#EnablingDigitalMalaysia

Integrated Annual Report 2019

Financial Statements

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WHAT'S INSIDE

FINANCIAL CALENDAR

#2019

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 34th AGM Notice, Integrated Annual Report 2018 and Circular to Shareholders.

29 May 2019

34th AGM of the Company.

30 May 2019

Announcement of the unaudited consolidated results for the 1st quarter ended 31 March 2019.

28 August 2019

Announcement of the unaudited consolidated results for the 2nd quarter ended 30 June 2019.

26 November 2019

Announcement of the unaudited consolidated results for the 3rd quarter ended 30 September 2019.

#2020

21 February 2020

Announcement of the audited consolidated results and declaration of final interim single-tier dividend of 10.0 sen per share for the financial year ended 31 December 2019.

9 March 2020

Date of entitlement of the final interim single-tier dividend of 10.0 sen per share for the financial year ended 31 December 2019.

3 April 2020

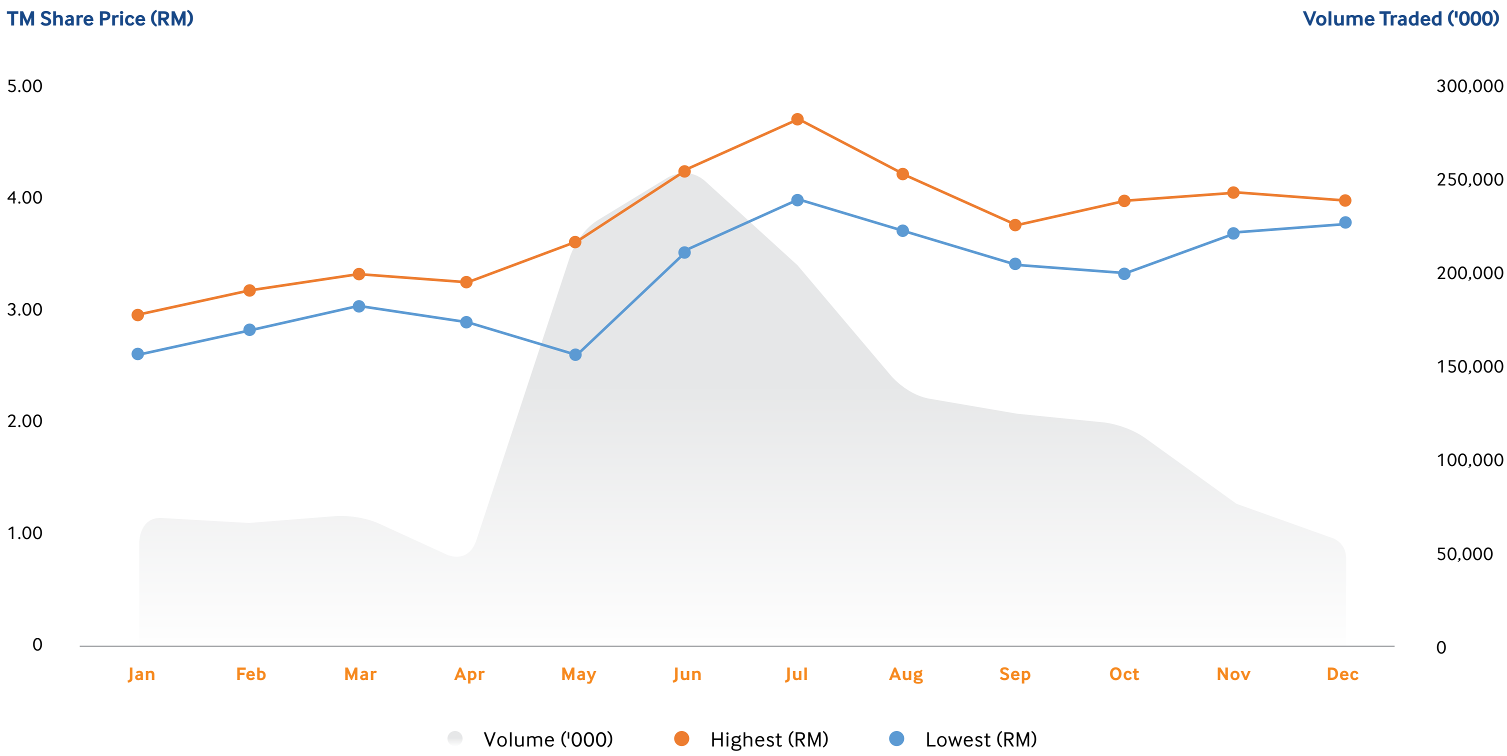
Date of payment of the final interim single-tier dividend of 10.0 sen per share for the financial year ended 31 December 2019.

30 April 2020

Issuance of digital Integrated Annual Report 2019.

SHARE PERFORMANCE

TM SHARE PRICE & VOLUME TRADED

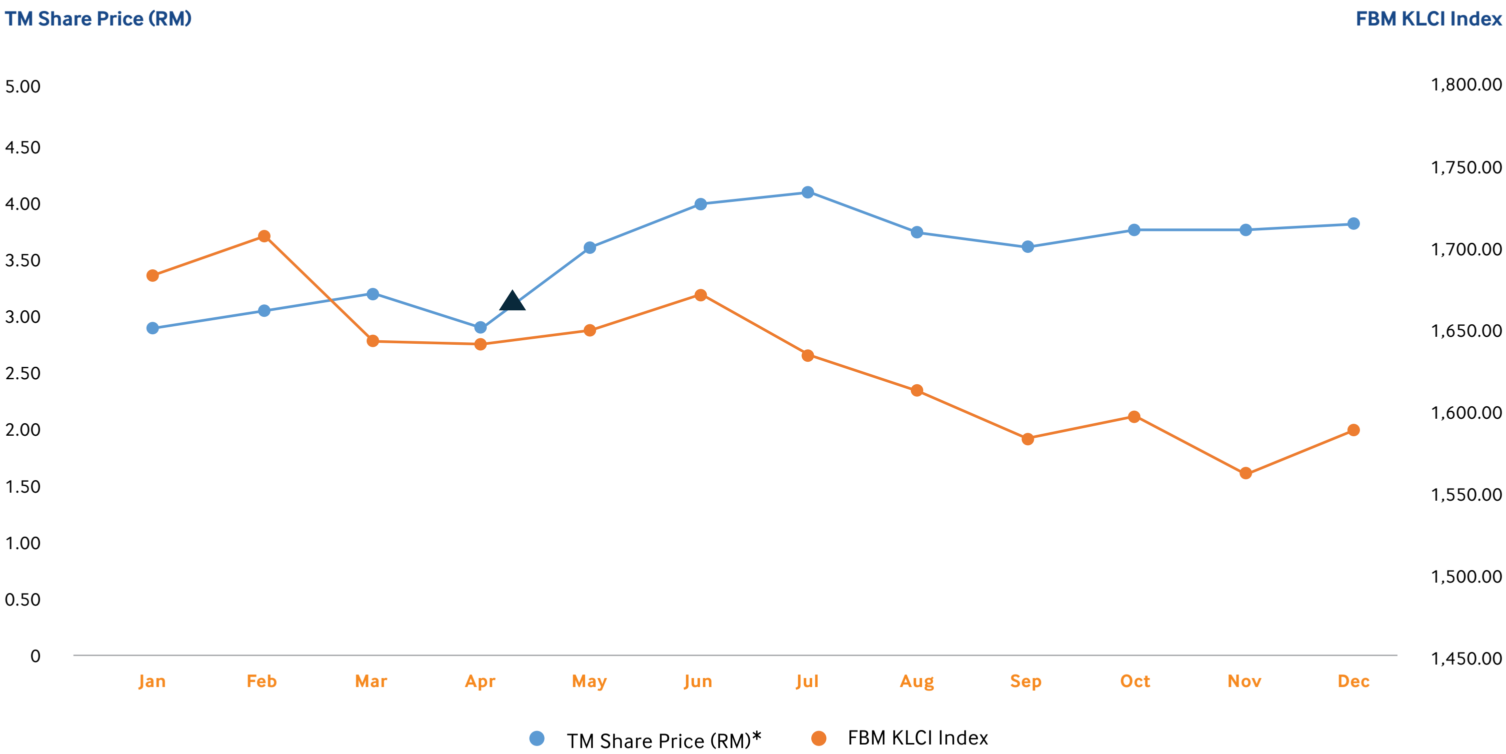


Year 2019

Month	Volume ('000)	Highest (RM)	Lowest (RM)
January	68,637	2.91	2.57
February	65,351	3.12	2.82
March	69,925	3.28	2.99
April	43,534	3.21	2.83
May	218,165	3.61	2.60
June	253,310	4.27	3.48
July	200,786	4.68	3.95
August	132,669	4.14	3.65
September	122,784	3.76	3.37
October	116,996	3.95	3.30
November	75,453	3.99	3.67
December	54,848	3.94	3.72

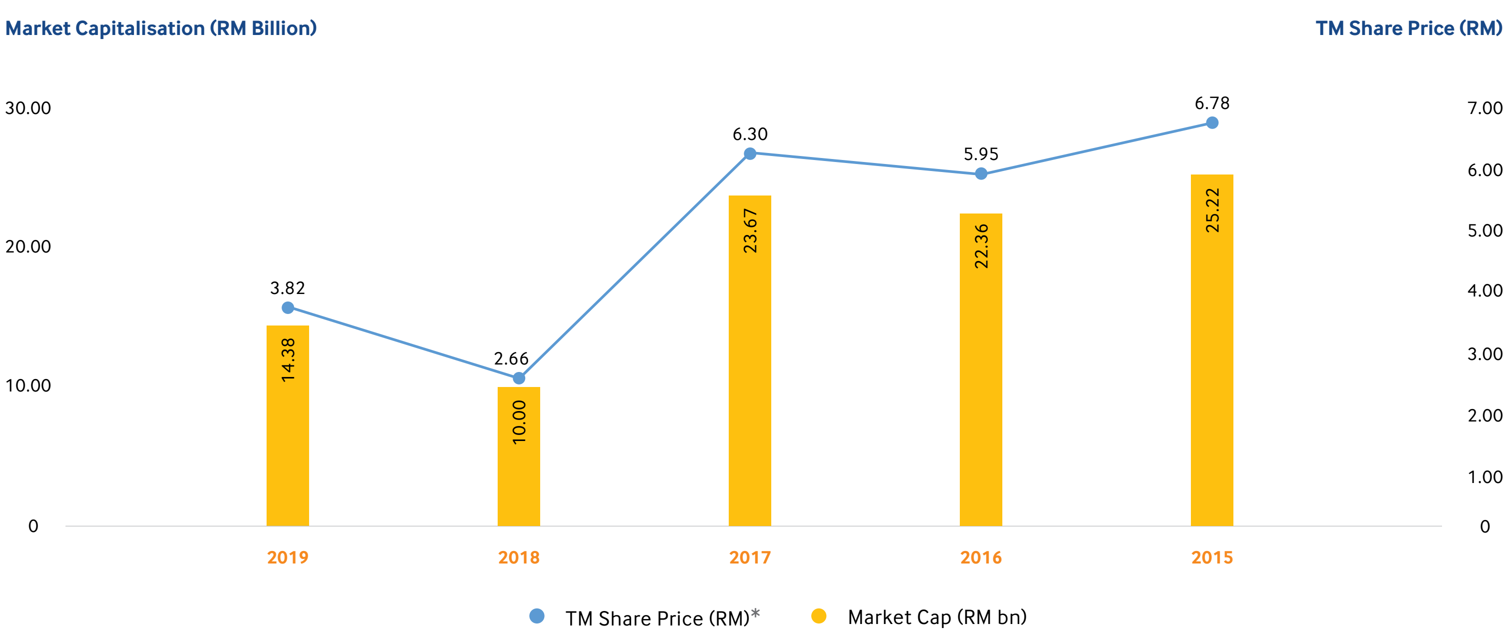
SHARE PERFORMANCE

TM SHARE PRICE VS FBM KLCI INDEX 2019



DIVIDEND PAYMENT: 2.0 SEN PER SHARE	INTERIM DIVIDEND FY2018	ENTITLEMENT DATE: 18 MAR 19	▲ PAYMENT DATE: 12 APR 19

MARKET CAPITALISATION & TM SHARE PRICE



* TM share price is based on month-end closing price

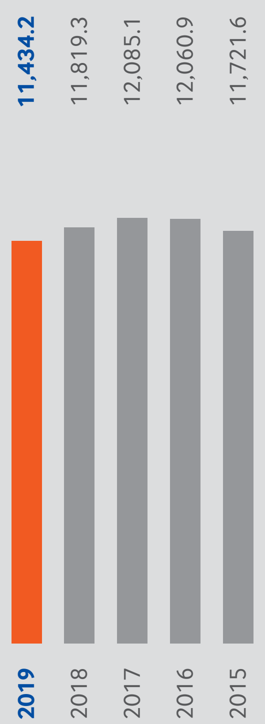
GROUP FINANCIAL HIGHLIGHTS

In RM Million	2019	2018	2017	2016	2015
OPERATING RESULTS					
Operating revenue	**11,434.2**	11,819.3	12,085.1	12,060.9	11,721.6
Profit before tax and zakat	**925.1**	17.4	1,048.0	918.5	911.8
Profit/(Loss) for the financial year	**557.4**	(260.5)	730.5	613.4	591.8
Profit attributable to equity holders of the Company	**632.7**	153.2	929.7	776.0	700.3
KEY DATA OF FINANCIAL POSITION					
Total shareholders' equity	**7,353.3**	7,525.2	7,843.5	7,692.3	7,780.6
Total assets	**25,599.7**	23,704.5	24,761.8	25,001.6	24,413.1
Total borrowings	**8,733.1**	8,571.3	8,150.2	8,363.3	7,583.7
Lease liabilities*	**1,914.1**	-	-	-	-
SHARE INFORMATION					
Per share					
Earnings (basic)	**16.8 sen**	4.1 sen	24.7 sen	20.6 sen	18.7 sen
Gross dividend	**10.0 sen**	2.0 sen	21.5 sen	21.5 sen	21.4 sen
Net assets	**195.3 sen**	200.3 sen	208.7 sen	204.7 sen	207.0 sen
Share price information					
High	**RM4.68**	RM6.22	RM6.69	RM6.90	RM7.79
Low	**RM2.57**	RM2.11	RM5.96	RM5.81	RM6.00
FINANCIAL RATIOS					
Return on shareholders' equity	**8.5%**	2.0%	12.0%	10.0%	9.1%
Return on total assets	**2.2%**	-1.1%	3.0%	2.5%	2.4%
Debt equity ratio*	**1.4**	1.1	1.0	1.1	1.0
Dividend cover	**1.7**	2.0	1.2	1.0	0.9

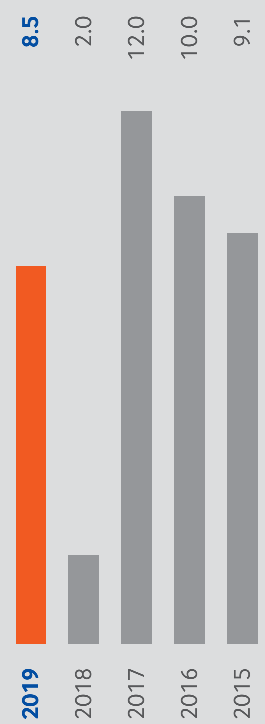
* The Group applied simplified modified retrospective transition approach upon initial application of MFRS 16 on 1 January 2019 and therefore the comparative information was not restated. The debt equity ratio is calculated based on balances at the respective financial year end.

GROUP FINANCIAL HIGHLIGHTS

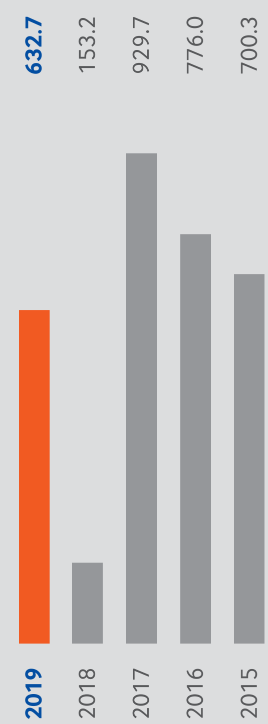
OPERATING REVENUE
(RM Million)



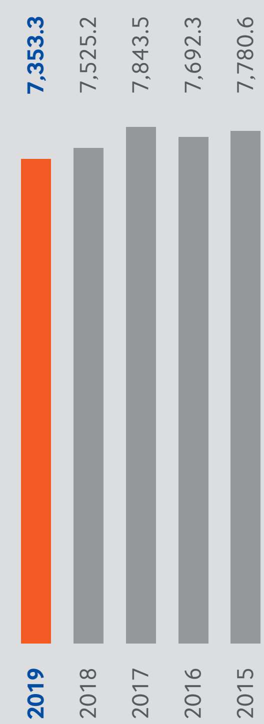
RETURN ON SHAREHOLDERS' EQUITY
(%)



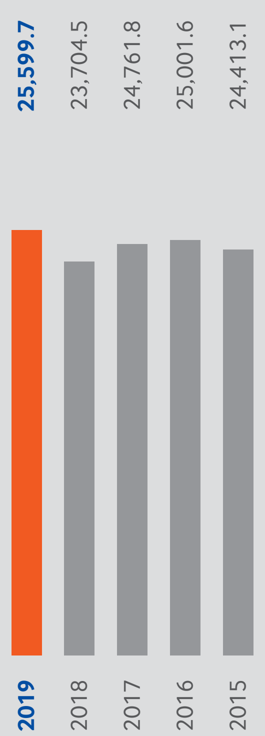
PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY
(RM Million)



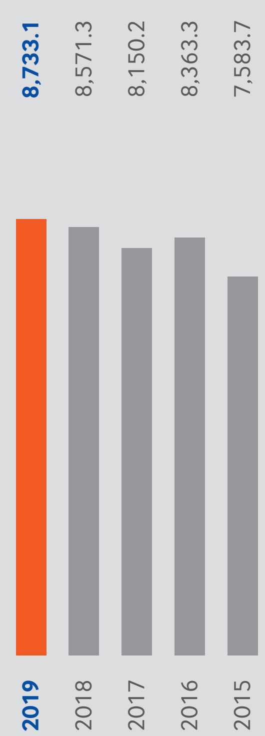
TOTAL SHAREHOLDERS' EQUITY
(RM Million)



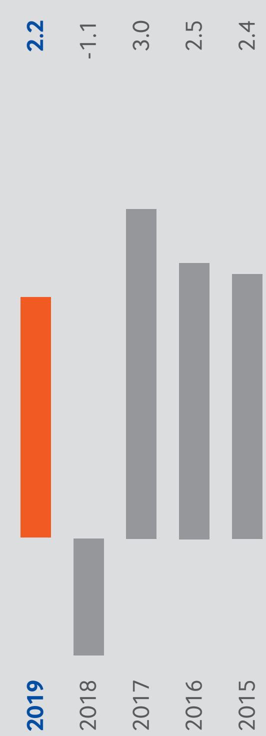
TOTAL ASSETS
(RM Million)



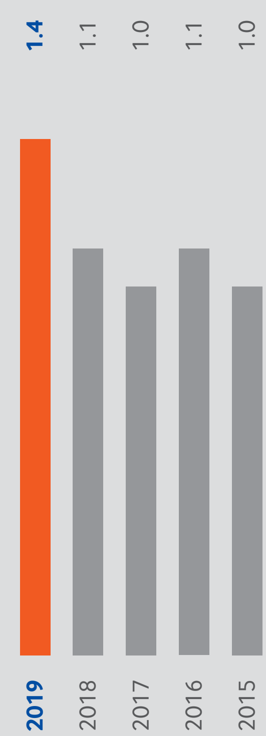
TOTAL BORROWINGS
(RM Million)



RETURN ON TOTAL ASSETS
(%)



DEBT EQUITY RATIO

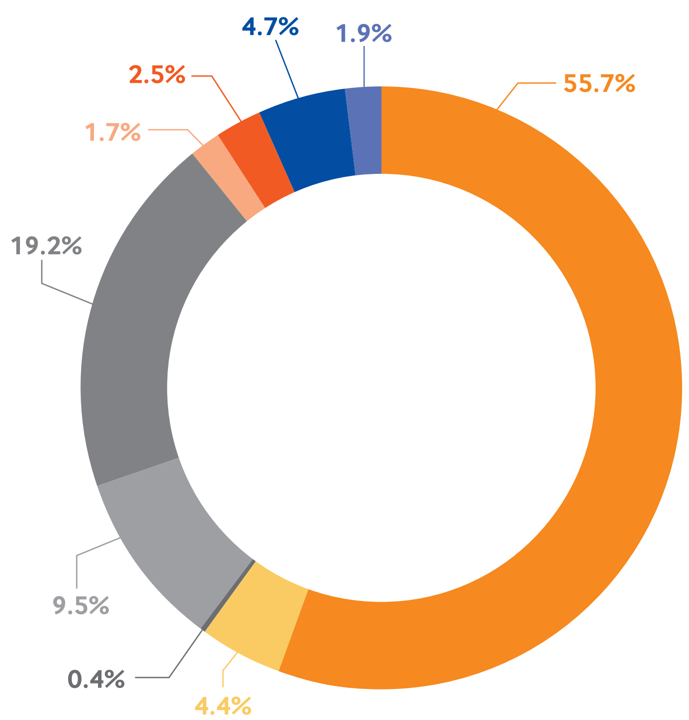


SIMPLIFIED GROUP STATEMENT OF FINANCIAL POSITION & SEGMENTAL ANALYSIS

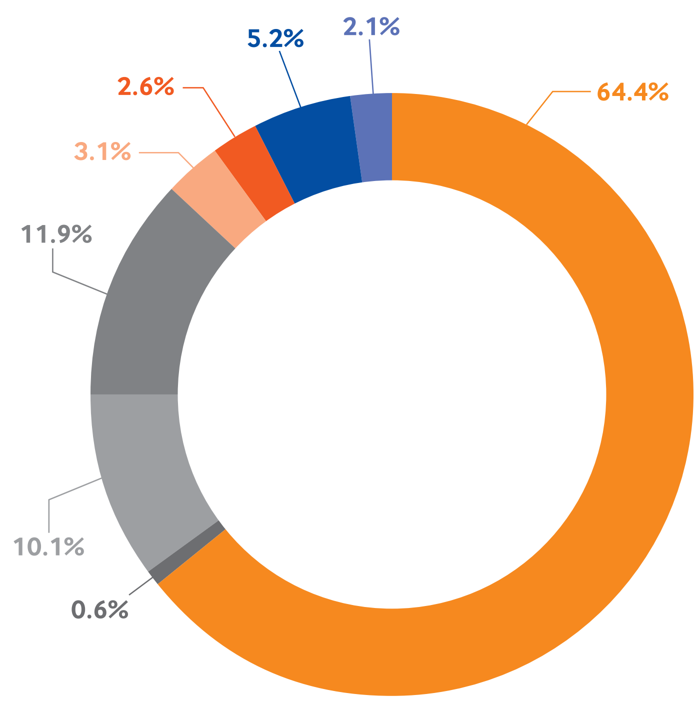
Total Assets

	2019 RM Million	2018 RM Million
Intangible assets	**493.2**	490.0
Property, plant and equipment	**14,259.5**	15,263.3
Right-of-use assets	**1,115.2**	-
Inventories	**102.0**	134.6
Trade and other receivables	**2,434.5**	2,405.2
Cash and bank balances	**4,918.4**	2,826.3
Other non-current receivables	**425.0**	737.7
Contract assets	**641.6**	624.5
Other assets	**1,210.3**	1,222.9
Total Assets	**25,599.7**	23,704.5

2019



2018



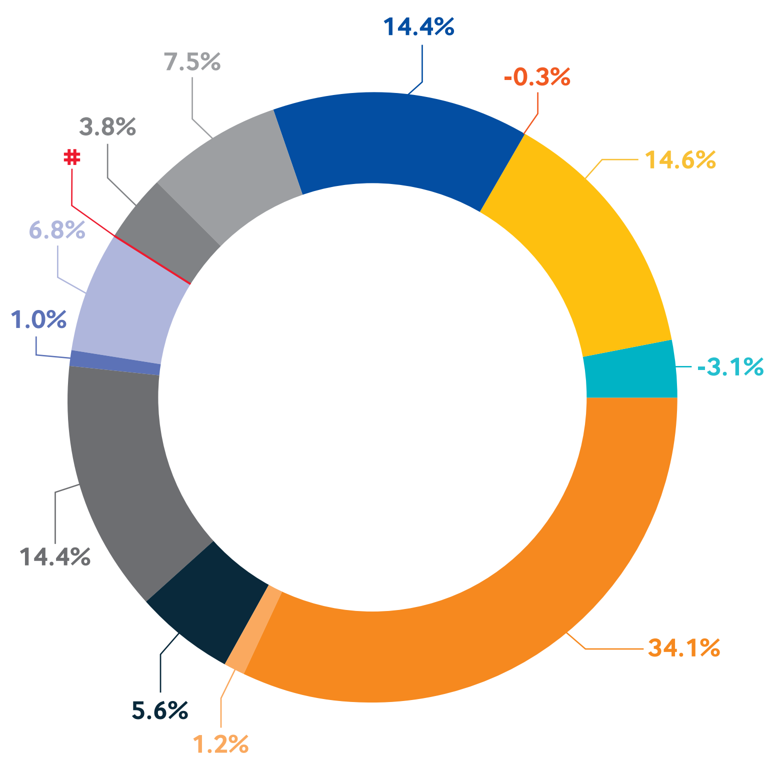
- Intangible assets
- Property, plant and equipment
- Right-of-use assets
- Inventories
- Trade and other receivables
- Cash and bank balances
- Other non-current receivables
- Contract assets
- Other assets

SIMPLIFIED GROUP STATEMENT OF FINANCIAL POSITION & SEGMENTAL ANALYSIS

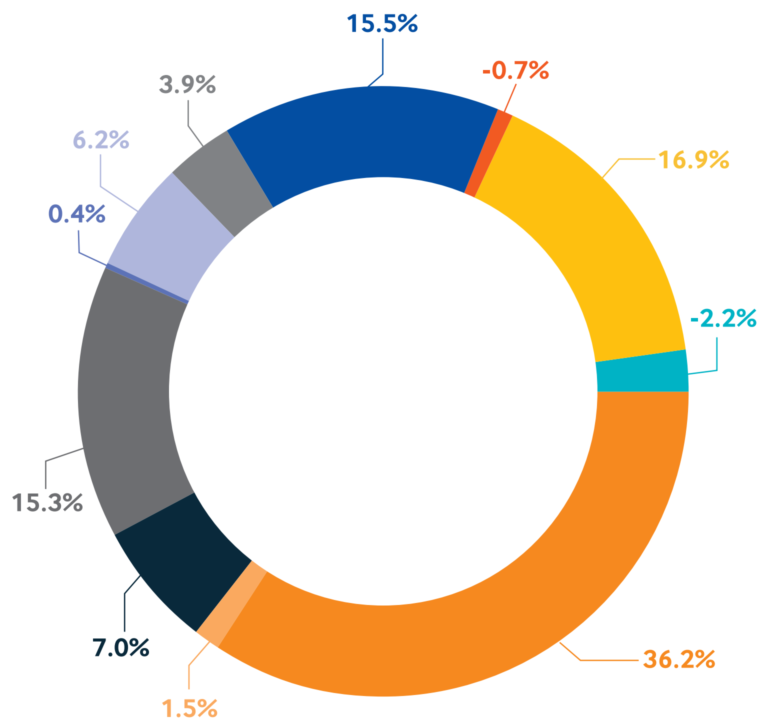
Total Liabilities & Shareholders' Equity

	2019 RM Million	2018 RM Million
Share capital	**3,698.6**	3,667.1
Other reserves	**(79.1)**	(159.3)
Retained profits	**3,733.8**	4,017.4
Non-controlling interests	**(800.2)**	(509.7)
Borrowings	**8,733.1**	8,571.3
Customer deposits	**298.0**	352.8
Deferred tax liabilities	**1,424.1**	1,661.3
Trade and other payables	**3,686.8**	3,631.8
Tax and zakat	**256.5**	93.0
Deferred income	**1,744.1**	1,470.9
Derivative financial instruments	**1.7**	-
Contract liabilities	**987.4**	907.9
Lease liabilities	**1,914.9**	-
Total Liabilities & Shareholders' Equity	**25,599.7**	23,704.5

2019



2018



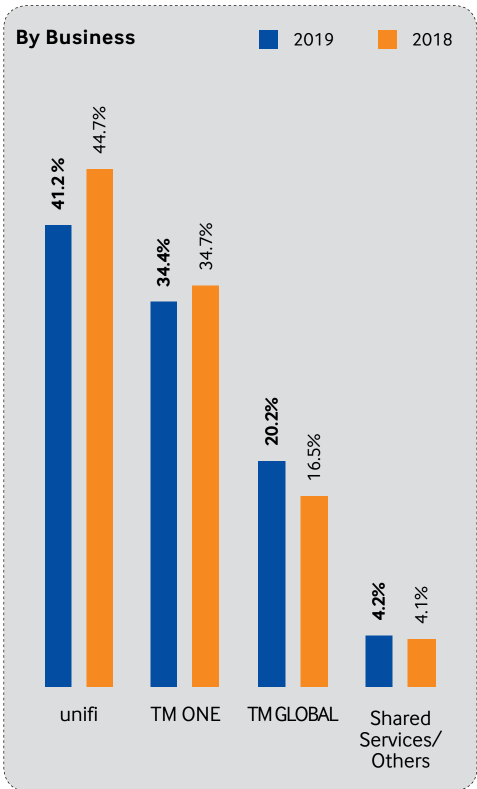
Less than 0.1%

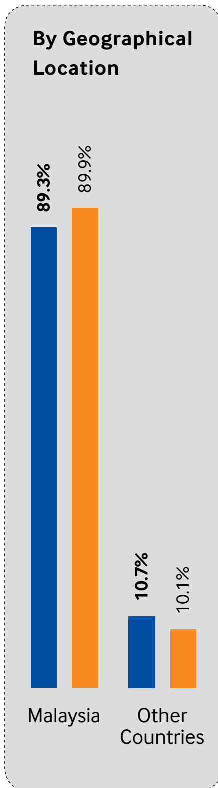
- Share capital
- Other reserves
- Retained profits
- Non-controlling interests
- Borrowings
- Customer deposits
- Deferred tax liabilities
- Trade and other payables
- Tax and zakat
- Deferred income
- Derivative financial instruments
- Contract liabilities
- Lease liabilities

SIMPLIFIED GROUP STATEMENT OF FINANCIAL POSITION & SEGMENTAL ANALYSIS

SEGMENT OPERATING REVENUE

for the financial year ended 31 December



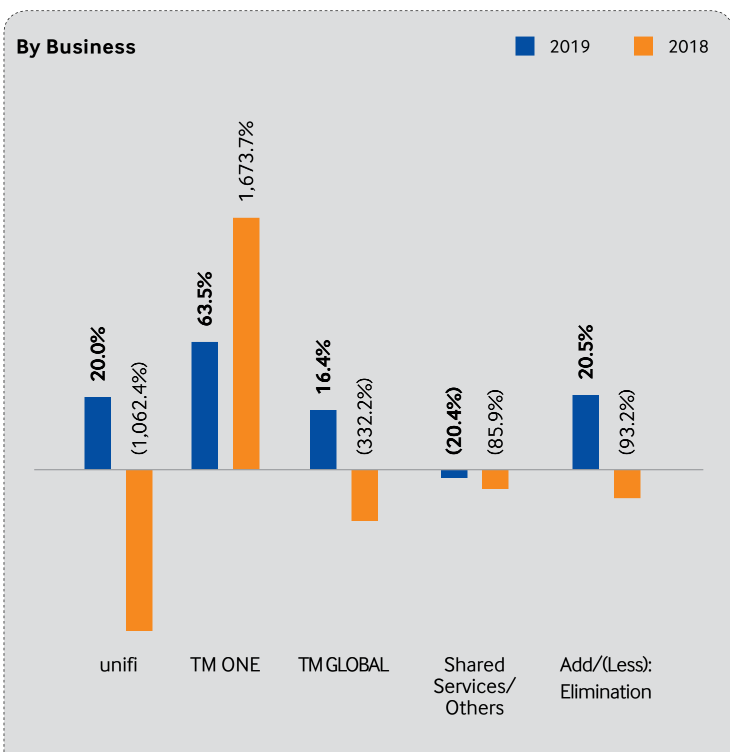


By Business	2019 RM Million	2018 RM Million
unifi	**4,713.9**	5,285.9
TM ONE	**3,931.3**	4,097.9
TM GLOBAL	**2,306.3**	1,945.4
Shared Services/Others	**482.7**	490.1
Total	**11,434.2**	11,819.3

By Geographical Location	2019 RM Million	2018 RM Million
Malaysia	**10,215.8**	10,624.0
Other Countries	**1,218.4**	1,195.3
Total	**11,434.2**	11,819.3

SEGMENT EBIT*

for the financial year ended 31 December



* *EBIT are reconciled to the Group's operating profit before finance cost in note 47 to the financial statements.*

By Business	2019 RM Million	2018 RM Million
unifi	**313.3**	(686.3)
TM ONE	**995.1**	1,081.2
TM GLOBAL	**257.4**	(214.6)
Shared Services/Others	**(319.9)**	(55.5)
Add/(Less): Elimination	**322.4**	(60.2)
Total	**1,568.3**	64.6

GROUP QUARTERLY FINANCIAL PERFORMANCE

2019	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Year 2019
In RM Million					
Operating revenue	**2,778.9**	**2,768.6**	**2,852.6**	**3,034.1**	**11,434.2**
Operating profit before finance cost	**505.6**	**265.5**	**417.2**	**111.4**	**1,299.7**
Profit before tax and zakat	**437.2**	**147.5**	**301.5**	**38.9**	**925.1**
Profit/(Loss) attributable to equity holders of the Company	**308.3**	**114.2**	**261.3**	**(51.1)**	**632.7**
Basic earnings/(loss) per share (sen)	**8.2**	**3.0**	**7.0**	**(1.4)**	**16.8**
Dividend per share (sen)	**-**	**-**	**-**	**10.0**	**10.0**

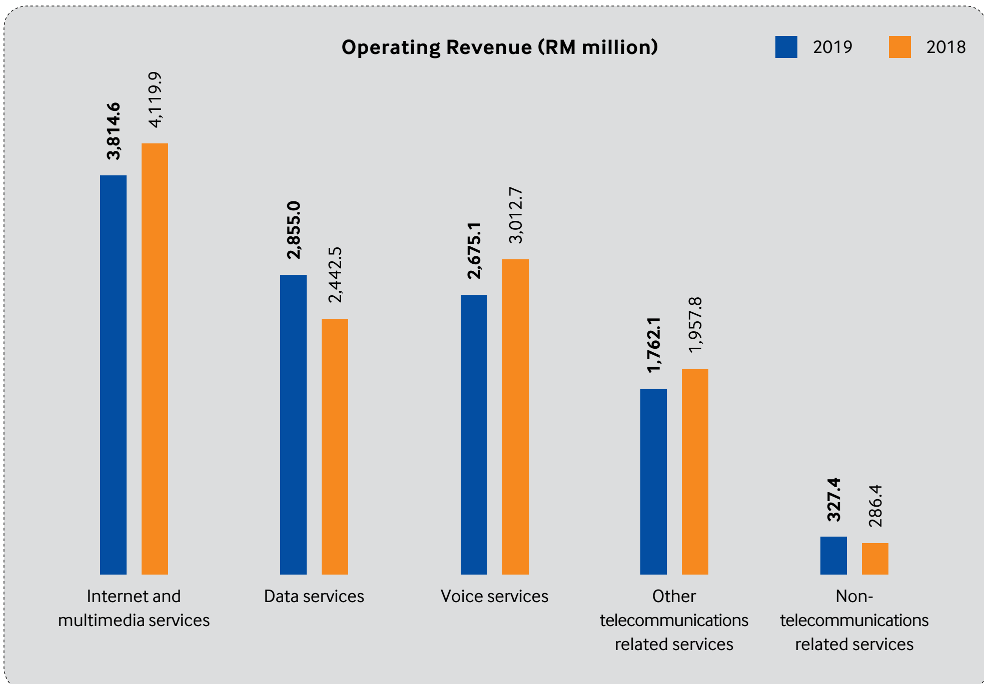
2018	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Year 2018
In RM Million					
Operating revenue	2,848.0	2,936.4	2,946.0	3,088.9	11,819.3
Operating profit/(loss) before finance cost	193.9	248.7	(319.8)	252.7	375.5
Profit/(Loss) before tax and zakat	194.2	108.4	(431.6)	146.4	17.4
Profit/(Loss) 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

GROUP FINANCIAL REVIEW

The year 2019 has been a transformative period for TM as we continue to adjust to new market dynamics and declining revenue from traditional segments whilst at the same time preparing for the next leap in telecommunications into 5G. Against this backdrop, we have seen continued improvements in our fundamentals despite the revenue challenges on the retail front. Our performance improvement initiatives continued to bear fruit, especially on cost.

