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DiGi.Com Berhad
(425190-X)
(Incorporated in Malaysia)

Directors' Report and Audited Financial Statements
31 December 2017

425190-X

Digi.Com Berhad
(Incorporated in Malaysia)

Contents

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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 2017.

Principal activities

The principal activity of the Company is investment holding.

The principal activities and other information relating to subsidiaries are disclosed in Note 13 to the financial statements.

Results

	Group RM'000	Company RM'000
Profit for the year, attributable to owners of the parent	1,476,698	1,477,194

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 2016:	
- Fourth interim tax exempt (single-tier) dividend of 4.8 sen per ordinary share, declared on 23 January 2017 and paid on 31 March 2017	373,200

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Dividends (cont'd.)

	RM'000
In respect of the financial year ended 31 December 2017:	
- First interim tax exempt (single-tier) dividend of 4.7 sen per ordinary share, declared on 28 April 2017 and paid on 30 June 2017	365,425
- Second interim tax exempt (single-tier) dividend of 4.6 sen per ordinary share, declared on 12 July 2017 and paid on 29 September 2017	357,650
- Third interim tax exempt (single-tier) dividend of 4.9 sen per ordinary share, declared on 17 October 2017 and paid on 22 December 2017	380,975

The Board of Directors had on 23 January 2018, declared a fourth interim tax exempt (single-tier) dividend of 4.6 sen per ordinary share in respect of the financial year ended 31 December 2017 amounting to RM357,650,000. 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 2018.

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:

Tan Sri Saw Choo Boon	
Lars-Ake Valdemar Norling	(Redesignated as Chairman on 11 July 2017)
Yasmin Binti Aladad Khan	
Vimala A/P V.R. Menon	
Haakon Bruaset Kjoel	(Appointed on 11 July 2017)
Torstein Pedersen	(Appointed on 12 December 2017)
Tone Ripel	(Appointed on 23 January 2018)
Morten Loeken Edvardsen	(Appointed on 11 July 2017, resigned on 12 December 2017)
Morten Karlsen Sorby	(Resigned on 11 July 2017)
Kristin Muri Moller	(Resigned on 11 July 2017)
Tore Johnsen	(Resigned on 23 January 2018)

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	
Nakul Sehgal	(Appointed on 1 August 2017)
Karl Erik Broten	(Resigned on 1 August 2017)

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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 in Note 7 to the financial statements) 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.

Indemnity and insurance for Directors and Officers

The Group maintains on 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 2017 was RM10,652. 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.

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 2017/ date of appointment	**Acquired**	**Sold**	**31 December 2017**
Ultimate holding company				
Telenor ASA				
Direct interest:				
- Lars-Ake Valdemar Norling	30,835	3,378	-	34,213
- Tore Johnsen	39,306	-	-	39,306
- Haakon Bruaset Kjoel	11,116	1,664	-	12,780
- Torstein Pedersen	244	-	(208)	36

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.

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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.

(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.

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Other statutory information (cont'd.)

(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.

Subsequent event

Details of events occurring after the reporting date are disclosed in Note 32 to the financial statements.

Auditors

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

Auditors' remuneration are disclosed in Note 7 to the financial statements.

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

Signed on behalf of the Board in accordance with a resolution of the directors dated 15 March 2018.

Tan Sri Saw Choo Boon Director	Lars-Ake Valdemar Norling 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 Lars-Ake Valdemar Norling, 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 14 to 92 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 2017 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 15 March 2018.

Tan Sri Saw Choo Boon Director	Lars-Ake Valdemar Norling Director

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

I, Nakul Sehgal, 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 14 to 92 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 Nakul Sehgal at
Kuala Lumpur in Wilayah Persekutuan
on 15 March 2018

Nakul Sehgal

Before me,

Commissioner for Oaths
Kuala Lumpur

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 2017 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 14 to 92.

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 2017 and of their financial performance and their cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

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

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 (s) (i) – 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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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 and assessed whether such allocation basis is consistent with those used in the industry, 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.

Information other than the financial statements and auditors' report thereon (con'td.)

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

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

If, based on the work we have performed, 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.

Independent auditors' report to the members of
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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.

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.

Independent auditors' report to the members of
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Auditor's responsibilities for the audit of the financial statements (cont'd.)

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.

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
AF: 0039
Chartered Accountants

Chong Tse Heng
No. 03179/05/2019 J
Chartered Accountant

Kuala Lumpur, Malaysia
15 March 2018

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Statements of comprehensive income
For the financial year ended 31 December 2017

		Group		Company	
	Note	**2017 RM'000**	**2016 RM'000**	**2017 RM'000**	**2016 RM'000**
Revenue	5	6,340,473	6,597,102	1,477,000	1,632,500
Other income		20,911	18,556	1,645	1,472
Cost of materials and traffic expenses		(1,514,645)	(1,640,585)	-	-
Sales and marketing expenses		(557,903)	(572,482)	-	-
Operations and maintenance expenses		(129,089)	(111,517)	-	-
Rental expenses		(398,149)	(355,181)	-	-
Staff expenses		(247,385)	(254,917)	-	-
Depreciation expenses	11	(624,778)	(520,211)	-	-
Amortisation expenses	12	(160,833)	(130,970)	-	-
Other expenses		(628,505)	(726,069)	(1,608)	(1,379)
Finance costs	6	(132,457)	(78,078)	-	-
Interest income		23,738	12,536	207	265
Settlement costs and exit fee	28(a)	(6,028)	-	-	-
Profit before tax	7	1,985,350	2,238,184	1,477,244	1,632,858
Taxation	8	(508,652)	(605,526)	(50)	(61)
Profit for the year, representing total comprehensive income for the year		1,476,698	1,632,658	1,477,194	1,632,797
Attributable to:					
Owners of the parent		1,476,698	1,632,658	1,477,194	1,632,797

		Group	
		2017	**2016**
Earnings per share attributable to owners of the parent (sen per share)	9	19.0	21.0

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

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Statements of financial position
As at 31 December 2017

	Note	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
Non-current assets					
Property, plant and equipment	11	2,908,968	2,832,265	-	-
Intangible assets	12	937,100	453,777	-	-
Investments in subsidiaries	13	-	-	772,751	772,751
Other investment	14	163	100	-	-
Other receivable	16	101,163	62,572	-	-
Derivative financial assets	17	355	-	-	-
		3,947,749	3,348,714	772,751	772,751
Current assets					
Inventories	15	59,138	47,822	-	-
Trade and other receivables	16	1,216,988	1,707,679	4	5
Derivative financial assets	17	-	4,034	-	-
Tax recoverable		34,693	13,121	-	-
Cash and short-term deposits	18	575,045	376,588	897	940
		1,885,864	2,149,244	901	945
Total assets		5,833,613	5,497,958	773,652	773,696
Non-current liabilities					
Loans and borrowings	19	2,691,438	1,798,837	-	-
Deferred tax liabilities	20	297,523	311,285	-	-
Other liabilities	21	44,077	40,034	-	-
		3,033,038	2,150,156	-	-
Current liabilities					
Trade and other payables	22	1,928,256	1,947,851	965	945
Derivative financial liabilities	17	1,447	-	-	-
Other liabilities	21	339,257	397,621	-	-
Loans and borrowings	19	12,881	483,036	-	-
Tax payable		16	24	16	24
		2,281,857	2,828,532	981	969
Total liabilities		5,314,895	4,978,688	981	969

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Statements of financial position
As at 31 December 2017 (cont'd.)

	Note	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
Equity					
Share capital	23	769,655	77,750	769,655	77,750
Share premium		-	691,905	-	691,905
(Accumulated losses)/ retained earnings	25	(250,937)	(250,385)	3,016	3,072
Total equity		518,718	519,270	772,671	772,727
Total equity and liabilities		5,833,613	5,497,958	773,652	773,696

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

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Statements of changes in equity
For the financial year ended 31 December 2017

		Attributable to owners of the parent			
	Note	**Share capital RM'000**	**Non-distributable share premium RM'000**	**Non-distributable accumulated losses/ distributable retained earnings RM'000 (Note 25)**	**Total RM'000**
Group					
At 1 January 2016		77,750	691,905	(250,293)	519,362
Total comprehensive income		-	-	1,632,658	1,632,658
Transaction with owners:					
Dividends on ordinary shares	10	-	-	(1,632,750)	(1,632,750)
At 31 December 2016		77,750	691,905	(250,385) [1]	519,270
Total comprehensive income		-	-	1,476,698	1,476,698
Transaction with owners:					
Dividends on ordinary shares	10	-	-	(1,477,250)	(1,477,250)
Transfer to share capital[2]	23	691,905	(691,905)	-	-
At 31 December 2017		769,655	-	(250,937) [1]	518,718
Company					
At 1 January 2016		77,750	691,905	3,025	772,680
Total comprehensive income		-	-	1,632,797	1,632,797
Transaction with owners:					
Dividends on ordinary shares	10	-	-	(1,632,750)	(1,632,750)
At 31 December 2016		77,750	691,905	3,072	772,727
Total comprehensive income		-	-	1,477,194	1,477,194
Transaction with owners:					
Dividends on ordinary shares	10	-	-	(1,477,250)	(1,477,250)
Transfer to share capital[2]	23	691,905	(691,905)	-	-
At 31 December 2017		769,655	-	3,016	772,671

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Statements of changes in equity
For the financial year ended 31 December 2017 (cont'd.)

