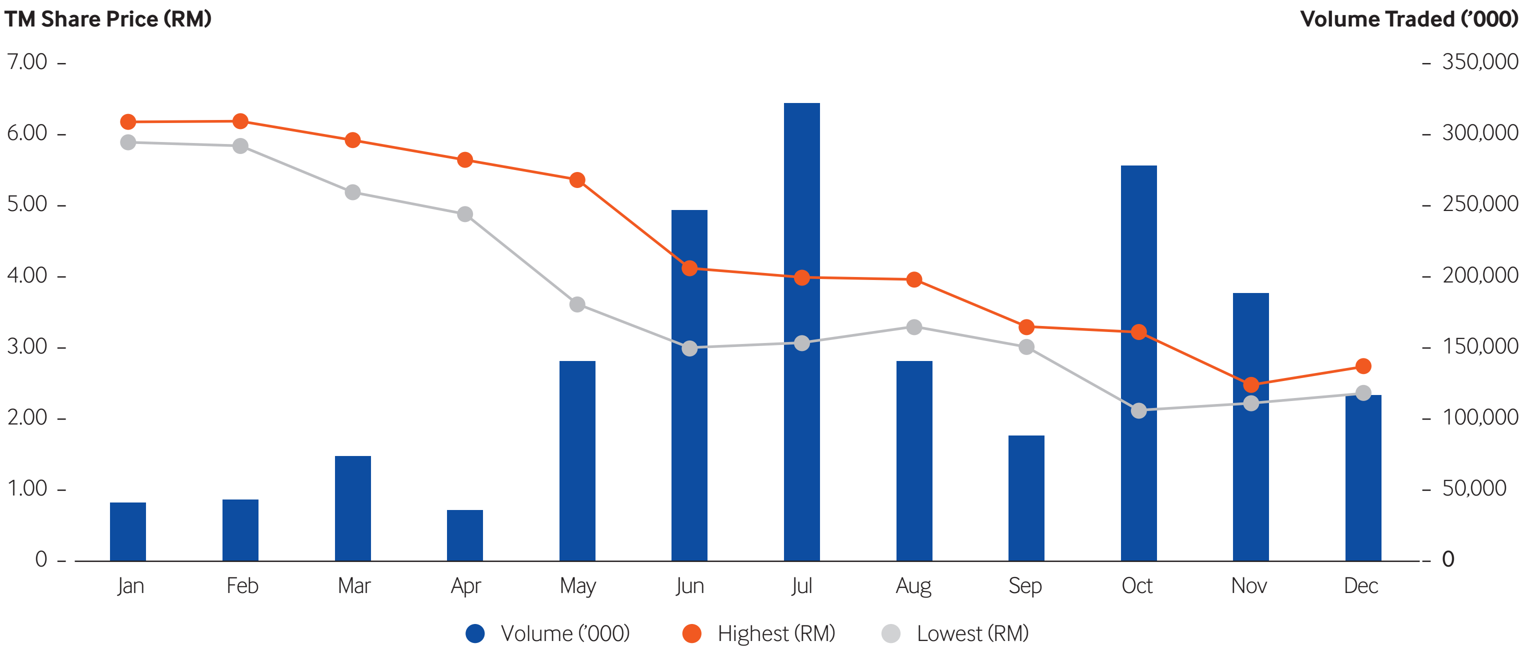
12 April 2019
Date of payment of the interim single-tier dividend of 2.0 sen per share for the financial year ended 31 December 2018.

25 April 2019
Issuance of the 34^{th} AGM Notice, IAR 2018 and Circular to Shareholders.

29 May 2019
34^{th} AGM of the Company.

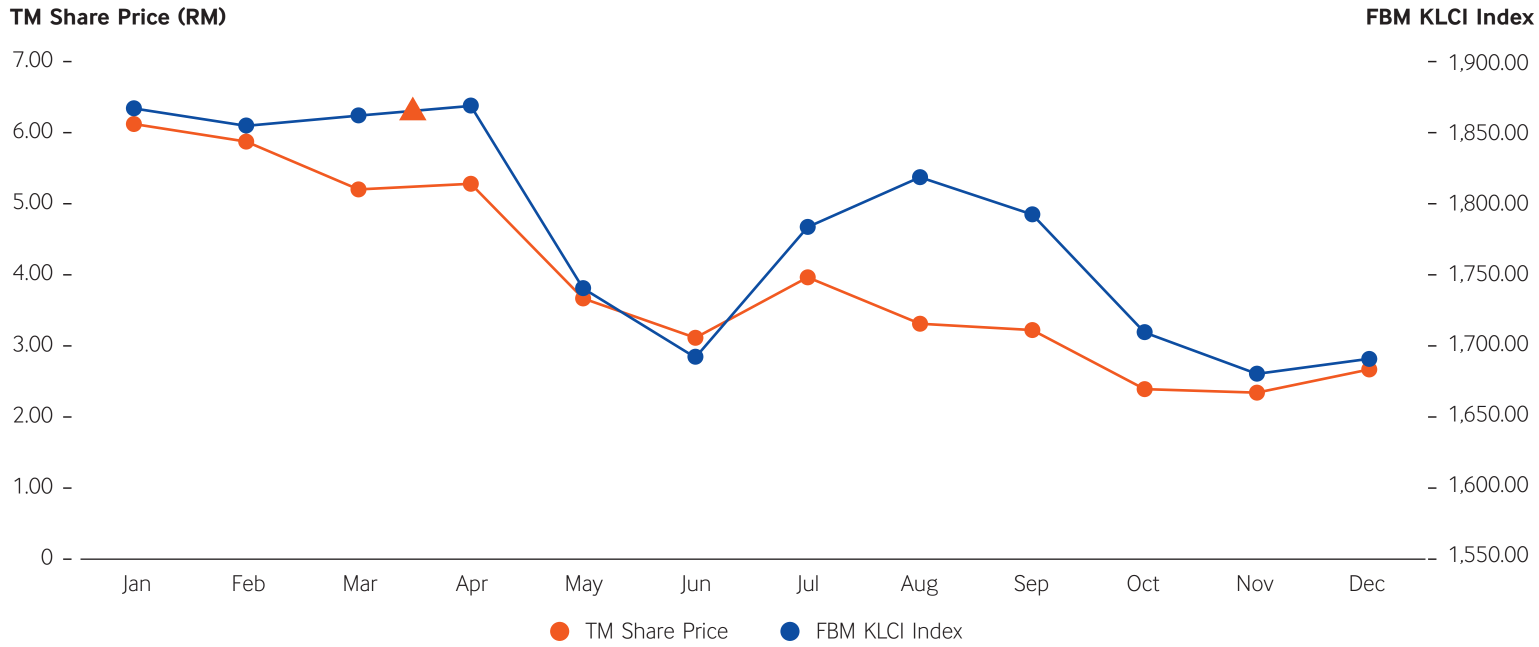
Stock
Performance

SHARE PRICE & VOLUME TRADED



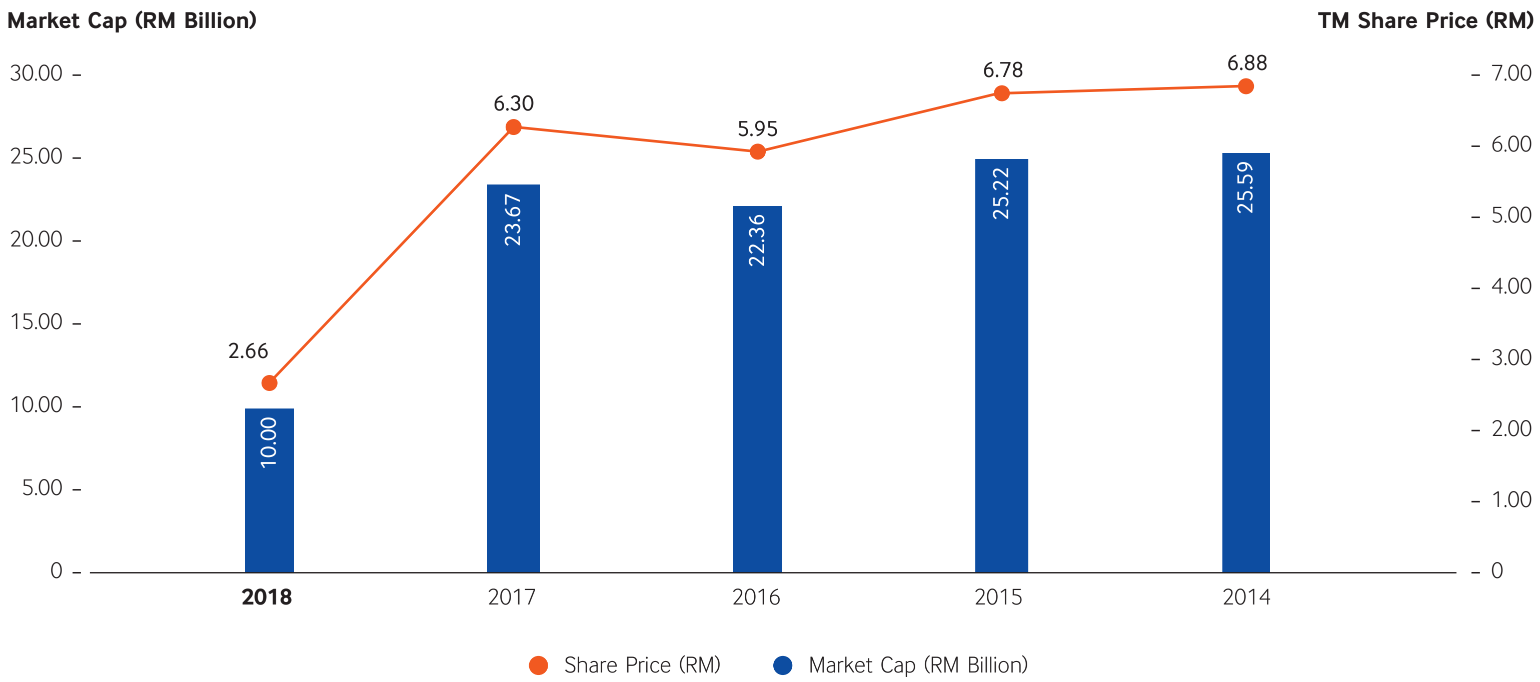
Month	Volume ('000)	Highest (RM)	Lowest (RM)
January	41,834	6.21	5.92
February	43,727	6.22	5.87
March	74,885	5.95	5.21
April	36,496	5.67	4.90
May	142,292	5.39	3.62
June	249,637	4.13	3.00
July	325,713	4.00	3.07
August	142,216	3.97	3.30
September	89,388	3.30	3.01
October	281,511	3.22	2.11
November	190,589	2.47	2.21
December	118,131	2.73	2.35

TM SHARE PRICE VS FBM KLCI INDEX 2018



Dividend payments		Entitlement Date	Payment Date
▲ 12.1 sen per share	2nd interim dividend FY2017	16 March 2018	13 April 2018

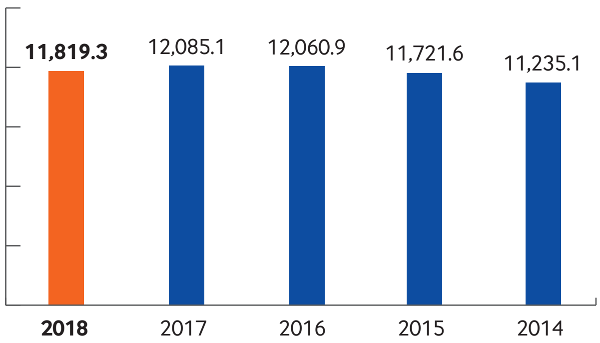
MARKET CAPITALISATION/SHARE PRICE



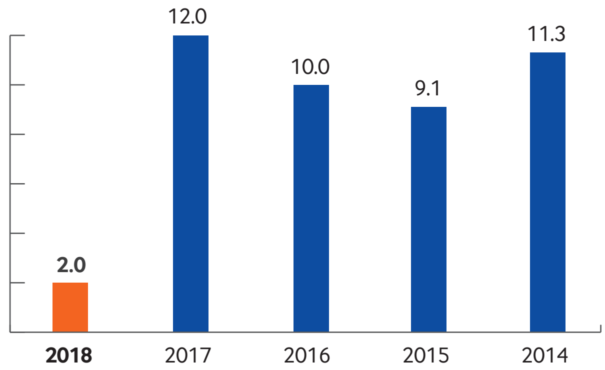
Group Financial Highlights

In RM Million	2018	2017	2016	2015	2014
OPERATING RESULTS					
Operating revenue	**11,819.3**	12,085.1	12,060.9	11,721.6	11,235.1
Profit before tax and zakat	**17.4**	1,048.0	918.5	911.8	1,105.5
(Loss)/Profit for the financial year	**(260.5)**	730.5	613.4	591.8	842.5
Profit attributable to equity holders of the Company	**153.2**	929.7	776.0	700.3	831.8
KEY DATA OF FINANCIAL POSITION					
Total shareholders' equity	**7,525.2**	7,843.5	7,692.3	7,780.6	7,571.1
Total assets	**23,704.5**	24,761.8	25,001.6	24,413.1	22,623.2
Total borrowings	**8,571.3**	8,150.2	8,363.3	7,583.7	6,448.4
SHARE INFORMATION					
Per share					
Earnings (basic)	**4.1 sen**	24.7 sen	20.6 sen	18.7 sen	22.9 sen
Gross dividend	**2.0 sen**	21.5 sen	21.5 sen	21.4 sen	22.9 sen
Net assets	**200.3 sen**	208.7 sen	204.7 sen	207.0 sen	203.6 sen
Share price information					
High	**RM6.22**	RM6.69	RM6.90	RM7.79	RM7.57
Low	**RM2.11**	RM5.96	RM5.81	RM6.00	RM5.28
FINANCIAL RATIOS					
Return on shareholders' equity	**2.0%**	12.0%	10.0%	9.1%	11.3%
Return on total assets	**-1.1%**	3.0%	2.5%	2.4%	3.7%
Debt equity ratio	**1.1**	1.0	1.1	1.0	0.9
Dividend cover	**2.0**	1.2	1.0	0.9	1.0

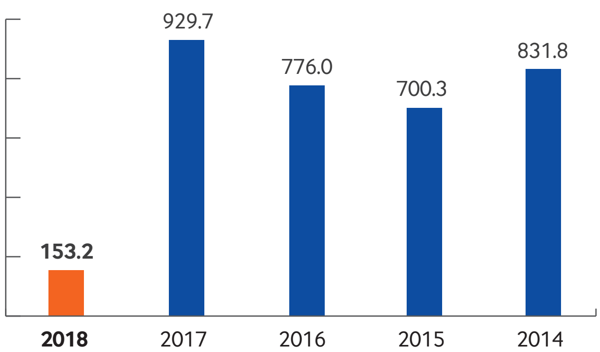
Operating revenue
(RM million)



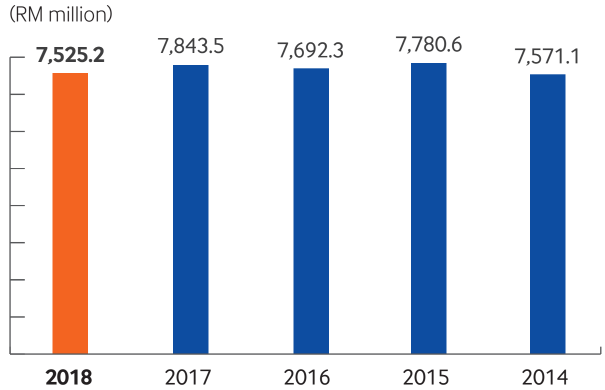
Return on shareholders' equity
(%)



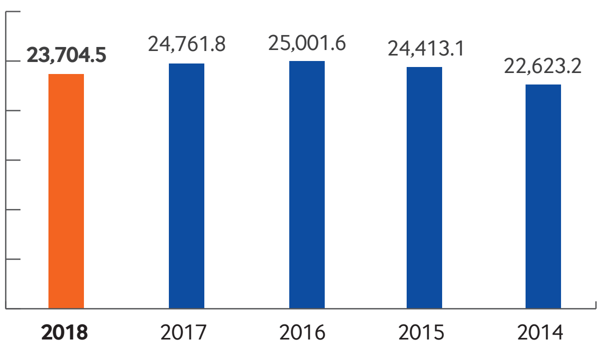
Profit attributable to equity holders of the Company
(RM million)



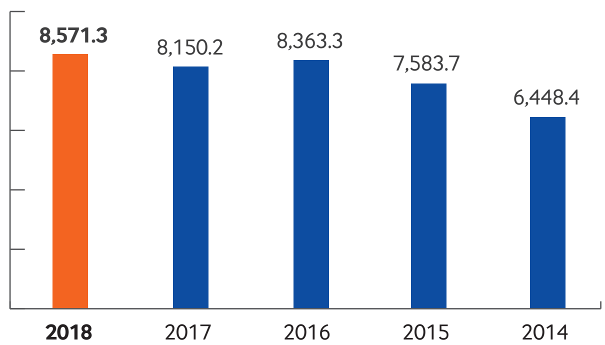
Total shareholders' equity
(RM million)



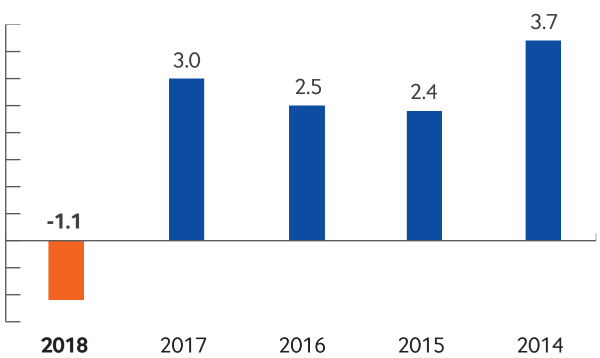
Total assets
(RM million)



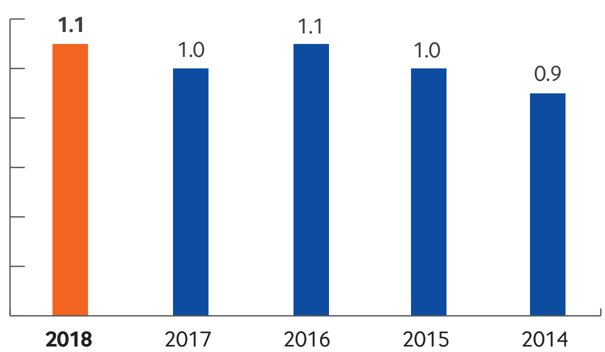
Total borrowings
(RM million)



Return on total assets
(%)

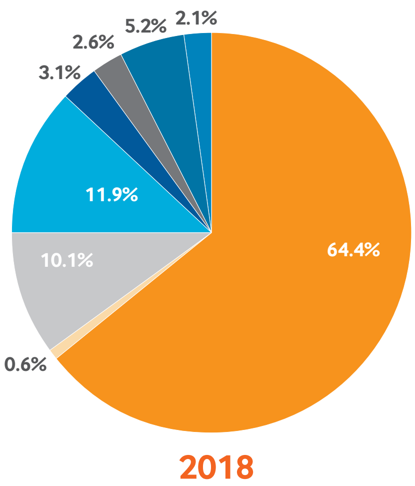


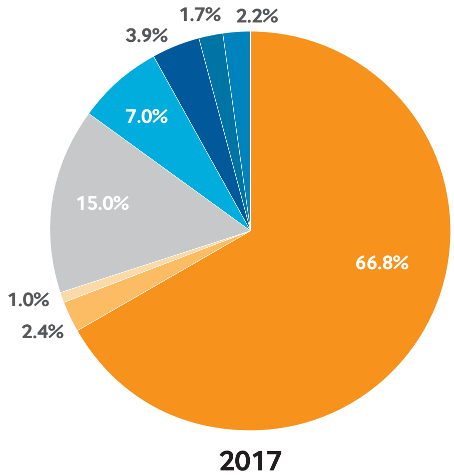
Debt equity ratio



Simplified Group Statement of Financial Position & Segmental Analysis

TOTAL ASSETS

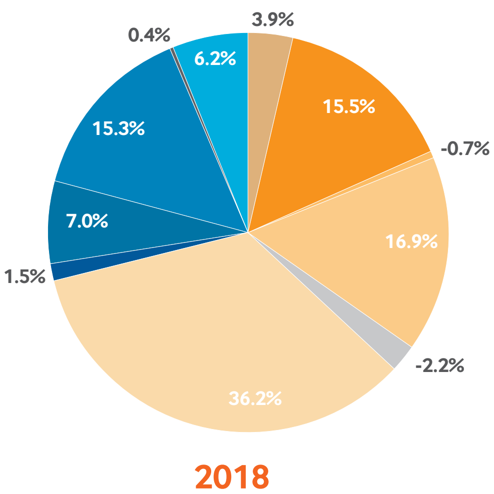


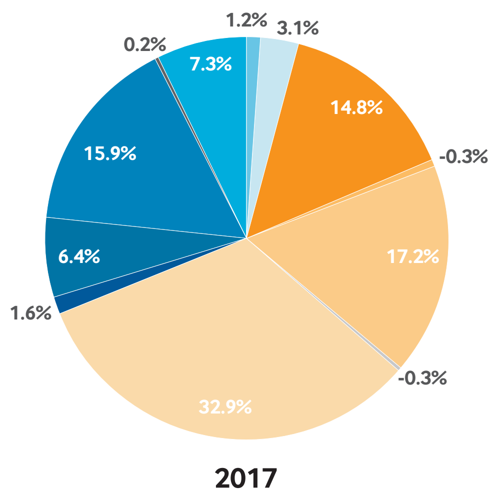


- Intangible assets
- Property, plant and equipment
- Available-for-sale investments
- Inventories
- Trade and other receivables
- Cash and bank balances
- Other non-current receivables
- Contract assets
- Other assets

	2018 RM Million	2017 RM Million
Intangible assets	**490.0**	538.6
Property, plant and equipment	**15,263.3**	16,540.7
Available-for-sale investments	**–**	594.5
Inventories	**134.6**	258.5
Trade and other receivables	**2,405.2**	3,710.2
Cash and bank balances	**2,826.3**	1,719.8
Other non-current receivables	**737.7**	966.6
Contract assets	**624.5**	–
Other assets	**1,222.9**	432.9
Total Assets	**23,704.5**	24,761.8

TOTAL LIABILITIES & SHAREHOLDERS' EQUITY



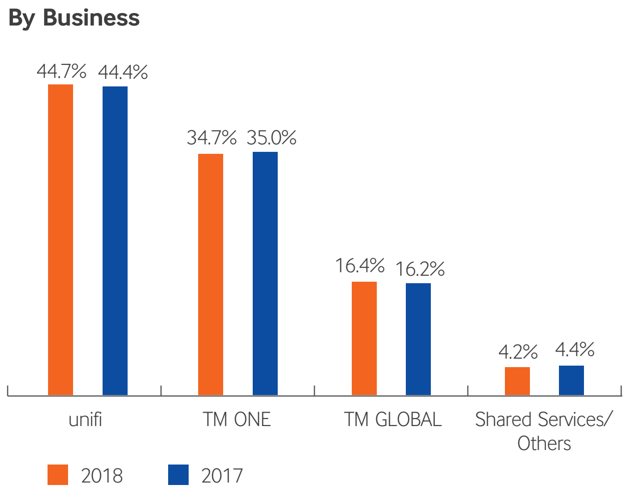


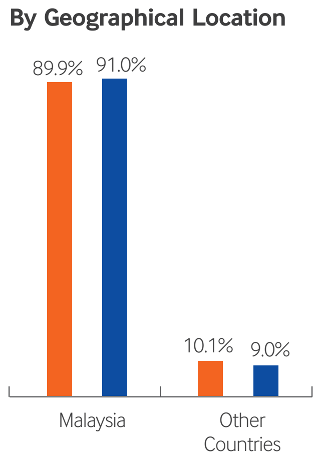
- Share capital
- Other reserves
- Retained profits
- Non-controlling interests
- Borrowings
- Customer deposits
- Deferred tax liabilities
- Trade and other payables
- Tax and zakat
- Deferred income
- Derivative financial instruments
- Advanced rental billings
- Contract liabilities

	2018 RM Million	2017 RM Million
Share capital	**3,667.1**	3,667.1
Other reserves	**(159.3)**	(81.5)
Retained profits	**4,017.4**	4,257.9
Non-controlling interests	**(509.7)**	(76.7)
Borrowings	**8,571.3**	8,150.2
Customer deposits	**352.8**	398.0
Deferred tax liabilities	**1,661.3**	1,591.3
Trade and other payables	**3,631.8**	3,939.7
Tax and zakat	**93.0**	52.5
Deferred income	**1,470.9**	1,796.5
Derivative financial instruments	**–**	287.7
Advance rental billings	**–**	779.1
Contract liabilities	**907.9**	–
Total Liabilities & Shareholders' Equity	**23,704.5**	24,761.8

SEGMENT OPERATING REVENUE

for the financial year ended 31 December



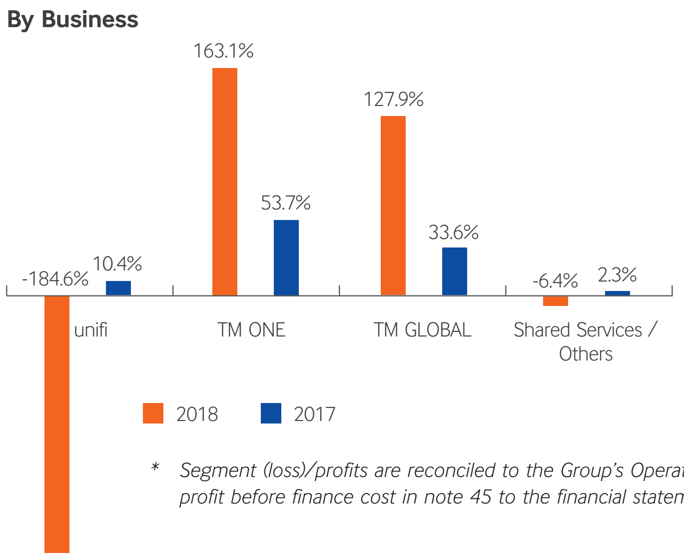


By Business	2018 RM Million	2017 RM Million
unifi	**5,285.9**	5,361.8
TM ONE	**4,096.6**	4,225.0
TM GLOBAL	**1,945.4**	1,956.4
Shared Services/Others	**491.4**	541.9
Total	**11,819.3**	12,085.1

By Geographical Location	2018 RM Million	2017 RM Million
Malaysia	**10,624.0**	11,001.2
Other Countries	**1,195.3**	1,083.9
Total	**11,819.3**	12,085.1

SEGMENT (LOSS)/PROFITS*

for the financial year ended 31 December

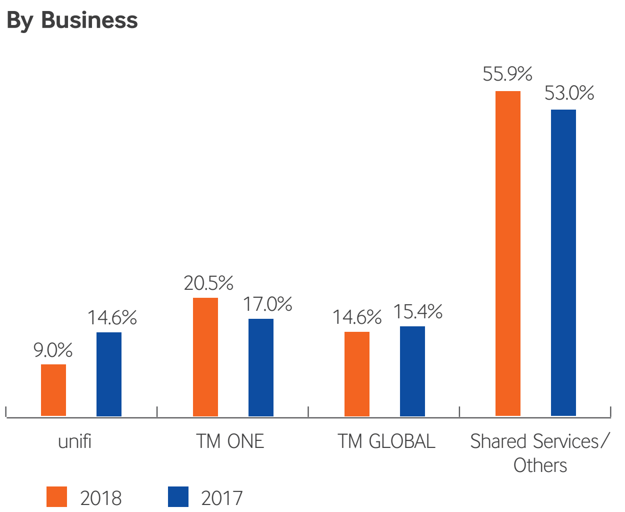


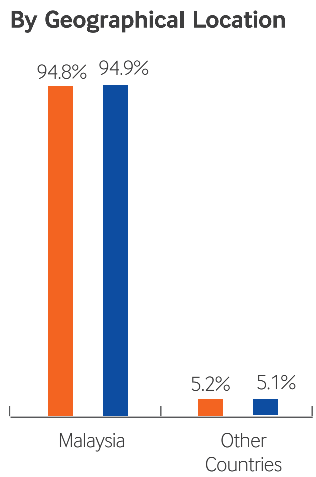
* *Segment (loss)/profits are reconciled to the Group's Operating profit before finance cost in note 45 to the financial statements*

By Business	2018 RM Million	2017 RM Million
unifi	**(618.3)**	146.2
TM ONE	**546.3**	754.8
TM GLOBAL	**428.4**	472.9
Shared Services/Others	**(21.5)**	32.7
Total	**334.9**	1,406.6

SEGMENT ASSETS

as at 31 December





By Business	2018 RM Million	2017 RM Million
unifi	**792.6**	1,461.3
TM ONE	**1,805.5**	1,709.8
TM GLOBAL	**1,280.5**	1,550.6
Shared Services/Others	**4,920.3**	5,329.6
Total	**8,798.9**	10,051.3

By Geographical Location	2018 RM Million	2017 RM Million
Malaysia	**22,466.2**	23,489.8
Other Countries	**1,238.3**	1,272.0
Total	**23,704.5**	24,761.8

Group Quarterly Financial Performance

2018

In RM Million	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Year 2018
Operating revenue	2,848.0	2,936.4	2,946.0	3,088.9	**11,819.3**
Operating profit/(loss) before finance cost	193.9	248.7	(319.8)	252.7	**375.5**
Profit/(Loss) before tax and zakat	194.2	108.4	(431.6)	146.4	**17.4**
Profit/(Loss) attributable to equity holders of the Company	157.1	102.0	(175.6)	69.7	**153.2**
Basic earnings/(loss) per share (sen)	4.2	2.7	(4.7)	1.9	**4.1**
Dividend per share (sen)	–	–	–	2.0	**2.0**

2017

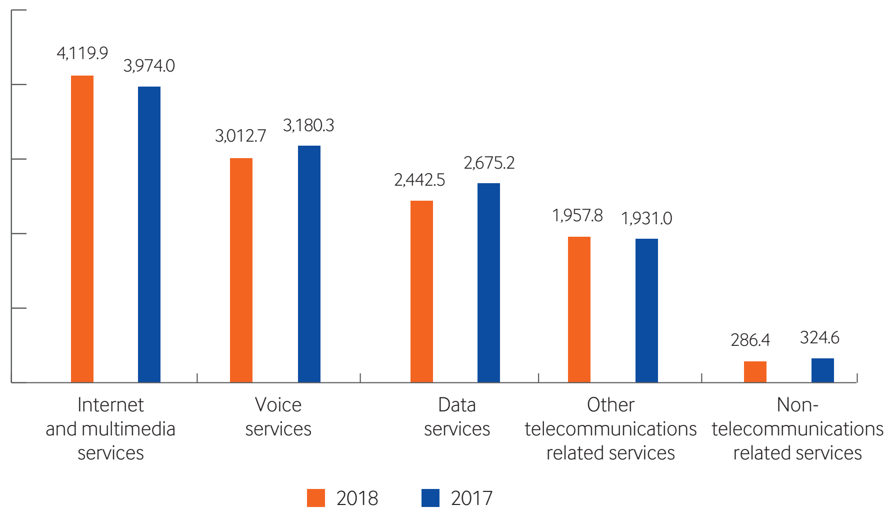
In RM Million	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Year 2017
Operating revenue	2,964.6	2,980.2	2,940.4	3,199.9	**12,085.1**
Operating profit before finance cost	299.1	258.2	259.6	284.3	**1,101.2**
Profit before tax and zakat	263.7	241.2	235.5	307.6	**1,048.0**
Profit attributable to equity holders of the Company	230.4	210.5	211.8	277.0	**929.7**
Basic earnings per share (sen)	6.1	5.6	5.7	7.3	**24.7**
Dividend per share (sen)	–	9.4	–	12.1	**21.5**

Group Financial Review

OPERATING REVENUE

Year 2018 has been a challenging year for the Group. We recorded RM11,819.3 million revenue for the year, which was a 2.2% (RM265.8 million) drop from the RM12,085.1 million recorded last year. Whilst revenue from Internet and multimedia continue to strengthen year-on-year with a 3.7% (RM145.9 million) increase, we encountered challenges in sustaining the growth momentum for our data segment, which was mainly affected by the Mandatory Standard of Access Pricing (MSAP) that came into effect starting January 2018. We recognised provisions of RM169.2 million for the year arising from MSAP to reflect the latest negotiated rates with the relevant parties involved, which was taken as a reduction in data revenue for the year. The softer Enterprise and Public Sector market also affected our revenue growth under the other telecommunication related services which includes our Information and Communications Technology (ICT) and solutioning revenues, but we managed to end the year with a 1.4% growth to close at RM1,957.8 million. Non-telecommunication related revenue comprising the Group's education and property development businesses saw an 11.8% (RM38.2 million) decline.

Operating Revenue
(RM million)



INTERNET AND MULTIMEDIA SERVICES

The Group continues to realise its focus in being Malaysia's Convergence Champion. Within a total broadband customer base of more than 2.23 million, our unifi customer base continues to grow reaching 1.3 million at the end of 31 December 2018 compared to 1.1 million the previous year end. Convergence Penetration with customers having 3 services and above was at 53% as at the end of 2018 compared to 42% at the end of 2017. Translated into financial performance, despite lower Average Revenue per User (ARPU), which was reflective of the Group's alignment to the national broadband improvement plan, revenue from Internet and multimedia services continued its year-on-year growth trend with a 3.7% (RM145.9 million) increase which led to RM4,119.9 million total revenue for 2018 compared to RM3,974.0 million in 2017. The increase in number of buys of unifi TV contents is another contributing factor to the growth. In terms of product mix, Internet and multimedia continues to be the most significant contributor to the Group's revenue, contributing 34.9% of the Group's total revenue compared to 32.9% in the previous financial year.

VOICE SERVICES

Voice remains a significant portion of the Group's revenue contributing 25.5% out of the Group's total revenue in 2018 compared to 26.3% in 2017. With RM3,012.7 million total revenue, voice recorded a 5.3% (RM167.6 million) year-on-year decline. Although this was expected from the continuing annual trend on the retail side, an increase in wholesale traffic minutes under the Global business cluster had cushioned and offsetted partially the impact. This is part of the Group's endeavour to optimise usage of our international network of submarine cables and capacity.

DATA SERVICES

Comprise mainly revenue from leased, Ethernet, IPVPN and IP services, serving both retail and also wholesale customers. With a total revenue contribution of RM2,442.5 million in 2018, data services fell 8.7% (RM232.7 million) from the RM2,675.2 million recorded in 2017. This was mainly due to a provision of RM169.2 million, which was the estimated impact of the new Mandatory Standard of Access Pricing on our wholesale segment.

OTHER TELECOMMUNICATIONS RELATED SERVICES

The challenging and competitive market landscape of 2018 led to continued cautious spending on ICT on the Enterprise and Public Sector front. The Group leveraged on our comprehensive offerings combining basic connectivity with ICT solutions in enabling and connecting our Enterprise and Public Sector customers across the nation and globally.

To this end, our offerings of Other telecommunications related services which comprise revenue derived primarily from customer projects, maintenance, broadcasting, managed Information and Communications Technology (ICT), business process outsourcing and enhanced value added telecommunications recorded RM1,957.8 million revenue which was a 1.4% (RM26.8 million) increase from the RM1,931.0 million recorded last year. VADS Berhad Group continue to contribute as our ICT centre of excellence providing the ICT solutioning portion of the Group's offering to the market. Other telecommunications related services makes up a higher cut of the Group's revenue at 16.6% compared to 16.0% in 2017.

Group Financial Review

NON-TELECOMMUNICATIONS RELATED SERVICES

This revenue segment which comprise services from subsidiaries focusing on education, and property development among others, contributed to 2.4% of the Group's total revenue (2.7% in 2017). Recording RM286.4 million in 2018, the 11.8% reduction from this revenue line was affected by the competitive tertiary education market and similarly, reduction from recognition on share of Gross Development Value (GDV) from a land development related activities. On a positive note, revenue from the tourism sector at our telecommunication towers namely Menara Kuala Lumpur, remains steady and recorded year-on-year increase.

OPERATING COST

The Group's Operating Cost of RM11,886.6 million for 2018 was 6.5% (RM730.2 million) higher from the RM11,156.4 million recorded in the previous year. Following the continued pressure from challenging business, industry and economic conditions, the Group recognised impairment losses on network assets totalling to RM982.5 million which was the single most significant component making up the increase in operating cost recorded for the year. To cushion the expected increase in our operational cost during the year, the Group had implemented Performance Improvement Programme 2018 (PIP2018), which had delivered operational improvement through immediate reduction in costs with our cost management and optimisation initiatives.

DEPRECIATION, IMPAIRMENT AND AMORTISATION

At RM3,404.8 million, total depreciation, impairment and amortisation cost recorded in 2018, was 37.1% (RM921.1 million) higher than the RM2,483.7 million recorded in 2017. The year-on-year increase comprised mainly of the RM982.5 million impairment loss recognised in Q3 and Q4 2018 based on projected cash flows used in the assessment of recoverable value-in-use of the network assets at respective entity levels that have been affected by the continued pressure from challenging business, industry and economic conditions encountered by the Group. Setting aside the impairment losses, depreciation, impairment and amortisation costs was lower, in line with the lower CAPEX spending of the Group in 2018, which was at 18.1% of revenue recorded in the current year compared to 22.8% of the 2017 revenue.

DOMESTIC, INTERNATIONAL OUTPAYMENT AND COMMISSION

This category of operating cost comprise mainly of telecommunication outpayments and operational costs incurred to service traffic minutes domestic and internationally, commissions paid to resellers and agents, cost of telecommunication equipment and engineering services to serve the Group's contracts with Enterprise and Public Sector customers. At RM2,611.1 million, the 2018 cost was a 5.7% (RM140.2 million) increase from 2017. This was driven mainly by increase of international outpayment from higher traffic minutes and contract costs both in line with higher Global voice and other telecommunication services revenue.

STAFF COSTS

In line with the challenging economic conditions faced by the Group and the financial results, staff cost which forms 19.5% of the Group's total operating cost, has decreased 7.3% (RM181.7 million). The natural atrition from Mandatory Retirement Age of 60 years which takes effect in 2018 subsequent to the 5 years extension implementation in July 2013, also contributed to the reduction in staff cost for 2018.

MAINTENANCE

Maintenance cost comprise largely of repair and maintenance cost for the Group's network, building & premises and system & software. At RM614.5 million in 2018, maintenance cost decreased 9.0% (RM60.8 million) from the RM675.3 million in 2017 driven by optimisation initiatives under PIP2018 championed by the Group's network team.

MATERIALS/CUSTOMER EQUIPMENT AND INSTALLATION

In servicing our customers and acquiring new contracts, the Group incurs cost in the form of customer premise equipment as well as commissions that are directly attributable to specific contracts with customer. Where relevant, these costs are capitalised and amortised subsequently to the income statement over the minimum contract period. Operationally, there were no significant year-on-year variance in materials/customer equipment & installation between 2018 and 2017.

RENTAL

Rental cost of RM493.7 million in 2018 comprise of rental of office buildings & premises, network sites, land and office equipment. The 10.2% (RM45.8 million) increase was largely coming from network sites from the Group's continuing enhancement and expansion of our existing 4G LTE network coverage and footprint across the nation.

