DiGi.Com Berhad

199701009694 (425190-X)
(Incorporated in Malaysia)

Directors' Report and Audited Financial Statements
31 December 2019

Registration No.: 199701009694 (425190-X)

Digi.Com Berhad
(Incorporated in Malaysia)

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Directors' report

The directors have pleasure in presenting their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2019.

Principal activities

The principal activity of the Company is investment holding.

The principal activities and other information relating to subsidiaries are disclosed in Note 15 to the financial statements.

Results

	Group RM'000	Company RM'000
Profit for the year, attributable to owners of the parent	1,432,949	1,445,901

There were no material transfers to or from reserves or provisions during the financial year, other than as disclosed in the financial statements.

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

Dividends

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

	RM'000
In respect of the financial year ended 31 December 2018:	
Fourth interim tax exempt (single-tier) dividend of 4.8 sen per ordinary share, declared on 23 January 2019 and paid on 29 March 2019	373,200

Dividends (cont'd.)

	RM'000
In respect of the financial year ended 31 December 2019:	
First interim tax exempt (single-tier) dividend of 4.3 sen per ordinary share, declared on 22 April 2019 and paid on 28 June 2019	334,325
Second interim tax exempt (single-tier) dividend of 5.0 sen per ordinary share, declared on 12 July 2019 and paid on 27 September 2019	388,750
Third interim tax exempt (single-tier) dividend of 4.5 sen per ordinary share, declared on 17 October 2019 and paid on 19 December 2019	349,875

The board of directors had on 22 January 2020, declared a fourth interim tax exempt (single-tier) dividend of 4.4 sen per ordinary share in respect of the financial year ended 31 December 2019 amounting to RM342.1 million. The financial statements for the current financial year do not reflect this fourth interim dividend. Such dividend, will be accounted for in equity as an appropriation of retained earnings in the financial year ending 31 December 2020.

Directors

The names of the directors of the Company in office since the beginning of the financial year to the date of this report are:

Haakon Bruaset Kjoel	
Tan Sri Saw Choo Boon	
Yasmin Binti Aladad Khan	
Vimala A/P V.R. Menon	
Torstein Pedersen	
Anne Karin Kvam	
Lars Erik Tellmann	(Appointed on 12 July 2019)
Tone Ripel	(Resigned on 12 July 2019)

The names of the directors of the subsidiaries of the Company since the beginning of the financial year to the date of this report, not including those directors listed above are:

Albern A/L Murty	
Eugene Teh Yee	
Praveen Rajan A/L Nadarajan	
Loh Keh Jiat	(Appointed on 1 February 2019)
Inger Gloeersen Folkeson	(Appointed on 1 March 2019)
Nakul Seghal	(Resigned on 1 February 2019)

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Directors' benefits

Neither at the end of the financial year, nor at any time during that year, did there subsist any arrangement to which the Company was a party, whereby the directors might acquire benefits by means of acquisition of shares in or debentures of the Company or any other body corporate.

Since the end of the previous financial year, no director has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the directors as shown below) by reason of a contract made by the Company or a related corporation with any 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.

The directors' benefits are as follows:

	Group RM'000	Company RM'000
Non-executive:		
Fees	882	88
Benefits-in-kind	6	-
	888	88

Indemnity and insurance for Directors and Officers

The Group maintains a Directors' and Officers' Liability Insurance for any legal liability incurred by the directors and officers in discharging their duties while holding office for the Group and the Company. In respect of the above, the total amount of insurance premium paid for the financial year ended 31 December 2019 was RM10,312 (31 December 2018: RM 10,429). The directors and officers shall not be indemnified by such insurance for any deliberate negligence, fraud, intentional breach of law or breach of trust proven against them.

Holding company

The ultimate holding company is Telenor ASA, which is incorporated in Norway.

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Directors' interest

According to the register of directors' shareholdings, the interest of directors in office at the end of the financial year in the shares of the Company or its related corporations during the financial year were as follows:

	<------------Number of ordinary shares of NOK6 each------------>			
	1 January 2019/date of appointment	**Acquired**	**Sold**	**31 December 2019**
Ultimate holding company				
Telenor ASA				
Direct interest:				
Haakon Bruaset Kjoel	14,948	2,074	-	17,022
Torstein Pedersen	36	254	-	290
Anne Karin Kvam	-	3,180	-	3,180
Lars Erik Tellmann	24,761	231	-	24,992

None of the other directors in office at the end of the financial year had any interest in shares in the Company or its related corporations during the financial year.

Other statutory information

(a) Before the statements of comprehensive income and statements of financial position of the Group and of the Company were made out, the directors took reasonable steps:

(i) to ascertain that proper action 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

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

(b) At the date of this report, the directors are not aware of any circumstances which would render:

(i) the amount written off for bad debts or the amount of the allowance for doubtful debts, in the financial statements of the Group and of the Company, inadequate to any substantial extent; and

(ii) the values attributed to the current assets in the financial statements of the Group and of the Company misleading.

Other statutory information (cont'd.)

(c) At the date of this report, the directors are not aware of any circumstances which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

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

(e) As at the date of this report, there does not exist:

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

(ii) any material contingent liability of the Group or of the Company which has arisen since the end of the financial year.

(f) In the opinion of the directors:

(i) no contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group or of the Company to meet their obligations as and when they fall due; and

(ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group or of the Company for the financial year in which this report is made.

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Auditors

The auditors, Ernst & Young PLT, have expressed their willingness to continue in office.

The auditors' remuneration for the statutory audit for the financial year ended 31 December 2019 for the Group and the Company are RM503,000 and RM44,000 respectively.

To the extent permitted by law, the Company has agreed to indemnify its auditors, Ernst & Young PLT, as part of the terms of its audit engagement against claims by third parties arising from the audit (for an unspecified amount). No payment has been made to indemnify Ernst & Young PLT during or since the financial year.

Signed on behalf of the board in accordance with a resolution of the directors dated 11 March 2020.

Tan Sri Saw Choo Boon Director	Vimala A/P V.R. Menon Director

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

We, Tan Sri Saw Choo Boon and Vimala A/P V.R. Menon, being two of the directors of Digi.Com Berhad, do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 15 to 106 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2019 and of their financial performance and cash flows for the financial year then ended.

Signed on behalf of the board in accordance with a resolution of the directors dated 11 March 2020.

Tan Sri Saw Choo Boon Director	Vimala A/P V.R. Menon Director

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

I, Ng Kim Chuan, being the officer primarily responsible for the financial management of Digi.Com Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 15 to 106 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 by the above-named Ng Kim Chuan at Kuala Lumpur in Wilayah Persekutuan on 11 March 2020	Ng Kim Chuan

Before me,

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Independent auditors' report to the members of
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Report on the audit of the financial statements

Opinion

We have audited the financial statements of Digi.Com Berhad, which comprise the statements of financial position as at 31 December 2019 of the Group and of the Company, and statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 15 to 106.

In our opinion, the accompanying financial statements 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 year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

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 audit 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 Code of Ethics for Professional Accountants (including International Independence Standards) ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

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Independent auditors' report to the members of
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Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current year. We have determined that there are no key audit matters to communicate in our report on the financial statements of the Company. The key audit matters for the audit of the financial statements of the Group are described below. These matters were addressed in the context of our audit of the financial statements of the Group as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Accuracy of revenue recognition

Refer to Note 2.19.1(a) – Revenue Recognition (Telecommunication Revenue) and Note 5 – Revenue.

The Group relies on complex information technology system (including the rating module within the billing system) in accounting for its telecommunication revenue. Such information system processes large volumes of data with a combination of different products, which consist of individually low value transactions.

In addition, estimates and judgements were involved in accounting for unbilled revenue at the reporting date and allocating the transaction price between the multiple products sold in bundled transactions.

The above factors gave rise to higher risk of material misstatement in the timing and amount of telecommunication revenue recognised. Accordingly, we identified revenue recognition to be an area of focus.

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Independent auditors' report to the members of Digi.Com Berhad (cont'd.)
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Key audit matters (cont'd.)

Accuracy of revenue recognition (cont'd.)

Our audit sought to place a high level of reliance on the Group's information technology systems and key controls which management relies on in recording telecommunication revenue. Our audit procedures included involving our information technology specialists to test the operating effectiveness of automated controls over the billing system, including the rating module. We also tested the accuracy of the data interface between the billing system and the general ledger and tested the non-automated controls in place to ensure accuracy of revenue recognised, including timely updating of approved rate changes in the billing system.

We also performed substantive audit procedures which included amongst others, the testing of the reconciliation between the billing system and the general ledger, including validating material manual journals processed and evaluating management's estimate of unbilled revenue by comparing such amount to the billings raised subsequent to the reporting period.

In respect of the allocation of transaction price between multiple products sold in bundled transactions, we obtained an understanding of management's basis of allocation in accordance with the identified performance obligations, evaluated management's estimate of standalone selling prices used in allocating the transaction price and tested the computation of revenue to be recognised in respect of each product sold in bundled transactions.

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 information in the annual report but 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.

**Independent auditors' report to the members of
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Information other than the financial statements and auditors' report thereon (cont'd.)

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, 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 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.

Auditor's 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.

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Independent auditors' report to the members of Digi.Com Berhad (cont'd.) (Incorporated in Malaysia)

Auditor's responsibilities for the audit of the financial statements (cont'd.)

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

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

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

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

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

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Auditor's responsibilities for the audit of the financial statements (cont'd.)

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: (cont'd.)

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

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

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

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

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

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Independent auditors' report to the members of
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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.

Ernst & Young PLT
202006000003 (LLP0022760-LCA) & AF 0039
Chartered Accountants

Chong Tse Heng
No. 03179/05/2021 J
Chartered Accountant

Kuala Lumpur, Malaysia
11 March 2020

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Statements of comprehensive income
For the financial year ended 31 December 2019

		Group		Company	
	Note	**2019**	**2018**	**2019**	**2018**
		RM'000	**RM'000**	**RM'000**	**RM'000**
Revenue	5	6,297,358	6,527,111	1,446,000	1,508,000
Other income		16,304	19,499	1,235	1,387
Cost of materials and traffic expenses		(1,434,390)	(1,543,003)	-	-
Sales and marketing expenses		(453,961)	(489,787)	-	-
Operations and maintenance expenses		(112,623)	(116,261)	-	-
Rental expenses		(57,475)	(355,758)	-	-
Staff expenses		(224,628)	(253,779)	-	-
Depreciation expenses		(1,124,874)	(657,319)	-	-
Amortisation expenses	12	(72,425)	(147,471)	-	-
Other expenses		(727,224)	(754,946)	(1,488)	(1,443)
Finance costs	6	(231,076)	(129,984)	-	-
Interest income		25,694	20,778	202	229
Operating model transition costs	7(d)	(8,359)	(39,638)	-	-
Profit before tax	7	1,892,321	2,079,442	1,445,949	1,508,173
Taxation	8	(459,372)	(538,654)	(48)	(55)
Profit for the year, representing total comprehensive income for the year		1,432,949	1,540,788	1,445,901	1,508,118
Attributable to:					
Owners of the parent		1,432,949	1,540,788	1,445,901	1,508,118

		Group	
		2019	**2018**
Earnings per share attributable to owners of the parent (sen per share)	9	18.4	19.8

The accompanying accounting policies and explanatory information form an integral part of the financial statements. The Group and the Company have adopted MFRS 16 using the modified retrospective method of adoption on 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application. Accordingly, comparatives have not been restated.

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Statements of financial position
As at 31 December 2019

		Group		Company	
	Note	**2019 RM'000**	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
Non-current assets					
Property, plant and equipment	11	2,852,110	2,881,172	-	-
Intangible assets	12	305,986	981,683	-	-
Right of use assets	13	2,595,088	-	-	-
Investments in subsidiaries	15	-	-	772,751	772,751
Other investment	16	78	78	-	-
Trade and other receivables	18	427,565	140,762	-	-
Contract costs	14	66,170	71,130	-	-
Contract assets	5	26,661	40,900	-	-
Derivative financial assets	19	18,605	569	-	-
		6,292,263	4,116,294	772,751	772,751
Current assets					
Inventories	17	90,501	61,135	-	-
Trade and other receivables	18	1,220,923	1,460,709	4	4
Contract assets	5	79,590	134,800	-	-
Tax recoverable		8,448	-	-	-
Cash and short-term deposits	20	457,716	433,118	828	776
		1,857,178	2,089,762	832	780
Total assets		8,149,441	6,206,056	773,583	773,531
Non-current liabilities					
Loans and borrowings	21	4,461,043	2,512,683	-	-
Deferred tax liabilities	22	217,628	276,063	-	-
Other liabilities	23	53,295	48,964	-	-
		4,731,966	2,837,710	-	-

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Statements of financial position
As at 31 December 2019 (cont'd.)

	Note	Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
Current liabilities					
Trade and other payables	24	1,784,308	2,144,070	1,380	1,071
Contract liabilities	5	283,572	315,386	-	-
Derivative financial liabilities	19	419	301	-	-
Other liabilities	23	420	5,373	-	-
Loans and borrowings	21	688,756	181,371	-	-
Tax payable		13	48,657	13	21
		2,757,488	2,695,158	1,393	1,092
Total liabilities		7,489,454	5,532,868	1,393	1,092
Equity					
Share capital	25	769,655	769,655	769,655	769,655
(Accumulated losses)/ retained earnings	27	(109,668)	(96,467)	2,535	2,784
Total equity		659,987	673,188	772,190	772,439
Total equity and liabilities		8,149,441	6,206,056	773,583	773,531

The accompanying accounting policies and explanatory information form an integral part of the financial statements. The Group and the Company have adopted MFRS 16 using the modified retrospective method of adoption on 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application. Accordingly, comparatives have not been restated.