OPERATING REVENUE

In line with our guidance to the market earlier in the financial year, our Group revenue saw a minor contraction of 3.3% to RM11.43 billion, from RM11.82 billion over the same period a year ago. Amidst the declining revenue from the more traditional segments, data has been a key revenue driver, recording a 16.9% increase year-on-year from encouraging demand in the last 12 months from RM2.44 billion in 2018 to RM2.86 billion in 2019.



INTERNET AND MULTIMEDIA SERVICES

Softening of consumer spending amidst economic uncertainties during the year resulted in a more price conscious market. Demand for high quality and affordable internet services increased. Together with reduced differentiation between fixed and mobile technology where fast and convenient access to high speed internet is more important than choice of technology, these factors combined have further allowed mobile players to encroach into fixed line market space, which saw the Group's Internet revenue contracting, year-on-year.

Strategies that were put in place to ensure the Group remains competitive and retain our total broadband customer base guided key campaigns such as the ®*unifipaynothing* during the 4th quarter of the 2019 financial year where new and existing customers enjoyed up to three months of free unifi services. This proved effective in increasing the unifi customer base. Subsequent to the successful speed upgrade of over 973,000 unifi customers during the first half of the financial year as part of the Group's commitment to provide high quality services at affordable price, our Streamyx customers in turn were rewarded for their loyalty with permanent downward price adjustments starting September 2019 onwards.

In closing the financial year amidst the ever increasing competitive landscape which serves to benefit our customers, the Group's total Internet and multimedia revenue was RM3,814.6 million for the year, a 7.4% (RM305.3 million) decline from the previous year, whilst our unifi customer base remains strong at 1.44 million, registering a further 11.2% growth from the 1.13 million recorded a year ago. Total broadband customer base at the financial year end stood at 2.18 million.

DATA SERVICES

Backed by the prevailing trend of increasing need and consumption for data, on the consumer and enterprise front, which in turn further strengthens the Group's critical role in providing enhanced backhaul services and High Speed Broadband Access (HSBA) to other telecommunication providers in Malaysia, revenue from data services increased 16.9% (RM412.5 million) to record a total revenue of RM2,855.0 million in 2019 compared to the RM2,442.5 million in 2018. Contributing 25.0% of the Group's total revenue, Data services comprise mainly of revenue from leased, Ethernet, IPVPN and IP services, serving not just domestic but also global customers that are telecommunication licensees.

VOICE SERVICES

Voice revenue continued to decline from lower traffic minutes or utilisation from consumer and enterprise segments as well as lower contribution from TM Wholesale (previously known as TM GLOBAL). With a total revenue of RM2,675.1 million for the year which was an 11.2% (RM337.6 million) year-on-year reduction, this revenue line continues to contribute a significant 23.4% to the Group's total revenue. Voice revenue remains relevant and fundamental despite the anticipated changes in technology and increasing trend of consumer and business shifting towards higher data consumption rather than traditional voice.

OTHER TELECOMMUNICATIONS RELATED SERVICES

Closing the financial year with a total revenue of RM1,762.1 million, this revenue line experienced a 10.0% (RM195.7 million) reduction year-on-year. The cautious spending on ICT on the Enterprise and Public Sector front continued from 2018 throughout 2019. Nonetheless, as the nation's political and economy stabilises post a tumultuous 2018, the Group continued to retain significant ICT and telecommunication solutioning contracts with existing and new customers leveraging on the Group's strong fundamentals and reliability in this service segment and unbridled capacity to serve and provide comprehensive telecommunication solutions to the Enterprise and Public Sector segment throughout the nation. The Group's investments in telecommunication and ICT infrastructures which include our Data Centres, are key in enabling the nation's cloud based economy, solutioning, data storage and exchange activities as a continuous source of new revenue streams for the Group with high future potentials.

GROUP FINANCIAL REVIEW

NON-TELECOMMUNICATIONS RELATED SERVICES

Recording RM327.4 million in 2019, this revenue line recorded a 14.3% revenue growth for the Group, from its diversified ventures in business activities through subsidiaries focusing on education, tourism, property development and trading. Non-telecommunications related services contributed 2.9% of the Group's total revenue in 2019 compared to 2.4% in 2018. The increase in the current year were mainly from increase in the Group's share of Gross Development Value (GDV) from a joint land development as well as retail trading activities whilst revenue from the tourism sector at our telecommunication towers namely Menara Kuala Lumpur, remains relatively strong year-on-year.

OPERATING COST

The Group's performance improvement initiatives which commenced in the previous financial year, continued to bear fruits especially on cost. Operating cost of RM10,001.6 million in 2019 was a considerable 15.9% (RM1,885.0 million) reduction from the RM11,886.6 million recorded in 2018. The Group's own cautious and prudent spending during the financial year enunciated our continuing commitment to cost management efforts which will continue to be a top priority in sustaining profitability for the Group amidst the soft and increasingly competitive telecommunication market that we face today.

Nonetheless, the Group continues to spend and invest in building our future capabilities both in telecommunication infrastructures as well as right-skilling the team of employees we have on the ground with emphasis on the digital skills required to support our nation building role in enabling IR4.0, steadfast in becoming the primary digital enabler of businesses and public organisations for the nation.

DEPRECIATION, IMPAIRMENT AND AMORTISATION

During the financial year, the Group recognised a provision of RM124.6 million for the impairment of fixed network assets following the Group's announcement of a price adjustment of its Streamyx services during the 3rd quarter of the financial year. Projected based on an assessment of the recoverable value-in-use of the affected network assets, the Group will continue to review the economic circumstances revolving around the Group's assets in coming periods to reflect any potential further impairment or recovery in value which is necessary in reflecting the reality of the telecommunication industry which is highly susceptible to changes in network and technological refresh.

Overall, at RM2,454.3 million, total depreciation, impairment and amortisation cost recorded in 2019, was 27.9% (RM950.5 million) lower than the RM3,404.8 million recorded in 2018. This was mostly from the much reduced RM124.6 million provision for network assets impairment loss as compared to the RM982.5 million impairment loss recognised in Q3 and Q4 of the previous financial year. Setting aside the impairment losses, depreciation, impairment and amortisation costs were generally lower, a result of the lower CAPEX spending by the Group in 2019, which was at 11.9% of the Group's revenue compared to 18.1% in 2018.

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. Aligned to the reduction in revenue for voice, Internet and other telecommunication related services, this element of the Group's cost that are directly correlated to revenue, decreased 20.3% (RM529.5 million) not only from lower sales related cost and activities but also from cost management initiatives which included rationalisation of overall cost to serve our customers covering content and contact centre costs.

MAINTENANCE

Maintenance cost comprise largely repair and maintenance cost for the Group's telecommunication network, building and premises as well as system and softwares. This cost element for the Group decreased for the second consecutive year by 11.6% (RM71.0 million) from the RM614.5 million in 2018 to RM543.5 million in 2019, reflective of sustainable impact from continuing operational optimisation initiatives driven by the Group's network development as well as property operation teams. Nonetheless, all geared in pursuing the Group's strategic lever of creating a superior network for our customers' experience, the Group's cost optimisation initiatives have been structured to not compromise network quality.

MATERIALS/CUSTOMER EQUIPMENT AND INSTALLATION

The Group incurs cost in the form of customer premise equipment such as routers and modems as well as commissions directly attributable to acquiring specific customer contracts. Where relevant, such costs are capitalised and subsequently amortised as expenses to the income statement over the minimum contract period signed with respective customers. Whilst this remain a portion of the Group's expenditure at RM582.9 million in 2019, the 11.3% (RM59.1 million) increase year-on-year is reflective of the Group's continuing initiatives and focus in gaining and also retaining our broad customer base across the different lines of business and products.

NET IMPAIRMENT LOSS ON FINANCIAL AND CONTRACT ASSETS

RM37.4 million expense for the Group in 2019 comprise mainly of the Group's provision for impairment of trade receivable balances. The 79.6% (RM146.2 million) reduction compared to the RM183.6 million recorded in 2018 is mainly due to stabilisation of the Group's expected credit loss modelling that was applied in estimating credit losses from current period receivables based on actual prior years credit performances in 2019, after the Group's first year implementation of MFRS 9 "Financial Instruments" in 2018.

STAFF COSTS

The Group's performance improvement initiatives come into fruition during 2019, visible through the more than 100% year-on-year increase in Earnings Before Interest and Tax (EBIT) which was at a record breaking RM1.57 billion for 2019. This is inclusive of the increase in year-on-year manpower cost for the Group which is largely from the provisions recognised at the end of 2019 for the Group's reward pool, in acknowledging the commitment and contribution from the Group's employees who have committed themselves to all of the Group's initiatives and weathered the operational challenges faced in recent financial years. The RM2,616.5 million total manpower cost (net of staff cost capitalised) incurred in 2019 was a 13.0% (RM300.7 million) increase from 2018 and represents 22.9% of revenue compared to 19.6% in the previous financial year.

GROUP FINANCIAL REVIEW

RENTAL

The implementation of MFRS 16 Leases (MFRS 16) by the Group from 1 January 2019 through its application of simplified modified retrospective transition approach where the Group has not restated comparative amounts for 2018 (i.e. periods prior to the 1 January 2019 adoption of the new MFRS) means that the 91.3% (RM450.8 million) reduction from RM493.7 million rental expenses in 2018 to the RM42.9 million in 2019 was largely due to the Group accounting for lease rental of network sites, network capacity, buildings and premises as depreciation of Right-of-use (ROU) assets and interest expenses rather than rentals. The remaining rental cost reflected in the Group's Income Statement are lease rentals of low value assets as well as short term leases for which the Group has applied application exemptions as allowed by MFRS 16.

OTHER LOSSES AND GAINS (NET)

Other losses and gains (net) for the Group captures the fair value gains and losses on financial instruments that the Group carries in its Consolidated Statement of Financial Position at fair value through profit or loss (FVTPL) or other comprehensive income (FVOCI) when the gain or loss from the latter are allowed to be recycled and realised to the Group's Income Statement upon the disposal or de-recognition of such financial instruments.

The RM268.6 million net fair value losses recognised at TM Group level in 2019 was largely due to the Group recognising a RM233.7 million fair value loss on the Group's subscription of Exchangeable Medium Term Notes (Exchangeable MTNs) issued by a non-controlling interest of one of the Group's subsidiaries. The fair value of the Exchangeable MTNs is based on the residual equity value of the entity against which the notes are exchangeable with, which are exercisable effective from 30 September 2019.

Comparatively, the RM310.9 million net other gains recorded in 2018 was mainly from the RM311.0 million fair value reduction of a put option liability arising from the Group's obligation to purchase shares held by non-controlling interest of the same subsidiary. The obligation was recognised in the Group's statement of financial position from the day that the subsidiary was acquired and the reduction in value in 2018 was triggered by the impairment on network assets recognised in the books of the subsidiary.

Both these financial instruments have been disclosed with accompanying notes in the Group's notes to its Consolidated Financial Statements for the respective financial years in which these instruments were relevant.

The current financial year also recorded a RM35.8 million fair value reduction in the Group's investment in a Technology Investment Fund which the Group has invested since 2015.

NET FINANCE COST

Net finance cost of RM389.6 million in 2019 saw a marginal net increase from the RM379.1 million recorded for 2018 mainly due to there being no new borrowings or issuance of new notes by the Group during 2019 apart from certain short term facilities drawn down by the Group's operational subsidiaries. Higher interest expenses from the short term borrowings were partially set off by the increase in interest income from the Group's money market and fixed income security portfolio investments attributed to the expanded cash and bank balances base of the Group which stood at RM4,918.4 million as at 31 December 2019 compared to RM2,826.3 million the year before.

Net foreign exchange gain on borrowings retranslation in 2019 was minimal at RM1.1 million compared to RM31.3 million foreign exchange losses in 2018 in view of the minimal net changes in the USD/MYR exchange rate between the two reporting financial year end dates.

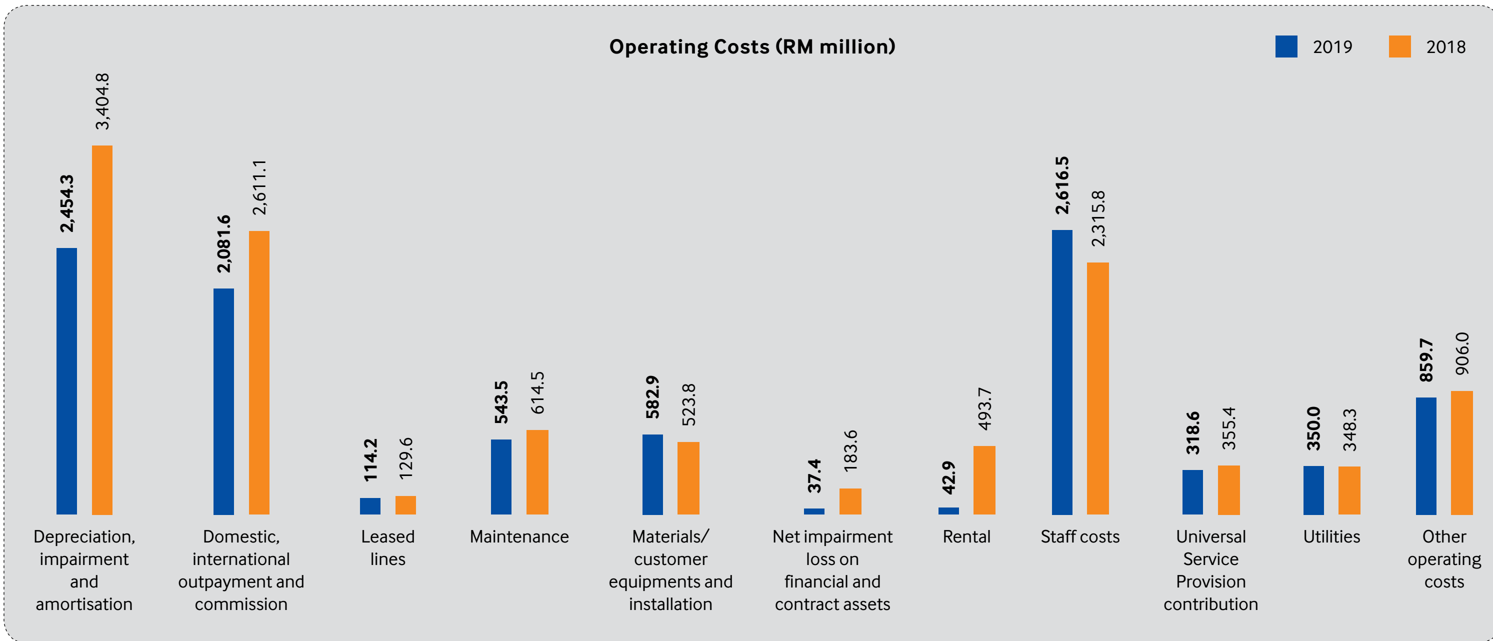
TAX EXPENSES

Net tax charges of RM367.7 million in 2019 compared to the RM277.9 million recorded for 2018 largely comprised tax expense at TM Company level and the year-on-year increase in absolute quantum was largely due to improved operational performance at both EBIT and profit before tax level at TM Company level as well as TM Group.

Although the effective tax rate for the Group remain higher than the statutory tax rate of 24%, which as disclosed in previous years is due to current and brought forward losses as well as unutilised tax allowances at subsidiaries for which no deferred tax asset has been recognised, it has significantly improved in 2019 compared to the previous financial year as the performance from such subsidiaries have collectively improved year-on-year.

The Group continues to explore and exhaust opportunities of specific tax incentives available from existing fiscal policies particularly on the significant capital expenditure that the Group invests in and commits itself to expediting its role in nation building particularly the investments in telecommunication infrastructure in enabling the nation's leap into 5G technology.

GROUP FINANCIAL REVIEW



PROFITABILITY

The increased competitiveness in the telecommunication market during 2019 together with the Group's commitment in providing affordable access to high speed broadband for the nation has resulted in the anticipated contraction of revenue that we recorded in 2019. The Group has however successfully endeavoured and reaped in improvements in operating cost performance year-on-year as an outcome of the continued performance improvement plan that was put in action from 2018.

Despite the impairment loss recognised on network assets during the year triggered by the Group's price adjustment on Streamyx, the Group recorded a significantly healthy and improved EBIT of RM1,568.3 million, compared to the RM64.6 million recorded for 2018.

Consequently, the Group's profit before taxation and zakat, at RM925.1 million was more than 100% higher than the RM17.4 million recorded in 2018 and consequently profit attributable to equity holders (PATAMI) increased multiple folds from RM153.2 million in 2018 to RM632.7 million in 2019.

TOTAL ASSETS

The Group closed the financial year end with total assets of RM25,599.7 million compared to RM23,704.5 million at the end of the previous financial year driven by net increase in cash and bank balances and recognition of ROU assets from the implementation of MFRS 16, against net reduction in property, plant and equipment.

PROPERTY, PLANT AND EQUIPMENT

The year closed for TM Group with RM14,259.5 million property, plant and equipment against RM15,263.3 million at the end of 2018. The reduction was reflective of the Group's cautious spending in 2019 where CAPEX spent amounted to RM1,362.6 million compared to RM2,135.7 million in 2018, guided by reduction in the Group's year-on-year contraction in revenue. CAPEX spent in 2019 was at 11.9% of the Group's revenue compared to 18.1% in 2018. The cautious CAPEX spending should also be seen together with anticipated build up in momentum as the telecommunication industry gears up for the next wave of infrastructure investments to support 5G where TM is forging ahead in positioning itself as the National Telecommunications Infrastructure Provider (NTIP) for 5G and the primary enabler to the National Fiberisation and Connectivity Plan (NFCP) towards accelerating the deployment of 5G and making way for an era of shared 5G networks.

ROU ASSETS

The Group's adoption of MFRS 16 effective 1 January 2019 saw the recognition of RM1,609.6 million ROU assets which represents the Group's collective rights to use leased assets which predominantly comprise of the rentals of thousands of telecommunication transmission sites throughout the nation, identified capacity within international and domestic submarine cables and co-location arrangements at data centres along with lease on office buildings, over the remaining period of these leases. These assets are subsequently depreciated over the remaining lease periods and in arriving to the amount assetised, the Group has made critical assumptions on the most probable likelihood of exercising extension options available to the Group on lease tenures, on a lease to lease basis. At the financial year ended, the Group closed with RM1,115.2 million ROU assets whilst comparative for 2018 has not been restated in line with the option taken by the Group at the point of implementing MFRS 16 as provided and allowed by the standard.

GROUP FINANCIAL REVIEW

TRADE AND OTHER RECEIVABLES

Trade and other receivables balance was at RM2,434.5 million at the end of 2019 compared to RM2,405.2 million the year before. The marginal RM29.3 million increase in balance when seen against the RM385.1 million or 3.3% contraction in revenue translates to a 3 day increase in Accounts Receivable (AR) Days to collect which were mainly due to individually significant receivables on billings made close to the financial year end to claim CAPEX grants incurred earlier during the year by the Group.

CASH AND BANK BALANCES

Cash and bank balances of the Group increased significantly between the reporting year ends with RM4,918.4 million recorded as at 31 December 2019 compared to RM2,826.3 million at the end of the previous balance sheet date. The RM2,092.1 million increase is in line with the reduction in capital expenditure and overall cautious spending for the year, coupled with improved receipts from trade receivable balances together with direct impact from cost optimisation initiatives during the year. Cash and cash equivalent available to the Group as at 31 December 2019 was RM4,786.1 million (31 December 2018: RM2,756.5 million).

INVENTORIES

Inventories stood at RM102.0 million at the financial year end, a slight RM32.6 million reduction from the RM134.6 million as at 31 December 2018. The reduction can be seen largely coming from the Group's holding of telecommunication equipment as certain recent retail product offerings to Consumer customers allows for greater flexibility where options are available on unifi TV subscription. This entails reduced issuance of customer premise equipment and the holding of such inventories and our continued commitment to our customers in providing affordable high speed broadband to the nation.

TOTAL LIABILITIES

The Group closed the financial year end with total liabilities of RM19,046.6 million compared to RM16,689.0 million recorded at the end of 2018.

BORROWINGS

Total borrowings of the Group stood at RM8,733.1 million as at 31 December 2019 compared to RM8,571.3 million at the end of 2018. The RM161.8 million increase during the year was from the draw down of short term facilities at subsidiaries without issuance of any sukuks under the Group's Islamic Medium Term Notes (IMTN) programs.

LEASE LIABILITIES

The Group's adoption of MFRS 16 involved the concurrent recognition of RM2,020.4 million of lease liabilities and RM1,609.6 million ROU assets. The lease liabilities represents the present value of the Group's obligation to make future lease payments, discounted at borrowing rates inherent to the individual entities. An amount of RM50.0 million was also reclassified from borrowings in relation to finance lease already recognised by the Group on the consolidated statement of financial position.

TRADE AND OTHER PAYABLES

The Group's total trade and other payables increased marginally at RM3,686.8 million as at 31 December 2019 compared to RM3,631.8 million at the end of 2018. This is partly due to provisions recognised during the year in relation to the adoption of MFRS 16.

SHAREHOLDERS' EQUITY

The Group's net assets and liabilities position at the financial year end, reduced RM171.9 million from RM7,525.2 million as at 31 December 2018 to RM7,353.3 million as at 31 December 2019, despite the Group recording a RM632.7 million PATAMI for the financial year ended, less the RM75.2 million appropriation of dividend during the financial year ended.

The net reduction was in view of the RM841.1 million net reduction to the Group's retained earnings attributable to shareholders arising from implementation of MFRS 16 on 1 January 2019. The difference between recognition of ROU assets (less accumulated depreciation up to 1 January 2019) and the corresponding lease liabilities recognised on 1 January 2019, together with impairment loss upon recognition of ROU assets at one of the Group's subsidiaries, were key reasons for the net reduction in retained earnings, a known and anticipated outcome of the Group's implementation of MFRS 16. Consequently, on a net assets per share basis, the Group closed the year with net assets of 195.3 sen per share as compared to 200.3 sen per share the year before.

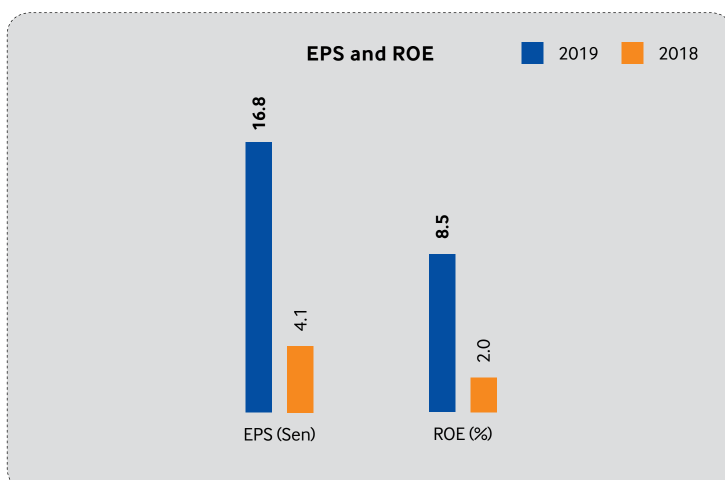
EARNINGS PER SHARE (EPS) AND RETURN ON SHAREHOLDERS' EQUITY (ROE)

The sound operational and overall profits attributable to shareholders that the Group recorded for 2019 drove a significant year-on-year increase in EPS which was 16.8 sen compared to 4.1 sen in 2018. Consistently, ROE (calculated as PATAMI over average shareholders' equity) increased to 8.5% in 2019 from 2.0% in 2018.

DIVIDENDS

The Group revised its dividend policy for application from the previous financial year, which states that the Company intends to distribute yearly dividends of 40% to 60% from its reported PATAMI. Dividends will be paid depending on overall business and earnings performance, capital commitments, financial conditions, distributable reserves and other relevant financial criteria.

Aligned with the overall improved operational performance of the Group in 2019, the Board of Directors declared on 21 February 2020 a final interim single-tier cash dividend of 10.0 sen per share for the financial year ended 31 December 2019 (2018: interim single-tier cash dividend of 2.0 sen per share). The dividend will be paid on 3 April 2020 to shareholders whose names appear in the Register of Members and Record of Depositors on 9 March 2020.



STATEMENT OF VALUE ADDED

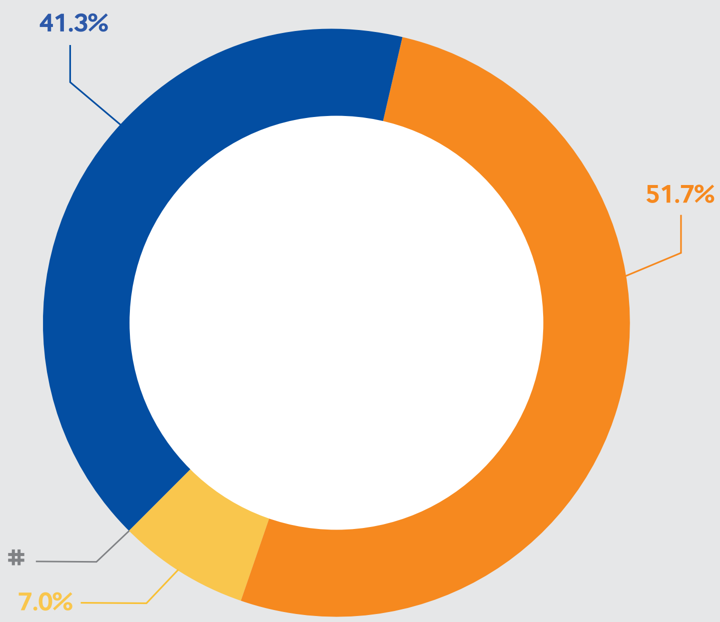
Value added is a measure of wealth created. The following statement shows the Group's value added for 2019 and 2018 and its distribution by way of payments to employees, government/approved agencies and shareholders, with the balance retained in the Group for reinvestment and future growth.

Value Added	2019 RM Million	2018 RM Million
Revenue	**11,434.2**	11,819.3
Purchase of goods and services	**(4,835.9)**	(6,042.4)
Impact arising from the application of MFRS 16	**(841.1)**	-
Impacts arising from the application of MFRS 15 and MFRS 9	**-**	61.0
Value added by the Group	**5,757.2**	5,837.9
Other operating income (net)	**135.7**	131.9
Other (losses)/gains (net)	**(268.6)**	310.9
Finance income	**146.1**	102.3
Finance cost	**(536.8)**	(450.1)
Foreign exchange gain/(loss) on borrowings	**1.1**	(31.3)
Share of results of associate	**15.0**	21.0
Value added available for distribution	**5,249.7**	5,922.6

Distribution	2019 RM Million	2018 RM Million
To Employees		
Employment cost	**2,711.4**	2,439.4
To Government/Approved Agencies		
Tax and Zakat	**367.7**	277.9
To Shareholders		
Dividends	**75.2**	454.7
Non-controlling interests	**(75.3)**	(413.7)
Retained for reinvestment and future growth		
Depreciation, impairment and amortisation	**2,454.3**	3,404.8
Net reduction in retained profits	**(283.6)**	(240.5)
Total distributed	**5,249.7**	5,922.6

DISTRIBUTION OF VALUE ADDED

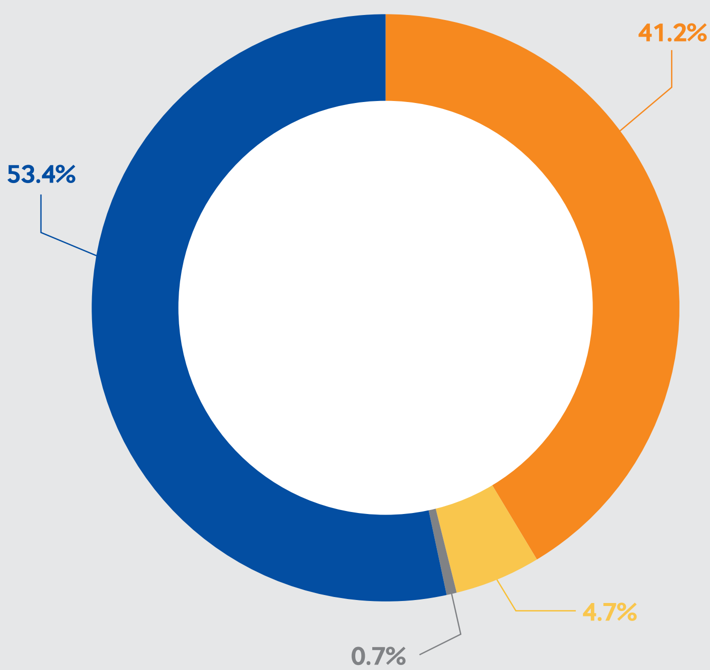
2019



- To Employees - Employment cost
  RM2,711.4 million
- To Government/Approved Agencies – Tax and Zakat
  RM367.7 million
- To Shareholders – Dividends and non-controlling interests
  -RM0.1 million
- Retained for reinvestment and future growth – Depreciation, impairment, amortisation and retained profits
  RM2,170.7 million

Less than 0.1%

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

STATEMENT OF RESPONSIBILITY BY DIRECTORS

In respect of the Audited Financial Statements for the Financial Year Ended 31 December 2019

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, and 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 2019

The Directors wish to submit the audited financial statements of the Group and the Company for the financial year ended 31 December 2019.

PRINCIPAL ACTIVITIES

The principal activities of the Group and the Company are the establishment, maintenance and provision of telecommunications and related services. The details and principal activities of subsidiaries are set out in note 55 to the financial statements. There was no significant change in the principal activities of the Group and the Company during the financial year.

RESULTS

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

	The Group RM Million	The Company RM Million
Profit for the financial year attributable to:		
- equity holders of the Company	632.7	644.7
- non-controlling interests	(75.3)	-
Profit for the financial year	557.4	644.7

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), (e), (i), (j) and note 49(a)(i) to the financial statements.