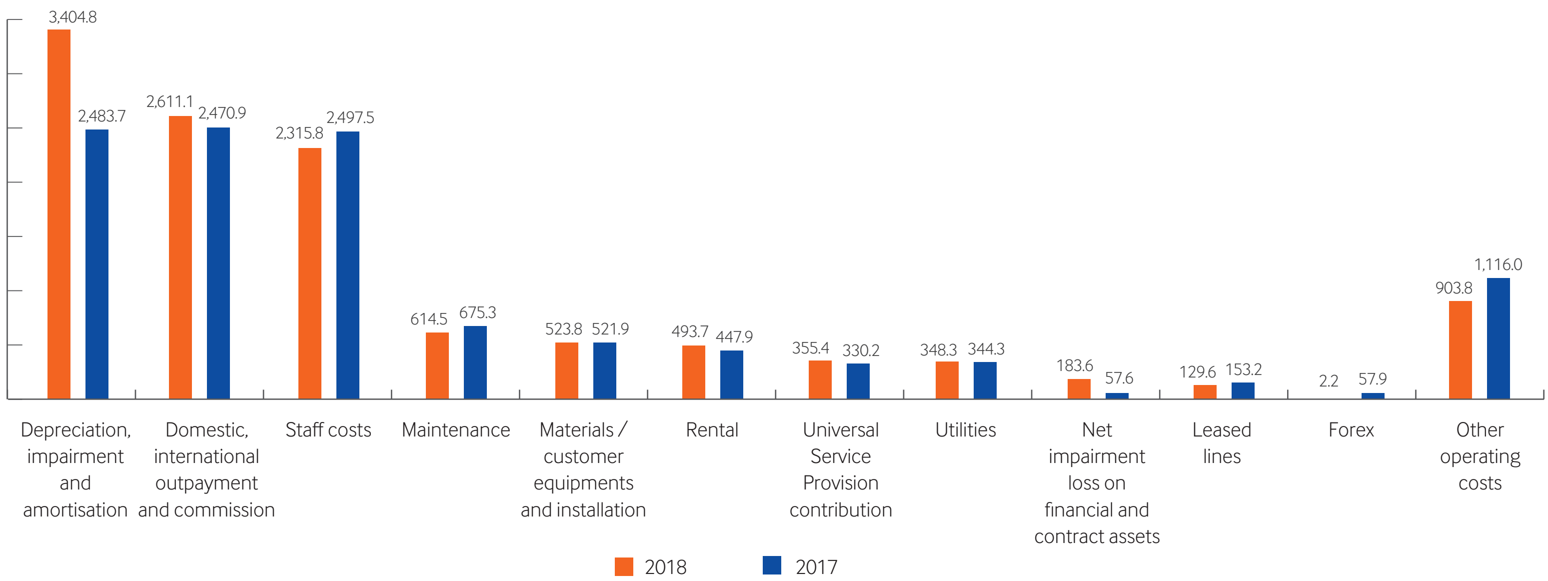
NET FINANCE COST

At RM379.1 million, the Group's net finance cost increased by 369.2% (RM298.3 million) from RM80.8 million in 2017. This was mainly due to RM63.0 million increase in gross Interest expense from new Islamic securities issued during the year, RM31.3 million Foreign exchange loss on borrowings retranslation in 2018 compared to RM174.5 million Foreign exchange gain in 2017, and reduced income from deposits and money markets investments during 2018.

FINANCE COST

Issuance of new Islamic sukuks under the Group's Islamic Medium Term Notes (IMTN) programs of RM250.0 million each in May and August 2018; and another RM800.0 million in October 2018, as well as a whole year impact of interest in 2018 from the RM500.0 million sukuk issued in September 2017 contributed to a significant portion of the 16.3% (RM63.0 million) increase in gross finance cost. Interest cost was also incurred at webe for revolving credit drawn down during 2018 but subsequently repaid within the same year.

Operating Costs
(RM million)



FINANCE INCOME

Finance income decreased by RM29.5 million from RM131.8 million in 2017 to RM102.3 million in 2018 mainly from lower interest income from deposits with relatively lower yield during the year and net reduction in average cash holding throughout the year even though the Group closed the financial year end with a higher cash position compared to 2017.

TAX EXPENSES

Net tax charges for 2018 was RM271.4 million for the financial year compared to RM308.6 million in 2017. The tax charges recorded during the year was despite the lower profit levels at Group and loss recorded at Telekom Malaysia Berhad Company level. At Group, tax charges remain high despite lower profits mainly due to losses before tax from webe for which no corresponding tax losses or deferred tax asset has been recognised at this juncture. Whereas at TM Company level, losses recognised during the financial year was mainly from impairment loss recognised from receivables due from subsidiaries for which tax impact is also not recognised. These combined resulted in the tax charges recognised during the year.

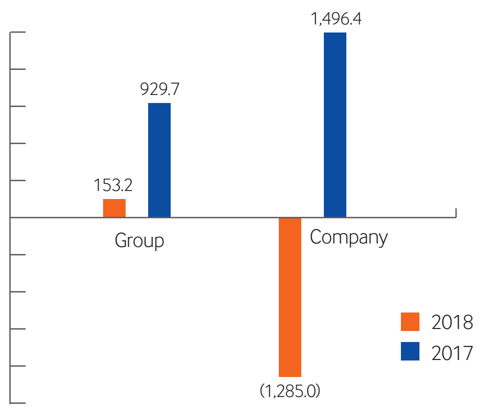
PROFITABILITY

Lower revenue year-on-year which was affected by MSAP and the resulting impairment loss on network assets recognised by the Group in the third and fourth quarter 2018 has led to a decrease in the Group Reported Earnings Before Interest and Tax (EBIT) by 94.1% (RM1,028.1 million) to RM64.6 million as compared to RM1,092.7 million recorded in the preceding year.

Excluding the impairment impact, the Group's normalised EBIT was RM1,070.8 million, compared to the RM1,187.4 million EBIT recorded for 2017, 9.8% lower year-on-year. PIP2018 initiatives such as cost optimisation yielded improved operating cost performance.

The Group's profit before tax and zakat was 98.3% lower at RM17.4 million from RM1,048.0 million in 2017 from the operational results as well as the increase in net finance cost. Consequently, profit attributable to equity holders (PATAMI) reduced by 83.5% from RM929.7 million in 2017 to RM153.2 million in 2018.

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



Group Financial Review

TOTAL ASSETS

Total assets of the Group at the end of 2018 was at RM23,704.5 million compared to RM24,761.8 million at the end of 2017. Decrease in property, plant and equipment (PPE), trade and other receivables as well as inventories partially drove the decrease, which was off-set partially by increase in cash and bank balances between the comparing balance sheet dates.

PROPERTY, PLANT AND EQUIPMENT

The Group closed 2018 with RM15,263.3 million balances in property, plant and equipment compared to RM16,540.7 million at the end of 2017. The RM1,277.4 million reduction was mainly from the RM982.5 million impairment loss recognised during the year on network assets coupled with general reduction in CAPEX spending in the current year. The reduction in CAPEX is aligned to the lower Group revenue; and it is mainly due to re-prioritisation of CAPEX investments during the year.

TRADE AND OTHER RECEIVABLES

Trade and other receivables balance as at the end of 2018 was at RM2,405.2 million, a RM1,305.0 million lower than the RM3,710.2 million as at the end of 2017. The reduction was partly in view of the implementation of MFRS 15 and MFRS 9 in 2018 which introduced reclassifications of accrued earning balances that was disclosed as part of trade and other receivable balances in 2017. In 2018, accrued earning balances were disclosed as contract assets together with increased contract asset balances from the current year application of MFRS 15. Reclassifications aside, improved receipts from trade receivables led to the reduction in trade and other receivables as a whole.

CASH AND BANK BALANCES

Cash and bank balances of the Group was RM2,826.3 million at the end of 2018 compared to RM1,719.8 million at the end of 2017. The increase was driven by reduction in capital expenditure for the year, improved receipts from trade receivable balances together with direct impact from cost optimisation initiatives during the year.

INVENTORIES

At RM134.6 million as at 31 December 2018, the Group's inventories reduced RM123.9 million from RM258.5 million as at the end of 2017. The reduction was largely from the reclassification of work-in-progress balances relating to customer projects previously disclosed as inventory which is disclosed in 2018 as contract cost assets, a classification of asset arising from the Group's adoption of MFRS 15.

TOTAL LIABILITIES

Total liabilities of the Group at the end of 2018 was at RM16,689.0 million compared to RM16,995.0 million at the end of 2017.

BORROWINGS

We closed 2018 with a total borrowings of RM8,571.3 million as compared to RM8,150.2 million at the end of 2017. The increase was mainly from the Group's issuance of sukuks under our Islamic Medium Term Notes (IMTN) programs amounting RM250.0 million each in May and August 2018, and another RM800.0 million in October 2018. This was off-set by repayment of the RM925.0 million stapled income borrowings which matured in December 2018.

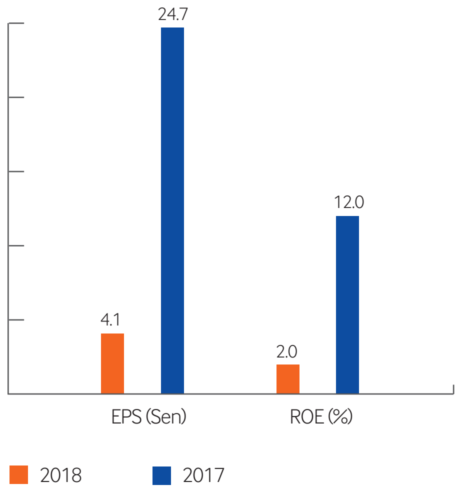
TRADE AND OTHER PAYABLES

Total trade and other payables at RM3,631.8 million reduced by 7.8% from RM3,939.7 million at the end of 2017. This was mainly due to reduction in trade payables and accruals driven generally from the Group's cost optimisation programme during the year.

SHAREHOLDERS' EQUITY

The overall 2018 results of the Group led to a RM318.3 million reduction in shareholders' equity which was at RM7,525.2 million as at the end of 2018 from RM7,843.5 million at the end of 2017. The significant movements during the year comprised mainly of the RM153.2 million profit from the financial year attributable to shareholders which was outstripped by RM454.7 million 2nd interim dividend paid out to shareholders during 2018.

EPS and ROE



EARNINGS PER SHARE (EPS) AND RETURN ON SHAREHOLDERS' EQUITY (ROE)

EPS fell to 4.1 sen in 2018 from 24.7 sen in preceding year in line with the lower profit attributable to the equity holders of the Company. Consistently, ROE decreased from 12.0% in 2017 to 2.0% in 2018.

DIVIDENDS

In light of the current operating landscape and potential impact on our earnings alongside our efforts to transform the Company to adapt to the changes, a revised dividend policy was announced in the third quarter 2018 to support TM's long-term strategic objectives. The new dividend policy states that the Company intends to distribute yearly dividends of 40 to 60% from its PATAMI. Dividends will be paid depending on overall business and earnings performance, capital commitments, financial conditions, distributable reserves and other relevant factors.

With this, the Board of Directors declared on 26 February 2019 an interim single-tier cash dividend of 2.0 sen per share for the financial year ended 31 December 2018 (2017: 1st and 2nd interim single-tier cash dividend of 9.4 and 12.1 sen per share respectively). The dividend will be paid on 12 April 2019 to shareholders whose names appear in the Register of Members and Record of Depositors on 18 March 2019.

Statement of Value Added

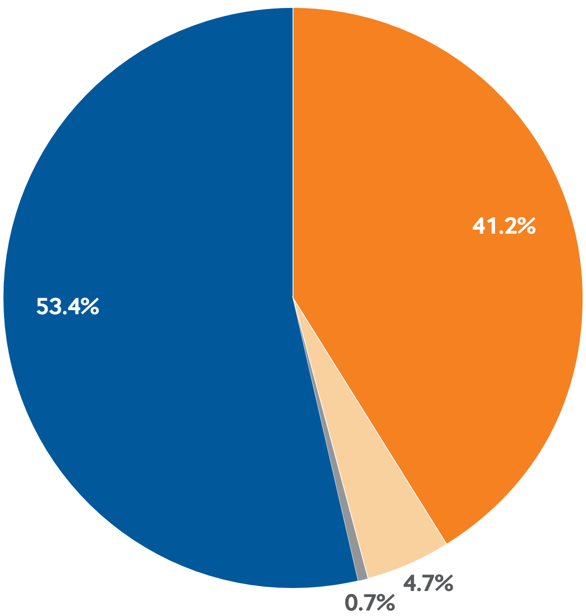
Value added is a measure of wealth created. The following statement shows the Group's value added for 2018 and 2017 and its distribution by way of payments to employees, government/approved agencies and shareholders, with the balance retained in the Group for reinvestment and future growth.

VALUE ADDED	2018 RM Million	2017 RM Million
Revenue	**11,819.3**	12,085.1
Purchase of goods and services	**(5,981.4)**	(6,043.7)
Value added by the Group	**5,837.9**	6,041.4
Other operating income (net)	**131.9**	164.0
Other gains (net)	**310.9**	8.5
Finance income	**102.3**	131.8
Finance cost	**(450.1)**	(387.1)
Foreign exchange (loss)/gain on borrowings	**(31.3)**	174.5
Share of results of associate	**21.0**	27.6
Value added available for distribution	**5,922.6**	6,160.7

DISTRIBUTION	2018 RM Million	2017 RM Million
To Employees		
Employment cost	**2,439.4**	2,629.0
To Government/Approved Agencies		
Tax and Zakat	**277.9**	317.5
To Shareholders		
Dividends	**454.7**	811.7
Non-controlling interests	**(413.7)**	(199.2)
Retained for reinvestment and future growth		
Depreciation, impairment and amortisation	**3,404.8**	2,483.7
Net (reduction)/increase in retained profits	**(240.5)**	118.0
Total distributed	**5,922.6**	6,160.7

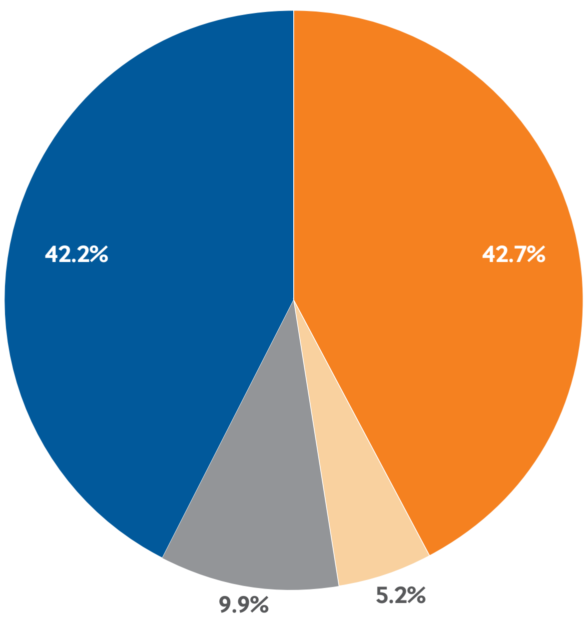
Distribution of Value Added

2018



- To Employees – Employment cost
  RM2,439.4 million
- To Government/Approved Agencies – Tax and Zakat
  RM277.9 million
- To Shareholders – Dividends and non-controlling interests
  RM41.0 million
- Retained for reinvestment and future growth – Depreciation, impairment, amortisation and retained profits
  RM3,164.3 million

2017



- To Employees – Employment cost
  RM2,629.0 million
- To Government/Approved Agencies – Tax and Zakat
  RM317.5 million
- To Shareholders – Dividends and non-controlling interests
  RM612.5 million
- Retained for reinvestment and future growth – Depreciation, impairment, amortisation and retained profits
  RM2,601.7 million

Statement of Responsibility by Directors

In respect of the Audited Financial Statements for the financial year ended 31 December 2018

The Directors are required by the Companies Act 2016 (CA 2016) to prepare the financial statements for each financial year in accordance with applicable Malaysian Financial Reporting Standards (MFRS), International Financial Reporting Standards, the relevant provisions of the CA 2016 and the requirements of the Main Market Listing Requirements (Main LR) of Bursa Malaysia Securities Berhad (Bursa Securities). 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 judgements 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 operation 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, which enable them to ensure the financial statements comply with the CA 2016.

The Directors also have the overall responsibilities to take such steps that 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 detection and prevention of fraud and other irregularities.

Directors' Report

for the financial year ended 31 December 2018

The Directors wish to submit the audited financial statements of the Group and the Company for the financial year ended 31 December 2018.

PRINCIPAL ACTIVITIES

The principal activities of the Group and Company are the establishment, maintenance and provision of telecommunications and related services. The details and principal activities of subsidiaries are set out in note 52 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/(Loss) for the financial year attributable to:		
– equity holders of the Company	153.2	(1,285.0)
– non-controlling interests	(413.7)	–
Loss for the financial year	(260.5)	(1,285.0)

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, other than those disclosed in notes 3(c), (d), (e), (j) and note 47(a)(iii) to the financial statements.

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 2017, a second single-tier cash dividend (2nd Interim Dividend) of 12.1 sen per share was paid on 13 April 2018	**454.7**

On 26 April 2018, the Shareholders approved the renewal of authority for Directors of the Company to allot and issue new ordinary shares in the Company (TM Shares) in accordance to the Dividend Reinvestment Scheme (DRS) (as disclosed in the note 13(d) to the financial statements) at the Thirty-third Annual General Meeting (AGM) until the conclusion of the next AGM.

The DRS was not made applicable to the above said 2^{nd} Interim Dividend.

On 26 February 2019, the Board of Directors declared an interim single-tier cash dividend of 2.0 sen per share for the financial year ended 31 December 2018. The dividend will be paid on 12 April 2019 to shareholders whose names appear in the Register of Members and Record of Depositors on 18 March 2019.

SHARE CAPITAL

The Company will be seeking shareholders' approval at the forthcoming Thirty-fourth (34th) AGM for the renewal of the authority for the Directors of the Company to allot and issue new TM Shares under the DRS and the approval of Bursa Securities for the listing and quotation of the new TM Shares.

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.

There were no granting of any shares under the LTIP programme during the financial year. The main features of the LTIP are set out in note 14 to the financial statements.

ISSUANCE AND REPAYMENT NOTES AND SECURITIES

(a) Islamic Commercial Papers (ICP) and Islamic Medium Term Notes (IMTN) Programmes

On 28 September 2018, 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 RM4.0 billion in nominal value, which have respective tenures of 7 and 30 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 30 years provided that the respective debt securities mature before the expiry of the respective programmes.

The proceeds from the issuance of the ICP and/or IMTN shall be utilised by TM Group and Company for capital expenditure and business operating requirements.

Details of IMTN issued during the financial year ended 31 December 2018 are as follows:

Debt Securities	Date of Issue	Nominal Value	Rate per Annum	Maturity Date
IMTN	31 October 2018	RM800.0 million	4.68%	31 October 2028
ICP	27 November 2018	RM1.0 million	3.78%	21 December 2018

The ICP was paid in full on 21 December 2018. Details of IMTN programme is disclosed in note 17(c) to the financial statements of the Group and Company.

(b) Issuance of Islamic Medium Term Notes (IMTN)

During the financial year, the Company issued IMTN under the IMTN programme approved on 30 August 2013, with the following details:

Debt Securities	Date of Issue	Nominal Value	Rate per Annum	Maturity Date
IMTN	18 May 2018	RM250.0 million	4.73%	18 May 2028
IMTN	27 August 2018	RM250.0 million	3.342%	25 August 2023

Details of this IMTN programme is disclosed in note 17(c) to the financial statements of the Group and Company.

(c) Repayment of TM Islamic Stapled Income Securities (TM ISIS)

On 28 December 2018, the Company repaid its RM0.925 million Class D Non-Convertible Redeemable Preference Shares (NCRPS) and RM924.075 million Class B Sukuk in nominal value.

Details of this TM ISIS programme is disclosed in note 17(b) to the financial statements of the Group and Company.

Directors' Report
for the financial year ended 31 December 2018

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.

OTHER STATUTORY INFORMATION

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

(a) ascertain that proper 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 in the ordinary course of business including the value of current assets as shown in the accounting records of the Company had been written down to an amount which the current assets might be expected so to realise.

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 inadequate to any substantial extent; or

(b) would render the value attributed to current assets in the financial statements of the Company misleading; or

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

At the date of this report there are:

(a) no changes on the assets of the Company which have arisen since the end of the financial year which secures the liabilities of any other person; and

(b) no contingent liabilities in the Company which have arisen since the end of the financial year.

No contingent or other liability of any company in the Group has become enforceable or is likely to become enforceable within the period of twelve 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.

In the opinion of the Directors:

(a) the results of the operations of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature; and

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

DIRECTORS

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

Directors	Alternate Directors
Rosli Man *[Appointed on 3 December 2018]*	
Datuk Bazlan Osman	
Dato' Asri Hamidin @ Hamidon *[Appointed on 3 October 2018]*	Faisal @ Pisal Abdul Ghani *[Appointed on 31 December 2018]*
Dr Farid Mohamed Sani *[Appointed on 1 January 2019]*	
Dato' Mohd Naim Daruwish *[Appointed on 3 October 2018]*	
Datuk Zalekha Hassan	
Gee Siew Yoong	
Tunku Afwida Tunku Dato' A.Malek Balasingham A. Namasiwayam	
Hisham Zainal Mokhtar *[Appointed on 3 October 2018]*	
Suhendran Sockanathan *[Appointed on 3 October 2018]*	
Dato' Sri Dr Mohmad Isa Hussain *[Resigned on 26 April 2018]*	Dato' Asri Hamidin @ Hamidon *[Ceased as alternate director on 26 April 2018]*
Dato' Sri Mohammed Shazalli Ramly *[Resigned on 6 June 2018]*	
Datuk Seri Fateh Iskandar Tan Sri Dato' Mohamed Mansor *[Resigned on 8 June 2018]*	
Davide Giacomo Federico Benello *[Resigned on 3 October 2018]*	
Tan Sri Dato' Seri Dr Sulaiman Mahbob *[Resigned on 30 November 2018]*	
Nik Rizal Kamil Tan Sri Nik Ibrahim Kamil *[Resigned on 31 December 2018]*	
Tunku Dato' Mahmood Fawzy Tunku Muhiyiddin *[Resigned on 31 December 2018]*	

Pursuant to Clause 106(2) of the Company's Constitution, the following Directors who were appointed Directors of the Company during the year, shall retire at the forthcoming 34th AGM of the Company and being eligible, offer themselves for re-election:

(i) Rosli Man;
(ii) Dato' Asri Hamidin @ Hamidon;
(iii) Dr Farid Mohamed Sani;
(iv) Dato' Mohd Naim Daruwish;
(v) Hisham Zainal Mokhtar; and
(vi) Suhendran Sockanathan.

In accordance with Clause 112 of the Company's Constitution, Gee Siew Yoong shall retire by rotation from the Board at the forthcoming 34th AGM of the Company and being eligible, offers herself for re-election.

Directors' Report
for the financial year ended 31 December 2018

DIRECTORS' INTEREST IN SHARES

In accordance with the Register of Directors' Shareholdings required to be kept under Section 59 of the Companies Act 2016, none of the Directors who held office at the end of the financial year held any shares in the Company, during the financial year except for the following:

		Number of ordinary shares			
Interest in the Company	**Interest**	**Balance at 1.1.2018/ At the Date of Appointment**	**Bought**	**Sold**	**Balance at 31.12.2018**
Datuk Bazlan Osman	Direct	2,134	–	–	2,134
Balasingham A. Namasiwayam	Direct	16,013	–	–	16,013
Rosli Man*	Indirect	3,000	–	–	3,000

* Indirect interest through son's holding, Mohd Azizi Rosli (an employee of TM)

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 of shares under the LTIP of the Group and the Company as described in note 14 of the notes to the financial statements except for the following:

Interest in the Company		Grant Date	Grant Type	Balance as at 1.1.2018/ At the Date of Appointment	Grant	Lapse	Balance as at 31.12.2018
Datuk Bazlan Osman	Direct	1 June 2017	PS	217,900	–	–	217,900
		4 December 2017	PS	236,100	–	–	236,100
Rosli Man*	Indirect	1 December 2016	RS	700	–	–	700
		1 June 2017	RS	700	–	–	700

* Indirect interest through son's holding, Mohd Azizi Rosli (an employee of TM)

DIRECTORS' BENEFITS

Since the end of the previous financial year, none of the Directors has received or become entitled to receive a 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 the Director is a member or with a company in which the Director has a substantial financial interest and any benefit that may deem to have been received by certain Directors, except that certain Directors also received remuneration from related corporations.

Neither during nor at the end of the financial year was the Company or any of its related corporations, a party to any arrangements whose object was to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of the Company or any other body corporate.

The Directors and Officers of the Group and the Company are covered by Directors and Officers liability insurance for any liability incurred in the discharge of their duties, provided that they have not acted fraudulently or dishonestly or derived any personal profit or advantage. The insurance premium paid during the financial year amounted to RM0.2 million.

BUSINESS REVIEW

A business review for the Group for the financial year ended 31 December 2018 and the prospect for the coming financial year has been set out in the Management Discussion and Analysis section of the Group's and Company's Integrated Annual Report for the financial year ended 31 December 2018.

AUDITORS' REMUNERATION

Details of auditors' remuneration are set out in note 6(b) to the financial statements.

AUDITORS

The auditors, PricewaterhouseCoopers PLT (LLP0014401-LCA & AF 1146), have expressed their willingness to accept re-appointment as auditors.

In accordance with a resolution of the Board of Directors dated 26 February 2019.

ROSLI MAN
Director

DATUK BAZLAN OSMAN
Director

Income Statements

for the financial year ended 31 December 2018

All amounts are in million unless otherwise stated	Note	The Group 2018 RM	The Group 2017 RM	The Company 2018 RM	The Company 2017 RM
OPERATING REVENUE	5	**11,819.3**	12,085.1	**10,524.9**	10,775.3
OPERATING COSTS					
– depreciation, impairment and amortisation	6(a)	**(3,404.8)**	(2,483.7)	**(2,278.7)**	(2,089.2)
– net impairment loss on financial and contract assets		**(183.6)**	(57.6)	**(2,067.3)**	(74.3)
– other operating costs	6(b)	**(8,298.2)**	(8,615.1)	**(7,328.5)**	(7,126.5)
OTHER OPERATING INCOME (net)	7	**131.9**	164.0	**429.9**	361.1
OTHER GAINS/(LOSSES) (net)	8	**310.9**	8.5	**(0.1)**	(15.3)
OPERATING PROFIT/(LOSS) BEFORE FINANCE COST		**375.5**	1,101.2	**(719.8)**	1,831.1
FINANCE INCOME		**102.3**	131.8	**95.7**	102.5
FINANCE COST		**(450.1)**	(387.1)	**(420.9)**	(364.9)
FOREIGN EXCHANGE (LOSS)/GAIN ON BORROWINGS		**(31.3)**	174.5	**(31.8)**	174.3
NET FINANCE COST	9	**(379.1)**	(80.8)	**(357.0)**	(88.1)
ASSOCIATE					
– share of results (net of tax)	27	**21.0**	27.6	**–**	–
PROFIT/(LOSS) BEFORE TAX AND ZAKAT		**17.4**	1,048.0	**(1,076.8)**	1,743.0
TAX AND ZAKAT	10	**(277.9)**	(317.5)	**(208.2)**	(246.6)
(LOSS)/PROFIT FOR THE FINANCIAL YEAR		**(260.5)**	730.5	**(1,285.0)**	1,496.4
ATTRIBUTABLE TO:					
– equity holders of the Company		**153.2**	929.7	**(1,285.0)**	1,496.4
– non-controlling interests		**(413.7)**	(199.2)	**–**	–
(LOSS)/PROFIT FOR THE FINANCIAL YEAR		**(260.5)**	730.5	**(1,285.0)**	1,496.4
EARNINGS PER SHARE (sen)					
– basic	11	**4.1**	24.7		
– diluted	11	**4.1**	24.6		

The above Income Statements are to be read in conjunction with the Notes to the Financial Statements on pages 34 to 172.

Independent Auditors' Report – Pages 174 to 181.

Statements of Comprehensive Income

for the financial year ended 31 December 2018

All amounts are in million unless otherwise stated	Note	The Group		The Company	
		2018 RM	2017 RM	2018 RM	2017 RM
(LOSS)/PROFIT FOR THE FINANCIAL YEAR		**(260.5)**	730.5	**(1,285.0)**	1,496.4
OTHER COMPREHENSIVE INCOME					
Items that will not be reclassified subsequently to income statement:					
– decrease in fair value of equity investments at fair value through other comprehensive income (FVOCI)		**(11.2)**	–	**(11.2)**	–
Items that may be reclassified subsequently to income statement:					
– (decrease)/increase in fair value of investments at fair value through other comprehensive income (FVOCI)/available-for-sale		**(0.2)**	27.4	**(0.2)**	27.4
– reclassification adjustments relating to FVOCI/available-for-sale investments disposed	8	**(0.1)**	(1.8)	**(0.1)**	(1.8)
– increase in fair value of receivables at FVOCI/available-for-sale		**3.7**	#	**3.7**	#
– cash flow hedge					
– increase/(decrease) in fair value of cash flow hedge	19	**39.4**	(103.2)	**39.4**	(103.2)
– change in fair value currency basis	19	**(51.5)**	–	**(51.5)**	–
– reclassification to foreign exchange (loss)/gain on borrowings	9	**(17.1)**	92.7	**(17.1)**	92.7
– fair value hedge					
– increase in fair value	19	**1.5**	0.3	**1.5**	0.3
– currency translation differences					
– subsidiaries		**(58.6)**	(16.2)	**–**	–
– associate		**0.2**	(0.8)	**–**	–
Other comprehensive (loss)/income for the financial year		**(93.9)**	(1.6)	**(35.5)**	15.4
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE FINANCIAL YEAR		**(354.4)**	728.9	**(1,320.5)**	1,511.8
ATTRIBUTABLE TO:					
– equity holders of the Company		**59.3**	928.1	**(1,320.5)**	1,511.8
– non-controlling interests		**(413.7)**	(199.2)	**–**	–
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE FINANCIAL YEAR		**(354.4)**	728.9	**(1,320.5)**	1,511.8

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 34 to 172.

Independent Auditors' Report – Pages 174 to 181.

Statements of Financial Position

as at 31 December 2018

All amounts are in million unless otherwise stated	Note	The Group 2018 RM	The Group 2017 RM	The Company 2018 RM	The Company 2017 RM
SHARE CAPITAL	13	**3,667.1**	3,667.1	**3,667.1**	3,667.1
OTHER RESERVES	15	**(159.3)**	(81.5)	**230.4**	251.3
RETAINED PROFITS	16	**4,017.4**	4,257.9	**2,104.3**	4,478.6
TOTAL CAPITAL AND RESERVES ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY		**7,525.2**	7,843.5	**6,001.8**	8,397.0
NON-CONTROLLING INTERESTS		**(509.7)**	(76.7)	**–**	–
TOTAL EQUITY		**7,015.5**	7,766.8	**6,001.8**	8,397.0
Borrowings	17	**8,337.2**	7,031.2	**7,137.1**	5,815.7
Payable to subsidiaries	18	**–**	–	**1,133.3**	1,109.0
Derivative financial instruments	19	**–**	287.7	**–**	–
Deferred tax liabilities	20	**1,661.3**	1,591.3	**1,613.6**	1,533.6
Deferred income	21	**1,470.9**	1,796.5	**1,459.3**	1,782.9
Trade and other payables	37	**21.5**	5.5	**3.9**	5.5
NON-CURRENT LIABILITIES		**11,490.9**	10,712.2	**11,347.2**	10,246.7
		18,506.4	18,479.0	**17,349.0**	18,643.7
Property, plant and equipment	22	**15,263.3**	16,540.7	**13,763.6**	14,381.0
Investment property	23	**–**	–	**105.7**	107.9
Intangible assets	24	**490.0**	538.6	**–**	–
Subsidiaries	25	**–**	–	**1,357.3**	1,750.5
Loans and advances to subsidiaries	26	**–**	–	**0.2**	1,835.9
Associate	27	**74.3**	62.8	**–**	–
Available-for-sale investments	28(a)	**–**	229.8	**–**	229.7
Equity investments at fair value through other comprehensive income (FVOCI)	28(b)	**148.0**	–	**147.9**	–
Investments at fair value through profit or loss (FVTPL)	28(c)	**76.7**	–	**76.7**	–
Available-for-sale receivables	29(a)	**–**	1.7	**–**	1.7
Receivables at FVOCI	29(b)	**239.4**	–	**239.4**	–
Other non-current receivables	30	**737.7**	966.6	**391.4**	570.0
Derivative financial instruments	19	**254.4**	265.0	**254.4**	265.0
Deferred tax assets	20	**17.9**	23.5	**–**	–
NON-CURRENT ASSETS		**17,301.7**	18,628.7	**16,336.6**	19,141.7
Inventories	31	**134.6**	258.5	**89.4**	133.2
Non-current assets held for sale	32	**18.9**	18.9	**18.9**	18.9
Trade and other receivables	34	**2,405.2**	3,710.2	**2,361.7**	3,364.4
Contract assets	5(b)	**624.5**	–	**413.1**	–
Contract cost assets	33(a)	**224.5**	–	**158.3**	–
Customer acquisition cost	33(b)	**–**	57.0	**–**	57.0
Receivables at FVOCI	29(b)	**13.1**	–	**13.1**	–
Available-for-sale investments	28(a)	**–**	364.7	**–**	364.7
Investments at fair value through other comprehensive income (FVOCI)	28(d)	**147.9**	–	**147.9**	–
Investments at fair value through profit or loss (FVTPL)	28(c)	**6.0**	–	**6.0**	–
Financial assets at fair value through profit or loss (FVTPL)	35	**1.8**	4.0	**1.8**	4.0
Cash and bank balances	36	**2,826.3**	1,719.8	**2,556.3**	1,322.5
CURRENT ASSETS		**6,402.8**	6,133.1	**5,766.5**	5,264.7
Trade and other payables	37	**3,610.3**	3,934.2	**3,348.3**	3,517.0
Customer deposits	38	**352.8**	398.0	**343.5**	396.6
Contract liabilities	5(c)	**907.9**	–	**960.3**	–
Advance rental billings		**–**	779.1	**–**	798.7
Borrowings	17	**234.1**	1,119.0	**11.2**	985.5
Tax and zakat		**93.0**	52.5	**90.8**	64.9
CURRENT LIABILITIES		**5,198.1**	6,282.8	**4,754.1**	5,762.7
NET CURRENT ASSETS/(LIABILITIES)		**1,204.7**	(149.7)	**1,012.4**	(498.0)
		18,506.4	18,479.0	**17,349.0**	18,643.7

The above Statements of Financial Position are to be read in conjunction with the Notes to the Financial Statements on pages 34 to 172.

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Consolidated Statement of Changes in Equity

for the financial year ended 31 December 2018

All amounts are in million unless otherwise stated	Note	Attributable to equity holders of the Company										Non-controlling Interests RM	Total Equity RM
		Special Share*/ Ordinary Shares / Share Capital RM	Fair Value Reserves RM	FVOCI Reserves RM	Hedging Reserve RM	Cost of Hedging Reserve RM	Long Term Incentive Plan Reserve RM	Capital Redemption Reserve RM	Other Reserve RM	Currency Translation Differences RM	Retained Profits RM		
As reported at 1 January 2018		**3,667.1**	**127.2**	**–**	**85.7**	**–**	**36.7**	**–**	**(352.9)**	**21.8**	**4,257.9**	**(76.7)**	**7,766.8**
Impacts arising from the application of:													
– MFRS 15	51	–	–	–	–	–	–	–	–	–	74.1	(0.9)	73.2
– MFRS 9	51	–	(127.2)	96.6	(81.2)	81.2	–	–	–	–	(13.1)	–	(43.7)
As restated at 1 January 2018		**3,667.1**	**–**	**96.6**	**4.5**	**81.2**	**36.7**	**–**	**(352.9)**	**21.8**	**4,318.9**	**(77.6)**	**7,796.3**
Profit/(loss) for the financial year		–	–	–	–	–	–	–	–	–	153.2	(413.7)	(260.5)
Other comprehensive income													
Items that will not be reclassified subsequently to income statement:													
– decrease in fair value of equity investments at FVOCI		–	–	(11.2)	–	–	–	–	–	–	–	–	(11.2)
Items that may be reclassified subsequently to income statement:													
– decrease in fair value of receivables at FVOCI		–	–	(0.2)	–	–	–	–	–	–	–	–	(0.2)
– increase in fair value of receivables at FVOCI		–	–	3.7	–	–	–	–	–	–	–	–	3.7
– reclassification adjustments relating to receivables at FVOCI disposed	8	–	–	(0.1)	–	–	–	–	–	–	–	–	(0.1)
– cash flow hedge													
– increase in fair value of cash flow hedge	19	–	–	–	39.4	–	–	–	–	–	–	–	39.4
– change in fair value currency basis	19	–	–	–	–	(51.5)	–	–	–	–	–	–	(51.5)
– reclassification to foreign exchange loss on borrowings	9	–	–	–	(17.1)	–	–	–	–	–	–	–	(17.1)
– fair value hedge													
– increase in fair value of fair value hedge	19	–	–	–	1.5	–	–	–	–	–	–	–	1.5
– currency translation differences													
– subsidiaries		–	–	–	–	–	–	–	–	(58.6)	–	–	(58.6)
– associate		–	–	–	–	–	–	–	–	0.2	–	–	0.2
Total comprehensive (loss)/income for the financial year		–	–	(7.8)	23.8	(51.5)	–	–	–	(58.4)	153.2	(413.7)	(354.4)
Transactions with owners:													
Second interim dividend paid for the financial year ended 31 December 2017	12	–	–	–	–	–	–	–	–	–	(454.7)	–	(454.7)
Dividends paid to non-controlling interests		–	–	–	–	–	–	–	–	–	–	(18.4)	(18.4)
Long Term Incentive Plan (LTIP):													
– ordinary shares granted**	14, 15	–	–	–	–	–	46.7	–	–	–	–	–	46.7
Total transactions with owners		–	–	–	–	–	46.7	–	–	–	(454.7)	(18.4)	(426.4)
At 31 December 2018		**3,667.1**	**–**	**88.8**	**28.3**	**29.7**	**83.4**	**–**	**(352.9)**	**(36.6)**	**4,017.4**	**(509.7)**	**7,015.5**

Consolidated Statement of Changes in Equity
for the financial year ended 31 December 2018

All amounts are in million unless otherwise stated	Note	Attributable to equity holders of the Company												
		Special Share*/ Ordinary Shares Share Capital RM	Share Premium RM	Fair Value Reserves RM	FVOCI Reserves RM	Hedging Reserve RM	Cost of 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 2017		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
Profit/(loss) for the financial year		–	–	–	–	–	–	–	–	–	–	929.7	(199.2)	730.5
Other comprehensive income														
Items that may be reclassified subsequently to income statement:														
– increase in fair value of available-for-sale investments	28	–	–	27.4	–	–	–	–	–	–	–	–	–	27.4
– increase in fair value of available-for-sale receivables	29	–	–	#	–	–	–	–	–	–	–	–	–	#
– reclassification adjustments relating to available-for-sale investments disposed	8	–	–	(1.8)	–	–	–	–	–	–	–	–	–	(1.8)
– cash flow hedge														
– decrease in fair value of cash flow hedge	19	–	–	–	–	(103.2)	–	–	–	–	–	–	–	(103.2)
– reclassification to foreign exchange gain on borrowings	9	–	–	–	–	92.7	–	–	–	–	–	–	–	92.7
– fair value hedge														
– increase in fair value of fair value hedge	19	–	–	–	–	0.3	–	–	–	–	–	–	–	0.3
– currency translation differences														
– subsidiaries		–	–	–	–	–	–	–	–	–	(16.2)	–	–	(16.2)
– associate		–	–	–	–	–	–	–	–	–	(0.8)	–	–	(0.8)
Total comprehensive income/(loss) for the financial year		–	–	25.6	–	(10.2)	–	–	–	–	(17.0)	929.7	(199.2)	728.9
Transactions with owners:														
Second interim dividend paid for the financial year ended 31 December 2016	12	–	–	–	–	–	–	–	–	–	–	(458.5)	–	(458.5)
Interim dividend paid for the financial year ended 31 December 2017	12	–	–	–	–	–	–	–	–	–	–	(353.2)	–	(353.2)
Dividends paid to non-controlling interests		–	–	–	–	–	–	–	–	–	–	–	(17.7)	(17.7)
Long Term Incentive Plan (LTIP):														
– ordinary shares granted**	14, 15	–	–	–	–	–	–	34.8	–	–	–	–	–	34.8
Total transactions with owners		–	–	–	–	–	–	34.8	–	–	–	(811.7)	(17.7)	(794.6)
Transfer to share capital^		1,036.5	(964.9)	–	–	–	–	–	(71.6)	–	–	–	–	–
At 31 December 2017		3,667.1	–	127.2	–	85.7	–	36.7	–	(352.9)	21.8	4,257.9	(76.7)	7,766.8

\# 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 apportionment over the vesting period of the fair value of the Group's granting of TM shares made to eligible employees of TM and its subsidiaries subject to fulfilment of relevant vesting conditions.

^ The new Companies Act 2016 (CA 2016), which came into operation on 31 January 2017, abolished the concept of authorised share capital and par value of share capital. Consequently, the amounts standing to the credit of the share premium account becomes part of the Company's share capital pursuant to the transitional provisions set out in Section 618 (3) and the capital redemption reserve of RM71.6 million for bonus issue pursuant to Section 618 (4) of the CA 2016. There is no impact on the numbers of ordinary shares in issue or the relative entitlement of any of the members as a result of this transition.