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Statements of changes in equity
For the financial year ended 31 December 2019

	Note	← Attributable to owners of the parent		→
		Share capital RM'000	**Non-distributable accumulated losses/ distributable retained earnings RM'000 (Note 27)**	**Total RM'000**
Group				
At 1 January 2018		769,655	(128,905)	640,750
Total comprehensive income		-	1,540,788	1,540,788
Transaction with owners:				
Dividends on ordinary shares	10	-	(1,508,350)	(1,508,350)
At 31 December 2018		769,655	(96,467) [1]	673,188
Total comprehensive income		-	1,432,949	1,432,949
Transaction with owners:				
Dividends on ordinary shares	10	-	(1,446,150)	(1,446,150)
At 31 December 2019		769,655	(109,668) [1]	659,987
Company				
At 1 January 2018		769,655	3,016	772,671
Total comprehensive income		-	1,508,118	1,508,118
Transaction with owners:				
Dividends on ordinary shares	10	-	(1,508,350)	(1,508,350)
At 31 December 2018		769,655	2,784	772,439
Total comprehensive income		-	1,445,901	1,445,901
Transaction with owners:				
Dividends on ordinary shares	10	-	(1,446,150)	(1,446,150)
At 31 December 2019		769,655	2,535	772,190

Note: [1] In the prior years, as part of the Group's capital management initiatives, the Company received dividends in specie from its subsidiary, Digi Telecommunications Sdn. Bhd. ("DTSB"), in the form of bonus issue of redeemable preference shares and capital repayment by DTSB amounting to RM509.0 million and RM495.0 million respectively. The Company has declared part of these as special dividend to its shareholders. The deficit arose from the elimination of these intra-group dividends at Group level.

The accompanying accounting policies and explanatory information form an integral part of the financial statements.

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Statements of cash flows
For the financial year ended 31 December 2019

	Note	Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
Cash flows from operating activities					
Profit before tax		1,892,321	2,079,442	1,445,949	1,508,173
Adjustments for:					
Amortisation of intangible assets	12	72,425	147,471	-	-
Depreciation					
- property, plant and equipment	11	693,643	657,319	-	-
- right of use assets	13	431,231	-	-	-
Allowance for expected credit loss on trade receivables and contract assets		77,660	48,020	-	-
Inventories written down		3,104	804	-	-
Dividend income		-	-	(1,446,000)	(1,508,000)
Finance costs	6	231,076	129,984	-	-
Loss/(gain) on disposal of property, plant and equipment		15	(560)	-	-
Gain on termination of lease		(57)	-	-	-
Other investment written off		-	100	-	-
Write-off of property, plant and equipment		625	204	-	-
Write-off of intangible assets		53	-	-	-
Interest income		(25,694)	(20,778)	(202)	(229)
Reversal of provision for employee leave entitlements	23.1	(4,953)	(541)	-	-

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Statements of cash flows
For the financial year ended 31 December 2019 (cont'd.)

	Note	Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
Cash flows from operating activities (cont'd.)					
Adjustments for (cont'd.):					
Employee benefits					
- share-based payment		367	603	-	-
- defined benefit plan	26	70	65	-	-
Fair value loss/(gain) on derivative financial instruments		118	(1,146)	-	-
Unrealised foreign exchange (gain)/loss		(1,722)	1,852	-	-
Operating cash flows before working capital changes		3,370,282	3,042,839	(253)	(56)
Increase in inventories		(32,470)	(2,801)	-	-
Increase in trade and other receivables		(358,565)	(517,129)	-	-
Decrease/(increase) in contract asset		71,764	(89,518)	-	-
Decrease in contract costs		4,960	4,220	-	-
(Decrease)/increase in trade and other payables		(373,903)	225,395	309	106
(Decrease)/increase in contract liabilities		(31,814)	318,862	-	-
Decrease in deferred revenue		-	(333,343)	-	-
Cash generated from operations		2,650,254	2,648,525	56	50
Advance payment for bandwidth		(57,881)	(21,418)	-	-
Interest paid		(234,311)	(138,469)	-	-
Proceeds from government grants		278,572	203,383	-	-
Payments for provisions	23.1	(93)	(621)	-	-
Taxes paid		(574,899)	(515,316)	(56)	(50)
Net cash generated from operating activities		2,061,642	2,176,084	-	-

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Statements of cash flows
For the financial year ended 31 December 2019 (cont'd.)

	Note	Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
Cash flows from investing activities					
Purchase of property, plant and equipment		(696,708)	(626,398)	-	-
Purchase of intangible assets		(54,004)	(192,054)	-	-
Purchase of unquoted investment		-	(15)	-	-
Dividends received from a subsidiary	5	-	-	1,446,000	1,508,000
Interest received		24,781	20,895	202	229
Proceeds from disposal of property, plant and equipment		612	659	-	-
Net cash (used in)/generated from investing activities		(725,319)	(796,913)	1,446,202	1,508,229
Cash flows from financing activities					
Repayment of loans and borrowings		(587,500)	-	-	-
Proceeds from issuance of Sukuk Programme		1,000,000	-	-	-
Repayment of lease liabilities		(278,427)	(12,767)	-	-
Dividends paid	10	(1,446,150)	(1,508,350)	(1,446,150)	(1,508,350)
Net cash used in financing activities		(1,312,077)	(1,521,117)	(1,446,150)	(1,508,350)

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Statements of cash flows
For the financial year ended 31 December 2019 (cont'd.)

	Note	Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
Net increase/(decrease) in cash and cash equivalents		24,246	(141,946)	52	(121)
Effect of exchange rate changes on cash and cash equivalents		352	19	-	-
Cash and cash equivalents at beginning of financial year		433,118	575,045	776	897
Cash and cash equivalents at end of financial year	20	457,716	433,118	828	776

The accompanying accounting policies and explanatory information form an integral part of the financial statements. The Group has adopted MFRS 16 using the modified retrospective method of adoption on 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application. Accordingly, comparatives are not restated.

1. Corporate information

The Company is a public limited liability company, incorporated and domiciled in Malaysia, and is listed on the Main Market of Bursa Malaysia Securities Berhad ("Bursa Securities"). The principal place of business is located at Lot 10, Jalan Delima 1/1, Subang Hi-Tech Industrial Park, 40000 Subang Jaya, Selangor Darul Ehsan. The registered office of the Company is located at 12th Floor, Menara Symphony, No. 5, Jalan Professor Khoo Kay Kim, Seksyen 13, 46200 Petaling Jaya, Selangor.

The immediate and ultimate holding companies are Telenor Asia Pte Ltd and Telenor ASA, incorporated in Singapore and Norway respectively. The ultimate holding company is listed on the Oslo Stock Exchange, Norway.

The principal activity of the Company is investment holding, whilst the principal activities of the subsidiaries are stated in Note 15. There has been no significant change in the nature of the principal activities during the financial year.

Related companies refer to companies within the Telenor Asia Pte Ltd and Telenor ASA group of companies.

2. Significant accounting policies

2.1 Basis of preparation

The financial statements of the Group and of the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards ("IFRS") and the requirements of the Companies Act 2016 in Malaysia. At the beginning of the current financial year, the Group and the Company adopted new and amended MFRSs and interpretation which are mandatory for annual financial periods beginning on or after 1 January 2019 as described fully in Note 3.1.

The financial statements of the Group and of the Company have been prepared on the historical cost convention unless indicated otherwise in the accounting policies below.

The financial statements are presented in Ringgit Malaysia ("RM") and all values are rounded to the nearest thousand ("RM'000") except when otherwise indicated.

2. Significant accounting policies (cont'd.)

2.2 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the reporting date. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied for like transactions and events in similar circumstances.

The Company controls an investee if, and only if, the Company has all the following:

(i) Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);

(ii) Exposure, or rights, to variable returns from its investment with the investee; and

(iii) The ability to use its power over the investee to affect its returns.

Subsidiaries are consolidated when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions are eliminated in full.

Losses within a subsidiary are attributed to the non-controlling interests even if that results in a deficit balance.

Business combinations

Acquisitions of subsidiaries are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interests in the acquiree. The Group elects on a transaction-by-transaction basis whether to measure the non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree’s identifiable net assets. Transaction costs incurred are expensed and included in administrative expenses.

2.3 Investment in subsidiaries

In the Company’s separate financial statements, investment in subsidiaries are accounted for at cost less impairment losses. On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is included in profit or loss.

2. Significant accounting policies (cont'd.)

2.4 Property, plant and equipment, and depreciation

All items of property, plant and equipment are initially recorded at cost. The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

Subsequent to recognition, property, plant and equipment, except for freehold land and capital work-in-progress, are measured at cost less accumulated depreciation and accumulated impairment losses, if any. The cost of an item includes expenditure that is attributable to the acquisition of the item. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. When significant parts of property, plant and equipment are required to be replaced in intervals, the Group recognises such parts as individual assets with specific useful lives and depreciation, respectively. The carrying amount of the replaced part is then derecognised. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the asset as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit and loss as incurred.

Freehold land has an unlimited useful life and is therefore not depreciated. Capital work-in-progress representing assets under construction, is also not depreciated as these assets are not yet available for its intended use. Depreciation of other property, plant and equipment is computed on a straight-line basis to write down the cost of each asset to its residual value over the estimated useful life, at the following annual rates or periods:

Buildings	2.0%
Motor vehicles	20.0%
Computer systems	20.0% - 33.3%
Furniture and fittings	20.0%
Telecommunications network	3.3% - 33.3%

The residual values, useful lives and depreciation method are reviewed at each financial year end, and adjusted prospectively, if appropriate, to ensure that the amount, method and period of depreciation are consistent with the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

2. Significant accounting policies (cont'd.)

2.4 Property, plant and equipment, and depreciation (cont'd.)

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising from the difference between the net disposal proceeds, if any, and the net carrying amount is recognised in profit and loss in the year the asset is derecognised.

2.5 Intangible assets

Intangible assets acquired separately are initially measured at cost. Following initial recognition, intangible assets are measured at cost less accumulated amortisation and accumulated impairment losses, if any. The useful lives of intangible assets are assessed to be either finite or indefinite.

Intangible assets with finite useful lives are amortised over the estimated useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method are reviewed at least during each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated prospectively as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in profit and loss.

Intangible assets not yet available for use are tested for impairment annually, or more frequently if events and circumstances indicate that the carrying value may be impaired either individually or at the cash generating unit ("CGU") level. Such intangible assets are not amortised.

Any gain or loss arising from derecognition of an intangible asset is measured as the difference between the net disposal proceeds and the carrying amount of the asset, and is recognised in profit and loss when the asset is derecognised.

(a) Spectrum bandwidths

In prior years, the expenditure for the acquisition of the spectrum bandwidths were capitalised under intangible assets. The amount was amortised using the straight-line method over the spectrum assignment period which ranged from 1.5 to 16 years.

Upon adoption of MFRS 16 in the current year, the Group has elected to apply MFRS 16 to its spectrum bandwidths. Accordingly, spectrum bandwidths is now presented within the right of use ("ROU") assets category.

2. Significant accounting policies (cont'd.)

2.5 Intangible assets (cont'd.)

(b) Computer software

Costs incurred to acquire computer software, that are not an integral part of the related hardware, are capitalised as intangible assets and amortised on a straight-line basis over the estimated useful life of 5 years.

2.6 Impairment of non-financial assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets to determine whether there is any indication of impairment. If any such indication exists, impairment is measured by comparing the carrying amounts of the assets with their recoverable amounts.

For intangible assets not yet available for use, the recoverable amount is estimated at the end of each reporting period, or more frequently if events and circumstances indicate that the carrying value may be impaired either individually or at the cash generating unit ("CGU") level.

An asset’s recoverable amount is the higher of an asset’s fair value less costs to sell and its value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows, namely a CGU.

In assessing value in use, the estimated future cash flows expected to be generated by the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where the carrying amount of an asset exceeds its recoverable amount, the asset is written down to its recoverable amount. Impairment losses recognised in respect of a CGU or groups of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to those units or groups of units, if any and then, to reduce the carrying amount of the other assets in the unit or groups of units on a pro-rata basis.

An impairment is recognised whenever the carrying amount of an asset or CGU exceeds its recoverable amount, and the impairment loss is recognised as an expense in profit and loss in the period in which it arises.

2. Significant accounting policies (cont'd.)

2.6 Impairment of non-financial assets (cont'd.)

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. A previously recognised impairment loss is reversed if, and only if there has been a change in the estimates used to determine the asset’s recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in profit or loss.

2.7 Inventories

Inventories are stated at lower of cost and net realisable value. Cost is determined using the weighted average basis. The cost of trading merchandise comprises costs of purchases and other incidental costs incurred in bringing these merchandise to their present condition and location.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

2.8 Financial assets

2.8.1 Initial recognition and measurement

Financial assets are classified, at initial recognition as, subsequently measured at amortised cost, fair value through other comprehensive income ("OCI"), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset’s contractual cash flow characteristics and the Group’s and Company's business model for managing them. The Group and the Company initially measure a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs except for trade receivables that do not contain a significant financing component. Trade receivables that do not contain a significant financing component are measured at the transaction price determined under MFRS 15.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are ‘solely payments of principal and interest ("SPPI")’ on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

2. Significant accounting policies (cont'd.)

2.8 Financial assets (cont'd.)

2.8.1 Initial recognition and measurement (cont'd.)

The Group’s and the Company's business model for managing financial assets refer to how the financial assets are managed in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

2.8.2 Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortised cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

The Group and the Company do not have any debt instruments at fair value through OCI with recycling of cumulative gains and losses.

(a) Financial assets at amortised cost (debt instruments)

This category is the most relevant to the Group and the Company. The Group and the Company measure financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

2. Significant accounting policies (cont'd.)

2.8 Financial assets (cont'd.)

2.8.2 Subsequent measurement (cont'd.)

(a) Financial assets at amortised cost (debt instruments) (cont'd.)

Financial assets at amortised cost are subsequently measured using the effective interest ("EIR") method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Group’s and the Company's financial assets at amortised cost includes trade and other receivables and cash and short-term deposits.

(b) Financial assets designated at fair value through OCI (equity instruments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under MFRS 132 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

The Group elected to classify irrevocably its non-listed equity investments under this category.

2. Significant accounting policies (cont'd.)

2.8 Financial assets (cont'd.)

2.8.2 Subsequent measurement (cont'd.)

(c) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives are classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the profit or loss.

This category includes derivative instruments such as foreign currency forward contracts and interest rate swaps. Derivative instruments are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

2.8.3 Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group’s and Company's statement of financial position) when:

- The rights to receive cash flows from the asset have expired; or

- The Group and the Company have transferred their rights to receive cash flows from the asset or have assumed an obligation to pay the received cash flows in full without material delay to a third party under a ‘pass-through’ arrangement; and either (a) the Group and the Company have transferred substantially all the risks and rewards of the asset, or (b) the Group and the Company have neither transferred nor retained substantially all the risks and rewards of the asset, but have transferred control of the asset.