DIVIDENDS

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

	The Company RM Million
(a) In respect of the financial year ended 31 December 2018, an interim single-tier dividend of 2.0 sen per share was declared on 26 February 2019 and paid on 12 April 2019	75.2

On 29 May 2019, 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(c) to the financial statements) at the Thirty-fourth Annual General Meeting (AGM) until the conclusion of the next AGM.

On 21 February 2020, the Board of Directors declared a final interim single-tier cash dividend of 10.0 sen per share for the financial year ended 31 December 2019. The dividend will be paid on 3 April 2020 to shareholders whose names appear in the Register of Members and Record of Depositors on 9 March 2020.

LONG TERM INCENTIVE PLAN (LTIP)

On 29 September 2016, the Company implemented a LTIP that is enforceable over 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.

DIRECTORS' REPORT
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

LONG TERM INCENTIVE PLAN (LTIP) (CONTINUED)

During the financial year to date, the Company granted shares under the LTIP to eligible employees of the Company and its subsidiaries as detailed below:

Description	Grant Date	Vesting Date	Total TM shares granted	Reference Price Per Unit[1] (RM)
Restricted Shares (RS)	17 June 2019	1 June 2022	15,274,100	4.06
Performance Shares (PS)	17 June 2019	1 June 2022/1 June 2023[2]	1,001,500	4.06
Performance Shares (PS)	20 December 2019	15 December 2022/ 15 December 2023[2]	1,117,800	3.86

[1] Refers to the closing share price at the valuation date of the LTIP.
[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 1 year.

Description of both RS and PS has been disclosed in note 14 to the audited financial statements for the financial year ended 31 December 2019.

SHARE CAPITAL

Shares issued pursuant to LTIP

The number of ordinary shares of the Company increased by 7,742,400 during the financial year ended pursuant to the vesting of shares from the Restricted Shares (RS) Long Term Incentive Plan (LTIP) granted to employees on 1 December 2016 as disclosed in note 14 of the audited financial statements for the financial year ended 31 December 2019.

The number of ordinary shares of the Company was 3,765,677,223 as at 31 December 2019.

Shares issued pursuant to DRS

The Company will be seeking shareholders' approval at the forthcoming Thirty-fifth (35th) 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.

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.

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 Group and the Company had been written down to an amount which the current assets might be expected so to realise.

DIRECTORS' REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

OTHER STATUTORY INFORMATION (CONTINUED)

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 Group and 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 charges on the assets of the Group and 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 Group and 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 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), (e), (i), (j) and note 49(a)(i) to the financial statements; and

(b) there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely to affect substantially the results of any operations of the Group and 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	
Dato' Noor Kamarul Anuar Nuruddin *[Appointed on 13 June 2019]*	
Dato' Asri Hamidin @ Hamidon	Iszad Jeffri Ismail *[Appointed on 5 December 2019]* Faisal @ Pisal Abdul Ghani *[Ceased as alternate director on 26 August 2019]*
Dato' Mohamed Nasri Sallehuddin *[Appointed on 26 August 2019]*	
Dato' Mohd Naim Daruwish	
Datuk Zalekha Hassan	
Tunku Afwida Tunku Dato' A.Malek	
Balasingham A. Namasiwayam	
Hisham Zainal Mokhtar	
Suhendran Sockanathan	
Dato' Ibrahim Marsidi *[Appointed on 12 June 2019]*	
Datuk Bazlan Osman *[Resigned on 28 February 2019]*	
Gee Siew Yoong *[Retired on 29 May 2019]*	
Dr Farid Mohamed Sani *[Resigned on 26 August 2019]*	

DIRECTORS' REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

DIRECTORS (CONTINUED)

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 35th AGM of the Company and being eligible, offer themselves for re-election:

(i) Dato' Noor Kamarul Anuar Nuruddin;
(ii) Dato' Mohamed Nasri Sallehuddin; and
(iii) Dato' Ibrahim Marsidi.

In accordance with Clause 112 of the Company's Constitution, the following Directors shall retire by rotation from the Board at the forthcoming 35th AGM of the Company and being eligible, offer themselves for re-election:

(i) Tunku Afwida Tunku Dato' A.Malek; and
(ii) Balasingham A. Namasiwayam

Datuk Zalekha Hassan who is also retiring by rotation pursuant to Section 112, will not seek re-election and will therefore retire as Director of the Company upon conclusion of the 35th AGM of the Company.

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	Balance at 1.1.2019/ At the Date of Appointment	Acquired	Disposed	Balance at 31.12.2019
Rosli Man*	Indirect	3,000	#700	-	3,700
Dato' Noor Kamarul Anuar Nuruddin	Direct	-	170,000	-	170,000
Balasingham A. Namasiwayam	Direct	16,013	-	-	16,013

* Indirect interest through son's holding, Mohd Azizi Rosli (an employee of TM).
\# The 700 shares acquired was vested from the LTIP granted on 1 December 2016.

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 to the financial statements except for the following:

	Interest	Grant Date	Grant Type	Balance as at 1.1.2019	Granted	Vested	Lapsed	Balance as at 31.12.2019
Rosli Man*	Indirect	1 December 2016	RS	700	-	(700)	-	-
		1 June 2017	RS	700	-	-	-	700
		17 June 2019	RS	-	1,100	-	-	1,100

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

DIRECTORS' REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

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 2019 and the prospect for the coming financial year has been set out in the Management Discussion and Analysis section of the Group's and the Company's Integrated Annual Report for the financial year ended 31 December 2019.

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 21 February 2020.

ROSLI MAN
Director

DATO' NOOR KAMARUL ANUAR NURUDDIN
Director

INCOME STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

All amounts are in million unless otherwise stated	Note	The Group 2019 RM	The Group 2018 RM	The Company 2019 RM	The Company 2018 RM
OPERATING REVENUE	5	**11,434.2**	11,819.3	**10,221.3**	10,524.9
OPERATING COSTS					
- depreciation, impairment and amortisation	6(a)	**(2,454.3)**	(3,404.8)	**(2,212.3)**	(2,278.7)
- net impairment loss on financial and contract assets		**(37.4)**	(183.6)	**(479.0)**	(2,067.3)
- other operating costs	6(b)	**(7,509.9)**	(8,298.2)	**(6,553.7)**	(7,328.5)
OTHER OPERATING INCOME (net)	7	**135.7**	131.9	**313.0**	429.9
OTHER (LOSSES)/GAINS (net)	8	**(268.6)**	310.9	**(34.9)**	(0.1)
OPERATING PROFIT/(LOSS) BEFORE FINANCE COST		**1,299.7**	375.5	**1,254.4**	(719.8)
FINANCE INCOME		**146.1**	102.3	**144.3**	95.7
FINANCE COST		**(536.8)**	(450.1)	**(467.2)**	(420.9)
FOREIGN EXCHANGE GAIN/(LOSS) ON BORROWINGS		**1.1**	(31.3)	**1.6**	(31.8)
NET FINANCE COST	9	**(389.6)**	(379.1)	**(321.3)**	(357.0)
ASSOCIATE					
- share of results (net of tax)	29	**15.0**	21.0	**-**	-
PROFIT/(LOSS) BEFORE TAX AND ZAKAT		**925.1**	17.4	**933.1**	(1,076.8)
TAX AND ZAKAT	10	**(367.7)**	(277.9)	**(288.4)**	(208.2)
PROFIT/(LOSS) FOR THE FINANCIAL YEAR		**557.4**	(260.5)	**644.7**	(1,285.0)
ATTRIBUTABLE TO:					
- equity holders of the Company		**632.7**	153.2	**644.7**	(1,285.0)
- non-controlling interests		**(75.3)**	(413.7)	**-**	-
PROFIT/(LOSS) FOR THE FINANCIAL YEAR		**557.4**	(260.5)	**644.7**	(1,285.0)
EARNINGS PER SHARE (sen)					
- basic	11	**16.8**	4.1		
- diluted	11	**16.7**	4.1		

The above Income Statements are to be read in conjunction with the Notes to the Financial Statements on pages 31 to 145.
Independent Auditors' Report – Pages 147 to 154.

STATEMENTS OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

		The Group		The Company	
All amounts are in million unless otherwise stated	Note	2019 RM	2018 RM	2019 RM	2018 RM
PROFIT/(LOSS) FOR THE FINANCIAL YEAR		**557.4**	(260.5)	**644.7**	(1,285.0)
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)		**(8.2)**	(11.2)	**(8.2)**	(11.2)
Items that may be reclassified subsequently to income statement:					
- increase/(decrease) in fair value of investments at fair value through other comprehensive income (FVOCI)		**2.8**	(0.2)	**2.8**	(0.2)
- reclassification adjustments relating to FVOCI investments disposed	8	**(1.2)**	(0.1)	**(1.2)**	(0.1)
- increase in fair value of receivables at FVOCI		**19.9**	3.7	**19.9**	3.7
- cash flow hedge:					
- (decrease)/increase in fair value of cash flow hedge	20	**(12.1)**	39.4	**(12.1)**	39.4
- change in fair value of currency basis	20	**10.0**	(51.5)	**10.0**	(51.5)
- reclassification to foreign exchange gain/(loss) on borrowings	9	**1.2**	(17.1)	**1.2**	(17.1)
- fair value hedge:					
- increase in fair value of fair value hedge	20	**-**	1.5	**-**	1.5
- currency translation differences					
- subsidiaries		**62.6**	(58.6)	**-**	-
- associate		**0.2**	0.2	**-**	-
Other comprehensive income/(loss) for the financial year		**75.2**	(93.9)	**12.4**	(35.5)
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE FINANCIAL YEAR		**632.6**	(354.4)	**657.1**	(1,320.5)
ATTRIBUTABLE TO:					
- equity holders of the Company		**707.9**	59.3	**657.1**	(1,320.5)
- non-controlling interests		**(75.3)**	(413.7)	**-**	-
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE FINANCIAL YEAR		**632.6**	(354.4)	**657.1**	(1,320.5)

The above Statements of Comprehensive Income are to be read in conjunction with the Notes to the Financial Statements on pages 31 to 145.
Independent Auditors' Report – Pages 147 to 154.

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2019

		The Group		The Company	
		2019	2018	2019	2018
All amounts are in million unless otherwise stated	Note	RM	RM	RM	RM
SHARE CAPITAL	13	**3,698.6**	3,667.1	**3,698.6**	3,667.1
OTHER RESERVES	15	**(79.1)**	(159.3)	**245.9**	230.4
RETAINED PROFITS	16	**3,733.8**	4,017.4	**2,390.0**	2,104.3
TOTAL CAPITAL AND RESERVES ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY		**7,353.3**	7,525.2	**6,334.5**	6,001.8
NON-CONTROLLING INTERESTS		**(800.2)**	(509.7)	**-**	-
TOTAL EQUITY		**6,553.1**	7,015.5	**6,334.5**	6,001.8
Borrowings	17	**7,698.8**	8,337.2	**6,916.1**	7,137.1
Payable to subsidiaries	18	**-**	-	**720.0**	1,133.3
Lease liabilities	19	**1,619.1**	-	**883.9**	-
Derivative financial instruments	20	**1.7**	-	**1.7**	-
Deferred tax liabilities	21	**1,424.1**	1,661.3	**1,386.3**	1,613.6
Deferred income	22	**1,744.1**	1,470.9	**1,731.2**	1,459.3
Trade and other payables	39	**82.4**	21.5	**64.0**	3.9
NON-CURRENT LIABILITIES		**12,570.2**	11,490.9	**11,703.2**	11,347.2
		19,123.3	18,506.4	**18,037.7**	17,349.0
Property, plant and equipment	23	**14,259.5**	15,263.3	**12,555.4**	13,763.6
Investment property	24	**-**	-	**103.6**	105.7
Intangible assets	25	**493.2**	490.0	**-**	-
Right-of-use assets	26	**1,115.2**	-	**923.1**	-
Subsidiaries	27	**-**	-	**1,364.1**	1,357.3
Loans and advances to subsidiaries	28	**-**	-	**15.6**	0.2
Associate	29	**81.1**	74.3	**-**	-
Equity investments at fair value through other comprehensive income (FVOCI)	30(a)	**139.8**	148.0	**139.8**	147.9
Investments at fair value through profit or loss (FVTPL)	30(b)	**49.6**	76.7	**49.6**	76.7
Receivables at fair value through other comprehensive income (FVOCI)	31	**268.0**	239.4	**268.0**	239.4
Other non-current receivables	32	**425.0**	737.7	**303.0**	391.4
Derivative financial instruments	20	**158.4**	254.4	**158.4**	254.4
Deferred tax assets	21	**18.5**	17.9	**-**	-
NON-CURRENT ASSETS		**17,008.3**	17,301.7	**15,880.6**	16,336.6
Inventories	33	**102.0**	134.6	**63.8**	89.4
Non-current assets held for sale	34	**0.6**	18.9	**#**	18.9
Trade and other receivables	36	**2,434.5**	2,405.2	**2,270.7**	2,361.7
Contract assets	5(b)	**641.6**	624.5	**423.0**	413.1
Contract cost assets	35	**219.1**	224.5	**155.7**	158.3
Receivables at fair value through other comprehensive income (FVOCI)	31	**14.3**	13.1	**14.3**	13.1
Investments at fair value through other comprehensive income (FVOCI)	30(c)	**157.8**	147.9	**157.8**	147.9
Investments at fair value through profit or loss (FVTPL)	30(b)	**6.0**	6.0	**6.0**	6.0
Financial assets at fair value through profit or loss (FVTPL)	37	**1.5**	1.8	**1.5**	1.8
Derivative financial instruments	20	**95.6**	-	**95.6**	-
Cash and bank balances	38	**4,918.4**	2,826.3	**4,585.1**	2,556.3
CURRENT ASSETS		**8,591.4**	6,402.8	**7,773.5**	5,766.5
Trade and other payables	39	**3,604.4**	3,610.3	**3,280.5**	3,348.3
Customer deposits	40	**298.0**	352.8	**291.5**	343.5
Contract liabilities	5(c)	**987.4**	907.9	**1,028.2**	960.3
Borrowings	17	**1,034.3**	234.1	**200.2**	11.2
Payable to subsidiaries	18	**-**	-	**412.5**	-
Lease liabilities	19	**295.8**	-	**160.9**	-
Tax and zakat		**256.5**	93.0	**242.6**	90.8
CURRENT LIABILITIES		**6,476.4**	5,198.1	**5,616.4**	4,754.1
NET CURRENT ASSETS		**2,115.0**	1,204.7	**2,157.1**	1,012.4
		19,123.3	18,506.4	**18,037.7**	17,349.0

Amount less than RM0.1 million

The above Statements of Financial Position are to be read in conjunction with the Notes to the Financial Statements on pages 31 to 145.
Independent Auditors' Report – Pages 147 to 154.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

		Attributable to equity holders of the Company										
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	Other Reserve RM	Currency Translation Differences RM	Retained Profits RM	Non-controlling Interests RM	Total Equity RM
As reported at 1 January 2019		3,667.1	-	88.8	28.3	29.7	83.4	(352.9)	(36.6)	4,017.4	(509.7)	7,015.5
Impact arising from the application of:												
- MFRS 16	54	-	-	-	-	-	-	-	-	(841.1)	(215.2)	(1,056.3)
As restated at 1 January 2019		3,667.1	-	88.8	28.3	29.7	83.4	(352.9)	(36.6)	3,176.3	(724.9)	5,959.2
Profit/(loss) for the financial year		-	-	-	-	-	-	-	-	632.7	(75.3)	557.4
Other comprehensive income												
Items that will not be reclassified subsequently to income statement:												
- decrease in fair value of equity investments at FVOCI		-	-	(8.2)	-	-	-	-	-	-	-	(8.2)
Items that may be reclassified subsequently to income statement:												
- increase in fair value of investments at FVOCI		-	-	2.8	-	-	-	-	-	-	-	2.8
- reclassification adjustments relating to FVOCI investments disposed	8	-	-	(1.2)	-	-	-	-	-	-	-	(1.2)
- increase in fair value of receivables at FVOCI		-	-	19.9	-	-	-	-	-	-	-	19.9
- cash flow hedge												
- decrease in fair value of cash flow hedge	20	-	-	-	(12.1)	-	-	-	-	-	-	(12.1)
- change in fair value currency basis	20	-	-	-	-	10.0	-	-	-	-	-	10.0
- reclassification to foreign exchange gain on borrowings	9	-	-	-	1.2	-	-	-	-	-	-	1.2
- currency translation differences												
- subsidiaries		-	-	-	-	-	-	-	62.6	-	-	62.6
- associate		-	-	-	-	-	-	-	0.2	-	-	0.2
Total comprehensive income/(loss) for the financial year		-	-	13.3	(10.9)	10.0	-	-	62.8	632.7	(75.3)	632.6
Transactions with owners:												
Interim dividend paid for the financial year ended 31 December 2018	12	-	-	-	-	-	-	-	-	(75.2)	-	(75.2)
Long Term Incentive Plan (LTIP):												
- ordinary shares granted**	14, 15	-	-	-	-	-	36.5	-	-	-	-	36.5
- transfer from LTIP reserve upon issuance of shares on vesting		31.5	-	-	-	-	(31.5)	-	-	-	-	-
Total transactions with owners		31.5	-	-	-	-	5.0	-	-	(75.2)	-	(38.7)
At 31 December 2019		**3,698.6**	**-**	**102.1**	**17.4**	**39.7**	**88.4**	**(352.9)**	**26.2**	**3,733.8**	**(800.2)**	**6,553.1**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

All amounts are in million unless otherwise stated	Note	Attributable to equity holders of the Company: 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	Other Reserve RM	Currency Translation Differences RM	Retained Profits RM	Non-controlling Interests RM	Total Equity 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		-	-	-	-	-	-	-	-	74.1	(0.9)	73.2
- MFRS 9		-	(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)
- reclassification adjustments relating to FVOCI investments disposed	8	-	-	(0.1)	-	-	-	-	-	-	-	(0.1)
- increase in fair value of receivables at FVOCI		-	-	3.7	-	-	-	-	-	-	-	3.7
- cash flow hedge												
- increase in fair value of cash flow hedge	20	-	-	-	39.4	-	-	-	-	-	-	39.4
- change in fair value currency basis	20	-	-	-	-	(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	20	-	-	-	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

* 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 above Consolidated Statement of Changes in Equity are to be read in conjunction with the Notes to the Financial Statements on pages 31 to 145.
Independent Auditors' Report – Pages 147 to 154.

COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

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	Retained Profits RM	Total Equity RM
At 1 January 2019		**3,667.1**	**-**	**88.8**	**28.3**	**29.7**	**83.6**	**2,104.3**	**6,001.8**
Impact arising from the application of:									
- MFRS 16	54	**-**	**-**	**-**	**-**	**-**	**-**	**(283.8)**	**(283.8)**
As restated at 1 January 2019		**3,667.1**	**-**	**88.8**	**28.3**	**29.7**	**83.6**	**1,820.5**	**5,718.0**
Profit for the financial year		**-**	**-**	**-**	**-**	**-**	**-**	**644.7**	**644.7**
Other comprehensive income									
Items that will not be reclassified subsequently to income statement:									
- decrease in fair value of equity investments at FVOCI		**-**	**-**	**(8.2)**	**-**	**-**	**-**	**-**	**(8.2)**
Items that may be reclassified subsequently to income statement:									
- increase in fair value of investments at FVOCI		**-**	**-**	**2.8**	**-**	**-**	**-**	**-**	**2.8**
- reclassification adjustments relating to FVOCI investments disposed	8	**-**	**-**	**(1.2)**	**-**	**-**	**-**	**-**	**(1.2)**
- increase in fair value of receivables at FVOCI		**-**	**-**	**19.9**	**-**	**-**	**-**	**-**	**19.9**
- cash flow hedge									
- decrease in fair value of cash flow hedge	20	**-**	**-**	**-**	**(12.1)**	**-**	**-**	**-**	**(12.1)**
- change in fair value currency basis	20	**-**	**-**	**-**	**-**	**10.0**	**-**	**-**	**10.0**
- reclassification to foreign exchange gain on borrowings	9	**-**	**-**	**-**	**1.2**	**-**	**-**	**-**	**1.2**
Total comprehensive income/(loss) for the financial year		**-**	**-**	**13.3**	**(10.9)**	**10.0**	**-**	**644.7**	**657.1**
Transactions with owners:									
Interim dividend paid for the financial year ended 31 December 2018	12	**-**	**-**	**-**	**-**	**-**	**-**	**(75.2)**	**(75.2)**
Long Term Incentive Plan (LTIP):									
- ordinary shares granted	14, 15	**-**	**-**	**-**	**-**	**-**	**34.6**	**-**	**34.6**
- transfer from LTIP reserve upon issuance of shares on vesting		**31.5**	**-**	**-**	**-**	**-**	**(31.5)**	**-**	**-**
Total transactions with owners		**31.5**	**-**	**-**	**-**	**-**	**3.1**	**(75.2)**	**(40.6)**
At 31 December 2019		**3,698.6**	**-**	**102.1**	**17.4**	**39.7**	**86.7**	**2,390.0**	**6,334.5**

COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

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	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		-	-	-	-	-	-	96.9	96.9
- MFRS 9		-	(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)
- reclassification adjustments relating to FVOCI investments disposed	8	-	-	(0.1)	-	-	-	-	(0.1)
- increase in fair value of receivables at FVOCI		-	-	3.7	-	-	-	-	3.7
- cash flow hedge									
- increase in fair value of cash flow hedge	20	-	-	-	39.4	-	-	-	39.4
- change in fair value currency basis	20	-	-	-	-	(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	20	-	-	-	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:									
Second interim dividend paid for the financial year ended 31 December 2017	12	-	-	-	-	-	-	(454.7)	(454.7)
Long Term Incentive Plan (LTIP):									
- ordinary shares granted	14, 15	-	-	-	-	-	45.2	-	45.2
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

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

The above Company Statement of Changes in Equity are to be read in conjunction with the Notes to the Financial Statements on pages 31 to 145. Independent Auditors' Report – Pages 147 to 154.

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

All amounts are in million unless otherwise stated	Note	The Group 2019 RM	The Group 2018 RM	The Company 2019 RM	The Company 2018 RM
CASH FLOWS FROM OPERATING ACTIVITIES	41	**3,502.0**	2,585.1	**2,800.5**	2,657.8
CASH FLOWS USED IN INVESTING ACTIVITIES	42	**(1,184.3)**	(1,476.9)	**(532.9)**	(1,363.0)
CASH FLOWS USED IN FINANCING ACTIVITIES	43	**(284.8)**	(82.1)	**(300.9)**	(141.5)
NET INCREASE IN CASH AND CASH EQUIVALENTS		**2,032.9**	1,026.1	**1,966.7**	1,153.3
EFFECT OF EXCHANGE RATE CHANGES		**(3.3)**	11.4	**(0.5)**	11.4
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR		**2,756.5**	1,719.0	**2,487.2**	1,322.5
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR	38	**4,786.1**	2,756.5	**4,453.4**	2,487.2

The above Statements of Cash Flows are to be read in conjunction with the Notes to the Financial Statements on pages 31 to 145.
Independent Auditors' Report – Pages 147 to 154.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

All amounts are in million unless otherwise stated

1. PRINCIPAL ACTIVITIES

The principal activities of the Group and the Company are the establishment, maintenance and provision of telecommunications and related services. The details and principal activities of subsidiaries are set out in note 55 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 the Company have been prepared in accordance with the Malaysian Financial Reporting Standards (MFRS), International Financial Reporting Standards (IFRS) 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's and the 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 assumptions and estimates 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's and the Company's financial year beginning 1 January 2019

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 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

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's and the Company's significant accounting policies other than MFRS 16 as disclosed below.

MFRS 16 Leases

MFRS 16 "Leases (which is equivalent to IFRS 16)" replaces MFRS 117, which requires lessees of operating leases to recognise right-of-use assets and lease liabilities under an on-balance sheet accounting model that is similar to current finance lease accounting. The Group's and the Company's financial statements and key financial ratios are 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 the 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 the Company assess whether:

- the contract involves the use of an identified asset;
- the Group and the 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 the Company has the right to direct the use of the asset. The Group and the 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

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's and the Company's financial year beginning 1 January 2019 (continued)

MFRS 16 Leases (continued)

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

The Group and the Company applied MFRS 16 for the first time in the 2019 financial statements with the initial date of application of 1 January 2019 using the simplified modified retrospective transition approach and therefore the comparative information was not 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 cumulative impact of applying MFRS 16 for the leasing contracts assessed to be relevant to MFRS 16 as at 1 January 2019 was adjusted to the Group's and the Company's retained earnings as at 1 January 2019.

As a lessee, the Group and the 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 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 asset 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 the Company. The right-of-use assets are reviewed for impairment under MFRS 136 "Impairment of Assets" at the date of initial application.

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's and the Company's incremental borrowing rate. Generally, the Group and the Company use its incremental borrowing rate as the discount rate. Subsequently, the lease liability is re-measured when there is a change in the Group's and the Company's estimates of future lease payments arising from changes in circumstances relating to the contract if the Group and the Company changes its assessment of whether it will exercise a purchase, extension or termination options, or when adjustments to lease payments based on an index or rate take effect.

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.

The Group and the Company has elected not to 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 the 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 the Company applying MFRS 16 as at 1 January 2019 reduced the Group's and the Company's retained earnings due to the front-loading impact of the interest charges imputed under MFRS 16 for a given lease arrangement as interest and depreciation charges combined for a particular lease over the earlier part of a lease period would be more than 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's and the Company's net current asset as the lease payments for the coming 12 months are recognised as current liabilities whilst's the corresponding right-of-use assets for the affected leases remain classified as non-current assets.

The new significant accounting policies arising from the application of MFRS 16 applicable for financial year ended 31 December 2019 onwards have been set out in note 2(q) to the financial statements whilst the financial impact of applying these standards and significant changes are disclosed in note 54 to the financial statements.

In December 2019, IFRS Interpretations Committee ("IFRIC") published its November 2019 Agenda Decision (IFRIC Agenda Decision) in respect of the interaction between the useful life of non removable leasehold improvements under MFRS 116 "Property, Plant and Equipment" ("MFRS 116") and the lease term of the underlying asset under MFRS 16. The key points from the Agenda Decision are as follows:

- The existence of any non removable leasehold improvement is critical and linked to assessing the enforceable period of the cancellable or renewable lease. The broader economics of the contract should be considered when determining the enforceable period of the lease.
- If the lease term of the related lease is shorter than the economic life of non removable leasehold improvements, the lessee should consider whether it expects to use the leasehold improvements beyond that lease term. The IFRIC observed that an entity might often reach this conclusion for leasehold improvements that the entity will use and benefit from only for as long as it uses the underlying asset in the lease.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

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's and the Company's financial year beginning 1 January 2019 (continued)

MFRS 16 Leases (continued)

The Group and the Company will continue to review the lease term and the useful life of certain assets in line with the IFRIC Agenda Decision. Given the large volume of leases with different terms and conditions, the Group and the Company will reflect any policy change (if at all necessary) at a future point, retrospectively.

Other Standards Effective 1 January 2019

- Amendments to MFRS 3 "Business Combinations" 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.

- 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 9 "Financial Instruments" provides specific guidance on how to account financial assets with prepayment features that may result in reasonable negative compensation for the early termination.

- 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.

- 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.

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

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
Amendments to MFRS 3	Definition of a Business
Amendments to MFRS 101 and MFRS 108	Definition of Material
Amendments to MFRS 9, MFRS 139 & MFRS 7	Interest Rate Benchmark Reform

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

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 not yet effective and have not been early adopted by the Group and the Company (continued)

- 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.

- Amendments to MFRS 3 "Business Combinations" narrowed and clarified the definition of a business to focus on goods and services provided to customers, generating investment income and other income, and it excludes returns in the form of lower costs and other economic benefits. The amendments also add an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business.

- Amendments to MFRS 101 "Presentation of Financial Statements" and MFRS 108 "Accounting Policies, Changes in Accounting Estimates and Errors" refine definition of material by including "obscuring information" to address situations in which the effect is similar to omitting or misstating that information. It also clarifies that an entity assesses materiality in the context of the financial statements as a whole. The amendment further clarifies the meaning of "primary users of general purpose financial statements" to whom those financial statements are directed, by defining them as "existing and potential investors, lenders and other creditors" that must rely on general purpose financial statements for much of the financial information they need.

- The amendments to MFRS 9 "Financial Instruments", MFRS 139 "Financial Instruments: Recognition and Measurement" & MFRS 7 "Financial Instruments: Disclosures" modify some specific hedge accounting requirements to provide relief from potential effects of the uncertainty caused by the Interest Rate Benchmark Reform. The amendments also required companies to provide additional information to investors about their hedging relationships, which are directly affect by these uncertainties.

- 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 MFRS 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 the Company, save for changes from MFRS 9 and 7 for which the Group and the Company are still assessing.

(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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Economic Entities in the Group (continued)

(i) Subsidiaries (continued)

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.

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 and fair value of any pre-existing equity interest in the subsidiary. Acquisition-related costs are expensed as incurred.

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

If a business combination is achieved in stages, the previously held equity interest in the acquiree is remeasured at its acquisition-date fair value and the resulting gains or losses arising from such remeasurement are 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. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the accounting policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the Consolidated Income Statement, Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Financial Position respectively.

When the Group ceases to consolidate because of a loss of control, 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 becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are reclassified to 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 nor jointly control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Significant influence is the power to participate in the financial and operating policy decisions of the associates but not control over those policies.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Economic Entities in the Group (continued)

(iii) Associates (continued)

Investments in associates are accounted for in the consolidated financial statements using the equity method of accounting and are initially recognised at cost. 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. Dividend received or receivable from an associate recognised as a reduction in the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any long term interest that, in substance, form part of the Group's net investment in the associate, the Group does not recognise further losses, unless the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and presents 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.

When the Group ceases to equity account its associate because of a loss of 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 becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as a financial asset. In addition, any amounts previously recognised in other comprehensive income are reclassified to Consolidated Income Statement.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

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, the Group determines the costs of investment by accumulating the cost of all purchases (including the related transaction costs). The Group does not revalue its previously owned share of net assets to fair value. Any existing revaluation reserve in equity for previously held interest is reclassified within equity. Share of profits (after dividends) together with share of reserves relating to the previously held interest are added to cost of investment. Goodwill is determined on acquisition date, based on the difference between the cost of the investment (which comprise of both fair value of consideration transferred for additional interest and cost of purchases of interest previously held) and the Group's share of fair value of the associate's net assets.

(c) Investments in Subsidiaries and Associates in Separate Financial Statements

Investments in subsidiaries and associates are stated at cost less accumulated impairment losses in the Company's separate financial statements. 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

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(p)(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 depreciated over the period of its respective lease and is classified as long-term lease if it has an unexpired lease period of 50 years and above. Other property, plant and equipment are depreciated on a straight line basis to allocate 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. All these materials are charged to the Income Statement as and when they are being ultilised. 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.

(iii) Impairment

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

(iv) Gains or Losses on Disposal

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

(v) Asset Exchange Transaction

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

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

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

(vi) Repairs and Maintenance

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Investment Properties

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

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

Building	40
Freehold land	Not depreciated as it has 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. Gains or losses on disposals are 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 aggregate of fair value of consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of any previously equity interest in the acquiree over the fair value of the net identifiable assets acquired and liabilities assumed including contingent liabilities at the date of acquisition. If the fair value of the consideration transferred, the amount of non-controlling interest and the fair value of previously held interest in the acquiree are less than the fair value of the net identifiable assets of the acquiree, the resulting gain is recognised in the Consolidated Income Statement.

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.

For the purpose of impairment testing, goodwill is allocated to each of the cash-generating units (CGUs), or groups of CGUs, that is expected to benefit from the synergies of the combination. 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. Goodwill is monitored at operating segment level. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value-in-use and the fair value less cost of disposal. Any impairment is recognised immediately as an expense and not subsequently reversed.

(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. It is subjected for impairment review on an annual basis or whenever adverse events or changes in circumstances indicate that impairment may have occurred.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Impairment of Non-Financial Assets

Assets that have an indefinite useful life, for example goodwill or intangible assets not ready to use, 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.

(h) Financial Assets

Financial assets – classification and measurement

(i) Classification

The Group and the Company classify their financial assets in the following measurement categories:

- Those to be measured subsequently at fair value (either through other comprehensive income (FVOCI) 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).

<u>Debt instruments</u>

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

(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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Financial Assets (continued)

Financial assets – classification and measurement (continued)

(iii) Measurement (continued)

(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.

(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.

Offsetting Financial Instruments

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

Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. Other receivables generally arise from transactions outside the usual operating activities of the Group and the Company. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, where they are recognised at fair value plus transaction costs. Other receivables are recognised initially at fair value plus transaction costs. Transaction costs include transfer taxes and duties.

After recognition, trade and other receivables are subsequently measured at amortised cost using the effective interest method, less loss allowance (refer to Significant Accounting Policies note 2(i) on Impairment of Financial Assets).

(i) Impairment of Financial Assets

(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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Impairment of Financial Assets (continued)

(a) Subsequent measurement – Impairment (continued)

Impairment for debt instruments and financial guarantee contracts (continued)

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

- Trade receivables
- Other receivables
- Loans to subsidiaries
- Contract assets
- Receivables at FVOCI
- Financial guarantee contracts

While cash and cash equivalents are also subject to the impairment requirements of MFRS 9, the identified impairment loss is 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 the 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 receivables other than trade and contract assets

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 and contract assets

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.

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 behavior 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Impairment of Financial Assets (continued)

(a) Subsequent measurement – Impairment (continued)

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

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.

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 the 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 prolonged period.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Derivative Financial Instruments and Hedging Activities

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 the 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 the 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 expires or is sold or terminated, 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.