The above Consolidated Statement of Changes in Equity is to be read in conjunction with the Notes to the Financial Statements on pages 34 to 172.

Independent Auditors' Report – Pages 174 to 181.

Company Statement of Changes in Equity

for the financial year ended 31 December 2018

All amounts are in million unless otherwise stated	Note	Special Share*/ Ordinary Shares Share Capital RM	Fair Value Reserves RM	FVOCI Reserves RM	Hedging Reserve RM	Cost of Hedging Reserve RM	Long Term Incentive Plan Reserve RM	Capital Redemption Reserve RM	Retained Profits RM	Total Equity RM
At 1 January 2018		3,667.1	127.2	–	85.7	–	38.4	–	4,478.6	8,397.0
Impacts arising from the application of:										
– MFRS 15	51	–	–	–	–	–	–	–	96.9	96.9
– MFRS 9	51	–	(127.2)	96.6	(81.2)	81.2	–	–	(731.5)	(762.1)
As restated at 1 January 2018		3,667.1	–	96.6	4.5	81.2	38.4	–	3,844.0	7,731.8
Loss for the financial year		–	–	–	–	–	–	–	(1,285.0)	(1,285.0)
Other comprehensive income										
Items that will not be reclassified subsequently to income statement:										
– decrease in fair value of equity investments at FVOCI		–	–	(11.2)	–	–	–	–	–	(11.2)
Items that may be reclassified subsequently to income statement:										
– decrease in fair value of receivables at FVOCI		–	–	(0.2)	–	–	–	–	–	(0.2)
– increase in fair value of receivables at FVOCI		–	–	3.7	–	–	–	–	–	3.7
– reclassification adjustments relating to receivables at FVOCI	8	–	–	(0.1)	–	–	–	–	–	(0.1)
– cash flow hedge										
– increase in fair value of cash flow hedge	19	–	–	–	39.4	–	–	–	–	39.4
– change in fair value currency basis	19	–	–	–	–	(51.5)	–	–	–	(51.5)
– reclassification to foreign exchange loss on borrowings	9	–	–	–	(17.1)	–	–	–	–	(17.1)
– fair value hedge										
– increase in fair value of fair value hedge	19	–	–	–	1.5	–	–	–	–	1.5
Total comprehensive (loss)/income for the financial year		–	–	(7.8)	23.8	(51.5)	–	–	(1,285.0)	(1,320.5)
Transactions with owners:										
Long Term Incentive Plan (LTIP):										
– ordinary shares granted	14, 15	–	–	–	–	–	45.2	–	–	45.2
Second interim dividend paid for the financial year ended 31 December 2017	12	–	–	–	–	–	–	–	(454.7)	(454.7)
Total transactions with owners		–	–	–	–	–	45.2	–	(454.7)	(409.5)
At 31 December 2018		3,667.1	–	88.8	28.3	29.7	83.6	–	2,104.3	6,001.8

Company Statement of Changes in Equity
for the financial year ended 31 December 2018

All amounts are in million unless otherwise stated	Note	Special Share*/ Ordinary Shares Share Capital RM	Share Premium RM	Fair Value Reserves RM	FVOCI Reserves RM	Hedging Reserve RM	Cost of Hedging Reserve RM	Long Term Incentive Plan Reserve RM	Capital Redemption Reserve RM	Retained Profits RM	Total Equity RM
At 1 January 2017		2,630.6	964.9	101.6	–	95.9	–	1.9	71.6	3,793.9	7,660.4
Profit for the financial year		–	–	–	–	–	–	–	–	1,496.4	1,496.4
Other comprehensive income											
Items that may be reclassified subsequently to income statement:											
– increase in fair value of available-for-sale investments	28	–	–	27.4	–	–	–	–	–	–	27.4
– increase in fair value of available-for-sale receivables	29	–	–	#	–	–	–	–	–	–	#
– reclassification adjustments relating to available-for-sale investments disposed	8	–	–	(1.8)	–	–	–	–	–	–	(1.8)
– cash flow hedge											
– decrease in fair value of cash flow hedge	19	–	–	–	–	(103.2)	–	–	–	–	(103.2)
– reclassification to foreign exchange gain on borrowings	9	–	–	–	–	92.7	–	–	–	–	92.7
– fair value hedge											
– increase in fair value of fair value hedge		–	–	–	–	0.3	–	–	–	–	0.3
Total comprehensive income/(loss) for the financial year		–	–	25.6	–	(10.2)	–	–	–	1,496.4	1,511.8
Transactions with owners:											
Long Term Incentive Plan (LTIP):											
– ordinary shares granted	14, 15	–	–	–	–	–	–	36.5	–	–	36.5
Second interim dividend paid for the financial year ended 31 December 2016	12	–	–	–	–	–	–	–	–	(458.5)	(458.5)
First interim dividend paid for the financial year ended 31 December 2017	12	–	–	–	–	–	–	–	–	(353.2)	(353.2)
Total transactions with owners		–	–	–	–	–	–	36.5	–	(811.7)	(775.2)
Transfer to share capital^		1,036.5	(964.9)	–	–	–	–	–	(71.6)	–	–
At 31 December 2017		3,667.1	–	127.2	–	85.7	–	38.4	–	4,478.6	8,397.0

\# 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 new Companies Act 2016 (CA 2016), which came into operation on 31 January 2017, abolished the concept of authorised share capital and par value of share capital. Consequently, the amounts standing to the credit of the share premium account becomes part of the Company's share capital pursuant to the transitional provisions set out in Section 618 (3) and the capital redemption reserve of RM71.6 million for bonus issue pursuant to Section 618 (4) of the CA 2016. There is no impact on the numbers of ordinary shares in issue or the relative entitlement of any of the members as a result of this transition.

The above Company Statement of Changes in Equity is to be read in conjunction with the Notes to the Financial Statements on pages 34 to 172.

Independent Auditors' Report – Pages 174 to 181.

Statements of Cash Flows

for the financial year ended 31 December 2018

All amounts are in million unless otherwise stated	Note	The Group 2018 RM	The Group 2017 RM	The Company 2018 RM	The Company 2017 RM
CASH FLOWS FROM OPERATING ACTIVITIES	39	**2,585.1**	2,417.6	**2,657.8**	2,920.4
CASH FLOWS USED IN INVESTING ACTIVITIES	40	**(1,476.9)**	(2,783.2)	**(1,363.0)**	(2,823.3)
CASH FLOWS USED IN FINANCING ACTIVITIES	41	**(82.1)**	(802.8)	**(141.5)**	(895.5)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**1,026.1**	(1,168.4)	**1,153.3**	(798.4)
EFFECT OF EXCHANGE RATE CHANGES		**11.4**	(37.8)	**11.4**	(46.4)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR		**1,719.0**	2,925.2	**1,322.5**	2,167.3
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR	36	**2,756.5**	1,719.0	**2,487.2**	1,322.5

The above Statements of Cash Flows are to be read in conjunction with the Notes to the Financial Statements on pages 34 to 172.

Independent Auditors' Report – Pages 174 to 181.

Notes to the Financial Statements

for the financial year ended 31 December 2018

All amounts are in million unless otherwise stated

1. PRINCIPAL ACTIVITIES

The principal activities of the Group and Company are the establishment, maintenance and provision of telecommunications and related services. The details and principal activities of subsidiaries are set out in note 52 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

(a) Basis of Preparation of the Financial Statements

The financial statements of the Group and Company have been prepared in accordance with the Malaysian Financial Reporting Standards (MFRS), International Financial Reporting Standards and the requirements of the Companies Act 2016, in Malaysia.

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

The preparation of financial statements in conformity with MFRS requires the use of certain critical accounting estimates and judgements 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 judgement in the process of applying the Group and Company's accounting policies. Although these estimates and judgement are based on the Directors' best knowledge of current events and actions, actual results may differ. The areas involving a higher degree of judgement or complexity, or areas where estimates and judgements are significant to the financial statements are disclosed in note 3 to the financial statements.

(i) New standards, Interpretation Committee (IC) Interpretation, annual improvements and amendments to published standards effective and applicable for the Group and Company's financial year beginning 1 January 2018

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 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
Annual Improvements to MFRSs 2014 – 2016 Cycle – 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

The adoption of the above applicable new standards, IC Interpretations, annual improvements and amendments to published standards have not given rise to any material impact on the financial result, position or disclosure for the current or previous periods nor any of the Group and Company's significant accounting policies other than MFRS 9 and 15 as disclosed in sub-note (a) and (b).

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

(i) New standards, Interpretation Committee (IC) Interpretation, annual improvements and amendments to published standards effective and applicable for the Group and Company's financial year beginning 1 January 2018 (continued)

(a) MFRS 9 Financial Instruments (MFRS 9)

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 (FVOCI) 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.

For financial liabilities, there are 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.

MFRS 9 introduces the expected credit loss (ECL) model on impairment instead of the current incurred loss model used in MFRS 139 to be applied to its financial assets classified at amortised cost and contract assets under MFRS 15. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

The Group and Company applied MFRS 9 Financial Instruments for the first time in the 2018 financial statements with the date of initial application of 1 January 2018. The standard is applied retrospectively.

In accordance with the transitional provisions provided in MFRS 9, comparative information for 2017 was not restated and continued to be reported under the previous accounting policies governed under MFRS 139. Hence, the cumulative effects of initially applying the Standard were recognised as an adjustment to the opening balance of retained earnings as at 1 January 2018.

(b) MFRS 15 Revenue from Contracts with Customers (MFRS 15)

MFRS 15 is a new standard to improve financial reporting of revenue and provide better clarity on revenue recognition. MFRS 15 establishes principles for reporting revenue 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. Under MFRS 15, revenue is only 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. MFRS 15 replaces MFRS 118 "Revenue" and MFRS 111 "Construction Contracts" and related interpretations.

MFRS 15 establishes a five-step model related to revenue recognition:

Step 1: Identify the contract(s) with customers
Step 2: Identify the performance obligations in the contract
Step 3: Determine the transaction price
Step 4: Allocate the transaction price to the performance obligations in the contract
Step 5: Recognise revenue when (or as) the entity satisfies performance obligation

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for the financial year ended 31 December 2018

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2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

(i) New standards, Interpretation Committee (IC) Interpretation, annual improvements and amendments to published standards effective and applicable for the Group and Company's financial year beginning 1 January 2018 (continued)

(b) MFRS 15 Revenue from Contracts with Customers (MFRS 15) (continued)

In accordance with the transition provisions in MFRS 15, the Group and Company has applied the modified retrospective method for the initial adoption of MFRS 15 with the date of initial application of 1 January 2018. Under this modified retrospective transition method, the Group and Company applies MFRS 15 retrospectively only to those contracts that have not been fulfilled as of 1 January 2018. Accordingly, the 2017 comparative information was not restated and the cumulative effects of initial application of MFRS 15 were recognised as an adjustment to the opening balance of retained earnings as at 1 January 2018.

In addition, the Group and Company has elected the practical expedient not to retrospectively restate contracts that were modified before the date of initial application.

The new significant accounting policies arising from the application of MFRS 9 and 15 applicable for financial year ended 31 December 2018 onwards have been set out in note 2 to the financial statements whilst the financial impact of applying these standards and significant changes are disclosed in note 51 to the financial statements.

(ii) New standards, Interpretation Committee (IC) Interpretations and amendments to published standards that are applicable to the Company but not yet effective

Effective for annual periods beginning on or after 1 January 2019

Amendments to MFRS 3, 11, 112 and 123	Annual Improvements to MFRS Standards 2015 to 2017 Cycle
Amendments to MFRS 9	Prepayment Features with Negative Compensation
MFRS 16	Leases
Amendments to MFRS 119	Plan Amendment, Curtailment or Settlement (Employee Benefits)
Amendments to MFRS 128	Long-term Interests in Associates and Joint Ventures
IC Interpretation 23	Uncertainty Over Income Tax Treatments

Effective for annual periods beginning on or after 1 January 2020

MFRS 2, 3, 6, 14, 101, 108, 134, 137, 138 & IC Interpretations 12, 14, 21, 22 and 132	Amendments to References to the Conceptual Framework in MFRS Standards

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

- Amendments to MFRS 3 and MFRS 11 "Previously Held Interest in a Joint Operation" clarify that through the MFRS 3 *Business Combinations* amendment, when an entity obtains control of a business that is a joint operation, it remeasures previously held interests in that business. The amendments to MFRS 11 *Joint Arrangements* clarify that when an entity obtains joint control of a business that is a joint operation, the entity does not remeasure previously held interests in that business.

- Income Tax Consequences of Payments on Financial Instruments Classified as Equity (Amendments to MFRS 112 *Income Taxes*) clarify that an entity recognises the income tax consequences of dividends in profit or loss because income tax consequences of dividends are linked more directly to past transactions than to distributions to owners.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

(ii) New standards, Interpretation Committee (IC) Interpretations and amendments to published standards that are applicable to the Company but not yet effective (continued)

- MFRS 16 *Leases* requires lessees of operating leases to recognise right-of-use assets and liabilities under an on-balance sheet accounting model that is similar to current finance lease accounting. The Group and Company's financial statements and key financial ratios would be affected by the recognition of the new assets and liabilities, and difference in the timing and classification of lease income/expense arising from the recognition.

  At inception of a contract, the Group and Company assessed whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group and Company assess whether:

  - the contract involves the use of an identified asset
  - the Group and Company has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
  - the Group and Company has the right to direct the use of the asset. The Group and Company has this right when it has the decision – making rights that are most relevant to changing how and for what purpose the asset is used.

  At inception or on reassessment of a contract that contains a lease component, the Group and Company allocates the consideration in the contract to each lease component on the basis of their relative stand-alone price.

  The Group and Company would be applying MFRS 16 using the modified retrospective approach and therefore the comparative information would not be restated and continues to be reported under MFRS 117 *Leases* (MFRS 117) and IC Interpretation 4 *Determining Whether an Arrangement Contain a Lease* (IC 4). The retrospective impact of applying MFRS 16 for the leasing contracts assessed to be relevant to MFRS 16 as at 1 January 2019 shall be adjusted to the Group and Company's retained earnings as at 1 January 2019.

  As a lessee, the Group and Company recognise a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and end estimate of cost to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

  The right-of-use is subsequently depreciated using the straight line method from the commencement date to the earlier of the end of the lease term or the useful life of the right-to-use asset, determined on the same basis as those of property, plant and equipment of the Group and Company.

  The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group and Company's incremental borrowing rate. Generally, the Group and Company use its incremental borrowing rate as the discount rate. Subsequently, the lease liability is measured at amortised cost using the effective interest rate method, re-measured when there is a change in the Group and Company's estimates of future lease payments arising from changes in circumstances relating to the contractor if the Group and Company changes its assessment of whether it will exercise a purchase, extension or termination options.

  In such re-measurements, a corresponding adjustment is made to the carrying amount of the right-to-use asset, or is recorded in profit or loss if the carrying value of the right-of-use asset has been reduced to zero.

Notes to the Financial Statements

for the financial year ended 31 December 2018

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2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

(ii) New standards, Interpretation Committee (IC) Interpretations and amendments to published standards that are applicable to the Company but not yet effective (continued)

- MFRS 16 *Leases* (continued)

  The Group and Company has elected to not recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less at inception or at initial application of MFRS 16 and low-value assets. The Group and Company would recognise the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

  The impact of the Group and Company applying MFRS 16 as at 1 January 2019 is expected to reduce the Group and Company's retained earnings as the front-loading impact of the interest charges imputed under MFRS 16 for a given lease arrangement would mean that interest and depreciation charges combined for a particular lease over the earlier part of a lease period would be more that a straight line charging of the lease payment under MFRS 117 over the same lease period. Another impact of MFRS 16 is a net decrease in the Group and Company's net current asset as under MFRS 16, the lease payments for the coming 12 months of the operating leases are recognised as current liabilities whilst the corresponding right-of-use assets for the affected operating leases remain classified as Non-Current Assets.

- The amendments to MFRS 119 *Employee Benefits* require an entity to use updated actuarial assumptions to determine current service cost and net interest for the remainder of the annual reporting period after the plan amendment, curtailment or settlement when the entity remeasures its net defined benefit liability (asset). Using updated assumptions provide more useful information to users of financial statements and enhance the understandability of financial statements. Before the amendments, MFRS 119 did not require an entity to use updated assumptions to determine current service cost and net interest for the period when changes to a defined benefit pension plan occur.

- Borrowing Costs Eligible for Capitalisation (Amendments to MFRS 123 *Borrowing Costs*) clarify that when a qualifying asset is ready for its intended use or sale, an entity treats any outstanding borrowing made specifically to obtain that qualifying asset as part of general borrowings.

- Amendments to MFRS 128 'Long-term Interests in Associates and Joint Ventures' (effective from 1 January 2019) clarify that an entity should apply MFRS 9 'Financial Instruments' (including the impairment requirements) to long-term interests in an associate or joint venture, which are in substance form part of the entity's net investment, for which settlement is neither planned nor likely to occur in the foreseeable future. In addition, such long-term interest are subject to loss allocation and impairment requirements in MFRS 128. The amendments shall be applied retrospectively.

- IC Interpretation 23 "Uncertainty Over Income Tax Treatments" provides guidance on how to recognise and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment. If it is not probable that the tax treatment will be accepted by the tax authority, the effect of the tax uncertainty should be included in the period when such determination is made. The effect of uncertainty shall be measured using the method which best predicts the resolution of the uncertainty.

- The *Amendments to References to the Conceptual Framework in MFRS Standards* effective for financial statements starting 1 January 2020 comprise a comprehensive set of concepts for financial reporting. Built on the previous version of the *Conceptual Framework for Financial Reporting* issued in 2011, the changes to the chapters on the objective of financial reporting and qualitative characteristics of useful financial information are limited, but with improved wording to give more prominence to the importance of providing information needed to assess management's stewardship of an entity's economic resources. Other improvements of the revised *Conceptual Framework* include a new chapter on measurement, guidance on reporting financial performance, improved definitions and guidance — in particular the definition of a liability — and clarifications in important areas, such as the role of prudence and measurement uncertainty in financial reporting.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

(ii) New standards, Interpretation Committee (IC) Interpretations and amendments to published standards that are applicable to the Company but not yet effective (continued)

- 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 adoption of the applicable new standards, IC Interpretations, annual improvements and amendments to published standards are not expected to have a material impact on the financial statements of the Group and Company except for MFRS 16 which has been updated above.

(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.

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for the financial year ended 31 December 2018

All amounts are in million unless otherwise stated

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Economic Entities in the Group (continued)

(i) Subsidiaries (continued)

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.

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 equity owners of the Group. 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 Statement, 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Economic Entities in the Group (continued)

(iii) Associates (continued)

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.

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 Group and 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.

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2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Property, Plant and Equipment (continued)

(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.

(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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Property, Plant and Equipment (continued)

(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.

(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	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. 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.

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2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Intangible Assets (continued)

(i) Goodwill (continued)

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.

(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 – classification and measurement

Accounting policies applied from 1 January 2018

(i) Classification

From 1 January 2018, the Group and the Company classify its financial assets in the following measurement categories:

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

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

(ii) Recognition and derecognition

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

(iii) Measurement

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

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are Solely Payment of Principal and Interest (SPPI).

Debt instruments

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

(a) Amortised cost

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

(b) FVOCI

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

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2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Financial Assets (continued)

Financial assets – classification and measurement (continued)

Accounting policies applied from 1 January 2018 (continued)

(iii) Measurement (continued)

(c) FVTPL

Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVTPL. The Group and the Company may also irrevocably designate financial assets at FVTPL if doing so significantly reduces or eliminates a mismatch created by assets and liabilities being measured on different bases. Fair value changes is recognised in profit or loss and presented net within other gains/(losses) in the period which it arises.

Equity instruments

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

Changes in the fair value of financial assets at FVTPL are recognised in other gains/(losses) in the Income Statement as applicable.

Accounting policies applied until 31 December 2017

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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Financial Assets (continued)

Financial assets – classification and measurement (continued)

Accounting policies applied until 31 December 2017 (continued)

(ii) Loans and Receivables (continued)

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.

(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.

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All amounts are in million unless otherwise stated

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Impairment of Financial Assets

Accounting policies on or after 1 January 2018

(a) Subsequent measurement – Impairment

Impairment for debt instruments and financial guarantee contracts

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

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

- Trade receivables
- Loans to subsidiaries
- Contract assets
- Financial guarantee contracts

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

ECL represent a probability-weighted estimate of the difference between present value of cash flows according to contract and present value of cash flows the Group expects to receive, over the remaining life of the financial instrument. For financial guarantee contracts, the ECL is the difference between the expected payments to reimburse the holder of the guaranteed debt instrument less any amounts that the Group and Company expects to receive from the holder, the debtor or any other party.

The measurement of ECL reflects:

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

(i) General 3-stage approach for other receivables and financial guarantee contracts issued

At each reporting date, the Group measures ECL through loss allowance at an amount equal to 12 month ECL if credit risk on a financial instrument or a group of financial instruments has not increased significantly since initial recognition. For all other financial instruments, a loss allowance at an amount equal to lifetime ECL is required. Note 4(a)(ii)(c)(ii) sets out the measurement details of ECL.

(ii) Simplified approach for trade receivables, contract assets and lease receivables

The Group applies the MFRS 9 simplified approach to measure ECL which uses a lifetime ECL for all trade receivables and contract assets. Note 4(a)(ii)(c)(i) sets out the measurement details of ECL.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Impairment of Financial Assets (continued)

Accounting policies on or after 1 January 2018 (continued)

(a) Subsequent measurement – Impairment (continued)

(ii) Simplified approach for trade receivables, contract assets and lease receivables (continued)

Significant increase in credit risk

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

The following indicators are incorporated:

- internal credit rating
- external credit rating (as far as available)
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the debtor's ability to meet its obligations
- actual or expected significant changes in the operating results of the debtor
- significant increases in credit risk on other financial instruments of the same debtor
- significant changes in the value of the collateral supporting the obligation or in the quality of third-party guarantees or credit enhancements
- significant changes in the expected performance and behaviour of the debtor, including changes in the payment status of debtor in the group and changes in the operating results of the debtor.

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

Regardless of the analysis above, a significant increase in credit risk is presumed if a debtor is more than 30 days past due in making a contractual payment.

Definition of default and credit-impaired financial assets

The Group defines a financial instrument as default, which is fully aligned with the definition of credit-impaired, when it meets one or more of the following criteria:

Quantitative criteria:

The Group defines a financial instrument as default, when the counterparty fails to make contractual payment within 90 and 365 days of when they fall due for trade receivable and non-trade receivable balances respectively.

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2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Impairment of Financial Assets (continued)

Accounting policies on or after 1 January 2018 (continued)

(a) Subsequent measurement – Impairment (continued)

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

Qualitative criteria:

The debtor meets unlikeliness to pay criteria, which indicates the debtor is in significant financial difficulty. The Group considers the following instances:

- the debtor is in breach of financial covenants
- concessions have been made by the lender relating to the debtor's financial difficulty
- it is becoming probable that the debtor will enter bankruptcy or other financial reorganisation
- the debtor is insolvent.

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

Groupings of instruments for ECL measured on collective basis

(i) Collective assessment

To measure ECL, trade receivables and contract assets arising from the unifi, TM ONE and TM GLOBAL business clusters have been grouped based on shared credit risk characteristics and the days past due. The contract assets relate to unbilled services provided and have substantially the same risk characteristics as the trade receivables for the same types of contracts. The Group and Company has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

(ii) Individual assessment

Trade receivables and contract assets which are in default or credit-impaired are assessed individually.

Loans to subsidiaries in the Company's separate financial statements are assessed on individual basis for ECL measurement, as credit risk information is obtained and monitored based on each loan to subsidiary.

Write-off

(i) Trade receivables and contract assets

Trade receivables and contract assets are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group, and a failure to make contractual payments for a period of greater than days past due.

Impairment losses on trade receivables and contract assets are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

(ii) Other receivables

The Group write-off financial assets, in whole or in part, when it has exhausted all practical recovery efforts and has concluded there is no reasonable expectation of recovery. The assessment of no reasonable expectation of recovery is based on unavailability of debtor's sources of income or assets to generate sufficient future cash flows to repay the amount. The Group may write-off financial assets that are still subject to enforcement activity. Subsequent recoveries of amounts previously written off will result in impairment gains.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Impairment of Financial Assets (continued)

Accounting policies applied until 31 December 2017

(i) Assets Carried at Amortised Cost

The Group and Company 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.

(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.

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for the financial year ended 31 December 2018

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2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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

Where fair value hedge is applicable, 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.

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'. Where the Group and Company excludes the foreign currency basis spread from the designation of derivatives used as hedging instrument, the change in the foreign currency basis spread of the hedging instrument is recognised in other comprehensive income and accumulated in costs of hedging reserve within equity. The Group and Company designate the cost of hedging application in relation to foreign currency basis spread on a hedge by hedge basis.

Amounts accumulated in equity (including the cost of hedging reserve) are reclassified to the Income Statement in the periods when the hedged cash flows 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 cash flows affect profit or loss in the Income Statement.

(k) Embedded Derivatives

Derivatives embedded in financial liabilities 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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 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

Accounting policies applicable up to 31 December 2017

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.

For accounting policies applicable on and after 1 January 2018, refer to note 2(x)(i).

(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.

(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 costs directly attributable to the issuance of new shares or options are deducted against equity.

(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 Group and Company's shareholders is recorded at the carrying value of net asset distributed. The distribution is recorded as a movement in equity.

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2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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.

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 risks 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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.

(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.

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2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(t) Income Taxes (continued)

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.

(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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(w) Revenue Recognition

As disclosed in note 2(a)(i), the Group and Company has adopted MFRS 15, which resulted in changes in accounting policies and adjustments to the financial position at 1 January 2018. The main changes are outlined below.

Accounting policies applied up to 31 December 2017

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/sales 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 and Company.

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.

Accounting policies effective 1 January 2018

(i) Revenue recognition and allocation for bundled contracts with customers

(a) Revenue from Internet and multimedia, voice and data services

Revenue from Internet and multimedia, voice and data services are bundled contracts prevalent to unifi, TM ONE and Global segments of the Group and Company's business. It is common for contracts with customers for these services to require a minimum subscription period, whereby any early termination by the customer will result in a penalty charged against the customer. Such minimum subscription periods shall be taken as the contract period. Contract periods may be modified for extensions when customers accept equipment relating to the contract free of charges in exchange for an extension to the previous minimum contract period.

Allocation of the total consideration receivable to the different components of the contract is based on the separate stand-alone selling price of each component.

Customer premise equipment (CPE) provided for Internet and multimedia and voice contracts are accounted for as a separate performance obligation to the customer. CPE for data services are mostly intrinsic to the services provided to customers and are not accounted for as a separate performance obligation. Revenue allocated to CPE is recognised upfront upon installation of the CPE at the inception of the contract. Consequently, this will reduce the monthly service revenue recognised when compared to the fixed amount billed subsequently on a recurring basis. This results in the recognition of a contract asset when the device or content is delivered before the payment is due whereas if the payment happens before the delivery of device or content, then a contract liability is recognised.

Other performance obligations in Internet and multimedia, voice and data services contracts are recognised on a straight-line basis over the contracted period as services are provided on a continuous basis.

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2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(w) Revenue Recognition (continued)

Accounting policies effective 1 January 2018 (continued)

(i) Revenue recognition and allocation for bundled contracts with customers (continued)

(b) Revenue from Wholesale Voice and Data services under Global Business

Certain wholesale services are contracted with volume discounts based on aggregated cumulative volume. Revenue from these contracts is recognised based on the price specified in the contract, net of the volume discounts estimated to be given over the contract period. Accumulated experience and expected trends are used to estimate and provide for the discounts, using the most likely value method. Revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur. The difference between the revenue recognised net of estimated discounts and the amount billed to customers are recognised as contract liabilities.

Revenue net of estimated discounts is recognised on a straight-line basis over the contracted period.

(c) Revenue from Other telecommunication related services

Revenue from Other telecommunication related services mainly comprises of revenue from contracts with customers of TM ONE which bundles the provision of data services and/or internet and voice services with customised Information and Communications Technology (ICT) products and solutions. It is common for these contracts to include the delivery, installation and maintenance services of telecommunications related equipment and network. Revenue from the Group's Business Process Outsourcing services are also disclosed under this category.

When the total contract price for a bundled contract is negotiated and concluded together, certain portions of the bundled equipment or services may be provided at discounted prices. The total consideration received in such bundled or multiple performance obligation contracts is allocated between the different performance obligations based on the stand-alone selling price of each component. Where these are not directly observable, they are estimated based on expected cost plus margin.

The progress towards complete satisfaction of the performance obligation is measured based on one of the following methods that best depict the Group and Company's performance in satisfying the performance obligation:

- direct measurements of the value transferred by the Group or Company to the customer (i.e. certificates of acceptance); or
- the Group's efforts or inputs to the satisfaction of the performance obligation (i.e. costs incurred to date)

Consequently, the timing of revenue recognition may differ from the amount and frequency of contracted milestone billings. Contract assets will be recognised when the equipment or services are delivered before the relevant billings to customers are due, whereas if the billing to customers happen before the delivery of the associated equipment or services, then a contract liability is recognised.

(d) Revenue from Non-telecommunication related services

Revenue from Non-telecommunication related services mainly comprise revenue from ticket collection from tourism activities at telecommunication towers and tuition fees from the Group's education cluster, among others. These contracts with customers are largely single performance obligation contracts.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(w) Revenue Recognition (continued)

(ii) Revenue from other sources

Upon adoption of MFRS 15 and MFRS 9, finance income and dividend income is recognised and accounted for based on the requirements of MFRS 9.

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. From 1 January 2018 onwards, dividends that clearly represents a recovery of part of the cost of an investment is recognised in other comprehensive income, if it relates to an investment in equity instruments measured at fair value through other comprehensive income.

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. Finance income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit impaired. For credit impaired financial assets the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

(x) Contracts with Customers

Accounting policies effective 1 January 2018

(i) Contract Cost Assets

Sales commission and other third party acquisition costs resulting directly from securing contracts with customers will be capitalised when they are incremental and expected to be recovered over the contract period when it exceeds 12 months. These are then amortised on straight line basis over either the average customer retention period or the contract term, depending on the circumstances.

An impairment loss is recognised to profit or loss to the extent that the carrying amount of the contract acquisition cost asset recognised exceeds the remaining amount of consideration that the Group and Company expects to receive for the specific contract that the costs relate to.

(ii) Contract Assets

Contract assets is the right of the Group and Company to receive consideration in exchange for goods and services that the Group and Company has transferred to a customer conditioned to factor(s) other than the passage of time.

(iii) Contract Liabilities

The Group and Company's obligation to transfer goods or services to a customer for which the Group and Company has received consideration in advance from customer is presented as contract liability. A contract liability is also recognised for expected volume discounts granted to customer for future purchases.

(iv) Receivables

The Group and Company's right to consideration that is unconditional (where only the passage of time is required before payment of that consideration is due) is presented as receivables.

Notes to the Financial Statements

for the financial year ended 31 December 2018

All amounts are in million unless otherwise stated

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(y) 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 Group and 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 share-based payment reserve 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 Group and 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).

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-based payment 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 with corresponding debit to reserves and cash received (if any).

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(z) 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 Group and 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.

(aa) 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.

Notes to the Financial Statements
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3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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.

The Group and Company 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 and Company's results and financial position are tested for sensitivity to changes in the underlying parameters. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next year are mentioned below.

(a) Accounting for Contracts with Customers

Certain estimates were made in applying MFRS 15 for the Group and Company effective from 1 January 2018. These estimates were made, amongst others, on volume commitments, transaction prices and future discounts, which took into consideration the circumstances and information that were available at the reporting date. Accordingly, the Group and Company will continue to refine these estimates, where applicable.

Areas of Estimates	Basis of Estimates
(i) Determination of stand-alone selling price	The relative Stand-alone Selling Price (SSP) of each performance obligation is used as a basis to allocate the total contracted price from a contract with customer to the different performance obligations that the contract comprises of. Management estimates the stand-alone selling price of performance obligations at contract inception based on observable prices for the type of hardware, goods or services likely to be provided in similar circumstances to similar customers. When observable market price is limited from the market, historical profit margins for actual similar services provided from recent years is used as a basis to be applied on planned or estimated cost to provide a service to arrive to a SSP.
(ii) Measurement of progress of performance obligation	Certain contracts for which a combination of performance obligations may be delivered to the customer over a medium/long term period may require an estimate of percentage of completion of the services delivered to the customer based on the total costs incurred over expected cost of the contract. Where practicable, acceptance milestones from customers over total contracted deliverables are also used as a measure of progress.
(iii) Determination of transaction price	Certain medium/long term wholesale contracts involve tiered or volume discounts given based on the transaction price of all services under that contract once a certain volume or number of sites of services is reached. Estimates are made on the expected discounts to be given for such contracts based on total cumulative services together with estimates of scales expected to be reached over the contract period and general economic environment affecting general level of demand from the particular customer. Adjustments on such estimates and its impact on the total transaction prices expected from the entire contract are revised cumulatively at least on an annual review basis.
(iv) Allocation of discounts and transaction price to performance obligations	Management estimates the SSP at contract inception based on observable prices of the type of hardware likely to be provided and the services rendered in similar circumstances to similar customers. If discount is granted, either for certain or all performance obligations, it is allocated to all performance obligations within the contract based on their relative SSP.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

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

The Group and Company 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.

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

The Group and Company 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 and Company's estimates calculated based on historical, sector and industry trends, general market and economic conditions, changes in technology and other available information.

Further detail on assumptions and estimates applied in arriving to the RM982.5 million (2017: RM8.3 million) and RM209.3 million (2017: RM nil) impairment losses on property, plant and equipment recognised at the Group and Company during the current financial year ended are as disclosed in note 22(b) to the financial statements. Impairment at the Company for investment in subsidiaries amounting to RM402.6 million are disclosed in note 6(b) and 25 to the financial statements.

(d) Impairment of Goodwill

The Group and Company 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(b) to the financial statements.

Further detail on assumptions and estimates applied in arriving to the RM52.1 million (2017: RM nil) impairment losses recognised during the current financial year ended are as disclosed in note 24(b) to the financial statements.

(e) Impairment of Receivables

The Group and Company assesses at each reporting date whether there is objective evidence that 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.

Effective from 1 January 2018, the Group and Company has applied the Expected Credit Loss (ECL) impairment approach under the requirements of MFRS 9 Financial Instruments. The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Group and Company uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group and Company's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. Details of the key assumptions and inputs used are disclosed in note 4(a)(ii) to the financial statements.

Notes to the Financial Statements

for the financial year ended 31 December 2018

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3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(f) 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.

(g) Taxation

(i) Income Taxes

The Group is subject to income taxes in numerous jurisdictions. Judgement 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 judgement 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.

(h) 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, if any, as at 31 December 2018 is disclosed in note 50 to the financial statements.

(i) 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 judgement 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.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(j) Estimates on Impact from Regulatory Pricing

The issuance of the Determination No. 1 of 2017 on Mandatory Standard of Access Pricing (MSAP) (the Determination) by the Malaysian Communication and Multimedia Commission (MCMC) on 20 December 2017 subsequently resulted to the Group and Company engaging MCMC in a series of discussions, clarifications and negotiations to determine the impact and scope of the Determination to the Group and Company.

The Group and Company has recognised a provision of RM169.2 million and RM173.2 million respectively as at 31 December 2018. This represents an estimated MSAP impact on the Group and Company's revenue respectively under the wholesale segment, from 1 January 2018 to 31 December 2018, based on the latest rates negotiated.

Such estimates including but not limited to future industry actions, decisions, consultations and reviews, and conditions or requirements in the Group and Company's operating areas will continue to be monitored and revised as circumstances surrounding the industry landscape and other related market factors develop. The Group and Company would also assess any reasonably quantifiable impact to revenue under both retail and wholesale segments arising therefrom. Estimates are made on information available at the financial year end up to the signing of the financial statements and any changes in actual outcome will have impact to the financials of the Group and Company.

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. After hedging of the US Dollar borrowings, the foreign currency borrowings composition is reduced to 18.1% (2017: 19.1%) of the Group's total borrowings as at 31 December 2018.

  Based on the borrowings position as at 31 December 2018, if the Ringgit Malaysia had weakened/strengthened by 5.0% against the US Dollar with all other variables held constant, the post-tax profit for the financial year for the Group would have been lower/higher by approximately RM118.9 million (before hedging) and RM77.6 million (after hedging) as a result of foreign exchange losses or gains on translation of US Dollar denominated borrowing.

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4. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(a) Financial Risk Factor (continued)

(i) Market Risk (continued)

- 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 at fair value through profit or loss or fair value to OCI, post 1 January 2018. The Group is not exposed to commodity price risk. The quoted equity securities portfolio has decreased to RM1.8 million as at 31 December 2018 from RM4.0 million at the end of 2017 due to decline in market value for the existing portfolio.

Based on the quoted equity securities portfolio as at 31 December 2018, 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 RM0.1 million (2017: RM0.5 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.

For fixed income securities, the Group invests in bonds of certain ratings. Rating downgrades would trigger disposals of the particular security at suitable prices.

Other components of equity would increase/decrease as a result of gains/losses on equity and fixed income securities classified as fair value through other comprehensive income.

- 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 2018 were RM2,164.5 million (2017: RM1,112.9 million) and RM147.9 million (2017: RM364.7 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 RM5.4 million while the net asset value of the fixed income portfolio would inversely move by approximately RM1.8 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 2018, the Group's interest rate profile after hedging, was at 100% fixed interest rate (2017: 100% fixed interest rate). As such, the Group would not be affected by any hike in the OPR. This was also the position as at the end of the previous financial year.

4. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(a) Financial Risk Factor (continued)

(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.

Expected Credit Loss (ECL)

The Group and Company estimates and provides for ECL in relation to trade and other receivables.

(a) Measurement of ECL

(i) Trade Receivables and Contract Assets – Simplified approach

The expected loss rates recognised for Trade Receivables and Contract Assets are based on the payment profiles of sales over a period of 24 to 36 months before the reporting date and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic variables affecting the ability of the customers to settle the receivables. The Group and the Company have identified the following to be the most relevant factors applicable to each of the three main business clusters in the Group and Company, and accordingly the correlation between historical loss rates against these macroeconomic variables are being applied as a basis in forecasting forward looking expected loss rate based on the expected changes in these factors.

unifi	• Inflation Rate and USD/RM Exchange Rate • Inflation Rate and Malaysian Consumer Price Index
TM ONE	• Inflation Rate and 3-month KLIBOR rate • USD/RM Exchange Rate and Crude Oil Price
Global Business	• Real Gross Domestic Product and Malaysian Consumer Price Index • USD/RM Exchange Rate

No significant changes to estimation techniques or assumptions were made during the reporting period compared to those applied on 1 January 2018.

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4. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(a) Financial Risk Factor (continued)

(ii) Credit Risk (continued)

Expected Credit Loss (ECL) (continued)

(a) Measurement of ECL (continued)

(ii) Other Receivables – General 3-stages approach

The Group and the Company use the 3-stages approach for the ECL on other receivables and amount due from entities within the Group. The 3-stages approach reflects their receivables' credit risk and how the loss allowance is determined for each of those categories. A summary of the assumptions underpinning the Group's and the Company's ECL model is as follows:

Category	Group's and Company's definition of category	Basis for recognising ECL
Performing	Debtors have a low risk of default and a strong capacity to meet contractual cash flows	12 month ECL
Underperforming	Debtors for which there is a significant increase in credit risk or significant increase in credit risk is presumed if interest and/or principal repayments are 30 days past due	Lifetime ECL
Non-performing	Debtors and repayments are more than 365 days past due	Lifetime ECL
Write-off	There is evidence indicating that there is no reasonable expectation of recovery based on unavailability of debtor's sources of income or assets to generate sufficient future cash flows to repay the amount.	Asset is written off

Based on the above, loss allowance is measured on either 12 month ECL or lifetime ECL using a PD x LGD x EAD methodology where:

- PD ('probability of default') – the likelihood that the debtor would not be able to repay during the contractual period;
- LGD ('loss given default') – the percentage of contractual cash flows that will not be collected if default happens; and
- EAD ('exposure at default') – the outstanding amount that is exposed to default risk.