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.

Note: [2] The new Companies Act 2016, which came into effect on 31 January 2017, abolished the concept of authorised share capital and par value of share capital. Consequently, the amounts standing to the credit of the share premium account becomes part of the Company's share capital pursuant to the transitional provisions set out in Section 618 (2) of the Companies Act 2016. There is no impact on the numbers of ordinary shares in issue or the relative entitlement of any of the members as a result of this transition.

The 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 2017

	Note	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
Cash flows from operating activities					
Profit before tax		1,985,350	2,238,184	1,477,244	1,632,858
Adjustments for:					
Amortisation of intangible assets	12	160,833	130,970	-	-
Allowance for impairment on trade receivables	16(a)	45,425	50,704	-	-
Dividend income		-	-	(1,477,000)	(1,632,500)
Depreciation of property, plant and equipment	11	624,778	520,211	-	-
Finance costs	6	132,457	78,078	-	-
Gain on disposal of property, plant and equipment		(245)	(345)	-	-
Loss on disposal of intangible asset		-	1,052	-	-
Reversal of provision for site decommissioning and restoration costs	21(a)	-	(340)	-	-
Write-off of intangible asset	12	356	-	-	-
Interest income		(23,738)	(12,536)	(207)	(265)
(Reversal of provision)/ provision for employee leave entitlements	21(a)	(1,633)	1,352	-	-

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Statements of cash flows
For the financial year ended 31 December 2017 (cont'd.)

	Note	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
Cash flows from operating activities (cont'd.)					
Adjustments for (cont'd.):					
Employee benefits					
- share-based payment		241	398	-	-
- defined benefit plan	24	18	80	-	-
Fair value loss/(gain) on derivative financial instruments		5,481	(4,152)	-	-
Unrealised foreign exchange (gain)/loss		(3,131)	2,526	-	-
Operating cash flows before working capital changes		2,926,192	3,006,182	37	93
(Increase)/decrease in inventories		(11,316)	68,972	-	-
Decrease/(increase) in trade and other receivables		341,127	(917,910)	1	4
(Decrease)/increase in trade and other payables		(26,903)	(119,254)	20	(36)
Decrease in deferred revenue		(56,731)	(36,149)	-	-
Cash generated from operations		3,172,369	2,001,841	58	61
Advance payment for bandwidth		(55,994)	-	-	-
Interest paid		(117,406)	(85,602)	-	-
Proceeds from government grants		121,949	100,576	-	-
Payments for provisions	21(a)	(302)	(244)	-	-
Taxes paid		(543,994)	(484,252)	(58)	(61)
Net cash generated from operating activities		2,576,622	1,532,319	-	-

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Statements of cash flows
For the financial year ended 31 December 2017 (cont'd.)

	Note	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
Cash flows from investing activities					
Purchase of property, plant and equipment		(699,721)	(705,088)	-	-
Purchase of intangible assets		(644,512)	(70,596)	-	-
Purchase of unquoted investment		(63)	(100)	-	-
Dividends received from a subsidiary	5	-	-	1,477,000	1,632,500
Interest received		23,370	12,438	207	265
Proceeds from disposal of property, plant and equipment		1,047	405	-	-
Proceeds from disposal of intangible asset		-	1,481	-	-
Proceeds from disposal of short-term investment		-	28	-	-
Net cash (used in)/generated from investing activities		(1,319,879)	(761,432)	1,477,207	1,632,765
Cash flows from financing activities					
Repayment of loans and borrowings		(750,000)	(1,010,000)	-	-
Proceeds from issuance of Sukuk Programme		905,000	-	-	-
Redemption of Sukuk Programme		(5,000)	-	-	-
Repayment of obligations under finance lease		(4,840)	(8,808)	-	-
Drawdown of loans and borrowings		275,000	2,025,000	-	-
Dividends paid	10	(1,477,250)	(1,632,750)	(1,477,250)	(1,632,750)
Net cash used in financing activities		(1,057,090)	(626,558)	(1,477,250)	(1,632,750)

Digi.Com Berhad
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Statements of cash flows
For the financial year ended 31 December 2017 (cont'd.)

	Note	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
Net increase/(decrease) in cash and cash equivalents		199,653	144,329	(43)	15
Effect of exchange rate changes on cash and cash equivalents		(1,196)	(1,298)	-	-
Cash and cash equivalents at beginning of financial year		376,588	233,557	940	925
Cash and cash equivalents at end of financial year	18	575,045	376,588	897	940

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

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 Lot 6.05, Level 6, KPMG Tower, 8 First Avenue, Bandar Utama, 47800 Petaling Jaya, Selangor Darul Ehsan.

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 13.

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

There has been no significant change in the nature of the principal activities during the financial year.

2. Significant accounting policies

(a) 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 amended MFRSs which are mandatory for annual financial periods beginning on or after 1 January 2017 as described fully in Note 3(a).

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.)

(b) 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.

(c) 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.)

(d) 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:

Freehold buildings	2.0%
Leasehold land and buildings	30 to 99 years
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.)

(d) 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.

(e) 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.

(i) Spectrum rights

Expenditure for the acquisition of the spectrum rights are capitalised under intangible assets. The amount is amortised using the straight-line method over the spectrum assignment period which ranges from 10 to 15 years.

2. Significant accounting policies (cont'd.)

(e) Intangible assets (cont'd.)

(ii) 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.

(iii) License fee

License fees are capitalised and amortised over the period of the licenses. The license fees had been fully-amortised in the financial year ended 31 December 2009.

(f) Impairment of non-financial assets

At each reporting date, the Group reviews the carrying amounts of its 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.)

(f) 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.

(g) 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.

(h) Financial assets

Financial assets are recognised in the statements of financial position when, and only when, the Group and the Company become a party to the contractual provisions of the financial instrument.

Financial assets are recognised initially at fair value plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

The Group and the Company determine the classification of financial assets at initial recognition and classify their financial assets in the following categories - at fair value through profit or loss, loans and receivables and available-for-sale financial assets, as appropriate. The Group and the Company do not have any financial assets that are held-to-maturity investments.

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

Financial assets at fair value through profit or loss are financial assets held for trading purposes or are designated as such upon initial recognition. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term. Derivatives are also categorised as held for trading unless they are designated as effective hedging instruments.

2. Significant accounting policies (cont'd.)

(h) Financial assets (cont'd.)

(i) Financial assets at fair value through profit or loss (cont'd.)

Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in fair value are recognised in profit or loss.

Derivatives embedded in host contracts, if any, are accounted for as separate derivatives when their risks and characteristics are not closely related to those of the host contracts and the host contracts are not carried at fair value. These embedded derivatives are measured at fair value with any gain or loss arising from changes in fair value being recognised in profit and loss. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The Group's and the Company's loan and receivables comprise receivables and cash and short-term deposits. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest rate method. Gains and losses are recognised in profit and loss when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

(iii) Available-for-sale financial assets

Available-for-sale financial assets are financial assets that are designated as available for sale or are not classified as financial assets at fair value through profit or loss or loans and receivables.

After initial recognition, available-for-sale financial assets are measured at fair value. Any gains or losses from changes in fair value of the financial assets are recognised in other comprehensive income, except that impairment losses, foreign exchange gains and losses on monetary instruments and interest calculated using the effective interest method are recognised in profit or loss. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment when the financial asset is derecognised. Interest income calculated using the effective interest method is recognised in profit or loss. Dividends on an available-for-sale equity instrument are recognised in profit or loss when the Group’s and the Company’s rights to receive payment is established.

2. Significant accounting policies (cont'd.)

(h) Financial assets (cont'd.)

(iii) Available-for-sale financial assets (cont'd.)

Investments in equity instruments whose fair value cannot be reliably measured are measured at cost less impairment loss, if any.

Available-for-sale financial assets are classified as non-current assets unless they are expected to be realised within 12 months after the reporting date.

A financial asset is derecognised when the contractual right to receive cash flows from the asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

All normal purchases and sales of financial assets are recognised or derecognised on the trade date i.e. the date that the Group and the Company commit to purchase or sell the asset. Normal purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the market place concerned.

(i) Impairment of financial assets

The Group and the Company assess at each reporting date whether there is any objective evidence that a financial asset is impaired.