(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 rather than through continuing use and the sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell.

An impairment loss is recognised for any initial or subsequent write-down of the asset to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset, but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset is recognised at the date of derecognition.

Non-current assets are not depreciated or amortised while they are classified as held for sale. Non-current assets classified as held for sale are presented separately from the other assets in the Statement of Financial Position.

If a non-current asset ceases to be classified as held for sale, it is stated at the lower of carrying amount before the asset was classified as held for sale, adjusted for any depreciation or amortisation that would have been recognised had the asset not been classified as held for sale and its recoverable amount at the date of subsequent decision not to sell.

Any adjustment to the carrying amount of a non-current asset that ceases to be classified as held for sale is recognised in the Income Statement in the period in which the criteria for the non-current asset to be classified as held for sale are no longer met.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) Cash and Cash Equivalents

For the purpose of the Statement of Cash Flows, cash equivalents are held for the purpose of meeting short-term cash commitment rather than for investment or other purposes. 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 that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value. Deposits held as pledged securities for term loans granted are not included as cash and cash equivalents.

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

(p) 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. Trade payables 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 and the Company 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) Financial Liabilities (continued)

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

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

(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 redemption value of the put option is measured at amortised cost, using the effective interest rate method, in order to accrete the liability up to the amount payable under the option at the date at which it first becomes exercisable. In the event that the option expires unexercised, the put option liability is de-recognised with a corresponding adjustment to equity.

(q) Leases

(a) Accounting by lessee

Accounting policies applied up to 31 December 2018

(i) Finance Leases

Until 31 December 2018, leases of assets where the Group and the Company 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 and 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.

Accounting policies effective 1 January 2019

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

Contracts may contain both lease and non-lease components. The Group and the Company allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases such as properties and customer premise equipment (CPE) for which the Group and the Company is a lessee, it has elected the practical expedient provided in MFRS 16 not to separate lease and non-lease components. Both components are accounted for as a single lease component and payments for both components are included in the measurement of lease liability.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(q) Leases (continued)

(a) Accounting by lessee (continued)

Accounting policies effective 1 January 2019 (continued)

(i) Lease Term

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

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

(ii) Right-of-Use Assets

ROU assets are initially measured at cost comprising the following:
- The amount of the initial measurement of lease liability;
- Any lease payments made at or before the commencement date less any lease incentive received;
- Any initial direct costs; and
- Decommissioning or restoration costs.

ROU assets that are not investment properties are subsequently measured at cost, less accumulated depreciation and impairment loss (if any). The ROU assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight line basis. If the Group and the Company is reasonably certain to exercise a purchase option, the ROU asset is depreciated over the underlying asset's useful life.

In addition, the ROU assets are adjusted for certain remeasurement of the lease liabilities due to modification and termination of lease contracts.

(iii) Lease Liabilities

Lease liabilities are initially measured at the present value of the lease payments that are not paid at that date. The lease payments include the following:
- Fixed payments (including in-substance fixed payments), less any lease incentive receivables;
- Variable lease payments that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
- Amounts expected to be payable by the Group and the Company under residual value guarantees;
- The exercise price of a purchase and extension options if the Group and the Company is reasonably certain to exercise that option; and
- Payments of penalties for terminating the lease, if the lease term reflects the Group and the Company exercising that option.

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

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. Variable lease payments that depend on sales are recognised in profit or loss in the period in which the condition that triggers those payments occurs.

The Group and the Company present the lease liabilities as a separate line item in the Statement of Financial Position. Interest expense on the lease liability is presented within the finance cost in the Income Statement.

(iv) Reassessment of lease liabilities

The Group and the Company are also exposed to potential future increases in variable lease payments that depend on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is remeasured and adjusted against the ROU assets.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(q) Leases (continued)

(a) Accounting by lessee (continued)

Accounting policies effective 1 January 2019 (continued)

(v) Short-Term Leases & Low Value Assets

Short-term leases are leases with a lease term of 12 months or less. Low-value assets are those with individual asset cost of less than RM25,000 and comprise IT equipment and small items of office furniture. Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight line basis as an expense in profit or loss.

(vi) Impairment

At each reporting date, the Group and the Company 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).

(b) Accounting by lessor

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

Finance leases

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

The Group and the Company derecognises the underlying asset and recognises a receivable at an amount equal to the net investment in a finance lease. Net investment in a finance lease is measured at an amount equal to the sum of the present value of lease payments from lessee and the unguaranteed residual value of the underlying asset. Initial direct costs are also included in the initial measurement of the net investment. The net investments is subject to MFRS 9 impairment (refer to Significant Accounting Policies note 2(i) on Impairment of Financial Assets). In addition, the Group and the Company reviews regularly the estimated unguaranteed residual value.

Lease income is recognised over the term of the lease using the net investment method so as to reflect a constant periodic rate of return. The Group and the Company revises the lease income allocation if there is a reduction in the estimated unguaranteed residual value.

Operating leases

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

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

When assets are leased out under an operating lease, the asset is included in the Statement of Financial Position based on the nature of the asset. Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of underlying asset and recognised as an expense over the lease term on the same basis as lease income.

Sublease classification

Until the financial year ended 31 December 2018, when the Group or the Company was an intermediate lessor, the subleases were classified as finance or operating leases by reference to the underlying assets.

From 1 January 2019, when the Group or the Company is an intermediate lessor, it assesses the lease classification of a sublease with reference to the ROU asset arising from the head lease, not with reference to the underlying asset. If a head lease is short-term lease to which the Group and the Company applies the exemption described above, then it classifies the sublease as an operating lease.

Separating lease and non-lease components

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(r) 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.

(s) Income Taxes

Tax expense for the period comprises current and deferred income tax. 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. Tax is recognised in the Income Statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company and its subsidiaries, and associates operate and generate taxable income.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities. This liability is measured using the single best estimate of the most likely outcome.

Deferred tax is recognised in full, using the liability method, on temporary differences arising between the amounts attributed to assets and liabilities for tax purposes and their carrying amounts in the financial statements. However, deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit nor loss. Deferred tax is determined using tax rates (and tax laws) that have been enacted or substantially enacted by the reporting date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

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

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

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

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

(t) Provisions

Provisions are recognised when the Group or the Company 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(u) 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 "Provisions, Contingent Liabilities and Contingent Assets" and the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with MFRS 15 "Revenue from Contracts with Customers".

(v) Revenue Recognition

(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 the unifi, TM ONE and TM GLOBAL segments of the Group's and the 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.

(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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(v) Revenue Recognition (continued)

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

(c) Revenue from Other telecommunication related services

Revenue from Other telecommunication related services mainly comprises 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 telecommunication 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's and the Company's performance in satisfying the performance obligation:
- direct measurements of the value transferred by the Group or the 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.

(ii) Revenue from other sources

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. 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).

(w) Contracts with Customers

(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 the Company expects to receive for the specific contract that the costs relate to.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(w) Contracts with Customers (continued)

(ii) Contract Assets

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

(iii) Contract Liabilities

The Group's and the Company's obligation to transfer goods or services to a customer for which the Group and the 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's and the 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.

(x) Employee Benefits

(i) Short Term Employee Benefits

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

(ii) Defined Contribution Plans

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

(iii) Termination Benefits

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

(iv) Share-based Compensation

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

  The fair value of the employee services received in exchange for the grant of shares to employees of the Group and the Company are recognised as an expense in the Income Statement 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 the Company are recognised at the fair value of the liability incurred, as expense in the Income Statement 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 and the Company revise 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(x) Employee Benefits (continued)

(iv) Share-based Compensation (continued)

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).

(y) Foreign Currencies

(i) Functional and Presentation Currency

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

(ii) Transactions and Balances

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

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

(iii) Group Companies

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

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

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

(z) Segment Reporting

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

Further disclosures on Segment Reporting are set out in note 47 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

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

(a) Accounting for Contracts with Customers

Certain estimates were made in applying MFRS 15 for the Group and the 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 the 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 SSP 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.

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

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

Further detail on assumptions and estimates applied in arriving to the RM129.0 million (2018: RM982.5 million) and RM128.1 million (2018: RM209.3 million) impairment losses on property, plant and equipment recognised at the Group and the Company during the respective financial year ended are as disclosed in note 23(b) to the financial statements. Impairment at the Company during the previous financial year for investment in subsidiaries amounting to RM402.6 million are disclosed in note 6(b) and 27 to the financial statements.

(d) Impairment of Goodwill

The Group tests goodwill for impairment annually in accordance with its accounting policy or whenever events or changes in circumstances indicate that this is necessary. The assumptions used, results and conclusion of the impairment assessment are stated in note 25(a) to the financial statements.

(e) Impairment of Receivables

The Group and the 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.

The Group and the Company 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 the Company uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's and the 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.

(f) Useful Life of Intangibles Asset Acquired through Business Combination

The useful life over which intangible asset acquired through business combination 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. In respect of telecommunication spectrum as disclosed in note 25 and 25(b) to the financial statements, the Group expects to continue utilising the spectrum and to be able to renew the annual assignment accordingly. This will be reassessed should there be any changes on the spectrum allocation by the Malaysian Government and Malaysian Communications and Multimedia Commission (MCMC).

(g) Accounting for Leases

Certain estimates were made in applying MFRS 16 for the Group and the Company effective from 1 January 2019. These estimates were made on incremental borrowing rate, extension and termination options took into consideration the circumstances and information that were available at the reporting date. Accordingly, the Group and the Company will continue to refine these estimates, where applicable.

Areas of Estimates	Basis of Estimates
(i) Measurement of lease liability using incremental borrowing rate	The incremental borrowing rate is determined based on interest rate for the list of AAA rated bonds issued in the current year and will be adjusted based on factors such as credit risk specific to the respective entities, country risk and collateralised elements that are applicable to each lease. The incremental borrowing rate is reviewed on a semi-annual basis.
(ii) Determination of the extension and termination option	In determining the lease term, the Group considers all facts and circumstances that create an economic incentive to exercise an extension option, or not to exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not to be terminated).

(h) 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.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. Provisions are established, where appropriate, on the basis of amounts expected to be paid to the tax authorities. Where relevant, this is measured using the single best estimate of the most likely outcome, considering strategic and commercial interest and substance of the circumstances surrounding such positions.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(h) Taxation (continued)

(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.

(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 equity investments at FVOCI and investments at FVOCI that are not traded in an active market by using the net tangible assets and the discounted cash flow methods respectively. In estimating the fair value of the redemption amount of put options and medium term notes subscription that are exchangeable with 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.

During the current financial year, the Group recognised a RM233.7 million fair value loss on the Exchangeable Medium Term Notes as disclosed in note 32(iv) to the financial statements. The notes, carried at fair value to profit and loss are valued based on the residual equity value of the entity shares against which they are exchangeable with. This was estimated by applying a valuation approach consistent to that outlined above.

The summary of financial instruments by category is disclosed in note 48 to the financial statements. The valuation of such financial instruments is further discussed in note 49 to the financial statements.

(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 Communications and Multimedia Commission (MCMC) on 20 December 2017 subsequently resulted to the Group and the Company engaging MCMC in a series of discussions, clarifications and negotiations to determine the impact and scope of the Determination to the Group and the Company.

The Group and the Company had, in the previous financial year, 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's and the Company's revenue respectively under the Global segment, from 1 January 2018 to 31 December 2018. During the current financial year, a decision issued by MCMC over access dispute between the Company and an access seeker had an outcome that was in favour of the Company. On this basis, RM154.8 million and RM185.4 million of the provisions previously recognised in the Group and the Company have been reversed.

4. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

(a) Financial Risk Factors

The main risks arising from the Group's and the Company'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 and the Company's overall risk management seeks to minimise potential adverse effects of these risks on the financial performance of the Group and the Company.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

4. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(a) Financial Risk Factors (continued)

(i) Market Risk

- Foreign Exchange Risk

The Group's and the Company's foreign exchange risk refer 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 and the Company's objective is to mitigate foreign exchange exposure to an acceptable level against pre-determined limits and impact to the Income Statement. The Group and the Company monitor their 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 and the Company's policy require 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 and the Company 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 17.7% (2018: 18.1%) and 18.8% (2018: 18.7%) of the Group's and the Company's total borrowings as at 31 December 2019.

Based on the borrowings position as at 31 December 2019, if the Ringgit Malaysia had weakened/strengthened by 5.0% against the US Dollar with all other variables held constant, the post-tax profit and equity for the financial year for the Group and the Company would have been lower/higher by approximately RM118.8 million (2018: RM118.9 million) (before hedging) and RM77.5 million (2018: RM77.6 million) (after hedging) as a result of foreign exchange losses or gains on translation of US Dollar denominated borrowing.

- Price Risk

The Group and the Company are exposed to equity and fixed income securities price risk arising from investments as reflected on the Statement of Financial Position, classified either as equity investments at fair value through profit or loss or fair value through OCI. The Group and the Company are not exposed to commodity price risk. The quoted equity securities portfolio of the Group and the Company have decreased to RM1.5 million as at 31 December 2019 from RM1.8 million at the end of 2018 due to decline in market value for the existing portfolio.

Based on the quoted equity securities portfolio as at 31 December 2019, if Bursa Malaysia equity index move by 5.0%, with all other variables remain constant, the Group's and the Company's post-tax profit for the financial year would have been impacted by approximately RM0.05 million (2018: RM0.1 million).

For fixed income securities, the Group and the Company invest in bonds of certain ratings. Rating downgrades would trigger disposals of the particular security at suitable prices and subject to prevailing market condition.

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 and the Company have cash and short term deposits and fixed income securities that are exposed to interest rate movement. The Group and the Company manage their interest rate risk on cash and short term deposits through allocation in suitable tenure. While on fixed income securities, the Group and the Company apply 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 2019 were RM4,229.4 million (2018: RM2,164.5 million) and RM157.8 million (2018: RM147.9 million). The Company's investments in money market and fixed income securities as at 31 December 2019 were RM4,163.2 million (2018: RM2,092.6 million) and RM157.8 million (2018: RM147.9 million). 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 of the Group and the Company would correspondingly move by approximately RM10.6 million (2018: RM5.4 million) and RM10.4 million (2018: RM5.2 million) while the net asset value of the fixed income portfolio of the Group and the Company would inversely move by approximately RM2.0 million (2018: RM1.8 million).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

4. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(a) Financial Risk Factors (continued)

(i) Market Risk (continued)

- Interest Rate Risk (continued)

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

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

The Group and the Company have entered into interest rate swap transactions with creditworthy financial institutions. Based on the hedging position as at 31 December 2019, the Group's and the Company's interest rate profiles after hedging, were both at 100% fixed interest rate (2018: 100% fixed interest rate). As such, the Group and the Company would not be affected by any hike in the OPR. This was also the position as at the end of the previous financial year.

(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 and the Company's business, customers are mainly segregated according to business segments. The Group and the Company have 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 and the Company obtains deposits or bank guarantees from customers to be held as collaterals.

Expected Credit Loss (ECL)

The Group and the 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 the 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	• Real Gross Domestic Product and USD/RM Exchange Rate • Real Gross Domestic Product and Malaysian Consumer Price Index
TM ONE	• Malaysian Consumer Price Index • USD/RM Exchange Rate
Global Business	• Unemployment Rate and USD/RM Exchange Rate • Malaysia Three Month Interbank Rate

No significant changes to estimation techniques or assumptions were made during the current financial year compared to those applied in the previous financial year.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

4. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(a) Financial Risk Factors (continued)

(ii) Credit Risk (continued)

Expected Credit Loss (ECL) (continued)

(a) Measurement of ECL (continued)

(ii) Receivables other than trade and contract assets – General 3-stages approach

The Group and the Company use the 3-stages approach for the ECL on receivables other than trade and contract assets. 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.

(b) Reconciliation of loss allowance

(i) Trade receivables and contract assets – simplified approach

The loss allowance for trade receivables and contract assets as at 31 December 2019 and 31 December 2018 reconcile to the opening loss allowance for that provision as follows:

	The Group		The Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Opening loss allowance as at 1 January	**1,074.5**	998.4	**759.4**	589.2
Reclassification to other receivables	**(39.5)**	-	**(39.5)**	-
	1,035.0	998.4	**719.9**	589.2
Increase in loss allowance recognised in profit or loss during the year	**53.4**	162.9	**270.9**	224.3
Receivables written off	**(81.8)**	(80.4)	**(74.2)**	(47.7)
At 31 December	**1,006.6**	1,080.9	**916.6**	765.8

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

4. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(a) Financial Risk Factors (continued)

(ii) Credit Risk (continued)

Expected Credit Loss (ECL) (continued)

(b) Reconciliation of loss allowance (continued)

(ii) Receivables other than trade and contract assets – General 3-stages approach

The loss allowance for receivables other than trade and contract assets as at 31 December 2019 and 31 December 2018 reconcile to the opening loss allowance as follows:

The Group	Performing RM	Under-performing RM	Non-performing RM	Total RM
At 1 January 2019	**4.2**	**2.0**	**91.0**	**97.2**
Reclassification from trade receivables	**3.4**	**13.2**	**22.9**	**39.5**
	7.6	**15.2**	**113.9**	**136.7**
New/originating financial assets	**1.5**	**-**	**-**	**1.5**
Additional impairment on existing financial assets	**-**	**-**	**5.8**	**5.8**
Write-off	**-**	**-**	**(7.2)**	**(7.2)**
Closing loss allowance as at 31 December 2019	**9.1**	**15.2**	**112.5**	**136.8**

The Group	Performing RM	Under-performing RM	Non-performing RM	Total RM
Opening loss allowance as at 1 January 2018	-	-	67.1	67.1
New/originating financial assets	1.8	0.1	24.5	26.4
Additional impairment on existing financial assets	2.4	1.9	-	4.3
Loss allowance reversed	-	-	(0.4)	(0.4)
Write-off	-	-	(0.2)	(0.2)
Closing loss allowance as at 31 December 2018	4.2	2.0	91.0	97.2

The Company	Performing RM	Under-performing RM	Non-performing RM	Total RM
At 1 January 2019	**4.2**	**11.9**	**2,688.6**	**2,704.7**
Reclassification from trade receivables	**3.4**	**13.2**	**22.9**	**39.5**
	7.6	**25.1**	**2,711.5**	**2,744.2**
New/originating financial assets	**1.5**	**-**	**-**	**1.5**
Additional impairment on existing financial assets	**-**	**9.8**	**206.5**	**216.3**
Write-off	**-**	**-**	**(7.2)**	**(7.2)**
Closing loss allowance as at 31 December 2019	**9.1**	**34.9**	**2,910.8**	**2,954.8**

The Company	Performing RM	Under-performing RM	Non-performing RM	Total RM
Opening loss allowance as at 1 January 2018	-	7.0	849.3	856.3
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
Loss allowance reversed	-	-	(0.4)	(0.4)
Write-off	-	-	(0.3)	(0.3)
Closing loss allowance as at 31 December 2018	4.2	11.9	2,688.6	2,704.7

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

4. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(a) Financial Risk Factors (continued)

(ii) Credit Risk (continued)

Expected Credit Loss (ECL) (continued)

(c) Maximum exposure to credit risk

(i) Trade receivables and contract assets – 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's and the Company's maximum exposure to credit risk on these assets:

The Group 31 December 2019	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	**4.96%**	**14.51%**	**28.25%**	**84.63%**	**36.50%**
Gross carrying amount – trade receivables and contract assets (excluding grant receivables)	**1,164.0**	**323.9**	**306.9**	**963.3**	**2.758.1**
Loss allowance	**(57.7)**	**(47.0)**	**(86.7)**	**(815.2)**	**(1,006.6)**
Carrying amount (net of loss allowance)	**1,106.3**	**276.9**	**220.2**	**148.1**	**1,751.5**
Grant receivables	**14.9**	**153.1**	**325.5**	**-**	**493.5**
Net trade receivables and contract assets	**1,121.2**	**430.0**	**545.7**	**148.1**	**2,245.0**

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	2.89%	11.72%	52.18%	82.35%	36.68%
Gross carrying amount – trade receivables and contract assets (excluding grant receivables)	1,303.6	374.5	151.2	1,117.7	2,947.0
Loss allowance	(37.7)	(43.9)	(78.9)	(920.4)	(1,080.9)
Carrying amount (net of loss allowance)	1,265.9	330.6	72.3	197.3	1,866.1
Grant receivables	-	-	-	2.2	2.2
Net trade receivables and contract assets	1,265.9	330.6	72.3	199.5	1,868.3

The Company 31 December 2019	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	**7.64%**	**15.55%**	**28.70%**	**87.32%**	**39.93%**
Gross carrying amount – trade receivables and contract assets (excluding grant receivables)	**873.5**	**292.7**	**310.1**	**819.3**	**2,295.6**
Loss allowance	**(66.7)**	**(45.5)**	**(89.0)**	**(715.4)**	**(916.6)**
Carrying amount (net of loss allowance)	**806.8**	**247.2**	**221.1**	**103.9**	**1,379.0**
Grant receivables	**14.9**	**153.1**	**325.5**	**-**	**493.5**
Net trade receivables and contract assets	**821.7**	**400.3**	**546.6**	**103.9**	**1,872.5**

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	3.97%	11.69%	45.40%	70.13%	31.22%
Gross carrying amount – trade receivables and contract assets (excluding grant receivables)	1,040.3	378.0	182.8	851.7	2,452.8
Loss allowance	(41.3)	(44.2)	(83.0)	(597.3)	(765.8)
Carrying amount (net of loss allowance)	999.0	333.8	99.8	254.4	1,687.0
Grant receivables	-	-	-	2.2	2.2
Net trade receivables and contract assets	999.0	333.8	99.8	256.6	1,689.2

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

4. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(a) Financial Risk Factors (continued)

(ii) Credit Risk (continued)

Expected Credit Loss (ECL) (continued)

(c) Maximum exposure to credit risk (continued)

(ii) Receivables other than trade and contract assets – General 3-stages approach

The following table contains an analysis of the credit risk exposure of receivables other than trade and contract assets for which an ECL allowance is recognised. The gross carrying amount of receivables other than trade and contract assets disclosed below also represents the maximum exposure to credit risk on these assets:

As at 31 December 2019

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	**0.9%**	**12 month ECL**	**1,008.6**	**(9.1)**	**999.5**
Underperforming	**77.2%**	**Lifetime ECL**	**19.7**	**(15.2)**	**4.5**
Not-performing	**87.5%**	**Lifetime ECL**	**128.5**	**(112.5)**	**16.0**
Total			**1,156.8**	**(136.8)**	**1,020.0**

As at 31 December 2018

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	978.3	(4.2)	974.1
Underperforming	8.0%	Lifetime ECL	25.1	(2.0)	23.1
Not-performing	99.5%	Lifetime ECL	91.5	(91.0)	0.5
Total			1,094.9	(97.2)	997.7

As at 31 December 2019

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	**0.9%**	**12 month ECL**	**994.2**	**(9.1)**	**985.1**
Underperforming	**32.8%**	**Lifetime ECL**	**106.5**	**(34.9)**	**71.6**
Not-performing	**97.7%**	**Lifetime ECL**	**2,979.4**	**(2,910.8)**	**68.6**
Total			**4,080.1**	**(2,954.8)**	**1,125.3**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

4. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(a) Financial Risk Factors (continued)

(ii) Credit Risk (continued)

Expected Credit Loss (ECL) (continued)

(c) Maximum exposure to credit risk (continued)

(ii) Receivables other than trade and contract assets - General 3-stages approach (continued)

The following table contains an analysis of the credit risk exposure of receivables other than trade and contract assets for which an ECL allowance is recognised. The gross carrying amount of receivables other than trade and contract assets disclosed below also represents the maximum exposure to credit risk on these assets: (continued)

As at 31 December 2018

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	811.6	(4.2)	807.4
Underperforming	8.6%	Lifetime ECL	138.1	(11.9)	126.2
Not-performing	98.1%	Lifetime ECL	2,739.6	(2,688.6)	51.0
Total			3,689.3	(2,704.7)	984.6

The Group and the Company place their 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 and the Company have appointed several fixed income and commercial papers fund managers to manage their 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/MARC1 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 and the Company's investment portfolios were predominantly securities carrying AA/P1/MARC1 credit ratings or above, as shown in note 30(c) 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 and the Company. The Group and the Company, however, are 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 and the Company also aim 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 2019, the Group and the Company held deposits with financial institutions of RM4,097.1 million (2018: RM2,094.7 million) and RM4,031.5 million (2018: RM2,023.5 million) respectively and cash and bank balances of RM689.0 million (2018: RM661.8 million) and RM421.9 million (2018: RM463.7 million) respectively that are expected to be readily available to meet any payment obligation when it falls due.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

4. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(a) Financial Risk Factors (continued)

(iii) Liquidity Risk (continued)

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 the Group's and the Company's borrowings as they become due 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, business operating requirements as well as obligations as and when they fall due, 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 50 to the financial statements.

There has been no significant change in the Group's and the Company's financial risk management objectives and policies as well as their 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		The Company	
	2019	**2018**	**2019**	**2018**
Borrowings (RM million) (note 17)	**8,733.1**	8,571.3	**8,248.8***	8,281.6*
Lease Liabilities (RM million)	1,914.9	2,070.4#	1,044.8	1,179.3#
Total Debt (RM million)	**10,648.0**	10,641.7	**9,293.6**	9,460.9
Total Shareholders' Equity (RM million)	**7,353.3**	7,525.2	**6,334.5**	6,001.8
Debt-to-equity Ratio	**1.4**	1.4	**1.5**	1.6

* Includes Payable to subsidiaries (note 18) for the Company
\# Lease liabilities upon initial application of MFRS 16 as at 1 January 2019

The Group also monitors its gearing level in comparison to its peers within the industry while maintaining the desired level of credit rating. During 2019, 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 complied to all externally imposed debt covenants.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

5. OPERATING REVENUE

(a) Disaggregation of the Group's and the Company's revenue

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

	The Group		The Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Revenue accounted for under MFRS 15				
Internet and multimedia services	**3,814.6**	4,119.9	**3,463.1**	3,772.3
Data services	**2,706.3**	2,325.7	**2,595.9**	2,180.4
Voice services	**2,675.1**	3,012.7	**2,675.3**	2,997.8
Other telecommunications related services	**1,316.1**	1,372.6	**911.1**	880.8
Non-telecommunications related services	**327.4**	286.4	**-**	-
	10,839.5	11,117.3	**9,645.4**	9,831.3
Others				
Data services	**148.7**	116.8	**142.3**	118.6
Other telecommunications related services	**446.0**	585.2	**433.6**	575.0
	594.7	702.0	**575.9**	693.6
TOTAL OPERATING REVENUE	**11,434.2**	11,819.3	**10,221.3**	10,524.9

Other than revenue accounted for under MFRS 15, the Group and the Company has 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		The Company	
	2019 RM	2018 RM	2019 RM	2018 RM
- At a point in time	**201.3**	387.6	**110.9**	228.9
- Over time	**10,638.2**	10,729.7	**9,534.5**	9,602.4
TOTAL OPERATING REVENUE	**10,839.5**	11,117.3	**9,645.4**	9,831.3

(b) Contract assets

The following table summarises significant changes in contract assets:

	The Group		The Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Contract assets as at 1 January	**624.5**	654.3	**413.1**	515.5
- Revenue recognised for services yet to be invoiced	**648.1**	291.6	**456.0**	227.3
- Amount subsequently invoiced (transferred to trade receivables)	**(630.1)**	(315.0)	**(445.2)**	(323.3)
- Impairment recognised for contract assets due to early termination	**(0.9)**	(6.4)	**(0.9)**	(6.4)
Contract assets as at 31 December	**641.6**	624.5	**423.0**	413.1

(c) Contract liabilities

The following table summarises significant changes in contract liabilities:

	The Group		The Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Contract liabilities as at 1 January	**907.9**	863.5	**960.3**	880.6
- Amount billed in advance for services yet to be delivered	**7,476.0**	7,675.4	**7,014.3**	7,033.5
- Revenue realised from receipts in advance of supply goods or services	**(7,396.5)**	(7,631.0)	**(6,946.4)**	(6,953.8)
Contract liabilities as at 31 December	**987.4**	907.9	**1,028.2**	960.3

During the financial year, the entire balance of contract liabilities as at 1 January 2019 of RM907.9 million (1 January 2018: RM863.5 million) has been recognised as revenue.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

5. OPERATING REVENUE (CONTINUED)

(d) Unsatisfied Performance Obligations

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

	The Group		The Company	
	2019 RM	2018 RM	2019 RM	2018 RM
- Voice, data and Internet and multimedia contracts with remaining contract period	**6,746.9**	6,985.8	**6,746.9**	6,985.8
- Customer projects and others with service to be delivered	**867.9**	372.7	**786.7**	243.9
TOTAL UNSATISFIED PERFORMANCE OBLIGATIONS	**7,614.8**	7,358.5	**7,533.6**	7,229.7

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

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

In addition to the contract balances disclosed above, the Group and the 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		The Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Asset recognised from costs incurred to obtain and fulfil a contract at 1 January	**224.5**	116.1	**158.3**	132.6
- Addition from customer contracts with service yet to be delivered as performance obligations are not yet satisfied	**331.8**	226.5	**263.0**	171.5
- Less: Amortisation	**(337.2)**	(118.1)	**(265.6)**	(145.8)
Asset recognised from costs incurred to obtain and fulfil a contract at 31 December	**219.1**	224.5	**155.7**	158.3

6(a). DEPRECIATION, IMPAIRMENT AND AMORTISATION

	The Group		The Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Depreciation of property, plant and equipment (PPE) (note 23)	**2,040.8**	2,261.2	**1,861.0**	1,983.8
Depreciation of right-of-use assets (note 26)	**214.2**	-	**178.7**	-
Depreciation of investment property (note 24)	**-**	-	**2.1**	2.2
Impairment of PPE (note 23 and 23(b))	**129.0**	982.5	**128.1**	209.3
Write-off/Retirement of PPE (note 23)	**41.7**	88.8	**42.4**	83.4
Write-off/Retirement of intangible assets (note 25)	**9.7**	-	**-**	-
Amortisation of intangible assets (note 25)	**18.9**	20.2	**-**	-
Impairment of intangible asset (note 25)	**-**	52.1	**-**	-
TOTAL DEPRECIATION, IMPAIRMENT AND AMORTISATION	**2,454.3**	3,404.8	**2,212.3**	2,278.7

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

6(b). OTHER OPERATING COSTS

	The Group		The Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Domestic, international outpayment and commission	**2,081.6**	2,611.1	**2,266.6**	2,525.7
Impairment of investment in subsidiaries	**-**	-	**-**	402.6
Leased lines	**114.2**	129.6	**-**	-
Maintenance	**543.5**	614.5	**536.0**	586.6
Materials/customer equipments and installation	**582.9**	523.8	**210.7**	215.1
Rental	**-**	493.7	**-**	313.0
Rental - leases of low value assets (note 26(a))	**4.5**	-	**4.1**	-
Rental - short term leases (note 26(a))	**38.4**	-	**12.4**	-
Staff costs	**2,711.4**	2,439.4	**2,085.8**	1,831.2
Staff costs capitalised into PPE	**(94.9)**	(123.6)	**(94.9)**	(123.6)
Universal Service Provision contribution	**318.6**	355.4	**305.1**	330.0
Utilities	**350.0**	348.3	**276.1**	282.0
Others	**859.7**	906.0	**951.8**	965.9
TOTAL OTHER OPERATING COSTS	**7,509.9**	8,298.2	**6,553.7**	7,328.5
Staff costs include:				
- salaries, allowances, overtime and bonus	**1,991.7**	1,744.8	**1,497.7**	1,265.9
- contribution to Employees Provident Fund (EPF)	**334.6**	294.6	**258.7**	220.1
- other staff benefits	**241.7**	227.6	**189.2**	185.8
- Long Term Incentive Plan				
- equity-settled	**35.4**	45.3	**27.7**	35.8
- cash-settled	**9.0**	(0.1)	**7.4**	(0.1)
- remuneration of Executive Directors of the Company				
- salaries, allowances and bonus	**3.5**	3.1	**3.5**	3.1
- contribution to EPF	**0.1**	0.4	**0.1**	0.4
- remuneration of Non-Executive Directors of the Company				
- fees	**3.1**	3.0	**2.4**	2.4
- allowances	**0.9**	0.9	**0.9**	0.9
Others include:				
- statutory audit fees				
- PricewaterhouseCoopers Malaysia	**2.6**	2.6	**1.4**	1.5
- member firms of PricewaterhouseCoopers International Limited	**0.5**	0.4	**-**	-
- audit related fees	**0.8**	1.0	**0.5**	0.6
- tax and other non-audit fees	**1.1**	2.1	**0.8**	2.0

Estimated money value of benefits of Directors amounted to RM1.1 million (2018: RM0.8 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

7. OTHER OPERATING INCOME (net)

	The Group		The Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Dividend income from subsidiaries	**-**	-	**97.3**	131.6
Dividend income from equity securities - unquoted	**9.1**	11.7	**9.1**	11.7
Income from sales of scraps	**49.6**	34.3	**48.9**	32.1
Income from subsidiaries - interest	**-**	-	**19.7**	97.4
- others	**-**	-	**0.2**	0.2
Insurance claims	**1.4**	2.0	**1.3**	2.0
Loss on disposal of staff loans	**(1.0)**	(0.4)	**(1.0)**	(0.4)
Profit on disposal of PPE	**7.3**	1.7	**5.2**	2.4
(Loss)/Profit on disposal of non-current asset held for sale	**(0.1)**	0.1	**(0.1)**	0.1
Penalty on breach of contract	**4.2**	4.0	**2.9**	4.0
Rental income from land and buildings	**27.0**	42.5	**78.5**	98.0
Rental income from vehicles	**-**	-	**0.5**	0.2
Income from training and related activities	**2.0**	1.6	**1.0**	1.5
Others	**36.2**	34.4	**49.5**	49.1
TOTAL OTHER OPERATING INCOME (net)	**135.7**	131.9	**313.0**	429.9