In deriving the PD and LGD, the Group and the Company consider historical data by each debtor by category and adjusts for forward-looking macroeconomic data. The Group and the Company have identified the industry and geographical area which the debtor operates in to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors. Loss allowance is measured at a probability-weighted amount that reflects the possibility that a credit loss occurs and the possibility that no credit loss occurs. No significant changes to estimation techniques or assumptions were made during the reporting period.

4. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(a) Financial Risk Factor (continued)

(ii) Credit Risk (continued)

Expected Credit Loss (ECL) (continued)

(b) Reconciliation of loss allowance

(i) Trade receivables – simplified approach

The loss allowance for trade receivables as at 31 December 2018 reconciles to the opening loss allowance for that provision as follows:

	The Group		The Company	
	2018 RM	**2017* RM**	**2018 RM**	**2017* RM**
At 1 January before restatement				
– calculated under MFRS 139	**978.8**	1,157.6	**569.6**	746.3
Amounts restated through opening retained earnings				
(note 51)	**19.6**	–	**19.6**	–
Opening loss allowance as at 1 January 2018				
– calculated under MFRS 9	**998.4**	1,157.6	**589.2**	746.3
Increase in loss allowance recognised				
in profit or loss during the year	**156.5**	69.4	**217.9**	56.0
Receivables written off	**(80.4)**	(247.8)	**(47.7)**	(232.7)
Loss allowance reversed	**–**	(0.4)	**–**	–
At 31 December	**1,074.5**	978.8	**759.4**	569.6

* Loss allowance disclosed in comparative period is based on MFRS 139's incurred loss model

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4. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(a) Financial Risk Factor (continued)

(ii) Credit Risk (continued)

Expected Credit Loss (ECL) (continued)

(b) Reconciliation of loss allowance (continued)

(ii) Other receivables – General 3-stages approach

The loss allowance for other receivables as at 31 December 2018 reconciles to the opening loss allowance as follows:

The Group	Performing RM	Under-performing RM	Non-performing RM	Total RM
At 1 January 2018 before restatement (calculated under MFRS 139) (note 34 and 43)	–	–	48.4	**48.4**
Opening loss allowance as at 1 January 2018 *(calculated under MFRS 9)*	–	–	48.4	**48.4**
New/Originating financial assets	1.8	0.1	24.5	**26.4**
Additional impairment on existing financial assets	2.4	1.9	–	**4.3**
Write-offs	–	–	(0.2)	**(0.2)**
Closing loss allowance as at 31 December 2018 *(calculated under MFRS 9)*	4.2	2.0	72.7	**78.9**

The Company	Performing RM	Under-performing RM	Non-performing RM	Total RM
At 1 January 2018 before restatement (calculated under MFRS 139) (note 34 and 43)	–	–	119.2	**119.2**
Amounts restated through opening retained earnings	–	7.0	711.4	**718.4**
Opening loss allowance as at 1 January 2018 *(calculated under MFRS 9)*	–	7.0	830.6	**837.6**
New/Originating financial assets	1.8	3.0	609.7	**614.5**
Additional impairment on existing financial assets	2.4	1.9	1,230.3	**1,234.6**
Write-offs	–	–	(0.3)	**(0.3)**
Closing loss allowance as at 31 December 2018 *(calculated under MFRS 9)*	4.2	11.9	2,670.3	**2,686.4**

4. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(a) Financial Risk Factor (continued)

(ii) Credit Risk (continued)

Expected Credit Loss (ECL) (continued)

(c) Maximum exposure to credit risk

(i) Trade receivables – simplified approach

The following table contains an analysis of the credit risk exposure of financial instruments for which an ECL allowance is recognised. The gross carrying amount of financial assets below also represents the Group and Company's maximum exposure to credit risk on these assets:

The Group 31 December 2018	Current RM	1-90 days past due RM	91-180 days past due RM	More than 181 days past due RM	Total RM
Expected loss rate	4.66%	11.72%	52.18%	82.19%	46.35%
Gross carrying amount – trade receivables	672.7	374.5	151.2	1,119.9	2,318.3
Loss allowance	(31.3)	(43.9)	(78.9)	(920.4)	(1,074.5)
Carrying amount (net of loss allowance)	641.4	330.6	72.3	199.5	1,243.8

The Company 31 December 2018	Current RM	1-90 days past due RM	91-180 days past due RM	More than 181 days past due RM	Total RM
Expected loss rate	5.62%	11.69%	45.40%	69.95%	37.31%
Gross carrying amount – trade receivables	620.8	378.0	182.8	853.9	2,035.5
Loss allowance	(34.9)	(44.2)	(83.0)	(597.3)	(759.4)
Carrying amount (net of loss allowance)	585.9	333.8	99.8	256.6	1,276.1

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4. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(a) Financial Risk Factor (continued)

(ii) Credit Risk (continued)

Expected Credit Loss (ECL) (continued)

(c) Maximum exposure to credit risk (continued)

(ii) Other receivables – General 3-stages approach

The following table contains an analysis of the credit risk exposure of Other Receivables for which an ECL allowance is recognised. The gross carrying amount of Other Receivables disclosed below also represents the Group's and the Company's maximum exposure to credit risk on these assets:

The Group Internal credit rating	Expected credit loss rate	Basis for recognition of expected credit loss provision	Estimated gross carrying amount at default RM	Loss allowance RM	Carrying amount (net of impairment provision) RM
Performing	0.4%	12 month ECL	996.6	(4.2)	992.4
Underperforming	8.0%	Lifetime ECL	25.1	(2.0)	23.1
Not-performing	99.3%	Lifetime ECL	73.2	(72.7)	0.5
Total			**1,094.9**	**(78.9)**	**1,016.0**

The Company Internal credit rating	Expected credit loss rate	Basis for recognition of expected credit loss provision	Estimated gross carrying amount at default RM	Loss allowance RM	Carrying amount (net of impairment provision) RM
Performing	0.5%	12 month ECL	829.9	(4.2)	825.7
Underperforming	8.6%	Lifetime ECL	138.1	(11.9)	126.2
Not-performing	98.1%	Lifetime ECL	2,721.3	(2,670.3)	51.0
Total			**3,689.3**	**(2,686.4)**	**1,002.9**

4. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(a) Financial Risk Factor (continued)

(ii) Credit Risk (continued)

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 risk 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(d) to the financial statements.

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 2018, the Group held deposits with financial institutions of RM2,164.5 million (2017: RM1,112.9 million) and cash and bank balances of RM661.8 million (2017: RM606.9 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. On 28 September 2018, the Group 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 RM4.0 billion in nominal value, which have respective tenures of 7 and 30 years from the date of first issue. Subsequently, the Group has issued RM800.0 million worth of Islamic Medium Term Notes which will mature on 31 October 2028. Obligation to pay will be via a combination of internal cash flow and new borrowings. Via its existing Islamic Commercial Papers programme, Islamic Medium Term Notes and Multi-Currency Euro Medium Term Notes programmes with remaining combined limit of up to RM5.6 billion in nominal value, the Group has sufficient financing facilities to meet capital expenditure and business operating requirements in the next 12 months. 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.

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4. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(a) Financial Risk Factor (continued)

(iii) Liquidity Risk (continued)

As at 31 December 2018, the Group has sufficient financial capacity and available facility to meet its obligations as and when they fall due 12 months from the financial statements date.

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.

The gearing ratios as at 31 December were as follows:

	The Group	
	2018	**2017**
Borrowings (RM million) (note 17)	**8,571.3**	8,150.2
Total Shareholders' Equity (RM million)	**7,525.2**	7,843.5
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 2018, 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.

The Group has also complied to all externally imposed debt covenants.

5. OPERATING REVENUE

(a) The effects of initially applying MFRS 15 on the Group and Company's revenue from contracts with customers is described in note 51 to the Financial Statements. Due to the modified retrospective transition method chosen by the Group and Company in applying MFRS 15 at the date of first application on 1 January 2018, the Group and Company's comparative information has not been restated. Included in note 51 are the results for the Group and Company under the previous revenue accounting standard without MFRS 15 being applied for the current financial year ended 31 December 2018.

Set out below are the disaggregation of the Group and Company's revenue.

(i) Revenue accounted for under MFRS 15 and others, classified by nature of service provided:

	The Group				The Company			
	2018			2017	2018			2017
	RM MFRS 15	RM Others	RM Total	RM	RM MFRS 15	RM Others	RM Total	RM
Internet and multimedia services	**4,119.9**	**–**	**4,119.9**	3,974.0	**3,772.3**	**–**	**3,772.3**	3,719.5
Voice services	**3,012.7**	**–**	**3,012.7**	3,180.3	**2,997.8**	**–**	**2,997.8**	3,172.6
Data services	**2,325.7**	**116.8**	**2,442.5**	2,675.2	**2,180.4**	**118.6**	**2,299.0**	2,468.4
Other telecommunications related services	**1,372.6**	**585.2**	**1,957.8**	1,931.0	**880.8**	**575.0**	**1,455.8**	1,414.8
Non-telecommunications related services	**286.4**	**–**	**286.4**	324.6	**–**	**–**	**–**	–
TOTAL OPERATING REVENUE	**11,117.3**	**702.0**	**11,819.3**	12,085.1	**9,831.3**	**693.6**	**10,524.9**	10,775.3

Other than revenue accounted for under MFRS 15, the Group and Company has Others, comprising of revenue under leasing contracts as well as grant revenue from the Government or other relevant local or federal authorities.

(ii) Revenue accounted for under MFRS 15, by timing of revenue recognition

	The Group 2018 RM	The Company 2018 RM
– At a point in time	**387.6**	**228.9**
– Over time	**10,729.7**	**9,602.4**
TOTAL OPERATING REVENUE	**11,117.3**	**9,831.3**

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5. OPERATING REVENUE (CONTINUED)

(b) Contract assets

The following table summarises significant changes in contract assets:

	The Group 2018 RM	The Company 2018 RM
Contract assets as at 1 January 2018	**654.3**	**515.5**
– Revenue recognised for services yet to be invoiced	**291.6**	**227.3**
– Amount subsequently invoiced (transferred to trade receivables)	**(315.0)**	**(323.3)**
– Impairment recognised for contract assets due to early termination	**(6.4)**	**(6.4)**
Contract assets as at 31 December 2018	**624.5**	**413.1**

(c) Contract liabilities

The following table summarises significant changes in contract liabilities:

	The Group 2018 RM	The Company 2018 RM
Contract liabilities as at 1 January 2018	**863.5**	**880.6**
– Amount billed in advance for services yet to be delivered	**7,675.4**	**7,033.5**
– Revenue realised from receipts in advance of supply goods or services	**(7,631.0)**	**(6,953.8)**
Contract liabilities as at 31 December 2018	**907.9**	**960.3**

During the financial year, the entire balance of contract liabilities as at 1 January 2018 of RM863.5 million has been recognised as revenue.

(d) Unsatisfied Performance Obligations

The following table summarises contract price allocated to unsatisfied performance obligations resulting from contracts with customers

	The Group 2018 RM	The Company 2018 RM
– voice, data and Internet and multimedia contracts with remaining contract period	**6,985.8**	**6,985.8**
– customer projects and others with service to be delivered	**372.7**	**243.9**
TOTAL UNSATISFIED PERFORMANCE OBLIGATIONS	**7,358.5**	**7,229.7**

These are expected to be fulfilled or delivered to customers over the next 1 to 36 months.

5. OPERATING REVENUE (CONTINUED)

(e) Assets recognised from costs to obtain and fulfil a contract

In addition to the contract balances disclosed above, the Group and Company have also recognised assets in relation to costs to obtain and fulfil customer contract. This is presented within contract cost assets in the statement of financial position. These are mostly commissions paid to agents in the course of securing a new customer contract, where the amount paid can be directly attributed to the new contract.

	The Group 2018 RM	The Company 2018 RM
Asset recognised from costs incurred to obtain and fulfil a contract at 1 January	**116.1**	**132.6**
– addition from customer contracts with service yet to be delivered as performance obligations are not yet satisfied	**226.5**	**171.5**
– less: Amortisation	**(118.1)**	**(145.8)**
Asset recognised from costs incurred to obtain and fulfil a contract at 31 December	**224.5**	**158.3**

6(a) DEPRECIATION, IMPAIRMENT AND AMORTISATION

	The Group		The Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Depreciation of property, plant and equipment (PPE) (note 22)	**2,261.2**	2,377.0	**1,983.8**	2,023.9
Depreciation of investment property (note 23)	**–**	–	**2.2**	2.2
Impairment of PPE (note 22 and 22(b))	**982.5**	8.3	**209.3**	–
Write-off/retirement of PPE (note 22)	**88.8**	62.2	**83.4**	63.1
Amortisation of intangible assets (note 24)	**20.2**	36.2	**–**	–
Impairment of intangible assets (note 24)	**52.1**	–	**–**	–
TOTAL DEPRECIATION, IMPAIRMENT AND AMORTISATION	**3,404.8**	2,483.7	**2,278.7**	2,089.2

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6(b) OTHER OPERATING COSTS

	The Group		The Company	
	2018 RM	**2017 RM**	**2018 RM**	**2017 RM**
Domestic, international outpayment and commission	**2,611.1**	2,470.9	**2,525.7**	2,475.4
Materials/customer equipments and installation	**523.8**	521.9	**215.1**	178.4
Leased lines	**129.6**	153.2	**–**	–
Universal Service Provision contribution	**355.4**	330.2	**330.0**	302.2
Maintenance	**614.5**	675.3	**586.6**	639.0
Staff costs	**2,439.4**	2,629.0	**1,831.2**	1,918.1
Staff costs capitalised into PPE	**(123.6)**	(131.5)	**(123.6)**	(130.4)
Rental	**493.7**	447.9	**313.0**	295.1
Utilities	**348.3**	344.3	**282.0**	284.5
Impairment of investment in subsidiaries	**–**	–	**402.6**	–
Forex	**2.2**	57.9	**2.1**	60.1
Others	**903.8**	1,116.0	**963.8**	1,104.1
TOTAL OTHER OPERATING COSTS	**8,298.2**	8,615.1	**7,328.5**	7,126.5
Staff costs include:				
– salaries, allowances, overtime and bonus	**1,744.8**	1,883.0	**1,265.9**	1,319.4
– contribution to Employees Provident Fund (EPF)	**294.6**	307.3	**220.1**	222.8
– other staff benefits	**227.6**	233.4	**185.8**	190.0
– Long Term Incentive Plan	**45.2**	36.5	**35.7**	28.1
– remuneration of Executive Directors of the Company				
– salaries, allowances and bonus	**3.1**	9.4	**3.1**	9.4
– contribution to EPF	**0.4**	1.3	**0.4**	1.3
– remuneration of Non-Executive Directors of the Company				
– fees	**3.0**	2.6	**2.4**	2.1
– allowances	**0.9**	0.9	**0.9**	0.9
Others include:				
– statutory audit fees				
– PricewaterhouseCoopers Malaysia	**2.6**	2.5	**1.5**	1.4
– member firms of PricewaterhouseCoopers International Limited	**0.4**	0.2	**–**	–
– audit related fees	**1.0**	0.8	**0.6**	0.5
– tax and other non-audit fees	**2.1**	4.6	**2.0**	4.4

Estimated money value of benefits of Directors amounted to RM0.8 million (2017: RM0.9 million) 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	
	2018 RM	**2017 RM**	**2018 RM**	**2017 RM**
Dividend income from subsidiaries	**–**	–	**131.6**	78.3
Dividend income from equity securities – quoted	**–**	0.5	**–**	0.5
– unquoted	**11.7**	12.4	**11.7**	12.4
Income from sales of scraps	**34.3**	16.5	**32.1**	16.5
Income from subsidiaries – interest	**–**	–	**97.4**	70.1
– others	**–**	–	**0.2**	0.3
Insurance claims	**2.0**	3.0	**2.0**	2.5
Loss on disposal of staff loans	**(0.4)**	(0.9)	**(0.4)**	(0.9)
Profit on disposal of PPE	**1.7**	44.0	**2.4**	43.7
Profit on disposal of non-current asset held for sale	**0.1**	0.5	**0.1**	0.5
Penalty on breach of contract	**4.0**	4.1	**4.0**	4.1
Rental income from land and buildings	**42.5**	45.5	**98.0**	84.2
Rental income from vehicles	**–**	–	**0.2**	0.3
Income from training and related activities	**1.6**	1.8	**1.5**	2.6
Others	**34.4**	36.6	**49.1**	46.0
TOTAL OTHER OPERATING INCOME (net)	**131.9**	164.0	**429.9**	361.1

8. OTHER GAINS/(LOSSES) (net)

	The Group		The Company	
	2018 RM	**2017 RM**	**2018 RM**	**2017 RM**
Fair value movement of financial assets at fair value through profit or loss				
– equity securities quoted on the Bursa Malaysia Securities Berhad	**(2.2)**	(2.0)	**(2.2)**	(2.0)
– investment in technology investment fund	**2.0**	–	**2.0**	–
– call option on shares held by non-controlling interest	**–**	(22.5)	**–**	–
– cross currency interest rate swap maturity	**–**	(15.1)	**–**	(15.1)
Fair value movement of put option liability over shares of a subsidiary (note 47(a))	**311.0**	46.3	**–**	–
Investments at fair value through other comprehensive income				
– reclassification from fair value reserves	**0.1**	–	**0.1**	–
Available-for-sale investments				
– reclassification from fair value reserves	**–**	1.8	**–**	1.8
TOTAL OTHER GAINS/(LOSSES) (net)	**310.9**	8.5	**(0.1)**	(15.3)

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9. NET FINANCE COST

The Group	2018 Foreign RM	2018 Domestic RM	2018 Islamic Principles RM	2018 Total RM	2017 Foreign RM	2017 Domestic RM	2017 Islamic Principles RM	2017 Total RM
Finance income from								
– short term bank deposits	**2.1**	**30.2**	**38.1**	**70.4**	3.0	24.4	50.4	77.8
– other deposits	**–**	**4.6**	**2.9**	**7.5**	–	13.2	2.5	15.7
– Redeemable Exchangeable Medium Term Notes (note 30)	**–**	**–**	**–**	**–**	–	17.3	–	17.3
– staff loans	**–**	**2.5**	**16.7**	**19.2**	–	0.3	12.9	13.2
– accretion of finance income	**–**	**5.2**	**–**	**5.2**	–	7.8	–	7.8
– available-for-sale receivables	**–**	**–**	**–**	**–**	–	#	–	#
TOTAL FINANCE INCOME	**2.1**	**42.5**	**57.7**	**102.3**	3.0	63.0	65.8	131.8
Finance cost on								
– borrowings from financial institutions and debentures	**(95.4)**	**(13.2)**	**(5.4)**	**(114.0)**	(112.0)	(13.3)	(0.5)	(125.8)
– TM Islamic Stapled Income Securities (note 17(b))	**–**	**–**	**(44.7)**	**(44.7)**	–	–	(45.0)	(45.0)
– Islamic Medium Term Notes (note 17(c))	**–**	**–**	**(241.4)**	**(241.4)**	–	–	(208.3)	(208.3)
– accretion of finance cost (note 17(d) and 37(b))	**–**	**(28.9)**	**–**	**(28.9)**	–	(2.6)	–	(2.6)
– finance lease (note 17(g))	**–**	**(3.9)**	**–**	**(3.9)**	–	(4.2)	–	(4.2)
– unwinding of discount on put option over shares of a subsidiary (note 47(a))	**–**	**(23.3)**	**–**	**(23.3)**	–	(32.1)	–	(32.1)
– amortisation of interest subsidy on staff loan	**–**	**–**	**(6.4)**	**(6.4)**	–	–	(3.7)	(3.7)
Borrowing costs capitalised	**0.1**	**3.0**	**9.4**	**12.5**	0.6	6.4	27.6	34.6
TOTAL FINANCE COST	**(95.3)**	**(66.3)**	**(288.5)**	**(450.1)**	(111.4)	(45.8)	(229.9)	(387.1)
Foreign exchange revaluation on borrowings								
– (loss)/gain	**(48.4)**	**–**	**–**	**(48.4)**	267.2	–	–	267.2
– reclassification from hedging reserve	**17.1**	**–**	**–**	**17.1**	(92.7)	–	–	(92.7)
TOTAL FOREIGN EXCHANGE (LOSS)/GAIN ON BORROWINGS	**(31.3)**	**–**	**–**	**(31.3)**	174.5	–	–	174.5
NET FINANCE COST	**(124.5)**	**(23.8)**	**(230.8)**	**(379.1)**	66.1	17.2	(164.1)	(80.8)

\# Amount less than RM0.1 million

9. NET FINANCE COST (CONTINUED)

The Company	2018 Foreign RM	2018 Domestic RM	2018 Islamic Principles RM	2018 Total RM	2017 Foreign RM	2017 Domestic RM	2017 Islamic Principles RM	2017 Total RM
Finance income from								
– short term bank deposits	**1.9**	**30.9**	**37.0**	**69.8**	2.9	22.0	49.2	74.1
– other deposits	**–**	**4.6**	**2.1**	**6.7**	–	13.2	2.0	15.2
– staff loans	**–**	**2.5**	**16.7**	**19.2**	–	0.3	12.9	13.2
– available-for-sale receivables	**–**	**–**	**–**	**–**	–	#	–	#
TOTAL FINANCE INCOME	**1.9**	**38.0**	**55.8**	**95.7**	2.9	35.5	64.1	102.5
Finance cost on								
– borrowings from financial institutions and debentures	**(94.1)**	**–**	**–**	**(94.1)**	(111.9)	–	–	(111.9)
– TM Islamic Stapled Income Securities (note 17(b))	**–**	**–**	**(44.7)**	**(44.7)**	–	–	(45.0)	(45.0)
– Islamic Medium Term Notes (note 17(c))	**–**	**–**	**(241.4)**	**(241.4)**	–	–	(208.3)	(208.3)
– accretion of finance cost (note 17(d) and 37(b))	**–**	**(28.9)**	**–**	**(28.9)**	–	(2.6)	–	(2.6)
– finance lease (note 17(g))	**–**	**(2.5)**	**–**	**(2.5)**	–	(2.8)	–	(2.8)
– Inter-Company Fund Optimisation (note 43(a)(iv) and (b))	**–**	**(14.6)**	**(0.8)**	**(15.4)**	–	(19.8)	(1.3)	(21.1)
– amortisation of interest subsidy on staff loan	**–**	**–**	**(6.4)**	**(6.4)**	–	–	(3.7)	(3.7)
Borrowing costs capitalised	**0.1**	**3.0**	**9.4**	**12.5**	0.6	2.3	27.6	30.5
TOTAL FINANCE COST	**(94.0)**	**(43.0)**	**(283.9)**	**(420.9)**	(111.3)	(22.9)	(230.7)	(364.9)
Foreign exchange revaluation on borrowings								
– (loss)/gain	**(48.9)**	**–**	**–**	**(48.9)**	267.0	–	–	267.0
– reclassification from hedging reserve	**17.1**	**–**	**–**	**17.1**	(92.7)	–	–	(92.7)
TOTAL FOREIGN EXCHANGE (LOSS)/GAIN ON BORROWINGS	**(31.8)**	**–**	**–**	**(31.8)**	174.3	–	–	174.3
NET FINANCE COST	**(123.9)**	**(5.0)**	**(228.1)**	**(357.0)**	65.9	12.6	(166.6)	(88.1)

Amount less than RM0.1 million

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10. TAX AND ZAKAT

	The Group		The Company	
	2018 RM	**2017 RM**	**2018 RM**	**2017 RM**
The tax charge for the Group and the Company comprise:				
Malaysia				
Income Tax				
Current year	**231.6**	231.3	**172.9**	163.0
Prior year	**(20.0)**	(10.9)	**(25.1)**	(11.0)
Deferred Tax (net)	**53.0**	78.1	**56.1**	88.2
	264.6	298.5	**203.9**	240.2
Overseas				
Income Tax				
Current year	**0.8**	4.6	**–**	–
Prior year	**6.0**	0.3	**–**	–
Deferred Tax (net)	**#**	5.2	**–**	–
	6.8	10.1	**–**	–
TOTAL TAX	**271.4**	308.6	**203.9**	240.2
Zakat	**6.5**	8.9	**4.3**	6.4
TAX AND ZAKAT	**277.9**	317.5	**208.2**	246.6

Amount less than RM0.1 million

Current tax				
Current year	**232.4**	235.9	**172.9**	163.0
Over accrual in prior years (net)	**(14.0)**	(10.6)	**(25.1)**	(11.0)
Deferred tax				
Origination and reversal of temporary differences	**87.5**	184.1	**90.6**	189.0
Tax incentive	**(34.5)**	(100.8)	**(34.5)**	(100.8)
	271.4	308.6	**203.9**	240.2

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

	The Group		The Company	
	2018 RM	**2017 RM**	**2018 RM**	**2017 RM**
Profit/(Loss) Before Tax and Zakat	**17.4**	1,048.0	**(1,076.8)**	1,743.0
Tax calculated at the applicable Malaysian tax rate of 24.0%	**4.2**	251.5	**(258.5)**	418.3
Tax effects of:				
– share of results of associates	**(6.1)**	(6.6)	**–**	–
– different tax rates in other countries	**–**	0.3	**–**	–
– expenses not deductible for tax purposes	**148.1**	134.2	**664.3**	104.7
– income not subject to tax	**(126.0)**	(149.1)	**(125.1)**	(154.0)
– expenses allowed for double deduction	**(17.2)**	(17.0)	**(17.2)**	(17.0)
– tax incentive	**(34.5)**	(100.8)	**(34.5)**	(100.8)
– temporary difference for which no deferred tax is recognised	**177.0**	–	**–**	–
– deferred tax asset written off	**20.0**	–	**–**	–
– current year tax losses not recognised	**119.9**	206.7	**–**	–
– over accrual of income tax (net)	**(14.0)**	(10.6)	**(25.1)**	(11.0)
TOTAL TAX	**271.4**	308.6	**203.9**	240.2

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	
	2018 RM	**2017 RM**
Profit attributable to equity holders of the Company (RM million)	**153.2**	929.7
Weighted average number of ordinary shares (million)	**3,757.9**	3,757.9
Basic earnings per share (sen) attributable to equity holders of the Company	**4.1**	24.7

(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) that is an employee share scheme which will vest subject to certain performance conditions being met.

	The Group	
	2018 RM	**2017 RM**
Profit attributable to equity holders of the Company (RM million)	**153.2**	929.7
Weighted average number of ordinary shares (million)	**3,757.9**	3,757.9
Adjustment for dilutive effect of LTIP (million)	**22.0**	16.0
Weighted average number of ordinary shares (million)	**3,779.9**	3,773.9
Diluted earnings per share (sen) attributable to equity holders of the Company	**4.1**	24.6

12. DIVIDENDS IN RESPECT OF ORDINARY SHARES

Dividends approved and paid in respect of ordinary shares:

	2018		2017	
The Company	**Dividend per share Sen**	**Amount of single-tier dividend RM**	**Dividend per share Sen**	**Amount of single-tier dividend RM**
2nd interim dividend paid in respect of the financial year ended 31 December 2016	–	–	12.2	458.5
1st interim dividend paid in respect of the financial year ended 31 December 2017	–	–	9.4	353.2
2nd interim dividend paid in respect of the financial year ended 31 December 2017	**12.1**	**454.7**	–	–
DIVIDENDS RECOGNISED AS DISTRIBUTION TO ORDINARY EQUITY HOLDERS OF THE COMPANY	**12.1**	**454.7**	21.6	811.7

The Dividend Reinvestment Scheme (DRS) as explained in note 13(d) to the financial statements have not been made applicable to any dividends appropriated by the Company during the current and previous financial year.

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12. DIVIDENDS IN RESPECT OF ORDINARY SHARES (CONTINUED)

The Board of Directors declared a 2nd interim single-tier cash dividend of 12.1 sen per share for the financial year ended 31 December 2017. The dividend has been paid on 13 April 2018 to Shareholders whose name appear in the Register of Members and Record of Depositors on 16 March 2018.

The Board of Directors has declared interim single-tier cash dividend of 2.0 sen per share for the financial year ended 31 December 2018 (2017: 1st and 2nd interim single-tier cash dividend of 9.4 sen and 12.1 sen per share respectively).

13. SHARE CAPITAL

The Company	2018 Number of shares	2018 RM	2017 Number of shares	2017 RM
Issued and fully paid:				
Ordinary shares				
At 1 January	**3,758.0**	**3,667.1**	3,758.0	2,630.6
Transition to no-par value regime on 31 January 2017 under the Companies Act 2016 (sub-note (e))				
– Transfer from Share Premium	**–**	**–**	–	964.9
– Transfer from Capital Redemption Reserve	**–**	**–**	–	71.6
At 31 December – ordinary shares with no par value	**3,758.0**	**3,667.1**	3,758.0	3,667.1
Special Share (sub-note (a))				
At 1 January and 31 December	**#**	**#**	#	#
Class D Non-Convertible Redeemable Preference Shares (sub-note (c))				
At 1 January and 31 December	**#**	**#**	#	#
TOTAL ISSUED AND FULLY PAID-UP SHARE CAPITAL	**3,758.0**	**3,667.1**	3,758.0	3,667.1

Amount less than RM0.1 million

	The Group and Company 2018 RM	The Group and Company 2017 RM
Share Premium		
At 1 January	**–**	964.9
Movement during the year:		
Transition to no-par value regime on 31 January 2017 (sub-note (e))	**–**	(964.9)
At 31 December	**–**	–

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

The Special Share is held by the Special Shareholder, Minister of Finance, a body corporate established under the Minister of Finance (Incorporation) Act 1957 (MOF Inc). MOF Inc'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.

13. SHARE CAPITAL (CONTINUED)

(b) The Companies Act 2016 (CA 2016), which came into effect on 31 January 2017, abolished the concept of authorised share capital and par value of share capital.

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

On 20 July 2007, the Company issued 925 Class D NCRPS (TM NCRPS D) at a premium of RM999.00 each over the par value of RM1.00 each. TM NCRPS D rank 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 D has been classified as liabilities. The details of TM NCRPS D are set out in note 17(b)(l) to the financial statements. On 26 February 2019, the Company redeemed TM NCRPS D subsequent to its repayment on 28 December 2018.

(d) 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.

The DRS was not made applicable to any of the dividends distributed during the financial year ended 31 December 2015 to 2018.

(e) Prior to 31 January 2017, the application of the share premium account was governed by Sections 60 and 61 of the Companies Act 1965. In accordance with the transitional provisions set out in Section 618 (2) of the new Companies Act 2016 (CA 2016), on 31 January 2017 any amount standing to the credit of the Company's share premium account has become part of the Company's share capital. Notwithstanding this provision, the Company may within 24 months from the commencement of CA 2016, use the amount standing to the credit of its share premium account of RM964.9 million for purposes as set out in Section 618 (3) of CA 2016.

The Company has not utilised any of this transitionary share premium for any purpose during the financial year ended 31 December 2018 nor subsequent to the year end up to the expiry date of 31 January 2019.

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. A committee has been established to administer the LTIP (LTIP Committee) in accordance with the By-Laws governing the LTIP.

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

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

The total number of new 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.

(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 Main Market Listing Requirements of Bursa Malaysia Securities Berhad in relation to the LTIP, the LTIP may be terminated 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.

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

Features of LTIP (continued)

(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 2018, 2 Grants of both the RS and PS respectively, have been granted to the relevant Eligible Employees.

Restricted Shares (RS)

Under the RS, selected Eligible Employees 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 tax target and/or other financial measures 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 that 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.

Performance Shares (PS)

Under the PS, selected Eligible Employees and Executive Directors of the Group and the 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 PS respectively), subject to individual performance metrics being met and the achievement of certain market based indicators.

In the event that the performance metrics are not met over the period set by the LTIP Committee as being applicable to the PS Grantees, a roll over feature may extend the performance period and vesting date by one year.

(a) The total number of the RS and PS 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/PS	**Grant Date**	**Vesting Date**	**Number of Shares Granted**	**Reference Price per unit (RM)[1]**
RS				
Grant 1	1 December 2016	30 April 2019	9,219,500	6.15
Grant 2	1 June 2017	1 June 2020	9,401,200	6.47
PS				
Grant 1	1 June 2017	1 June 2020/1 June 2021[2]	1,928,100	6.35
Grant 2	4 December 2017	30 November 2020/30 November 2021[2]	1,854,200	6.26

1 Refers to the price at reference date for the purpose of granting the number of shares to the employees. For PS, this is based on a three month volume weighted-average price (VWAP).

2 In the event that certain performance metrics are not met over the period set by the LTIP Committee as being applicable to the PS Grantees, a roll over feature may extend the performance period and vesting date by one year.

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

(b) The movement during the financial year in the number of RS and PS shares 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	Granted	Adjusted	Vested	Forfeited	At 31 December	Fair Value at Grant Date (RM)
2018								
RS								
Grant 1	**6.15**	**9,103,600**	**–**	**–**	**–**	**(146,500)**	**8,957,100**	**6.15**
Grant 2	**6.47**	**9,337,100**	**–**	**–**	**–**	**(180,900)**	**9,156,200**	**6.47**
PS								
Grant 1	**6.47**	**1,745,700**	**–**	**–**	**–**	**(330,200)**	**1,415,500**	**4.12**
Grant 2	**5.97**	**1,854,200**	**–**	**–**	**–**	**(324,400)**	**1,529,800**	**3.25**
2017								
RS								
Grant 1	6.15	9,219,500	–	–	–	(115,900)	9,103,600	6.15
Grant 2	6.47	–	9,401,200	2,800	–	(66,900)	9,337,100	6.47
PS								
Grant 1	6.47	–	1,928,100	–	–	(182,400)	1,745,700	4.12
Grant 2	5.97	–	1,854,200	–	–	–	1,854,200	3.25

Attributed to Grantees from the Company:

	Closing Price per unit at Grant Date (RM)	At 1 January	Granted	Adjusted	Vested	Forfeited	At 31 December	Fair Value at Grant Date (RM)
2018								
RS								
Grant 1	**6.15**	**6,957,600**	**–**	**73,800**	**–**	**(66,300)**	**6,965,100**	**6.15**
Grant 2	**6.47**	**7,013,200**	**–**	**58,000**	**–**	**(71,200)**	**7,000,000**	**6.47**
PS								
Grant 1	**6.47**	**1,650,600**	**–**	**–**	**–**	**(330,200)**	**1,320,400**	**4.12**
Grant 2	**5.97**	**1,725,600**	**–**	**–**	**–**	**(324,400)**	**1,401,200**	**3.25**
2017								
RS								
Grant 1	6.15	6,749,600	–	272,200	–	(64,200)	6,957,600	6.15
Grant 2	6.47	–	7,039,400	2,800	–	(29,000)	7,013,200	6.47
PS								
Grant 1	6.47	–	1,833,000	–	–	(182,400)	1,650,600	4.12
Grant 2	5.97	–	1,725,600	–	–	–	1,725,600	3.25

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

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

RS	Entitlement Over the Company's Share Reference Price per unit (RM)* Grant 1	Grant 2
Reference Price	6.15	6.47
Grant Date*	1 December 2016	1 June 2017
Vesting Date	30 April 2019	1 June 2020
Closing Share Price at Grant Date*	6.15	6.47

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

PS	Entitlement Over the Company's Share Reference Price per unit (RM)* Grant 1	Grant 2
Reference Price	6.35	6.26
Grant Date*	1 June 2017	4 December 2017
Vesting Date	1 June 2020/ 1 June 2021	30 November 2020/ 30 November 2021
Closing Share Price at Grant Date*	6.47	5.97

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

(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 and PS are summarised as below:

	The Group		The Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Restricted Shares	**41.9**	34.9	**32.8**	26.6
Performance Shares	**3.3**	1.6	**3.0**	1.5

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15. OTHER RESERVES

	The Group		The Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Fair value reserves (note 2(h)(iii))	**–**	127.2	**–**	127.2
Fair value through other comprehensive income (FVOCI) reserve	**88.8**	–	**88.8**	–
Hedging reserve (note 2(j))	**28.3**	85.7	**28.3**	85.7
Cost of hedging reserve	**29.7**	–	**29.7**	–
Long term incentive plan reserve (note 2(y)(iv))	**83.4**	36.7	**83.6**	38.4
Other reserve (note 2(q)(iii) and note 19(e)(i))	**(352.9)**	(352.9)	**–**	–
Currency translation differences arising from translation of:				
– subsidiaries	**(38.7)**	19.9	**–**	–
– associate	**2.1**	1.9	**–**	–
TOTAL OTHER RESERVES	**(159.3)**	(81.5)	**230.4**	251.3

16. RETAINED PROFITS

As at 31 December 2018, all of the Company's retained profits of RM2,104.3 million (2017: RM4,478.6 million) is available for tax exempt dividend distribution to shareholders.

17. BORROWINGS

The Group	2018				2017			
	Weighted Average Rate of Finance	Non-current RM	Current RM	Total RM	Weighted Average Rate of Finance	Non-current RM	Current RM	Total RM
DOMESTIC								
Secured								
Borrowings from financial institutions (sub-note (a))	**5.30%**	**25.9**	**34.5**	**60.4**	5.31%	60.5	25.1	85.6
Finance lease (sub-note (g))	**–**	**–**	**–**	**–**	2.50%	7.4	10.4	17.8
Total Domestic Secured	**5.30%**	**25.9**	**34.5**	**60.4**	4.83%	67.9	35.5	103.4
Unsecured								
Borrowings from financial institutions	**4.39%**	**–**	**175.0**	**175.0**	4.14%	–	57.0	57.0
Borrowings under Islamic principles								
– TM Islamic Stapled Income Securities (sub-note (b))	**–**	**–**	**–**	**–**	4.87%	–	925.0	925.0
– Islamic Medium Term Notes (sub-note (c))	**4.43%**	**5,799.0**	**–**	**5,799.0**	4.38%	4,500.0	–	4,500.0
Convertible Medium Term Notes (sub-note (e))	**4.88%**	**38.2**	**3.2**	**41.4**	4.88%	38.2	0.2	38.4
Other borrowings (sub-note (d))	**4.38%**	**71.3**	**–**	**71.3**	4.60%	68.4	50.0	118.4
Finance lease (sub-note (g))	**4.92%**	**28.8**	**21.2**	**50.0**	5.73%	32.4	11.1	43.5
Total Domestic Unsecured	**4.44%**	**5,937.3**	**199.4**	**6,136.7**	4.47%	4,639.0	1,043.3	5,682.3
Total Domestic	**4.44%**	**5,963.2**	**233.9**	**6,197.1**	4.48%	4,706.9	1,078.8	5,785.7

17. BORROWINGS (CONTINUED)

The Group	2018				2017			
	Weighted Average Rate of Finance	Non-current RM	Current RM	Total RM	Weighted Average Rate of Finance	Non-current RM	Current RM	Total RM
FOREIGN								
Unsecured								
Borrowings from financial institutions	**3.72%**	**412.8**	**–**	**412.8**	1.52%	403.9	40.0	443.9
Borrowings under Islamic principles								
– Euro Medium Term Notes (sub-note (f))	**3.64%**	**720.4**	**–**	**720.4**	3.14%	705.2	–	705.2
Debentures (sub-note (h))	**7.88%**	**1,238.4**	**–**	**1,238.4**	7.88%	1,212.7	–	1,212.7
Other borrowings	**–**	**2.4**	**0.2**	**2.6**	–	2.5	0.2	2.7
Total Foreign	**5.86%**	**2,374.0**	**0.2**	**2,374.2**	5.57%	2,324.3	40.2	2,364.5
TOTAL BORROWINGS	**4.84%**	**8,337.2**	**234.1**	**8,571.3**	4.79%	7,031.2	1,119.0	8,150.2

The Group	2018			2017		
	Domestic RM	Foreign RM	Total RM	Domestic RM	Foreign RM	Total RM
The Group's non-current borrowings are repayable as follows:						
After one year and up to five years	**2,872.0**	**620.1**	**3,492.1**	1,991.7	404.7	2,396.4
After five years and up to ten years	**3,091.2**	**1,753.1**	**4,844.3**	2,715.2	1,918.8	4,634.0
After ten years	**–**	**0.8**	**0.8**	–	0.8	0.8
	5,963.2	**2,374.0**	**8,337.2**	4,706.9	2,324.3	7,031.2

The Company	2018				2017			
	Weighted Average Rate of Finance	Non-current RM	Current RM	Total RM	Weighted Average Rate of Finance	Non-current RM	Current RM	Total RM
DOMESTIC								
Unsecured								
Borrowings under Islamic principles								
– TM Islamic Stapled Income Securities (sub-note (b))	**–**	**–**	**–**	**–**	4.87%	–	925.0	925.0
– Islamic Medium Term Notes (sub-note (c))	**4.43%**	**5,799.0**	**–**	**5,799.0**	4.38%	4,500.0	–	4,500.0
Other borrowings (sub-note (d))	**4.38%**	**71.3**	**–**	**71.3**	4.53%	68.4	50.0	118.4
Finance lease (sub-note (g))	**5.70%**	**26.0**	**11.0**	**37.0**	5.78%	32.1	10.3	42.4
Total Domestic	**4.44%**	**5,896.3**	**11.0**	**5,907.3**	4.47%	4,600.5	985.3	5,585.8

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17. BORROWINGS (CONTINUED)

The Company	2018 Weighted Average Rate of Finance	2018 Non-current RM	2018 Current RM	2018 Total RM	2017 Weighted Average Rate of Finance	2017 Non-current RM	2017 Current RM	2017 Total RM
FOREIGN								
Unsecured								
Debentures (sub-note (h))	**7.88%**	**1,238.4**	**–**	**1,238.4**	7.88%	1,212.7	–	1,212.7
Other borrowings	**–**	**2.4**	**0.2**	**2.6**	–	2.5	0.2	2.7
Total Foreign	**7.86%**	**1,240.8**	**0.2**	**1,241.0**	7.87%	1,215.2	0.2	1,215.4
TOTAL BORROWINGS	**5.03%**	**7,137.1**	**11.2**	**7,148.3**	5.15%	5,815.7	985.5	6,801.2

The Company	2018 Domestic RM	2018 Foreign RM	2018 Total RM	2017 Domestic RM	2017 Foreign RM	2017 Total RM
The Company's non-current borrowings are repayable as follows:						
After one year and up to five years	**2,813.2**	**0.8**	**2,814.0**	1,897.5	0.8	1,898.3
After five years and up to ten years	**3,083.1**	**1,239.2**	**4,322.3**	2,703.0	1,213.6	3,916.6
After ten years	**–**	**0.8**	**0.8**	–	0.8	0.8
	5,896.3	**1,240.8**	**7,137.1**	4,600.5	1,215.2	5,815.7

(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) 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 B is referred to as 'Sukuk'.