(i) Trade and other receivables and other financial assets carried at amortised cost

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Group and the Company consider factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments. For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis based on similar risk characteristics. Objective evidence of impairment for a portfolio of receivables include the Group’s past experience of collecting debts, and reduced collection rates for specific ageing buckets.

If any such evidence exists, the amount of impairment loss is measured as the difference between the asset’s carrying amount and the present value of estimated future cash flows discounted at the financial asset’s original effective interest rate. The impairment loss is recognised in profit or loss.

2. Significant accounting policies (cont'd.)

(i) Impairment of financial assets (cont'd.)

The Group and the Company assess at each reporting date whether there is any objective evidence that a financial asset is impaired. (cont'd.)

(i) Trade and other receivables and other financial assets carried at amortised cost (cont'd.)

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable becomes uncollectible, it is written off against the allowance account.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in profit or loss.

(ii) Available-for-sale financial assets (unquoted equity securities carried at cost)

If there is objective evidence (such as significant adverse changes in the business environment where the issuer operates, probability of insolvency or significant financial difficulties of the issuer) that an impairment loss on financial assets carried at cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed in subsequent periods.

(j) 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.

2. Significant accounting policies (cont'd.)

(k) 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.

(i) 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.

(ii) 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.

(iii) Defined benefit plan

Provision for defined benefit plan for eligible employees is as disclosed in Note 2(p)(iii).

2. Significant accounting policies (cont'd.)

(l) Financial liabilities

Financial liabilities are classified as either financial liabilities at fair value through profit or loss, or other financial liabilities, as appropriate in the statements of financial position, according to the substance of the contractual arrangements entered into and the definitions of a financial liability. Management determines the classification of financial liabilities of the Group and of the Company upon initial recognition.

A financial liability is derecognised when the obligation under the liability is extinguished. 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 a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

Financial assets and financial liabilities are offset and the net amount reported in the statements of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

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

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

Financial liabilities are classified as held for trading purposes if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Group that do not meet the hedge accounting criteria. Derivative liabilities are initially measured at fair value and subsequently stated at fair value, with any resultant gains or losses recognised in profit or loss.

(ii) Other financial liabilities

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

Trade and other payables are initially measured at fair value plus directly attributable transaction costs, and are subsequently measured at amortised cost, using the effective interest rate method.

2. Significant accounting policies (cont'd.)

(l) Financial liabilities (cont'd.)

(ii) Other financial liabilities (cont'd.)

Loans and borrowings are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised in profit and loss over the period of the borrowings using the effective interest rate method.

For other financial liabilities, gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

(m) 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.

(n) 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.

(o) Leases

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.)

(o) Leases (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.

(p) Employee benefits

(i) 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. Where payment or settlement is deferred and the effect of the time value of money is material, these amounts are discounted to their present value.

(ii) 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.)

(p) Employee benefits (cont'd.)

(iii) 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. Significant accounting policies (cont'd.)

(q) Income taxes

(i) 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.

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.

(ii) 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.

(iii) 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.)

(r) 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.

(s) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable for the sales of goods and services in the ordinary course of the Group's business activities, net of discounts and indirect taxes. The Group recognises revenue when it is probable that the economic benefits associated with the transaction will flow to the Group and the amount of the revenue can be measured reliably. The following specific recognition criteria must also be met before revenue is recognised:

(i) Telecommunication revenue

Revenue relating to provision of telecommunications and related services are recognised net of rebates and discounts upon the transfer of risks and rewards when goods are delivered and services are performed. Revenue from services that have been sold to customers but where services have not been rendered at the reporting date is deferred.

(ii) Sales of device

Revenue from sale of device is recognised when significant risks and rewards of ownership of the device have been passed to the customer, usually on delivery and acceptance of the device.

(iii) Interest income

Interest income is recognised on a time-proportion basis that reflects the effective yield on the asset.

2. Significant accounting policies (cont'd.)

(s) Revenue recognition (cont'd.)

(iv) Dividend income

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

(v) Lease income

Lease income is accounted for on a straight-line basis over the lease terms. 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.

(t) 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.

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.

(u) Foreign currency transactions

(i) 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.

2. Significant accounting policies (cont'd.)

(u) Foreign currency transactions (cont'd.)

(ii) 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.

(v) Fair value measurement

The Group measures financial instruments, such as, derivatives at fair value at each reporting date. Also, fair values of financial instruments measured at amortised cost are disclosed in Note 29(f).

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.

2. Significant accounting policies (cont'd.)

(v) Fair value measurement (cont'd.)

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.

(w) 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.

2. Significant accounting policies (cont'd.)

(w) Current versus non-current classification (cont'd.)

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.

(x) Segment reporting

The Group provides mobile communication services and related products to customers across the country and its services and products essentially have 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 31.

3. Changes in accounting policies

(a) Adoption of amended MFRSs

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

On 1 January 2017, the Group and the Company adopted the following amended MFRSs mandatory for annual financial periods beginning on or after 1 January 2017.

Description	**Effective for annual periods beginning on or after**
MFRS 107: Disclosure Initiative (Amendments to MFRS 107)	1 January 2017
MFRS 112: Recognition of Deferred Tax Assets for Unrealised Losses (Amendments to MFRS 112)	1 January 2017
Annual Improvements to MFRS Standards 2014–2016 Cycle - MFRS 12: Disclosure of Interests in Other Entities: Clarification of the scope of disclosure requirements in MFRS 12 (Amendments to MFRS 12)	1 January 2017

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

(a) Adoption of amended MFRSs (cont'd.)

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

MFRS 107 Disclosure Initiative (Amendments to MFRS 107)

The amendments to MFRS 107 Statement of Cash Flows requires an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non cash changes. On initial application of these amendments, entities are not required to provide comparative information for preceding periods. Apart from the additional disclosures in Note 19, the application of these amendments has had no impact on the Group and on the Company.

(b) Standards and interpretations issued but not yet effective

The standards and interpretations 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 and interpretations, if applicable, when they become effective.

Description	**Effective for annual periods beginning on or after**
MFRS 15: Revenue from Contracts with Customers	1 January 2018
MFRS 9: Financial Instruments	1 January 2018
Annual Improvements to MFRS Standards 2014–2016 Cycle	1 January 2018
MFRS 2: Classification and Measurement of Share-based Payment Transactions (Amendments to MFRS 2)	1 January 2018
MFRS 140: Transfers of Investment Property (Amendments to MFRS 140)	1 January 2018
IC Interpretation 22: Foreign Currency Transactions and Advance Consideration	1 January 2018
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
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

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

(b) Standards issued but not yet effective (cont'd.)

The directors expect that the adoption of the above standards and interpretations will not have material impact on the financial statements in the period of initial application except as discussed below:

MFRS 15 Revenue from contracts with customers

MFRS 15 establishes a new five-step model that will apply to revenue arising from contracts with customers. MFRS 15 will supersede the current revenue recognition guidance including MFRS 118 Revenue, MFRS 111 Construction Contracts and the related interpretations when it becomes effective.

The core principle of MFRS 15 is that an entity should recognise revenue which depicts the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

Under MFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when “control” of the goods or services underlying the particular performance obligation is transferred to the customer.

The Group has assessed the effects of applying the new standard on the financial statements and have identified the following areas that will be affected:

- In the case of multiple-element arrangements i.e. postpaid plans sold together with a subsidised device, a larger portion of the total consideration of the contract will be attributable to the component delivered in advance (i.e. device), requiring higher recognition of revenue upfront. Correspondingly, this results in lower portion of the total consideration being attributable to provision of services.

- The recognition of higher device revenue upfront would also result in recognition of what is known as a contract asset (a receivable arising from the customer contract that has not yet legally come into existence) in the statement of financial position.

- Subscriber acquisition costs (i.e. sales commission) will now be capitalised and expensed off over the estimated customer retention period.

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

(b) Standards issued but not yet effective (cont'd.)

MFRS 15 Revenue from contracts with customers (cont'd.)

The Group has assessed the effects of applying the new standard on the financial statements and have identified the following areas that will be affected (cont'd.):

- Total assets will increase on first-time adoption of MFRS 15 due to the capitalisation of contract assets and subscribers’ acquisition costs.

- Increased disclosures on assumptions made to estimate the stand-alone selling price for each performance obligation.

The Group intends to adopt the standard using the modified retrospective approach. This means that contracts that are still on-going as at 1 January 2018 will be accounted for as if they had been recognised in accordance with MFRS 15 at the commencement of the contract. The cumulative impact arising from the adoption will be recognised in retained earnings as at 1 January 2018 and comparatives will not be restated.

Currently, the Group is carrying out post go-live verification for the newly implemented solution that performs the calculation based on MFRS 15 requirements and expects that reliable quantitative effects to be available upon completion of the verification process by the first quarter of 2018.