2. Significant accounting policies (cont'd.)

2.8 Financial assets (cont'd.)

2.8.3 Derecognition (cont'd.)

When the Group and the Company have transferred their rights to receive cash flows from an asset or have entered into a pass-through arrangement, the Group and the Company evaluate if, and to what extent, they have retained the risks and rewards of ownership. When they have neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group and the Company continue to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group and the Company also recognise an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group and the Company have retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group and the Company could be required to repay.

2.9 Impairment of financial assets and contract assets

The Group recognises an allowance for expected credit losses ("ECLs") for all debt instruments not held at fair value through profit or loss and contract assets. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables and contract assets, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the category of debtors and the economic environment.

2. Significant accounting policies (cont'd.)

2.9 Impairment of financial assets and contract assets (cont'd.)

The Group considers a financial asset in default when contractual payments are overdue for more than 60 days. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash

2.10 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and at banks and deposits with licensed banks with a maturity of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. These also include bank overdrafts, if any, that form an integral part of the Group's cash management.

Interest income is recognised in profit or loss by applying the effective interest rate to the gross carrying amount of the financial assets.

2.11 Provision for liabilities

Provisions for liabilities are recognised when the Group has a present obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. Where the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability to the present value of the expenditure expected to be required to settle the obligation. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

(a) Employee leave entitlements

Employees' entitlement to annual leave are recognised when the associated services performed by employees increase their entitlements to annual leave. A provision is made for the estimated liability for the annual leave as a result of services rendered by employees up to the end of the reporting period netted off against annual leave utilised to date.

2. Significant accounting policies (cont'd.)

2.11 Provision for liabilities (cont'd.)

(b) Site decommissioning and restoration costs

Provision for site decommissioning and restoration costs is in respect of management's best estimate on the costs necessary to be incurred to decommission the Group's telecommunications network infrastructure and restore the previously occupied sites.

The estimated amount is determined after taking into consideration the time value of money, and the initial estimated sum is capitalised as part of the cost of property, plant and equipment. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

(c) Defined benefit plan

Provision for defined benefit plan for eligible employees is as disclosed in Note 2.16(c).

2.12 Financial liabilities

2.12.1 Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group’s and the Company's financial liabilities include derivative financial instruments and other financial liabilities.

2.12.2 Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

(a) Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as financial liabilities at fair value through profit or loss.

2. Significant accounting policies (cont'd.)

2.12 Financial liabilities (cont'd.)

2.12.2 Subsequent measurement (cont'd.)

The measurement of financial liabilities depends on their classification, as described below (cont'd.):

(a) Financial liabilities at fair value through profit or loss (cont'd.)

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by MFRS 9.

Gains or losses on liabilities held for trading are recognised in the profit or loss.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in MFRS 9 are satisfied. This category includes derivative instruments such as foreign currency forward contracts and interest rate swaps.

(b) Other financial liabilities

The Group's and the Company's other financial liabilities include trade and other payables, and loans and borrowings.

After initial recognition, trade and other payables and interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the profit or loss.

This category generally applies to interest-bearing loans and borrowings and trade and other payables. For more information, refer to Note 21 and Note 24.

2. Significant accounting policies (cont'd.)

2.12 Financial liabilities (cont'd.)

2.12.3 Derecogniton

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in profit or loss.

2.13 Borrowing costs

Borrowing costs are recognised in profit and loss as an expense in the period in which they are incurred.

Borrowing costs consist of interest and other costs that the Group incurred in connection with the borrowing of funds.

2.14 Share capital and share issuance expenses

An equity instrument is any contract that evidences a residual interest in the assets of the Group and of the Company after deducting all of its liabilities. Ordinary shares are equity instruments.

The attributable incremental transaction costs of an equity transaction are accounted for as a deduction from equity, net of tax. Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

2. Significant accounting policies (cont'd.)

2.15 Leases

Current financial year

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right of use ("ROU") assets representing the right to use the underlying assets.

(a) ROU assets

The Group recognises ROU assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). ROU assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of ROU assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received.

The Group elected to apply the practical expedient not to separate out non-lease components from lease components and instead account for the lease and non-lease component as a single component.

ROU assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

Leasehold land and buildings	1% - 3%
Telecommunication network sites	10% - 33.3%
Transmission facilities	10% - 20%
Spectrum bandwidths	6.3% - 66.7%
Stores, office buildings and kiosks	33.3%

The ROU assets are also subject to impairment. Refer to Note 2.6 for accounting policy on impairment of non-financial assets.

2. Significant accounting policies (cont'd.)

2.15 Leases (cont'd.)

Current financial year (cont'd.)

Group as a lessee (cont'd.)

(b) Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate and are dependant on a future activity are recognised as expenses in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification or a change in the lease term.

The Group’s lease liabilities are included in loans and borrowings. Please refer to Note 21.

(c) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of telecommunication network sites, equipment and billboard spaces (i.e., those leases that have a lease term of 12 months or less from the commencement date). It also applies the lease of low-value assets recognition exemption to leases of office equipment and storage spaces that are considered to be low value. Lease payments on short-term leases and leases of low value assets are recognised as an expense on a straight-line basis over the lease term.

2. Significant accounting policies (cont'd.)

2.15 Leases (cont'd.)

Current financial year (cont'd.)

Group as a lessor

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Previous financial year

A lease is classified at the inception date as a finance lease or an operating lease. A lease that transfers substantially all the risks and rewards incidental to ownership to the Group is classified as a finance lease.

Finance leases are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Any initial direct costs are also added to the amount capitalised. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to profit or loss. Contingent rents, if any, are charged as expenses in the period in which they are incurred. All other leases where a significant portion of risks and rewards of ownership are retained by the lessor are classified as operating leases.

2. Significant accounting policies (cont'd.)

2.15 Leases (cont'd.)

Previous financial year (cont'd.)

Leased assets are depreciated over the estimated useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life and the lease term.

Operating lease payments, net of any incentives received from the lessor, are recognised as an expense in profit and loss on a straight-line basis over the lease term. When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

2.16 Employee benefits

(a) Short-term benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the period in which the associated services are rendered by employees. Short-term accumulated compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences netted off against annual leave utilised to date, and short-term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

(b) Defined contribution plan

As required by law, companies in Malaysia make contributions to the state-defined contribution pension scheme known as the Employee Provident Fund, and will have no legal or constructive obligation to make further contributions in the future, over-and-above what is existingly legally required. The contributions are recognised as an expense in profit and loss in the period which the related services are rendered by employees.

2. Significant accounting policies (cont'd.)

2.16 Employee benefits (cont'd.)

(c) Defined benefit plan

The Group operates an unfunded defined benefit plan for its eligible employees. The benefits are calculated based on the length of service and the agreed percentages of eligible employees' salaries over the period of their employment and are payable upon resignation after completion of the minimum employment period of ten years or upon retirement age of sixty years. The Group's obligations under the retirement benefit scheme, calculated using the Projected Unit Credit Method, is determined based on actuarial computations by independent actuaries, through which the amount of benefit that employees have earned in return for their service in the current and prior years is estimated. That benefit is discounted in order to determine its present value.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognised immediately in other comprehensive income in the period in which they occur and recorded in defined benefit reserve. Remeasurements are not reclassified to profit and loss in subsequent periods.

Past service costs are recognised in profit and loss on the earlier of:

- The date of the plan amendment or curtailment; or

- The date that the Group recognises restructuring related costs.

Net interest and other expenses relating to defined benefit plans are calculated by applying the discount rate to the net defined benefit liability or asset and recognised in profit and loss.

The Group amended the defined benefit plan effective 1 January 2006 to restrict new entrants into the plan, and the benefits payable to be calculated based on the employees' length of service up to 31 December 2005.

2.17 Income taxes

(a) Current tax

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

2. Significant accounting policies (cont'd.)

2.17 Income taxes (cont'd.)

(a) Current tax (cont'd.)

Current taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity.

(b) Deferred tax

Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, and deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

(c) Sales and Services Tax ("SST")

SST is recognised as part of the expense or cost of acquisition of the asset as SST is not recoverable.

Revenue is recognised net of the amount of SST billed as it is payable to the taxation authority. SST payable to the taxation authority is included as part of payables in the statements of financial position.

(d) Goods and Services Tax ("GST")

The net amount of GST being the difference between output and input of GST, payable to or receivable from the respective authorities at the reporting date, is included in trade and other payables or trade and other receivables in the statements of financial position.

2. Significant accounting policies (cont'd.)

2.17 Income taxes (cont'd.)

(d) Goods and Services Tax ("GST") (cont'd.)

Effective from 1 June 2018, the rate was reduced from 6% to 0% and GST was subsequently abolished and replaced by Sales and Services Tax ("SST") on 1 September 2018.

2.18 Contingencies

A contingent liability or asset is a possible obligation or asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of uncertain future event(s) not wholly within the control of the Group.

Contingent liabilities and assets are not recognised in the financial statements.

2.19 Revenue recognition

2.19.1 Revenue from contracts with customers

The Group is in the business of providing telecommunication and related services.

Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services, net of indirect taxes.

The Group has generally concluded that it is the principal in its revenue arrangements because it typically controls the goods or services before transferring them to the customer.

2. Significant accounting policies (cont'd.)

2.19 Revenue recognition (cont'd.)

2.19.1 Revenue from contracts with customers (cont'd.)

(a) Telecommunication revenue

Telecommunication revenue from postpaid and prepaid services provided by the Group are recognised over time, as the benefits of telecommunication services are simultaneously received and consumed by the customer.

Revenue from prepaid services (i.e. preloaded talk time, prepaid top-up vouchers, etc.) are recognised when services are rendered. Consideration from the sale of prepaid sim cards and reload vouchers to customers where services have not been rendered at the reporting date is deferred as contract liability until actual usage or when the cards, vouchers or reloaded amounts are expired or forfeited.

Postpaid services are provided in postpaid packages which consists of various services (i.e. call minutes, internet data, sms, etc.). These postpaid packages have been assessed to meet the definition of a series of distinct services that are substantially the same and have the same pattern of transfer and as such the Group treats these packages as a single performance obligation.

Postpaid packages are either sold separately or bundled together with the sale of a mobile device to a customer. Mobile devices can also be obtained separately from other mobile device retailers and can be used together with the postpaid packages provided by the Group. Postpaid packages and mobile devices are capable of being distinct and separately identifiable, therefore, there are two performance obligations within a bundled transaction. Accordingly, the Group allocates the transaction price based on the relative stand-alone selling prices of the postpaid packages and device.

Stand-alone selling price are based on observable sales prices; however, where stand-alone selling prices are not directly observable, estimates will be made maximising the use of observable inputs.

(b) Sale of device

Revenue from sale of device is recognised at the point in time when control of the asset is transferred to the customer, usually on delivery and acceptance of the device.

2. Significant accounting policies (cont'd.)

2.19 Revenue recognition (cont'd.)

2.19.1 Revenue from contracts with customers (cont'd.)

(b) Sale of device (cont'd.)

Payment for the transaction price of the mobile device is typically collected at the point the customer signs up for the bundled contract, except for bundled packages that have a payment structure allowing customers to pay for the mobile device over a period of time. For these arrangements the Group discounts the transaction price using the rate that would be reflected in a separate financing transaction between the Group and its customers at contract inception, to take into consideration the significant financing component.

Certain bundled contracts provide the customer with a right to return the mobile devices during a specified time frame. The Group uses the expected value method to estimate the mobile devices that will not be returned because this method best predicts the amount of variable consideration to which the Group will be entitled. The requirements in MFRS 15 on constraining estimates of variable consideration are also applied in order to determine the amount of variable consideration that can be included in the transaction price. For mobile devices that are expected to be returned, the Group adjusts revenue and recognises a refund liability instead. Correspondingly, costs of sales is also adjusted and a right of return asset is recognised as the right to recover the mobile device from the customer.

(c) Contract balances

(i) Contract assets

A contract asset is the right to consideration in exchange for goods or services (i.e. mobile devices or telecommunication services) transferred to the customer. If the Group transfers goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional.

Contract assets are subject to impairment assessment based on the ECL model.

2. Significant accounting policies (cont'd.)

2.19 Revenue recognition (cont'd.)

2.19.1 Revenue from contracts with customers (cont'd.)

(c) Contract balances (cont'd.)

(ii) Trade receivables

A receivable represents the Group’s right to an amount of consideration that is unconditional (i.e. only the passage of time is required before payment of the consideration is due). Refer to accounting policies of financial assets in Note 2.8.

(iii) Contract liabilities

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Group performs under the contract.

For prepaid services, a contract liability is recognised when consideration is received from a customer, but services are yet to be performed.

(d) Cost to obtain a contract

The Group pays sales commissions to external sales channels and employees as an incentive for each new customer registration to the Group’s telecommunication services. Sales commissions have been determined to be an incremental cost of obtaining a contract and are capitalised as contract costs when the Group expects these costs to be recovered over a period of more than one year.

Contract costs are amortised on a straight-line basis over the expected customer life cycle, which is consistent with the pattern of the related revenue. For contract costs with an amortisation period of less than one year, the Group has elected to apply the practical expendient to recognise as an expense when incurred.

Amortisation of contract costs are included as part of operating expenses in the profit or loss, based on the nature of commission costs, and not under amortisation expenses.

2. Significant accounting policies (cont'd.)

2.19 Revenue recognition (cont'd.)

2.19.1 Revenue from contracts with customers (cont'd.)

(d) Cost to obtain a contract (cont'd.)

The Group recognises an impairment loss in profit or loss to the extent that the carrying amount of the contract costs recognised exceeds the remaining amount of consideration that the Group expects to receive in exchange for the goods or services to which the contract costs relate, less the remaining costs that relate directly to providing those goods or services (that have not been recognised as an expense).

When there are indications of impairment, relating to the CGU to which the contract costs belong, the Group will include the resulting carrying amount of contract costs after performing the impairment test above, in the carrying amount of the CGU for the purpose of applying MFRS 136.

When impairment conditions no longer exist or have improved, the Group will recognise a reversal of some or all of the impairment losses previously recognised on the contract costs. The increased carrying amount of the contract costs should not exceed the amount that would have been determined (net of amortisation) had no impairment loss been recognised previously.

2.19.2 Dividend income

Dividend income is recognised when the Company's right to receive payment is established, and is presented as revenue in profit or loss, aligned with the principal activity of the Company as an investment holding entity.

2.19.3 Lease income

Lease income is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. The aggregate costs of incentives provided to lessees are recognised as a reduction of rental income over the lease term on a straight-line basis.