The TM NCRPS (which comprises Class D NCRPS) 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.

17. BORROWINGS (CONTINUED)

(b) **(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.

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

The 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 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
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 B2 Sukuk.

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17. BORROWINGS (CONTINUED)

(b) **(II) Sukuk Ijarah (continued)**

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 B2 Sukuk as nominal periodic distribution. The nominal periodic distribution rate is 0.01% per annum.

Where the Company elects to pay full rental, the Periodic Distribution Rate as in the TM ISIS of Class D NCRPS which is linked to Class B Sukuk is 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. On 28 December 2018, the Company repaid in full the RM0.925 million Class D NCRPS and RM924.075 million Class B Sukuk in nominal value.

(c) On 28 September 2018, 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 RM4.0 billion in nominal value, which have respective tenures of 7 and 30 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 30 years provided that the respective debt securities mature before the expiry of the respective programmes.

The proceeds from the issuance of the ICP and/or IMTN shall be utilised by TM Group and Company for capital expenditure and business operating requirements.

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	
	2018 RM	**2017 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% – 4.23%)	**850.0**	850.0
IMTN due in 2023 (3.93% – 4.34%)	**900.0**	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
IMTN due in 2027 (4.58%)	**500.0**	500.0
IMTN due in 2028 (4.68% – 4.73%)	**1,049.0**	–
	5,799.0	4,500.0

17. BORROWINGS (CONTINUED)

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

(e) Convertible Medium Term Notes (Convertible MTN)

On 15 September 2015, Webe Digital Sdn Bhd (webe) 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.

(f) 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 value of EMTN in issue comprise the following:

	The Group	
	2018 **RM**	**2017** **RM**
EMTN due in 2026 (3.70%)	**204.2**	199.7
EMTN due in 2023 (1 month London Inter-Bank Overnight Rate (LIBOR) plus 1.35%)	**206.5**	202.3
EMTN due in 2026 (3.422%)	**309.7**	303.2
	720.4	705.2

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

The Group	**2018** **RM**	**2017** **RM**
Not later than one year	**23.0**	24.4
Later than one year and not later than five years	**31.9**	41.4
Later than five years and not later than ten years	**–**	2.8
	54.9	68.6
Future finance charges	**(4.9)**	(7.3)
Present value of finance lease liabilities	**50.0**	61.3
Present value of finance lease liabilities at the reporting date is as follows:		
Not later than one year	**21.1**	21.3
Later than one year and not later than five years	**28.9**	37.2
Later than five years and not later than ten years	**–**	2.8
	50.0	61.3

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17. BORROWINGS (CONTINUED)

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

The Company	2018 RM	2017 RM
Not later than one year	**12.9**	12.5
Later than one year and not later than five years	**28.5**	33.3
Later than five years and not later than ten years	**–**	3.0
	41.4	48.8
Future finance charges	**(4.4)**	(6.4)
Present value of finance lease liabilities	**37.0**	42.4
Present value of finance lease liabilities at the reporting date is as follows:		
Not later than one year	**11.0**	10.2
Later than one year and not later than five years	**26.0**	29.3
Later than five years and not later than ten years	**–**	2.9
	37.0	42.4

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.

(h) Debentures consist of the following:

	The Group and Company	
	2018 RM	**2017 RM**
USD300.0 million 7.875% Debentures due in 2025	**1,238.4**	1,212.7

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

18. PAYABLE TO SUBSIDIARIES

(a) On 12 November 2013, TM Global Incorporated, a subsidiary, obtained a 7-year USD100.0 million loan from a 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).

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
2018				
Put option liability over shares held by non-controlling interest				
– more than 3 years (sub-note (e)(i) and note 47(a))	**–**	**–**	**–**	**311.0**
Derivatives accounted for under hedge accounting				
Interest rate swaps – fair value hedge (sub-note (i))				
– more than 3 years (sub-note (b)(i))	**206.6**	**7.0**	**–**	**1.5**
Cross currency interest rate swaps – cash flow hedge (sub-note (ii))				
– 1 year to 3 years (sub-note (d))	**316.8**	**99.2**	**–**	**5.7**
– more than 3 years (sub-note (a))	**310.5**	**148.2**	**–**	**(17.8)**
TOTAL	**833.9**	**254.4**	**–**	**300.4**
2017				
Derivatives at fair value through profit or loss				
Call option on shares held by non-controlling interest				
– lapsed during the financial year (sub-note (e)(ii))	87.1	–	–	(22.5)
Put option liability over shares held by non-controlling interest				
– more than 3 years (sub-note (e)(i) and note 47(a))	–	–	287.7	46.3
Derivatives accounted for under hedge accounting				
Interest rate swaps – fair value hedge (sub-note (i))				
– more than 3 years (sub-note (b)(ii))	202.4	5.5	–	0.3
Cross currency interest rate swaps – cash flow hedge (sub-note (ii))				
– matured during the financial year (sub-note (c))	298.9	–	–	(1.0)
– 1 year to 3 years (sub-note (d))	316.8	93.5	–	(42.6)
– more than 3 years (sub-note (a))	310.5	166.0	–	(60.6)
TOTAL	1,215.7	265.0	287.7	(80.1)

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19. DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING TRANSACTIONS (CONTINUED)

The Company	Contract or notional amount RM	Fair value Assets RM	Fair value Liabilities RM	Fair value changes during the financial year RM
2018				
Derivatives accounted for under hedge accounting				
Interest rate swaps – fair value hedge (sub-note (i))				
– more than 3 years (sub-note (b)(i))	**206.6**	**7.0**	**–**	**1.5**
Cross currency interest rate swaps – cash flow hedge (sub-note (ii))				
– 1 year to 3 years (sub-note (d))	**316.8**	**99.2**	**–**	**5.7**
– more than 3 years (sub-note (a))	**310.5**	**148.2**	**–**	**(17.8)**
TOTAL	**833.9**	**254.4**	**–**	**(10.6)**
2017				
Derivatives accounted for under hedge accounting				
Interest rate swaps – fair value hedge (sub-note (i))				
– more than 3 years (sub-note (b)(i))	202.4	5.5	–	0.3
Cross currency interest rate swaps – cash flow hedge (sub-note (ii))				
– matured during the financial year (sub-note (c))	298.9	–	–	(1.0)
– 1 year to 3 years (sub-note (d))	316.8	93.5	–	(42.6)
– more than 3 years (sub-note (a))	310.5	166.0	–	(60.6)
TOTAL	1,128.6	265.0	–	(103.9)

(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. Hedge accounting has been applied for these fair value hedges.

(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 matured in 2017.

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

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) Interest Rate Swap (IRS) Contract

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 on 21 August 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.

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19. DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING TRANSACTIONS (CONTINUED)

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

(c) 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 has matured on 20 November 2017. On the maturity date, the Company received the JPY notional amount and paid the counterparty an equivalent RM amount of RM298.9 million.

The CCIRS contract effectively converted the JPY liability into RM liability.

(d) 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.

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.

(e) 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)

19. DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING TRANSACTIONS (CONTINUED)

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

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

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 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 Berhad 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.

(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.

The issuance of the RM1.65 billion Convertible MTN was completed on 28 September 2017. Consequently, the Call Option lapsed unexercised on 28 November 2017 and has been derecognised from the financial statements of the Group.

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.

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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	
	2018 RM	**2017 RM**	**2018 RM**	**2017 RM**
Subject to income tax:				
Deferred tax assets	**17.9**	23.5	**–**	–
Deferred tax liabilities	**1,661.3**	1,591.3	**1,613.6**	1,533.6
TOTAL DEFERRED TAX	**1,643.4**	1,567.8	**1,613.6**	1,533.6
At 1 January	**1,567.8**	1,484.2	**1,533.6**	1,445.4
– Initial application of MFRS 15 (note 51(A)(a))	**22.1**	–	**23.9**	–
As restated	**1,589.9**	1,484.2	**1,557.5**	1,445.4
Current year (credited)/charged to the Income Statement arising from:				
– property, plant and equipment	**(127.1)**	(171.9)	**(115.8)**	(143.8)
– tax incentive	**157.5**	211.4	**157.5**	211.4
– provisions and others	**22.6**	43.8	**14.4**	20.6
	53.0	83.3	**56.1**	88.2
– currency translation differences	**0.5**	0.3	**–**	–
At 31 December	**1,643.4**	1,567.8	**1,613.6**	1,533.6

Breakdown of cumulative balances by each type of temporary difference:

	The Group		The Company	
	2018 RM	**2017 RM**	**2018 RM**	**2017 RM**
(a) Deferred tax assets				
Property, plant and equipment	**24.5**	109.7	**–**	–
Tax incentive	**–**	157.5	**–**	157.5
Tax losses	**2.6**	2.6	**–**	–
Provisions and others	**390.5**	465.4	**367.5**	417.2
	417.6	735.2	**367.5**	574.7
Offsetting	**(399.7)**	(711.7)	**(367.5)**	(574.7)
Total deferred tax assets after offsetting	**17.9**	23.5	**–**	–
(b) Deferred tax liabilities				
Property, plant and equipment	**2,016.5**	2,237.8	**1,943.4**	2,059.2
Provisions and others	**44.5**	65.2	**37.7**	49.1
	2,061.0	2,303.0	**1,981.1**	2,108.3
Offsetting	**(399.7)**	(711.7)	**(367.5)**	(574.7)
Total deferred tax liabilities after offsetting	**1,661.3**	1,591.3	**1,613.6**	1,533.6

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 maximum 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 maximum of 70% of statutory income for each year of assessment.

20. DEFERRED TAX (CONTINUED)

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.

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	
	2018 RM	**2017 RM**
Unutilised tax losses	**2,464.1**	1,964.5
Unabsorbed capital/other tax allowances	**2,283.8**	2,235.7
	4,747.9	4,200.2

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.

Under the Malaysian Finance Act 2018 which was gazetted on 27 December 2018, the Group's unutilised tax losses with no expiry period amounting to RM2,464.1 million as at 31 December 2018 will be imposed with a time limit of utilisation. Any accumulated unutilised tax losses brought forward from year of assessment 2018 can be carried forward for another 7 consecutive years of assessment (i.e. from year of assessment 2019 to 2025).

21. DEFERRED INCOME

	The Group		The Company	
	2018 RM	**2017 RM**	**2018 RM**	**2017 RM**
At 1 January	**1,796.5**	1,711.4	**1,782.9**	1,694.0
Additions	**44.8**	386.2	**44.6**	384.9
Credited to the Income Statement	**(370.4)**	(301.1)	**(368.2)**	(296.0)
At 31 December	**1,470.9**	1,796.5	**1,459.3**	1,782.9

Deferred income includes government funding for Universal Service Provision (USP), High Speed Broadband (HSBB), HSBB2, Sub-Urban Broadband (SUBB) and Broadband to the General Population (BBGP) projects respectively which are 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 (c)) RM	Land (sub-note (d)) RM	Buildings (sub-note (c)) RM	Capital Work-in-Progress RM	Total Property, Plant and Equipment RM
Net Book Value							
At 1 January 2018	**11,250.2**	**380.9**	**646.4**	**822.9**	**2,105.6**	**1,334.7**	**16,540.7**
Additions (sub-note (a))	**305.4**	**42.3**	**53.8**	**1.4**	**2.4**	**1,852.9**	**2,258.2**
Assetisation	**1,490.6**	**31.2**	**254.6**	**–**	**125.3**	**(1,901.7)**	**–**
Disposals	**(0.7)**	**(4.2)**	**(2.2)**	**–**	**(0.1)**	**(0.2)**	**(7.4)**
Charged to Income Statement	**–**	**–**	**–**	**–**	**–**	**(196.3)**	**(196.3)**
Write-off (note 6(a))	**(54.7)**	**(7.5)**	**(6.4)**	**–**	**(0.6)**	**(19.6)**	**(88.8)**
Depreciation (note 6(a))	**(1,709.9)**	**(130.4)**	**(262.6)**	**(1.1)**	**(157.2)**	**–**	**(2,261.2)**
Impairment (note 6(a) and sub-note (b))	**(973.2)**	**(8.1)**	**(1.2)**	**–**	**–**	**–**	**(982.5)**
Currency translation differences	**–**	**0.2**	**–**	**–**	**0.5**	**–**	**0.7**
Transfer to non-current assets held for sale (note 32)	**–**	**–**	**–**	**(0.1)**	**–**	**–**	**(0.1)**
Reclassification	**(1.2)**	**6.4**	**2.0**	**–**	**(7.2)**	**–**	**–**
At 31 December 2018	**10,306.5**	**310.8**	**684.4**	**823.1**	**2,068.7**	**1,069.8**	**15,263.3**
At 31 December 2018							
Cost	**45,928.9**	**2,640.6**	**5,173.4**	**843.0**	**4,602.7**	**1,069.8**	**60,258.4**
Accumulated depreciation	**(34,395.9)**	**(2,309.5)**	**(4,481.0)**	**(17.3)**	**(2,534.0)**	**–**	**(43,737.7)**
Accumulated impairment	**(1,226.5)**	**(20.3)**	**(8.0)**	**(2.6)**	**–**	**–**	**(1,257.4)**
Net Book Value	**10,306.5**	**310.8**	**684.4**	**823.1**	**2,068.7**	**1,069.8**	**15,263.3**
Net Book Value							
At 1 January 2017	9,943.6	388.9	643.5	826.5	1,900.5	2,307.6	16,010.6
Additions (sub-note (a))	159.2	101.8	92.3	–	14.9	2,778.2	3,146.4
Assetisation	2,990.6	65.0	218.4	–	329.3	(3,603.3)	–
Disposals	(10.6)	(2.9)	(0.1)	(2.6)	(0.1)	–	(16.3)
Charged to Income Statement	–	–	–	–	–	(145.6)	(145.6)
Write-off (note 6(a))	(55.7)	(0.7)	–	–	(4.2)	(1.6)	(62.2)
Depreciation (note 6(a))	(1,775.9)	(143.0)	(307.9)	(1.0)	(149.2)	–	(2,377.0)
Impairment (note 6(a) and sub-note (b))	–	(7.8)	–	–	–	(0.5)	(8.3)
Currency translation differences	(0.5)	(2.5)	(0.1)	–	(3.7)	(0.1)	(6.9)
Reclassification	(0.5)	(17.9)	0.3	–	18.1	–	–
At 31 December 2017	11,250.2	380.9	646.4	822.9	2,105.6	1,334.7	16,540.7
At 31 December 2017							
Cost	45,963.5	2,723.1	5,179.5	842.7	4,631.6	1,335.2	60,675.6
Accumulated depreciation	(34,460.0)	(2,322.1)	(4,526.3)	(17.2)	(2,526.0)	–	(43,851.6)
Accumulated impairment	(253.3)	(20.1)	(6.8)	(2.6)	–	(0.5)	(283.3)
Net Book Value	11,250.2	380.9	646.4	822.9	2,105.6	1,334.7	16,540.7

22. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

The Company	Telecom-munications Network RM	Movable Plant and Equipment RM	Computer Support Systems (sub-note (c)) RM	Land (sub-note (d)) RM	Buildings (sub-note (c)) RM	Capital Work-in-Progress RM	Total Property, Plant and Equipment RM
Net Book Value							
At 1 January 2018	**10,335.1**	**325.2**	**465.7**	**344.0**	**1,570.8**	**1,340.2**	**14,381.0**
Additions (sub-note (a))	**270.8**	**24.4**	**11.9**	**1.4**	**0.5**	**1,545.8**	**1,854.8**
Assetisation	**1,316.0**	**19.8**	**186.9**	**–**	**121.7**	**(1,644.4)**	**–**
Disposals	**(0.2)**	**(3.4)**	**–**	**–**	**(0.1)**	**–**	**(3.7)**
Charged to Income Statement	**–**	**–**	**–**	**–**	**–**	**(191.9)**	**(191.9)**
Write-off (note 6(a))	**(66.5)**	**(2.3)**	**(0.1)**	**–**	**(0.6)**	**(13.9)**	**(83.4)**
Depreciation (note 6(a))	**(1,564.2)**	**(94.5)**	**(196.8)**	**(0.9)**	**(127.4)**	**–**	**(1,983.8)**
Impairment (note 6(a) and sub-note (b))	**(208.1)**	**–**	**(1.2)**	**–**	**–**	**–**	**(209.3)**
Transfer to non-current assets held for sale (note 32)	**–**	**–**	**–**	**(0.1)**	**–**	**–**	**(0.1)**
Reclassification	**(1.2)**	**6.4**	**2.0**	**–**	**(7.2)**	**–**	**–**
At 31 December 2018	**10,081.7**	**275.6**	**468.4**	**344.4**	**1,557.7**	**1,035.8**	**13,763.6**
At 31 December 2018							
Cost	**40,404.6**	**1,814.6**	**4,242.9**	**362.3**	**3,835.6**	**1,035.8**	**51,695.8**
Accumulated depreciation	**(29,913.7)**	**(1,539.0)**	**(3,773.3)**	**(15.3)**	**(2,277.9)**	**–**	**(37,519.2)**
Accumulated impairment	**(409.2)**	**–**	**(1.2)**	**(2.6)**	**–**	**–**	**(413.0)**
Net Book Value	**10,081.7**	**275.6**	**468.4**	**344.4**	**1,557.7**	**1,035.8**	**13,763.6**
Net Book Value							
At 1 January 2017	9,111.3	325.7	485.1	347.5	1,354.5	2,321.0	13,945.1
Additions (sub-note (a))	221.3	74.4	8.3	–	7.3	2,370.8	2,682.1
Assetisation	2,623.0	49.7	224.7	–	308.2	(3,205.6)	–
Disposals	(10.5)	(2.5)	(0.1)	(2.6)	(0.1)	–	(15.8)
Charged to Income Statement	–	–	–	–	–	(143.4)	(143.4)
Write-off (note 6(a))	(55.6)	(0.7)	–	–	(4.2)	(2.6)	(63.1)
Depreciation (note 6(a))	(1,553.9)	(103.5)	(252.6)	(0.9)	(113.0)	–	(2,023.9)
Reclassification	(0.5)	(17.9)	0.3	–	18.1	–	–
At 31 December 2017	10,335.1	325.2	465.7	344.0	1,570.8	1,340.2	14,381.0
At 31 December 2017							
Cost	39,912.7	1,872.1	4,264.0	361.2	3,719.8	1,340.2	51,470.0
Accumulated depreciation	(29,376.3)	(1,546.9)	(3,798.3)	(14.6)	(2,149.0)	–	(36,885.1)
Accumulated impairment	(201.3)	–	–	(2.6)	–	–	(203.9)
Net Book Value	10,335.1	325.2	465.7	344.0	1,570.8	1,340.2	14,381.0

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22. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(a) Included in additions of the Group and the Company are borrowing costs of RM12.5 million (2017: RM34.6 million) and RM12.5 million (2017: RM30.5 million) respectively directly attributable to the construction of qualifying assets.

(b) Impairment loss

During the current financial year, the Group and Company recognised an impairment loss of RM982.5 million and RM209.3 million respectively on network assets following the continued pressure from challenging business, industry and economic conditions, combined with the impact from MSAP pricing.

For the purpose of annual review of impairment and recoverable value of network assets and property, plant and equipment at large, the lowest cash generating units (CGU) to which property, plant and equipment and network assets are associated to for these reviews would be the respective entities in whose books the assets are recorded in. This is in view of the fact that consistently across the Group, network assets are maintained and economically utilised and monitored as a single network in generating the portfolio of products offerred by each entity.

Copper network assets however can be separately identifiable from the Company's overall network assets. Similarly cash flows from these assets are also relatively identifiable in view of distinct products and cash flows that can be clearly attributed to the technology supported by the copper network assets. In view of this, the copper network assets were assessed as a separate CGU within the Company's larger network assets.

(i) The Company undertook an assessment on the recoverability of its property, plant and equipment triggered by the above mentioned pressures which adversely affected the revenue expected to be generated by certain products and services operating on its copper network assets. Whilst the copper network assets has a technologically longer useful life, the revenue generated from its economic use is expected to be affected by the market and industry developments that transpired during the current financial year ended. The number of years in which such products are expected to be in active service to customers are anticipated to be limited and reduced. Under such circumstances, the recoverable amount of the network assets impaired is determined based on its value-in-use for which the following key assumptions were applied:

- The value-in-use is calculated using 8-years discounted cash flows projection from 2019 to 2026;
- No terminal value is applied in view of the finite life of the assets under review and the 8 years cash flow horizon used in the review is reflective of the average expected economic useful life of the assets under review;
- The forecast over these periods reflect management's expectation of revenue, operating costs, subscriber base and other cash outflow and margins based on past records and current assessment of expectation of market and industry regulations; and
- The discount rate applied to calculate the value in use is 10.4%.

The market and industry changes had also affected recoverablity of network assets at other subsidiaries within the Group. Similar reviews of recoverable value based on value-in-use at affected subsidiaries had also resulted in recognition of impairment for network assets supporting the Group's wireless and wholesale business segments respectively.

(ii) The following are the asssumptions used in the review for the Group's wireless network asset for the current financal year ended, which was trigerred by the financial results of the entity to which the assets belong to.

- The value-in-use calculated for financial year ended 31 December 2018 was based on a 10-years discounted cash flow projection from 2019 to 2028 (2017: 2018 to 2027);
- No terminal value, is applied in view of the finite life of the assets under review and the 10 year cash flow horizon is reflective of the remaining useful life of the assets under review.
- The forecast over these periods reflect management's expectation of revenue growth, operating costs and other cash outflow and margins based on past records and current assessment of expectation of market and industry growth; and
- The discount rate used to calculate the value-in-use is 15.0% (2017: 15.0%).

22. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(b) Impairment loss (continued)

(iii) For network assets under the wholesale segment of the Group's Global cluster, impact from Mandatory Standard of Access Pricing has led to downward pressures on revenue for one of the subsidiaries of the Group. An impairment loss of RM66.5 million has been recognised based on an impairment review, performed over a 9 years revenue projection (2019 to 2027) which reflects the average remaining useful life of network asset and applying a 11.5% discount rate and wtihout imputing for terminal or residual value.

(iv) RM5.3 million impairment loss was provided for network assets directly attributable to customer contracts which were prematurely terminated. These are assets which cannot be re-purposed and have been fully impaired for which scrap value is not expected to be material.

(v) The RM8.3 million impairment loss in the previous financial year at the Group level were in relation to equipment and assets under construction of a subsidiary which were affected by technology obsolescence and hence was fully impaired.

(c) 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 RM38.1 million (2017: RM40.5 million) and RM47.5 million (2017: RM50.1 million) respectively, which are under finance lease arrangement.

(d) 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 2018	**726.2**	**67.8**	**28.9**	**822.9**
Addition	**1.4**	**–**	**–**	**1.4**
Depreciation	**–**	**(1.1)**	**–**	**(1.1)**
Transfer to non-current asset held for sale (note 32)	**–**	**(0.1)**	**–**	**(0.1)**
At 31 December 2018	**727.6**	**66.6**	**28.9**	**823.1**
At 31 December 2018				
Cost	**730.2**	**83.5**	**29.3**	**843.0**
Accumulated depreciation	**–**	**(16.9)**	**(0.4)**	**(17.3)**
Accumulated impairment	**(2.6)**	**–**	**–**	**(2.6)**
Net Book Value	**727.6**	**66.6**	**28.9**	**823.1**
Net Book Value				
At 1 January 2017	728.7	68.9	28.9	826.5
Disposals	(2.5)	(0.1)	–	(2.6)
Depreciation	–	(1.0)	–	(1.0)
At 31 December 2017	726.2	67.8	28.9	822.9
At 31 December 2017				
Cost	728.8	84.6	29.3	842.7
Accumulated depreciation	–	(16.8)	(0.4)	(17.2)
Accumulated impairment	(2.6)	–	–	(2.6)
Net Book Value	726.2	67.8	28.9	822.9

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22. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(d) 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 2018	**257.4**	**57.7**	**28.9**	**344.0**
Addition	**1.4**	**–**	**–**	**1.4**
Depreciation	**–**	**(0.9)**	**–**	**(0.9)**
Transfer to non-current asset held for sale (note 32)	**–**	**(0.1)**	**–**	**(0.1)**
At 31 December 2018	**258.8**	**56.7**	**28.9**	**344.4**
At 31 December 2018				
Cost	**261.4**	**71.6**	**29.3**	**362.3**
Accumulated depreciation	**–**	**(14.9)**	**(0.4)**	**(15.3)**
Accumulated impairment	**(2.6)**	**–**	**–**	**(2.6)**
Net Book Value	**258.8**	**56.7**	**28.9**	**344.4**
Net Book Value				
At 1 January 2017	259.9	58.7	28.9	347.5
Disposals	(2.5)	(0.1)	–	(2.6)
Depreciation	–	(0.9)	–	(0.9)
At 31 December 2017	257.4	57.7	28.9	344.0
At 31 December 2017				
Cost	260.0	71.9	29.3	361.2
Accumulated depreciation	–	(14.2)	(0.4)	(14.6)
Accumulated impairment	(2.6)	–	–	(2.6)
Net Book Value	257.4	57.7	28.9	344.0

(i) Leasehold land comprise the following:

	The Group		The Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Long term leasehold land	**45.5**	42.1	**44.4**	41.1
Short term leasehold land	**21.1**	25.7	**12.3**	16.6
Total	**66.6**	67.8	**56.7**	57.7

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 Company	
	2018 RM	**2017 RM**
Net Book Value		
At 1 January	**107.9**	110.1
Depreciation (note 6(a))	**(2.2)**	(2.2)
At 31 December	**105.7**	107.9
At 31 December		
Cost	**128.0**	128.0
Accumulated depreciation	**(22.3)**	(20.1)
Net Book Value	**105.7**	107.9

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 2018 was RM140.3 million (2017: RM135.0 million) based on a valuation performed by an independent professional valuer. The valuation was based on unobservable market data, classified at Level 3 of fair value hierarchy.

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24. INTANGIBLE ASSETS

The Group	Goodwill RM	Customer Base RM	Telecom-munication Spectrum** RM	Other Intangible Assets* RM	Total RM
Net Book Value					
At 1 January 2018	**361.7**	**–**	**168.2**	**8.7**	**538.6**
Additions	**–**	**–**	**–**	**27.7**	**27.7**
Amortisation (note 6(a))	**–**	**–**	**–**	**(20.2)**	**(20.2)**
Impairment (note 6(a))	**(52.1)**	**–**	**–**	**–**	**(52.1)**
Utilisation (sub-note (a))	**–**	**–**	**–**	**(4.0)**	**(4.0)**
At 31 December 2018	**309.6**	**–**	**168.2**	**12.2**	**490.0**
Net Book Value					
At 1 January 2017	**361.7**	**10.5**	**168.2**	**23.2**	**563.6**
Additions	**–**	**–**	**–**	**31.1**	**31.1**
Amortisation (note 6(a))	**–**	**(10.5)**	**–**	**(25.7)**	**(36.2)**
Utilisation (sub-note (a))	**–**	**–**	**–**	**(19.9)**	**(19.9)**
At 31 December 2017	**361.7**	**–**	**168.2**	**8.7**	**538.6**
At 31 December 2018					
Cost	**366.7**	**40.6**	**168.2**	**94.4**	**669.9**
Accumulated amortisation	**–**	**(40.6)**	**–**	**(82.2)**	**(122.8)**
Accumulated impairment	**(57.1)**	**–**	**–**	**–**	**(57.1)**
Net Book Value	**309.6**	**–**	**168.2**	**12.2**	**490.0**
At 31 December 2017					
Cost	366.7	40.6	168.2	94.4	669.9
Accumulated amortisation	–	(40.6)	–	(85.7)	(126.3)
Accumulated impairment	(5.0)	–	–	–	(5.0)
Net Book Value	361.7	–	168.2	8.7	538.6

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

** Allocated to Webe Digital Sdn Bhd.

(a) Included in other intangible assets are the fair value of irrevocable vouchers granted to a subsidiary by a major supplier, which has been fully utilised as at 31 December 2018 (31 December 2017: RM4.0 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 and indefinite life intangible assets

The Group undertakes an annual test for impairment of its cash-generating units to which goodwill is allocated. During the current financial year ended, the Group has recognised a full impairment of the goodwill recognised from the acquisition of Webe Digital Sdn Bhd (webe) which has been allocated to the webe group of entities (as disclosed in note 52 to the financial statements) based on its value-in-use which has been affected during the current financial year by a combination of factors, namely more competitive market dynamics and pricing against the operational costs necessary to sustain our growing wireless network footprint.

The Group has also undertaken a review in the current financial year ended to reallocate the goodwill from VADS Berhad (VADS) to the larger cash generating unit of TM ONE business cluster as disclosed in note 45 to the financial statements, which comprise of business units within Telekom Malaysia Berhad serving the Public Sector and Enterprise customer segment together with VADS and its subsidiaries as well as Vads Lyfe Sdn Bhd, among others. The reallocation of goodwill to the other business units and entities within TM ONE is reflective of the latest realignment during the financial year within TM ONE where the value creation activities originating from VADS benefits all entities within TM ONE. This includes VADS' offering of Information and Communications Technology (ICT) products and solutions development, dealership licences, customer base and contracts with customers. The impairment review for the current financial year ended was based on the value-in-use of the reallocated TM ONE goodwill and has indicated that there was no impairment.

The Group's total goodwill at the end of the respective financial years can be summarised to the following cash-generating units, being the lowest level of group of assets for which there are separately identifiable cash flows by which each goodwill is monitored respectively:

	2018 RM	**2017 RM**
Webe Digital Sdn Bhd (webe)	**–**	52.1
VADS Berhad (VADS)	**–**	308.4
Reallocated to:		
TM ONE Business Cluster	**308.4**	–
Others	**1.2**	1.2
	309.6	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 judgement.

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24. INTANGIBLE ASSETS (CONTINUED)

(b) Impairment test for goodwill and indefinite life intangible assets (continued)

The recoverable amount of the cash-generating unit including goodwill and telecommunication spectrum is determined based on value-in-use calculation.

The value-in-use calculation applies a discounted cash flow model using cash flows projection based on forecast and projection approved by management covering a five-year period for TM ONE. 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) wireless network through webe. 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 fifth year for TM ONE and tenth year for webe respectively are extrapolated using estimated terminal growth rates. The rates have been determined based on 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. Pre-tax discount rate is derived by removing tax cash flows from the post-tax value-in-use, and by iteration, identify the pre-tax discount rate that makes the present value of the adjusted cash flows equal to the value-in-use calculated using the post-tax cash flows.

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

	2018		2017	
	TM ONE	webe	VADS	webe
Pre-tax discount rate	**13.5%**	**16.1%**	11.1%	16.4%
Terminal growth rate	**-1.0%**	**0.5%**	1.5%	1.5%

The terminal growth rates applied in the current financial year ended are lower than those used in the previous year to reflect the increasing complexity in enterprise market solution and greater market competition.

(i) 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 assumptions would cause the carrying amount of the cash-generating unit of TM ONE to exceed its recoverable amount.

If a pre-tax discount rate change of 1.0% is applied to the cash flow forecast and projection of webe, it will result in a reduction of RM30.8 million in recoverable value assuming all other variables remain unchanged.

25. SUBSIDIARIES

	2018			2017		
The Company	Malaysia RM	Overseas RM	Total RM	Malaysia RM	Overseas RM	Total RM
Unquoted investments, at cost	**1,713.0**	**22.0**	**1,735.0**	1,713.0	22.0	1,735.0
Accumulated impairment	**(407.1)**	**(13.2)**	**(420.3)**	(4.5)	(13.2)	(17.7)
	1,305.9	**8.8**	**1,314.7**	1,708.5	8.8	1,717.3
Equity contributions						
– Options granted to employees of subsidiaries	**24.3**	**–**	**24.3**	24.3	–	24.3
– LTIP granted to employees of subsidiaries	**18.1**	**0.2**	**18.3**	8.9	–	8.9
Unquoted investments, at written down value (sub-note (a))	**–**	**–**	**–**	–	–	–
NET INVESTMENTS IN SUBSIDIARIES	**1,348.3**	**9.0**	**1,357.3**	1,741.7	8.8	1,750.5

25. SUBSIDIARIES (CONTINUED)

(a) Investments in certain subsidiaries have been written down to recoverable amount of RM1.00 each. The impairment loss recognised was based on the value-in-use approach using the following key assumptions:

(i) the value-in-use calculated for financial year ended 31 December 2018 was based on 5 and 10 years discounted cash flow projection of the subsidiaries. Where relevant, cash flows beyond the fifth or tenth year are extrapolated using nil estimated terminal growth rate. The rates have been determined based on projected growth rate at their respective cost of equity.

The Group's effective equity interest in the subsidiaries, their respective principal activities and countries of incorporation are listed in note 52 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.

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 Network (M) Sdn Bhd	
	2018 RM	2017 RM	2018 RM	2017 RM	2018 RM	2017 RM
Summarised Income Statement						
Revenue	**398.8**	320.8	**147.1**	179.3	**108.6**	126.9
(Loss)/Profit before income tax	**(1,434.0)**	(799.2)	**22.2**	53.8	**(74.1)**	3.6
Income tax	**–**	–	**(5.8)**	(13.0)	**15.9**	(3.1)
(Loss)/Profit after tax and total comprehensive income	**(1,434.0)**	(799.2)	**16.4**	40.8	**(58.2)**	0.5
Total comprehensive (loss)/income attributed to non-controlling interests	**(388.6)**	(216.6)	**5.7**	18.8	**(28.6)**	0.2
Dividends paid to non-controlling interests	**–**	–	**9.2**	17.7	**–**	–
Summarised Statement of Financial Position						
Current assets	**155.1**	229.6	**119.2**	119.1	**63.4**	69.0
Current liabilities	**(1,383.9)**	(683.8)	**(95.1)**	(52.2)	**(85.5)**	(82.9)
Total net current (liabilities)/assets	**(1,228.8)**	(454.2)	**24.1**	66.9	**(22.1)**	(13.9)
Non-current assets	**66.5**	850.3	**192.8**	185.2	**95.7**	166.9
Non-current liabilities	**(1,373.5)**	(1,305.3)	**(25.4)**	(31.1)	**(3.4)**	(23.1)
Total net non-current (liabilities)/assets	**(1,307.0)**	(455.0)	**167.4**	154.1	**92.3**	143.8
Net (liabilities)/assets	**(2,535.8)**	(909.2)	**191.5**	221.0	**70.2**	129.9
Cumulative non-controlling interests	**(687.2)**	(246.4)	**88.1**	101.7	**34.4**	63.7

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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: (continued)

	Webe Digital Sdn Bhd		Fiberail Sdn Bhd		Fibrecomm Network (M) Sdn Bhd	
	2018 RM	**2017 RM**	**2018 RM**	**2017 RM**	**2018 RM**	**2017 RM**
Summarised Statement of Cash Flow						
Cash (used in)/generated from operations	**(194.5)**	(510.8)	**76.6**	48.7	**48.5**	19.2
Interest paid	**(22.0)**	(2.7)	**–**	–	**(0.5)**	(0.5)
Income tax paid	**–**	–	**(13.7)**	(24.1)	**(5.9)**	(15.1)
Cash flows (used in)/from operating activities	**(216.5)**	(513.5)	**62.9**	24.6	**42.1**	3.6
Cash flows used in investing activities	**(227.4)**	(295.4)	**(19.4)**	(18.9)	**(23.4)**	(27.5)
Cash flows from/(used in) financing activities	**373.3**	565.4	**(20.0)**	(38.5)	**(2.0)**	(3.0)
Net (decrease)/increase in cash and cash equivalents	**(70.6)**	(243.5)	**23.5**	(32.8)	**16.7**	(26.9)
Effect of exchange rate changes	**–**	–	**–**	–	**0.1**	(0.3)
Cash and cash equivalents at beginning of the financial year	**106.0**	349.5	**17.5**	50.3	**4.9**	32.1
Cash and cash equivalents at end of the financial year	**35.4**	106.0	**41.0**	17.5	**21.7**	4.9

26. LOANS AND ADVANCES TO SUBSIDIARIES

Loans and advances to subsidiaries of RM0.2 million (2017: RM1,835.9 million) represent shareholder loans and advances for working capital purposes. These loans and advances are unsecured and bear interest ranging from 4.50% to 5.68% (2017: 3.45% to 4.71%) and will mature between 1 to 10 years. Movements in the balances during the year are disclosed in note 43(c).

An impairment of RM1,510.2 million (2017: RM1.0 million) was recognised during the year for loans to certain subsidiaries triggered by their financial performances respectively.

27. ASSOCIATE

The Group	2018 RM	2017 RM
Share of net assets of an associate		
Unquoted investments	**74.3**	62.8
TOTAL	**74.3**	62.8
The Group's share of revenue and profit of an associate is as follows:		
Revenue	**26.8**	35.6
Profit after tax and total comprehensive income	**21.0**	27.6
The Group's share of assets and liabilities of an associate is as follows:		
Non-current assets	**90.4**	76.4
Current assets	**(0.6)**	8.5
Current liabilities	**(15.5)**	(22.1)
Net assets	**74.3**	62.8

The Group's associate is not material to the financial position, financial performance and cash flows of the Group.

The Group's effective equity interest in the associate, which is unquoted, its principal activities and country of incorporation are listed in note 53 to the financial statements.