MFRS 9 Financial instruments

MFRS 9 is effective for annual periods beginning on or after 1 January 2018. Retrospective application is required, but comparative information is not compulsory. MFRS 9 introduces new requirements with impacts mainly relating to classification and measurement of financial instruments, impairment assessment based on the expected credit loss model and hedge accounting.

Based on the current assessment, the Group does not expect a material impact upon the adoption of MFRS 9, except for the effect of applying the impairment assessment based on the expected credit loss model on trade receivables.

The Group intends to apply the simplified approach and record lifetime expected losses on all trade receivables and expects an increase in loss allowance to be recognised upon the adoption of MFRS 9.

The Group is currently finalising its assessment and expects quantitative effects to be available by the first quarter of 2018.

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

(b) Standards issued but not yet effective (cont'd.)

MFRS 16 Leases

MFRS 16 will replace MFRS 117: Leases, IC Interpretation 4: Determining whether an Arrangement contains a Lease, IC Interpretation 115: Operating Lease-Incentives and IC Interpretation 127: Evaluating the Substance of Transactions Involving the Legal Form of a Lease. MFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under MFRS 117.

At the commencement date of a lease, a lessee will recognise a liability to make lease payments and an asset representing the right to use the underlying asset during the lease term. The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions), less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications.

Classification of cash flows will also be affected as operating lease payments under MFRS 117 are presented as operating cash flows, whereas under MFRS 16, the lease payments will be split into a principal (which will be presented as financing cash flows) and an interest portion (which will be presented as operating cash flows).

Lessor accounting under MFRS 16 is substantially the same as the accounting under MFRS 117. Lessors will continue to classify all leases using the same classification principle as in MFRS 117 and distinguish between two types of leases: operating and finance leases. MFRS 16 also requires lessees and lessors to make more extensive disclosures than under MFRS 117.

MFRS 16 is effective for annual periods beginning on or after 1 January 2019. Early application is permitted but not before an entity applies MFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach.

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

(b) Standards issued but not yet effective (cont'd.)

MFRS 16 Leases (cont'd.)

The standard will affect primarily the accounting for the Group's operating leases. As at 31 December 2017, the Group has significant non-cancellable operating lease commitments. MFRS 117 does not require the recognition of any right-of-use asset or liability for future payments for these non-cancellable operating leases. Instead, certain disclosures are made in Note 26(b). A preliminary assessment indicates that these arrangements will meet the definition of a lease under MFRS 16 and hence the Group will recognise a right-of-use asset and a corresponding liability in respect of these leases. The new requirements to recognise a right-of-use asset and a related lease liability is expected to have a significant impact on the amounts recognised in the Group's consolidated financial statements and the Group is currently assessing its potential impact. It is not practicable to provide a reasonable estimate of the financial effect until the Group completes the review.

For finance leases where the Group is a lessee, the Group has already recognised an asset and a related finance lease liability for such lease arrangements. Accordingly, for such lease arrangements the Group does not anticipate the application of MFRS 16 to have a significant impact on the Group's financial statements.

(c) Changes in regulatory requirements

Companies Act 2016

The Companies Act 2016 was enacted to replace the Companies Act, 1965 with the objectives to create a legal and regulatory structure that will facilitate business, and promote accountability as well as protection of corporate directors and shareholders, taking into consideration the interest of other stakeholders. The Companies Act 2016 was passed on 4 April 2016 by the Dewan Rakyat (House of Representative) and gazetted on 15 September 2016. The Companies Act 2016 (except section 241 and Division 8 of Part III) becomes effective on 31 January 2017.

Amongst the key changes introduced in the Companies Act 2016 which will affect the financial statements of the Group and of the Company upon the commencement of the Companies Act 2016 on 31 January 2017 are:

(i) removal of the authorised share capital;
(ii) shares of the Company will cease to have par or nominal value; and
(iii) the Company's share premium account will become part of the Company's share capital.

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

(c) Changes in regulatory requirements (cont'd.)

Companies Act 2016 (cont'd.)

The adoption of the Companies Act 2016 has no financial impact on the Group and the Company for the current financial year ended 31 December 2017. The effect of adoption is mainly on the disclosures to the financial statements of the Group and of the Company.

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.

(a) 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 2.3% (2016: 1.8%) 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.

(b) Impairment of loans and receivables

The Group assesses at each reporting date whether there is any objective evidence that a financial asset is impaired. To determine whether there is objective evidence of impairment, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant reduction in collection rates.

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

(b) Impairment of loans and receivables (cont'd.)

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. The carrying amounts of the Group’s trade and other receivables at the reporting date are disclosed in Note 16. If the present value of estimated future cash flows varies by 5.0% from management’s estimates, the Group’s allowance for impairment will cause either a 0.1% (2016: 0.1%) increase or 0.2% (2016: 0.2%) decrease respectively in the Group's profit for the year.

(c) 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 on 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 20.

(d) 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 determination is uncertain at the reporting date.

Where the final tax outcome 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 such determination is made.

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

(e) 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 21.

5. Revenue

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Telecommunication revenue	5,969,277	6,264,278	-	-
Sales of device	305,943	270,415	-	-
Lease income	65,253	62,409	-	-
Dividend income from a subsidiary	-	-	1,477,000	1,632,500
	6,340,473	6,597,102	1,477,000	1,632,500

6. Finance costs

	Note	Group 2017 RM'000	Group 2016 RM'000
Interest expense on:			
- Loans and borrowings		128,271	74,457
- Obligations under finance lease		1,943	2,602
- Site decommissioning and restoration costs	21	1,765	1,019
- Others		117	-
		132,096	78,078
Net change in fair value of derivative financial instruments:			
- Interest rate swaps		361	-
		132,457	78,078

7. Profit before tax

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

	Note	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
Allowance for impairment on trade receivables	16(a)	45,425	50,704	-	-
Auditors' remuneration:					
- statutory audit		408	385	44	44
- other services*		696	394	-	-
Staff expenses**		247,385	254,917	-	-
Non-executive directors' remuneration***:					
- fees		752	752	75	75
- other emoluments		8	5	-	-
Lease of transmission facilities		160,426	156,860	-	-
Reversal of provision for site decommissioning and restoration costs	21(a)	-	(340)	-	-
Rental of land and buildings		386,849	337,927	-	-
Rental of equipment and others		11,300	17,254	-	-
Realised foreign exchange loss		2,447	7,142	-	-
Unrealised foreign exchange (gain)/loss		(3,131)	2,526	-	-
Fair value loss/(gain) on derivative financial instruments		5,481	(4,152)	-	-
Mark-to-market loss on derivative financial instruments		-	492	-	-
Gain on disposal of property, plant and equipment		(245)	(345)	-	-
Loss on disposal of intangible asset - computer software		-	1,052	-	-
Loss on disposal of short-term investment		-	72	-	-
Write-off of intangible asset		356	-		
Bad debts recovered		(18,556)	(17,034)	-	-
Waiver of debt		-	-	(1,645)	(1,472)
Interest income from deposits with licensed banks		(23,738)	(12,536)	(207)	(265)

7. Profit before tax (cont'd.)

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

* Fees for other services were incurred in connection with performance of agreed upon procedures, regulatory compliance reporting, tax and advisory services paid or payable to member firms of Ernst & Young Global Limited.

** Staff expenses incurred by the Group net of capitalisation of employee benefit expense in property, plant and equipment during the financial year represented by:

	Group 2017 RM'000	Group 2016 RM'000
Wages and salaries	182,760	191,237
Defined contribution plan	24,475	21,846
Defined benefit plan	18	80
Share-based payment	241	398
(Reversal of provision)/provision for employee leave entitlements	(1,633)	1,352
Other staff related expenses	41,524	40,004
	247,385	254,917

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

	Number of directors 2017	Number of directors 2016
Non-executive directors:		
- Nil	7	4
- Below RM100,000	-	-
- RM100,001 - RM200,000	-	-
- RM200,001 - RM300,000	3	3

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8. Taxation

Major components of income tax expense

The major components of income tax expense for the financial years ended 31 December 2017 and 2016 are:

	Group		Company	
	2017 RM'000	**2016 RM'000**	**2017 RM'000**	**2016 RM'000**
Statements of comprehensive income:				
Income tax:				
- Current tax expense	525,892	562,812	50	64
- (Over)/under accrual in prior years	(3,478)	56,459	-	(3)
Total income tax	522,414	619,271	50	61
Deferred taxation (Note 20):				
- Relating to origination and reversal of temporary differences	(21,126)	(8,397)	-	-
- Under/(over) accrual in prior years	7,364	(5,348)	-	-
Total deferred tax	(13,762)	(13,745)	-	-
Income tax expense recognised in profit or loss	508,652	605,526	50	61

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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:

	%	2017 RM'000	%	2016 RM'000
Group				
Profit before tax		1,985,350		2,238,184
Taxation at Malaysian statutory tax rate	24.0	476,484	24.0	537,164
Effect of expenses not deductible for tax purposes	1.4	28,282	0.8	17,251
(Over)/under accrual of income tax expense in prior years	(0.2)	(3,478)	2.5	56,459
Under/(over) accrual of deferred tax expense in prior years	0.4	7,364	(0.2)	(5,348)
Effective tax rate/income tax expense recognised in profit or loss	25.6	508,652	27.1	605,526
Company				
Profit before tax		1,477,244		1,632,858
Taxation at Malaysian statutory tax rate	24.0	354,539	24.0	391,886
Income not subject to tax	(24.0)	(354,489)	(24.0)	(391,822)
Over accrual of income tax expense in prior year	-	-	(0.0)	(3)
Effective tax rate/income tax expense recognised in profit or loss	0.0	50	0.0	61

Domestic current income tax is calculated at the Malaysian statutory tax rate of 24% (2016: 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 2017	Group 2016
Profit attributable to owners of the parent (RM'000)	1,476,698	1,632,658
Weighted average number of ordinary shares in issue ('000)	7,775,000	7,775,000
Basic earnings per share (sen)	19.0	21.0

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 2017 RM'000	Group/Company 2016 RM'000
Recognised during the financial year:		
Dividends on ordinary shares:		
- Fourth interim tax exempt (single-tier) dividend (2016: 4.8 sen; 2015: 4.9 sen)	373,200	380,975
- First interim tax exempt (single-tier) dividend (2017:4.7 sen; 2016: 5.1 sen)	365,425	396,525
- Second interim tax exempt (single-tier) dividend (2017: 4.6 sen; 2016: 5.4 sen)	357,650	419,850
- Third interim tax exempt (single-tier) dividend (2017: 4.9 sen; 2016: 5.6 sen)	380,975	435,400
	1,477,250	1,632,750

10. Dividends (cont'd.)

	Group/Company	
	2017	**2016**
	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 (2017: 4.6 sen; 2016: 4.8 sen)	357,650	373,200

The Board of Directors had on 23 January 2018, declared a fourth interim tax exempt (single-tier) dividend of 4.6 sen per ordinary share in respect of the financial year ended 31 December 2017 amounting to RM357,650,000. 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 2018.

11. Property, plant and equipment

Group	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
Cost												
At 1 January 2017	29,638	7,312	7,565	143,295	7,365	6,866	26,267	292,730	194,722	4,929,200	288,038	5,932,998
Additions	-	-	-	-	-	-	332	7,845	2,224	57,807	634,075	702,283
Disposals	-	-	-	-	(219)	-	(3,274)	(30)	(52)	(71)	(570)	(4,216)
Write offs	-	-	-	-	-	-	-	(58)	(7,805)	(118,931)	-	(126,794)
Transfers	-	-	-	-	-	-	-	6,170	43,589	744,764	(794,523)	-
At 31 December 2017	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
Accumulated depreciation												
At 1 January 2017	-	1,439	2,955	21,390	745	3,050	16,613	222,316	145,020	2,687,205	-	3,100,733
Depreciation expenses for the year	-	61	128	2,823	65	108	3,272	24,434	22,311	571,576	-	624,778
Disposals	-	-	-	-	(60)	-	(3,200)	(16)	(52)	(86)	-	(3,414)
Write offs	-	-	-	-	-	-	-	(58)	(7,805)	(118,931)	-	(126,794)
At 31 December 2017	-	1,500	3,083	24,213	750	3,158	16,685	246,676	159,474	3,139,764	-	3,595,303
Carrying Amount												
At 31 December 2017	29,638	5,812	4,482	119,082	6,396	3,708	6,640	59,981	73,204	2,473,005	127,020	2,908,968

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

Group (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
Cost												
At 1 January 2016	29,638	7,312	7,565	128,015	7,365	6,866	26,529	428,017	167,788	4,336,251	255,948	5,401,294
Additions	-	-	-	-	-	-	2,835	-	1,913	26,617	677,957	709,322
Disposals	-	-	-	-	-	-	(3,097)	(1,737)	(164)	(3)	-	(5,001)
Write offs	-	-	-	-	-	-	-	(149,781)	(8,743)	(14,093)	-	(172,617)
Transfers	-	-	-	15,280	-	-	-	16,231	33,928	580,428	(645,867)	-
At 31 December 2016	29,638	7,312	7,565	143,295	7,365	6,866	26,267	292,730	194,722	4,929,200	288,038	5,932,998
Accumulated depreciation												
At 1 January 2016	-	1,378	2,827	18,919	678	2,942	16,615	344,007	133,534	2,237,180	-	2,758,080
Depreciation expenses for the year	-	61	128	2,471	67	108	3,037	29,825	20,393	464,121	-	520,211
Disposals	-	-	-	-	-	-	(3,039)	(1,735)	(164)	(3)	-	(4,941)
Write offs	-	-	-	-	-	-	-	(149,781)	(8,743)	(14,093)	-	(172,617)
At 31 December 2016	-	1,439	2,955	21,390	745	3,050	16,613	222,316	145,020	2,687,205	-	3,100,733
Carrying Amount												
At 31 December 2016	29,638	5,873	4,610	121,905	6,620	3,816	9,654	70,414	49,702	2,241,995	288,038	2,832,265

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

(a) The Group acquired property, plant and equipment with an aggregate cost of RM702.3 million (2016: RM709.3 million) of which RM2.6 million (2016: RM4.2 million) relates to the provision for site decommissioning and restoration costs, as disclosed in Note 21.

(b) Government grants of RM223.8 million (2016: RM119.2 million) relating to additions to property, plant and equipment, were deducted before arriving at the cost of qualifying property, plant and equipment during the financial year ended 31 December 2017.

12. Intangible assets

	Spectrum rights RM'000	Computer software RM'000	Licenses RM'000	Total RM'000
Group				
Cost				
At 1 January 2017	695,066	581,871	1,300	1,278,237
Additions	598,545	45,967	-	644,512
Write offs	-	(417)	-	(417)
At 31 December 2017	1,293,611	627,421	1,300	1,922,332
Accumulated amortisation				
At 1 January 2017	600,283	222,877	1,300	824,460
Amortisation expenses for the year	95,777	65,056	-	160,833
Write offs	-	(61)	-	(61)
At 31 December 2017	696,060	287,872	1,300	985,232
Carrying amount				
At 31 December 2017	597,551	339,549	-	937,100

Included in the cost of computer software are computer software not available for use of RM54.7 million as at 31 December 2017 (2016: RM116.3 million).

The addition of spectrum rights of RM598.5 million in the current year relates to the upfront payment made to Malaysian Communication and Multimedia Commission ("MCMC") for Spectrum Assignment in prior year. On the effective date of the Spectrum Assignment on 1 July 2017, the upfront payment was reclassified from prepayment to spectrum rights which will be amortised over the tenure of the Spectrum Assignment of 15 years.

12. Intangible assets (cont'd.)

	Spectrum rights RM'000	Computer software RM'000	Licenses RM'000	Total RM'000
Group				
Cost				
At 1 January 2016	695,066	854,351	1,300	1,550,717
Additions	-	70,596	-	70,596
Disposals	-	(2,533)	-	(2,533)
Write offs	-	(340,543)	-	(340,543)
At 31 December 2016	695,066	581,871	1,300	1,278,237
Accumulated amortisation				
At 1 January 2016	524,458	508,275	1,300	1,034,033
Amortisation expenses for the year	75,825	55,145	-	130,970
Write offs	-	(340,543)	-	(340,543)
At 31 December 2016	600,283	222,877	1,300	824,460
Carrying amount				
At 31 December 2016	94,783	358,994	-	453,777

13. Investments in subsidiaries

	Company 2017 RM'000	Company 2016 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 2017 (%)	Percentage of ownership interest held by the Group 2016 (%)	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 of DTSB:			
- Digi Services Sdn Bhd	100	100	Dormant
- Y3llowLabs Sdn Bhd #	100	100	Provision of e-commerce, digital services and solutions

\# Y3llowLabs Sdn Bhd commenced its operations on 1 June 2017.

14. Other investment

	Group 2017 RM'000	Group 2016 RM'000
Non-current		
Available-for-sale financial asset:		
- Unquoted shares at cost	163	100

14. Other investment (cont'd.)

During the financial year, the Group's wholly owned subsidiary, Y3llownation Sdn Bhd (“YN”), had subscribed to equity interest of approximately 5% in Vase Technologies Sdn Bhd ("Vase"), an entity incorporated in Malaysia. Vase is engaged in operating a market research platform that distributes online surveys to a ready pool of respondents registered with them.

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

15. Inventories

	Group	
	2017 RM'000	2016 RM'000
Merchandise:		
- At cost	56,040	45,174
- At net realisable value	3,098	2,648
	59,138	47,822

During the financial year, the amount of inventories recognised as an expense in cost of materials of the Group was RM490.3 million (2016: RM379.1 million).