2.20 Government grants

As a universal service provider ("USP"), the Group is entitled to claim certain qualified expenses from the Malaysian Communications and Multimedia Commission ("MCMC") in relation to USP projects. These claims are treated as government grants and recognised at their fair values where there is reasonable assurance that the grants will be received and the Group complies with all the attached conditions.

2. Significant accounting policies (cont'd.)

2.20 Government grants (cont'd.)

A grant relating to the asset is recognised as income over the life of the depreciable asset by way of a reduced depreciation charge. Grant relating to income is recognised in profit and loss by crediting directly against the related expense.

2.21 Foreign currency transactions

(a) Functional and presentation currency

The individual financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements of the Group are presented in RM, which is also the functional currency of all entities in the Group.

Transactions in foreign currencies are initially converted into RM at exchange rates prevailing at the date of transaction. At each reporting date, foreign currency monetary items are translated into RM at exchange rates prevailing at that date. Non-monetary items initially denominated in foreign currencies, which are carried at historical cost are translated using the historical rate as of the date of acquisition.

(b) Foreign currency transactions

Exchange differences arising on the settlement of monetary items or on translating monetary items at the reporting date are recognised in profit or loss. Exchange differences arising on the translation of non-monetary items carried at fair value are included in profit or loss for the period except for the differences arising on the translation of non-monetary items in respect of which gains and losses are recognised directly in other comprehensive income. Exchange differences arising from such non-monetary items are also recognised directly in other comprehensive income.

2.22 Fair value measurement

The Group measures financial instruments such as derivatives at fair value at each reporting date. The fair values of financial instruments measured at amortised cost are disclosed in Note 31.6.

2. Significant accounting policies (cont'd.)

2.22 Fair value measurement (cont'd.)

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

(i) In the principal market for the asset or liability; or

(ii) In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

(i) Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities

(ii) Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable

(iii) Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

2. Significant accounting policies (cont'd.)

2.23 Current versus non-current classification

The Group presents assets and liabilities in statements of financial position based on current/non-current classification. An asset is current when it is:

- Expected to be realised or intended to be sold or consumed in normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realised within twelve months after the reporting period; or
- Cash or cash equivalents unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current. A liability is current when:

- It is expected to be settled in normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the reporting period; or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Group classifies all other liabilities as non-current. Deferred tax assets and liabilities are classified as non-current assets and liabilities.

2.24 Segment reporting

The Group provides telecommunication and related services to customers across the country and its services and products essentially have a similar risk profile. Business activities of the Group are not organised by product or geographical components and its operating result is reviewed as a whole by its management. Accordingly, there is no separate segment, as disclosed in Note 33.

3. Changes in accounting policies

3.1 Adoption of new and amended MFRSs and interpretation

The accounting policies adopted are consistent with those of the previous financial year except as follows:

On 1 January 2019, the Group and the Company adopted the following new and amended MFRSs and interpretation mandatory for annual financial periods beginning on or after 1 January 2019.

Description	Effective for annual periods beginning on or after
MFRS 16: Leases	1 January 2019
MFRS 9: Prepayment Features with Negative Compensation (Amendments to MFRS 9)	1 January 2019
MFRS 128: Long-term Interests in Associates and Joint Ventures (Amendments to MFRS 128)	1 January 2019
MFRS 119 Plan Amendment, Curtailment or Settlement (Amendments to MFRS 119)	1 January 2019
IC Interpretation 23: Uncertainty over Income Tax Treatments	1 January 2019
Annual Improvements to MFRS Standards 2015–2017 Cycle	1 January 2019

The adoption of the above standards and interpretation did not have any significant effect on the financial statements of the Group and the Company except as discussed below:

MFRS 16 Leases

MFRS 16 supersedes MFRS 117: Leases, IC Interpretation 4: Determining whether an Arrangement contains a Lease, IC Interpretation 115: Operating Leases-Incentives and IC Interpretation 127: Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise most leases on the balance sheet.

Lessor accounting under MFRS 16 is substantially unchanged from MFRS 117. Lessors will continue to classify leases as either operating or finance leases using similar principles as in MFRS 117. Therefore, MFRS 16 did not have an impact for leases where the Group is the lessor.

3. Changes in accounting policies (cont'd.)

3.1 Adoption of new and amended MFRSs and interpretation (cont'd.)

The Group and the Company adopted MFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of the initial application. Accordingly, comparatives are not restated.

The effect of adopting MFRS 16 to the statement of financial position of the Group as at 1 January 2019 is as follows:

Statement of financial position - 1 January 2019

Group		Impact of change in accounting policies		
		As previously reported RM'000	MFRS 16 adjustments RM'000	After adjustments RM'000
Non-current assets				
Property, plant and equipment	(a)	2,881,172	(33,034)	2,848,138
Intangible assets	(b)	981,683	(657,223)	324,460
Right of use assets	(c)	-	2,857,320	2,857,320
Impact to non-current assets		3,862,855	2,167,063	6,029,918
Current assets				
Trade and other receivables		1,460,709	(10,660)	1,450,049
Impact to current assets		1,460,709	(10,660)	1,450,049
Non-current liabilities				
Lease liabilities	(a), (b), (c)	(2,081)	(1,907,549)	(1,909,630)
Impact to non-current liabilities		(2,081)	(1,907,549)	(1,909,630)
Current liabilities				
Lease liabilities	(a), (b), (c)	(6,371)	(298,411)	(304,782)
Trade and other payables		(2,144,070)	49,557	(2,094,513)
Impact to current liabilities		(2,150,441)	(248,854)	(2,399,295)

3. Changes in accounting policies

3.1 Adoption of new and amended MFRSs and interpretation (cont'd.)

Upon adoption of MFRS 16, the Group applied a single recognition and measurement approach for all leases except for short-term leases and leases of low-value assets. Please refer to Note 2.15 for the accounting policy on leases beginning 1 January 2019. The standard provides specific transition requirements and practical expedients, which have been applied by the Group.

(a) Leases previously accounted for as finance leases

The Group did not change the initial carrying amounts of recognised assets and liabilities at the date of initial application for leases previously classified as finance leases (i.e., the ROU assets and lease liabilities equal the lease assets and liabilities recognised under MFRS 117) and these finance leases which were previously presented as part of property, plant and equipment are now presented within ROU assets. Accordingly, the finance lease liabilities have also been reclassified to lease liabilities. The requirements of MFRS 16 were applied to these leases from 1 January 2019.

(b) Leases of intangible assets

The Group elected to apply MFRS 16 to leases of intangible assets, such as the assigned spectrum bandwidths. The carrying amounts of spectrum bandwidths which were previously presented within intangible assets is now presented within ROU assets, adjusted for by adding the amount equal to the corresponding lease liabilities recognised at the date of initial application with the fixed annual fee payments discounted using the incremental borrowing rate.

(c) Leases previously accounted for as operating leases

The Group recognised ROU assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets. Lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application and the Group has opted for the ROU assets to be carried at an amount equal to the lease liabilities, adjusted by the amount of the prepaid lease payments. Subsequently, accrued operating lease liabilities have also been reclassified to lease liabilities.

3. Changes in accounting policies (cont'd.)

3.1 Adoption of new and amended MFRSs and interpretation (cont'd.)

The Group applied the following practical expedients permitted under the initial application of MFRS 16:

- used a single discount rate to a portfolio of leases with reasonably similar characteristics (ie. leases with a similar remaining lease term for a similar class of underlying assets);
- relied on its assessment of whether leases are onerous before the date of initial application as an alternative to performing an impairment review; and
- excluded the initial direct costs from the measurement of the ROU assets at the date of initial application.

The operating lease commitments as at 31 December 2018 is reconciled to arrive at the lease liabilities as at 1 January 2019 as follows:

	RM'000
Operating lease commitments disclosed as at 31 December 2018	840,536
Less: commitments relating to short-term leases and low-value leases	(818)
	839,718
Weighted average incremental borrowing rate as at 1 January 2019	5%
Discounted using the lessee's incremental borrowing rate at the date of initial application	733,154
Add: finance lease liabilities relating to leases previously classified as finance leases	8,452
Add: accrued operating lease liabilities recognised as at 31 December 2018	49,557
Add: lease payments for existing contracts assessed to contain a lease under MFRS 16 and election to apply MFRS 16 to leases of intangible assets (ie. spectrum bandwidths)	1,267,851
Add: lease payments relating to lease term for termination options unlikely to be exercised	155,398
Lease liabilities recognised as at 1 January 2019	2,214,412

3. Changes in accounting policies (cont'd.)

3.2 Standards and interpretation issued but not yet effective

The standards that are issued but not yet effective up to the date of issuance of the Group's and the Company's financial statements are disclosed below. The Group and the Company intend to adopt these standards, if applicable, when they become effective.

Description	**Effective for annual periods beginning on or after**
MFRS 101 and MFRS 108: Definition of Material (Amendments to MFRS 101 and MFRS 108)	1 January 2020
MFRS 3: Definition of a Business (Amendments to MFRS 3)	1 January 2020
MFRS 9, MFRS 139 and MFRS 7: Interest Rate Benchmark Reform (Amendments to MFRS 9, MFRS 139 and MFRS 7)	1 January 2020
Conceptual Framework: Amendments to References to the Conceptual Framework in MFRS Standards	1 January 2020
MFRS 17: Insurance Contracts	1 January 2021
MFRS 10 and MFRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to MFRS 10 and MFRS 128)	Deferred

The directors expect that the adoption of the above standards will not have a material impact on the financial statements in the period of initial application.

4. Significant accounting estimates and judgements and key sources of estimation uncertainty

There were no significant judgements made in applying the accounting policies of the Group which may have significant effects on the amounts recognised in the financial statements.

Management makes key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

The following represents a summary of the critical accounting estimates and the associated key sources of estimation uncertainty.

4. Significant accounting estimates and judgements and key sources of estimation uncertainty (cont'd.)

4.1 Useful lives of property, plant and equipment and intangible assets

Depreciation and amortisation are based on management's estimates of the future estimated useful lives and residual values of property, plant and equipment and intangible assets. Estimates may change due to technological developments, modernisation initiatives, expected level of usage, competition, market conditions and other factors, which could potentially impact the average useful lives and the residual values of these assets. This may result in future changes in the estimated useful lives and in the depreciation or amortisation expenses. A 5.0% difference in the expected useful lives of these assets from management's estimates would result in approximately 2.7% (2018: 2.4%) variance in the Group's profit for the year. The carrying amounts of property, plant and equipment and intangible assets at the reporting date are disclosed in Note 11 and Note 12, respectively.

4.2 Provision for expected credit losses of trade receivables and contract assets

The Group uses a provision matrix to calculate ECLs for trade receivables and contract assets. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e. customer type and rating).

The provision matrix is initially based on the Group's historical observed default rates. The Group then adjusts the historical credit loss experience taking into consideration the forward-looking information. For example, if the Group's view of the forecasted economic conditions (i.e. inflation rate, unemployment rate, interest rate and economic outlook for Malaysia) are expected to significantly deteriorate over the next year which may lead to an increase in the unrecoverable rate of the receivables and contract assets. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The Group estimates the relationship between historical observed default rates, forecast economic conditions and ECL which may not be representative of customer's actual default in the future. The information about the provision matrix on the Group's trade receivables and contract assets is disclosed in Note 31.2.

If the historical observed default rates varies by 5.0% from management's estimates, the Group's allowance for expected credit loss on trade receivables and contract assets will cause either a 0.2% (2018: 0.1%) increase or 0.2% (2018: 0.2%) decrease respectively in the Group's profit for the year.

4. Significant accounting estimates and judgements and key sources of estimation uncertainty (cont'd.)

4.3 Deferred tax

Deferred tax implications arising from the changes in corporate income tax rates are measured with reference to the estimated realisation and settlement of temporary differences in the future periods in which the tax rates are expected to apply, based on the tax rates enacted or substantively enacted at the reporting date. While management's estimates on the realisation and settlement of temporary differences are based on the available information at the reporting date, changes in business strategy, future operating performance and other factors could potentially impact the actual timing and amount of temporary differences realised and settled. Any difference between the actual amount and the estimated amount would be recognised in profit and loss in the period in which actual realisation and settlement occurs. The carrying amount of deferred tax liabilities is disclosed in Note 22.

4.4 Income taxes

Significant estimation is involved in determining the Group’s provision for income taxes as there are certain transactions and computations for which the final tax treatment is uncertain at the reporting date.

Where the final tax treatment of these matters are different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which determination of final tax treatment is made.

4.5 Provisions for liabilities

Provision for site decommissioning and restoration costs are provided based on the present value of the estimated future expenditure to be incurred for dismantling the inactive sites. Significant management assumption and estimation are required in determining the discount rate, the estimated life cycle and the expenditure to be incurred for dismantling each network infrastructure sites. Where expectations differ from the original estimates, the differences will impact the carrying amount of provision for site decommissioning and restoration costs. The carrying amount of provision for site decommissioning and restoration costs at the reporting date is disclosed in Note 23.

4.6 Revenue recognition - determining stand-alone selling price ("SSP")

The Group has assessed that there are two performance obligations for bundled contracts where the Group needs to allocate the transaction price between the postpaid service and mobile device based on their relative SSP.

SSP for postpaid packages and mobile devices are based on observable sales prices; however, where certain SSP are not directly observable, estimates will be made maximizing the use of observable inputs.

4. Significant accounting estimates and judgements and key sources of estimation uncertainty (cont'd.)

4.6 Revenue recognition - determining stand-alone selling price ("SSP") (cont'd.)

The estimation of SSP is a significant estimate as it will directly determine the amount of revenue to be recognised up front (sale of device) and amount of revenue to be recognised over time (telecommunication revenue). For example, a lower SSP for mobile device will result in a lower amount of revenue recognised upfront and higher amount of revenue recognised over the contract period.

The revenue recognised in the current year in relation to sale of device and telecommunication revenue is detailed in Note 5.

4.7 Estimating the lease term – Group as a lessee

In determining the lease term and assessing the length of the non-cancellable period of a lease, the Group applies the definition of a contract and determines the period for which the contract is enforceable. However, for leases of certain telecommunication network sites, the contract contains an exit clause that is exercisable by both the lessee and lessor with a short notification period. For such contracts, the Group considers whether lessee and lessor each has the right to terminate the lease without the permission from the other party with no more than an insignificant penalty, in assessing and estimating the lease term.

The carrying amount of the ROU for these telecommunication network sites included within the telecommunication network sites category in Note 13 is RM110.0 million (1 Jan 2019: RM158.7 million).