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

28(a) 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 31 December 2017	**70.6**	**159.2**	**364.7**	**594.5**
Reclassification from application of MFRS 9:				
– reclassify investments to FVTPL	**(70.6)**	**–**	**–**	**(70.6)**
– investment in non-trading equities to FVOCI	**–**	**(159.2)**	**–**	**(159.2)**
– listed and unlisted corporate bonds to FVOCI	**–**	**–**	**(358.8)**	**(358.8)**
– listed corporate bonds to FVTPL	**–**	**–**	**(5.9)**	**(5.9)**
At 1 January 2018	**–**	**–**	**–**	**–**
At 1 January 2017	56.4	140.1	518.0	714.5
Additions	14.2	–	236.1	250.3
Fair value changes transferred to other comprehensive income	5.4	19.1	2.9	27.4
Foreign exchange difference and prior year management fees	(5.4)	–	–	(5.4)
Disposals	–	–	(393.2)	(393.2)
Accretion of finance income (net)	–	–	0.9	0.9
At 31 December 2017	70.6	159.2	364.7	594.5
Current portion	–	–	364.7	364.7
Non-current portion	70.6	159.2	–	229.8
TOTAL AVAILABLE-FOR-SALE INVESTMENTS	70.6	159.2	364.7	594.5

The Company	Investment in Technology Investment Fund RM	Investment in Unquoted Equity Securities RM	Investment in Fixed Income Securities RM	Total RM
At 31 December 2017	**70.6**	**159.1**	**364.7**	**594.4**
Reclassification from application of MFRS 9:				
– reclassify investments to FVTPL	**(70.6)**	**–**	**–**	**(70.6)**
– investment in non-trading equities to FVOCI	**–**	**(159.1)**	**–**	**(159.1)**
– listed and unlisted corporate bonds to FVOCI	**–**	**–**	**(358.8)**	**(358.8)**
– listed corporate bonds to FVTPL	**–**	**–**	**(5.9)**	**(5.9)**
At 1 January 2018	**–**	**–**	**–**	**–**
At 1 January 2017	56.4	140.0	518.0	714.4
Additions	14.2	–	236.1	250.3
Fair value changes transferred to other comprehensive income	5.4	19.1	2.9	27.4
Foreign exchange difference and prior year management fees	(5.4)	–	–	(5.4)
Disposals	–	–	(393.2)	(393.2)
Accretion of finance income (net)	–	–	0.9	0.9
At 31 December 2017	70.6	159.1	364.7	594.4
Current portion	–	–	364.7	364.7
Non-current portion	70.6	159.1	–	229.7
TOTAL AVAILABLE-FOR-SALE INVESTMENTS	70.6	159.1	364.7	594.4

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28(a) AVAILABLE-FOR-SALE INVESTMENTS (CONTINUED)

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

The Group and Company	2017 RM
AAA	109.2
AA	217.2
A	15.4
BBB	4.5
Malaysian Government Securities	18.4
	364.7

28(b) EQUITY INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (FVOCI)

Equity investments at FVOCI comprise of individual equity investments.

	The Group		The Company	
	2018 RM	2017* RM	2018 RM	2017* RM
Reclassified from available-for-sale	**159.2**	–	**159.1**	–
At 1 January 2018	**159.2**	–	**159.1**	–
Fair value changes transferred to other comprehensive income	**(11.2)**	–	**(11.2)**	–
At 31 December 2018	**148.0**	–	**147.9**	–

* These investments were classified as available-for-sale in 2017, as disclosed in note 51B(b)(ii)

The equity investments are represented primarily by the Group's and Company's investments in Asean Cableship Pte Ltd and Labuan Reinsurance (L) Ltd. The dividends received by the Group and Company during the financial year amounted to RM11.7 million (FY2017: RM12.4 million).

The Group and the Company have irrevocably elected non-trading equity investments above at initial recognition to present its fair value changes in OCI. The Group and the Company consider this classification to be more relevant as these instruments are strategic investments of the Group and the Company and not held for trading purpose.

The Group elected to present in OCI changes in the fair value of all its equity investments previously classified as available-for-sale, because these investments are held as long-term strategic investments that are not expected to be sold in the short to medium term. As a result, assets with a fair value of RM159.2 million and RM159.1 million for Group and Company were reclassified from available-for-sale financial assets to financial assets at FVOCI and fair value gains of RM117.1 million were reclassified from the available-for-sale financial assets reserve to the FVOCI reserve on 1 January 2018.

28(c) INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS (FVTPL)

Investment in a Technology Investment Fund (RM70.6 million as at 1 January 2018) and certain investments in a rated Corporate Social Responsibility (CSR) sukuk (RM5.9 million as at 1 January 2018) were reclassified from available-for-sale to financial assets at FVTPL. The investment do not meet the MFRS 9 criteria for classification at amortised cost, because their cash flows do not represent solely payments of principal and interest. Related fair value gains of RM0.1 million were transferred from the available-for-sale financial assets reserve to retained earnings on 1 January 2018.

	The Group and Company	
	2018 RM	**2017* RM**
Reclassified from available-for-sale	**76.5**	–
At 1 January 2018	**76.5**	–
Additional investment	**6.3**	–
Fair value changes creditted through profit or loss (net)	**2.0**	–
Management fees	**(3.7)**	–
Foreign exchange difference	**1.6**	–
At 31 December 2018	**82.7**	–
Current portion	**6.0**	–
Non-current portion	**76.7**	–
TOTAL INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS (FVTPL)	**82.7**	–

* These investments were classified as available-for-sale in 2017, as disclosed in note 51B(b)(i) and (v)

Related fair value gains of RM6.4 million were transferred from the available-for-sale financial assets reserves to retained earnings on 1 January 2018.

There were no disposal of the portfolio during the year. Additional investments were in relation to the Technology Investment Fund amounting to RM6.3 million.

28(d) INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (FVOCI)

Investments in listed and unlisted bonds were reclassified from available-for-sale to FVOCI, as the Group and Company's business model is achieved both by collecting contractual cash flows and selling of these assets. The contractual cash flows of these investments are solely principal and interest.

As a result, listed and unlisted bonds with a fair value of RM358.8 million were reclassified from available-for-sale financial assets to financial assets at FVOCI and fair value gains of RM1.3 million were reclassified from the available-for-sale financial assets reserve to the FVOCI reserve on 1 January 2018.

	The Group and Company	
	2018 RM	**2017* RM**
Reclassified from available-for-sale	**358.8**	–
At 1 January 2018	**358.8**	–
Additions	**103.1**	–
Fair value changes transferred to other comprehensive income	**(0.3)**	–
Disposals	**(313.0)**	–
Accretion of finance income (net)	**(0.7)**	–
At 31 December 2018	**147.9**	–

* These investments were classified as available-for-sale in 2017, as disclosed in note 51B(b)(iii)

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29(a) AVAILABLE-FOR-SALE RECEIVABLES

The Group and Company	2017 RM
At 1 January	23.6
Reclassified to receivables at FVOCI	–
At 1 January	23.6
Repayments (net of conversion)	(3.1)
Fair value changes transferred to other comprehensive income	#
At 31 December	20.5
Impairment at 1 January and 31 December	(18.8)
TOTAL AVAILABLE-FOR-SALE RECEIVABLES (net)	1.7

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.

During the previous financial year, 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.

Refer to note 51B(b)(iv) for summary of reclassifications of available-for-sale receivables as at 1 January 2018 on adoption of MFRS 9.

29(b) RECEIVABLES AT FVOCI

The Group and Company	2018 RM	2017* RM
Reclassified from:		
– Available-for-sale receivable	**1.7**	–
– Other non-current receivables	**218.7**	–
– Trade and other receivables	**10.6**	–
At 1 January	**231.0**	–
Fair value adjustment to opening balance	**(21.8)**	–
Additions (including interest)	**84.6**	–
Repayments (net of conversion)	**(20.0)**	–
Disposal	**(7.9)**	–
Amortisation of prepayment	**(15.2)**	–
Reversal of impairment	**0.4**	–
Fair value changes transferred to other comprehensive income	**1.4**	–
TOTAL RECEIVABLES AT FVOCI (net)	**252.5**	–
Current portion	**13.1**	–
Non-current portion	**239.4**	–
TOTAL RECEIVABLES AT FVOCI (net)	**252.5**	–

* These investments were classified as available-for-sale in 2017, as disclosed in note 51B(b)(iv)

29(b) RECEIVABLES AT FVOCI (CONTINUED)

Loans extended to employees arrangement for the disposal of the loans to a third party when certain pre-determined conditions are met. An amount of RM21.8 million had been recognised to Fair Value Reserve arising from recognition of the amortised cost receivables at fair value.

Refer to note 51(B)(b) for summary of reclassification of available-for-sale receivables as at 1 January 2018 on adoption of MFRS 9.

30. OTHER NON-CURRENT RECEIVABLES

	The Group		The Company	
	2018 RM	**2017 RM**	**2018 RM**	**2017 RM**
At 31 December 2017	**260.8**	–	**260.8**	–
Staff loans – reclassified to receivable at FVOCI	**(229.3)**	–	**(229.3)**	–
At 1 January 2018	**31.5**	–	**31.5**	–
Staff loans at amortised cost				
– under Islamic principles	**1.3**	260.0	**1.3**	260.0
– under conventional principles	**–**	0.2	**–**	0.2
Total staff loans (sub-note (i))	**32.8**	260.2	**32.8**	260.2
Other non-current receivables				
– other deposits (sub-note (ii))	**200.9**	177.5	**200.9**	177.5
– tax recoverable (sub-note (iii))	**113.8**	113.8	**113.8**	113.8
– Redeemable Exchangeable Medium Term Notes receivable (sub-note (iv))	**233.7**	233.7	**–**	–
– others (sub-note (v))	**112.6**	162.9	**–**	–
	693.8	948.1	**347.5**	551.5
Prepaid employee benefits	**51.0**	35.6	**51.0**	35.6
	744.8	983.7	**398.5**	587.1
Staff loans receivable within twelve months included under other receivables (note 34)	**(7.1)**	(17.1)	**(7.1)**	(17.1)
TOTAL OTHER NON-CURRENT RECEIVABLES	**737.7**	966.6	**391.4**	570.0

(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 – maximum tenure is up to employees retirement age (at 60 years of age)
- Vehicle loans – maximum of 9 years for new cars and 7 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

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30. OTHER NON-CURRENT RECEIVABLES (CONTINUED)

(i) During the current financial year, the Company disposed RM7.9 million (2017: RM18.0 million) of its employees housing loans for a total cash consideration of RM7.5 million (2017: RM17.1 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.

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			
	2018		2017	
	Carrying amount RM	Fair value RM	Carrying amount RM	Fair value RM
Staff loans at amortised cost/FVOCI	**0.1**	**0.1**	0.2	0.2
Other borrowings (note 17)	**(0.1)**	**(0.1)**	(0.2)	(0.2)
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 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 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. This instrument is carried at fair value through Profit or Loss under the Level 3 fair value hierarchy.

(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 another wholly-owned subsidiary.

31. INVENTORIES

	The Group		The Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Telecommunications equipment	**76.5**	74.7	**76.5**	74.7
Capacity held for resale	**9.3**	13.3	**9.3**	13.3
Work-in-progress	**–**	123.2	**–**	39.3
Land held for sale	**4.4**	4.4	**–**	–
Land held for property development	**35.5**	35.5	**–**	–
Others	**8.9**	7.4	**3.6**	5.9
TOTAL INVENTORIES	**134.6**	258.5	**89.4**	133.2

32. NON-CURRENT ASSETS HELD FOR SALE

The Group and Company	At 1 January RM	Carrying amount immediately before reclassification from property, plant and equipment (note 22) RM	Disposal RM	At 31 December RM
Carrying amount				
2018				
Land				
– Freehold	**13.4**	**–**	**–**	**13.4**
– Leasehold	**1.0**	**0.1**	**(0.1)**	**1.0**
Buildings	**4.5**	**–**	**–**	**4.5**
	18.9	**0.1**	**(0.1)**	**18.9**
2017				
Land				
– Freehold	13.5	–	(0.1)	13.4
– Leasehold	1.0	–	–	1.0
Buildings	4.5	–	–	4.5
	19.0	–	(0.1)	18.9

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33(a) CONTRACT COST ASSETS

	The Group		The Company	
	2018 RM	**2017 RM**	**2018 RM**	**2017 RM**
At 1 January	**116.1**	–	**132.6**	–
Additions	**226.5**	–	**171.5**	–
Amortised to the Income Statement	**(118.1)**	–	**(145.8)**	–
At 31 December	**224.5**	–	**158.3**	–

33(b) CUSTOMER ACQUISITION COSTS

	The Group		The Company	
	2018 RM	**2017 RM**	**2018 RM**	**2017 RM**
At 1 January	**–**	53.2	**–**	53.2
Additions	**–**	79.4	**–**	79.4
Amortised to the Income Statement	**–**	(75.6)	**–**	(75.6)
At 31 December	**–**	57.0	**–**	57.0

34. TRADE AND OTHER RECEIVABLES

	The Group		The Company	
	2018 RM	**2017 RM**	**2018 RM**	**2017 RM**
Receivables from external customers	**2,279.1**	2,520.6	**1,513.9**	1,806.1
Receivables from subsidiaries	**–**	–	**482.4**	116.6
Receivables from associate	**39.2**	73.3	**39.2**	73.3
	2,318.3	2,593.9	**2,035.5**	1,996.0
Impairment				
– external customers	**(1,074.5)**	(978.8)	**(690.6)**	(569.6)
– subsidiaries	**–**	–	**(68.8)**	–
	1,243.8	1,615.1	**1,276.1**	1,426.4
Accrued earnings	**–**	925.0	**–**	780.6
Total trade receivables (net)	**1,243.8**	2,540.1	**1,276.1**	2,207.0
Prepayments	**315.2**	266.8	**186.6**	152.0
Grant recoverable	**404.0**	–	**404.0**	–
Tax recoverable	**135.7**	122.2	**69.3**	76.0
Staff loans (note 30)	**7.1**	17.1	**7.1**	17.1
Goods and Services Tax (GST)	**30.1**	31.0	**50.1**	0.8
Other receivables from subsidiaries	**–**	–	**671.5**	401.9
Other receivables	**348.2**	781.4	**241.2**	617.8
Impairment of other receivables				
– external customers	**(78.9)**	(48.4)	**(69.2)**	(108.2)
– subsidiaries	**–**	–	**(475.0)**	–
Total other receivables (net)	**1,161.4**	1,170.1	**1,085.6**	1,157.4
TOTAL TRADE AND OTHER RECEIVABLES (net)	**2,405.2**	3,710.2	**2,361.7**	3,364.4

34. TRADE AND OTHER RECEIVABLES (CONTINUED)

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

		The Group 2017 RM	The Company 2017 RM
(a)	**Trade receivables**		
	At 1 January	1,157.6	746.3
	Impairment (net)	69.4	56.0
	Receivables written off as uncollectible	(247.8)	(232.7)
	Foreign exchange difference	(0.4)	–
	At 31 December	978.8	569.6
(b)	**Other receivables**		
	At 1 January	40.9	77.0
	Net impairment	7.7	31.3
	Receivables written off as uncollectible	(0.2)	(0.1)
	At 31 December	48.4	108.2

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.

Current year's Expected Credit Loss movement analysis is disclosed under note 4(a)(ii) to the financial statements.

In the previous financial year, 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:

	2018			2017		
	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	**1,480.3**	**(236.5)**	**1,243.8**	2,777.8	(237.7)	2,540.1
The Company	**1,512.6**	**(236.5)**	**1,276.1**	2,444.7	(237.7)	2,207.0

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.

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34. TRADE AND OTHER RECEIVABLES (CONTINUED)

Trade receivables of RM616.1 million (2017: RM761.5 million) and RM696.8 million (2017: RM748.7 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:

		Past due but not impaired			
The Group	**Not past due RM**	**1 to 3 months RM**	**4 to 6 months RM**	**> 6 months RM**	**Total RM**
2017					
Collectively assessed	332.9	2.6	2.5	10.5	348.5
Individually assessed	520.7	284.3	146.0	315.6	1,266.6
	853.6	286.9	148.5	326.1	1,615.1

		Past due but not impaired			
The Company	**Not past due RM**	**1 to 3 months RM**	**4 to 6 months RM**	**> 6 months RM**	**Total RM**
2017					
Collectively assessed	232.6	–	–	–	232.6
Individually assessed	397.5	257.2	149.0	273.5	1,077.2
Amount due from subsidiaries	47.6	15.5	12.4	41.1	116.6
	677.7	272.7	161.4	314.6	1,426.4

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

	The Group 2017 RM	**The Company 2017 RM**
TM GLOBAL	200.9	172.8
unifi	247.4	232.6
TM ONE	256.7	224.7
Amount due from subsidiaries	–	47.6
Others*	148.6	–
	853.6	677.7

* Others mainly comprise student debtors and receivables from the Group share of joint land development

Current year movement and balance analysis is disclosed under note 4(a)(ii) to the financial statements.

34. TRADE AND OTHER RECEIVABLES (CONTINUED)

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 RM70.0 million (2017: RM16.6 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 (2017: 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.

35. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	The Group and Company	
	2018 RM	**2017 RM**
Equity securities quoted on the Bursa Malaysia Securities Berhad	**1.8**	4.0
TOTAL FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS	**1.8**	4.0

36. CASH AND BANK BALANCES

	The Group		The Company	
	2018 RM	**2017 RM**	**2018 RM**	**2017 RM**
Deposits with licensed banks	**1,265.2**	607.8	**1,242.7**	596.8
Deposits under Islamic principles	**899.3**	505.1	**849.9**	464.8
Total deposits	**2,164.5**	1,112.9	**2,092.6**	1,061.6
Cash and bank balances	**460.9**	556.1	**333.1**	232.5
Cash and bank balances under Islamic principles	**200.9**	50.8	**130.6**	28.4
TOTAL CASH AND BANK BALANCES	**2,826.3**	1,719.8	**2,556.3**	1,322.5
Less:				
Money held in trust (sub-note (a))/Deposits pledged	**(69.8)**	(0.8)	**(69.1)**	–
TOTAL CASH AND CASH EQUIVALENTS	**2,756.5**	1,719.0	**2,487.2**	1,322.5

(a) Money held in trust amounting to USD16.7 million (RM69.1 million) comprise of bank balances of a consortium of international telecommunication companies investing jointly in an international submarine cable. It is held in trust by the Company as its function as the appointed central billing party to the consortium.

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36. CASH AND BANK BALANCES (CONTINUED)

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	
	2018 RM	**2017 RM**	**2018 RM**	**2017 RM**
AAA	**828.5**	726.1	**715.1**	384.5
AA	**1,245.6**	775.5	**1,191.1**	723.0
A	**381.2**	204.5	**285.9**	201.4
NR (sub-note (b))	**371.0**	13.7	**364.2**	13.6
	2,826.3	1,719.8	**2,556.3**	1,322.5

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

Deposits have maturities ranging from overnight to 90 days (2017: 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 2018 was 3.89% (2017: 3.92%) and 3.91% (2017: 3.57%) for the Group and the Company respectively.

37. TRADE AND OTHER PAYABLES

	The Group		The Company	
	2018 RM	**2017 RM**	**2018 RM**	**2017 RM**
Trade payables and accruals	**2,494.6**	2,364.3	**1,694.2**	1,970.8
Payable for Universal Service Provision	**179.9**	351.8	**165.0**	326.6
Deferred revenue	**131.2**	122.5	**28.8**	15.6
Provision for Skim MESRA (sub-note (b))	**22.2**	31.2	**16.4**	24.8
Finance cost payable	**86.3**	74.3	**86.1**	74.3
Duties and other taxes payable	**38.7**	5.5	**36.9**	2.6
Deposits and trust monies	**84.6**	91.1	**56.5**	55.3
Payables to subsidiaries (sub-note (a))	**–**	–	**716.2**	683.3
Other payables and accruals	**594.3**	899.0	**552.1**	369.2
	3,631.8	3,939.7	**3,352.2**	3,522.5
Current portion	**3,610.3**	3,934.2	**3,348.3**	3,517.0
Non-current portion (sub-note (b))	**21.5**	5.5	**3.9**	5.5
TOTAL TRADE AND OTHER PAYABLES	**3,631.8**	3,939.7	**3,352.2**	3,522.5

(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.

37. TRADE AND OTHER PAYABLES (CONTINUED)

(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 the present value of pre-determined limited healthcare benefits expected over the subsequent 5 financial years or when the recipient reaches 60 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:

	2018			2017		
	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	**2,731.1**	**(236.5)**	**2,494.6**	2,602.0	(237.7)	2,364.3
The Company	**1,930.7**	**(236.5)**	**1,694.2**	2,208.5	(237.7)	1,970.8

Credit terms of trade and other payables excluding accruals vary from 30 to 90 days (2017: 30 to 90 days) depending on the terms of the contracts.

38. CUSTOMER DEPOSITS

	The Group		The Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Telephone services	**340.8**	395.0	**340.7**	394.9
Data services	**12.0**	3.0	**2.8**	1.7
TOTAL CUSTOMER DEPOSITS	**352.8**	398.0	**343.5**	396.6

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.

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39. CASH FLOWS FROM OPERATING ACTIVITIES

	The Group		The Company	
	2018 RM	**2017 RM**	**2018 RM**	**2017 RM**
Receipts from customers	**11,269.9**	11,157.3	**9,803.7**	10,006.6
Payments to suppliers and employees	**(8,060.3)**	(8,146.1)	**(6,655.6)**	(6,591.5)
Payments of finance cost	**(430.3)**	(350.2)	**(370.8)**	(342.9)
Payments of income taxes and zakat (net)	**(194.2)**	(243.4)	**(119.5)**	(151.8)
TOTAL CASH FLOWS FROM OPERATING ACTIVITIES	**2,585.1**	2,417.6	**2,657.8**	2,920.4

40. CASH FLOWS USED IN INVESTING ACTIVITIES

	The Group		The Company	
	2018 RM	**2017 RM**	**2018 RM**	**2017 RM**
Contribution for purchase of property, plant and equipment	**541.4**	322.9	**541.4**	322.9
Disposal of property, plant and equipment	**22.4**	44.0	**21.7**	43.2
Purchase of property, plant and equipment	**(2,276.1)**	(3,318.7)	**(1,897.6)**	(2,868.1)
Winding up of a subsidiary	**–**	–	**–**	#
Disposal of current available-for-sale investments	**–**	393.2	**–**	393.2
Disposal of current investments at fair value to other comprehensive income	**298.1**	–	**298.1**	–
Purchase of current investments at fair value to other comprehensive income	**(103.1)**	–	**(103.1)**	–
Purchase of current available-for-sale investments	**–**	(236.1)	**–**	(236.1)
Purchase of non-current available-for-sale investments	**–**	(14.2)	**–**	(14.2)
Maturity of current investments at fair value to other comprehensive income	**14.9**	–	**14.9**	–
Purchase of investments at FVTPL	**(6.3)**	–	**(6.3)**	–
Disposal of non-current assets held for sale	**0.2**	–	**0.2**	–
Long term deposits	**(16.6)**	(16.6)	**(16.6)**	(16.6)
Repayments from subsidiaries – loans and advances	**–**	–	**4.5**	7.4
– other receivables	**–**	–	**490.6**	124.2
Advances to subsidiaries inclusive subscription of Convertible MTN	**–**	–	**(842.3)**	(651.1)
Repayments to subsidiaries for Inter-Company Fund Optimisation (ICFO)	**–**	–	**(2,872.7)**	(3,488.5)
Receipts from subsidiaries for ICFO	**–**	–	**2,840.7**	3,446.1
Repayments of loans by employees	**26.9**	14.5	**26.9**	14.5
Loans to employees	**(85.7)**	(98.0)	**(85.7)**	(98.0)
Disposal of housing loan	**7.5**	17.1	**7.5**	17.1
Interests received	**87.8**	95.8	**71.5**	89.5
Dividends received	**11.7**	12.9	**143.3**	91.2
TOTAL CASH FLOWS USED IN INVESTING ACTIVITIES	**(1,476.9)**	(2,783.2)	**(1,363.0)**	(2,823.3)

Amount less than RM0.1 million

41. CASH FLOWS USED IN FINANCING ACTIVITIES

	The Group		The Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Proceeds from borrowings	**2,707.1**	2,492.2	**2,426.0**	2,398.6
Repayments of borrowings (net)	**(2,301.5)**	(2,457.2)	**(2,101.2)**	(2,472.8)
Repayments of finance lease	**(23.8)**	(8.4)	**(11.6)**	(9.6)
Dividend paid to shareholders	**(454.7)**	(811.7)	**(454.7)**	(811.7)
Dividend paid to non-controlling interests	**(9.2)**	(17.7)	**–**	–
TOTAL CASH FLOWS USED IN FINANCING ACTIVITIES	**(82.1)**	(802.8)	**(141.5)**	(895.5)

Changes in liabilities arising from financing activities:

The Group	At 1 January 2018 RM	Cash Flow RM	Non-cash changes: Interest Accretion RM	Foreign Exchange Movement RM	New Leases RM	Fair Value Change RM	Others RM	At 31 December 2018 RM
Borrowings	**(8,150.2)**	**(381.8)**	**(4.5)**	**(48.4)**	**(16.8)**	**–**	**30.4**	**(8,571.3)**
Derivatives held to hedge	**265.0**	**–**	**–**	**–**	**–**	**(10.6)**	**–**	**254.4**
	(7,885.2)	**(381.8)**	**(4.5)**	**(48.4)**	**(16.8)**	**(10.6)**	**30.4**	**(8,316.9)**

The Company	At 1 January 2018 RM	Cash Flow RM	Non-cash changes: Interest Accretion RM	Foreign Exchange Movement RM	New Leases RM	Fair Value Change RM	Others RM	At 31 December 2018 RM
Borrowings	**(6,801.2)**	**(313.2)**	**(3.7)**	**(25.4)**	**(4.8)**	**–**	**–**	**(7,148.3)**
Payable to subsidiaries	**(1,109.0)**	**–**	**(0.8)**	**(23.5)**	**–**	**–**	**–**	**(1,133.3)**
Derivatives held to hedge	**265.0**	**–**	**–**	**–**	**–**	**(10.6)**	**–**	**254.4**
	(7,645.2)	**(313.2)**	**(4.5)**	**(48.9)**	**(4.8)**	**(10.6)**	**–**	**(8,027.2)**

The Group	At 1 January 2017 RM	Cash Flow RM	Non-cash changes: Interest Accretion RM	Foreign Exchange Movement RM	New Leases RM	Fair Value Change RM	Others RM	At 31 December 2017 RM
Borrowings	(8,363.3)	(35.8)	(6.5)	262.3	(6.9)	–	–	(8,150.2)
Derivatives held to hedge	369.0	9.2	–	5.9	–	(119.1)	–	265.0
	(7,994.3)	(26.6)	(6.5)	268.2	(6.9)	(119.1)	–	(7,885.2)

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41. CASH FLOWS USED IN FINANCING ACTIVITIES (CONTINUED)

Changes in liabilities arising from financing activities: (continued)

			Non-cash changes					
The Company	**At 1 January 2017 RM**	**Cash Flow RM**	**Interest Accretion RM**	**Foreign Exchange Movement RM**	**New Leases RM**	**Fair Value Change RM**	**Others RM**	**At 31 December 2017 RM**
Borrowings	(6,640.2)	(215.1)	(2.4)	131.5	(6.9)	–	(68.1)	(6,801.2)
Payable to subsidiaries	(1,528.7)	289.7	(0.6)	130.6	–	–	–	(1,109.0)
Derivatives held to hedge	369.0	9.2	–	5.9	–	(119.1)	–	265.0
	(7,799.9)	83.8	(3.0)	268.0	(6.9)	(119.1)	(68.1)	(7,645.2)

42. SIGNIFICANT NON-CASH TRANSACTIONS

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

	The Group		The Company	
	2018 RM	**2017 RM**	**2018 RM**	**2017 RM**
(a) Contra settlements with subsidiaries between trade and other receivables and trade and other payables	**–**	–	**1.4**	1.3
(b) Contra settlements with customers cum suppliers between trade receivables and trade payables	**381.7**	268.5	**381.7**	268.5

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 associate

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
Meganet Communications Sdn Bhd
Menara Kuala Lumpur Sdn Bhd
Webe Digital 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

	The Group		The Company	
	2018 RM	2017 RM	2018 RM	2017 RM
(i) Sales of goods and rendering of services to subsidiaries and associate:				
– telecommunications related services	**8.2**	9.0	**747.1**	743.7
– lease/rental and maintenance of buildings and vehicles	**–**	–	**39.6**	23.6
– other income*	**–**	–	**13.0**	12.8
(ii) Dividend and interest income from subsidiaries	**–**	–	**229.1**	148.4
(iii) Purchases of goods and services from subsidiaries and associate:				
– telecommunications related services	**78.0**	101.6	**1,094.0**	1,166.4
– lease/rental of buildings	**–**	–	**37.2**	5.8
– maintenance of vehicles and buildings	**–**	–	**42.0**	47.7
– other expenses	**–**	–	**214.0**	129.3
(iv) Finance cost paid/payable to subsidiaries				
– term loans	**–**	–	**36.9**	36.4
– Inter-Company Fund Optimisation	**–**	–	**15.4**	21.1

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

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43. SIGNIFICANT RELATED PARTY DISCLOSURES (CONTINUED)

(b) Year end balances arising from:

	The Group		The Company	
	2018 RM	**2017 RM**	**2018 RM**	**2017 RM**
(i) Sales/Purchases of goods/services				
– receivables from subsidiaries	**–**	–	**1,153.9**	518.5
– receivables from associate	**39.2**	73.3	**39.2**	73.3
– payables to subsidiaries	**–**	–	**358.0**	308.4
– payables to associate	**0.4**	75.7	**0.4**	75.7
(ii) Other payables				
– subsidiaries	**–**	–	**358.2**	374.9

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 3.39% to 3.90% (2017: 3.39% to 3.61%).

(c) Loans and advances to subsidiaries

	The Company	
	2018 RM	**2017 RM**
At 1 January	**1,835.9**	1,349.3
Impact of application of MFRS 9 – increase in provision for intercompany loans and advances to subsidiary	**(621.0)**	–
	1,214.9	1,349.3
Loans to subsidiaries	**300.0**	–
Advances inclusive of subscription of Convertible MTN	**–**	495.0
Repayments (note 40)	**(4.5)**	(7.4)
Impairment on loans and advances to subsidiaries	**(1,510.2)**	(1.0)
Interest charged (note 7)	**97.4**	70.1
Reclassified as other receivables	**(97.4)**	(70.1)
At 31 December (note 26)	**0.2**	1,835.9

(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.

43. SIGNIFICANT RELATED PARTY DISCLOSURES (CONTINUED)

(d) Key management personnel (continued)

	The Group		The Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Key management personnel compensation[@]				
– short term employee benefits				
– fees	**3.0**	2.6	**2.4**	2.1
– salaries, allowances and bonus	**8.6**	21.7	**8.6**	21.7
– contribution to Employees Provident Fund	**1.3**	2.9	**1.3**	2.9
– estimated money value of benefits	**1.1**	1.1	**1.1**	1.1

[@] 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 RM0.3 million (2017: RM0.1 million).

(e) Government-related entities

Khazanah Nasional Berhad (Khazanah) is a major shareholder with 26.21% (2017: 26.21%) 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.

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	
	2018 RM	2017 RM	2018 RM	2017 RM
The Group				
Sales and Receivables	**706.6**	648.6	**111.2**	107.7
The Company				
Sales and Receivables	**160.1**	77.5	**–**	7.9

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 RM306.5 million (2017: RM281.9 million) with corresponding receivables of RM2.2 million (2017: RM5.1 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.

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44. CAPITAL AND OTHER COMMITMENTS

	The Group		The Company	
	2018 RM	**2017 RM**	**2018 RM**	**2017 RM**
(a) Property, plant and equipment				
Commitments in respect of expenditure approved and contracted for	**3,323.2**	**2,941.2**	3,114.4	2,535.5

(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 claimed 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.

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.

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.

In conjunction with the arrangements, the Company has certain undertakings for the GoM which includes arrangements in relation to cost savings incurred to both projects.

44. CAPITAL AND OTHER COMMITMENTS (CONTINUED)

	The Company	
	2018 RM	2017 RM
(d) Donation to Yayasan Telekom Malaysia		
Amount approved and committed	**20.6**	17.6

	The Group		The Company	
	2018 RM	2017 RM	2018 RM	2017 RM
(e) Future minimum lease payments of non-cancellable operating lease commitments				
Not later than one year	**354.7**	317.2	**161.2**	159.4
Later than one year and not later than five years	**1,046.3**	975.7	**536.8**	614.3
Later than five years	**1,177.0**	1,197.1	**1,005.8**	1,058.6
	2,578.0	2,490.0	**1,703.8**	1,832.3

The above lease payments relate to the non-cancellable lease of office buildings including from Menara ABS Berhad and lands or sites leased from the Government or others, in relation to the Group and Company's telecommunication network and equipment.

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45. SEGMENT REPORTING

By Business Segments

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

- unifi 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.
- TM ONE 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.
- TM GLOBAL 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 investments and receivables at fair value through profit or loss and other comprehensive income, 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, tax 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)

	unifi RM	TM ONE RM	TM GLOBAL RM	Shared Services/ Others RM	Total RM
Financial year ended 31 December 2018					
Operating revenue					
Total operating revenue	**5,319.7**	**4,420.0**	**2,356.4**	**5,003.3**	**17,099.4**
Inter-segment[@]	**(33.8)**	**(323.4)**	**(411.0)**	**(4,511.9)**	**(5,280.1)**
External operating revenue	**5,285.9**	**4,096.6**	**1,945.4**	**491.4**	**11,819.3**
Results					
Segment (loss)/profits	**(618.3)**	**546.3**	**428.4**	**(21.5)**	**334.9**
Unallocated income/other gains					**326.1**
Unallocated costs					**(285.5)**
Operating profit before finance cost					**375.5**
Finance income					**102.3**
Finance cost					**(450.1)**
Foreign exchange loss on borrowings					**(31.3)**
Associate					
– share of results (net of tax)					**21.0**
Profit before tax and zakat					**17.4**
Tax and zakat					**(277.9)**
Loss for the financial year					**(260.5)**
At 31 December 2018					
Segment assets	**792.6**	**1,805.5**	**1,280.5**	**4,920.3**	**8,798.9**
Associate					**74.3**
Unallocated assets					**14,831.3**
Total assets					**23,704.5**
Segment liabilities	**1,031.7**	**884.7**	**1,874.6**	**2,480.3**	**6,271.3**
Borrowings					**8,571.3**
Unallocated liabilities					**1,846.4**
Total liabilities					**16,689.0**
Financial year ended 31 December 2018					
Other information					
Capital expenditure					
– additions during the financial year	**275.7**	**219.1**	**144.5**	**1,646.6**	**2,285.9**
Depreciation and amortisation	**164.7**	**227.3**	**63.7**	**1,825.6**	**2,281.3**
(Reversal)/Write-off of property, plant and equipment	**(0.7)**	**1.3**	**5.0**	**83.2**	**88.8**
Impairment of property, plant and equipment	**826.1**	**81.5**	**74.9**	**–**	**982.5**
Impairment of intangible assets	**52.1**	**–**	**–**	**–**	**52.1**
Significant non-cash expenses	**49.9**	**60.1**	**45.5**	**47.7**	**203.2**

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45. SEGMENT REPORTING (CONTINUED)

	unifi> RM	TM ONE RM	TM GLOBAL RM	Shared Services/ Others RM	Total RM
Financial year ended 31 December 2017					
Operating revenue					
Total operating revenue	5,414.1	4,653.9	2,316.5	5,037.8	17,422.3
Inter-segment@	(52.3)	(428.9)	(360.1)	(4,495.9)	(5,337.2)
External operating revenue	5,361.8	4,225.0	1,956.4	541.9	12,085.1
Results					
Segment profits	146.2	754.8	472.9	32.7	1,406.6
Unallocated income/other gains					31.6
Unallocated costs					(337.0)
Operating profit before finance cost					1,101.2
Finance income					131.8
Finance cost					(387.1)
Foreign exchange gain on borrowings					174.5
Associate					
– share of results (net of tax)					27.6
Profit before tax and zakat					1,048.0
Tax and zakat					(317.5)
Profit for the financial year					730.5
At 31 December 2017					
Segment assets	1,461.3	1,709.8	1,550.6	5,329.6	10,051.3
Associate					62.8
Unallocated assets					14,647.7
Total assets					24,761.8
Segment liabilities	1,225.3	840.2	1,347.7	3,413.6	6,826.8
Borrowings					8,150.2
Unallocated liabilities					2,018.0
Total liabilities					16,995.0
Financial year ended 31 December 2017					
Other information					
Capital expenditure					
– additions during the financial year	375.3	134.3	117.7	2,550.2	3,177.5
Depreciation and amortisation	225.0	233.1	69.1	1,886.0	2,413.2
(Reversal)/Write-off of property, plant and equipment	(0.1)	(0.4)	–	62.7	62.2
Impairment of property, plant and equipment	8.3	–	–	–	8.3
Significant non-cash expenses	38.3	26.1	20.8	51.3	136.5

@ 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.

> unifi segment for the current financial year as well as comparatives includes financial information of Webe Digital Sdn Bhd (webe) 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.

45. SEGMENT REPORTING (CONTINUED)

By Geographical Location

The Group operates in a few countries as disclosed in note 52 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	
	2018 RM	**2017 RM**	**2018 RM**	**2017 RM**
Malaysia	**10,624.0**	11,001.2	**2,211.9**	2,910.0
Other countries	**1,195.3**	1,083.9	**74.0**	267.5
	11,819.3	12,085.1	**2,285.9**	3,177.5

	Property, Plant and Equipment RM	Intangible Assets RM	Associate RM	Others RM	Total RM
2018					
Assets					
Malaysia	**14,265.7**	**490.0**	**–**	**7,710.5**	**22,466.2**
Other countries	**997.6**	**–**	**74.3**	**166.4**	**1,238.3**
	15,263.3	**490.0**	**74.3**	**7,876.9**	**23,704.5**
2017					
Assets					
Malaysia	15,533.2	538.6	–	7,418.0	23,489.8
Other countries	1,007.5	–	62.8	201.7	1,272.0
	16,540.7	538.6	62.8	7,619.7	24,761.8

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46. FINANCIAL INSTRUMENTS BY CATEGORY

The Group	At amortised cost RM	At fair value through other comprehensive income RM	At fair value through profit or loss RM	Derivatives at FVTPL accounted for under hedge accounting RM	Other financial liabilities at amortised cost RM	Total RM
2018						
Financial Assets						
Derivative financial instruments (note 19)	–	–	–	254.4	–	254.4
Equity investments at fair value through other comprehensive income (FVOCI) (note 28(b))	–	148.0	–	–	–	148.0
Investments at fair value through profit or loss (FVTPL) (note 28(c))	–	–	82.7	–	–	82.7
Investments at fair value through other comprehensive income (FVOCI) (note 28(d))	–	147.9	–	–	–	147.9
Staff loans and other non-current receivables (excluding tax recoverable and prepaid employee benefits) (note 30)	346.3	–	233.7	–	–	580.0
Trade and other receivables (excluding prepayments, GST and tax recoverable, grant recoverable and staff loans) (note 34)	1,513.1	–	–	–	–	1,513.1
Receivables at FVOCI (note 29(b))	–	252.5	–	–	–	252.5
Financial assets at fair value through profit or loss (note 35)	–	–	1.8	–	–	1.8
Cash and bank balances (note 36)	2,826.3	–	–	–	–	2,826.3
Total	4,685.7	548.4	318.2	254.4	–	5,806.7
Financial Liabilities						
Borrowings (excluding finance lease liabilities) (note 17)	–	–	–	–	8,521.3	8,521.3
Finance lease liabilities (note 17)	–	–	–	–	50.0	50.0
Trade and other payables (excluding statutory liabilities, provision for Skim MESRA and deferred revenue) (note 37)	–	–	–	–	3,259.8	3,259.8
Customer deposits (note 38)	–	–	–	–	352.8	352.8
Total	–	–	–	–	12,183.9	12,183.9

46. FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

The Group	Loan and receivables RM	At fair value through profit or loss RM	Derivatives at FVTPL accounted for under hedge accounting RM	Available-for-sale RM	Other financial liabilities at amortised cost RM	Total RM
2017						
Financial Assets						
Derivative financial instruments (note 19)	–	–	265.0	–	–	265.0
Available-for-sale investments (note 28)	–	–	–	594.5	–	594.5
Available-for-sale receivables (note 29)	–	–	–	1.7	–	1.7
Staff loans and other non-current receivables (excluding tax recoverable and prepaid employee benefits) (note 30)	834.3	–	–	–	–	834.3
Trade and other receivables (excluding prepayments, GST and tax recoverable and staff loans) (note 34)	3,273.1	–	–	–	–	3,273.1
Financial assets at fair value through profit or loss (note 35)	–	4.0	–	–	–	4.0
Cash and bank balances (note 36)	1,719.8	–	–	–	–	1,719.8
Total	5,827.2	4.0	265.0	596.2	–	6,692.4
Financial Liabilities						
Borrowings (excluding finance lease liabilities) (note 17)	–	–	–	–	8,088.9	8,088.9
Finance lease liabilities (note 17)	–	–	–	–	61.3	61.3
Derivative financial instruments (note 19)	–	287.7	–	–	–	287.7
Trade and other payables (excluding statutory liabilities and deferred revenue) (note 37)	–	–	–	–	3,459.9	3,459.9
Customer deposits (note 38)	–	–	–	–	398.0	398.0
Total	–	287.7	–	–	12,008.1	12,295.8

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46. FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

The Company	At amortised cost RM	At fair value through other comprehensive income RM	At fair value through profit or loss RM	Derivatives at FVTPL accounted for under hedge accounting RM	Other financial liabilities at amortised cost RM	Total RM
2018						
Financial Assets						
Derivative financial instruments (note 19)	–	–	–	254.4	–	254.4
Loans and advances to subsidiaries (note 26)	0.2	–	–	–	–	0.2
Equity investments at fair value through other comprehensive income (FVOCI) (note 28(b))	–	147.9	–	–	–	147.9
Investments at fair value through profit or loss (FVTPL) (note 28(c))	–	–	82.7	–	–	82.7
Investments at fair value through other comprehensive income (FVOCI) (note 28(d))	–	147.9	–	–	–	147.9
Staff loans and other non-current receivables (excluding tax recoverable and prepaid employee benefits) (note 30)	233.7	–	–	–	–	233.7
Trade and other receivables (excluding prepayments, GST and tax recoverable, grant recoverable and staff loans) (note 34)	1,644.6	–	–	–	–	1,644.6
Receivables at FVOCI (note 29(b))	–	252.5	–	–	–	252.5
Financial assets at fair value through profit or loss (note 35)	–	–	1.8	–	–	1.8
Cash and bank balances (note 36)	2,556.3	–	–	–	–	2,556.3
Total	4,434.8	548.3	84.5	254.4	–	5,322.0
Financial Liabilities						
Borrowings (excluding finance lease liabilities) (note 17)	–	–	–	–	7,111.3	7,111.3
Finance lease liabilities (note 17)	–	–	–	–	37.0	37.0
Payable to subsidiaries (note 18)	–	–	–	–	1,133.3	1,133.3
Trade and other payables (excluding statutory liabilities, provision for Skim MESRA and deferred revenue) (note 37)	–	–	–	–	3,105.1	3,105.1
Customer deposits (note 38)	–	–	–	–	343.5	343.5
Total	–	–	–	–	11,730.2	11,730.2

46. FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

The Company	Loan and receivables RM	At fair value through profit or loss RM	Derivatives at FVTPL accounted for under hedge accounting RM	Available-for-sale RM	Other financial liabilities at amortised cost RM	Total RM
2017						
Financial Assets						
Derivative financial instruments (note 19)	–	–	265.0	–	–	265.0
Loans and advances to subsidiaries (note 26)	1,835.9	–	–	–	–	1,835.9
Available-for-sale investments (note 28)	–	–	–	594.4	–	594.4
Available-for-sale receivables (note 29)	–	–	–	1.7	–	1.7
Staff loans and other non-current receivables (excluding tax recoverable and prepaid employee benefits) (note 30)	437.7	–	–	–	–	437.7
Trade and other receivables (excluding prepayments, GST and tax recoverable and staff loans) (note 34)	3,118.5	–	–	–	–	3,118.5
Financial assets at fair value through profit or loss (note 35)	–	4.0	–	–	–	4.0
Cash and bank balances (note 36)	1,322.5	–	–	–	–	1,322.5
Total	6,714.6	4.0	265.0	596.1	–	7,579.7
Financial Liabilities						
Borrowings (excluding finance lease liabilities) (note 17)	–	–	–	–	6,758.8	6,758.8
Finance lease liabilities (note 17)	–	–	–	–	42.4	42.4
Payable to subsidiaries (note 18)	–	–	–	–	1,109.0	1,109.0
Trade and other payables (excluding statutory liabilities and deferred revenue) (note 37)	–	–	–	–	3,177.7	3,177.7
Customer deposits (note 38)	–	–	–	–	396.6	396.6
Total	–	–	–	–	11,484.5	11,484.5

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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.