8. OTHER (LOSSES)/GAINS (net)

	The Group		The Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Fair value movement of financial assets at fair value through profit or loss				
- equity securities quoted on the Bursa Malaysia Securities Berhad	**(0.3)**	(2.2)	**(0.3)**	(2.2)
- investment in Technology Investment Fund	**(35.8)**	2.0	**(35.8)**	2.0
- Redeemable Exchangeable Medium Term Notes	**(233.7)**	-	**-**	-
Fair value movement of put option liability over shares of a subsidiary	**-**	311.0	**-**	-
Investments at fair value through other comprehensive income				
- reclassification from fair value reserves	**1.2**	0.1	**1.2**	0.1
TOTAL OTHER (LOSSES)/GAINS (net)	**(268.6)**	310.9	**(34.9)**	(0.1)

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

9. NET FINANCE COST

The Group	2019				2018			
	Foreign RM	Domestic RM	Islamic Principles RM	Total RM	Foreign RM	Domestic RM	Islamic Principles RM	Total RM
Finance income from								
- short term bank deposits	**2.3**	**40.8**	**71.3**	**114.4**	2.1	30.2	38.1	70.4
- other deposits	**-**	**5.2**	**2.9**	**8.1**	-	4.6	2.9	7.5
- staff loans	**-**	**2.4**	**19.0**	**21.4**	-	2.5	16.7	19.2
- unwinding of discount on lease receivables	**-**	**2.2**	**-**	**2.2**	-	5.2	-	5.2
TOTAL FINANCE INCOME	**2.3**	**50.6**	**93.2**	**146.1**	2.1	42.5	57.7	102.3
Finance cost on								
- borrowings from financial institutions and debentures	**(95.2)**	**(12.7)**	**(8.2)**	**(116.1)**	(95.4)	(13.2)	(5.4)	(114.0)
- TM Islamic Stapled Income Securities	**-**	**-**	**-**	**-**	-	-	(44.7)	(44.7)
- Islamic Medium Term Notes	**-**	**-**	**(283.3)**	**(283.3)**	-	-	(241.4)	(241.4)
- unwinding of discount on other borrowings and payables (note 17(c) and 39)	**-**	**(6.3)**	**-**	**(6.3)**	-	(28.9)	-	(28.9)
- finance lease (note 17(g))	**-**	**-**	**-**	**-**	-	(3.9)	-	(3.9)
- interest and finance charges paid/ payable for lease liabilities (note 26(a))	**-**	**(128.4)**	**-**	**(128.4)**	-	-	-	-
- unwinding of discount on put option over shares of a subsidiary	**-**	**-**	**-**	**-**	-	(23.3)	-	(23.3)
- amortisation of interest subsidy on staff loan	**-**	**-**	**(7.4)**	**(7.4)**	-	-	(6.4)	(6.4)
Borrowing costs capitalised	**-**	**3.3**	**1.4**	**4.7**	0.1	3.0	9.4	12.5
TOTAL FINANCE COST	**(95.2)**	**(144.1)**	**(297.5)**	**(536.8)**	(95.3)	(66.3)	(288.5)	(450.1)
Foreign exchange revaluation on borrowings								
- gain/(loss)	**2.3**	**-**	**-**	**2.3**	(48.4)	-	-	(48.4)
- reclassification of foreign exchange (loss)/gain from other comprehensive income	**(1.2)**	**-**	**-**	**(1.2)**	17.1	-	-	17.1
TOTAL FOREIGN EXCHANGE GAIN/ (LOSS) ON BORROWINGS	**1.1**	**-**	**-**	**1.1**	(31.3)	-	-	(31.3)
NET FINANCE COST	**(91.8)**	**(93.5)**	**(204.3)**	**(389.6)**	(124.5)	(23.8)	(230.8)	(379.1)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

9. NET FINANCE COST (CONTINUED)

The Company	2019 Foreign RM	2019 Domestic RM	2019 Islamic Principles RM	2019 Total RM	2018 Foreign RM	2018 Domestic RM	2018 Islamic Principles RM	2018 Total RM
Finance income from								
- short term bank deposits	**2.1**	**43.1**	**70.5**	**115.7**	1.9	30.9	37.0	69.8
- other deposits	**-**	**5.1**	**2.1**	**7.2**	-	4.6	2.1	6.7
- staff loans	**-**	**2.4**	**19.0**	**21.4**	-	2.5	16.7	19.2
TOTAL FINANCE INCOME	**2.1**	**50.6**	**91.6**	**144.3**	1.9	38.0	55.8	95.7
Finance cost on								
- borrowings from financial institutions and debentures	**(95.2)**	**-**	**-**	**(95.2)**	(94.1)	-	-	(94.1)
- TM Islamic Stapled Income Securities	**-**	**-**	**-**	**-**	-	-	(44.7)	(44.7)
- Islamic Medium Term Notes	**-**	**-**	**(283.3)**	**(283.3)**	-	-	(241.4)	(241.4)
- unwinding of discount on other borrowings and payables (note 17(c) and 39)	**-**	**(6.3)**	**-**	**(6.3)**	-	(28.9)	-	(28.9)
- finance lease (note 17(g))	**-**	**-**	**-**	**-**	-	(2.5)	-	(2.5)
- interest and finance charges paid/ payable for lease liabilities (note 26(a))	**-**	**(62.4)**	**-**	**(62.4)**	-	-	-	-
- Inter-Company Fund Optimisation (note 45(a)(iv) and (b))	**-**	**(16.6)**	**(0.7)**	**(17.3)**	-	(14.6)	(0.8)	(15.4)
- amortisation of interest subsidy on staff loan	**-**	**-**	**(7.4)**	**(7.4)**	-	-	(6.4)	(6.4)
Borrowing costs capitalised	**-**	**3.3**	**1.4**	**4.7**	0.1	3.0	9.4	12.5
TOTAL FINANCE COST	**(95.2)**	**(82.0)**	**(290.0)**	**(467.2)**	(94.0)	(43.0)	(283.9)	(420.9)
Foreign exchange revaluation on borrowings								
- gain/(loss)	**2.8**	**-**	**-**	**2.8**	(48.9)	-	-	(48.9)
- reclassification of foreign exchange (loss)/gain from other comprehensive income	**(1.2)**	**-**	**-**	**(1.2)**	17.1	-	-	17.1
TOTAL FOREIGN EXCHANGE GAIN/ (LOSS) ON BORROWINGS	**1.6**	**-**	**-**	**1.6**	(31.8)	-	-	(31.8)
NET FINANCE COST	**(91.5)**	**(31.4)**	**(198.4)**	**(321.3)**	(123.9)	(5.0)	(228.1)	(357.0)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

10. TAX AND ZAKAT

	The Group		The Company	
	2019 RM	2018 RM	2019 RM	2018 RM
The tax charge for the Group and the Company comprise:				
Malaysia				
Income Tax				
Current year	**489.3**	231.6	**405.2**	172.9
Prior year	**14.9**	(20.0)	**15.9**	(25.1)
Deferred Tax (net)	**(141.2)**	53.0	**(137.7)**	56.1
	363.0	264.6	**283.4**	203.9
Overseas				
Income Tax				
Current year	**(1.6)**	0.8	**-**	-
Prior year	**0.7**	6.0	**-**	-
Deferred Tax (net)	**(1.9)**	#	**-**	-
	(2.8)	6.8	**-**	-
TOTAL TAX	**360.2**	271.4	**283.4**	203.9
Zakat	**7.5**	6.5	**5.0**	4.3
TAX AND ZAKAT	**367.7**	277.9	**288.4**	208.2

Amount less than RM0.1 million

Current tax				
Current year	**487.7**	232.4	**405.2**	172.9
Under/(over) accrual in prior years (net)	**15.6**	(14.0)	**15.9**	(25.1)
Deferred tax				
Origination and reversal of temporary differences	**(143.1)**	53.0	**(137.7)**	56.1
	360.2	271.4	**283.4**	203.9

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	
	2019 RM	2018 RM	2019 RM	2018 RM
Profit/(Loss) Before Tax and Zakat	**925.1**	17.4	**933.1**	(1,076.8)
Tax calculated at the applicable Malaysian tax rate of 24.0%	**222.0**	4.2	**223.9**	(258.5)
Tax effects of:				
- share of results of associate	**(4.3)**	(6.1)	**-**	-
- expenses not deductible for tax purposes	**88.4**	148.1	**172.5**	664.3
- income not subject to tax	**(62.5)**	(126.0)	**(85.1)**	(125.1)
- expenses allowed for double deduction	**(16.5)**	(17.2)	**(16.5)**	(17.2)
- tax incentive	**(27.3)**	(34.5)	**(27.3)**	(34.5)
- temporary difference for which no deferred tax is recognised	**67.2**	177.0	**-**	-
- deferred tax asset written off	**-**	20.0	**-**	-
- current year tax losses not recognised	**77.6**	119.9	**-**	-
- under/(over) accrual of income tax (net)	**15.6**	(14.0)	**15.9**	(25.1)
TOTAL TAX	**360.2**	271.4	**283.4**	203.9

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

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	2019	2018
Profit attributable to equity holders of the Company (RM million)	**632.7**	153.2
Weighted average number of ordinary shares (million)	**3,760.9**	3,757.9
Basic earnings per share (sen) attributable to equity holders of the Company	**16.8**	4.1

(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	2019	2018
Profit attributable to equity holders of the Company (RM million)	**632.7**	153.2
Weighted average number of ordinary shares (million)	**3,760.9**	3,757.9
Adjustment for dilutive effect of LTIP (million)	**26.4**	22.0
Weighted average number of ordinary shares (million)	**3,787.3**	3,779.9
Diluted earnings per share (sen) attributable to equity holders of the Company	**16.7**	4.1

12. DIVIDENDS IN RESPECT OF ORDINARY SHARES

Dividends approved and paid in respect of ordinary shares:

	2019		2018	
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 2017	**-**	**-**	12.1	454.7
Interim dividend paid in respect of the financial year ended 31 December 2018	**2.0**	**75.2**	-	-
DIVIDENDS RECOGNISED AS DISTRIBUTION TO ORDINARY EQUITY HOLDERS OF THE COMPANY	**2.0**	**75.2**	12.1	454.7

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

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

The Board of Directors has declared a final interim single-tier cash dividend of 10.0 sen per share for the financial year ended 31 December 2019 (2018: interim single-tier cash dividend of 2.0 sen per share).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

13. SHARE CAPITAL

The Company	2019 Number of shares	2019 RM	2018 Number of shares	2018 RM
Issued and fully paid:				
Ordinary shares				
At 1 January	**3,758.0**	**3,667.1**	3,758.0	3,667.1
Issuance of Long Term Incentive Plan shares (sub-note (d))	**7.7**	**31.5**	-	-
At 31 December – ordinary shares with no par value	**3,765.7**	**3,698.6**	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 (b))				
At 31 December	**-**	**-**	#	#
TOTAL ISSUED AND FULLY PAID-UP SHARE CAPITAL	**3,765.7**	**3,698.6**	3,758.0	3,667.1

Amount less than RM0.1 million

(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.

(b) 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. On 26 February 2019, the Company redeemed TM NCRPS D subsequent to its repayment on 28 December 2018.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

13. SHARE CAPITAL (CONTINUED)

(c) Dividend Reinvestment Scheme (DRS)

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

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

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

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

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

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

The DRS was not made applicable to any of the dividends distributed during the financial year ended 31 December 2015 to 2019.

(d) Long Term Incentive Plan (LTIP)

During the financial year, the Company issued 7,742,400 new ordinary shares amounting to RM31.5 million pursuant to the vesting of shares from the RS granted to employees on 1 December 2016, detailed as follows:

Number of issued ordinary shares	Issue price per share
6,763,300	RM4.13
615,200	RM3.82
183,200	RM3.56
91,800	RM3.41
47,400	RM3.77
41,500	RM3.49

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 the 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.

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 the 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.

NOTES TO THE FINANCIAL STATEMENTS

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

Features of LTIP (continued)

(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.

(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 the 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

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

Restricted Shares (RS)

Under the RS, selected Eligible Employees 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 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 the 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	31 July 2019	9,219,500	6.15
Grant 2	1 June 2017	1 June 2020	9,401,200	6.47
Grant 3	17 June 2019	1 June 2022	15,274,100	4.06
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
Grant 3	17 June 2019	1 June 2022 / 1 June 2023[2]	1,001,500	4.06
Grant 4	20 December 2019	15 December 2022 / 15 December 2023[2]	1,117,800	3.85

[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 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

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)
2019								
RS								
Grant 1	**6.15**	**8,957,100**	**-**	**-**	**(7,999,700)***	**(957,400)**	**-**	**6.15**
Grant 2	**6.47**	**9,156,200**	**-**	**-**	**-**	**(274,100)**	**8,882,100**	**6.47**
Grant 3	**4.06**	**-**	**15,274,100**	**-**	**-**	**(1,152,900)**	**14,121,200**	**3.92**
PS								
Grant 1	**6.47**	**1,415,500**	**-**	**-**	**-**	**(139,400)**	**1,276,100**	**4.12**
Grant 2	**5.97**	**1,529,800**	**-**	**-**	**-**	**(216,000)**	**1,313,800**	**3.25**
Grant 3	**4.06**	**-**	**1,001,500**	**-**	**-**	**(222,400)**	**779,100**	**4.38**
Grant 4	**3.85**	**-**	**1,117,800**	**-**	**-**	**-**	**1,117,800**	**3.86**
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

* Out of the shares vested, 7,742,400 has been issued as shares of the Company, listed in Bursa Malaysia Securities Berhad as at 31 December 2019. 257,300 is expected to be issued by 31 March 2020 subjected to certain administrative matters being addressed.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

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: (continued)

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)
2019								
RS								
Grant 1	**6.15**	**6,965,100**	**-**	**1,600**	**(6,220,700)***	**(746,000)**	**-**	**6.15**
Grant 2	**6.47**	**7,000,000**	**-**	**12,800**	**-**	**(107,100)**	**6,905,700**	**6.47**
Grant 3	**4.06**	**-**	**11,464,400**	**16,100**	**(619,900)**	**-**	**10,860,600**	**3.92**
PS								
Grant 1	**6.47**	**1,320,400**	**-**	**-**	**-**	**(84,800)**	**1,235,600**	**4.12**
Grant 2	**5.97**	**1,401,200**	**-**	**-**	**-**	**(132,600)**	**1,268,600**	**3.25**
Grant 3	**4.06**	**-**	**977,000**	**-**	**-**	**(222,400)**	**754,600**	**4.38**
Grant 4	**3.85**	**-**	**1,092,800**	**-**	**-**	**-**	**1,092,800**	**3.86**
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

* Out of the shares vested, 6,046,400 has been issued as shares of the Company, listed in Bursa Malaysia Securities Berhad as at 31 December 2019. 174,300 is expected to be issued by 31 March 2020 subjected to certain administrative matters being addressed.

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

	Entitlement Over the Company's Share		
	Reference Price per unit (RM)		
RS	**Grant 1**	**Grant 2**	**Grant 3**
Reference price	6.15	6.47	4.06
Grant Date	1 December 2016	1 June 2017	17 June 2019
Vesting Date	31 July 2019	1 June 2020	1 June 2022
Closing Share Price at Grant Date	6.15	6.47	4.06

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

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" applies, were estimated using the Monte Carlo simulation model. The significant inputs in the model are as follows: (continued)

	Entitlement Over the Company's Share			
	Reference Price per unit (RM)			
PS	Grant 1	Grant 2	Grant 3	Grant 4
Reference price	6.35	6.26	4.06	3.86
Grant Date	1 June 2017	4 December 2017	17 June 2019	20 December 2019
Vesting Date	1 June 2020/ 1 June 2021	30 November 2020/ 30 November 2021	1 June 2022/ 1 June 2023	15 December 2022/ 15 December 2023
Closing Share Price at Grant Date	6.47	5.97	4.06	3.85

(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	
	2019 RM	2018 RM	2019 RM	2018 RM
Restricted Shares	**31.0**	41.9	**23.5**	32.8
Performance Shares	**4.4**	3.3	**4.2**	3.0

15. OTHER RESERVES

	The Group		The Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Fair value through other comprehensive income (FVOCI) reserve	**102.1**	88.8	**102.1**	88.8
Hedging reserve (note 2(j))	**17.4**	28.3	**17.4**	28.3
Cost of hedging reserve	**39.7**	29.7	**39.7**	29.7
Long term incentive plan reserve (note 2(x)(iv))	**88.4**	83.4	**86.7**	83.6
Other reserve (note 2(p)(iii) and note 20(d))	**(352.9)**	(352.9)	**-**	-
Currency translation differences arising from translation of:				
- subsidiaries	**23.9**	(38.7)	**-**	-
- associate	**2.3**	2.1	**-**	-
TOTAL OTHER RESERVES	**(79.1)**	(159.3)	**245.9**	230.4

16. RETAINED PROFITS

As at 31 December 2019, all of the Company's retained profits of RM2,390.0 million (2018: RM2,104.3 million) is available for tax exempt dividend distribution to shareholders.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

17. BORROWINGS

The Group	2019 Weighted Average Rate of Finance	2019 Non-current RM	2019 Current RM	2019 Total RM	2018 Weighted Average Rate of Finance	2018 Non-current RM	2018 Current RM	2018 Total RM
DOMESTIC								
Secured								
Borrowings from financial institutions (sub-note (a))	**4.96%**	**16.0**	**17.5**	**33.5**	5.30%	25.9	34.5	60.4
Total Domestic Secured	**4.96%**	**16.0**	**17.5**	**33.5**	5.30%	25.9	34.5	60.4
Unsecured								
Borrowings from financial institutions	**4.41%**	**-**	**403.8**	**403.8**	4.39%	-	175.0	175.0
Borrowings under Islamic principles								
- Islamic Medium Term Notes (sub-note (b))	**4.43%**	**5,599.1**	**200.0**	**5,799.1**	4.43%	5,799.0	-	5,799.0
Convertible Medium Term Notes (sub-note (d))	**4.88%**	**46.7**	**0.3**	**47.0**	4.88%	38.2	3.2	41.4
Other borrowings (sub-note (c))	**4.36%**	**77.5**	**-**	**77.5**	4.38%	71.3	-	71.3
Finance lease (sub-note (g))	**-**	**-**	**-**	**-**	4.92%	28.8	21.2	50.0
Total Domestic Unsecured	**4.43%**	**5,723.3**	**604.1**	**6,327.4**	4.44%	5,937.3	199.4	6,136.7
Total Domestic	**4.44%**	**5,739.3**	**621.6**	**6,360.9**	4.44%	5,963.2	233.9	6,197.1
FOREIGN								
Unsecured								
Borrowings from financial institutions (sub-note (e))	**2.82%**	**-**	**412.5**	**412.5**	3.72%	412.8	-	412.8
Borrowings under Islamic principles								
- Euro Medium Term Notes (sub-note (f))	**3.42%**	**720.0**	**-**	**720.0**	3.64%	720.4	-	720.4
Debentures (sub-note (h))	**7.88%**	**1,237.2**	**-**	**1,237.2**	7.88%	1,238.4	-	1,238.4
Other borrowings	**-**	**2.3**	**0.2**	**2.5**	-	2.4	0.2	2.6
Total Foreign	**5.64%**	**1,959.5**	**412.7**	**2,372.2**	5.86%	2,374.0	0.2	2,374.2
TOTAL BORROWINGS	**4.76%**	**7,698.8**	**1,034.3**	**8,733.1**	4.84%	8,337.2	234.1	8,571.3

	2019 Domestic RM	2019 Foreign RM	2019 Total RM	2018 Domestic RM	2018 Foreign RM	2018 Total RM
The Group's non-current borrowings are repayable as follows:						
After one year and up to five years	**3,885.8**	**207.1**	**4,092.9**	2,872.0	620.1	3,492.1
After five years and up to ten years	**1,853.5**	**1,751.6**	**3,605.1**	3,091.2	1,753.1	4,844.3
After ten years	**-**	**0.8**	**0.8**	-	0.8	0.8
	5,739.3	**1,959.5**	**7,698.8**	5,963.2	2,374.0	8,337.2

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

17. BORROWINGS (CONTINUED)

The Company	2019 Weighted Average Rate of Finance	2019 Non-current RM	2019 Current RM	2019 Total RM	2018 Weighted Average Rate of Finance	2018 Non-current RM	2018 Current RM	2018 Total RM
DOMESTIC								
Unsecured								
Borrowings under Islamic principles								
- Islamic Medium Term Notes (sub-note (b))	**4.43%**	**5,599.1**	**200.0**	**5,799.1**	4.43%	5,799.0	-	5,799.0
Other borrowings (sub-note (c))	**4.36%**	**77.5**	**-**	**77.5**	4.38%	71.3	-	71.3
Finance lease (sub-note (g))	**-**	**-**	**-**	**-**	5.70%	26.0	11.0	37.0
Total Domestic	**4.28%**	**5,676.6**	**200.0**	**5,876.6**	4.44%	5,896.3	11.0	5,907.3
FOREIGN								
Unsecured								
Debentures (sub-note (h))	**7.88%**	**1,237.2**	**-**	**1,237.2**	7.88%	1,238.4	-	1,238.4
Other borrowings	**-**	**2.3**	**0.2**	**2.5**	-	2.4	0.2	2.6
Total Foreign	**7.86%**	**1,239.5**	**0.2**	**1,239.7**	7.86%	1,240.8	0.2	1,241.0
TOTAL BORROWINGS	**5.03%**	**6,916.1**	**200.2**	**7,116.3**	5.03%	7,137.1	11.2	7,148.3

	2019 Domestic RM	2019 Foreign RM	2019 Total RM	2018 Domestic RM	2018 Foreign RM	2018 Total RM
The Company's non-current borrowings are repayable as follows:						
After one year and up to five years	**3,827.4**	**0.8**	**3,828.2**	2,813.2	0.8	2,814.0
After five years and up to ten years	**1,849.2**	**1,237.9**	**3,087.1**	3,083.1	1,239.2	4,322.3
After ten years	**-**	**0.8**	**0.8**	-	0.8	0.8
	5,676.6	**1,239.5**	**6,916.1**	5,896.3	1,240.8	7,137.1

(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 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

17. BORROWINGS (CONTINUED)

(b) 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 (at nominal value):

The Group and the Company	2019 RM	2018 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**	900.0
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%)	**1,050.0**	1,050.0
	5,800.0	5,800.0

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

(d) 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.

(e) 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.

(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	2019 RM	2018 RM
EMTN due in 2026 (3.70%)	**204.4**	204.2
EMTN due in 2023 (1 month London Inter-Bank Overnight Rate (LIBOR) plus 1.35%)	**206.3**	206.5
EMTN due in 2026 (3.422%)	**309.3**	309.7
	720.0	720.4

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

17. BORROWINGS (CONTINUED)

(g) Finance lease liabilities were included in borrowings until 31 December 2018 and were reclassified to lease liabilities on 1 January 2019 upon the adoption of MFRS 16. For the impact of the changes in accounting policy for leases and adjustments recognised on adoption of MFRS 16 on 1 January 2019, please refer to note 54 to the financial statements.

Minimum lease payments at the end of the previous financial year were as follows:

The Group	2018 RM
Not later than one year	23.0
Later than one year and not later than five years	31.9
	54.9
Future finance charges	(4.9)
Present value of finance lease liabilities	50.0
Present value of finance lease liabilities at the reporting date is as follows:	
Not later than one year	21.1
Later than one year and not later than five years	28.9
	50.0

The Company	2018 RM
Not later than one year	12.9
Later than one year and not later than five years	28.5
	41.4
Future finance charges	(4.4)
Present value of finance lease liabilities	37.0
Present value of finance lease liabilities at the reporting date is as follows:	
Not later than one year	11.0
Later than one year and not later than five years	26.0
	37.0

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 the Company	2019 RM	2018 RM
USD300.0 million 7.875% Debentures due in 2025	**1,237.2**	1,238.4

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

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. LEASE LIABILITIES

	2019			
	Incremental Borrowing Rate	Non-current RM	Current RM	Total RM
The Group				
Lease liabilities	**5.79%**	**1,619.1**	**295.8**	**1,914.9**
The Company				
Lease liabilities	**5.35%**	**883.9**	**160.9**	**1,044.8**

The Group's and the Company's maturity profile of lease liabilities are disclosed in note 51 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

20. DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING TRANSACTIONS

The Group	Contract or notional amount RM	Fair value Assets RM	Fair value Liabilities RM	Fair value gain/(loss) during the financial year RM
2019				
Derivatives accounted for under hedge accounting				
Interest rate swaps – cash flow hedge				
- more than 3 years (sub-note (b))	**206.4**	**-**	**1.7**	**(8.7)**
Cross currency interest rate swaps – cash flow hedge (sub-note (i))				
- less than 1 year (sub-note (c))	**316.8**	**95.6**	**-**	**(3.6)**
- more than 3 years (sub-note (a))	**310.5**	**158.4**	**-**	**10.2**
TOTAL	**833.7**	**254.0**	**1.7**	**(2.1)**
2018				
Put option liability over shares held by non-controlling interest				
- more than 3 years (sub-note (d))	-	-	-	311.0
Derivatives accounted for under hedge accounting				
Interest rate swaps – fair value hedge				
- more than 3 years	206.6	7.0	-	1.5
Cross currency interest rate swaps – cash flow hedge (sub-note (i))				
- 1 year to 3 years (sub-note (c))	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

The Company	Contract or notional amount RM	Fair value Assets RM	Fair value Liabilities RM	Fair value gain/(loss) during the financial year RM
2019				
Derivatives accounted for under hedge accounting				
Interest rate swaps – cash flow hedge				
- more than 3 years (sub-note (b))	**206.4**	**-**	**1.7**	**(8.7)**
Cross currency interest rate swaps – cash flow hedge (sub-note (i))				
- less than 1 year (sub-note (c))	**316.8**	**95.6**	**-**	**(3.6)**
- more than 3 years (sub-note (a))	**310.5**	**158.4**	**-**	**10.2**
TOTAL	**833.7**	**254.0**	**1.7**	**(2.1)**
2018				
Derivatives accounted for under hedge accounting				
Interest rate swaps – fair value hedge				
- more than 3 years	206.6	7.0	-	1.5
Cross currency interest rate swaps – cash flow hedge (sub-note (i))				
- 1 year to 3 years (sub-note (c))	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)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

20. DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING TRANSACTIONS (CONTINUED)

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 the above hedges.

(i) 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 at a monthly accrued floating rate of 1 month LIBOR plus 1.35% per annum and final settlement of the USD50.0 million Islamic Euro Medium Term Notes (EMTN) due in 2023.

(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.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

20. 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
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.

(d) 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)

The Investment Agreement amongst others includes certain granting of put options between Mobikom with Packet One and SKT respectively over shares of webe.

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. The changes in expected redemption amount is recognised as other gains and losses in the Income Statement whilst unwinding of discount of expected future outflow is recognised as finance cost.

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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21. 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	
	2019 RM	2018 RM	2019 RM	2018 RM
Subject to income tax:				
Deferred tax assets	**18.5**	17.9	**-**	-
Deferred tax liabilities	**1,424.1**	1,661.3	**1,386.3**	1,613.6
TOTAL DEFERRED TAX	**1,405.6**	1,643.4	**1,386.3**	1,613.6
At 1 January	**1,643.4**	1,567.8	**1,613.6**	1,533.6
MFRS 16 Adjustments				
- Right-of-use assets	**213.0**	-	**184.5**	-
- Lease liabilities	**(300.1)**	-	**(274.1)**	-
MFRS 15 Adjustments	**-**	22.1	**-**	23.9
	1,556.3	1,589.9	**1,524.0**	1,557.5
Current year (credited)/charged to the Income Statement arising from:				
- property, plant and equipment	**(139.7)**	(127.1)	**(137.3)**	(115.8)
- right-of-use assets	**33.4**	-	**37.0**	-
- lease liabilities	**22.6**	-	**23.4**	-
- contract liabilities	**(55.3)**	(41.7)	**(62.6)**	(19.2)
- contract assets and others	**100.3**	(30.1)	**86.7**	(11.4)
- tax incentive	**-**	157.5	**-**	157.5
- tax losses	**2.6**	-	**-**	-
- provisions and others	**(107.0)**	94.4	**(84.9)**	45.0
	(143.1)	53.0	**(137.7)**	56.1
- currency translation differences	**(7.6)**	0.5	**-**	-
At 31 December	**1,405.6**	1,643.4	**1,386.3**	1,613.6

Breakdown of cumulative balances by each type of temporary difference:

	The Group		The Company	
	2019 RM	2018 RM	2019 RM	2018 RM
(a) Deferred tax assets				
Property, plant and equipment	**21.2**	24.5	**-**	-
Lease liabilities	**277.5**	-	**250.7**	-
Tax losses	**-**	2.6	**-**	-
Contract liabilities	**304.3**	249.0	**293.1**	230.5
Provisions and others	**248.5**	142.0	**221.9**	137.0
	851.5	418.1	**765.7**	367.5
Currency translation differences	**7.6**	(0.5)	**-**	-
	859.1	417.6	**765.7**	367.5
Offsetting	**(840.6)**	(399.7)	**(765.7)**	(367.5)
Total deferred tax assets after offsetting	**18.5**	17.9	**-**	-
(b) Deferred tax liabilities				
Property, plant and equipment	**1,873.5**	2,016.5	**1,806.1**	1,943.4
Right-of-use assets	**246.4**	-	**221.5**	-
Contract assets and others	**144.8**	44.5	**124.4**	37.7
	2,264.7	2,061.0	**2,152.0**	1,981.1
Offsetting	**(840.6)**	(399.7)	**(765.7)**	(367.5)
Total deferred tax liabilities after offsetting	**1,424.1**	1,661.3	**1,386.3**	1,613.6

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

21. DEFERRED TAX (CONTINUED)

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):

- 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.