16. Trade and other receivables

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Non-current				
Prepayments	101,163	62,572	-	-
Current				
Trade receivables	406,345	371,156	-	-
Other receivables	548,558	436,797	4	5
Deposits	179,808	171,423	-	-
Prepayments	89,556	741,680	-	-
	1,224,267	1,721,056	4	5
Allowance for impairment on trade receivables	(7,279)	(13,377)	-	-
	1,216,988	1,707,679	4	5
Total trade and other receivables	1,318,151	1,770,251	4	5

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

The Group's trade receivables are non-interest bearing, and are subject to normal trade credit terms ranging from 30 to 45 days (2016: 30 to 45 days). They are recognised at their original invoice amounts which represent their fair value on initial recognition.

Included in non-current and current prepayments are advances to a network facility provider ("NFP") of RM123.1 million (2016: RM83.4 million) to provide connectivity services for a period of 10 years.

(a) Trade receivables

As at 31 December, the ageing analysis of trade receivables net of allowance for impairment and bad debts written off, is as follows:

	Group	
	2017 RM'000	**2016 RM'000**
Trade receivables:		
- Neither past due nor impaired	324,802	287,835
- 1 to 30 days past due not impaired	50,242	35,107
- 31 to 60 days past due not impaired	5,148	17,235
- 61 to 90 days past due not impaired	4,691	3,210
- 91 to 180 days past due not impaired	5,995	6,485
- More than 181 days past due not impaired	8,188	7,907
	399,066	357,779

Trade receivables that are neither past due nor impaired, representing 81% (2016: 80%) of the Group's total net trade receivables, are creditworthy debtors with good payment records with the Group. None of the Group’s trade receivables that are neither past due nor impaired have been renegotiated during the financial year.

At the reporting date, 19% (2016: 20%) of the Group's trade receivables were past due but not impaired. These relate mostly to corporate customers with slower repayment patterns, for whom there is no history of default.

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

(a) Trade receivables (cont'd.)

The movements of the Group's allowance for impairment on trade receivables are as follows:

	Note	Individually impaired RM'000	Collectively impaired RM'000	Total RM'000
At 1 January 2016		-	11,118	11,118
Charge for the year	7	48,445	2,259	50,704
Write offs		(48,445)	-	(48,445)
At 31 December 2016/ 1 January 2017		-	13,377	13,377
Charge/(reversal) for the year	7	51,523	(6,098)	45,425
Write offs		(51,523)	-	(51,523)
At 31 December 2017		-	7,279	7,279

The Group's trade receivables that are individually determined to be impaired at the reporting date relate to debtors that have defaulted on payments in excess of two months. These receivables are not secured by any collateral or credit enhancements.

As at 31 December 2017, Group's trade receivables with an initial carrying value of RM16,445,000 (2016: RM19,012,000) were impaired and provided for allowance for impairment amounting to RM7,279,000 (2016: RM13,377,000).

(b) Foreign currency exposures

At 31 December 2017, the Group's trade receivables balances included exposure to foreign currency denominated in United States Dollar ("USD") and Special Drawing Rights ("SDR") amounting to RM1.3 million (2016: RM5.2 million) and RM36.7 million (2016: RM31.6 million) respectively.

17. Derivative financial assets/(liabilities)

Group		2017 RM'000	2016 RM'000
Non-hedging derivative financial assets/(liabilities)			
Non-current			
- Interest rate swaps	(a)	355	-
Current			
- Foreign currency forward contracts	(b)	(1,447)	4,034

(a) 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 19 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%. 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 RM0.4 million arising from fair value changes attributable to changes in market interest rates.

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

(b) Foreign Currency Forward Contracts

	Contract value in foreign currency USD'000	Notional value RM'000	Fair value RM'000	(Liabilities)/ Assets RM'000
Foreign currency forward contracts:				
- 2017	14,000	58,228	56,781	(1,447)
- 2016	24,400	105,643	109,677	4,034

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 2018.

During the financial year, the Group recognised a loss of RM1.4 million (2016: a gain of RM4.0 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 29(f)(iv).

18. Cash and short-term deposits

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Cash and bank balances	102,962	80,688	897	940
Deposits with licensed banks	472,083	295,900	-	-
Cash and cash equivalents	575,045	376,588	897	940

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

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 RM10.3 million (2016: RM4.5 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	
	2017	**2016**
	%	**%**
Deposits with licensed banks	4	3

The deposits of the Group will mature within one month (2016: one month) from the end of the reporting date.

19. Loans and borrowings

		Group	
		2017	**2016**
	Note	**RM'000**	**RM'000**
Non-current (unsecured)			
Floating-rate term loans (Note a)		1,291,635	1,783,728
Finance lease obligation	26(c)	8,338	15,109
Floating-rate term financing-i (Note a)		492,642	-
Islamic medium term notes (Note b)		898,823	-
		2,691,438	1,798,837
Current (unsecured)			
Revolving credits		-	473,046
Finance lease obligation	26(c)	12,881	9,990
		12,881	483,036
Total loans and borrowings		2,704,319	2,281,873

19. Loans and borrowings (cont'd)

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

	Group 2017 %	Group 2016 %
Floating-rate term loans and term financing-i	5	5
Islamic medium term notes	5	-
Finance lease obligation	9	9
Revolving credits	-	5

The above borrowings and debt securities are denominated in RM.

(a) On 29 December 2017, the Group refinanced a portion of its existing floating-rate term loan of RM500.0 million to floating-rate term financing-i with a similar lender under the same terms and conditions of the existing loan. The related transaction costs incurred were netted off against proceeds from the floating-rate term financing-i. The Group needs to comply with conditions as set out within the floating-rate term loans and term financing-i agreements.

(b) On 4 April 2017, the Group through its wholly-owned subsidiary, DTSB, 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.

On 14 April 2017, the Group issued the first series of IMTN consisting 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
Total				900,000

On 20 April 2017, DTSB issued ICP amounting to RM5.0 million in nominal value at 4% discount rate with a tenure of one (1) month, which was subsequently redeemed in full upon its maturity on 19 May 2017.

The proceeds from IMTN have been partially hedged against interest rate risk using interest rate swaps as disclosed in Note 17.

19. Loans and borrowings (cont'd)

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

	Group	
	2017	**2016**
	RM'000	**RM'000**
Less than one year	12,881	483,036
Between one and two years	179,735	6,998
Between two and five years	1,639,783	1,073,313
More than five years	871,920	718,526
	2,704,319	2,281,873

Reconciliation of liabilities/(assets) arising from financing activities

	Non-current loans and borrowings RM'000	**Current loans and borrowings RM'000**	**Interest rate swaps RM'000**	**Total RM'000**
Group				
At 1 January 2017	1,798,837	483,036	-	2,281,873
Cash flows	900,000	(479,840)	-	420,160
Non-cash changes:				
Payment of transaction costs related to loans and borrowings	(3,582)	(1,005)	-	(4,587)
Fair value changes	-	-	361	361
Other changes	(3,817)	10,690	(716)	6,157
At 31 December 2017	2,691,438	12,881	(355)	2,703,964

Included in the other changes are the effects of reclassification of non-current portion of finance leases obligations 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.

20. Deferred tax liabilities

	Group 2017 RM'000	Group 2016 RM'000
At 1 January	311,285	325,030
Recognised in profit and loss (Note 8)	(13,762)	(13,745)
At 31 December	297,523	311,285

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

Deferred tax liability:

	Property, plant and equipment and intangible assets RM'000
At 1 January 2017	606,077
Recognised in profit and loss	(66,177)
At 31 December 2017	539,900
At 1 January 2016	584,123
Recognised in profit and loss	21,954
At 31 December 2016	606,077

Deferred tax assets:

	Deferred revenue RM'000	Others RM'000	Total RM'000
At 1 January 2017	(93,623)	(201,169)	(294,792)
Recognised in profit and loss	13,612	38,803	52,415
At 31 December 2017	(80,011)	(162,366)	(242,377)
At 1 January 2016	(98,303)	(160,790)	(259,093)
Recognised in profit and loss	4,680	(40,379)	(35,699)
At 31 December 2016	(93,623)	(201,169)	(294,792)

Others relate to deferred tax assets arising from deductible temporary differences on provisions and unrealised foreign exchange.