	2018				2017			
	Level 1 RM	Level 2 RM	Level 3 RM	Total RM	Level 1 RM	Level 2 RM	Level 3 RM	Total RM
The Group								
Assets								
Financial assets at fair value through profit or loss								
– quoted securities	**1.8**	**–**	**–**	**1.8**	4.0	–	–	4.0
Derivatives accounted for under hedge accounting	**–**	**254.4**	**–**	**254.4**	–	99.1	165.9	265.0
Available-for-sale financial assets								
– investments	**–**	**–**	**–**	**–**	–	447.9	146.6	594.5
– receivables	**–**	**–**	**–**	**–**	–	1.7	–	1.7
Investments at fair value through OCI	**–**	**147.9**	**–**	**147.9**	–	–	–	–
Investments at fair value through profit or loss	**–**	**–**	**82.7**	**82.7**	–	–	–	–
Equity investments at fair value throught OCI	**–**	**–**	**148.0**	**148.0**	–	–	–	–
Receivables at fair value through OCI	**–**	**–**	**252.5**	**252.5**	–	–	–	–
Total	**1.8**	**402.3**	**483.2**	**887.3**	4.0	548.7	312.5	865.2
Liabilities								
Put option liability over shares held by non-controlling interest	**–**	**–**	**–**	**–**	–	–	287.7	287.7
Total	**–**	**–**	**–**	**–**	–	–	287.7	287.7
The Company								
Assets								
Financial assets at fair value through profit or loss								
– quoted securities	**1.8**	**–**	**–**	**1.8**	4.0	–	–	4.0
Derivatives accounted for under hedge accounting	**–**	**254.4**	**–**	**254.4**	–	99.1	165.9	265.0
Available-for-sale financial assets								
– investments	**–**	**–**	**–**	**–**	–	447.8	146.6	594.4
– receivables	**–**	**–**	**–**	**–**	–	1.7	–	1.7
Investments at fair value through OCI	**–**	**147.9**	**–**	**147.9**	–	–	–	–
Investments at fair value through profit or loss	**–**	**–**	**82.7**	**82.7**	–	–	–	–
Equity investments at fair value throught OCI	**–**	**–**	**147.9**	**147.9**	–	–	–	–
Receivables at fair value through OCI	**–**	**–**	**252.5**	**252.5**	–	–	–	–
Total	**1.8**	**402.3**	**483.1**	**887.2**	4.0	548.6	312.5	865.1

47. FAIR VALUES (CONTINUED)

(a) Financial Instruments Carried at Fair Value (continued)

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.

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.

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47. FAIR VALUES (CONTINUED)

(a) Financial Instruments Carried at Fair Value (continued)

All of the resulting fair value estimates are included in Level 2 except for staff loans, an investment in non-traded equity security and a technology investment fund, and a put option liability over shares of a subsidiary held by non-controlling interest.

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	Staff Loans RM	Non-traded Equity Investments (sub-note (i)) RM	Cross Currency Interest Rate Swaps RM	Technology Investment Fund and Corporate Social Responsibility Sukuk (sub-note (ii)) RM
Assets				
2018				
As reported at 31 December	–	–	165.9	146.6
Reclassified from:				
– Available-for-sale receivable	1.7	–	–	–
– Other non-current receivables	218.7	–	–	–
– Trade and other receivables	10.6	–	–	–
Reclassification	–	76.0	–	(76.0)
As restated at 1 January	231.0	76.0	165.9	70.6
Transfer to Level 2	–	–	(165.9)	–
Transfer from Level 2	–	83.2	–	5.9
Addition during the year	84.6	–	–	6.3
Management fees	–	–	–	(3.7)
Repayments (net of conversion)	(20.0)	–	–	–
Disposal	(7.9)	–	–	–
Amortisation of prepayment	(15.2)	–	–	–
Reversal of impairment	0.4	–	–	–
Foreign exchange difference	–	–	–	1.6
Fair value changes transferred to other comprehensive income	(20.4)	(11.2)	–	–
Fair value changes to profit or loss	–	–	–	2.0
At 31 December	252.5	148.0	–	82.7

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	
2018	
At 1 January	**287.7**
Unwinding of discounts (note 9)	**23.3**
Reduction in liability (note 8)	**(311.0)**
At 31 December	**–**
2017	
At 1 January	301.9
Unwinding of discounts (note 9)	32.1
Fair value charges to profit and loss (note 8)	(46.3)
At 31 December	287.7

(i) 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.

(ii) During the previous financial year, certain investment in a technology investment fund was transferred from Level 2 to Level 3. During the current financial year, a CSR Sukuk was transferred from Level 2 to Level 3. This transfer was due to unobservable inputs, as they trade infrequently or not at all in view of the early stage of operations that the investee entities in the portfolio are at. When observable prices are not available, one or more valuation techniques are used namely market approach or income approach, adjusted as appropriate for liquidity, credit, market and/or other risk factors. Selection of the appropriate valuation techniques may be affected by the availibility of relevant inputs as well as the relative reliability of the inputs.

(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 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 and multiples where applied is to differ by 5.0% from managements estimates, the carrying amount of non-traded equity investments would be approximately RM5.2 million lower or RM5.1 million higher (2017: available-for-sale financial assets of RM5.2 million lower and RM5.4 million higher). The carrying amount of staff loans at Level 3 would approximately be RM12.6 million lower or higher if discount rate used in the valuation is to differ by 5.0% from management's estimates. The carrying amount of Technology Investment Fund and Corporate Social Responsibility Sukuk would be an estimated RM4.1 million lower or RM4.1 million higher if the discount rate used in the valuation were to differ by 5.0% from management's estimates.

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47. FAIR VALUES (CONTINUED)

(b) Financial Instruments Other Than Those Carried at Fair Value

Except for those as disclosed below, the carrying amounts of the financial assets and financial liabilities of the Group and the Company are reasonable approximation of fair values, either due to their short term nature or that they are floating rate instruments that are re-priced to market interest rate on or near the reporting date. The following instruments are at Level 3 in the fair value hierarchy, save for borrowings, which are at Level 2.

	The Group				The Company			
	2018		2017		2018		2017	
	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	**32.8**	**23.6**	260.2	235.1	**32.8**	**23.6**	260.2	235.1
Redeemable Exchangeable Medium Term Notes receivable	**–**	**–**	233.7	215.0	**–**	**–**	–	–
Other non-current receivables (excluding tax recoverable)	**313.5**	**305.8**	340.4	337.8	**200.9**	**193.2**	177.5	174.9
Liabilities								
Borrowings	**8,571.3**	**8,918.6**	8,150.2	8,584.8	**7,148.3**	**7,500.1**	6,801.2	7,218.8
Payable to subsidiaries	**–**	**–**	–	–	**1,133.3**	**1,124.0**	1,109.0	1,120.7

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 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.

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:

	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
The Group							
2018							
Borrowings	**(235.6)**	**(635.2)**	**(2,862.0)**	**(4,852.5)**	**(8,585.3)**	**14.0**	**(8,571.3)**
Trade and other payables (excluding statutory liabilities, provision for Skim MESRA and deferred revenue)	**(3,259.8)**	**–**	**–**	**–**	**(3,259.8)**	**–**	**(3,259.8)**
Customer deposits	**(352.8)**	**–**	**–**	**–**	**(352.8)**	**–**	**(352.8)**
Total	**(3,848.2)**	**(635.2)**	**(2,862.0)**	**(4,852.5)**	**(12,197.9)**	**14.0**	**(12,183.9)**
Interest	**(402.5)**	**(393.0)**	**(984.3)**	**(598.1)**	**(2,377.9)**		
2017							
Borrowings	(1,119.1)	(39.6)	(2,365.9)	(4,636.2)	(8,160.8)	10.6	(8,150.2)
Put option liability over shares held by non-controlling interest	–	–	(480.7)	–	(480.7)	193.0	(287.7)
Trade and other payables (excluding statutory liabilities and deferred revenue)	(3,459.9)	–	–	–	(3,459.9)	–	(3,459.9)
Customer deposits	(398.0)	–	–	–	(398.0)	–	(398.0)
Total	(4,977.0)	(39.6)	(2,846.6)	(4,636.2)	(12,499.4)	203.6	(12,295.8)
Interest	(380.6)	(377.7)	(956.7)	(595.7)	(2,310.7)		
The Company							
2018							
Borrowings	**(12.7)**	**(210.3)**	**(2,608.8)**	**(4,330.5)**	**(7,162.3)**	**14.0**	**(7,148.3)**
Payable to subsidiaries	**–**	**(412.8)**	**(206.5)**	**(514.0)**	**(1,133.3)**	**–**	**(1,133.3)**
Trade and other payables (excluding statutory liabilities, provision for Skim MESRA and deferred revenue)	**(3,105.1)**	**–**	**–**	**–**	**(3,105.1)**	**–**	**(3,105.1)**
Customer deposits	**(343.5)**	**–**	**–**	**–**	**(343.5)**	**–**	**(343.5)**
Total	**(3,461.3)**	**(623.1)**	**(2,815.3)**	**(4,844.5)**	**(11,744.2)**	**14.0**	**(11,730.2)**
Interest	**(387.6)**	**(386.6)**	**(978.4)**	**(592.2)**	**(2,344.8)**		
2017							
Borrowings	(987.9)	(9.7)	(1,892.5)	(3,918.9)	(6,809.0)	7.8	(6,801.2)
Payable to subsidiaries	–	–	(403.9)	(705.1)	(1,109.0)	–	(1,109.0)
Trade and other payables (excluding statutory liabilities and deferred revenue)	(3,177.7)	–	–	–	(3,177.7)	–	(3,177.7)
Customer deposits	(396.6)	–	–	–	(396.6)	–	(396.6)
Total	(4,562.2)	(9.7)	(2,296.4)	(4,624.0)	(11,492.3)	7.8	(11,484.5)
Interest	(325.4)	(323.0)	(803.8)	(433.1)	(1,885.3)		

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49. INTEREST RATE MATURITY ANALYSIS

The table below summarises the Group's and the Company's interest rate profile. 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. The Group's 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**
2018										
Financial assets										
Derivative financial instruments	–	–	99.2	–	–	7.0	148.2	254.4	–	254.4
Equity Investments at fair value through other comprehensive income (FVOCI)	–	–	–	–	–	–	–	–	148.0	148.0
Investments at fair value through profit and loss (FVTPL)										
– non-interest sensitive	–	–	–	–	–	–	–	–	76.7	76.7
– fixed interest rate	4.53%	6.0	–	–	–	–	–	6.0	–	6.0
Investments at fair value through other comprehensive income (FVOCI) (note 28(d))										
– fixed interest rate	4.53%	147.9	–	–	–	–	–	147.9	–	147.9
Receivable at FVOCI										
– conventional	4.73%	–	–	–	–	–	0.1	0.1	–	0.1
– balances under Islamic principles	6.37%	0.1	0.3	0.3	1.3	0.7	249.7	252.4	–	252.4
Staff loans and other non-current receivables (excluding tax recoverable and prepaid employee benefits)										
– non-interest sensitive	–	–	–	–	–	–	–	–	119.8	119.8
– fixed interest rate										
– conventional	5.81%	–	–	–	–	–	376.8	376.8	–	376.8
– balances under Islamic principles	5.64%	58.3	0.2	–	5.5	6.6	12.8	83.4	–	83.4
Trade and other receivables (excluding prepayments, GST and tax recoverable, grant recoverable and staff loans)	–	–	–	–	–	–	–	–	1,513.1	1,513.1
Financial assets at FVTPL	–	1.8	–	–	–	–	–	1.8	–	1.8
Cash and bank balances										
– non-interest sensitive	–	–	–	–	–	–	–	–	661.8	661.8
– fixed interest rate										
– conventional	2.63%	1,265.2	–	–	–	–	–	1,265.2	–	1,265.2
– balances under Islamic principles	2.92%	899.3	–	–	–	–	–	899.3	–	899.3
Total		2,378.6	99.7	0.3	6.8	14.3	787.6	3,287.3	2,519.4	5,806.7
Financial liabilities										
Borrowings										
– non-interest sensitive	–	–	–	–	–	–	–	–	2.6	2.6
– floating interest rate	3.73%	10.0	412.8	–	–	–	–	422.8	–	422.8
– fixed interest rate										
– conventional	7.10%	223.9	21.2	10.4	28.4	62.1	1,280.5	1,626.5	–	1,626.5
– balances under Islamic principles	4.34%	–	200.0	800.0	850.0	1,106.5	3,562.9	6,519.4	–	6,519.4
Trade and other payables (excluding statutory liabilities, provision for Skim MESRA and deferred revenue)										
– non-interest sensitive	–	–	–	–	–	–	–	–	3,259.8	3,259.8
Customer deposits	–	–	–	–	–	–	–	–	352.8	352.8
Total		233.9	634.0	810.4	878.4	1,168.6	4,843.4	8,568.7	3,615.2	12,183.9
Interest sensitivity gap		2,144.7	(534.3)	(810.1)	(871.6)	(1,154.3)	(4,055.8)			

49. INTEREST RATE MATURITY ANALYSIS (CONTINUED)

The Group	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
2017										
Financial assets										
Derivative financial instruments	–	265.0	–	–	–	–	–	265.0	–	265.0
Available-for-sale investments										
– non-interest sensitive	–	–	–	–	–	–	–	–	229.8	229.8
– fixed interest rate	4.45%	364.7	–	–	–	–	–	364.7	–	364.7
Available-for-sale receivables	7.93%	–	–	–	–	–	1.7	1.7	–	1.7
Staff loans and other non-current receivables (excluding tax recoverable and prepaid employee benefits)										
– non-interest sensitive	–	–	–	–	–	–	–	–	101.0	101.0
– fixed interest rate										
– conventional	5.51%	0.1	0.1	–	–	–	417.4	417.6	–	417.6
– balances under Islamic principles	4.64%	56.6	1.7	3.1	5.6	6.6	242.1	315.7	–	315.7
Trade and other receivables (excluding prepayments, GST and tax recoverable and staff loans)	–	–	–	–	–	–	–	–	3,273.1	3,273.1
Financial assets at FVTPL	–	–	–	–	–	–	–	–	4.0	4.0
Cash and bank balances										
– non-interest sensitive	–	–	–	–	–	–	–	–	606.9	606.9
– fixed interest rate										
– conventional	3.30%	607.8	–	–	–	–	–	607.8	–	607.8
– balances under Islamic principles	3.92%	505.1	–	–	–	–	–	505.1	–	505.1
Total		1,799.3	1.8	3.1	5.6	6.6	661.2	2,477.6	4,214.8	6,692.4
Financial liabilities										
Borrowings										
– non-interest sensitive	–	–	–	–	–	–	–	–	2.7	2.7
– floating interest rate	2.65%	12.0	–	403.8	–	–	–	415.8	–	415.8
– fixed interest rate										
– conventional	7.11%	182.0	30.9	26.9	18.3	65.5	1,277.9	1,601.5	–	1,601.5
– balances under Islamic principles	4.33%	925.0	–	200.0	800.0	850.0	3,355.2	6,130.2	–	6,130.2
Derivative financial instruments	–	–	–	–	–	287.7	–	287.7	–	287.7
Trade and other payables (excluding statutory liabilities and deferred revenue)										
– non-interest sensitive	–	–	–	–	–	–	–	–	3,459.9	3,459.9
Customer deposits	–	–	–	–	–	–	–	–	398.0	398.0
Total		1,119.0	30.9	630.7	818.3	1,203.2	4,633.1	8,435.2	3,860.6	12,295.8
Interest sensitivity gap		680.3	(29.1)	(627.6)	(812.7)	(1,196.6)	(3,971.9)			

* WARF – Weighted Average Rate of Finance as at 31 December

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49. INTEREST RATE 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:

	2018		2017	
The Group	**USD**	**RM**	**USD**	**RM**
Financial assets				
Available-for-sale investments	**–**	**–**	–	4.45%
Available-for-sale receivables	**–**	**–**	–	7.93%
Investments at fair value through profit and loss (FVTPL)	**–**	**4.53%**	–	–
Investments at fair value through other comprehensive income (FVOCI)	**–**	**4.53%**	–	–
Receivables at FVOCI – fixed interest rate	**–**	**6.37%**	–	–
Staff loans and other non-current receivables (excluding tax recoverable and prepaid employee benefits)	**–**	**6.14%**	–	5.13%
Cash and bank balances	**–**	**2.75%**	–	3.58%
Financial liabilities				
Borrowings	**5.86%**	**3.31%**	5.57%	4.35%

49. INTEREST RATE 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
2018										
Financial assets										
Derivative financial instruments	–	–	99.2	–	–	7.0	148.2	254.4	–	254.4
Loans and advances to subsidiaries (net)										
– floating interest rate	4.95%	0.2	–	–	–	–	–	0.2	–	0.2
Equity Investments at fair value through other comprehensive income (FVOCI)	–	–	–	–	–	–	–	–	147.9	147.9
Investments at fair value through profit and loss (FVTPL)										
– non-interest sensitive	–	–	–	–	–	–	–	–	76.7	76.7
– fixed interest rate	4.53%	6.0	–	–	–	–	–	6.0	–	6.0
Investments at fair value through other comprehensive income (FVOCI) (note 28(d))										
– fixed interest rate	4.53%	147.9	–	–	–	–	–	147.9	–	147.9
Receivable at FVOCI										
– conventional	4.73%	–	–	–	–	–	0.1	0.1	–	0.1
– balances under Islamic principles	6.37%	0.1	0.3	0.3	1.3	0.7	249.7	252.4	–	252.4
Staff loans and other non-current receivables (excluding tax recoverable and prepaid employee benefits)										
– non-interest sensitive	–	–	–	–	–	–	–	–	7.1	7.1
– fixed interest rate										
– conventional	3.52%	–	–	–	–	–	143.1	143.1	–	143.1
– balances under Islamic principles	5.64%	58.3	0.2	–	5.5	6.6	12.9	83.5	–	83.5
Trade and other receivables (excluding prepayments, GST and tax recoverable, grant recoverable and staff loans)	–	–	–	–	–	–	–	–	1,644.6	1,644.6
Financial assets at FVTPL	–	1.8	–	–	–	–	–	1.8	–	1.8
Cash and bank balances										
– non-interest sensitive	–	–	–	–	–	–	–	–	463.7	463.7
– fixed interest rate										
– conventional	2.62%	1,242.7	–	–	–	–	–	1,242.7	–	1,242.7
– balances under Islamic principles	2.92%	849.9	–	–	–	–	–	849.9	–	849.9
Total		2,306.9	99.7	0.3	6.8	14.3	554.0	2,982.0	2,340.0	5,322.0

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49. INTEREST RATE 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
Financial liabilities										
Borrowings										
– non-interest sensitive	–	–	–	–	–	–	–	–	2.6	2.6
– fixed interest rate										
– conventional	7.63%	11.0	9.1	7.3	25.7	21.1	1,272.5	1,346.7	–	1,346.7
– balances under Islamic principles	4.43%	–	200.0	800.0	850.0	900.0	3,049.0	5,799.0	–	5,799.0
Payable to subsidiaries										
– floating interest rate	3.72%	–	412.8	–	–	–	–	412.8	–	412.8
– balances under Islamic principles	3.62%	–	–	–	–	206.5	514.0	720.5	–	720.5
Trade and other payables (excluding statutory liabilities, provision for Skim MESRA and deferred revenue)										
– non-interest sensitive	–	–	–	–	–	–	–	–	2,746.9	2,746.9
– floating interest rate	3.82%	358.2	–	–	–	–	–	358.2	–	358.2
Customer deposits	–	–	–	–	–	–	–	–	343.5	343.5
Total		369.2	621.9	807.3	875.7	1,127.6	4,835.5	8,637.2	3,093.0	11,730.2
Interest sensitivity gap		1,937.7	(522.2)	(807.0)	(868.9)	(1,113.3)	(4,281.5)			

49. INTEREST RATE 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
2017										
Financial assets										
Derivative financial instruments	–	265.0	–	–	–	–	–	265.0	–	265.0
Loans and advances to subsidiaries (net)										
– floating interest rate	4.45%	1,835.9	–	–	–	–	–	1,835.9	–	1,835.9
Available-for-sale investments										
– non-interest sensitive	–	–	–	–	–	–	–	–	229.7	229.7
– fixed interest rate	4.45%	364.7	–	–	–	–	–	364.7	–	364.7
Available-for-sale receivables	7.93%	–	–	–	–	–	1.7	1.7	–	1.7
Staff loans and other non-current receivables (excluding tax recoverable and prepaid employee benefits)										
– fixed interest rate										
– conventional	3.53%	0.1	0.1	–	–	–	121.8	122.0	–	122.0
– balances under Islamic principles	4.64%	56.6	1.7	3.1	5.6	6.6	242.1	315.7	–	315.7
Trade and other receivables (excluding prepayments, GST and tax recoverable and staff loans)	–	–	–	–	–	–	–	–	3,118.5	3,118.5
Financial assets at FVTPL	–	–	–	–	–	–	–	–	4.0	4.0
Cash and bank balances										
– non-interest sensitive	–	–	–	–	–	–	–	–	260.9	260.9
– fixed interest rate										
– conventional	3.30%	596.8	–	–	–	–	–	596.8	–	596.8
– balances under Islamic principles	3.92%	464.8	–	–	–	–	–	464.8	–	464.8
Total		3,583.9	1.8	3.1	5.6	6.6	365.6	3,966.6	3,613.1	7,579.7
Financial liabilities										
Borrowings										
– non-interest sensitive	–	–	–	–	–	–	–	–	2.7	2.7
– fixed interest rate										
– conventional	7.52%	60.5	9.1	7.1	6.3	24.9	1,265.6	1,373.5	–	1,373.5
– balances under Islamic principles	4.46%	925.0	–	200.0	800.0	850.0	2,650.0	5,425.0	–	5,425.0
Payable to subsidiaries										
– floating interest rate	2.60%	–	–	403.8	–	–	–	403.8	–	403.8
– balances under Islamic principles	3.36%	–	–	–	–	–	705.2	705.2	–	705.2
Trade and other payables (excluding statutory liabilities and deferred revenue)										
– non-interest sensitive	–	–	–	–	–	–	–	–	2,802.8	2,802.8
– floating interest rate	3.67%	374.9	–	–	–	–	–	374.9	–	374.9
Customer deposits	–	–	–	–	–	–	–	–	396.6	396.6
Total		1,360.4	9.1	610.9	806.3	874.9	4,620.8	8,282.4	3,202.1	11,484.5
Interest sensitivity gap		2,223.5	(7.3)	(607.8)	(800.7)	(868.3)	(4,255.2)			

* WARF – Weighted Average Rate of Finance as at 31 December

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49. INTEREST RATE 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 Company	2018 USD	2018 RM	2017 USD	2017 RM
Financial assets				
Loans and advances to subsidiaries (net)	**–**	**4.96%**	3.46%	4.46%
Available-for-sale investments	**–**	**–**	–	4.45%
Available-for-sale receivables	**–**	**–**	–	7.93%
Equity Investments at fair value through other comprehensive income (FVOCI)	**–**	**4.53%**	–	–
Investments at fair value through profit and loss (FVTPL)	**–**	**4.53%**	–	–
Receivables at FVOCI	**–**	**6.37%**	–	–
Staff loans and other non-current receivables (excluding tax recoverable and prepaid employee benefits)	**–**	**4.34%**	–	4.33%
Cash and bank balances	**–**	**2.74%**	–	3.57%
Financial liabilities				
Borrowings	**7.88%**	**4.43%**	7.88%	4.46%
Payable to subsidiaries	**3.66%**	**–**	3.08%	–
Trade and other payables (excluding statutory liabilities and deferred revenue)	**–**	**3.82%**	–	3.67%

50. CONTINGENT LIABILITIES (UNSECURED)

The Directors are not aware of any 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 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. IMPACT FROM CHANGES IN ACCOUNTING POLICIES

The Group and Company's adoption of MFRS 9 and 15 from 1 January 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. Whilst the significant accounting policies arising from adoption of MFRS 9 and 15 have been disclosed under note 2, the following describes the significant impact of the adoption.

An overall view of the impact of the Group and Company's adoption of MFRS 9 and 15 to the Group and Company's retained earnings are as follow:

	Reported as at 31 December 2017 RM	MFRS 9 RM	MFRS 15 RM	Restated as at 1 January 2018 RM
The Group	4,257.9	(13.1)	74.1	4,318.9
The Company	4,478.6	(731.5)	96.9	3,844.0

A. MFRS 15

In accordance with the transition provisions in MFRS 15, the Group and Company have elected to apply the modified retrospective approach for the initial adoption of MFRS 15. In accordance with this transitional method, MFRS 15 is applied retrospectively only for those contracts which have not been fulfilled as of 1 January 2018. The resultant impact of application of MFRS 15 will be recognised in equity as of 1 January 2018, thus having no effect on the income statement. The prior year's amounts have not been restated.

As disclosed in note 2(i), the Group has adopted MFRS 15, which resulted in changes in accounting policies and adjustments to the financial position at 1 January 2018. The main changes are as follows:

(a) The impact to the Group and Company's retained earnings on 1 January is as follows:

	Note	The Group 2018 RM	The Company 2018 RM
Retained earnings – before MFRS 15 and MFRS 9 restatement		**4,257.9**	**4,478.6**
Recognition of contract assets from recognition of allocation of revenue to performance obligations fulfilled	(i)	121.5	127.1
Recognition of contract liability from tiered discounts and other related scenarios	(ii)	(84.4)	(81.9)
Capitalisation of commission and installation cost related to new customers net of amortisation over contract period	(iii)	59.1	75.6
Increase in deferred tax liabilities	(iv)	(22.1)	(23.9)
Adjustment to retained earnings from adoption of MFRS 15		74.1	96.9
Opening retained earnings 1 January – after MFRS 15 before MFRS 9		**4,332.0**	**4,575.5**

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51. IMPACT FROM CHANGES IN ACCOUNTING POLICIES (CONTINUED)

A. MFRS 15 (continued)

(a) The impact to the Group and Company's retained earnings on 1 January is as follows: (continued)

(i) Recognition of contract assets from recognition of allocation of revenue to performance obligations fulfilled

As explained in note 2(w), application of MFRS 15 affects the timing and measurement of revenue recognised for bundled contracts as defined in note 2(w)(i). For contracts with customers for internet and multimedia and voice services, as disclosed in note 2(w)(i)(a), certain customer premised equipment are provided to customers at the start of the contracts. In most instances, there are no separate charges billed to the customer for these equipment. A portion of the total consideration received in such bundled or multiple performance obligations for Internet and multimedia, voice and data services contracts will therefore be allocated and recognised earlier as these portion of the total contract revenue are attributable to the equipment delivered as a separate performance obligation at contract inception or at the beginning of the contract period or in other instances, content which is only provided during part of the contract period. This results in the recognition of a contract asset when the device or content is delivered before the payment on the revenue allocated to them is due. Consequently, this may reduce the monthly revenue recognition when compared to the fixed amount billed subsequently on a recurring basis for these services.

(ii) Recognition of contract liability from tiered discounts and other related scenarios

The application of MFRS 15 has the impact of reallocating total contract amount between the performance obligations within a given contract. Concurrently, reduction in retained earnings arises when revenue that has earlier been recognised is reallocated to a performance obligation upon application of MFRS 15 for which the performance obligation has not been fulfilled or delivered to the customers. A contract liability is recognised for in such instances. Further from sub note (i) above, contract liability is recognised for invoices issued or payment received on performance obligations ahead of the delivery or fulfilment of service to customers. Contracts for revenue from Other telecommunication related services contributed to the contract liability as disclosed in note 2(w)(i)(c).

As disclosed in note 2(w)(i)(b), certain wholesale services are contracted with retrospective volume discounts based on aggregated cumulative volume. Retained earnings is reduced upon application of MFRS 15 when revenue recognised previously from these contracts are now deferred as estimated volume discounts expected to be given in the later periods from the cumulative volume of sales from the contract is recognised and attributed to sale recorded at the earlier part of the contract. Accumulated experience and expected trends are used to estimate and provide for the discounts, using the expected value method. Revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur. A contract liability is recognised in the earlier part of a contract with volume discount features to reflect the expected volume discounts that would be given to customers in view of higher cumulative sales expected to be achieved at the later part of the contract period.

(iii) Capitalisation of commission and installation cost related to new customers net of amortisation over contract period

As disclosed in note 2(x)(i), sales commission and other third party acquisition costs resulting directly from securing contracts with customers will be capitalised as contract cost assets when they are incremental and expected to be recovered over the contract period when it exceeds 12 months. Under MFRS 15, costs are considered incremental if the costs would not have been incurred if the contracts with customers had not been obtained. These are then amortised on straight line basis over either the average customer retention period or the contract term, depending on the circumstances. The amount capitalised as at 1 January 2018 is net of any impairment recognised from termination of customers contracts prior to 1 January 2018.

(iv) Increase in deferred tax liabilities

The tax impact of the MFRS 15 adjustments to retained earnings on 1 January 2018 is recognised at the 24% effective tax rate in view of the timing difference impact for revenue deferred from contract liabilities and tax that would become payable in 2018 for contract assets which would have revenue recognised in the income statement ahead of actual invoicing.

51. IMPACT FROM CHANGES IN ACCOUNTING POLICIES (CONTINUED)

A. MFRS 15 (continued)

(b) The impact of MFRS 15 on the Group's financial position as at 1 January 2018 on the Statement of Financial Position is as below:

The Group	Note	MFRS 118 Carrying amount 31 December 2017 RM	Reclassification RM	Adjustments RM	MFRS 15 Carrying amount 1 January 2018 RM
Trade and other receivables	34	3,710.2	(532.8)	–	3,177.4
Contract assets	(a)(i)	–	532.8	121.5	654.3
Customer acquisition cost	33(b)	57.0	(57.0)	–	–
Contract cost assets	(a)(iii)	–	57.0	59.1	116.1
Deferred tax liabilities	(a)(iv)	(1,591.3)	–	(22.1)	(1,613.4)
Advance rental billings		(779.1)	779.1	–	–
Contract liabilities	(a)(ii)	–	(779.1)	(84.4)	(863.5)

The Company	Note	MFRS 118 Carrying amount 31 December 2017 RM	Reclassification RM	Adjustments RM	MFRS 15 Carrying amount 1 January 2018 RM
Trade and other receivables	34	3,364.4	(388.4)	–	2,976.0
Contract assets	(a)(i)	–	388.4	127.1	515.5
Customer acquisition cost	33(b)	57.0	(57.0)	–	–
Contract cost assets	(a)(iii)	–	57.0	75.6	132.6
Deferred tax liabilities	(a)(iv)	(1,591.3)	–	(23.9)	(1,615.2)
Advance rental billings		(798.7)	798.7	–	–
Contract liabilities	(a)(ii)	–	(798.7)	(81.9)	(880.6)

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51. IMPACT FROM CHANGES IN ACCOUNTING POLICIES (CONTINUED)

A. MFRS 15 (continued)

(c) MFRS 15 impact to the Group and Company's income statement for the year ended 31 December 2018 reporting is as follows:

The Group	Note	Financial year ended 31 December 2018		
		(Pre-MFRS 15) RM	MFRS 15 Impact RM	(Post-MFRS 15) RM
Operating revenue	(a)(i) & (ii)	11,761.4	57.9	11,819.3
Operating expenses	(a)(iii)	(11,827.5)	(59.1)	(11,886.6)
Other operating income (net)		131.9	–	131.9
Other gains (net)		310.9	–	310.9
Operating profit before finance cost		376.7	(1.2)	375.5
Net finance cost		(379.1)	–	(379.1)
Associates		21.0	–	21.0
Profit before tax and zakat		18.6	(1.2)	17.4
Tax and zakat	(a)(iv)	(278.2)	0.3	(277.9)
Loss for the financial year		**(259.6)**	**(0.9)**	**(260.5)**
Profit for the financial year attributable to equity holders of the Company		**154.1**	**(0.9)**	**153.2**
Earnings per share (sen)				
– Basic/Diluted		**4.1**	**#**	**4.1**

\# Amount less than RM0.1 million

The Company	Note	Financial year ended 31 December 2018		
		(Pre-MFRS 15) RM	MFRS 15 Impact RM	(Post-MFRS 15) RM
Operating revenue	(a)(i) & (ii)	10,489.3	35.6	10,524.9
Operating expenses	(a)(iii)	(11,618.4)	(56.1)	(11,674.5)
Other operating income (net)		429.9	–	429.9
Other losses (net)		(0.1)	–	(0.1)
Operating loss before finance cost		(699.3)	(20.5)	(719.8)
Net finance cost		(357.0)	–	(357.0)
Loss before tax and zakat		(1,056.3)	(20.5)	(1,076.8)
Tax and zakat	(a)(iv)	(213.1)	4.9	(208.2)
Loss for the financial year attributable to equity holders of the Company		**(1,269.4)**	**(15.6)**	**(1,285.0)**

Certain estimates were made in applying MFRS 15 for the Group and Company. These estimates were made, amongst others, on volume commitments, transaction prices and future discounts, which took into consideration the circumstances and information that were available at the reporting date. Accordingly, the Group and Company will continue to refine these estimates, where applicable.

51. IMPACT FROM CHANGES IN ACCOUNTING POLICIES (CONTINUED)

A. MFRS 15 (continued)

(d) MFRS 15 impact to the Group and Company's Statement of Financial Position as at 31 December 2018 reporting is as follows:

The Group	As at 31 December 2018		
	(Pre-MFRS 15) RM	MFRS 15 Impact and re-classification RM	(Post-MFRS 15) RM
Inventories	212.6	(78.0)	134.6
Trade and other receivables	2,976.5	(571.3)	2,405.2
Contract assets	–	624.5	624.5
Contract cost assets	–	224.5	224.5
Customer acquisition cost	31.5	(31.5)	–
Deferred tax liabilities	(1,639.5)	(21.8)	(1,661.3)
Contract liabilities	–	(907.9)	(907.9)
Advance rental billings	(834.7)	834.7	–

The Company	As at 31 December 2018		
	(Pre-MFRS 15) RM	MFRS 15 Impact RM	(Post-MFRS 15) RM
Inventories	115.4	(26.0)	89.4
Trade and other receivables	2,715.3	(353.6)	2,361.7
Contract assets	–	413.1	413.1
Contract cost assets	–	158.3	158.3
Customer acquisition cost	31.5	(31.5)	–
Deferred tax liabilities	(1,594.6)	(19.0)	(1,613.6)
Contract liabilities	–	(960.3)	(960.3)
Advance rental billings	(900.3)	900.3	–

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51. IMPACT FROM CHANGES IN ACCOUNTING POLICIES (CONTINUED)

B. MFRS 9

As disclosed in note 2(i), the Group and the Company have adopted MFRS 9, which resulted in changes in accounting policies and adjustments to the financial position. The main changes are outlined below.