4. Significant accounting estimates and judgements and key sources of estimation uncertainty (cont'd.)

4.8 Estimating the incremental borrowing rate for leases

In measuring its lease liabilities, the Group has used its incremental borrowing rate (“IBR”) to present value the future lease payments, as the interest rate implicit in the lease cannot be readily determined.

The IBR is the rate of interest that a lessee would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment.

To determine the incremental borrowing rate for its leases, the Group makes adjustments to the existing rates received from financial institutions, taking into consideration the lease term and leased assets. The Group also considers changes in the financing condition since the last offered rates from the financing institutions.

The carrying amount of lease liabilities is disclosed in Note 13.

5. Revenue

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Revenue from contracts with customers (Note 5.1)	6,210,845	6,452,285	-	-
Lease income (Note 5.4)	86,513	74,826	-	-
Dividend income from a subsidiary	-	-	1,446,000	1,508,000
	6,297,358	6,527,111	1,446,000	1,508,000

5.1 Disaggregation of revenue from contracts with customers

In the following table, revenue is disaggregated by major products or service lines (which also represents the Group's defined performance obligations).

Group	Notes	2019 RM'000	2018 RM'000
Major products/ service lines			
Telecommunication revenue	(a)	5,644,111	5,827,450
Sales of devices	(b)	566,734	624,835
Total revenue from contracts with customers		6,210,845	6,452,285

The timing of revenue recognition for respective major products/service lines are as follows:

(a) Services transferred over time
(b) Products transferred at a point in time

5.2 Contract balances

	Note	Group 2019 RM'000	Group 2018 RM'000
Non-current assets			
Trade receivables	18	101,098	40,596
Contract assets		26,661	40,900
Current assets/(liabilities)			
Trade receivables	18	471,813	439,381
Contract assets		79,590	134,800
Contract liabilities		(283,572)	(315,386)

5. Revenue (cont'd.)

5.2 Contract balances (cont'd.)

Contract assets primarily relate to rights to consideration for mobile devices transferred to subscribers but not billed at the reporting date. Contract assets are transferred to receivables when the rights become unconditional. As at 31 December 2019, the Group has contract assets of RM106.2 million (2018: RM175.7 million) which is net of an allowance for expected credit losses of RM2.4 million (2018: RM3.7 million). The decrease was mainly due to lower sales of mobile devices bundled with a contractual postpaid service plan during the financial year.

Contract liabilities mainly relate to advance consideration received from subscribers at inception of contracts, for which revenue is only recognised upon rendering of telecommunication service.

All contract liabilities at the beginning of the year have been recognised as revenue in the current year.

5.3 Right of return asset and refund liabilities

	Group	
	2019	**2018**
	RM'000	**RM'000**
Right of return assets	16,526	5,663
Refund liabilities	(16,526)	(5,663)

5.4 Group as a lessor

The Group has entered into operating leases on certain network telecommunication sites. These leases have lease terms between one to three years. Lease income recognised by the Group during the year is RM86.5 million (2018: RM74.8 million).

The future minimum rentals receivable under non-cancellable operating leases are as follows:

	2019
	RM'000
Within one year	76,547
After one year but not more than three years	153,819
More than five years	2,534
	232,900

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6. Finance costs

	Note	Group 2019 RM'000	Group 2018 RM'000
Interest expense on:			
- Loans and borrowings		129,647	127,208
- Others		3,406	301
Unwinding of discount:			
- Lease liabilities	13	110,506	1,082
- Site decommissioning and restoration costs	23.1	2,195	2,015
Net change in fair value of derivative financial instruments:			
- Interest rate swaps		(14,678)	(622)
		231,076	129,984

7. Profit before tax

Profit before tax is derived after deducting/(crediting):

	Note	Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
Allowance for expected credit losses on trade receivables and contract assets		77,660	48,020	-	-
Depreciation					
- property, plant and equipment	11	693,643	657,319	-	-
- ROU asset	13	431,231	-	-	-
Auditors' remuneration:					
- statutory audit		503	430	44	44
- other services	7(a)	464	428	-	-
Staff expenses	7(b)	224,628	253,779	-	-
Non-executive directors' remuneration excluding benefits-in-kind	7(c)	882	762	88	76

7. Profit before tax

Profit before tax is derived after deducting/(crediting): (cont'd.)

	Note	Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
Transmission facilities services		140,439	177,770	-	-
Inventories written down		3,104	804	-	-
Rental of land and buildings		43,504	343,547	-	-
Rental of equipment and others		21,373	19,001	-	-
Realised foreign exchange gain		(843)	(192)	-	-
Unrealised foreign exchange (gain)/loss		(1,722)	1,852	-	-
Fair value loss/(gain) on derivative financial instruments		118	(1,146)	-	-
Loss/(gain) on disposal of property, plant and equipment		15	(560)	-	-
Gain on termination of lease		(57)	-	-	-
Other investment written off		-	100	-	-
Write-off of property, plant and equipment		625	204	-	-
Write-off of intangible asset		53	-	-	-
Bad debts recovered		(15,708)	(17,483)	-	-
Waiver of debt		-	-	(1,235)	(1,387)
Interest income from deposits with licensed banks		(18,320)	(20,778)	(202)	(229)
Unwinding of significant financing component of revenue contracts with deferred payment scheme		(7,374)	-	-	-

(a) Fees for other services were incurred in connection with performance of agreed upon procedures and regulatory compliance reporting.

7. Profit before tax (cont'd.)

Profit before tax is derived after deducting/(crediting): (cont'd.)

(b) Staff expenses incurred by the Group net of capitalisation of employee benefit expense in property, plant and equipment during the financial year comprises of:

	Note	Group 2019 RM'000	Group 2018 RM'000
Wages and salaries		178,360	193,304
Defined contribution plan		23,418	24,239
Defined benefit plan	26	70	65
Share-based payment		367	603
Reversal of provision for employee leave entitlements	23.1	(4,953)	(541)
Other staff related expenses		27,366	36,109
		224,628	253,779

(c) Non-executive directors' remuneration during the financial year comprises of:

	Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
Non-executive:				
Fees	882	762	88	76
Benefits-in-kind	6	17	-	-
Total	888	779	88	76

The number of non-executive directors of the Company whose total remuneration during the financial year falls within the following band is analysed below:

Non-executive directors:	Number of directors 2019	Number of directors 2018
Nil	5	6
RM200,001 - RM300,000	3	3

7. Profit before tax (cont'd.)

Profit before tax is derived after deducting/(crediting): (cont'd.)

(d) In the current year, the Group collaborated with a managed services provider in establishing a Common Delivery Centre (“CDC”) that takes over certain parts of the Group's Information Technology ("IT") operations.

The Group incurred operating model transition costs of RM8.4 million (2018: RM39.6 million) for redeployment exercise of in-house IT team (2018: in-house network team).

With the network and IT CDC operations in effect, the Group made a shift in operating model with the following changes:

- relocation of Group's in-house network team and IT team;
- network and IT support operation externally managed; and
- CDC partner to deliver full turnkey services on network infrastructure.

8. Taxation

Major components of income tax expense

The major components of income tax expense for the financial years ended 31 December 2019 and 2018 are:

	Group		Company	
	2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
Statements of comprehensive income:				
Income tax:				
- Current tax expense	522,096	617,433	48	55
- Over provision in prior years	(4,289)	(18,783)	-	-
Total income tax	517,807	598,650	48	55
Deferred taxation (Note 22):				
- Relating to origination and reversal of temporary differences	(46,891)	(77,647)	-	-
- (Over)/under provision in prior years	(11,544)	17,651	-	-
Total deferred tax	(58,435)	(59,996)	-	-
Income tax expense recognised in profit or loss	459,372	538,654	48	55

8. Taxation (cont'd.)

Reconciliations of income tax expense/rate applicable to profit before tax at the statutory income tax rate to income tax expense/rate at the effective income tax rate of the Group and of the Company are as follows:

	%	2019 RM'000	%	2018 RM'000
Group				
Profit before tax		1,892,321		2,079,442
Taxation at Malaysian statutory tax rate	24.0	454,157	24.0	499,066
Effect of expenses not deductible for tax purposes	1.0	21,048	2.0	40,720
Over provision of income tax expense in prior years	(0.2)	(4,289)	(0.9)	(18,783)
(Over)/under provision of deferred tax expense in prior years	(0.6)	(11,544)	0.8	17,651
Effective tax rate/income tax expense recognised in profit or loss	24.2	459,372	25.9	538,654
Company				
Profit before tax		1,445,949		1,508,173
Taxation at Malaysian statutory tax rate	24.0	347,028	24.0	361,962
Income not subject to tax	(24.0)	(346,980)	(24.0)	(361,907)
Effective tax rate/income tax expense recognised in profit or loss	0.0	48	0.0	55

Domestic current income tax is calculated at the Malaysian statutory tax rate of 24% (2018: 24%) of the estimated taxable profit for the year.

9. Earnings per ordinary share

Earnings per ordinary share is calculated by dividing profit for the year, net of tax, attributable to owners of the parent by the weighted average number of ordinary shares in issue during the financial year.

	Group	
	2019	**2018**
Profit attributable to owners of the parent (RM'000)	1,432,949	1,540,788
Weighted average number of ordinary shares in issue ('000)	7,775,000	7,775,000
Basic earnings per share (sen)	18.4	19.8

No diluted earnings per ordinary share was presented as the Group does not have any convertible instrument, options, warrants and their equivalents.

10. Dividends

	Group/Company	
	2019	**2018**
	RM'000	**RM'000**
Recognised during the financial year:		
Dividends on ordinary shares:		
Fourth interim tax exempt (single-tier) dividend (2018: 4.8 sen; 2017: 4.6 sen)	373,200	357,650
First interim tax exempt (single-tier) dividend (2019: 4.3 sen; 2018: 4.9 sen)	334,325	380,975
Second interim tax exempt (single-tier) dividend (2019: 5.0 sen; 2018: 4.9 sen)	388,750	380,975
Third interim tax exempt (single-tier) dividend (2019: 4.5 sen; 2018: 5.0 sen)	349,875	388,750
	1,446,150	1,508,350

10. Dividends (cont'd.)

	Group/Company	
	2019	**2018**
	RM'000	**RM'000**
Interim dividend declared subsequent to the reporting date (not recognised as a liability as at 31 December):		
Dividends on ordinary shares:		
Fourth interim tax exempt (single-tier) dividend (2019: 4.4 sen; 2018: 4.8 sen)	342,100	373,200

The board of directors had on 22 January 2020, declared a fourth interim tax exempt (single-tier) dividend of 4.4 sen per ordinary share in respect of the financial year ended 31 December 2019 amounting to RM342.1 million. The financial statements for the current financial year do not reflect this fourth interim dividend. Such dividend, will be accounted for in equity as an appropriation of retained earnings in the financial year ending 31 December 2020.

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11. Property, plant and equipment

	Freehold land RM'000	Long-term leasehold land RM'000	Short-term leasehold land RM'000	Freehold buildings RM'000	Long-term leasehold buildings RM'000	Short-term leasehold buildings RM'000	Motor vehicles RM'000	Computer systems RM'000	Furniture and fittings RM'000	Tele-communi-cations network RM'000	Capital work-in-progress RM'000	Total RM'000
Group												
Cost												
At 1 January 2019	29,638	7,312	7,565	143,295	7,146	6,866	23,216	319,549	254,432	6,220,762	103,512	7,123,293
Adjustments upon adoption of MFRS16	-	(7,312)	(7,565)	-	(7,146)	(6,866)	-	-	-	(80,188)	-	(109,077)
At 1 January 2019 (restated)	29,638	-	-	143,295	-	-	23,216	319,549	254,432	6,140,574	103,512	7,014,216
Additions	-	-	-	-	-	-	-	-	-	21,542	677,325	698,867
Disposals	-	-	-	-	-	-	(790)	(1,477)	(1,192)	(3,372)	-	(6,831)
Write offs	-	-	-	-	-	-	-	(100,093)	(1,351)	(150,183)	(436)	(252,063)
Transfers	-	-	-	37	-	-	1,556	14,100	11,950	521,938	(549,581)	-
At 31 December 2019	29,638	-	-	143,332	-	-	23,982	232,079	263,839	6,530,499	230,820	7,454,189
Accumulated depreciation												
At 1 January 2019	-	1,561	3,211	27,024	814	3,266	19,087	271,883	185,792	3,729,483	-	4,242,121
Adjustments upon adoption of MFRS16	-	(1,561)	(3,211)	-	(814)	(3,266)	-	-	-	(67,191)	-	(76,043)
At 1 January 2019 (restated)	-	-	-	27,024	-	-	19,087	271,883	185,792	3,662,292	-	4,166,078
Depreciation expenses for the year	-	-	-	2,821	-	-	2,451	16,831	26,368	645,172	-	693,643
Disposals	-	-	-	-	-	-	(774)	(1,477)	(960)	(2,993)	-	(6,204)
Write offs	-	-	-	-	-	-	-	(100,067)	(1,351)	(150,020)	-	(251,438)
At 31 December 2019	-	-	-	29,845	-	-	20,764	187,170	209,849	4,154,451	-	4,602,079
Carrying Amount												
At 31 December 2019	29,638	-	-	113,487	-	-	3,218	44,909	53,990	2,376,048	230,820	2,852,110

11. Property, plant and equipment (cont'd.)

	Freehold land RM'000	Long-term leasehold land RM'000	Short-term leasehold land RM'000	Freehold buildings RM'000	Long-term leasehold buildings RM'000	Short-term leasehold buildings RM'000	Motor vehicles RM'000	Computer systems RM'000	Furniture and fittings RM'000	Tele-communi-cations network RM'000	Capital work-in-progress RM'000	Total RM'000
Group (cont'd.)												
Cost												
At 1 January 2018	29,638	7,312	7,565	143,295	7,146	6,866	23,325	306,657	232,678	5,612,769	127,020	6,504,271
Additions	-	-	-	-	-	-	381	1,352	744	26,545	600,804	629,826
Disposals	-	-	-	-	-	-	(490)	(4)	-	(5)	(95)	(594)
Write offs	-	-	-	-	-	-	-	-	-	(10,006)	(204)	(10,210)
Transfers	-	-	-	-	-	-	-	11,544	21,010	591,459	(624,013)	-
At 31 December 2018	29,638	7,312	7,565	143,295	7,146	6,866	23,216	319,549	254,432	6,220,762	103,512	7,123,293
Accumulated depreciation												
At 1 January 2018	-	1,500	3,083	24,213	750	3,158	16,685	246,676	159,474	3,139,764	-	3,595,303
Depreciation expenses for the year	-	61	128	2,811	64	108	2,892	25,211	26,318	599,726	-	657,319
Disposals	-	-	-	-	-	-	(490)	(4)	-	(1)	-	(495)
Write offs	-	-	-	-	-	-	-	-	-	(10,006)	-	(10,006)
At 31 December 2018	-	1,561	3,211	27,024	814	3,266	19,087	271,883	185,792	3,729,483	-	4,242,121
Carrying Amount												
At 31 December 2018	29,638	5,751	4,354	116,271	6,332	3,600	4,129	47,666	68,640	2,491,279	103,512	2,881,172

11. Property, plant and equipment (cont'd.)

(a) The Group acquired property, plant and equipment with an aggregate cost of RM698.9 million (2018: RM629.8 million) of which RM2.2 million (2018: RM3.4 million) relates to the provision for site decommissioning and restoration costs, as disclosed in Note 23.1.