21. Other liabilities

	Group 2017 RM'000	Group 2016 RM'000
Non-current		
Provisions (Note a)	44,077	40,034
Current		
Provisions (Note a)	5,914	7,547
Deferred revenue (Note b)	333,343	390,074
	339,257	397,621
Total other liabilities	383,334	437,655

(a) Provisions

	Note	Site decommissioning and restoration costs RM'000	Defined benefit plan RM'000 (Note 24)	Total RM'000
Group				
Non-current				
At 1 January 2017		39,160	874	40,034
Capitalised as property, plant and equipment	11(a)	2,562	-	2,562
Recognised in profit and loss	6	1,765	18	1,783
Paid during the year		-	(302)	(302)
At 31 December 2017		43,487	590	44,077
At 1 January 2016		34,245	1,038	35,283
Capitalised as property, plant and equipment	11(a)	4,236	-	4,236
Recognised in profit and loss	6	1,019	80	1,099
Paid during the year		-	(244)	(244)
Reversal of provision	7	(340)	-	(340)
At 31 December 2016		39,160	874	40,034

21. Other liabilities (cont'd.)

(a) Provisions (cont'd.)

	Note	Employee leave entitlements RM'000
Group		
Current		
At 1 January 2017		7,547
Recognised in profit and loss	7	(1,633)
At 31 December 2017		5,914
At 1 January 2016		6,195
Recognised in profit and loss	7	1,352
At 31 December 2016		7,547

Further details on the provisions are disclosed in Note 2(k).

(b) Deferred revenue

Deferred revenue comprises unutilised balance of airtime and data subscriptions in respect of services sold to customers.

22. Trade and other payables

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Trade payables	255,600	225,782	-	-
Other payables	266,409	371,223	-	-
Accruals	1,392,626	1,335,685	965	945
Customer deposits	13,621	15,161	-	-
	1,928,256	1,947,851	965	945

The Group's trade and other payables are non-interest bearing, and are subject to normal credit terms ranging from 30 to 60 days (2016: 30 to 60 days).

At 31 December 2017, the Group's trade and other payables balances included exposure to foreign currency denominated in USD, SDR and Norwegian Krone ("NOK") amounting to RM75.8 million (2016: RM105.9 million), RM29.7 million (2016: RM27.3 million) and RM40.5 million (2016: RM67.0 million) respectively.

23. Share capital

	Group/Company			
	Number of ordinary shares		Amount	
	2017 '000	2016 '000	2017 RM'000	2016 RM'000
Authorised (Note (a))				
At 1 January/31 December	-	100,000,000	-	1,000,000
Issued and fully paid (Note (b))				
As at 1 January	7,775,000	7,775,000	77,750	77,750
Transfer of share premium pursuant to Companies Act 2016	-	-	691,905	-
As at 31 December	7,775,000	7,775,000	769,655	77,750

Notes:
The new Companies Act 2016 which came into effect on 31 January 2017, abolished:

(a) the concept of authorised share capital; and
(b) the concept of par value of share capital and consequently, the amount of RM691.9 million standing to the credit of the share premium account becomes part of the Company's share capital pursuant to the transitional provisions set out in Section 618 (2) of the Companies Act 2016.

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.

24. 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	
	Note	2017 RM'000	2016 RM'000
Present value of unfunded obligations	21	590	874

24. Defined benefit plan (cont'd.)

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

		Group	
	Note	2017 RM'000	2016 RM'000
Interest on obligations, representing increase in provision for defined benefit plan	7	18	80

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

	Group	
	2017 %	2016 %
Rate per annum:		
- Discount rate	5	5

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

25. Retained earnings

The Company may distribute dividends out of its entire retained earnings as at 31 December 2017 and 2016 respectively, under the single-tier system.

26. Commitments

(a) Capital commitments

	Group	
	2017 RM'000	2016 RM'000
Capital expenditure in respect of property, plant and equipment and intangible assets:		
- Approved and contracted for	412,000	1,077,000
- Approved but not contracted for	847,000	1,043,000

26. Commitments (cont'd.)

(b) Non-cancellable operating lease commitments

	Group	
	2017	2016
	RM'000	RM'000
Future minimum lease payments:		
- Less than one year	393,713	355,601
- Between one and five years	820,189	525,763
- More than five years	469,556	201,061
	1,683,458	1,082,425

Operating lease payments represent rentals payable by the Group for lease of transmission facilities and sites to support its telecommunications operations. The tenure of these leases range between one to ten years, with options to renew. None of the leases included contingent rentals.

(c) Finance lease 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	
	2017	2016
	RM'000	RM'000
Minimum lease payments:		
- Less than one year	13,849	11,726
- Between one and two years	6,796	7,946
- Between two and five years	1,965	8,506
Total minimum lease payments	22,610	28,178
Less: Amounts representing finance charges	(1,391)	(3,079)
Present value of minimum lease payments	21,219	25,099
Present value of payments:		
- Less than one year	12,881	9,990
- Between one and two years	6,382	6,998
- Between two and five years	1,956	8,111
Present value of minimum lease payments	21,219	25,099
Less: Amount due within 12 months (Note 19)	(12,881)	(9,990)
Amount due after 12 months (Note 19)	8,338	15,109

27. Performance guarantees

	Group 2017 RM'000	Group 2016 RM'000
Unsecured		
Guarantees given to third parties for public infrastructure works	19,914	13,484
Guarantee given to MCMC on the allocation of the 2600 MHz spectrum band	10,000	10,000
Guarantee given to MCMC for USP project of constructing and operating the radio access network infrastructure	10,264	24,562
	40,178	48,046

28. Significant related party disclosures

(a) 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 13.

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

Group	Transactions 2017 RM'000	Transactions 2016 RM'000	Balance due (to)/from at 2017 RM'000	Balance due (to)/from at 2016 RM'000
With the ultimate holding company and fellow subsidiaries				
- *Telenor ASA*			(27,557)	(49,483)
Consultancy services rendered	35,137	25,797		
Fees payable for licenses and trademarks	9,475	10,500		
- *Telenor Consult AS*			-	33
Personnel services rendered	-	199		

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

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

Group (cont'd)	Transactions 2017 RM'000	Transactions 2016 RM'000	Balance due (to)/from at 2017 RM'000	Balance due (to)/from at 2016 RM'000
With the ultimate holding company and fellow subsidiaries (cont'd.)				
- *Telenor GO Pte Ltd*			(564)	841
Personnel services rendered	11,854	13,234		
- *Telenor Global Services AS*			(6,200)	(5,791)
Sales of interconnection services on international traffic	3,557	2,882		
Purchases of inter-connection services on international traffic	30,883	24,489		
Purchases of international roaming services	398	2,135		
Purchases of IP transit	777	760		
Purchases of global connectivity	1,435	1,343		
Clearing house services rendered for international roaming arrangements	129	-		
- *Total Access Communication Public Company Limited*			343	415
Sales of international roaming services	5	28		
Purchases of international roaming services	660	(25)		

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

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

Group (cont'd)	Transactions 2017 RM'000	Transactions 2016 RM'000	Balance due (to)/from at 2017 RM'000	Balance due (to)/from at 2016 RM'000
With the ultimate holding company and fellow subsidiaries (cont'd.)				
- *dtac TriNet Co. Ltd*			(1,532)	1,622
Sales of international roaming services	528	421		
Purchases of international roaming services	2,223	387		
Sales of interconnection services on international traffic	122	232		
Purchases of inter-connection services on international traffic	1,571	5,616		
Lease income from bandwidth leasing	-	5,138		
- *Telenor Digital Services AS*			(566)	(705)
Consultancy services rendered	1,025	910		
Services rendered on digital marketing and distribution platform	299	-		
Purchases of cloud based software infrastructure services	364	-		
- *Telenor Global Shared Services AS*			(12,631)	(7,421)
Services rendered on application operations and basic operation for data centre	10,984	9,171		
Purchases of operation application	-	347		
Purchases of customer centre offshoring services	-	2,378		

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

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

	Transactions		Balance due (to)/from at	
Group (cont'd)	**2017 RM'000**	**2016 RM'000**	**2017 RM'000**	**2016 RM'000**
With the ultimate holding company and fellow subsidiaries (cont'd.)				
- *Telenor IT Asia Sdn Bhd*			(24,260)	(10,239)
Rental income and services rendered for Asian Infrastructure Shared Services Centre	333	893		
Services rendered on Asian Infrastructure Shared Services Centre	5,872	7,291		
Settlement costs and exit fee payable (Note[⊥])	6,028	-		
- *Valyou Sdn Bhd*			19	10
Sales of telecom-munication and related services	118	1,683		
Personnel services rendered	645	-		
- *Telenor Procurement Company*			(3,404)	-
Managed services rendered	3,447	-		
- *Telenor Financial Services AS*			-	-
Personnel services rendered	247	-		

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

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

Group (cont'd)	Transactions 2017 RM'000	Transactions 2016 RM'000	Balance due (to)/from at 2017 RM'000	Balance due (to)/from at 2016 RM'000
With the ultimate holding company and fellow subsidiaries (cont'd.)				
- *Telenor Global Services Singapore Pte Ltd*			904	-
Lease income from bandwidth leasing	6,144	-		
- *Tapad Inc. US*			(107)	-
Services rendered on digital marketing and distribution platform	1,544	-		

Note[1]:

DTSB, a wholly-owned subsidiary of the Group has finalised a Settlement Agreement with Telenor IT Asia Sdn Bhd ("TITA") and Telenor Global Shared Services AS ("GSS") on 17 January 2018 to early terminate and exit the Memorandum of Understanding ("MOU") and Service Order for Information Technology ("IT") Infrastructure Services between DTSB, GSS and TITA. Both TITA and GSS are related parties to the Group and have ceased to provide these services since the end of September 2017. These terminated services are a recurring related party transaction ("RRPT") for which shareholders' mandate had already been obtained in prior periods.