(a) Impact of application of MFRS 9 to the retained earnings of the Group and Company as 1 January 2018 is as following:

	Note	The Group RM	The Company RM
Closing retained earnings 31 December 2017 – As reported		**4,257.9**	**4,478.6**
Reclassify investments from available-for-sale to FVTPL	(b)(i)	6.4	6.4
Increase in provision for trade receivables and contract assets	(d)(i)	(19.6)	(19.6)
Increase in provision for loans to and non-trade receivables from subsidiaries	(d)(iii)	–	(718.4)
Reclassify fair value of corporate bonds from available-for-sale to FVTPL	(b)(v)	0.1	0.1
Adjustment to retained earnings from adoption of MFRS 9 on 1 January 2018		(13.1)	(731.5)
Opening retained earnings 1 January 2018 – MFRS 9 (before restatement for MFRS 15)		**4,244.8**	**3,747.1**

(b) Reclassification & Measurement

On 1 January 2018 (the date of initial application of MFRS 9), the Group and Company's Management has assessed which business models apply to the financial assets held by the Group and Company and has classified its financial instruments into the appropriate MFRS 9 categories as follows:

The Group and Company	Note	FVTPL* RM	FVOCI RM	Available-for-sale RM	Amortised Cost (Staff Loan Receivables) RM
Financial assets – 1 January 2018					
Closing balance 31 December 2017 – MFRS 139		**–**	**–**	**596.2**	**260.2**
Reclassify investments from available-for-sale to FVTPL	(b)(i)	70.6	–	(70.6)	–
Reclassify investments in non-trading equities from available-for-sale to FVOCI	(b)(ii)	–	159.2	(159.2)	–
Reclassify listed and unlisted corporate bonds from available-for-sale to FVOCI	(b)(iii)	–	358.8	(358.8)	–
Reclassify housing loans to employees and education loans to FVOCI	(b)(iv)	–	231.0	(1.7)	(229.3)
Reclassify listed corporate bonds from available-for-sale to FVTPL	(b)(v)	5.9	–	(5.9)	–
Opening balance 1 January 2018 – MFRS 9		**76.5**	**749.0**	**–**	**30.9**

* Excluding derivative financial instruments

51. IMPACT FROM CHANGES IN ACCOUNTING POLICIES (CONTINUED)

B. MFRS 9 (continued)

(b) Reclassification & Measurement (continued)

The impact of these changes on the Group and Company's equity is as follows:

The Group	Note	Effect on AFS Reserves RM	Effect on FVOCI Reserves RM	Hedging Reserve RM	Cost of Hedging Reserve RM	Effect on Retained Earnings RM
Closing balance 31 December 2017 – MFRS 139		**127.2**	**–**	**85.7**	**–**	**4,257.9**
Reclassify investments from available-for-sale to FVTPL	(b)(i)	(6.4)	–	–	–	6.4
Reclassify investments in non-trading equities from available-for-sale to FVOCI	(b)(ii)	(117.1)	117.1	–	–	–
Reclassify listed and unlisted corporate bonds from available-for-sale to FVOCI	(b)(iii)	(1.3)	1.3	–	–	–
Reclassify loans to employees and others from amortised cost and available-for-sale to FVOCI	(b)(iv)	(2.3)	(21.8)	–	–	–
Reclassify listed corporate bonds from available-for-sale to FVTPL	(b)(v)	(0.1)	–	–	–	0.1
Reclassify cost of hedging to cost of hedging reserve	(c)(i)	–	–	(81.2)	81.2	–
Increase in provision for trade receivables and contract assets	(d)(i)	–	–	–	–	(19.6)
Total impact		**(127.2)**	**96.6**	**(81.2)**	**81.2**	**(13.1)**
Opening balance 1 January 2018 – before MFRS 9 adjustments		**–**	**96.6**	**4.5**	**81.2**	**4,244.8**

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51. IMPACT FROM CHANGES IN ACCOUNTING POLICIES (CONTINUED)

B. MFRS 9 (continued)

(b) Reclassification & Measurement (continued)

The impact of these changes on the Group and Company's equity is as follows: (continued)

The Company	Note	Effect on AFS Reserves RM	Effect on FVOCI Reserves RM	Hedging Reserve RM	Cost of Hedging Reserve RM	Effect on Retained Earnings RM
Closing balance 31 December 2017 – MFRS 139		**127.2**	**–**	**85.7**	**–**	**4,478.6**
Reclassify investments from available-for-sale to FVTPL	(b)(i)	(6.4)	–	–	–	6.4
Reclassify investments in non-trading equities from available-for-sale to FVOCI	(b)(ii)	(117.1)	117.1	–	–	–
Reclassify listed and unlisted corporate bonds from available-for-sale to FVOCI	(b)(iii)	(1.3)	1.3	–	–	–
Reclassify loans to employees and others from amortised cost and available-for-sale to FVOCI	(b)(iv)	(2.3)	(21.8)	–	–	–
Reclassify listed corporate bonds from available-for-sale to FVTPL	(b)(v)	(0.1)	–	–	–	0.1
Reclassify cost of hedging to cost of hedging reserve	(c)(i)	–	–	(81.2)	81.2	–
Increase in provision for trade receivables and contract assets	(d)(i)	–	–	–	–	(19.6)
Increase in provision for inter-company loans and advances to subsidiaries	(d)(ii)	–	–	–	–	(621.0)
Increase in provision for non-trade receivables to subsidiaries	(d)(ii)	–	–	–	–	(97.4)
Total impact		**(127.2)**	**96.6**	**(81.2)**	**81.2**	**(731.5)**
Opening balance 1 January 2018 – before MFRS 9 adjustments		**–**	**96.6**	**4.5**	**81.2**	**3,747.1**

51. IMPACT FROM CHANGES IN ACCOUNTING POLICIES (CONTINUED)

B. MFRS 9 (continued)

(b) Reclassification & Measurement (continued)

(i) Reclassification of investments from available-for-sale to FVTPL

Investment in a Technology Investment Fund were reclassified from available-for-sale to financial assets at FVTPL (RM70.6 million as at 1 January 2018). The investment does not meet the MFRS 9 criteria for classification at amortised cost, because their cash flows do not represent solely payments of principal and interest.

Related fair value gains of RM6.4 million were transferred from the available-for-sale financial assets reserves to retained earnings on 1 January 2018.

(ii) Reclassification of investments in non-trading equities from available-for-sale to FVOCI

The Group and Company elected to present in OCI changes in the fair value of all its equity investments previously classified as available-for-sale, because these investments are held as long-term strategic investments that are not expected to be sold in the short to medium term. As a result, assets with a fair value of RM159.2 million were reclassified from available-for-sale financial assets to financial assets at FVOCI and fair value gains of RM117.1 million were reclassified from the available-for-sale financial assets reserve to the FVOCI reserve on 1 January 2018.

(iii) Reclassification of investments in listed and unlisted corporate bonds from available-for-sale to FVOCI

Investments in listed and unlisted bonds were reclassified from available-for-sale to FVOCI, as the Group and Company's business model is achieved both by collecting contractual cash flows and selling of these assets. The contractual cash flows of these investments are solely principal and interest.

As a result, listed and unlisted bonds with a fair value of RM358.8 million were reclassified from available-for-sale financial assets to financial assets at FVOCI and fair value gains of RM1.3 million were reclassified from the available-for-sale financial assets reserve to the FVOCI reserve on 1 January 2018.

(iv) Reclassification of loans to employees and others from amortised cost and available-for-sale to FVOCI

Loans extended to employees are disposed to a third-party when certain pre-determined condition are met. In addition, education loans that are convertible to scholarship upon fulfilment of certain performance based criteria are also reclassified to FVOCI. As a result, the Solely Payment of Principal and Interest (SPPI) test of MFRS 9 is met and hence the reclassification to FVOCI. An amount of RM21.8 million had been recognised to Fair Value Reserve arising from recognition of the amortised cost receivables at fair value.

(v) Reclassification of investment in rated corporate bonds from available-for-sale to FVTPL

Certain investments in a rated Corporate Social Responsibility (CSR) sukuk were reclassified from available-for-sale to financial assets at FVTPL (RM5.9 million as at 1 January 2018). The investment does not meet the MFRS 9 criteria for classification at amortised cost, because their cash flows do not represent solely payments of principal and interest.

Related fair value gains of RM0.1 million were transferred from the available-for-sale financial assets reserve to retained earnings on 1 January 2018.

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51. IMPACT FROM CHANGES IN ACCOUNTING POLICIES (CONTINUED)

B. MFRS 9 (continued)

(c) Derivatives & Hedging Activities

(i) Reclassification of cost of hedging to cost of hedging reserve

The cross currency interest rate swaps (CCIRS) in place as at 31 December 2017 qualified as cash flow hedges under MFRS 9. The Group and Company's risk management strategies and hedge documentation are aligned with the requirements of MFRS 9 and these relationships are therefore treated as continuing hedges.

Since adoption of MFRS 9, gains or losses relating to the effective portion of the change in fair value of the CCIRS (excluding foreign currency basis spread) are recognised in other comprehensive income and accumulated in cash flow hedge reserve within equity. The change in the foreign currency basis spread of the derivative is recognised in other comprehensive income and accumulated in costs of hedging reserve within equity. This change has been applied retrospectively as permitted by MFRS 9.

The deferred hedging gains and losses and the deferred cost of hedging are reclassified to profit or loss in the same period that the hedged cash flows affect profit or loss.

(ii) Impact from the adoption of MFRS 9 on prior periods

As disclosed above, the adoption of MFRS 9 in 2018 resulted in reclassification and change in measurement of certain financial assets and financial liabilities. In accordance with the transitional provisions provided in MFRS 9, comparative information for 2017 was not restated and continued to be reported under the previous accounting policies governed under MFRS 139.

The measurement category and the carrying amount of financial assets and financial liabilities in accordance with MFRS 139 and MFRS 9 at 1 January 2018 are compared as follows:

The Group	Note	MFRS 139 Carrying amount 31 December 2017 RM	Reclassification RM	Remeasurement RM	MFRS 9 Carrying amount 1 January 2018 RM
Trade and Other Receivables	B(d)(i)	3,710.2	–	(19.6)	3,690.6

The Company	Note	MFRS 139 Carrying amount 31 December 2017 RM	Reclassification RM	Remeasurement RM	MFRS 9 Carrying amount 1 January 2018 RM
Trade and Other Receivables	B(d)(i) & (ii)	3,363.4	–	(117.0)	3,246.4
Loans and advances to Subsidiaries	B(d)(iii)	1,835.9	–	(621.0)	1,214.9

51. IMPACT FROM CHANGES IN ACCOUNTING POLICIES (CONTINUED)

B. MFRS 9 (continued)

(d) Impairment

Until 31 December 2017, the Group and the Company assessed the impairment of loan and receivables and AFS financial assets based on the incurred loss model. Note 2(i) set out the details of accounting policies for impairment of financial assets under MFRS 139.

From 1 January 2018, the Group and the Company applied the expected credit loss (ECL) model to determine impairment on investment in debt instruments that are measured at amortised cost and at FVOCI and financial guarantee contracts. The new accounting policies for impairment under MFRS 9 are set out in note 2(i).

(i) Trade receivables and contract assets that do not contain significant financing components

For all trade receivables and contract assets that do not contain significant financing components, the Group and the Company apply the MFRS 9 simplified approach which is to measure the loss allowance at an amount equal to lifetime ECL at initial recognition and throughout its life. This resulted in the recognition of additional loss allowances for trade receivables and contract assets on 1 January 2018.

(ii) Non-trade receivables and receivables from related companies

For receivables due from related companies within the Group, an ECL model is made applicable which involves a three-stage approach whereby financial assets move through the three stages as their credit quality changes. The stages dictate how an entity measures impairment losses and applies the effective interest rate method.

The following table reconciles the closing loss allowance on Trade Receivables measured in accordance with MFRS 139 incurred loss model as at 31 December 2017 along with the impact of the application of the simplified ECL on Contract asset balances recognised from the application of MFRS 15 to the opening loss allowance measured in accordance with the MFRS 9 ECL model at 1 January 2018:

The Group	**Trade receivables RM**
Loss Allowance	
As previously reported at 31 December 2017	978.8
Impacts of adoption of MFRS 9	19.6
As restated at 1 January 2018	998.4

The Company	**Trade receivables RM**
Loss Allowance	
As previously reported at 31 December 2017	569.6
Impacts of adoption of MFRS 9	19.6
As restated at 1 January 2018	589.2

Notes to the Financial Statements

For the financial year ended 31 December 2018

All amounts are in million unless otherwise stated

51. IMPACT FROM CHANGES IN ACCOUNTING POLICIES (CONTINUED)

B. MFRS 9 (continued)

(d) Impairment (continued)

(iii) Expected credit loss on Non-trade receivables and receivables from subsidiaries

For receivables due from related companies within the Group, an ECL model is made applicable which involves a three-stage approach whereby financial assets move through the three stages as their credit quality changes. The stages dictate how an entity measures impairment losses and applies the effective interest rate method.

The following table reconciles the closing loss allowance on Non-Trade Receivables and receivables due from related companies with the Group for the Company, measured in accordance with MFRS 139 incurred loss model as at 31 December to the opening loss allowance measured in accordance with the MFRS 9 ECL model at 1 January 2018:

The Group	Other receivables RM	Total RM
Loss Allowance		
As previously reported at 31 December 2017	48.4	48.4
Impacts of adoption of MFRS 9	–	–
As restated at 1 January 2018	48.4	48.4

The Company	Amount due from subsidiaries RM	Other receivables RM	Total RM
Loss Allowance			
As previously reported at 31 December 2017	11.0	108.2	119.2
Impacts of adoption of MFRS 9	621.0	97.4	718.4
As restated at 1 January 2018	632.0	205.6	837.6

52. LIST OF SUBSIDIARIES AS AT 31 DECEMBER 2018

The subsidiaries are as follows:

Name of Company	Group's Effective Interest 2018 %	Group's Effective Interest 2017 %	Paid-up Capital 2018 Million	Paid-up Capital 2017 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
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 DMCC*	**100**	–	**AED0.05**	–	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
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 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

Notes to the Financial Statements

For the financial year ended 31 December 2018

All amounts are in million unless otherwise stated

52. LIST OF SUBSIDIARIES AS AT 31 DECEMBER 2018 (CONTINUED)

The subsidiaries are as follows: (continued)

Name of Company	Group's Effective Interest 2018 %	Group's Effective Interest 2017 %	Paid-up Capital 2018 Million	Paid-up Capital 2017 Million	Principal Activities
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	**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
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**	51	**RM2.0**	RM2.0	Provision of innovative and best value smart products and services
Subsidiary held through Mobikom Sdn Bhd					
Webe Digital Sdn Bhd	**72.9**	72.9	**RM27.5**	RM27.5	Providing last mile broadband network infrastructure facilities and services
Subsidiaries held through Webe Digital Sdn Bhd					
P1.Com Sdn Bhd	**72.9**	72.9	**RM#**	RM#	A collector of telecommunications revenue for fellow group companies
Millercom Sdn Bhd (In Liquidation)	**72.9**	72.9	**RM0.3**	RM0.3	Dormant
RuumzNation Sdn Bhd	**72.9**	72.9	**RM0.1**	RM0.1	Dormant
Packet One (L) Ltd	**72.9**	72.9	**RM#**	RM#	Investment holding
Subsidiary held through TM Info-Media Sdn Bhd					
Cybermall Sdn Bhd	**100**	100	**RM2.7**	RM2.7	Ceased operations

52. LIST OF SUBSIDIARIES AS AT 31 DECEMBER 2018 (CONTINUED)

The subsidiaries are as follows: (continued)

Name of Company	Group's Effective Interest		Paid-up Capital		Principal Activities
	2018 %	2017 %	2018 Million	2017 Million	
Subsidiary held through TM Facilities Sdn Bhd					
TMF Autolease Sdn Bhd	**100**	100	**RM1.0**	RM1.0	Provision of fleet management services
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**	RM2.0	Managing and administering a private college known as Multimedia College
Subsidiary held through Unitele Multimedia Sdn Bhd					
MMU Creativista Sdn Bhd	**100**	100	**RM#**	RM#	Ceased operations
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
VADS Digital Sdn Bhd	**100**	100	**RM#**	RM#	Provision of ICT and value added and data services to end users
Subsidiary held through VADS Business Process Sdn Bhd					
PT VADS Indonesia (collectively with VADS Berhad)^*	**100**	100	**IDR 17,052.8**	IDR 17,052.8	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

Notes to the Financial Statements

For the financial year ended 31 December 2018

All amounts are in million unless otherwise stated

52. LIST OF SUBSIDIARIES AS AT 31 DECEMBER 2018 (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 DMCC	– United Arab Emirates
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
AED	United Arab Emirates Dirham
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.
** Audited by a firm other than a member firm of PricewaterhouseCoopers International Limited.
^ 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.

53. ASSOCIATE AS AT 31 DECEMBER 2018

	Group's Effective Interest		
Name of Company	2018 %	2017 %	Principal Activities
Associate held through Telekom Malaysia (S) Pte Ltd			
BlueTel Networks Pte Ltd	**29**	29	Provision of telecommunications and network solutions

BlueTel Networks Pte Ltd (BTN) is incorporated in Singapore and its financial year end is co-terminous financial year end with the Company.

54. CURRENCY

All amounts are expressed in Ringgit Malaysia (RM) unless otherwise stated.

55. APPROVAL OF FINANCIAL STATEMENTS

The financial statements have been approved for issuance in accordance with a resolution of the Board of Directors on 26 February 2019.

Statement by Directors

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

We, Rosli Man and Datuk Bazlan Osman, two of the Directors of Telekom Malaysia Berhad, state that, in the opinion of the Directors, the financial statements on pages 26 to 172 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 2018 and of the results and 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 2016 in Malaysia.

In accordance with a resolution of the Directors dated 26 February 2019.

ROSLI MAN Director	**DATUK BAZLAN OSMAN** Director

Kuala Lumpur

Statutory Declaration

Pursuant to Section 251(1)(b) of the Companies Act 2016

I, Nor Fadhilah Mohd Ali, the officer primarily responsible for the financial management of Telekom Malaysia Berhad, do solemnly and sincerely declare the financial statements set out on pages 26 to 172 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 26 February 2019.	)	**NOR FADHILAH MOHD ALI** MIA No. 42525

Before me:

PESURUHJAYA SUMPAH
W 465
KAPT (B) JASNI BIN
YUSOFF
1 JAN 2019 - 31 DIS 2021
MALAYSIA

Commissioner for Oaths
Kuala Lumpur

Lot 1.08, Tingkat 1,
Bangunan KWSP, Jln Raja Laut,
50350 Kuala Lumpur.
Tel: 019-6680745

Independent Auditors' Report

To the members of Telekom Malaysia Berhad (Incorporated in Malaysia) (Company No. 128740-P)

REPORT ON THE AUDIT OF THE 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 2018, and of their financial performance and their cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

What we have audited

We have audited the financial statements of the Group and of the Company, which comprise the statements of financial position as at 31 December 2018 of the Group and of the Company, and the income statements, 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 26 to 172.

Basis for opinion

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

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

Independence and other ethical responsibilities

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

Our audit approach

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

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

Key audit matters

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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Key audit matters (continued)

Key audit matters	How our audit addressed the key audit matters
1) Assessing the carrying value of goodwill allocated to Webe Digital Sdn Bhd ("webe") and VADS Berhad ("VADS") (Refer to note 24(b) to the consolidated financial statements)	
Financial reporting standards require goodwill to be annually assessed for impairment or as and when there are impairment indicators. In assessing goodwill, significant judgement is required to be exercised by management in identifying the cash generating units ("CGU") for which goodwill is allocated to as well as future market conditions affecting forecast cash flows such as growth rates, customer churn, average revenue per user, operating margins and discount rates. As at 1 January 2018, the carrying value of goodwill was RM361.7 million, reported under intangible assets in the consolidated statement of financial position. The goodwill attributable mainly to webe and VADS totalled RM52.1 million and RM308.4 million respectively. Management carried out impairment assessments using the value-in-use model based on the budgeted cash flows projections for the respective CGUs. Consequently, an impairment charge of RM52.1 million was made in the current financial year for the entire goodwill allocated to webe. The key assumptions used by management in the impairment assessments and the sensitivity of changes in these assumptions are disclosed in note 24(b)(i) to the consolidated financial statements.	In assessing the carrying value of goodwill, we evaluated the design effectiveness and tested the operating efficiency of management's control over the budgeting and forecasting process. We assessed the appropriateness of the CGU to which goodwill is allocated and the change in CGU for VADS to TM ONE in accordance with MFRS 136 – Impairment of Assets. We evaluated management's impairment assessments by: • testing the mathematical accuracy of the cash flow models and challenged the key assumptions based on the budget approved by the Board of Directors; • benchmarking management's expectations for key assumptions used in the budgeted cash flow projections such as long-term growth rates, operating margins, customer churn and market share to external and industry data; • back-testing actual historical cash flow results to previous forecasts to ascertain the robustness of management's forecasts; and • using our internal valuation specialists to independently assess the discount rates used by management to third party sources and market data. We reviewed the adequacy of the impairment charge recognised during the current financial year. We also considered the appropriateness of the disclosures included in note 24(b). As a result of our work, we considered the assumptions made to be reasonable and the disclosures appropriate.

Independent Auditors' Report

To the members of Telekom Malaysia Berhad (Incorporated in Malaysia) (Company No. 128740-P)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Key audit matters (continued)

Key audit matters	How our audit addressed the key audit matters
2) Assessing the carrying value of property, plant and equipment (Refer to note 22 to the consolidated financial statements)	
As at 31 December 2018, the carrying value of property, plant and equipment shown in the consolidated statement of financial position totalled RM15,263.3 million. In assessing the carrying value of property, plant and equipment, management exercises judgement in determining the value-in-use, useful economic lives, technological obsolescence and operating conditions. In the current financial year, certain fixed network assets were impacted by the implementation of Mandatory Standard Access Pricing ("MSAP") which reduced wholesale prices. Wireless network assets were also affected by challenging industry conditions and intense competition. Consequently, impairment indicators were identified. Management subsequently carried out impairment assessments to ascertain the recoverable amount of these network assets using the value-in-use model based on forecasted cash flows over the economic useful lives of these network assets. As a result of the above, impairment charges of RM982.5 million and RM209.3 million was recognised by the Group and Company, respectively, on certain fixed and wireless network assets.	We evaluated the design effectiveness and tested the operating efficiency of management's control around the property, plant and equipment cycle including the controls over the budgeting and forecasting process. We tested controls over the annual review of asset lives and considered management's views on network assets' useful economic lives by benchmarking to industry peers. In evaluating management's impairment assessments for certain network assets, the following audit procedures were performed: • reviewing the appropriateness of the value-in-use models used to ascertain recoverable amounts and testing mathematical accuracy of the models used; • agreed the key assumptions used in the value-in-use models to the budget approved by the Board of Directors; • back-testing actual historical cash flow results to previous forecasts to ascertain the robustness of management's forecasts; and • using our internal valuation specialists to independently assess the reasonableness of the discount rates used by management to external sources. We reviewed the adequacy of the impairment charges recognised during the current financial year. We also considered the appropriateness of the disclosures in the financial statements. As a result of our work, we considered the assumptions made to be reasonable and the disclosures appropriate.

Key audit matters (continued)

Key audit matters	How our audit addressed the key audit matters

3) Revenue recognition - accuracy of revenue recorded given the complexity of systems and the initial application of MFRS 15 - Revenue from Contracts with Customers ('MFRS 15') including revenue from significant contracts with public sector and enterprise customers

(Refer to note 5 to the consolidated financial statements and note 2(w) for the accounting policies for revenue recognition)

Revenue of RM11,819.3 million is recognised in the consolidated income statement. There is an inherent risk over the accuracy of revenue recognised given the complexity of different billing systems processing voluminous data which is impacted by product mix, prices and rates (including customer discounts and incentive arrangements).

As a result, the application of accounting standards is complex and involves, to a certain extent, a number of key judgements and estimates made by management.

Included in revenue are significant contracts with public sector and enterprise customers where installation works are performed and services are rendered over a period of time. We focused on these contracts as they involve significant estimates and critical judgements made by management over:

- contract costs incurred;
- contractual rights and obligations are properly recognised and measured; and
- recoverability of contract assets including service costs incurred to-date.

In addition, the application of the new standard on revenue recognition, MFRS 15 for the current financial year materially impacted the Group. The Group has elected to apply the modified retrospective method to recognise the cumulative effect of the transition directly to equity as at 1 January 2018 which resulted in retained earnings as at 1 January 2018 increasing by approximately RM74.1 million.

We evaluated and validated management's process and control over revenue cycle. Our audit approach on revenue cycle comprises test of controls and substantive audit procedures focusing on:

- testing the IT environment in which billing, rating and other relevant support systems reside, including the change control procedures in place around systems that bill material revenue streams;
- testing the end to end reconciliation for revenue and receivables cycle;
- agreeing billing systems to the general ledger, including validating material journals processed;
- testing on a sample basis, the accuracy of customer bill generation;
- testing on a sample basis, the credits and discounts applied to customer bills and cash receipts back to the customer invoice; and
- considered the application of the Group's accounting policies to revenue recognised and the accounting implications of new products to check that the Group accounting policies were appropriately applied for these products.

For significant contracts with public sector and enterprise customers, we stratified the population and selected samples, focusing those identified as higher risk because of the nature of the contract, its stage of completion as well as those which were material.

We assessed the appropriateness of the assumptions and estimates underpinning the accounting for these significant contracts as follows:

- evaluated the design effectiveness and tested the operating efficiency of controls over significant contracts;
- obtained and read selected contracts to ascertain that the contractual terms were properly applied;
- traced revenue transactions to supporting evidence, such as evidence of delivery and/or customer acceptance; and
- assessed the ageing profile and test checked against subsequent receipts as well as past historical payments trends.

With regard to the adoption of MFRS 15, we assessed the Group's process for estimating its impact. Our audit approach included:

- assessing the impact analysis and the accounting estimates and judgements made in respect of the Group's products;
- assessing the appropriateness of the methods used to determine the impact of the initial application of MFRS 15; and
- assessing the design of the systems and processes set up by management to account for transactions in accordance with the new standard and used in determining the impact of the initial application of MFRS 15.

No material exceptions were noted from the above work performed.

Independent Auditors' Report

To the members of Telekom Malaysia Berhad (Incorporated in Malaysia) (Company No. 128740-P)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Key audit matters (continued)

Key audit matters	How our audit addressed the key audit matters
4) Valuation of webe put option (Refer to note 19(e)(i) to the consolidated financial statements and note 2(q)(iii) for the accounting policies for financial liabilities)	
The acquisition of webe included a put option in relation to webe's shares held by Green Packet Berhad ("Green Packet"). This put option is a financial liability as the Group 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. As at 31 December 2018, the fair value of the put option has been written down. We focused on this area as the valuation of the option is subject to the use of significant estimates and assumptions in the projected future cash flows of webe.	In evaluating management's cash flows, the following audit procedures were performed: • we evaluated the design effectiveness and tested the operating efficiency of management's control over the budgeting and forecasting process; • reviewing the appropriateness of valuation model used to ascertain recoverable amount and testing mathematical accuracy of the model used; • agreed the key assumptions used in the valuation model to the budget approved by the Board of Directors; • assessing management's key assumptions used in the valuation model to past historical trends, industry data and comparable peers; • back-testing actual historical cash flow results to previous forecasts to ascertain the robustness of management's forecasts; and • using our internal valuation specialists to independently assess the reasonableness of the long-term growth rates and discount rates used by management to external sources. Based on the procedures performed, no material exception was noted.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Key audit matters (continued)

Key audit matters	How our audit addressed the key audit matters

5) Assessing the carrying value of equity investments in and amounts receivable from subsidiaries

(Refer to note 25 and note 26 to the financial statements of the Company)

As at 31 December 2018, the net carrying value of equity investments in subsidiaries and amounts receivable from subsidiaries reported in the Company's statement of financial position was RM1.4 billion and RM0.9 billion, respectively.

(a) Equity investments in subsidiaries

During the current financial year, the equity investments in certain subsidiaries were written down by RM0.4 billion as the recoverable amounts were lower than its carrying value.

We focused specifically on the carrying value of equity investments in subsidiaries as the recoverable amounts are subject to significant judgement and critical estimates made by management over the key assumptions used in the projected cash flows and the discount rates.

(b) Amounts receivable from subsidiaries

During the current financial year, the amounts receivable from subsidiaries were impaired by RM2.0 billion using the expected credit loss ("ECL") approach.

We focused specifically on the carrying value of amounts receivable from subsidiaries as there are significant judgements and critical estimates made by management in determining the ECL.

(a) Equity investments in subsidiaries

In assessing the recoverable amounts of equity investments in subsidiaries, we performed the following audit procedures:

- assessed the value-in-use based on the discounted cash flows used by management to determine the recoverable amounts;
- agreed the projected cash flows to the budgets approved by the respective subsidiaries' Board of Directors;
- discussed with management the key assumptions used in the valuation model and compared these to past financial performance and industry peers;
- back-testing actual historical cash flow results to previous forecasts to ascertain the robustness of management's forecasts; and
- using our internal valuation specialists to independently assess the reasonableness of the terminal growth rates and discount rates to comparable peers and industry benchmarks.

(b) Amounts receivable from subsidiaries

In assessing the ECL model on the amounts receivable from subsidiaries, we performed the following audit procedures:

- discussed with management to understand the underlying assumptions used in the general 3-stage impairment model under MFRS 9 when determining the ECL for amounts receivable from subsidiaries;
- reviewed the appropriateness of key assumptions used in the 3-stage impairment model and testing mathematical accuracy of the model used; and
- tested the accuracy of the ageing against supporting documents on a sample basis.

We evaluated the adequacy of the impairment charges that was recognised during the current financial year. We also considered the appropriateness of the disclosures included in notes to the financial statements of the Company.

Based on the procedures performed, no material exception was noted.

Independent Auditors' Report

To the members of Telekom Malaysia Berhad (Incorporated in Malaysia) (Company No. 128740-P)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Information other than the financial statements and auditors' report thereon

The directors of the Company are responsible for the other information. The other information comprises the Directors Report, which we obtained prior to the date of this auditors' report, and other sections of the 2018 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 2016 in Malaysia. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

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

Auditors' responsibilities for the audit of the financial statements

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

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

(a) Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

(b) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.

(c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Auditors' responsibilities for the audit of the 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 2016 in Malaysia, we report that the subsidiaries of which we have not acted as auditors, are disclosed in note 52 to the financial statements.

OTHER MATTERS

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

PRICEWATERHOUSECOOPERS PLT
LLP0014401-LCA & AF 1146
Chartered Accountants

TIANG WOON MENG
02927/05/2020J
Chartered Accountant

Kuala Lumpur
26 February 2019

Shareholding Statistics

as at 29 March 2019

ANALYSIS OF SHAREHOLDING

Issued Shares : 3,757,934,824

Class of Shares :
- 3,757,934,823 ordinary shares
- One (1) Special Rights Redeemable Preference Share (Special Share) held by the Special Shareholder, the Minister of Finance, a body corporate established under the Minister of Finance (Incorporation) Act 1957 (MOF Inc.).

Number of Shareholders : 37,637 shareholders

Voting Rights :
- One (1) vote for each ordinary share
- Special Share has no voting right other than those referred to in note 13(a) of the financial statements.

DISTRIBUTION OF ORDINARY SHARES

	Shareholders				Holding			
	Malaysian		Foreign		Malaysian		Foreign	
Size of Shareholdings	**No.**	**%**	**No.**	**%**	**No.**	**%**	**No.**	**%**
Less than 100	1,586	4.21	27	0.07	25,666	0.00	442	0.00
100 – 1,000	9,597	25.50	123	0.33	7,234,443	0.19	85,188	0.00
1,001 – 10,000	21,318	56.64	362	0.96	79,414,512	2.11	1,602,032	0.04
10,001 – 100,000	3,659	9.72	305	0.81	91,738,855	2.44	12,265,864	0.33
100,001 – 187,896,740(*)	354	0.94	302	0.80	1,113,798,857	29.64	403,590,556	10.74
187,896,741 and above (**)	3	0.01	0	0.00	2,048,178,408	54.50	0	0.00
Total	**36,517**	**97.03**	**1,119**	**2.97**	**3,340,390,741**	**88.89**	**417,544,082**	**11.11**

Notes:
**   Less than 5% of issued holdings*
***   5% and above of issued holdings*

CLASSIFICATION OF SHAREHOLDERS HOLDING ORDINARY SHARES

	No. of Shareholders		No. of Shares Held		% of Issued Shares	
Name of Company	**Malaysian**	**Foreign**	**Malaysian**	**Foreign**	**Malaysian**	**Foreign**
INDIVIDUAL						
a. Bumiputera	4,140	–	17,391,201	–	0.46	–
b. Chinese	24,573	–	141,046,145	–	3.75	–
c. Indian	1,210	–	5,236,670	–	0.14	–
d. Others	124	367	512,083	4,059,440	0.02	0.11
BODY CORPORATE						
a. Banks/Finance Companies	62	0	1,203,781,505	0	32.03	0.00
b. Investment Trusts/Foundation/Charities	5	0	463,823	0	0.01	0.00
c. Other Types of Companies	311	11	55,889,191	8,417,075	1.49	0.22
GOVERNMENT AGENCIES/INSTITUTION	11	0	994,849,711	0	26.47	0.00
NOMINEES	6,081	741	921,220,412	405,067,567	24.52	10.78
TOTAL	**36,517**	**1,119**	**3,340,390,741**	**417,544,082**	**88.89**	**11.11**

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	655,614,900	–	17.45	–
3	AmanahRaya Trustees Berhad – Amanah Saham Bumiputera	445,035,200	–	11.84	–
	Total	**2,085,475,813**	**–**	**55.50**	**–**

DIRECTORS' DIRECT AND DEEMED INTEREST IN THE COMPANY

as per Register of Directors' Shareholdings

Interest in Company	No. of Shares Held		%
	Direct	Deemed Interest	
Rosli Man	–	3,000*	–**
Balasingham A. Namasiwayam	16,013	–	–**
TOTAL	**16,013**	**3,000**	**0.00**

Note:

* *Deemed interest through son's holding, Mohd Azizi Rosli (an employee of TM)*

** *Less than 0.01%*

Share Option in the form of LTIP held by directors are denoted in the Directors' Report on page 24 of the Financial Statements.

AGCEO'S DIRECT AND DEEMED INTEREST IN THE COMPANY

Interest in Company	No. of Shares Held		Share option in the form of LTIP		%
	Direct	Deemed Interest	Direct	Deemed Interest*	
Shazril Imri Mokhtar	3,000	–	80,200^	1,300#	–**
			86,900^^	1,300##	–**
TOTAL	**3,000**	**–**	**167,100**	**2,600**	**0.00**

Notes:

^ *Performance Shares (PS) granted on 1 June 2017*

^^ *PS granted on 4 December 2017*

\# *Restricted Shares (RS) granted on 1 December 2016*

\## *RS granted on 1 June 2017*

* *Deemed interest through spouse's holding, Hasnita Hashim (an employee of TM)*

** *Less than 0.01%*

Shareholding Statistics
as at 29 March 2019

LONG TERM INCENTIVE PLAN (LTIP)

During the financial year 2018, LTIP is the only employee share issuance scheme of the Company since it was approved by the shareholders at the Extraordinary General Meeting held on 28 April 2016.

In the year under review, the shareholders at the 33rd AGM had approved the maximum allowable grants pursuant to the LTIP to the former EDs, namely Dato' Sri Mohammed Shazalli Ramly and Datuk Bazlan Osman of up to 6.0 million and 5.4 million ordinary shares in the Company (TM Shares) respectively. No grant was accorded to Dato' Sri Mohammed Shazalli Ramly prior to his resignation as MD/GCEO on 6 June 2018. The total grant to Datuk Bazlan since the commencement of the LTIP remains at 454,000 unit shares and no additional grant was issued to him during the financial year and prior to his resignation as ED on 28 February 2019.

The maximum allowable grant for Shazril Imri Mokhtar is 334,200 TM Shares which was approved prior to his appointment as AGCEO of the Company on 16 November 2018. Of the allowable maximum, 167,100 TM Shares had been granted in June and December 2017. No additional grant was accorded to him during the financial year.

Based on the above, the aggregate LTIP grants accorded to the former EDs and AGCEO since the commencement of the scheme was 621,100 TM Shares.

During the year, the aggregate maximum allocation applicable to the EDs, AGCEO and Senior Management identified in pages 110 to 116 inclusive in the Corporate Overview, was 3.6% of the total shares made available under the LTIP and the actual percentage granted to them was 0.39%.

Since the commencement of the scheme in 2016 and following the resignations of the former MD/GCEOs and Datuk Bazlan as ED on 28 February 2019, the aggregate maximum allocation applicable to the AGCEO and the Senior Management to-date was 0.54%, whereby the actual percentage granted to them was 0.27%. Since the commencement of the scheme and during the year under review, none of the granted TM Shares under LTIP has been vested. No TM Shares under the LTIP was also granted or vested to non-executive directors.

Further information on the LTIP is set out in note 14 on pages 85 to 89 of the Financial Statements.

LIST OF TOP 30 SHAREHOLDERS
as per the Register of Members and Record of Depositors

No.	Name of Shareholders	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	618,317,495	16.45
3	AmanahRaya Trustees Berhad – Amanah Saham Bumiputera	445,035,200	11.84
4	Kumpulan Wang Persaraan (Diperbadankan)	154,095,331	4.10
5	AmanahRaya Trustees Berhad – Amanah Saham Malaysia 2 - Wawasan	93,000,000	2.47
6	AmanahRaya Trustees Berhad – Amanah Saham Malaysia	83,148,800	2.21
7	AmanahRaya Trustees Berhad – Amanah Saham Malaysia 3	70,951,158	1.89
8	Valuecap Sdn Bhd	68,910,600	1.83
9	AmanahRaya Trustees Berhad – Amanah Saham Bumiputera 3 - Didik	45,921,812	1.22

No.	Name of Shareholders	No. of Ordinary Shares Held	% of Issued Shares
10	Urusharta Jamaah Sdn Bhd	40,470,000	1.08
11	AmanahRaya Trustees Berhad – Amanah Saham Bumiputera 2	38,000,000	1.01
12	AmanahRaya Trustees Berhad – Public Islamic Dividend Fund	35,788,639	0.95
13	Permodalan Nasional Berhad	33,661,400	0.90
14	Maybank Nominees (Tempatan) Sdn Bhd – Maybank Trustees Berhad for Public Ittikal Fund (N14011970240)	31,500,000	0.84
15	Cartaban Nominees (Asing) Sdn Bhd – Exempt AN for State Street Bank & Trust Company (WEST CLT OD67)	26,804,783	0.71
16	Citigroup Nominees (Tempatan) Sdn Bhd – Great Eastern Life Assurance (Malaysia) Berhad (Par 1)	24,444,167	0.65
17	AmanahRaya Trustees Berhad – Public Ittikal Sequel Fund	19,216,805	0.51
18	HSBC Nominees (Asing) Sdn Bhd – JPMCB NA for Vanguard Emerging Markets Stock Index Fund	18,336,278	0.49
19	HSBC Nominees (Asing) Sdn Bhd – JPMCB NA for Vanguard Total International Stock Index Fund	18,294,400	0.49
20	HSBC Nominees (Asing) Sdn Bhd – TNTC for Edgbaston Asian Equity Trust	18,216,900	0.48
21	Maybank Nominees (Tempatan) Sdn Bhd – Maybank Trustees Berhad for Public Regular Savings Fund (N14011940100)	16,995,816	0.45
22	AmanahRaya Trustees Berhad – Public Islamic Equity Fund	16,467,885	0.44
23	Maybank Nominees (Tempatan) Sdn Bhd – MTrustee Berhad for CIMB Islamic Dali Equity Growth Fund (UT-CIMB-DALI) (419455)	15,031,803	0.40
24	Citigroup Nominees (Tempatan) Sdn Bhd – Exempt AN for AIA Bhd.	14,474,910	0.39
25	Pertubuhan Keselamatan Sosial	13,900,045	0.37
26	Citigroup Nominees (Asing) Sdn Bhd – Exempt AN for Citibank New York (Norges Bank 14)	13,208,700	0.35
27	Citigroup Nominees (Tempatan) Sdn Bhd – Employees Provident Fund Board (Nomura)	12,175,905	0.32
28	AmanahRaya Trustees Berhad – Public Islamic Optimal Growth Fund	11,874,062	0.32
29	Cartaban Nominees (Tempatan) Sdn Bhd – PAMB for Prulink Equity Fund	11,762,337	0.31
30	DB (Malaysia) Nominee (Asing) Sdn Bhd – BNYM SA/NV for Blackrock Frontiers Investment Trust PLC	11,407,800	0.30
	TOTAL	**3,006,238,744**	**79.98**

Net Book Value of Land & Buildings

as at 31 December 2018

No.	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	26	1,582	6	155	1	114	–	–	261.6	1,136.1
	b. Labuan	–	–	6	511	–	–	–	–	0.2	4.0
	c. Putrajaya	–	–	–	–	1	20	–	–	0.8	4.6
2.	Selangor	10	9,943	21	1,335	2	144	70	6,078	503.1	372.6
3.	Perlis	–	–	3	35	–	–	9	678	0.2	2.2
4.	Perak	4	17	21	945	3	213	84	5,043	4.0	35.4
5.	Pulau Pinang	3	5,015	16	929	–	–	35	6,157	4.5	29.2
6.	Kedah	8	524	14	976	–	–	45	2,866	21.6	49.5
7.	Johor	5	146	29	1,455	9	285	92	6,375	6.1	60.0
8.	Melaka	2	3	23	2,049	–	–	21	3,597	15.6	138.2
9.	Negeri Sembilan	4	160	11	397	3	198	47	1,840	36.5	15.3
10.	Terengganu	–	–	16	809	–	–	41	5,648	0.5	27.2
11.	Kelantan	–	–	16	708	–	–	35	2,050	0.5	11.0
12.	Pahang	1	40	29	2,118	6	445	61	5,956	2.2	33.1
13.	Sabah	–	–	14	184	4	162	53	4,760	3.6	47.1
14.	Sarawak	4	46	29	941	10	400	91	8,804	16.4	55.8
15.	Hong Kong	–	–	–	–	–	–	–	–	–	51.9
	Total	**67**	**17,476**	**254**	**13,547**	**39**	**1,981**	**684**	**59,852**	**877.4**	**2,073.2**

* *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 2018

No.	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	4	–	–	3	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	2	–	1	3	–	1
7.	Johor	91	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	–	–	–	–	–	–	–	–	–

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