(b) Government grants of RM147.4 million (2018: RM171.0 million) relating to additions of qualifying property, plant and equipment, were deducted before arriving at the cost of property, plant and equipment during the financial year ended 31 December 2019.

12. Intangible assets

Group	Spectrum bandwidths RM'000	Computer software RM'000	Licenses RM'000	Total RM'000
Cost				
At 1 January 2019	1,430,011	683,075	1,300	2,114,386
Adjustments upon adoption of MFRS16	(1,430,011)	-	-	(1,430,011)
At 1 January 2019 (restated)	-	683,075	1,300	684,375
Additions	-	54,004	-	54,004
Write offs	-	(110)	(1,300)	(1,410)
At 31 December 2019	-	736,969	-	736,969
Accumulated amortisation				
At 1 January 2019	772,788	358,615	1,300	1,132,703
Adjustments upon adoption of MFRS16	(772,788)	-	-	(772,788)
At 1 January 2019 (restated)	-	358,615	1,300	359,915
Amortisation expenses for the year	-	72,425	-	72,425
Write offs	-	(57)	(1,300)	(1,357)
At 31 December 2019	-	430,983	-	430,983
Carrying amount				
At 31 December 2019	-	305,986	-	305,986

12. Intangible assets (cont'd.)

	Spectrum bandwidths RM'000	Computer software RM'000	Licenses RM'000	Total RM'000
Group				
Cost				
At 1 January 2018	1,293,611	627,421	1,300	1,922,332
Additions	136,400	55,654	-	192,054
At 31 December 2018	1,430,011	683,075	1,300	2,114,386
Accumulated amortisation				
At 1 January 2018	696,060	287,872	1,300	985,232
Amortisation expenses for the year	76,728	70,743	-	147,471
At 31 December 2018	772,788	358,615	1,300	1,132,703
Carrying amount				
At 31 December 2018	657,223	324,460	-	981,683

Included in the cost of computer software are computer software not yet available for use of RM58.6 million as at 31 December 2019 (2018: RM71.3 million).

13. Right of use assets

Group as a lessee

	Leasehold land and buildings RM'000	Tele-communi-cations network sites RM'000	Trans-mission facilities RM'000	Spectrum band-widths RM'000	Stores, office buildings and kiosks RM'000	Total RM'000
Carrying amount						
At 1 January 2019	20,037	1,169,267	6,735	1,645,071	16,210	2,857,320
Additions	-	165,993	108	-	8,011	174,112
Depreciation expenses for the year	(401)	(287,882)	(2,633)	(128,180)	(12,135)	(431,231)
Termination	-	(4,641)	(353)	-	(119)	(5,113)
At 31 December 2019	19,636	1,042,737	3,857	1,516,891	11,967	2,595,088

The Group's lease arrangements are mainly in relation to telecommunication network sites, transmission faciltlies and spectrum bandwidths which are used to support the Group's telecommunication operations. The lease arrangements generally do not allow for subleasing of the leased asset, unless there is a contractual right for the Group to sublet the lease asset to another party.

The Group also has certain leases with lease terms of 12 months or less and leases that have been determined to be low value. The Group applies the 'short-term lease' and 'lease of low-value assets' recognition exemption for these leases.

Set out below are the carrying amounts of lease liabilities (included under interest-bearing loans and borrowings) and the movements during the year:

Group	**Note**	**2019 RM'000**
At 1 January		8,452
Adjustments upon adoption of MFRS 16		2,205,960
At 1 January (restated)		2,214,412
Additions		174,112
Accretion of interest	6	110,506
Settlement		(445,928)
Termination		(5,170)
At 31 December		2,047,932
Analysed as:		313,756
Current	21	1,734,176
Non-current	21	2,047,932

The maturity analysis of lease liabilities are disclosed in Note 31.4

13. Right of use assets (cont'd.)

The following amounts are the amounts recognised in profit or loss:

Group	2019 RM'000
Depreciation expense of right of use assets	431,231
Interest expense on lease liabilties	110,506
Expenses included in sales and marketing expenses:	
- short-term leases	7,402
Expenses included in operating and maintenance expenses:	
- short-term leases	55,849
- leases of low value assets	1,626
	606,614

The Group has total cash outflow for leases amounting to RM453.7 million.

14. Contract costs

	Group	
	2019 RM'000	2018 RM'000
Capitalised sales commissions, net of amortisation	66,170	71,130

During the financial year, amortisation amounting to RM103.0 million (2018: RM100.7 million) was recognised as an expense in operating expenses of the Group.

15. Investments in subsidiaries

	Company 2019 RM'000	Company 2018 RM'000
Unquoted shares at cost	772,751	772,751

Details of the subsidiaries, which are incorporated in Malaysia, are as follows:

Name of company	Percentage of ownership interest held by the Group 2019 (%)	2018 (%)	Principal activities
Digi Telecommunications Sdn Bhd ("DTSB")	100	100	Establishment, maintenance and provision of telecommunications and related services
Y3llownation Sdn Bhd	100	100	Dormant
Subsidiaries held through DTSB			
Digi Services Sdn Bhd	100	100	Dormant
Y3llowLabs Sdn Bhd	100	100	Provision of e-commerce, digital services and solutions

16. Other investment

	Group 2019 RM'000	Group 2018 RM'000
Non-current		
Financial asset at fair value through OCI		
Unquoted shares	78	78

The investment was previously made in relation to a programme initiated by the Group to fund new digital start-ups in Malaysia.

17. Inventories

	Group 2019 RM'000	Group 2018 RM'000
Merchandise:		
At cost	69,234	39,456
At net realisable value	21,267	21,679
	90,501	61,135

During the financial year, the amount of inventories recognised as an expense in cost of materials of the Group was RM679.2 million (2018: RM688.2 million).

18. Trade and other receivables

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Non-current				
Trade receivables (Note 18.1)	101,098	40,596	-	-
Other receivables	77,900	-	-	-
Deposits and prepayments (Note 18.2)	248,567	100,166	-	-
	427,565	140,762	-	-
Current				
Trade receivables (Note 18.1)	471,813	439,381	-	-
Other receivables	529,534	705,582	4	4
Deposits and prepayments (Note 18.2)	250,592	327,320	-	-
	1,251,939	1,472,283	4	4
Allowance for expected credit loss (Note 18.1)	(31,016)	(11,574)	-	-
	1,220,923	1,460,709	4	4
Total trade and other receivables	1,648,488	1,601,471	4	4

18. Trade and other receivables (cont'd.)

18.1 Trade receivables

The Group's trade receivables are non-interest bearing, and are subject to normal trade credit terms ranging from 30 to 45 days (2018: 30 to 45 days). They are recognised at their original invoice amounts which represent their fair value on initial recognition.

The Group’s trade receivables include receivables on deferred payment schemes amounting to RM171.2 million (2018: RM86.1 million), which allows eligible customers on bundled packages to make payment for mobile devices over a 24 month period. This deferred payment schemes has also resulted in the increase in trade receivables.

Set out below is the movement in allowance for expected credit losses for trade receivables :

	Group	
	2019	**2018**
	RM'000	**RM'000**
At 1 January	11,574	7,279
Impact arising from adoption of MFRS 9	-	8,099
At 1 January (restated)	11,574	15,378
Charge for the year	78,933	44,361
Write offs	(59,491)	(48,165)
At 31 December	31,016	11,574

18.2 Deposits and prepayments

Included in deposits and prepayments are non-current and current prepayments which are advances to a network facility provider ("NFP") of RM167.9 million (2018: RM125.1 million) for provision of connectivity services for a period of 10 years and non-current and current deposits given to local city councils of RM124.3 million (2018: RM134.0 million) for public infrastructure works which are refundable upon completion.

18.3 Foreign currency exposures

As at 31 December 2019, the Group's trade receivables balances included exposure to foreign currency denominated in United States Dollar ("USD") and Special Drawing Rights ("SDR") amounting to RM12.5 million (2018: RM4.9 million) and RM25.6 million (2018: RM46.4 million) respectively.

19. Derivative financial assets/(liabilities)

		Group 2019 RM'000	Group 2018 RM'000
Non-hedging derivative financial assets/(liabilities)			
Non-current			
- Interest rate swaps	19.1	18,605	569
Current			
- Foreign currency forward contracts	19.2	(419)	(301)

19.1 Interest rate swaps

Interest rate swaps are used to achieve an appropriate fair value change exposure within the Group. The Group entered into interest rate swaps to hedge the fair value risk in relation to the fixed interest rates of the Islamic Medium Term Note ("IMTN"), as disclosed in Note 20 with notional principal amounts of RM750.0 million.

The interest rate swaps entitle the Group to receive interest semi-annually at fixed rates ranging from 4% to 5% per annum, and in return, pays interest quarterly at Kuala Lumpur Interbank Offer Rate ("KLIBOR") plus a spread with a weighted average rate of 4% (2018: 4%). The swaps mature at varying dates based on the maturity of different tranches of the IMTN.

During the financial year, the Group recognised a net gain of RM18.0 million (2018: net gain of RM0.6 million) arising from fair value changes attributable to changes in market interest rates.

19.2 Foreign currency forward contracts

	Contract value in foreign currency USD'000	Notional value RM'000	Fair value RM'000	Liabilities RM'000
Foreign currency forward contracts:				
- 2019	7,600	31,578	31,159	(419)
- 2018	8,182	34,171	33,870	(301)

19. Derivative financial assets/(liabilities) (cont'd.)

19.2 Foreign currency forward contracts (cont'd.)

The Group uses foreign currency forward contracts to minimise its exposure to foreign currency risks as a result of transactions denominated in currency other than its functional currency, arising from the normal business activities. Foreign currency forward contracts are used to hedge certain payables denominated in USD for which firm commitments existed at the reporting date, extending to January and February 2020.

During the financial year, the Group recognised a loss of RM 0.4 million (2018: a loss of RM0.3 million) arising from fair value changes between foreign exchange spot and forward rates.

The foreign currency forward contracts and interest rate swap are not designated as cash flow hedges and are entered into for periods consistent with foreign currency exposure and fair value changes exposure. Any gains or losses arising from changes in the fair value of derivatives are recognised directly in profit or loss.

The method and assumptions applied in determining the fair values of the derivatives above are disclosed in Note 31.6(b).

20. Cash and short-term deposits

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Cash and bank balances	72,816	86,018	828	776
Deposits with licensed banks	384,900	347,100	-	-
Cash and cash equivalents	457,716	433,118	828	776

Cash and cash equivalents include cash on hand and at banks and deposits with financial institutions. For the purpose of the statements of cash flows, cash and cash equivalents are net of outstanding bank overdrafts, if any.

The Group's cash and cash equivalents included amounts of foreign currency denominated in USD totalling RM8.5 million (2018: RM15.9 million) at the reporting date.

Cash at banks earns interest at floating rates based on daily bank deposit rates. The weighted average effective interest rates of deposits at the reporting date are as follows:

	Group	
	2019 %	2018 %
Deposits with licensed banks	3	4

20. Cash and short-term deposits (cont'd.)

The deposits with licensed banks of the Group will mature within one month (2018: one month) from the end of the reporting date.

21. Loans and borrowings

	Note	Group 2019 RM'000	Group 2018 RM'000
Non-current (unsecured)			
Floating-rate term loans		555,162	1,180,674
Floating-rate term financing-i		373,486	430,945
Islamic medium term notes	21.1	1,798,219	898,983
Lease liabilities	13	1,734,176	2,081
		4,461,043	2,512,683
Current (unsecured)			
Floating-rate term loans		225,000	112,500
Floating-rate term financing-i		150,000	62,500
Lease liabilities	13	313,756	6,371
		688,756	181,371
Total loans and borrowings		5,149,799	2,694,054

The weighted average effective interest/profit rates at the reporting date for borrowings and debt securities are as follows:

	Group 2019 %	Group 2018 %
Floating-rate term loans and term financing-i	4	5
Islamic medium term notes	4	5
Lease liabilities	5	9

The above borrowings and debt securities are denominated in RM.

21. Loans and borrowings (cont'd.)

21.1 Islamic medium term notes

The Group through its wholly-owned subsidiary, DTSB, has established an Islamic medium term note programme of up to RM5.0 billion in nominal value ("IMTN Programme"); and an Islamic commercial papers programme of up to RM1.0 billion in nominal value ("ICP Programme"), which have a combined limit of up to RM5.0 billion in nominal value (collectively referred to as "Sukuk Programme") based on the Islamic principle of Murabahah (via a Tawarruq arrangement).

The tenures of the IMTN and ICP Programme are for 15 and 7 years, respectively from the date of the first issuance.

As at 31 December 2019, the series of IMTN that the Group has in issue consists of:

Tranche	Tenure	Rate %	Maturity date	Nominal value RM'000
001	5 years	4	14 April 2022	300,000
002	7 years	5	12 April 2024	300,000
003	10 years	5	14 April 2027	300,000
004*	7 years	4	18 September 2026	450,000
005*	10 years	4	20 September 2029	450,000
Total				1,800,000

*During the year, the Group issued the second series of IMTN.

The proceeds from IMTN have been partially hedged against interest rate risk using interest rate swaps as disclosed in Note 19.