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	2019 RM	2018 RM
Unutilised tax losses	**2,925.1**	2,601.7
Unabsorbed capital/other tax allowances	**2,774.0**	2,494.0
	5,699.1	5,095.7

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 will be imposed with a time limit of utilisation. Effective from year of assessment 2018, unutilised tax losses in a year of assessment can only be carried forward for a maximum period of 7 consecutive years of assessment. Expiry date of the Group's tax losses is summarised below:

The Group	2019 RM	2018 RM
Year of assessment 2025	**2,601.7**	2,601.7
Year of assessment 2026	**323.4**	-

22. DEFERRED INCOME

	The Group		The Company	
	2019 RM	2018 RM	2019 RM	2018 RM
At 1 January	**1,470.9**	1,796.5	**1,459.3**	1,782.9
Additions	**574.1**	44.8	**569.2**	44.6
Credited to the Income Statement	**(300.9)**	(370.4)	**(297.3)**	(368.2)
At 31 December	**1,744.1**	1,470.9	**1,731.2**	1,459.3

Deferred income includes government funding for Universal Service Provision (USP), High Speed Broadband (HSBB), HSBB2, Sub-Urban Broadband (SUBB), Broadband to the General Population (BBGP) and Sistem Kabel Rangkaian 1Malaysia (SKR1M) projects respectively which are amortised on a straight line basis over the estimated useful lives of the related assets.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

23. PROPERTY, PLANT AND EQUIPMENT

The Group	Telecom-munications Network RM	Movable Plant and Equipment RM	Computer Support Systems RM	Land (sub-note (c)) RM	Buildings RM	Capital Work-In-Progress RM	Total Property, Plant and Equipment RM
Net Book Value							
Reported as at 31 December 2018	**10,306.5**	**310.8**	**684.4**	**823.1**	**2,068.7**	**1,069.8**	**15,263.3**
Reclassification to right-of-use assets (note 26)	**(153.8)**	**(11.1)**	**-**	**-**	**(41.6)**	**-**	**(206.5)**
Restated as at 1 January 2019	**10,152.7**	**299.7**	**684.4**	**823.1**	**2,027.1**	**1,069.8**	**15,056.8**
Additions (sub-note (a))	**241.8**	**86.2**	**90.3**	**57.5**	**2.1**	**995.2**	**1,473.1**
Assetisation	**894.1**	**12.6**	**167.4**	**-**	**273.7**	**(1,347.8)**	**-**
Disposals	**(1.0)**	**(9.6)**	**(1.7)**	**-**	**-**	**-**	**(12.3)**
Charged to Income Statement	**-**	**-**	**-**	**-**	**-**	**(68.0)**	**(68.0)**
Write-off (note 6(a))	**(36.7)**	**-**	**-**	**-**	**(0.4)**	**(4.6)**	**(41.7)**
Depreciation (note 6(a))	**(1,572.6)**	**(99.1)**	**(206.1)**	**(1.0)**	**(162.0)**	**-**	**(2,040.8)**
Impairment (note 6(a) and sub-note (b))	**(127.0)**	**-**	**(1.0)**	**-**	**-**	**(1.0)**	**(129.0)**
Currency translation differences	**-**	**(0.4)**	**4.4**	**-**	**(0.1)**	**-**	**3.9**
Transfer from non-current assets held for sale (net)(note 34)	**-**	**-**	**-**	**13.2**	**4.3**	**-**	**17.5**
Reclassification	**(0.4)**	**(6.9)**	**3.7**	**-**	**3.6**	**-**	**-**
At 31 December 2019	**9,550.9**	**282.5**	**741.4**	**892.8**	**2,148.3**	**643.6**	**14,259.5**
At 31 December 2019							
Cost	**46,872.9**	**2,711.4**	**5,437.5**	**913.7**	**4,844.3**	**644.6**	**61,424.4**
Accumulated depreciation	**(35,968.5)**	**(2,408.6)**	**(4,687.0)**	**(18.3)**	**(2,696.0)**	**-**	**(45,778.4)**
Accumulated impairment	**(1,353.5)**	**(20.3)**	**(9.1)**	**(2.6)**	**-**	**(1.0)**	**(1,386.5)**
Net Book Value	**9,550.9**	**282.5**	**741.4**	**892.8**	**2,148.3**	**643.6**	**14,259.5**
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 34)	-	-	-	(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

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

23. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

The Company	Telecom-munications Network RM	Movable Plant and Equipment RM	Computer Support Systems RM	Land (sub-note (c)) RM	Buildings RM	Capital Work-In-Progress RM	Total Property, Plant and Equipment RM
Net Book Value							
Reported as at 31 December 2018	**10,081.7**	**275.6**	**468.4**	**344.4**	**1,557.7**	**1,035.8**	**13,763.6**
Reclassification to right-of-use assets (note 26)	**(153.8)**	**(9.4)**	**-**	**-**	**(41.6)**	**-**	**(204.8)**
Restated as at 1 January 2019	**9,927.9**	**266.2**	**468.4**	**344.4**	**1,516.1**	**1,035.8**	**13,558.8**
Additions (sub-note (a))	**196.6**	**40.7**	**0.1**	**59.0**	**2.0**	**780.3**	**1,078.7**
Assetisation	**743.1**	**3.8**	**149.6**	**-**	**298.6**	**(1,195.1)**	**-**
Disposals	**(0.7)**	**(2.8)**	**-**	**-**	**-**	**-**	**(3.5)**
Charged to Income Statement	**-**	**-**	**-**	**-**	**-**	**(65.2)**	**(65.2)**
Write-off (note 6(a))	**(36.8)**	**-**	**(0.7)**	**-**	**(0.3)**	**(4.6)**	**(42.4)**
Depreciation (note 6(a))	**(1,496.2)**	**(65.9)**	**(160.2)**	**(0.9)**	**(137.8)**	**-**	**(1,861.0)**
Impairment (note 6(a) and sub-note (b))	**(127.0)**	**-**	**(1.1)**	**-**	**-**	**-**	**(128.1)**
Transfer from non-current assets held for sale (note 34)	**-**	**-**	**-**	**13.6**	**4.5**	**-**	**18.1**
Reclassification	**(0.4)**	**(6.9)**	**3.7**	**-**	**3.6**	**-**	**-**
At 31 December 2019	**9,206.5**	**235.1**	**459.8**	**416.1**	**1,686.7**	**551.2**	**12,555.4**
At 31 December 2019							
Cost	**40,547.2**	**1,721.4**	**4,331.5**	**435.0**	**4,073.0**	**551.2**	**51,659.3**
Accumulated depreciation	**(30,807.0)**	**(1,486.3)**	**(3,869.4)**	**(16.3)**	**(2,386.3)**	**-**	**(38,565.3)**
Accumulated impairment	**(533.7)**	**-**	**(2.3)**	**(2.6)**	**-**	**-**	**(538.6)**
Net Book Value	**9,206.5**	**235.1**	**459.8**	**416.1**	**1,686.7**	**551.2**	**12,555.4**
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 34)	-	-	-	(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

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

23. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(a) Included in additions of the Group and the Company are borrowing costs of RM4.7 million (2018: RM12.5 million) directly attributable to the construction of qualifying assets.

(b) Impairment loss

During the current financial year, the Group and the Company recognised an impairment loss of RM129.0 million and RM128.1 million at the Group and the Company, of which RM124.6 million was in respect of fixed network assets following the Group's announcement of a price adjustment of its Streamyx services.

During the previous financial year, the Group and the 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. 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 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 7-years (2018: 8-years) discounted cash flows projection from 2020 to 2026 (2018: 2019 to 2026);
- No terminal value is applied in view of the finite life of the assets under review and the 7 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 (among others):
  - revenue which is affected by the limitation of the copper broadband network and thus transition from copper network products to products served via fibre cables;
  - operating costs in serving customers subscribing to copper based services;
  - subscriber base resulting from the above; and
  - other cash outflows and margins.

  These are 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% (2018: 10.4%).

The market and industry changes had also affected recoverability 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 in the preceding financial year. No material impairment loss was recognised from these reviews carried out at the Group's subsidiaries during the current financial year.

(ii) The following are the asssumptions used in the review for the Group's wireless network asset for the current and previous financial year ended. The assessment 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 2019 was based on a 10-years discounted cash flow projection from 2020 to 2029 (2018: 2019 to 2028);
- 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 including expected impact of changing technology to existing product and customer profile, operating costs in serving such products and customer profile as well as other cash outflows 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 13.0% (2018: 15.0%).

No impairment was recognised from the review carried out for financial year ended 31 December 2019.

(iii) In the previous financial year, 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 was recognised in the previous financial year 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 without imputing for terminal or residual value. A similar exercise carried out on the network assets of the subsidiary at the end of the current financial year ended with similar parameters. No impairment was recognised for the current year.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

23. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(b) Impairment loss (continued)

(iv) In the previous financial year, 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.

(c) 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 2019	**727.6**	**66.6**	**28.9**	**823.1**
Addition	**47.7**	**9.8**	**-**	**57.5**
Depreciation	**-**	**(1.0)**	**-**	**(1.0)**
Transfer from non-current asset held for sale (net)(note 34)	**12.6**	**0.6**	**-**	**13.2**
At 31 December 2019	**787.9**	**76.0**	**28.9**	**892.8**
At 31 December 2019				
Cost	**790.5**	**93.9**	**29.3**	**913.7**
Accumulated depreciation	**-**	**(17.9)**	**(0.4)**	**(18.3)**
Accumulated impairment	**(2.6)**	**-**	**-**	**(2.6)**
Net Book Value	**787.9**	**76.0**	**28.9**	**892.8**
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 34)	-	(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

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23. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(c) 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 2019	**258.8**	**56.7**	**28.9**	**344.4**
Addition	**49.4**	**9.6**	**-**	**59.0**
Depreciation	**-**	**(0.9)**	**-**	**(0.9)**
Transfer from non-current assets held for sale (note 34)	**12.6**	**1.0**	**-**	**13.6**
At 31 December 2019	**320.8**	**66.4**	**28.9**	**416.1**
At 31 December 2019				
Cost	**323.4**	**82.3**	**29.3**	**435.0**
Accumulated depreciation	**-**	**(15.9)**	**(0.4)**	**(16.3)**
Accumulated impairment	**(2.6)**	**-**	**-**	**(2.6)**
Net Book Value	**320.8**	**66.4**	**28.9**	**416.1**
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 assets held for sale (note 34)	-	(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

(i) Leasehold land comprise the following:

	The Group		The Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Long term leasehold land	**55.4**	45.5	**54.4**	44.4
Short term leasehold land	**20.6**	21.1	**12.0**	12.3
Total	**76.0**	66.6	**66.4**	56.7

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

24. INVESTMENT PROPERTY

The Company	2019 RM	2018 RM
Net Book Value		
At 1 January	**105.7**	107.9
Depreciation (note 6(a))	**(2.1)**	(2.2)
At 31 December	**103.6**	105.7
At 31 December		
Cost	**128.0**	128.0
Accumulated depreciation	**(24.4)**	(22.3)
Net Book Value	**103.6**	105.7

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 2019 was RM146.0 million (2018: RM140.3 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

25. INTANGIBLE ASSETS

The Group	Goodwill RM	Telecom-munication Spectrum** RM	Other Intangible Assets* RM	Total RM
Net Book Value				
At 1 January 2019	**309.6**	**168.2**	**12.2**	**490.0**
Additions	**-**	**-**	**31.8**	**31.8**
Amortisation (note 6(a))	**-**	**-**	**(18.9)**	**(18.9)**
Write-off/Retirement (note 6(a))	**-**	**-**	**(9.7)**	**(9.7)**
At 31 December 2019	**309.6**	**168.2**	**15.4**	**493.2**
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	-	-	(4.0)	(4.0)
At 31 December 2018	309.6	168.2	12.2	490.0
At 31 December 2019				
Cost	**366.7**	**168.2**	**116.5**	**651.4**
Accumulated amortisation	**-**	**-**	**(101.1)**	**(101.1)**
Accumulated impairment	**(57.1)**	**-**	**-**	**(57.1)**
Net Book Value	**309.6**	**168.2**	**15.4**	**493.2**
At 31 December 2018				
Cost	366.7	168.2	94.4	629.3
Accumulated amortisation	-	-	(82.2)	(82.2)
Accumulated impairment	(57.1)	-	-	(57.1)
Net Book Value	309.6	168.2	12.2	490.0

* 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 (webe).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

25. INTANGIBLE ASSETS (CONTINUED)

(a) Impairment test for goodwill

The Group undertakes an annual test for impairment of its cash-generating units to which goodwill is allocated. A review in the previous financial year ended 2018 resulted to a reallocation of the goodwill from VADS Berhad (VADS) to the larger cash generating unit of TM ONE business cluster as disclosed in note 47 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 previous 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 licenses, 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 indicated that there was no impairment.

In the previous financial year ended, the Group recognised a full impairment of the goodwill recognised from the acquisition of Webe Digital Sdn Bhd (webe) which had been allocated to the webe group of entities (as disclosed in note 55 to the financial statements) based on its value-in-use which had been affected during the previous 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'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:

	2019 RM	2018 RM
TM ONE Business Cluster	**308.4**	308.4
Others	**1.2**	1.2
	309.6	309.6

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

25. INTANGIBLE ASSETS (CONTINUED)

(a) Impairment test for goodwill (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 three-year period for TM ONE. For the preceding financial year, the cash flows projection used for webe was 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 reflected management's expectation of revenue growth, operating costs and margins for the cash-generating unit based on past experience. Cash flows beyond the third year for TM ONE and tenth year for webe respectively are extrapolated using estimated terminal growth rate. The rates had been determined based on projected growth rates 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:

	2019	2018	
	TM ONE	TM ONE	webe
Pre-tax discount rate	**14.2%**	13.5%	16.1%
Terminal growth rate	**-1.0%**	-1.0%	0.5%

The terminal growth rates applied in the current financial year ended is same as those used in the previous year.

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

(b) Impairment test for telecommunication spectrum and its indefinite useful life

The impairment test on the Group's telecommunication spectrum allocated to webe was performed concurrently with the impairment test exercise carried out for its wireless network assets, as disclosed in note 23(b)(ii) to the financial statements. The recoverable value which was based on the value-in-use derived from that same exercise for the current financial year ended, exceeded the combined carrying value of both the telecommunication spectrum and wireless network assets as at 31 December 2019. In addition, a terminal value was also applied in arriving to the value-in-use with the pre-tax discount rate of 15.0% and terminal growth rate of 0.5%. As a result, no impairment loss has been recognised for the Group's telecommunication spectrum during the current financial year ended.

The Group also reviewed the useful life of the spectrum which remains as indefinite as at the end of the current financial year. The key considerations in the review is as disclosed in note 3(f) to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

26. RIGHT-OF-USE ASSETS

The Group	Telecom-munications Network RM	Movable Plant and Equipment RM	Computer Support Systems RM	Land RM	Buildings RM	Total Right-of-Use Assets RM
Net Book Value						
Impact from implementation of MFRS 16						
- Reclassification from property, plant and equipment (note 23)	153.8	11.1	-	-	41.6	206.5
- Recognised as at 1 January 2019	177.3	19.2	10.2	280.8	1,122.1	1,609.6
- Impairment loss recognised on date of transition (note 54)	-	-	-	-	(732.6)	(732.6)
Recognised/Restated as at 1 January 2019	331.1	30.3	10.2	280.8	431.1	1,083.5
Additions	83.7	4.2	-	0.3	163.3	251.5
Modification	-	(1.2)	(0.6)	(2.4)	(1.1)	(5.3)
Termination	-	(0.1)	-	-	(0.2)	(0.3)
Depreciation (note 6(a) and sub-note (a))	(62.1)	(12.8)	(4.3)	(10.3)	(124.7)	(214.2)
At 31 December 2019	352.7	20.4	5.3	268.4	468.4	1,115.2
At 31 December 2019						
Cost	414.8	33.2	9.6	278.7	1,325.7	2,062.0
Accumulated depreciation	(62.1)	(12.8)	(4.3)	(10.3)	(124.7)	(214.2)
Accumulated impairment	-	-	-	-	(732.6)	(732.6)
Net Book Value	352.7	20.4	5.3	268.4	468.4	1,115.2

In the previous year, the Group and the Company only recognised lease assets and lease liabilities in relation to leases that were classified as "finance leases" under MFRS 117 "Leases". The assets were presented in property, plant and equipment and the liabilities as part of the Group's and the Company's borrowings. For adjustments recognised on adoption of MFRS 16 on 1 January 2019, please refer to note 54 to the financial statements.

(a) The following amounts relating to leases are disclosed in the Income Statement:

	2019 RM
Depreciation of right-of-use assets (note 6(a))	214.2
Interest expense on lease liabilities (note 9)	128.4
Expenses relating to short-term leases (note 6(b))	38.4
Expenses relating to lease of low-value assets that are not shown above as short term leases (note 6(b))	4.5

(b) Impairment loss

The Group recognised an impairment loss against opening retained earnings amounting to RM732.6 million upon adoption of MFRS 16 on 1 January 2019.

The right-of-use assets are reviewed for impairment under MFRS 136 "Impairment of Assets" using the assumptions as stated in note 23(b) to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

26. RIGHT-OF-USE ASSETS (CONTINUED)

The Company	Telecom-munications Network RM	Movable Plant and Equipment RM	Land RM	Buildings RM	Total Right-of-Use Assets RM
Net Book Value					
Impact from implementation of MFRS 16					
- Reclassification from property, plant and equipment (note 23)	153.8	9.4	-	41.6	204.8
Recognised/Restated as at 1 January 2019	98.6	15.9	280.8	373.5	768.8
Additions	39.6	-	0.3	92.6	132.5
Modification	-	-	(2.4)	(1.7)	(4.1)
Termination	-	(0.2)	-	-	(0.2)
Depreciation (note 6(a) and sub-note (a))	(50.8)	(10.6)	(10.3)	(107.0)	(178.7)
At 31 December 2019	241.2	14.5	268.4	399.0	923.1
At 31 December 2019					
Cost	292.0	25.1	278.7	506.0	1,101.8
Accumulated depreciation	(50.8)	(10.6)	(10.3)	(107.0)	(178.7)
Net Book Value	241.2	14.5	268.4	399.0	923.1

In the previous year, the Group and the Company only recognised lease assets and lease liabilities in relation to leases that were classified as "finance leases" under MFRS 117 "Leases". The assets were presented in property, plant and equipment and the liabilities as part of the Group's and the Company's borrowings. For adjustments recognised on adoption of MFRS 16 on 1 January 2019, please refer to note 54 to the financial statements.

(a) The following amounts relating to leases are disclosed in the Income Statement:

	2019 RM
Depreciation of right-of-use assets (note 6(a))	178.7
Interest expense on lease liabilities (note 9)	62.4
Expenses relating to short-term leases (note 6(b))	12.4
Expenses relating to lease of low-value assets that are not shown above as short term leases (note 6(b))	4.1

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

27. SUBSIDIARIES

The Company	2019 Malaysia RM	2019 Overseas RM	2019 Total RM	2018 Malaysia RM	2018 Overseas RM	2018 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)**	(407.1)	(13.2)	(420.3)
	1,305.9	**8.8**	**1,314.7**	1,305.9	8.8	1,314.7
Equity contributions						
- Options granted to employees of subsidiaries	**24.3**	**-**	**24.3**	24.3	-	24.3
- LTIP granted to employees of subsidiaries	**25.1**	**-**	**25.1**	18.1	0.2	18.3
Unquoted investments, at written down value*	**-**	**-**	**-**	-	-	-
NET INVESTMENTS IN SUBSIDIARIES	**1,355.3**	**8.8**	**1,364.1**	1,348.3	9.0	1,357.3

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

The Group's effective equity interest in the subsidiaries, their respective principal activities and countries of incorporation are listed in note 55 to the financial statements. Other than Yayasan Telekom Malaysia, which is 100% consolidated in the Group's financial results, the proportion of the Group's voting rights in the subsidiaries held by the Group do not differ from the proportion of ordinary shares held or the Group's effective equity interests in the subsidiaries. The Group has de facto control over Yayasan Telekom Malaysia due to a combination of facts including source of funding and right to appoint the Board of Trustees.

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

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27. SUBSIDIARIES (CONTINUED)

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

	Webe Digital Sdn Bhd		Fiberail Sdn Bhd		Fibrecomm Network (M) Sdn Bhd	
	2019 RM	2018 RM	2019 RM	2018 RM	2019 RM	2018 RM
Summarised Income Statement						
Revenue	**405.8**	398.8	**151.2**	147.1	**116.5**	108.6
(Loss)/Profit before income tax	**(325.2)**	(1,434.0)	**26.5**	22.2	**22.9**	(74.1)
Income tax (expense)/credit	**-**	-	**(7.5)**	(5.8)	**(5.2)**	15.9
(Loss)/Profit after tax and total comprehensive income	**(325.2)**	(1,434.0)	**19.0**	16.4	**17.7**	(58.2)
Total comprehensive (loss)/income attributed to non-controlling interests	**(88.1)**	(388.6)	**8.7**	5.7	**8.7**	(28.6)
Dividends paid to non-controlling interests	**-**	-	**-**	9.2	**-**	-
Summarised Statement of Financial Position						
Current assets	**125.5**	155.1	**106.4**	119.2	**58.5**	63.4
Current liabilities	**(1,767.1)**	(1,383.9)	**(91.1)**	(95.1)	**(57.2)**	(85.5)
Total net current (liabilities)/assets	**(1,641.6)**	(1,228.8)	**15.3**	24.1	**1.3**	(22.1)
Non-current assets	**401.7**	66.5	**298.3**	192.8	**93.3**	95.7
Non-current liabilities	**(2,326.8)**	(1,373.5)	**(110.6)**	(25.4)	**(5.9)**	(3.4)
Total net non-current (liabilities)/ assets	**(1,925.1)**	(1,307.0)	**187.7**	167.4	**87.4**	92.3
Net (liabilities)/assets	**(3,566.7)**	(2,535.8)	**203.0**	191.5	**88.7**	70.2
Cumulative non-controlling interests	**(966.6)**	(687.2)	**93.4**	88.1	**43.5**	34.4

NOTES TO THE FINANCIAL STATEMENTS

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27. 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	
	2019 RM	2018 RM	2019 RM	2018 RM	2019 RM	2018 RM
Summarised Statement of Cash Flows						
Cash generated/(used in) from operations	**213.3**	(194.5)	**58.4**	76.6	**22.2**	48.5
Interest paid	**(26.3)**	(22.0)	**-**	-	**(0.4)**	(0.5)
Income tax paid	**-**	-	**(10.8)**	(13.7)	**(6.9)**	(5.9)
Cash flows from/(used in) operating activities	**187.0**	(216.5)	**47.6**	62.9	**14.9**	42.1
Cash flows used in investing activities	**(260.3)**	(227.4)	**(4.4)**	(19.4)	**(14.5)**	(23.4)
Cash flows from/(used in) financing activities	**44.6**	373.3	**(37.7)**	(20.0)	**0.8**	(2.0)
Net (decrease)/increase in cash and cash equivalents	**(28.7)**	(70.6)	**5.5**	23.5	**1.2**	16.7
Effect of exchange rate changes	**-**	-	**-**	-	**(0.2)**	0.1
Cash and cash equivalents at beginning of the financial year	**35.4**	106.0	**41.0**	17.5	**21.7**	4.9
Cash and cash equivalents at end of the financial year	**6.7**	35.4	**46.5**	41.0	**22.7**	21.7

28. LOANS AND ADVANCES TO SUBSIDIARIES

Loans and advances to subsidiaries of RM15.6 million (2018: RM0.2 million) represent shareholder loans and advances for working capital purposes. These loans and advances are unsecured and bear interest ranging from 4.21% to 5.68% (2018: 4.50% to 5.68%) and will mature between 1 to 9 years. Movements in the balances during the year are disclosed in note 45(c) to the financial statements.

In the previous financial year, an impairment of RM1,510.2 million was recognised for loans to certain subsidiaries triggered by their financial performances respectively. No further impairment was recognised in the current financial year.

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29. ASSOCIATE

The Group	2019 RM	2018 RM
Share of net assets of an associate		
Unquoted investments	**81.1**	74.3
TOTAL	**81.1**	74.3
The Group's share of revenue and profit of an associate is as follows:		
Revenue	**28.4**	26.8
Profit after tax and total comprehensive income	**15.0**	21.0
The Group's share of assets and liabilities of an associate is as follows:		
Non-current assets	**89.0**	90.4
Current assets	**2.1**	(0.6)
Current liabilities	**(10.0)**	(15.5)
Net assets	**81.1**	74.3

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 56 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 associate to transfer funds in the form of dividend to the Group.

30(a). EQUITY INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (FVOCI)

Equity investments at FVOCI comprise of individual equity investments.

	The Group		The Company	
	2019 RM	2018 RM	2019 RM	2018 RM
At 1 January	**148.0**	159.2	**147.9**	159.1
Fair value changes transferred to other comprehensive income	**(8.2)**	(11.2)	**(8.1)**	(11.2)
At 31 December	**139.8**	148.0	**139.8**	147.9

The equity investments are represented primarily by the Group's and the Company's investments in Asean Cableship Pte Ltd and Labuan Reinsurance (L) Ltd. The dividends received by the Group and the Company during the financial year amounted to RM9.1 million (2018: RM11.7 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.

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30(b). INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS (FVTPL)

Investment in a Technology Investment Fund and certain investments in a rated Corporate Social Responsibility (CSR) sukuk are classified as financial assets at FVTPL. The investments 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.

The Group and the Company	2019 RM	2018 RM
At 1 January	**82.7**	76.5
Additional investment	**12.3**	6.3
Fair value changes through profit or loss (net)	**(35.8)**	2.0
Management fees	**(3.7)**	(3.7)
Foreign exchange difference	**0.1**	1.6
At 31 December	**55.6**	82.7
Current portion	**6.0**	6.0
Non-current portion	**49.6**	76.7
TOTAL INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS (FVTPL)	**55.6**	82.7

There were no disposal of the portfolio during the year. Additional investments made to the Technology Investment Fund amounted to RM12.3 million (2018: RM6.3 million).

30(c). INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (FVOCI)

Investments in listed and unlisted bonds are classified as FVOCI, as the Group's and the 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.

The Group and the Company	2019 RM	2018 RM
At 1 January	**147.9**	358.8
Additions	**83.0**	103.1
Fair value changes transferred to other comprehensive income	**2.8**	(0.3)
Disposals	**(78.1)**	(313.0)
Accretion of finance income (net)	**2.2**	(0.7)
At 31 December	**157.8**	147.9

The credit quality of investments in listed and unlisted bonds is as follows:

The Group and the Company	2019 RM	2018 RM
AAA	**45.5**	48.2
AA	**88.1**	81.0
A	**11.6**	6.7
BB	**1.6**	-
Malaysian Government Securities	**11.0**	12.0
	157.8	147.9

NOTES TO THE FINANCIAL STATEMENTS

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31. RECEIVABLES AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (FVOCI)

The Group and the Company	2019 RM	2018 RM
At 1 January	**252.5**	209.2
Additions (including interest)	**67.4**	84.6
Repayments (net of conversion)	**(38.3)**	(20.0)
Disposal	**(20.4)**	(7.9)
Amortisation of prepayment	**(4.4)**	(15.2)
Reversal of impairment	**5.6**	0.4
Fair value changes transferred to other comprehensive income	**19.9**	1.4
TOTAL RECEIVABLES AT FVOCI (net)	**282.3**	252.5
Current portion	**14.3**	13.1
Non-current portion	**268.0**	239.4
TOTAL RECEIVABLES AT FVOCI (net)	**282.3**	252.5

Loans extended to employees arrangement for the disposal of the loans to a third party when certain pre-determined conditions are met.

Provision for impairment of Receivables at FVOCI

The Group and the Company	2019 RM	2018 RM
At 1 January	**18.3**	18.7
Reversal of impairment on education loan	**(5.6)**	(0.4)
At 31 December (note 4(a))	**12.7**	**18.3**

32. OTHER NON-CURRENT RECEIVABLES

	The Group		The Company	
	2019 RM	2018 RM	2019 RM	2018 RM
At 1 January 2018	**-**	31.5	**-**	31.5
At 31 December				
Staff loans at amortised cost				
- under Islamic principles	**30.3**	1.3	**30.2**	1.3
Total staff loans (sub-note (i))	**30.3**	32.8	**30.2**	32.8
Other non-current receivables				
- other deposits (sub-note (ii))	**224.7**	200.9	**224.7**	200.9
- tax recoverable (sub-note (iii))	**-**	113.8	**-**	113.8
- Redeemable Exchangeable Medium Term Notes receivable (sub-note (iv))	**-**	233.7	**-**	-
- others (sub-note (v))	**122.0**	112.6	**-**	-
	377.0	693.8	**254.9**	347.5
Prepaid employee benefits	**55.1**	51.0	**55.1**	51.0
	432.1	744.8	**310.0**	398.5
Staff loans receivable within twelve months included under other receivables (note 36)	**(7.1)**	(7.1)	**(7.0)**	(7.1)
TOTAL OTHER NON-CURRENT RECEIVABLES	**425.0**	737.7	**303.0**	391.4

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32. OTHER NON-CURRENT RECEIVABLES (CONTINUED)

(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

During the current financial year, the Company disposed RM20.4 million (2018: RM7.9 million) of its employees housing loans for a total cash consideration of RM19.4 million (2018: RM7.5 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 the Company	2019 Carrying amount RM	2019 Fair value RM	2018 Carrying amount RM	2018 Fair value RM
Staff loans at amortised cost/FVOCI	**0.1**	**0.1**	0.1	0.1
Other borrowings (note 17)	**(0.1)**	**(0.1)**	(0.1)	(0.1)
Net amount	**#**	**#**	#	#

Amount less than RM0.1 million

(ii) Other deposits comprise deposit and accrued interest relating to the leases 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) As at the end of previous financial year, this comprised tax credit in respect of prior years arising from the last mile broadband tax incentive granted to the Company for 5 years commencing 16 September 2008, to be offset against future tax payables. During the current financial year ended the balance of tax recoverable has been confirmed by the tax authorities for refund purposes and thus reclassified as current receivables.

(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. During the financial year, the Group recognised a RM233.7 million fair value loss on its subscription of Exchangeable MTNs issued by a non-controlling interest in a subsidiary.

(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.

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

33. INVENTORIES

	The Group		The Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Telecommunications equipment	**40.8**	76.5	**40.5**	76.5
Capacity held for resale	**15.6**	9.3	**15.6**	9.3
Land held for sale	**4.4**	4.4	**-**	-
Land held for property development	**35.5**	35.5	**-**	-
Others	**5.7**	8.9	**7.7**	3.6
TOTAL INVENTORIES	**102.0**	134.6	**63.8**	89.4

34. NON-CURRENT ASSETS HELD FOR SALE

The Group	At 1 January RM	Carrying amount immediately before reclassification from property, plant and equipment (note 23) RM	Reclassification to property, plant and equipment (note 23) RM	Disposal RM	At 31 December RM
Carrying amount					
2019					
Land					
- Freehold	**13.4**	**-**	**(12.6)**	**(0.8)**	**-**
- Leasehold	**1.0**	**0.4**	**(1.0)**	**-**	**0.4**
Buildings	**4.5**	**0.2**	**(4.5)**	**-**	**0.2**
	18.9	**0.6**	**(18.1)**	**(0.8)**	**0.6**
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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

34. NON-CURRENT ASSETS HELD FOR SALE (CONTINUED)

The Company	At 1 January RM	Carrying amount immediately before reclassification from property, plant and equipment (note 23) RM	Reclassification to property, plant and equipment (note 23) RM	Disposal RM	At 31 December RM
Carrying amount					
2019					
Land					
- Freehold	**13.4**	**-**	**(12.6)**	**(0.8)**	**-**
- Leasehold	**1.0**	**-**	**(1.0)**	**-**	**#**
Buildings	**4.5**	**-**	**(4.5)**	**-**	**-**
	18.9	**-**	**(18.1)**	**(0.8)**	**#**
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

Amount less than RM0.1million

35. CONTRACT COST ASSETS

	The Group		The Company	
	2019 RM	2018 RM	2019 RM	2018 RM
At 1 January	**224.5**	116.1	**158.3**	132.6
Additions	**331.8**	226.5	**263.0**	171.5
Amortised to the Income Statement	**(337.2)**	(118.1)	**(265.6)**	(145.8)
At 31 December	**219.1**	224.5	**155.7**	158.3

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

36. TRADE AND OTHER RECEIVABLES

	The Group		The Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Receivables from external customers	**2,591.3**	2,279.1	**1,948.8**	1,513.9
Receivables from subsidiaries	**-**	-	**398.6**	482.4
Receivables from associate	**17.8**	39.2	**17.8**	39.2
	2,609.1	2,318.3	**2,365.2**	2,035.5
Impairment				
- external customers	**(1,005.7)**	(1,074.5)	**(601.1)**	(690.6)
- subsidiaries	**-**	-	**(314.6)**	(68.8)
Total trade receivables (net)	**1,603.4**	1,243.8	**1,449.5**	1,276.1
Prepayments	**213.6**	315.2	**130.5**	186.6
Grant recoverable	**211.0**	404.0	**210.7**	404.0
Tax recoverable	**135.1**	135.7	**65.2**	69.3
Staff loans (note 32)	**7.1**	7.1	**7.0**	7.1
Other receivables from subsidiaries	**-**	-	**856.9**	671.5
Other receivables	**388.4**	378.3	**354.8**	291.3
Impairment of other receivables				
- external customers	**(124.1)**	(78.9)	**(108.9)**	(69.2)
- subsidiaries	**-**	-	**(695.0)**	(475.0)
Total other receivables (net)	**831.1**	1,161.4	**821.2**	1,085.6
TOTAL TRADE AND OTHER RECEIVABLES (net)	**2,434.5**	2,405.2	**2,270.7**	2,361.7

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:

	2019			2018		
	Gross amount of trade receivables RM	Gross amount of trade payables and accruals set off against trade receivables (note 39) 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 39) RM	Net amount of trade receivables RM
The Group	**1,955.1**	**(351.7)**	**1,603.4**	1,480.3	(236.5)	1,243.8
The Company	**1,801.2**	**(351.7)**	**1,449.5**	1,512.6	(236.5)	1,276.1

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.

Movement and balance analysis of loss allowance is disclosed under note 4(a)(ii) to the financial statements.

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 40 to the financial statements) and bankers' guarantee obtained from customers amounting to RM107.0 million (2018: RM70.0 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 range from 30 to 90 days (2018: 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.

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37. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (FVTPL)

The Group and the Company	2019 RM	2018 RM
Equity securities quoted on the Bursa Malaysia Securities Berhad	**1.5**	1.8
TOTAL FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS	**1.5**	1.8

38. CASH AND BANK BALANCES

	The Group		The Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Deposits with licensed banks	**1,096.7**	1,265.2	**1,054.5**	1,242.7
Deposits under Islamic principles	**3,132.7**	899.3	**3,108.7**	849.9
Total deposits	**4,229.4**	2,164.5	**4,163.2**	2,092.6
Cash and bank balances	**443.5**	460.9	**246.8**	333.1
Cash and bank balances under Islamic principles	**245.5**	200.9	**175.1**	130.6
TOTAL CASH AND BANK BALANCES	**4,918.4**	2,826.3	**4,585.1**	2,556.3
Less:				
Money held in trust (sub-note (a))/Deposits pledged	**(132.3)**	(69.8)	**(131.7)**	(69.1)
TOTAL CASH AND CASH EQUIVALENTS	**4,786.1**	2,756.5	**4,453.4**	2,487.2

(a) Money held in trust amounting to USD31.9 million (RM131.7 million) [2018: 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.

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	
	2019 RM	2018 RM	2019 RM	2018 RM
AAA	**727.8**	828.5	**565.5**	715.1
AA	**2,331.8**	1,245.6	**2,254.8**	1,191.1
A	**1,099.6**	381.2	**1,005.9**	285.9
NR (sub-note (b))	**759.2**	371.0	**758.9**	364.2
	4,918.4	2,826.3	**4,585.1**	2,556.3

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

Deposits have maturities ranging from overnight to 90 days (2018: 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 2019 was 3.58 % (2018: 3.89%) and 3.53 % (2018: 3.91%) for the Group and the Company respectively.