The early termination of these services is a result of an exercise carried out by the Group to insource the IT infrastructure under the Group's IT environment.

Pursuant to the Settement Agreement, DTSB had on 29 January 2018 made a payment of RM13.9 million to TITA as final settlement for:

	RM'000
- Transfer of assets taken place at 1 October 2017	7,827
- Settlement costs and exit fee (as disclosed in statement of comprehensive income)	6,028
	13,855

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

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

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.

(b) Compensation of key management personnel

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

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

	Group	
	2017 RM'000	2016 RM'000
Short-term employee benefit	12,333	11,530
Post-employment benefits	1,867	977
Other employment benefits	384	345
	14,584	12,852

29. Financial instruments

(a) 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.

29. Financial instruments (cont'd.)

(b) Credit risk

Credit risk is the risk of loss that may arise if a counterparty default on its obligations. The Group’s credit risk arises in the normal course of business with respect to trade and other receivables. The credit risk is managed through formalised policies on credit assessment and approvals, credit limits and monitoring procedures. The maximum credit risk exposure is limited to the carrying amount of the receivables less allowance for impairment. Information regarding trade receivables that are neither past due nor impaired, and past due but not impaired, are disclosed in Note 16(a).

The Group’s credit risk also arises from cash and short term deposits. The credit risk is managed through monitoring procedures. Deposits are placed only with reputable license banks and unit trust funds, if any. The maximum credit exposure for cash and cash equivalents are the reported carrying values in the financial statements.

At the reporting date, there were no significant concentrations of credit risk.

(c) 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 13% (2016: 19%) 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 18.

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.

29. Financial instruments (cont'd.)

(c) Foreign currency risk (cont'd.)

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 2018, are disclosed in Note 17. 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.

(d) 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.

The Group'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 respective maturities for the Group's loans and borrowings are as disclosed in Note 19.

29. Financial instruments (cont'd.)

(d) Liquidity risk (cont'd)

Analysis of financial instruments by remaining contractual maturities

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					
2017					
Financial liabilities					
Trade and other payables	1,928,256	-	-	-	1,928,256
Loans and borrowings	139,092	305,890	1,903,570	956,719	3,305,271
Derivative financial liabilities:					
- Foreign currency forward contracts	1,447	-	-	-	1,447
Total undiscounted financial liabilities	2,068,795	305,890	1,903,570	956,719	5,234,974
2016					
Financial liabilities					
Trade and other payables	1,947,851	-	-	-	1,947,851
Loans and borrowings	582,900	125,305	1,363,176	765,918	2,837,299
Total undiscounted financial liabilities	2,530,751	125,305	1,363,176	765,918	4,785,150

29. Financial instruments (cont'd.)

(e) 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 17 (a).

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 (2016: 20) basis points in interest rates applicable for the Group's entire loans and borrowings (excluding finance lease obligation) would result in approximately 0.26% (2016: 0.16%) variance in the Group's profit for the year.

(f) Fair values

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

(i) Cash and short-term deposits

The carrying amounts approximate their fair values due to the relatively short-term maturity of these financial instruments.

(ii) Trade and other receivables and trade and other payables

The carrying amounts approximate their fair values because these are subject to normal credit terms and are short-term in nature.

29. Financial instruments (cont'd.)

(f) Fair values (cont'd.)

(iii) 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.

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.

(iv) Derivative financial instruments

The fair value of forward foreign currency 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.

At the reporting date, the carrying amounts and fair values of the Group's financial instruments not carried at fair values and whose carrying amounts are not reasonable approximation of fair values, are as follows:

(i) Other investment

Fair value information has not been disclosed for the Group’s investment in unquoted equity interest that is carried at cost of RM162,500 (2016: RM100,000) because its fair value cannot be measured reliably. The equity instrument represents ordinary shares not quoted on any market and does not have any comparable industry peers that is listed.

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29. Financial instruments (cont'd.)

(f) Fair values (cont'd.)

At the reporting date, the carrying amounts and fair values of the Group's financial instruments not carried at fair values and whose carrying amounts are not reasonable approximation of fair values, are as follows: (cont'd.)

(ii) Financial liabilities

	Note	Group Carrying amount 2017 RM'000	Group Carrying amount 2016 RM'000	Group Fair value 2017 RM'000	Group Fair value 2016 RM'000
Loans and borrowings (non-current):					
- Finance lease obligation	19	8,338	15,109	20,619	24,905

(g) Classification

The carrying amounts of financial instruments under each category of MFRS 139, are as follows:

	Note	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
Financial assets					
Available-for-sale financial assets:					
- Other investments	14	163	100	-	-
Loans and receivables:					
- Trade receivables	16(a)	399,066	357,779	-	-
- Other receivables	16	548,558	436,797	4	5
- Deposits	16	179,808	171,423	-	-
- Cash and short-term deposits	18	575,045	376,588	897	940
		1,702,477	1,342,587	901	945

29. Financial instruments (cont'd.)

(g) Classification (cont'd.)

The carrying amounts of financial instruments under each category of MFRS 139, are as follows: (cont'd.)

	Note	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
Financial assets (cont'd.)					
Financial assets at fair value through profit or loss:					
Derivative financial assets					
- Interest rate swaps	17	355	-	-	-
- Foreign currency forward contracts	17	-	4,034	-	-
		355	4,034	-	-
Financial liabilities					
Financial liabilities at fair value through profit or loss:					
Derivative financial liabilities					
- Foreign currency forward contracts	17	1,447	-	-	-

29. Financial instruments (cont'd.)

(g) Classification (cont'd.)

The carrying amounts of financial instruments under each category of MFRS 139, are as follows: (cont'd.)

	Note	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
Financial liabilities (cont'd.)					
Other financial liabilities:					
- Floating-rate term loans	19	1,291,635	1,783,728	-	-
- Floating-rate term financing-i	19	492,642	-	-	-
- Islamic medium term notes	19	898,823	-	-	-
- Revolving credits	19	-	473,046	-	-
- Finance lease obligation	19	21,219	25,099	-	-
- Trade payables	22	255,600	225,782	-	-
- Other payables	22	266,409	371,223	-	-
- Accruals	22	1,392,626	1,335,685	965	945
- Customer deposit	22	13,621	15,161	-	-
		4,632,575	4,229,724	965	945

29. Financial instruments (cont'd.)

(h) 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 2017:

	Note	Date of valuation	Total	Fair value measurement using: Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
			RM'000	RM'000	RM'000	RM'000
Financial assets/(liabilities) measured at fair value:						
Derivative financial assets:						
- Interest rate swaps	17	31 December 2017	355	-	355	-
Derivative financial liabilities:						
- Foreign currency forward contracts	17	31 December 2017	(1,447)	-	(1,447)	-
Financial liabilities for which fair values are disclosed:						
Loans and borrowings (non-current):						
- Finance lease obligation	29(f)	31 December 2017	(20,619)	-	-	(20,619)

29. Financial instruments (cont'd.)

(h) 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 2016:

				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 measured at fair value:						
Derivative financial assets:						
- Foreign currency forward contracts	17	31 December 2016	4,034	-	4,034	-
Financial liabilities for which fair values are disclosed:						
Loans and borrowings (non-current):						
- Finance lease obligation	29(f)	31 December 2016	(24,905)	-	-	(24,905)

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

The fair value of finance lease obligation is categorised as level 3 hierarchy as it was estimated by discounting the future contractual cash flow at an adjusted discount rate. The significant unobservable inputs in arriving at the adjusted discount rate are the constant prepayment rate and the own non-performance risk as at 31 December 2017 and at 31 December 2016.

30. 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 2017.

31. 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.

32. Subsequent event

Letter of Offer for Spectrum Assignment in the 2100 Mhz Spectrum Bands

On 30 January 2018, the Group has accepted an offer from the Malaysian Communications and Multimedia Commission ("MCMC") on granting the Group for the reissuance of 2100MHz spectrum assignment ("SA") at 2x15MHz band for a period of 16 years effective from 2 April 2018.

Pursuant to the acceptance of SA, the Group had on the same date made an upfront payment for the price component of SA to MCMC amounting to RM118,400,000. The upfront price component will be classified as prepayment until the date of SA becomes effective.

33. Authorisation of financial statements for issue

The financial statements for the financial year ended 31 December 2017 were authorised for issue in accordance with a resolution of the directors on 15 March 2018.