The maturities of the Group's loans and borrowings at the reporting date are as follows:

	Group 2019 RM'000	Group 2018 RM'000
Less than one year	688,756	181,371
Between one and two years	693,237	448,736
Between two and five years	1,825,655	1,464,653
More than five years	1,942,151	599,294
	5,149,799	2,694,054

21. Loans and borrowings (cont'd.)

Reconciliation of liabilities/(assets) arising from financing activities

	Non-current interest bearing loans and borrowings RM'000	Current interest bearing loans and borrowings RM'000	Non-current lease liabilities RM'000	Current lease liabilities RM'000	Interest rate swaps RM'000	Total RM'000
Group						
At 1 January 2019	2,512,683	181,371	-	-	(569)	2,693,485
Adjustments upon adoption of MFRS 16	(2,081)	(6,371)	1,909,630	304,782	-	2,205,960
At 1 January 2019 (restated)	2,510,602	175,000	1,909,630	304,782	(569)	4,899,445
Repayment	(237,500)	(175,000)	-	(278,427)	-	(690,927)
Non-cash changes:						
Fair value changes	-	-	-	-	(14,678)	(14,678)
Other changes	453,765	375,000	(175,454)	287,401	(3,358)	937,354
At 31 December 2019	2,726,867	375,000	1,734,176	313,756	(18,605)	5,131,194
At 1 January 2018	2,691,438	12,881	-	-	(355)	2,703,964
Repayment	-	(12,767)	-	-	-	(12,767)
Non-cash changes:						
Payment of transaction costs related to loans and borrowings	(1,500)	-	-	-	-	(1,500)
Fair value changes	-	-	-	-	(622)	(622)
Other changes	(177,255)	181,257	-	-	408	4,410
At 31 December 2018	2,512,683	181,371	-	-	(569)	2,693,485

Included in the other changes are the effects of reclassification of non-current portion of loans and borrowings and lease liabilities to current due to the passage of time, transaction costs deducted against carrying amount of loans and borrowings amortised under effective interest rate method, and accrued but not yet paid/(received) interest on interest-bearing loans and borrowings and derivatives. The Group classifies interest paid as cash flows from operating activities.

22. Deferred tax liabilities

	Group 2019 RM'000	Group 2018 RM'000
At 1 January	276,063	297,523
Impact arising from adoption of MFRS 15 and MFRS 9	-	38,536
At 1 January (restated)	276,063	336,059
Recognised in profit and loss (Note 8)	(58,435)	(59,996)
At 31 December	217,628	276,063

The components and movements of recognised deferred tax liabilities and assets of the Group during the financial year prior to offsetting are as follows:

Deferred tax liabilities:	**Contract costs RM'000**	**Contract assets RM'000**	**Property, plant and equipment and intangible assets RM'000**	**Right of use assets RM'000**	**Total RM'000**
At 1 January 2019	17,071	42,168	509,641	-	568,880
Impact arising from adoption of MFRS 16	-	-	-	517,537	517,537
At 1 January 2019 (restated)	17,071	42,168	509,641	517,537	1,086,417
Recognised in profit and loss	(1,190)	(12,826)	(46,677)	(46,694)	(107,387)
At 31 December 2019	15,881	29,342	462,964	470,843	979,030
At 31 December 2017	-	-	539,900	-	539,900
Impact arising from adoption of MFRS 15	18,084	21,562	-	-	39,646
At 1 January 2018 (restated)	18,084	21,562	539,900	-	579,546
Recognised in profit and loss	(1,013)	20,606	(30,259)	-	(10,666)
At 31 December 2018	17,071	42,168	509,641	-	568,880

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22. Deferred tax liabilities (cont'd.)

The components and movements of recognised deferred tax liabilities and assets of the Group during the financial year prior to offsetting are as follows: (cont'd.)

Deferred tax assets:

	Contract liabilities RM'000	Deferred revenue RM'000	Lease liabilities RM'000	Others RM'000	Total RM'000
At 1 January 2019	(75,693)	-	-	(217,124)	(292,817)
Impact arising from adoption of MFRS 16	-	-	(517,537)	-	(517,537)
At 1 January 2019 (restated)	(75,693)	-	(517,537)	(217,124)	(810,354)
Recognised in profit and loss	(1,550)	-	28,031	22,471	48,952
At 31 December 2019	(77,243)	-	(489,506)	(194,653)	(761,402)
At 31 December 2017	-	(80,002)	-	(162,375)	(242,377)
Impact arising from adoption of MFRS 15 and MFRS 9	(79,168)	80,002	-	(1,944)	(1,110)
At 1 January 2018 (restated)	(79,168)	-	-	(164,319)	(243,487)
Recognised in profit and loss	3,475	-	-	(52,805)	(49,330)
At 31 December 2018	(75,693)	-	-	(217,124)	(292,817)

Others relate to deferred tax assets mainly arising from deductible temporary differences on provisions.

23. Other liabilities

	Group 2019 RM'000	Group 2018 RM'000
Non-current		
Provisions (Note 23.1)	53,295	48,964
Current		
Provisions (Note 23.1)	420	5,373
Total other liabilities	53,715	54,337

23.1 Provisions

Group	Note	Site decommissioning and restoration costs RM'000	Defined benefit plan RM'000 (Note 26)	Total RM'000
Non-current				
At 1 January 2019		48,930	34	48,964
Capitalised as property, plant and equipment	11(a)	2,159	-	2,159
Recognised in profit and loss		2,195	70	2,265
Paid during the year		-	(93)	(93)
At 31 December 2019		53,284	11	53,295
Non-current				
At 1 January 2018		43,487	590	44,077
Capitalised as property, plant and equipment	11(a)	3,428	-	3,428
Recognised in profit and loss		2,015	65	2,080
Paid during the year		-	(621)	(621)
At 31 December 2018		48,930	34	48,964

23. Other liabilities (cont'd.)

23.1 Provisions (cont'd.)

Group	Note	Employee leave entitlements RM'000
Current		
At 1 January 2019		5,373
Recognised in profit and loss	7	(4,953)
At 31 December 2019		420
At 1 January 2018		5,914
Recognised in profit and loss	7	(541)
At 31 December 2018		5,373

Further details on the provisions are disclosed in Note 2.11.

24. Trade and other payables

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Trade payables	247,686	200,095	-	-
Other payables	778,114	383,290	-	-
Accruals	742,658	1,545,659	1,380	1,071
Customer deposits	15,850	15,026	-	-
	1,784,308	2,144,070	1,380	1,071

The Group's trade and other payables are non-interest bearing, and are subject to normal credit terms ranging from 30 to 60 days (2018: 30 to 60 days).

At 31 December 2019, the Group's trade and other payables balances included exposure to foreign currency denominated in USD, SDR and Norwegian Krone ("NOK") amounting to RM51.1 million (2018: RM43.8 million), RM32.0 million (2018: RM20.8 million) and RM22.3 million (2018: RM49.9 million) respectively.

25. Share capital

	Group/Company			
	Number of ordinary shares		Amount	
	2019	2018	2019	2018
	Units ('000)	Units ('000)	RM'000	RM'000
Issued and fully paid				
As at 1 January and 31 December	7,775,000	7,775,000	769,655	769,655

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions and rank equally with regard to the Company's residual assets.

26. Defined benefit plan

The Group operates an unfunded defined benefit plan for its eligible employees. The estimated obligations under the retirement benefit scheme are determined based on actuarial valuation by a qualified independent actuary on 24 May 2017.

The amount recognised in the consolidated statement of financial position is determined as follows:

		Group	
		2019	2018
	Note	RM'000	RM'000
Present value of unfunded obligations	23.1	11	34

The amount recognised in profit and loss, included under staff expenses, is as follows:

		Group	
		2019	2018
	Note	RM'000	RM'000
Interest on obligations, representing increase in provision for defined benefit plan	7	70	65

The principal actuarial assumption used in determining the retirement benefit obligation for the defined benefit plan, is as follows:

	Group	
	2019	2018
	%	%
Rate per annum:		
- Discount rate	5	5

Assumption regarding future mortality are based on published statistics and mortality table.

27. Retained earnings

The Company may distribute dividends out of its entire retained earnings as at 31 December 2019 and 2018 respectively, under the single-tier system.

28. Commitments

28.1 Capital commitments

	Group 2019 RM'000	Group 2018 RM'000
Capital expenditure in respect of property, plant and equipment and intangible assets:		
Approved and contracted for	227,000	405,000
Approved but not contracted for	530,000	300,000

28.2 Non-cancellable operating lease commitments

Group	2018 As reported under MFRS 117 RM'000
Future minimum lease payments:	
- Less than one year	174,330
- Between one and five years	437,910
- More than five years	228,296
	840,536

Upon adoption of MFRS 16 on 1 January 2019, the present value of future minimum lease payments for operating leases have been accounted for as part of lease liabilities on the balance sheet. Please refer to Note 3.1 for further details.

28. Commitments (cont'd.)

28.3 Capital commitments

The Group's finance lease commitment is in relation to the acquired indefeasible right of use ("IRU") over purchased fibre optic wavelength by means of a finance lease arrangement. Future minimum lease payments under the finance lease together with the present value of the net minimum lease payments are as follows:

Group	2018 As reported under MFRS 117 RM'000
Minimum lease payments:	
- Less than one year	6,796
- Between one and two years	2,092
Total minimum lease payments	8,888
Less: Amounts representing finance charges	(436)
Present value of minimum lease payments	8,452
Present value of payments:	
- Less than one year	6,371
- Between one and two years	2,081
Present value of minimum lease payments	8,452
Less: Amount due within 12 months (Note 21)	(6,371)
Amount due after 12 months (Note 21)	2,081

Upon adoption of MFRS 16, the maturity analysis and present value of finance lease commitment is included within lease liabilities in Note 21 and Note 31.4, respectively.

29. Performance guarantees

	Group 2019 RM'000	Group 2018 RM'000
Unsecured		
Guarantees given to city councils for public infrastructure works	39,819	53,054
Guarantee given to MCMC on project tender	10,556	10,000
	50,375	63,054

30. Significant related party disclosures

30.1 Sales and purchases of services

Related party relationships are as follows:

(i) The immediate and ultimate holding company are as disclosed in Note 1; and
(ii) The Company's subsidiaries are as disclosed in Note 15.

Significant transactions and balances with related parties of the Group during the financial year are as follows:

Group	Transactions 2019 RM'000	Transactions 2018 RM'000	Balance due (to)/from at 2019 RM'000	Balance due (to)/from at 2018 RM'000
With the ultimate holding company and fellow subsidiaries				
- *Telenor ASA*			(3,697)	(12,389)
Consultancy services received	47,166	47,803		
Fees payable for licenses and trademarks	9,491	9,507		
- *Telenor GO Pte Ltd*			(824)	(200)
Personnel services received	5,289	5,613		

30. Significant related party disclosures (cont'd.)

30.1 Sales and purchases of services (cont'd.)

Group (cont'd.)	Transactions 2019 RM'000	Transactions 2018 RM'000	Balance due (to)/from at 2019 RM'000	Balance due (to)/from at 2018 RM'000
With the ultimate holding company and fellow subsidiaries (cont'd.)				
- *Telenor Global Services AS*			(3,067)	(3,348)
Sales of interconnection services on international traffic	(9,982)	(1,674)		
Purchases of inter-connection services on international traffic	8,254	15,648		
Purchases of international roaming services	-	2,049		
Purchases of global connectivity	2,678	4,030		
Clearing house services received for international roaming arrangements	507	190		
- *Total Access Communication Public Company Limited*			(433)	(337)
Sales of international roaming services	(680)	(1)		
Purchases of international roaming services	119	587		
Device management fee payable	-	134		
- *dtac TriNet Co. Ltd*			(2,099)	(2,042)
Sales of international roaming services	(1,824)	(2,250)		
Purchases of international roaming services	957	1,245		

30. Significant related party disclosures (cont'd.)

30.1 Sales and purchases of services (cont'd.)

	Transactions		Balance due (to)/from at	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
With the ultimate holding company and fellow subsidiaries (cont'd.)				
- *dtac TriNet Co. Ltd* (cont'd.)				
Sales of interconnection services on international traffic	(245)	(474)		
Purchases of inter-connection services on international traffic	2,086	48		
- *Telenor Norge AS*			(2,249)	(6,029)
Sales of international roaming services	(70)	(47)		
Purchases of international roaming services	22	14		
Services rendered on application operations and basic operation for data centre	-	656		
Business security strategy execution received	7,154	5,439		
- *Telenor Digital Services AS*			(543)	(20,844)
Consultancy fees rendered	(955)	(414)		
Services received on digital marketing and distribution platform	156	1,228		
Purchases of cloud based software infrastructure services	6,112	5,480		
Technical services received	4,637	15,485		

30. Significant related party disclosures (cont'd.)

30.1 Sales and purchases of services

	Transactions		Balance due (to)/from at	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
With the ultimate holding company and fellow subsidiaries (cont'd.)				
- *Telenor Global Shared Services AS*			(7,742)	(2,002)
Services received on application operations and basic operation for data centre	7,504	9,253		
- *Telenor IT Asia Sdn Bhd*			(63)	(63)
- *Telenor Myanmar Ltd*			117	267
Sales of international roaming services	(149)	(24)		
Purchases of international roaming services	85	50		
Purchases of interconnection services on international traffic	49	458		
Sales of telecommunication and related services	-	(64)		
Consultancy fees rendered	(236)	(259)		
- *Valyou Sdn Bhd*			122	981
Sales of telecommunication and related services	(289)	(1,029)		
Consultancy fees rendered	-	(48)		
- *Telenor Procurement Company*			(8,018)	(4,956)
Managed services received	19,383	10,570		

30. Significant related party disclosures (cont'd.)

30.1 Sales and purchases of services (cont'd.)

	Transactions		Balance due (to)/from at	
Group (cont'd.)	**2019 RM'000**	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
With the ultimate holding company and fellow subsidiaries (cont'd.)				
- *Telenor Financial Services AS*			-	-
Personnel services rendered	-	(247)		
- *Telenor Global Services Singapore Pte Ltd*			391	1,014
Lease income from bandwidth leasing	(5,569)	(2,707)		
Lease expenses of bandwidth leasing	3,977	1,597		
Purchases of IP transit	388	1,298		
- *Tapad Inc. US*			(1,403)	(665)
Services received on digital marketing and distribution platform	2,066	1,896		

Amounts due (to)/from related companies which are trade in nature are unsecured, non-interest bearing and are subject to the normal credit terms for trade receivables and trade payables, respectively.

The directors are of the opinion that the above transactions are entered into in the normal course of business and at standard commercial terms mutually agreed between both parties.