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39. TRADE AND OTHER PAYABLES

	The Group		The Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Trade payables and accruals	**2,120.4**	2,494.6	**1,326.2**	1,694.2
Liabilities undertaken in relation to government grant (note 46(c))	**200.0**	200.0	**200.0**	200.0
Payable for Universal Service Provision	**168.1**	179.9	**152.6**	165.0
Money held in trust (note 38(a))	**131.7**	69.1	**131.7**	69.1
Deferred revenue	**91.1**	131.2	**13.4**	28.8
Deposits and trust monies	**88.8**	84.6	**62.6**	56.5
Finance cost payable	**87.3**	86.3	**87.3**	86.1
Provision for dismantling cost	**82.4**	21.5	**64.0**	3.9
Duties and other taxes payable	**68.5**	38.7	**54.4**	36.9
Provision for Skim MESRA (sub-note (b))	**17.3**	22.2	**11.7**	16.4
Payables to subsidiaries (sub-note (a))	**-**	-	**831.5**	716.2
Other payables and accruals	**631.2**	303.7	**409.1**	279.1
	3,686.8	3,631.8	**3,344.5**	3,352.2
Current portion	**3,604.4**	3,610.3	**3,280.5**	3,348.3
Non-current portion	**82.4**	21.5	**64.0**	3.9
TOTAL TRADE AND OTHER PAYABLES	**3,686.8**	3,631.8	**3,344.5**	3,352.2

(a) Include excess funds of subsidiaries managed and invested by the Company, which are interest bearing as disclosed in note 45(b) to the financial statements.

(b) Provision for Skim MESRA for eligible employees

Between 2014 and 2016, the Group and the Company announced a series of offering of the special optional retirement scheme, called Skim MESRA, to its employees aged 55 and above. Eligible employees who accepted the optional retirement offer were compensated through special incentives and designated benefits until they reach the age of 60.

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), had 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:

	2019			2018		
	Gross amount of trade payables and accruals RM	Gross amount of trade receivables set off against trade payables and accruals (note 36) 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 36) RM	Net amount of trade payables and accruals RM
The Group	**2,472.1**	**(351.7)**	**2,120.4**	2,731.1	(236.5)	2,494.6
The Company	**1,677.9**	**(351.7)**	**1,326.2**	1,930.7	(236.5)	1,694.2

Credit terms of trade and other payables excluding accruals vary from 30 to 90 days (2018: 30 to 90 days) depending on the terms of the contracts.

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40. CUSTOMER DEPOSITS

	The Group		The Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Telephone services	**289.1**	340.8	**289.0**	340.7
Data services	**8.9**	12.0	**2.5**	2.8
TOTAL CUSTOMER DEPOSITS	**298.0**	352.8	**291.5**	343.5

41. CASH FLOWS FROM OPERATING ACTIVITIES

	The Group		The Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Receipts from customers	**11,330.0**	11,269.9	**9,346.0**	9,803.7
Payments to suppliers and employees	**(7,067.7)**	(8,060.3)	**(5,987.6)**	(6,655.6)
Payments to suppliers for short term lease and leases of low value assets	**(42.9)**	-	**(16.5)**	-
Payments of finance cost	**(464.6)**	(430.3)	**(385.1)**	(370.8)
Payments of income taxes and zakat (net)	**(252.8)**	(194.2)	**(156.3)**	(119.5)
TOTAL CASH FLOWS FROM OPERATING ACTIVITIES	**3,502.0**	2,585.1	**2,800.5**	2,657.8

42. CASH FLOWS USED IN INVESTING ACTIVITIES

	The Group		The Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Contribution for purchase of property, plant and equipment	**186.0**	541.4	**186.0**	541.4
Disposal of property, plant and equipment	**19.6**	22.4	**8.7**	21.7
Purchase of property, plant and equipment	**(1,498.8)**	(2,276.1)	**(1,169.4)**	(1,897.6)
Disposal/Maturity of current investments at fair value to other comprehensive income	**78.1**	313.0	**78.1**	313.0
Purchase of current investments at fair value to other comprehensive income	**(83.0)**	(103.1)	**(83.0)**	(103.1)
Purchase of investments at FVTPL	**(8.6)**	(6.3)	**(8.6)**	(6.3)
Disposal of non-current assets held for sale	**1.4**	0.2	**1.4**	0.2
Long term deposits	**(16.6)**	(16.6)	**(16.6)**	(16.6)
Repayments from subsidiaries - loans and advances	**-**	-	**7.6**	4.5
- other receivables	**-**	-	**160.5**	490.6
Advances to subsidiaries inclusive subscription of Convertible MTN	**-**	-	**(96.9)**	(842.3)
Repayments to subsidiaries for Inter-Company Fund Optimisation (ICFO)	**-**	-	**(2,632.7)**	(2,872.7)
Receipts from subsidiaries for ICFO	**-**	-	**2,827.4**	2,840.7
Repayments of loans by employees	**49.2**	26.9	**49.2**	26.9
Loans to employees	**(62.0)**	(85.7)	**(62.0)**	(85.7)
Disposal of housing loan	**19.4**	7.5	**19.4**	7.5
Interests received	**121.9**	87.8	**106.6**	71.5
Dividends received	**9.1**	11.7	**91.4**	143.3
TOTAL CASH FLOWS USED IN INVESTING ACTIVITIES	**(1,184.3)**	(1,476.9)	**(532.9)**	(1,363.0)

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43. CASH FLOWS USED IN FINANCING ACTIVITIES

	The Group		The Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Proceeds from borrowings	**747.0**	2,707.1	**450.0**	2,426.0
Repayments of borrowings	**(548.5)**	(2,301.5)	**(450.2)**	(2,101.2)
Repayments of finance lease	**-**	(23.8)	**-**	(11.6)
Repayment of lease liabilities	**(408.1)**	-	**(225.5)**	-
Dividend paid to shareholders	**(75.2)**	(454.7)	**(75.2)**	(454.7)
Dividend paid to non-controlling interests	**-**	(9.2)	**-**	-
TOTAL CASH FLOWS USED IN FINANCING ACTIVITIES	**(284.8)**	(82.1)	**(300.9)**	(141.5)

Changes in liabilities arising from financing activities:

					Non-cash changes				
The Group	At 31 December 2018 RM	Reclassification RM	At 1 January 2019 RM	Cash Flow RM	Interest Accretion RM	Foreign Exchange Movement RM	New Leases RM	Others RM	At 31 December 2019 RM
Borrowings	**(8,571.3)**	**50.0**	**(8,521.3)**	**(198.5)**	**(3.3)**	**2.3**	**-**	**(12.3)**	**(8,733.1)**
Lease liabilities	**(2,020.4)**	**(50.0)**	**(2,070.4)**	**408.1**	**(128.4)**	**-**	**(129.5)**	**5.3**	**(1,914.9)**
	(10,591.7)	**-**	**(10,591.7)**	**209.6**	**(131.7)**	**2.3**	**(129.5)**	**(7.0)**	**(10,648.0)**

					Non-cash changes				
The Company	At 31 December 2018 RM	Reclassification RM	At 1 January 2019 RM	Cash Flow RM	Interest Accretion RM	Foreign Exchange Movement RM	New Leases RM	Others RM	At 31 December 2019 RM
Borrowings	**(7,148.3)**	**37.0**	**(7,111.3)**	**0.2**	**(6.6)**	**1.4**	**-**	**-**	**(7,116.3)**
Lease liabilities	**(1,142.3)**	**(37.0)**	**(1,179.3)**	**225.5**	**(62.4)**	**-**	**(33.2)**	**4.6**	**(1,044.8)**
Payable to subsidiaries	**(1,133.3)**	**-**	**(1,133.3)**	**-**	**(0.6)**	**1.4**	**-**	**-**	**(1,132.5)**
	(9,423.9)	**-**	**(9,423.9)**	**225.7**	**(69.6)**	**2.8**	**(33.2)**	**4.6**	**(9,293.6)**

			Non-cash changes					
The Group	At 1 January 2018 RM	Cash Flow RM	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)

			Non-cash changes					
The Company	At 1 January 2018 RM	Cash Flow RM	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)

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44. SIGNIFICANT NON-CASH TRANSACTIONS

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

	The Group		The Company	
	2019 RM	**2018 RM**	**2019 RM**	**2018 RM**
(a) Contra settlements with subsidiaries between trade and other receivables and trade and other payables	**-**	-	**17.4**	1.4
(b) Contra settlements with customers cum suppliers between trade receivables and trade payables	**415.3**	381.7	**378.2**	381.7

45. 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

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45. SIGNIFICANT RELATED PARTY DISCLOSURES (CONTINUED)

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

	The Group		The Company	
	2019 RM	**2018 RM**	**2019 RM**	**2018 RM**
(i) Sales of goods and rendering of services to subsidiaries and associate:				
- telecommunications related services	**8.2**	8.2	**739.0**	747.1
- lease/rental and maintenance of buildings and vehicles	**-**	-	**45.0**	39.6
- other income*	**-**	-	**11.9**	13.0
(ii) Dividend and interest income from subsidiaries	**-**	-	**117.0**	229.1
(iii) Purchases of goods and services from subsidiaries and associate:				
- telecommunications related services	**79.6**	78.0	**965.7**	1,094.0
- lease/rental of buildings	**-**	-	**11.8**	37.2
- maintenance of vehicles and buildings	**-**	-	**39.2**	42.0
- other expenses	**-**	-	**181.3**	214.0
(iv) Finance cost paid/payable to subsidiaries				
- term loans	**-**	-	**40.7**	36.9
- Inter-Company Fund Optimisation	**-**	-	**17.3**	15.4

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

(b) Year end balances arising from:

	The Group		The Company	
	2019 RM	**2018 RM**	**2019 RM**	**2018 RM**
(i) Sales/Purchases of goods/services				
- receivables from subsidiaries	**-**	-	**1,255.5**	1,153.9
- receivables from associate	**17.8**	39.2	**17.8**	39.2
- payables to subsidiaries	**-**	-	**261.4**	358.0
- payables to associate	**0.4**	0.4	**0.4**	0.4
(ii) Other payables				
- subsidiaries	**-**	-	**570.1**	358.2

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 3.38% to 3.81% (2018: 3.39% to 3.90%).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

45. SIGNIFICANT RELATED PARTY DISCLOSURES (CONTINUED)

(c) Loans and advances to subsidiaries

The Company	2019 RM	2018 RM
At 1 January	**0.2**	1,835.9
Impact of application of MFRS 9 - increase in provision for intercompany loan and advances to subsidiary	**-**	(621.0)
	0.2	1,214.9
Loans to subsidiaries	**-**	300.0
Repayments (note 42)	**(7.6)**	(4.5)
Reversal/(Impairment) on loans and advances to subsidiaries	**4.0**	(1,510.2)
Reclassified from other receivables	**19.0**	-
Interest charged (note 7)	**19.7**	97.4
Reclassified as other receivables	**(19.7)**	(97.4)
At 31 December (note 28)	**15.6**	0.2

Provisions for impairment of loans and advances to subsidiaries

The Company	2019 RM	2018 RM
At 1 January	**2,142.2**	11.0
Impact of application of MFRS 9 - increase in provision for intercompany loan and advances to subsidiaries	**-**	621.0
(Reversal)/Impairment on loans and advances to subsidiaries	**(4.0)**	1,510.2
At 31 December (note 4(a))	**2,138.2**	2,142.2

(d) Key management personnel

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

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

	The Group		The Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Key management personnel compensation[@]				
- short term employee benefits				
- fees	**3.1**	3.0	**2.4**	2.4
- salaries, allowances and bonus	**14.6**	8.6	**14.5**	8.6
- contribution to Employees Provident Fund	**1.1**	1.3	**1.1**	1.3
- estimated money value of benefits	**1.4**	1.1	**1.4**	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 RM0.5 million (2018: RM0.3 million).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

45. SIGNIFICANT RELATED PARTY DISCLOSURES (CONTINUED)

(e) Government-related entities

Khazanah Nasional Berhad (Khazanah) is a major shareholder with 26.15% (2018: 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	
	2019 RM	2018 RM	2019 RM	2018 RM
The Group				
Sales and Receivables	**833.9**	706.6	**106.2**	111.2
The Company				
Sales and Receivables	**299.7**	160.1	**6.3**	-

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 RM385.2 million (2018: RM306.5 million) with corresponding receivables of RM443.0 million (2018: RM2.2 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.

46. CAPITAL AND OTHER COMMITMENTS

	The Group		The Company	
	2019 RM	2018 RM	2019 RM	2018 RM
(a) Property, plant and equipment				
Commitments in respect of expenditure approved and contracted for	**2,412.9**	3,323.2	**1,807.4**	3,114.4

The Group and the Company	2019 RM	2018 RM
(b) Investments at fair value through profit or loss (FVTPL)		
The Group's remaining capital commitment in a Technology Investment Fund (disclosed as part of the Group's Non-Current Investment at FVTPL)	**66.0**	78.5

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

46. CAPITAL AND OTHER COMMITMENTS (CONTINUED)

(c) 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.

(d) 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 is 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 invests RM500.0 million and the remaining RM1.3 billion is 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.

The Group and the Company	2019 RM	2018 RM
(e) Donation to/via Yayasan Telekom Malaysia		
Amount approved and committed	**27.0**	20.6

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

46. CAPITAL AND OTHER COMMITMENTS (CONTINUED)

	The Group	The Company
	2018 RM	2018 RM
(f) Future minimum lease payments of non-cancellable operating lease commitments		
Not later than one year	354.7	161.2
Later than one year and not later than five years	1,046.3	536.8
Later than five years	1,177.0	1,005.8
	2,578.0	1,703.8

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's and the Company's telecommunication network and equipment.

47. 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.

Expenses incurred by corporate divisions such as Human Capital Management, Finance, Strategy and Regulatory, Company Secretary, Procurement and special purpose entities and foreign exchange differences arising from translation of foreign currency placements which were not allocated to a particular business segment are disclosed as part of shared services/others. These are considered non-operating segments.

Segment capital expenditure comprises additions to property, plant and equipment, intangibles, and right-of-use assets 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

47. SEGMENT REPORTING (CONTINUED)

	unifi> RM	TM ONE RM	TM GLOBAL RM	Shared Services/ Others RM	Elimination RM	Total RM
Financial year ended 31 December 2019						
Operating revenue						
Total operating revenue	4,743.5	4,235.2	2,667.1	488.9	-	12,134.7
Inter-segment@	(29.6)	(303.9)	(360.8)	(6.2)	-	(700.5)
External operating revenue	4,713.9	3,931.3	2,306.3	482.7	-	11,434.2
Results						
EBIT	313.3	995.1	257.4	(319.9)	322.4	1,568.3
Other losses (net)						(268.6)
Finance income						146.1
Finance cost						(536.8)
Foreign exchange gain on borrowings						1.1
Associate - share of results (net of tax)						15.0
Profit before tax and zakat						925.1
Tax and zakat						(367.7)
Profit for the financial year						557.4

	unifi> RM	TM ONE RM	TM GLOBAL RM	Shared Services/ Others RM	Elimination RM	Total RM
Financial year ended 31 December 2019						
Other information						
Capital expenditure						
- additions during the financial year	421.0	54.0	20.7	1,260.7	-	1,756.4
Depreciation and amortisation	87.0	216.2	80.8	1,889.9	-	2,273.9
Write-off/(Reversal) of property, plant and equipment	0.7	(1.3)	0.6	41.7	-	41.7
Write-off of intangible assets	9.7	-	-	-	-	9.7
Impairment of property, plant and equipment	80.1	28.5	20.4	-	-	129.0
Significant non-cash expenses	20.3	11.3	20.9	17.9	-	70.4

@ 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 27 to the financial statement, reflective of webe's current customer profile in aligning to the Group's overall operational segmentation.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

47. SEGMENT REPORTING (CONTINUED)

	unifi> RM	TM ONE RM	TM GLOBAL RM	Shared Services/ Others RM	Elimination RM	Total RM
Financial year ended 31 December 2018						
Operating revenue						
Total operating revenue	5,319.7	4,444.0	2,245.9	496.5	-	12,506.1
Inter-segment@	(33.8)	(346.1)	(300.5)	(6.4)	-	(686.8)
External operating revenue	5,285.9	4,097.9	1,945.4	490.1	-	11,819.3
Results						
EBIT	(686.3)	1,081.2	(214.6)	(55.5)	(60.2)	64.6
Other gains (net)						310.9
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)
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

@ 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 27 to the financial statements, reflective of webe's current customer profile in aligning to the Group's overall operational segmentation.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

47. SEGMENT REPORTING (CONTINUED)

By Geographical Location

The Group operates in a few countries as disclosed in note 55 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	
	2019 RM	2018 RM	2019 RM	2018 RM
Malaysia	**10,215.8**	10,624.0	**1,687.7**	2,211.9
Other countries	**1,218.4**	1,195.3	**68.7**	74.0
	11,434.2	11,819.3	**1,756.4**	2,285.9

48. 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
2019						
Financial Assets						
Derivative financial instruments (note 20)	-	-	-	254.0	-	254.0
Equity investments at fair value through other comprehensive income (FVOCI) (note 30(a))	-	139.8	-	-	-	139.8
Investments at fair value through profit or loss (FVTPL) (note 30(b))	-	-	55.6	-	-	55.6
Investments at fair value through other comprehensive income (FVOCI) (note 30(c))	-	157.8	-	-	-	157.8
Staff loans and other non-current receivables (excluding tax recoverable and prepaid employee benefits) (note 32)	311.8	-	-	-	-	311.8
Trade and other receivables (excluding prepayments, GST and tax recoverable, grant recoverable and staff loans) (note 36)	1,864.4	-	-	-	-	1,864.4
Receivables at FVOCI (note 31)	-	282.3	-	-	-	282.3
Financial assets at fair value through profit or loss (note 37)	-	-	1.5	-	-	1.5
Cash and bank balances (note 38)	4,918.4	-	-	-	-	4,918.4
Total	7,094.6	579.9	57.1	254.0	-	7,985.6
Financial Liabilities						
Derivative financial instruments (note 20)	-	-	-	1.7	-	1.7
Borrowings (note 17)	-	-	-	-	8,733.1	8,733.1
Lease liabilities (note 19)	-	-	-	-	1,914.9	1,914.9
Trade and other payables (excluding statutory liabilities, provision for Skim MESRA and deferred revenue) (note 39)	-	-	-	-	3,341.8	3,341.8
Customer deposits (note 40)	-	-	-	-	298.0	298.0
Total	-	-	-	1.7	14,287.8	14,289.5

NOTES TO THE FINANCIAL STATEMENTS
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48. FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

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 20)	-	-	-	254.4	-	254.4
Equity investments at fair value through other comprehensive income (FVOCI) (note 30(a))	-	148.0	-	-	-	148.0
Investments at fair value through profit or loss (FVTPL) (note 30(b))	-	-	82.7	-	-	82.7
Investments at fair value through other comprehensive income (FVOCI) (note 30(c))	-	147.9	-	-	-	147.9
Staff loans and other non-current receivables (excluding tax recoverable and prepaid employee benefits) (note 32)	346.3	-	233.7	-	-	580.0
Trade and other receivables (excluding prepayments, GST and tax recoverable, grant recoverable and staff loans) (note 36)	1,513.1	-	-	-	-	1,513.1
Receivables at FVOCI (note 31)	-	252.5	-	-	-	252.5
Financial assets at fair value through profit or loss (note 37)	-	-	1.8	-	-	1.8
Cash and bank balances (note 38)	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 39)	-	-	-	-	3,259.8	3,259.8
Customer deposits (note 40)	-	-	-	-	352.8	352.8
Total	-	-	-	-	12,183.9	12,183.9

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

48. 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
2019						
Financial Assets						
Derivative financial instruments (note 20)	-	-	-	254.0	-	254.0
Loans and advances to subsidiaries (note 28)	15.6	-	-	-	-	15.6
Equity investments at fair value through other comprehensive income (FVOCI) (note 30(a))	-	139.8	-	-	-	139.8
Investments at fair value through profit or loss (FVTPL) (note 30(b))	-	-	55.6	-	-	55.6
Investments at fair value through other comprehensive income (FVOCI) (note 30(c))	-	157.8	-	-	-	157.8
Staff loans and other non-current receivables (excluding tax recoverable and prepaid employee benefits) (note 32)	254.9	-	-	-	-	254.9
Trade and other receivables (excluding prepayments, GST and tax recoverable, grant recoverable and staff loans) (note 36)	1,857.2	-	-	-	-	1,857.2
Receivables at FVOCI (note 31)	-	282.3	-	-	-	282.3
Financial assets at fair value through profit or loss (note 37)	-	-	1.5	-	-	1.5
Cash and bank balances (note 38)	4,585.1	-	-	-	-	4,585.1
Total	6,712.8	579.9	57.1	254.0	-	7,603.8
Financial Liabilities						
Derivative financial instruments (note 20)	-	-	-	1.7	-	1.7
Borrowings (note 17)	-	-	-	-	7,116.3	7,116.3
Lease liabilities (note 19)	-	-	-	-	1,044.8	1,044.8
Payable to subsidiaries (note 18)	-	-	-	-	1,132.5	1,132.5
Trade and other payables (excluding statutory liabilities, provision for Skim MESRA and deferred revenue) (note 39)	-	-	-	-	3,112.4	3,112.4
Customer deposits (note 40)	-	-	-	-	291.5	291.5
Total	-	-	-	1.7	12,697.5	12,699.2

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

48. 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 20)	-	-	-	254.4	-	254.4
Loans and advances to subsidiaries (note 28)	0.2	-	-	-	-	0.2
Equity investments at fair value through other comprehensive income (FVOCI) (note 30(a))	-	147.9	-	-	-	147.9
Investments at fair value through profit or loss (FVTPL) (note 30(b))	-	-	82.7	-	-	82.7
Investments at fair value through other comprehensive income (FVOCI) (note 30(c))	-	147.9	-	-	-	147.9
Staff loans and other non-current receivables (excluding tax recoverable and prepaid employee benefits) (note 32)	233.7	-	-	-	-	233.7
Trade and other receivables (excluding prepayments, GST and tax recoverable, grant recoverable and staff loans) (note 36)	1,644.6	-	-	-	-	1,644.6
Receivables at FVOCI (note 31)	-	252.5	-	-	-	252.5
Financial assets at fair value through profit or loss (note 37)	-	-	1.8	-	-	1.8
Cash and bank balances (note 38)	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 39)	-	-	-	-	3,105.1	3,105.1
Customer deposits (note 40)	-	-	-	-	343.5	343.5
Total	-	-	-	-	11,730.2	11,730.2

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

49. 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.

	2019				2018			
The Group	Level 1 RM	Level 2 RM	Level 3 RM	Total RM	Level 1 RM	Level 2 RM	Level 3 RM	Total RM
Assets								
Financial assets at fair value through profit or loss								
- quoted securities	**1.5**	**-**	**-**	**1.5**	1.8	-	-	1.8
Exchangeable Medium Term Notes	**-**	**-**	**-**	**-**	-	-	233.7	233.7
Derivatives accounted for under hedge accounting	**-**	**254.0**	**-**	**254.0**	-	254.4	-	254.4
Investments at fair value through OCI	**-**	**157.8**	**-**	**157.8**	-	147.9	-	147.9
Investments at fair value through profit or loss	**-**	**-**	**55.6**	**55.6**	-	-	82.7	82.7
Equity investments at fair value through OCI	**-**	**-**	**139.8**	**139.8**	-	-	148.0	148.0
Receivables at fair value through OCI	**-**	**-**	**282.3**	**282.3**	-	-	252.5	252.5
Total	**1.5**	**411.8**	**477.7**	**891.0**	1.8	402.3	716.9	1,121.0
Liabilities								
Derivatives accounted for under hedge accounting	**-**	**1.7**	**-**	**1.7**	-	-	-	-
Total	**-**	**1.7**	**-**	**1.7**	-	-	-	-

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

49. FAIR VALUES (CONTINUED)

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

The following table presents the Group's and the Company's financial assets and liabilities that are measured at fair value at 31 December. (continued)

The Company	2019 Level 1 RM	2019 Level 2 RM	2019 Level 3 RM	2019 Total RM	2018 Level 1 RM	2018 Level 2 RM	2018 Level 3 RM	2018 Total RM
Assets								
Financial assets at fair value through profit or loss								
- quoted securities	**1.5**	**-**	**-**	**1.5**	1.8	-	-	1.8
Derivatives accounted for under hedge accounting	**-**	**254.0**	**-**	**254.0**	-	254.4	-	254.4
Investments at fair value through OCI	**-**	**157.8**	**-**	**157.8**	-	147.9	-	147.9
Investments at fair value through profit or loss	**-**	**-**	**55.6**	**55.6**	-	-	82.7	82.7
Equity investments at fair value through OCI	**-**	**-**	**139.8**	**139.8**	-	-	147.9	147.9
Receivables at fair value through OCI	**-**	**-**	**282.3**	**282.3**	-	-	252.5	252.5
Total	**1.5**	**411.8**	**477.7**	**891.0**	1.8	402.3	483.1	887.2
Liabilities								
Derivatives accounted for under hedge accounting	**-**	**1.7**	**-**	**1.7**	-	-	-	-
Total	**-**	**1.7**	**-**	**1.7**	-	-	-	-

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

49. 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 present value.
- The fair value of the put option liability over shares of a subsidiary held by a non-controlling interest are determined using expected future value of a subsidiary with the resulting value discounted to present value.
- The fair value of the call option on shares of a subsidiary held by non-controlling interests is determined through an option valuation model with the use of observable market inputs.
- Fair value of staff loans and long term receivables are determined through discounting future cash flows at market observable borrowing rates reflective of the credit ratings of the individuals from whom the receivables are due.
- Fair value of borrowings and long term payables are based on the expected cost and cash outflows if the borrowings and amount due are to be unwound or settled immediately.
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

All of the resulting fair value estimates are included in Level 2 except for staff loans, an investment in non-traded equity security and a technology investment fund. There were no transfers of any instruments between Level 1, 2 and 3 of the fair valuation hierarchy during the current financial year.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

49. 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 at Level 3 of the fair value hierarchy:

The Group and the Company	Exchangeable MTN (note 32(iv)) (sub-note (i)) RM	Staff Loans RM	Non-traded Equity Investment (sub-note (ii)) RM	Cross Currency Interest Rate Swaps RM	Technology Investment Fund and Corporate Social Responsibility Sukuk (sub-note (iii)) RM
At 1 January 2018	233.7	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 2018	**233.7**	**252.5**	**148.0**	**-**	**82.7**
Addition during the year	**-**	**67.4**	**-**	**-**	**12.3**
Management fees	**-**	**-**	**-**	**-**	**(3.7)**
Repayments (net of conversion)	**-**	**(38.3)**	**-**	**-**	**-**
Disposal	**-**	**(20.4)**	**-**	**-**	**-**
Amortisation of prepayment	**-**	**(4.4)**	**-**	**-**	**-**
Reversal of impairment	**-**	**5.6**	**-**	**-**	**-**
Foreign exchange difference	**-**	**-**	**-**	**-**	**0.1**
Fair value changes transferred to other comprehensive income	**-**	**19.9**	**(8.2)**	**-**	**-**
Fair value changes to profit or loss	**(233.7)**	**-**	**-**	**-**	**(35.8)**
At 31 December 2019	**-**	**282.3**	**139.8**	**-**	**55.6**

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

49. FAIR VALUES (CONTINUED)

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

(i) Effective 30 September 2019, the Exchangeable MTN is exchangeable into shares of a subsidiary held by a non-controlling interest. Consequently, the fair value of the investment has been derived based on a valuation model developed to project expected entity value utilising comparable discount and growth rates reflective of market conditions specific to the relevant industry existing at the end of the reporting period. A corresponding residual equity value is derived by reducing this entity value with the debts payable by the subsidiary, resulting to the fair value carried at the reporting date. The Group believes that the estimated fair value is appropriate. However, the use of different methodologies or assumptions could lead to different measurements of fair value.

(ii) The fair valuation of non-traded equity investment is based on discounted future cash flows derived from the budgets and forecasts of the investee entity, duly approved by its Board of Directors. The future cash flows are discounted based on discount factors of comparable entities which are publicly listed whenever available, as well as industry benchmarks, having considered historical ability of the investee in meeting its previous budgets and forecasts. The Group also has Board representation in the investee through which due understanding of actual and forecasted performance are used by the Group in assessing the appropriateness of the estimates and assumptions used in arriving to the valuation.

(iii) During the previous 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.

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 management's estimates, the carrying amount of non-traded equity investments would be approximately RM0.7 million lower or RM1.0 million higher (2018: RM5.2 million lower or RM5.1 million higher). The carrying amount of staff loans at Level 3 would approximately be RM14.1 million (2018: RM12.6 million) lower or higher if discount rate used in the valuation is to defer by 5.0% from management's estimates. The carrying amount of Technology Investment Fund and Corporate Social Responsibility Sukuk would be an estimated RM2.8 million (2018: RM4.1 million) lower or higher if the discount rate used in the valuation were to differ by 5.0% from management's estimates.

(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			
	2019		2018		2019		2018	
	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	**30.3**	**23.9**	32.8	23.6	**30.2**	**23.8**	32.8	23.6
Other non-current receivables (excluding tax recoverable)	**281.5**	**275.3**	313.5	305.8	**224.7**	**218.5**	200.9	193.2
Liabilities								
Borrowings	**8,733.1**	**9,340.9**	8,571.3	8,918.6	**7,116.3**	**7,711.5**	7,148.3	7,500.1
Payable to subsidiaries	**-**	**-**	-	-	**1,132.5**	**1,147.5**	1,133.3	1,124.0

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

49. FAIR VALUES (CONTINUED)

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

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

50. 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							
2019							
Borrowings	**(1,034.3)**	**(823.8)**	**(3,269.1)**	**(3,607.0)**	**(8,734.2)**	**1.1**	**(8,733.1)**
Lease liabilities	**(406.6)**	**(357.4)**	**(670.9)**	**(1,453.8)**	**(2,888.7)**	**973.8**	**(1,914.9)**
Derivative financial instruments	**-**	**-**	**(1.7)**	**-**	**(1.7)**	**-**	**(1.7)**
Trade and other payables (excluding statutory liabilities, provision for Skim MESRA and deferred revenue)	**(3,259.4)**	**(45.1)**	**(22.6)**	**(24.9)**	**(3,352.0)**	**10.2**	**(3,341.8)**
Customer deposits	**(298.0)**	**-**	**-**	**-**	**(298.0)**	**-**	**(298.0)**
Total	**(4,998.3)**	**(1,226.3)**	**(3,964.3)**	**(5,085.7)**	**(15,274.6)**	**985.1**	**(14,289.5)**
Interest	**(513.1)**	**(459.5)**	**(1,064.5)**	**(908.3)**	**(2,945.4)**		
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)		
The Company							
2019							
Borrowings	**(200.2)**	**(820.9)**	**(3,007.3)**	**(3,089.0)**	**(7,117.4)**	**1.1**	**(7,116.3)**
Lease liabilities	**(216.8)**	**(194.3)**	**(327.1)**	**(965.4)**	**(1,703.6)**	**658.8**	**(1,044.8)**
Derivative financial instruments	**-**	**-**	**(1.7)**	**-**	**(1.7)**	**-**	**(1.7)**
Payable to subsidiaries	**(412.5)**	**-**	**(206.3)**	**(513.7)**	**(1,132.5)**	**-**	**(1,132.5)**
Trade and other payables (excluding statutory liabilities, provision for Skim MESRA and deferred revenue)	**(3,048.4)**	**(42.0)**	**(22.5)**	**(4.8)**	**(3,117.7)**	**5.3**	**(3,112.4)**
Customer deposits	**(291.5)**	**-**	**-**	**-**	**(291.5)**	**-**	**(291.5)**
Total	**(4,169.4)**	**(1,057.2)**	**(3,564.9)**	**(4,572.9)**	**(13,364.4)**	**665.2**	**(12,699.2)**
Interest	**(410.5)**	**(387.9)**	**(893.4)**	**(756.9)**	**(2,448.7)**		
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)		

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

51. 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 50 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**
2019										
Financial assets										
Derivative financial instruments	-	95.6	-	-	-	-	158.4	254.0	-	254.0
Equity investments at fair value through other comprehensive income (FVOCI)	-	-	-	-	-	-	-	-	139.8	139.8
Investments at fair value through profit and loss (FVTPL)										
- non-interest sensitive	-	-	-	-	-	-	-	-	49.6	49.6
- fixed interest rate	3.75%	6.0	-	-	-	-	-	6.0	-	6.0
Investments at fair value through other comprehensive income (FVOCI) (note 30(c))										
- fixed interest rate	4.74%	157.8	-	-	-	-	-	157.8	-	157.8
Receivable at FVOCI										
- balances under Islamic principles	6.11%	-	0.1	0.2	1.1	0.5	280.4	282.3	-	282.3
Staff loans and other non-current receivables (excluding tax recoverable and prepaid employee benefits)										
- non-interest sensitive	-	-	-	-	-	-	-	-	56.8	56.8
- fixed interest rate										
- conventional	3.53%	-	-	-	-	-	164.8	164.8	-	164.8
- balances under Islamic principles	5.91%	60.6	1.8	3.8	5.3	6.6	12.1	90.2	-	90.2
Trade and other receivables (excluding prepayments, GST and tax recoverable, grant recoverable and staff loans)	-	-	-	-	-	-	-	-	1,864.4	1,864.4
Financial assets at FVTPL	-	-	-	-	-	-	-	-	1.5	1.5
Cash and bank balances										
- non-interest sensitive	-	-	-	-	-	-	-	-	689.0	689.0
- fixed interest rate										
- conventional	3.61%	1,096.7	-	-	-	-	-	1,096.7	-	1,096.7
- balances under Islamic principles	3.57%	3,132.7	-	-	-	-	-	3,132.7	-	3,132.7
Total		**4,549.4**	**1.9**	**4.0**	**6.4**	**7.1**	**615.7**	**5,184.5**	**2,801.1**	**7,985.6**
Financial liabilities										
Derivative financial instruments	-	-	-	-	1.7	-	-	1.7	-	1.7
Borrowings										
- non-interest sensitive	-	-	-	-	-	-	-	-	2.5	2.5
- floating interest rate	2.86%	420.5	-	-	-	-	-	420.5	-	420.5
- fixed interest rate										
- conventional	6.80%	413.6	23.6	22.7	68.6	21.0	1,241.5	1,791.0	-	1,791.0
- balances under Islamic principles	4.31%	200.0	800.0	850.0	1,106.3	1,200.0	2,362.8	6,519.1	-	6,519.1
Lease liabilities	5.79%	295.8	262.0	224.0	117.2	111.3	904.6	1,914.9	-	1,914.9
Trade and other payables (excluding statutory liabilities, provision for Skim MESRA and deferred revenue)										
- non-interest sensitive	-	-	-	-	-	-	-	-	3,259.4	3,259.4
- fixed interest rate	4.49%	-	41.9	21.2	-	-	19.3	82.4	-	82.4
Customer deposits	-	-	-	-	-	-	-	-	298.0	298.0
Total		**1,329.9**	**1,127.5**	**1,117.9**	**1,293.8**	**1,332.3**	**4,528.2**	**10,729.6**	**3,559.9**	**14,289.5**
Interest sensitivity gap		**3,219.5**	**(1,125.6)**	**(1,113.9)**	**(1,287.4)**	**(1,325.2)**	**(3,912.5)**			

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

51. INTEREST RATE MATURITY ANALYSIS (CONTINUED)

		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 30(c))										
- fixed interest rate	4.82%	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)			

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

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

51. 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:

	2019		2018	
The Group	**USD**	**RM**	**USD**	**RM**
Financial assets				
Investments at fair value through profit and loss (FVTPL)	**-**	**3.75%**	-	4.53%
Investments at fair value through other comprehensive income (FVOCI)	**-**	**4.74%**	-	4.82%
Receivables at FVOCI - fixed interest rate	**-**	**6.11%**	-	6.37%
Staff loans and other non-current receivables (excluding tax recoverable and prepaid employee benefits)	**-**	**4.37%**	-	6.14%
Cash and bank balances	**-**	**3.58%**	-	2.75%
Financial liabilities				
Borrowings	**5.44%**	**3.45%**	5.86%	3.31%
Trade and other payable	**-**	**4.49%**	-	-
Lease liabilities	**-**	**5.79%**	-	-

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

51. INTEREST RATE MATURITY ANALYSIS (CONTINUED)

		Maturing or repriced (whichever is earlier)								
The Company	WARF*	1 year or less RM	>1 - 2 years RM	>2 - 3 years RM	>3 - 4 years RM	>4 - 5 years RM	More than 5 years RM	Total interest sensitive RM	Non-interest sensitive RM	Total RM
2019										
Financial assets										
Derivative financial instruments	-	95.6	-	-	-	-	158.4	254.0	-	254.0
Loans and advances to subsidiaries (net)										
- floating interest rate	4.22%	15.6	-	-	-	-	-	15.6	-	15.6
Equity Investments at fair value through other comprehensive income (FVOCI)	-	-	-	-	-	-	-	-	139.8	139.8
Investments at fair value through profit and loss (FVTPL)										
- non-interest sensitive	-	-	-	-	-	-	-	-	49.6	49.6
- fixed interest rate	3.75%	6.0	-	-	-	-	-	6.0	-	6.0
Investments at fair value through other comprehensive income (FVOCI) (note 30(c))										
- fixed interest rate	4.74%	157.8	-	-	-	-	-	157.8	-	157.8
Receivable at FVOCI										
- balances under Islamic principles	6.11%	-	0.1	0.2	1.1	0.5	280.4	282.3	-	282.3
Staff loans and other non-current receivables (excluding tax recoverable and prepaid employee benefits)										
- fixed interest rate										
- conventional	3.53%	-	-	-	-	-	164.8	164.8	-	164.8
- balances under Islamic principles	5.91%	60.5	1.8	3.8	5.3	6.6	12.1	90.1	-	90.1
Trade and other receivables (excluding prepayments, GST and tax recoverable, grant recoverable and staff loans)	-	-	-	-	-	-	-	-	1,857.2	1,857.2
Financial assets at FVTPL	-	-	-	-	-	-	-	-	1.5	1.5
Cash and bank balances										
- non-interest sensitive	-	-	-	-	-	-	-	-	421.9	421.9
- fixed interest rate										
- conventional	3.62%	1,054.5	-	-	-	-	-	1,054.5	-	1,054.5
- balances under Islamic principles	3.57%	3,108.7	-	-	-	-	-	3,108.7	-	3,108.7
Total		4,498.7	1.9	4.0	6.4	7.1	615.7	5,133.8	2,470.0	7,603.8
Financial liabilities										
Derivative financial instruments	-	-	-	-	1.7	-	-	1.7	-	1.7
Borrowings										
- non-interest sensitive	-	-	-	-	-	-	-	-	2.5	2.5
- fixed interest rate										
- conventional	7.66%	-	20.7	19.8	18.9	18.0	1,237.3	1,314.7	-	1,314.7
- balances under Islamic principles	4.43%	200.0	800.0	850.0	900.0	1,200.0	1,849.1	5,799.1	-	5,799.1
Lease liabilities	5.35%	160.9	145.7	134.9	41.1	36.0	526.2	1,044.8	-	1,044.8
Payable to subsidiaries										
- floating interest rate	2.82%	412.5	-	-	-	-	-	412.5	-	412.5
- balances under Islamic principles	3.41%	-	-	-	206.3	-	513.7	720.0	-	720.0
Trade and other payables (excluding statutory liabilities, provision for Skim MESRA and deferred revenue)										
- non-interest sensitive	-	-	-	-	-	-	-	-	2,487.5	2,487.5
- fixed interest rate	0.47%	-	38.8	21.2	-	-	4.0	64.0	-	64.0
- floating interest rate	3.19%	560.9	-	-	-	-	-	560.9	-	560.9
Customer deposits	-	-	-	-	-	-	-	-	291.5	291.5
Total		1,334.3	1,005.2	1,025.9	1,168.0	1,254.0	4,130.3	9,917.7	2,781.5	12,699.2
Interest sensitivity gap		3,164.4	(1,003.3)	(1,021.9)	(1,161.6)	(1,246.9)	(3,514.6)			

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

51. INTEREST RATE MATURITY ANALYSIS (CONTINUED)

		Maturing or repriced (whichever is earlier)								
The Company	WARF*	1 year or less RM	>1 - 2 years RM	>2 - 3 years RM	>3 - 4 years RM	>4 - 5 years RM	More than 5 years RM	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 30(c))										
- fixed interest rate	4.82%	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										
- coventional	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
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)			

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

51. 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	2019		2018	
	USD	RM	USD	RM
Financial assets				
Loans and advances to subsidiaries (net)	**4.22%**	**-**	-	4.96%
Investments at fair value through other comprehensive income (FVOCI)	**-**	**4.74%**	-	4.82%
Investments at fair value through profit and loss (FVTPL)	**-**	**3.75%**	-	4.53%
Receivables at FVOCI	**-**	**6.11%**	-	6.37%
Staff loans and other non-current receivables (excluding tax recoverable and prepaid employee benefits)	**-**	**4.37%**	-	4.34%
Cash and bank balances	**-**	**3.58%**	-	2.74%
Financial liabilities				
Borrowings	**7.88%**	**4.43%**	7.88%	4.43%
Lease liabilities	**-**	**5.35%**	-	-
Payable to subsidiaries	**3.20%**	**-**	3.66%	-
Trade and other payables (excluding statutory liabilities and deferred revenue)	**-**	**3.66%**	-	3.82%

52. 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.

53. MATURITY ANALYSIS OF UNDISCOUNTED OPERATING LEASE INCOME

The Group and the Company leases out its investment property, buildings and equipment. The Group and the Company classified these leases as operating lease, because they do not transfer substantially all of the risks and rewards incidental to the ownership of the assets. The following table sets out the maturity analysis of lease payments, showing the undiscounted lease payments to be received after the reporting date:

	The Group	The Company
	2019 RM	2019 RM
Within 1 year	**23.3**	**70.3**
In the 2nd year	**15.3**	**26.9**
In the 3rd year	**7.9**	**13.4**
In the 4th year	**-**	**6.1**
In the 5th year	**-**	**6.1**
Later than 5 years	**-**	**6.1**
Total undiscounted operating lease income	**46.5**	**128.9**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

54. IMPACT OF CHANGES IN ACCOUNTING POLICIES

The Group's and the Company's adoption of MFRS 16 from 1 January 2019 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 16 have been disclosed under note 2(q) to the financial statements, the following describes the significant impact of the adoption.

An overall view of the impact of the Group's and the Company's adoption of MFRS 16 to the Group's and the Company's retained earnings are as follow:

	Reported as at 31 December 2018 RM	MFRS 16 RM	Restated as at 1 January 2019 RM
The Group	4,017.4	(841.1)	3,176.3
The Company	2,104.3	(283.8)	1,820.5

MFRS 16

The Group and the Company have adopted MFRS 16 from 1 January 2019. On the date of initial application, the Group and the Company applied the simplified modified retrospective transition approach and did not restate comparative amounts for the period prior to first adoption. The comparative information continued to be reported under the previous accounting policies governed under MFRS 117 "Leases" and IC Interpretation 4 "Determining whether an Arrangement Contains a Lease".

As a lessor, the Group is not required to make any adjustment on transition.

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

The carrying value of the corresponding right-of-use assets as at 1 January 2019 is measured as if the new rules had always been applied since the initial date of each respective lease contract. The difference between the carrying value of the lease liability and right-of-use asset is taken as a reduction to the Group's and the Company's retained earnings. The right-of-use assets are reviewed for impairment under MFRS 136 Impairment of Assets at the date of initial application.

On the Income Statements, expenses which previously included operating lease rentals within Operating Cost (part of Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA)), is replaced by depreciation of the ROU assets and interest expense on the Lease Liabilities over the remaining lease period. As such, MFRS 16 has the effect of increasing EBITDA, depreciation and interest expense.

On the Statements of Cash Flows, operating lease rental outflows previously recorded within "net cash flows from operating activities" are now classified under "net cash flows used in financing activities" for the repayments of the principal and interest of the lease liabilities.

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

- reliance on previous assessments on whether leases are onerous;
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases and low-value assets;
- the exclusion of initial direct costs for the measurement of the ROU asset at the date of initial application; and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease. The Group and the Company would recognise the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

54. IMPACT OF CHANGES IN ACCOUNTING POLICIES (CONTINUED)

MFRS 16 (continued)

As disclosed in note 2(q) to the financial statements, the Group has adopted MFRS 16, which resulted in changes in accounting policies and adjustments to the financial position at 1 January 2019. The impact to those changes are as follows:

(a) The impact to the Group's and the Company's retained earnings on 1 January upon application of MFRS 16 is as follows:

	The Group	The Company
	2019 RM	2019 RM
Retained earnings – before MFRS 16 restatement	**4,017.4**	**2,104.3**
Recognition of right-of-use assets (excluding finance lease)	1,609.6	768.8
Recognition of lease liabilities (excluding finance lease)	(2,020.4)	(1,142.2)
Impairment loss recognised on application of MFRS 16	(732.6)	-
Adjustment from adoption of MFRS 16	(1,143.4)	(373.4)
Less: Deferred tax impact	87.1	89.6
Less: Share of non-controlling interest	215.2	-
Reduction to retained earnings from adoption of MFRS 16	**(841.1)**	**(283.8)**
Opening retained earnings 1 January – after MFRS 16	**3,176.3**	**1,820.5**

(b) The recognition of the Group's and the Company's right-of-use assets on 1 January 2019

The right-of-use assets were measured on simplified modified retrospective transition approach as if the new standard had always been applied since the initial date of the contract. The details of recognition of the Group's and the Company's right-of-use assets on 1 January 2019 are disclosed under note 26 to the financial statements.

(c) Reconciliation of operating lease commitment arising from operating leases as of 31 December 2018 to the recognition of the Group's and the Company's lease liabilities on 1 January 2019 is as shown below:

	The Group	The Company
	2019 RM	2019 RM
Operating lease commitments disclosed as at 31 December 2018	**2,578.0**	**1,703.8**
Discounted using the incremental borrowing rate (average rate - the Group: 6.27% and the Company: 5.36%)	(530.1)	(543.4)
Less: short-term leases recognised on a straight-line basis as expense	(26.6)	(11.7)
Less: low-value leases recognised on a straight-line basis as expense	(0.9)	(6.4)
Total lease commitment recognised on initial application of MFRS 16	**2,020.4**	**1,142.3**
Add: finance lease liabilities as at 31 December 2018 reclassified from borrowings	50.0	37.0
Total lease liability recognised as at 1 January 2019	**2,070.4**	**1,179.3**
Of which are:		
Non-current provisions and liabilities		
Lease liabilities (including reclassification of finance lease)	1,789.7	1,021.9
Current provisions and liabilities		
Lease liabilities (including reclassification of finance lease)	280.7	157.4
Total	**2,070.4**	**1,179.3**

Weighted average rate of the Group and the Company as at 1 January 2019 were 5.46% and 5.29%.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

55. LIST OF SUBSIDIARIES AS AT 31 DECEMBER 2019

The subsidiaries are as follows:

Name of Company	Group's Effective Interest 2019 %	Group's Effective Interest 2018 %	Paid-up Capital 2019 Million	Paid-up Capital 2018 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 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**	100	**AED0.05**	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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

55. LIST OF SUBSIDIARIES AS AT 31 DECEMBER 2019 (CONTINUED)

The subsidiaries are as follows: (continued)

Name of Company	Group's Effective Interest 2019 %	Group's Effective Interest 2018 %	Paid-up Capital 2019 Million	Paid-up Capital 2018 Million	Principal Activities
Telekom Technology Sdn Bhd	**100**	100	**RM13.0**	RM13.0	Ceased operation
TM ESOS Management Sdn Bhd	**100**	100	**RM0.1**	RM0.1	Special purpose entity
TM Facilities Sdn Bhd	**100**	100	**RM2.3**	RM2.3	Provision of property development activities
TM Global Incorporated	**100**	100	**USD#**	USD#	Investment holding
TM Info-Media Sdn Bhd	**100**	100	**RM6.0**	RM6.0	Publication of printed and online telephone directories services as well as provision of multi platform solutions for advertising
TM Net Sdn Bhd	**100**	100	**RM180.0**	RM180.0	Content and application development for Internet services
Tulip Maple Berhad	**100**	100	**RM#**	RM#	Special purpose entity
Universiti Telekom Sdn Bhd	**100**	100	**RM650.0**	RM650.0	Managing and administering a private university known as Multimedia University
VADS Berhad	**100**	100	**RM5.0**	RM5.0	Provision of managed network services, network system integration services and network centric services
VADS Lyfe Sdn Bhd	**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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

55. LIST OF SUBSIDIARIES AS AT 31 DECEMBER 2019 (CONTINUED)

The subsidiaries are as follows: (continued)

Name of Company	Group's Effective Interest 2019 %	Group's Effective Interest 2018 %	Paid-up Capital 2019 Million	Paid-up Capital 2018 Million	Principal Activities
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 operation
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	Ceased operation
Subsidiary held through Unitele Multimedia Sdn Bhd					
MMU Creativista Sdn Bhd	**100**	100	**RM#**	RM#	Ceased operation
Subsidiaries held through VADS Berhad					
Meganet Communications Sdn Bhd	**100**	100	**RM11.0**	RM11.0	Dormant
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	Ceased operation

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

55. LIST OF SUBSIDIARIES AS AT 31 DECEMBER 2019 (CONTINUED)

The subsidiaries are as follows: (continued)

Name of Company	Group's Effective Interest 2019 %	Group's Effective Interest 2018 %	Paid-up Capital 2019 Million	Paid-up Capital 2018 Million	Principal Activities
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#	Dormant
Subsidiary held through VADS Business Process Sdn Bhd					
PT VADS Indonesia (collectively with VADS Berhad)^*	**100**	100	**IDR17,052.8**	IDR17,052.8	Provision of managed contact centre services
Subsidiary consolidated through effective control as defined by MFRS 10					
Yayasan Telekom Malaysia^^	**-**	-	**-**	-	A trust established under the provision of Trustees (Incorporation) Act, 1952, for promotion and advancement of education, research and dissemination of knowledge

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

56. ASSOCIATE AS AT 31 DECEMBER 2019

	Group's Effective Interest		
Name of Company	2019 %	2018 %	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 with the Company.

57. CURRENCY

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

58. APPROVAL OF FINANCIAL STATEMENTS

The financial statements have been approved for issuance in accordance with a resolution of the Board of Directors on 21 February 2020.

STATEMENT BY DIRECTORS

PURSUANT TO SECTION 251(2) OF THE COMPANIES ACT 2016

We, Rosli Man and Dato' Noor Kamarul Anuar Nuruddin, two of the Directors of Telekom Malaysia Berhad, state that, in the opinion of the Directors, the financial statements on pages 23 to 145 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 2019 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 21 February 2020.

ROSLI MAN *Director*	**DATO' NOOR KAMARUL ANUAR NURUDDIN** *Director*

Kuala Lumpur

STATUTORY DECLARATION

PURSUANT TO SECTION 251(1)(b) OF THE COMPANIES ACT 2016

I, Razidan Ghazalli, the officer primarily responsible for the financial management of Telekom Malaysia Berhad, do solemnly and sincerely declare the financial statements set out on pages 23 to 145 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 21 February 2020.	)	**RAZIDAN GHAZALLI**
		MIA No. 4616

Before me:

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

Lot 1.08, Tingkat 1,
Bangunan KWSP, Jln Raja Laut
50350 Kuala Lumpur
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Commissioner for Oaths
Kuala Lumpur

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF TELEKOM MALAYSIA BERHAD
(Incorporated in Malaysia) (Registration No. 198401016183) (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 2019, and of their financial performance and their cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

What we have audited

We have audited the financial statements of the Group and of the Company, which comprise the statements of financial position as at 31 December 2019 of the Group and of the Company, and the 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 financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 23 to 145.

Basis for opinion

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

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

Independence and other ethical responsibilities

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

Our audit approach

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

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

Key audit matters

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

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF TELEKOM MALAYSIA BERHAD
(Incorporated in Malaysia) (Registration No. 198401016183) (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
1. Assessing the carrying value of goodwill allocated to TM ONE (Refer to note 3(d) for the critical accounting estimates and judgements and note 25(a) 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 unit ("CGU") for which goodwill is allocated to as well as future market conditions affecting forecast cash flows such as growth rates, operating margins and discount rates. As at 31 December 2019, the carrying value of goodwill was RM309.6 million, reported under intangible assets in the consolidated statement of financial position. This goodwill was reallocated from VADS Berhad to TM ONE in the previous financial year. Management has carried out impairment assessment using the value-in-use model based on the budgeted cash flows projection. The key assumptions used by management in the impairment assessment and the sensitivity of changes in these assumptions are disclosed in note 25(a) 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 in accordance with MFRS 136 - Impairment of Assets. We evaluated management's impairment assessment by: • testing the mathematical accuracy of the cash flow model 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 considered the appropriateness of the disclosures included in note 25(a). 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) (Registration No. 198401016183) (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 3(b) and 3(c) for the critical accounting estimates and judgements and note 23(b) to the consolidated financial statements)	
As at 31 December 2019, the carrying value of property, plant and equipment as shown in consolidated statement of financial position totalled RM14,259.5 million. In assessing the carrying value of property, plant and equipment, management exercises judgement in determining the value-in-use, useful economic lives, technology obsolescence and operating conditions. In the current financial year, copper fixed network assets were impacted following the Group's announcement of a price adjustment of its Streamyx services. Wireless network assets were 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 RM124.6 million was recognised by the Group and the Company, on copper related 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 the 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 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.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF TELEKOM MALAYSIA BERHAD
(Incorporated in Malaysia) (Registration No. 198401016183) (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

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

(Refer to note 2(v) for the accounting policies for revenue recognition, note 3(a) for the critical accounting estimates and judgements and note 5 to the consolidated financial statements)

Key audit matters

Revenue of RM11,434.2 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 MFRS 15 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.

How our audit addressed the key audit matters

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 MFRS 15, 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 applying 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 applying 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) (Registration No. 198401016183) (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 redeemable Exchangeable Medium Term Notes (Refer to note 3(i) for the critical accounting estimates and judgements and note 32(iv) to the consolidated financial statements)	
As part of the webe acquisition, the Group subscribed for the redeemable Exchangeable Medium Term Notes ("EMTN") issued by Green Packet. The EMTN has an 8-year tenure expiring in 2022 and is secured by Webe Digital Sdn Bhd ("webe") shares held by Green Packet. The EMTN is measured at fair value through profit or loss. As at 31 December 2019, the fair value of the EMTN was assessed, resulting in a corresponding fair value change of RM233.7 million, reflected in the income statement. We focused on this area as the valuation of the EMTN is subject to the use of significant accounting 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 discount rate used by management to external sources. Based on the procedures performed, no material exception was noted.
5. Impact of adoption of MFRS 16 Leases (Refer to note 2(q) for the accounting policies for leases, note 3(g) for the critical accounting estimates and judgements and note 54 to the consolidated financial statements)	
TM applied MFRS 16 - Leases ("MFRS 16") for the first time commencing 1 January 2019. MFRS 16 introduces a new lease accounting model, where lessees are required to recognise a right-of-use ("ROU") asset and a lease liability arising from a lease on its balance sheet. During the year, the Group applied MFRS 16 using the modified retrospective approach. The cumulative effect of adopting MFRS 16 was recognised as an adjustment to retained earnings at 1 January 2019, with no restatement of comparative information. As at 1 January 2019, the Group recorded an increase in ROU assets of RM0.9 billion, an increase in lease liabilities of RM2.0 billion, and a decrease in retained earnings of RM1.0 billion, net of the deferred tax of impact of RM0.1 billion. A number of judgements were applied and estimates made in determining the impact of this standard. These include the determination of appropriate discount rates and lease terms, especially termination and renewal options. The incremental borrowing rate was used where the implicit rate of interest in a lease was not readily determinable. The adjustments and disclosure of the impact arising from applying MFRS 16 are material to the Group and is a key focus area in our audit.	We assessed the appropriateness of the assumptions and estimates underpinning the accounting for these lease contracts as follows: • obtained an understanding and evaluated management's implementation process, including the review of policy elections, the completeness and accuracy of the lease contracts identified and recording in the lease accounting system and calculation of the ROU asset and lease liability; • reviewed contracts, on a sampling basis, to assess whether leases have been appropriately identified; • performed independent testing on a sample basis of the accuracy of the lease contracts input in the lease accounting system; • recalculated the ROU asset and lease liability calculated by the system for each material type of lease contract; • reviewed the appropriateness of discount rates applied; and • reviewed the adequacy of disclosures in the financial statements in accordance with the requirements of MFRS 16. Based on the procedures performed, no material exception was noted.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF TELEKOM MALAYSIA BERHAD
(Incorporated in Malaysia) (Registration No. 198401016183) (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
6. Assessing the carrying value of equity investments in and amounts receivable from subsidiaries (Refer to note 3(c) and 3(e) for the critical accounting estimates and judgements and note 27, note 28 and note 36 to the financial statements of the Company)	
As at 31 December 2019, the net carrying value of equity investments in subsidiaries and amounts receivable from subsidiaries reported in the Company's statement of financial position was RM1,364.1 million and RM261.5 million, respectively. Amounts receivables from subsidiaries comprise of loan and advances to subsidiaries and trade and other receivables totalling RM15.6 million and RM245.9 million, respectively. **a) Equity investments in subsidiaries** During the current financial year, no impairment was made for the equity investments in subsidiaries as the recoverable amounts were higher 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 RM461.8 million using the expected credit loss ("ECL") approach. We focused specifically on the carrying value of the 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 the 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) (Registration No. 198401016183) (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 2019 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.

(d) Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.

(e) Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.

(f) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF TELEKOM MALAYSIA BERHAD
(Incorporated in Malaysia) (Registration No. 198401016183) (128740-P)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Auditors' responsibilities for the audit of the financial statements (continued)

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current financial year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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 55 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

PRICEWATERHOUSECOOPERS PLT
LLP0014401-LCA & AF 1146
Chartered Accountants

TIANG WOON MENG
02927/05/2020J
Chartered Accountant

Kuala Lumpur
21 February 2020

SHAREHOLDINGS STATISTICS
AS AT 19 MARCH 2020

Analysis of Shareholding

Issued Shares : 3,765,777,524

Class of Shares : 3,765,777,523 ordinary shares

One (1) Special Rights Redeemable Preference Share (Special Share)

Number of Shareholders : 43,227

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

Distribution of Ordinary Shares

Size of Shareholdings	Shareholders				Shares			
	Malaysian		Foreign		Malaysian		Foreign	
	No.	%	No.	%	No.	%	No.	%
Less than 100	1,708	3.95	27	0.06	29,360	0.00	390	0.00
100 - 1,000	21,457	49.64	134	0.31	10,418,392	0.28	92,621	0.00
1,001 - 10,000	16,386	37.90	319	0.74	54,848,961	1.46	1,356,667	0.04
10,001 - 100,000	2,207	5.11	315	0.73	52,230,481	1.39	13,568,110	0.36
100,001 - 187,896,740(*)	302	0.70	368	0.85	948,264,131	25.18	418,375,328	11.11
187,896,741 and above (**)	4	0.01	0	0.00	2,266,593,082	60.19	0.00	0.00
Total	**42,064**	**97.31**	**1,163**	**2.69**	**3,332,384,407**	**88.50**	**433,393,116**	**11.51**

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

Classification of Shareholders Holding Ordinary Shares

Name of Company	No. of Shareholders		No. of Shares Held		% of Issued Shares	
	Malaysian	Foreign	Malaysian	Foreign	Malaysian	Foreign
INDIVIDUAL						
a. Bumiputera	16,877	0	20,103,569	0	0.53	0.00
b. Chinese	19,099	0	76,680,821	0	2.04	0.00
c. Indian	1,488	0	4,012,931	0	0.11	0.00
d. Others	154	323	490,183	1,622,789	0.01	0.04
BODY CORPORATE						
a. Banks/Finance Companies	77	0	1,290,095,303	0	34.26	0.00
b. Investment Trusts/Foundation/ Charities	5	0	463,823	0	0.01	0.00
c. Other Types of Companies	240	9	10,679,542	10,242,318	0.29	0.27
GOVERNMENT AGENCIES/ INSTITUTION	12	0	994,859,711	0	26.42	0.00
NOMINEES	4,112	831	934,998,524	421,528,009	24.83	11.19
TRUSTEES	0	0	0	0	0.00	0.00
TOTAL	**42,064**	**1,163**	**3,332,384,407**	**433,393,116**	**88.50**	**11.50**

SHAREHOLDINGS STATISTICS

AS AT 19 MARCH 2020

Substantial Shareholders

as per the Register of Substantial Shareholders

No.	Shareholders	No. of Ordinary Shares Held		Percentage (%)	
		Direct	Indirect	Direct	Indirect
1	Khazanah Nasional Berhad	984,825,713	-	26.15	-
2	Citigroup Nominees (Tempatan) Sdn Bhd - Employees Provident Fund Board	607,456,309	-	16.13	-
3	Amanah Raya Trustees Berhad - Amanah Saham Bumiputera	445,332,400	-	11.83	-
4	Kumpulan Wang Persaraan (Diperbadankan)	268,056,365	13,535,674.00	7.12	0.36
	Total	**2,305,670,787**	**13,535,674.00**	**61.23**	**0.36**

Directors' Direct and Deemed interest in the Company

as per the Register of Directors' Shareholdings

No.	Interest in Company	No. of Shares Held		%
		Direct	Deemed Interest	
1	Rosli Man	-	3,700*	-**
2	Dato' Noor Kamarul Anuar Nuruddin	170,000	-	-**
3	Balasingham A. Namasiwayam	16,013	-	-**
	TOTAL	**186,013**	**3,700**	**0.00**

Note:

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

** Less than 0.01%

Share Option in the form of LTIP held by directors are denoted in the Directors' Report on page 21 of the Financial Statements.

SHAREHOLDINGS STATISTICS
AS AT 19 MARCH 2020

List of Top 30 Shareholders
as per the Register of Members and Record of Depositors

No.	Name Of Shareholders	No. of Shares	%
1	Khazanah Nasional Berhad	984,825,713	26.15
2	Citigroup Nominees (Tempatan) Sdn Bhd - Employees Provident Fund Board	567,402,104	15.07
3	Amanahraya Trustees Berhad - Amanah Saham Bumiputera	446,308,900	11.85
4	Kumpulan Wang Persaraan (Diperbadankan)	268,056,365	7.12
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	62,951,158	1.67
8	Amanahraya Trustees Berhad - Amanah Saham Bumiputera 3 - Didik	45,921,812	1.22
9	Amanahraya Trustees Berhad - Amanah Saham Bumiputera 2	45,903,100	1.22
10	Citigroup Nominees (Tempatan) Sdn Bhd - Urusharta Jamaah Sdn. Bhd. (1)	40,470,000	1.07
11	Amanahraya Trustees Berhad - Public Islamic Dividend Fund	35,788,639	0.95
12	Maybank Nominees (Tempatan) Sdn Bhd - Maybank Trustees Berhad for Public Ittikal Fund (N14011970240)	31,500,000	0.84
13	Cartaban Nominees (Asing) Sdn Bhd - Exempt AN for State Street Bank & Trust Company (WEST CLT OD67)	31,203,583	0.83
14	Permodalan Nasional Berhad	30,411,400	0.81
15	Citigroup Nominees (Tempatan) Sdn Bhd - Great Eastern Life Assurance (Malaysia) Berhad (PAR 1)	27,003,067	0.72
16	Amanahraya Trustees Berhad Public Ittikal Sequel Fund	25,142,405	0.67
17	Citigroup Nominees (Tempatan) Sdn Bhd - Employees Provident Fund Board (Nomura)	22,175,905	0.59
18	Lembaga Tabung Haji	21,431,283	0.57
19	Citigroup Nominees (Tempatan) Sdn Bhd - Exempt AN for Aia Bhd	21,034,445	0.56
20	Cartaban Nominees (Tempatan) Sdn Bhd - PAMB for Prulink Equity Fund	19,123,337	0.51
21	Citigroup Nominees (Asing) Sdn Bhd - Exempt AN for Citibank New York (Norges Bank 14)	19,081,346	0.51
22	HSBC Nominees (Asing) Sdn Bhd - JPMCB NA for Vanguard Total International Stock Index Fund	18,836,277	0.50
23	Maybank Nominees (Tempatan) Sdn Bhd Maybank Trustees Berhad For Public Regular Savings Fund (N14011940100)	17,995,816	0.48
24	HSBC Nominees (Asing) Sdn Bhd JPMCB NA for Vanguard Emerging Markets Stock Index Fund	17,002,278	0.45
25	Amanahraya Trustees Berhad Public Islamic Equity Fund	16,467,885	0.44
26	Maybank Nominees (Tempatan) Sdn Bhd MTrustee Berhad for Principal Dali Equity Growth Fund (UT-CIMB-DALI) (419455)	15,690,803	0.42
27	Amanahraya Trustees Berhad Public Islamic Select Enterprises Fund	13,981,611	0.37
28	HSBC NOMINEES (ASING) SDN BHD - JPMBL SA for Stichting Depositary APG Emerging Markets Equity Pool	12,552,543	0.33
29	Citigroup Nominees (Tempatan) Sdn Bhd - Great Eastern Life Assurance (Malaysia) Berhad (PAR 3)	11,442,794	0.30
30	Amanahraya Trustees Berhad - Public Islamic Optimal Growth Fund	11,314,062	0.30
	Total	**3,057,167,431**	**81.18**

NET BOOK VALUE OF LAND & BUILDING

AS AT 31 DECEMBER 2019

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	27	1,582	7	714	1	114	-	-	330.6	1,294.2
	b Labuan	-	-	6	511	-	-	-	-	0.2	3.7
	c. Putrajaya	-	-	-	-	1	20	-	-	0.8	7.2
2.	Selangor	10	9,943	21	1,385	2	144	70	6,078	502.9	327.8
3.	Perlis	-	-	3	35	-	-	9	678	0.2	2.0
4.	Perak	4	17	21	945	3	213	84	5,043	3.9	33.4
5.	Pulau Pinang	3	5,015	16	929	-	-	35	6,157	4.4	26.8
6.	Kedah	8	524	14	976	-	-	45	2,866	10.2	41.7
7.	Johor	6	490	28	1,452	9	285	92	6,375	6.0	59.5
8.	Melaka	2	3	23	2,049	-	-	21	3,597	14.4	97.5
9.	Negeri Sembilan	4	160	12	417	2	155	47	1,840	36.5	19.8
10.	Terengganu	-	-	16	809	-	-	41	5,648	0.5	25.9
11.	Kelantan	-	-	16	708	-	-	35	2,050	0.5	10.0
12.	Pahang	1	40	29	2,118	5	429	61	5,956	2.1	32.4
13.	Sabah	-	-	14	184	4	162	53	4,760	3.6	48.4
14.	Sarawak	4	46	29	941	10	400	91	8,804	16.3	53.6
15.	Hong Kong	-	-	-	-	-	-	-	-	-	63.6
16.	Indonesia	-	-	-	-	-	-	-	-	-	1.0
	Total	**69**	**17,820**	**255**	**14,173**	**37**	**1,922**	**684**	**59,852**	**933.1**	**2,148.5**

* 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 and a wholly-owned subsidiary.

Includes non-current assets held for sale of the Company and a wholly-owned subsidiary.

USAGE OF PROPERTIES
AS AT 31 DECEMBER 2019

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	76	8	6	7	3	-	-	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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