30. Significant related party disclosures (cont'd.)

30.2 Compensation of key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group and the Company, directly and indirectly, including directors of the Group and the Company.

The remuneration of key management personnel during the financial year was as follows:

	Group		Company	
	2019	**2018**	**2019**	**2018**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Short-term employee benefits	16,421	15,335	88	76
Post-employment benefits	1,580	1,361	-	-
Other employment benefits	1,267	1,106	-	-
	19,268	17,802	88	76

Included in remuneration of key management personnel above are non-executive directors' remuneration as disclosed in Note 7(c).

31. Financial instruments

31.1 Financial risk management objectives and policies

In the normal course of conducting its business activities, the Group is exposed to a variety of financial risks, which include credit, foreign currency, liquidity and interest rate risks. The Group's overall risk management programme seeks to minimise potential adverse effects of these risks on the financial performance of the Group.

31.2 Credit risk

Credit risk is the risk of loss that may arise if a counterparty default on its obligations under a financial instrument or customer contract, leading to a financial loss. The Group’s credit risk arises in the normal course of operations (primarily from trade and other receivables, and contract assets) and from its financing activities, including deposits with approved financial institutions. The maximum credit risk exposure is limited to the carrying amount of each financial asset and contract assets less allowance for impairment.

31. Financial instruments (cont'd.)

31.2 Credit risk (cont'd.)

Trade receivables and contract assets

The credit risk is managed through formalised policies on credit assessment and approvals, credit limits and monitoring procedures. Credit quality of each new customer is assessed based on an internally developed credit scoring model using information such as external ratings and credit agency information. Individual risk limits are set in accordance to the risk profile established for each customer, and are reviewed periodically.

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., customer type and rating). The calculation reflects the probability-weighted outcome, and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. The Group evaluates the concentration of risk with respect to trade receivables and contract assets as low, as its customers base is large and diverse.

Trade receivables and contract assets are written off when there is no reasonable expectation of recovery, and are not subject to enforcement activity. They are not secured by any collateral or credit enhancements.

Set out below is the information about the credit risk exposure on the Group's trade receivables and contract assets using a provision matrix:

	Gross carrying amount at default RM'000	**Significant expected credit loss RM'000**	**Total net carrying amount at default RM'000**
As at 31 December 2019			
Trade receivables			
- Not past due	440,461	(6,936)	433,525
- 1 to 30 days past due	22,361	(4,256)	18,105
- 31 to 60 days past due	13,981	(3,379)	10,602
- 61 to 90 days past due	12,949	(2,542)	10,407
- 91 to 180 days past due	25,105	(3,750)	21,355
- More than 181 days past due	58,054	(10,153)	47,901
Total trade receivables	572,911	(31,016)	541,895
Contract assets	108,637	(2,386)	106,251
Total trade receivables and contract assets	681,548	(33,402)	648,146

31. Financial instruments (cont'd.)

31.2 Credit risk (cont'd.)

Trade receivables and contract assets (cont'd.)

As at 31 December 2018	Gross carrying amount at default RM'000	Significant expected credit loss RM'000	Total net carrying amount at default RM'000
Trade receivables			
- Not past due	401,101	(3,280)	397,821
- 1 to 30 days past due	44,933	(3,144)	41,789
- 31 to 60 days past due	15,383	(3,086)	12,297
- 61 to 90 days past due	6,694	(83)	6,611
- 91 to 180 days past due	8,744	(69)	8,675
- More than 181 days past due	3,122	(1,912)	1,210
Total trade receivables	479,977	(11,574)	468,403
Contract assets	179,359	(3,659)	175,700
Total trade receivables and contract assets	659,336	(15,233)	644,103

Other receivables and cash and short-term deposits

The Group’s credit risk also arises from cash and short-term deposits and other receivables. The credit risk is managed through monitoring procedures.

Cash and short-term deposits are placed only with reputable licensed banks and other receivables mainly consists of amounts due from a governement regulatory body and various city councils. The Group has assessed that the credit risk from these financial instruments are low.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets (net of impairment) disclosed in Note 31.7.

31. Financial instruments (cont'd.)

31.3 Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group is exposed to foreign currency risk as a result of transactions denominated in currencies other than its functional currency, arising from the normal business activities. The currencies giving rise to this risk are primarily the USD, SDR and NOK. Although approximately 9% (2018: 9%) of the Group's total expenses are denominated in the above-mentioned foreign currencies, the settlements of these payables are on a net basis through clearing house services, together with revenues earned from the same operators and partners. The Group also holds cash and cash equivalents denominated in USD for working capital purposes. The Group's foreign-denominated cash and cash equivalents at the reporting date is disclosed in Note 20.

Exposure to foreign currency risk is monitored on an on-going basis and when considered necessary, the Group will consider using effective financial instruments to hedge its foreign currency risk in accordance with its foreign currency hedging policy. In line with the Group's foreign currency hedging policy, hedging is only considered for firm commitments and highly probable transactions of which hedging shall not exceed 100% of the net exposure value. Speculative activities are strictly prohibited. The Group adopts a layered approach to hedging, where a higher percentage of hedging will be executed for closer-dated exposures and with time, increase the hedge as the probability of the underlying exposure increases. These derivatives and their underlying exposures will be monitored on an on-going basis. However, these contracts are not designated as cash flow or fair value hedge.

The Group's foreign currency forward contracts are executed only with creditworthy financial institutions in Malaysia which are governed by appropriate policies and procedures.

Details of the Group’s outstanding foreign currency forward contracts for the purpose of hedging certain payables denominated in USD for which firm commitments existed at the reporting date, extends to January and February 2020, are disclosed in Note 19. The effects of changes in the fair values of these derivative financial instruments have already been included in the financial statements during the financial year.

Management believes that there is no reasonably possible fluctuation in the foreign exchange rate which would cause any material effect to the Group's profit for the year.

31.4 Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting financial obligations due to shortage of funds. The Group monitors and maintains a level of cash and cash equivalents deemed adequate by management, for working capital purposes and to mitigate the effects of fluctuations in cash flows. The Group invests only in highly liquid cash management funds, if any.

31. Financial instruments (cont'd.)

31.4 Liquidity risk (cont'd.)

The Group's and the Company's trade and other payables and non-hedging derivative liabilities at the reporting date, are short-term in nature, and are payable either on-demand or within one year. Details of maturities for the Group's loans and borrowings are as disclosed in Note 21.

<u>Analysis of financial instruments by remaining contractual maturities</u>

The table below summarises the maturity profile of the Group's and the Company's financial liabilities at the reporting date based on contractual undiscounted repayment obligations.

	On demand or within one year RM'000	One to two years RM'000	Two to five years RM'000	More than five years RM'000	Total RM'000
Group					
2019					
Financial liabilities					
Trade and other payables	1,784,308	-	-	-	1,784,308
Loans and borrowings	501,993	483,759	1,364,796	1,347,356	3,697,904
Lease liabilities	411,557	758,225	711,989	1,280,158	3,161,929
Derivative financial liabilities:					
- Foreign currency forward contracts	419	-	-	-	419
Total undiscounted financial liabilities	2,698,277	1,241,984	2,076,785	2,627,514	8,644,560
2018					
Financial liabilities					
Trade and other payables	2,144,070	-	-	-	2,144,070
Loans and borrowings	306,628	562,555	1,660,527	655,583	3,185,293
Derivative financial liabilities:					
- Foreign currency forward contracts	301	-	-	-	301
Total undiscounted financial liabilities	2,450,999	562,555	1,660,527	655,583	5,329,664

31. Financial instruments (cont'd.)

31.5 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's financial instruments will fluctuate because of changes in market interest rates. The Group's income and operating cash flows are substantially independent of changes in market interest rates.

The Group is exposed to interest rate risk primarily from floating rate financial liabilities.

The Group manages its interest rate risk by having a balanced portfolio of fixed and floating rate financial liabilities that is consistent with the interest rates profiles acceptable to the Group. To manage this, the Group enters into interest rate swaps, in which the Group agrees to exchange, at specified intervals, a fixed interest rate for floating rates.

The notional principal amounts of the outstanding interest rate swaps and its fair value are disclosed in Note 19.1.

The Group's policy in dealing with interest-bearing financial liabilities is to minimise the interest expense by obtaining the most favourable interest rates available. A difference of 20 (2018: 20) basis points in interest rates applicable for the Group's entire loans and borrowings (excluding finance lease obligation) would result in approximately 0.25% (2018: 0.25%) variance in the Group's profit for the year.

31.6 Fair values

The management assessed that the fair values of cash and short-term deposits, trade and other receivables and trade and other payables approximate their carrying amounts largely due to the short-term maturities of these instruments and the insignificant impact of discounting.

The following methods and assumptions are used to estimate the fair values of the following classes of financial instruments:

(a) Loans and borrowings

The carrying amounts of the current portion of loans and borrowings are reasonable approximations of fair values due to the insignificant impact of discounting.

The carrying amounts of floating-rate term loan and term financing-i are reasonable approximations of fair values as they are floating rate instruments that are re-priced to market interest rates on or near the reporting date.

31. Financial instruments (cont'd.)

31.6 Fair values (cont'd.)

(a) Loans and borrowings (cont'd.)

The fair values of non-current portion of borrowings and debt securities are estimated by discounting expected future cash flows at market incremental lending rate for similar types of borrowing, debt instruments or leasing arrangements at the reporting date.

(b) Derivative financial instruments

The fair value of foreign currency forward contracts is determined using quoted forward exchange rates at the balance sheet date.

The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves.

(c) Other investment

Investment in equity instrument represents ordinary shares not quoted on any market and does not have any comparable industry peers that is listed. The investment in unquoted equity instrument is not held for trading.

The initial acquisition cost of the unquoted equity investment is an appropriate estimate of its fair value as the investee's entity is in the start-up stage.

31. Financial instruments (cont'd.)

31.7 Classification

The carrying amounts of financial instruments under each category, are as follows:

	Note	Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
Financial assets					
Financial assets at fair value through OCI:					
- Other investments	16	78	78	-	-
Financial assets at amortised cost:					
- Trade receivables		541,895	468,403	-	-
- Other receivables		607,434	705,582	4	4
- Deposits and prepayments		499,159	427,486	-	-
- Cash and short-term deposits	20	457,716	433,118	828	776
		2,106,204	2,034,589	832	780
Less: Prepayments		(283,403)	(211,348)		
		1,822,801	1,823,241	832	780
Financial assets at fair value through profit or loss:					
Derivative financial assets					
- Interest rate swaps	19	18,605	569	-	-

31. Financial instruments (cont'd.)

31.7 Classification (cont'd.)

The carrying amounts of financial instruments under each category, are as follows: (cont'd.)

	Note	Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
Financial liabilities					
Financial liabilities at fair value through profit or loss:					
- Foreign currency forward contracts	19	419	301	-	-
Other financial liabilities:					
- Floating-rate term loans		780,162	1,293,174	-	-
- Islamic medium term notes		1,798,219	898,983	-	-
- Floating-rate term financing-i		523,486	493,445	-	-
- Lease liabilities		2,047,932	8,452	-	-
- Trade payables	24	247,686	200,095	-	-
- Other payables	24	778,114	383,290	-	-
- Accruals	24	742,658	1,545,659	1,380	1,071
- Customer deposits	24	15,850	15,026	-	-
		6,934,107	4,838,124	1,380	1,071

31. Financial instruments (cont'd.)

31.8 Fair value measurement

The following table provides the fair value measurement hierarchy of the Group's financial assets and liabilities.

Quantitative disclosures fair value measurement hierarchy for financial assets/(liabilities) as at 31 December 2019:

			Fair value measurement using			
	Note	Date of valuation	Total	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobserv-able inputs (Level 3)
			RM'000	RM'000	RM'000	RM'000
Financial assets/(liabilities) measured at fair value:						
Unquoted equity investments:						
- Other investment	16	31 December 2019	78	-	-	78
Derivative financial assets:						
- Interest rate swaps	19	31 December 2019	18,605	-	18,605	-
Derivative financial liabilities:						
- Foreign currency forward contracts	19	31 December 2019	419	-	419	-

31. Financial instruments (cont'd.)

31.8 Fair value measurement (cont'd.)

The following table provides the fair value measurement hierarchy of the Group's financial assets and liabilities. (cont'd.)

Quantitative disclosures fair value measurement hierarchy for financial assets/(liabilities) as at 31 December 2018:

				Fair value measurement using		
	Note	**Date of valuation**	**Total**	**Quoted prices in active markets (Level 1)**	**Significant observable inputs (Level 2)**	**Significant unobserv-able inputs (Level 3)**
			RM'000	**RM'000**	**RM'000**	**RM'000**
Financial assets/(liabilities) measured at fair value:						
Unquoted equity investments:						
- Other investment	16	31 December 2018	78	-	-	78
Derivative financial assets:						
- Interest rate swaps	19	31 December 2018	569	-	569	-
Derivative financial liabilities:						
- Foreign currency forward contracts	19	31 December 2018	(301)	-	(301)	-

31. Financial instruments (cont'd.)

31.8 Fair value measurement (cont'd.)

There have been no transfers between Level 2 and Level 3 in the current year and prior year.

The fair value of unquoted equity investment is categorised as Level 3 as cost was estimated to be an appropriate measure of fair value. There was no indicators that cost might not be representative of fair value.

32. Capital management

The essence of the Group's capital management strategy is to support its long-term strategic ambitions including:

(i) its commitment to long-term sustainable dividend policy;
(ii) its financial obligations while maintaining its financial flexibility; and
(iii) its ability to support its business requirements and enable future growth.

Going-forward, the Group will continue to actively manage its capital structure to enhance shareholders' value and make adjustments to address changes in the economic environment and its business risk characteristics. The Group had during the financial year ended 31 December 2009, revised its minimum dividend pay-out policy to at least 80% of the Company's profit for the year, and dividend payment frequency. The dividend policy will be maintained subject to on-going assessment, and based on the availability of distributable reserves as well as the Group's future cash flow requirements and market conditions. These revisions and any other revision to its allocation of capital resources are subject to the approval of the Board of Directors. No changes were made in the objectives, policies or processes during the financial year ended 31 December 2019.

33. Segmental information

Segmental information is not presented as the Group is primarily engaged in the provision of mobile communication services and its related products in Malaysia.

34. Authorisation of financial statements for issue

The financial statements for the financial year ended 31 December 2019 were authorised for issue in accordance with a resolution of the directors on 11 March 2020.