



**SHAPING  
THE FUTURE**

**TOWARDS A  
DIGITAL COMPANY**

---

ANNUAL REPORT 2016

SOUTHEAST ASIA PRESENCE

MYANMAR

MALAYSIA

SINGAPORE

CAMBODIA

INDONESIA



SOUTH ASIA PRESENCE

PAKISTAN

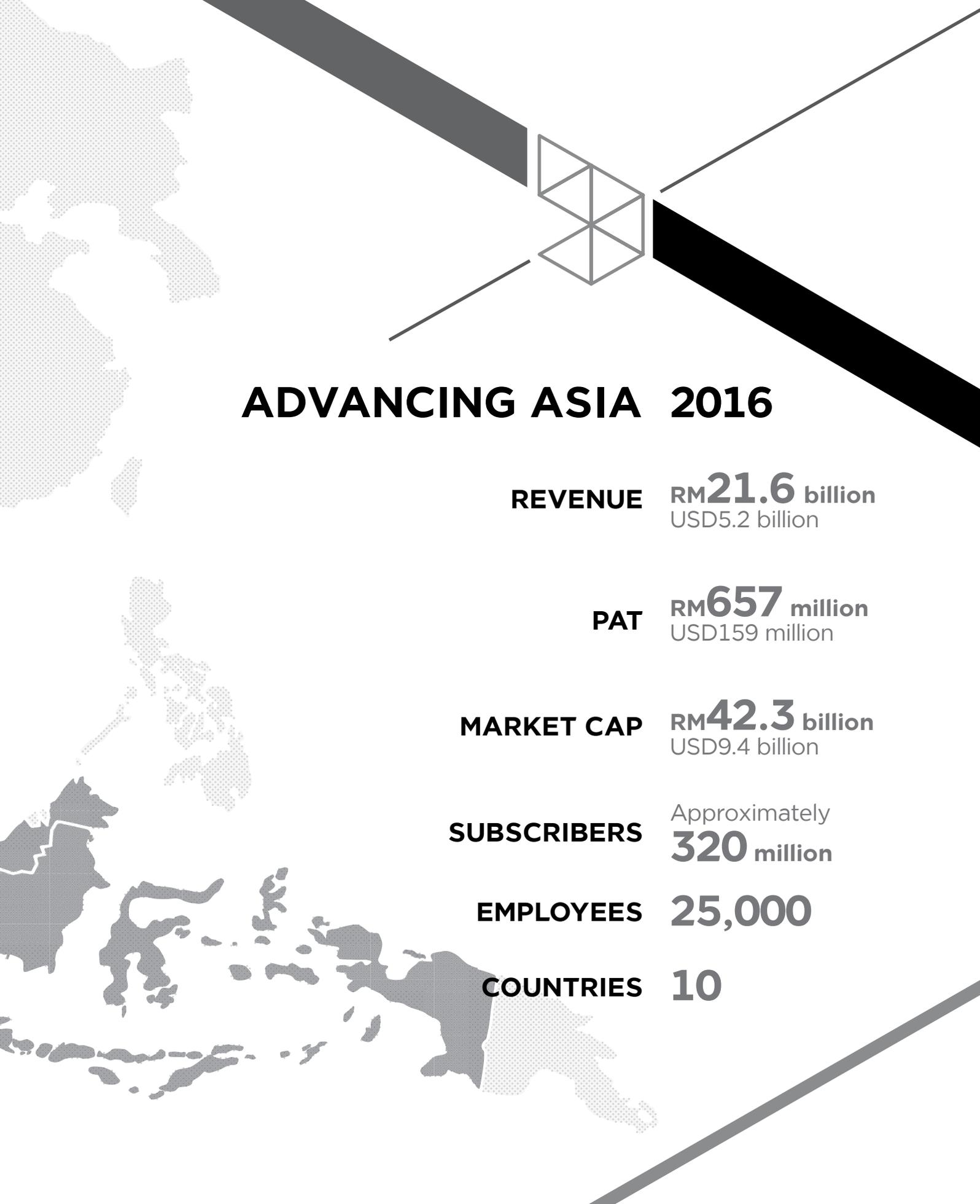
INDIA

SRI LANKA

NEPAL

BANGLADESH





# ADVANCING ASIA 2016

**REVENUE** **RM21.6 billion**  
USD5.2 billion

**PAT** **RM657 million**  
USD159 million

**MARKET CAP** **RM42.3 billion**  
USD9.4 billion

**SUBSCRIBERS** Approximately  
**320 million**

**EMPLOYEES** **25,000**

**COUNTRIES** **10**



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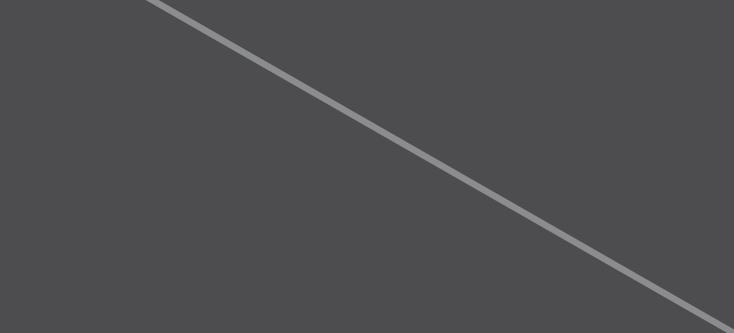
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# GO DIGITAL

Access our Digital Annual Report 2016  
and Sustainability Report 2016 on  
[www.axiata.com](http://www.axiata.com)

Download the App on



## Towards a Digital and Greener Future

Axiata is increasingly committed towards a digital and greener future as we transition ourselves into a New Generation Digital Champion, where digitalisation is a priority. We strive to apply this in all areas of our business, including the way we present our Annual and Sustainability Reports to our shareholders and stakeholders.

Each year, close to 6000 readers accessed our reports on digital platforms through the web and App downloads. This is well over three times the number of printed copies. In our efforts to further digitalise our ecosystem, whilst being mindful of our carbon footprint, we continue to expand our digital reports.

For these reasons, we have reduced our printed Annual Report by 100 pages in being more efficient with the layout and in using less photos. Further to this, we have used environmentally friendly paper and have reduced the use of colour printing by going black and white with this Annual Report. Incorporating these changes, we have remained uncompromising on our required disclosure and content.

For multimedia rich content of these reports, please visit [www.axiata.com](http://www.axiata.com)



# GROUP PROFILE

Axiata is one of the leading telecommunications groups in Asia with approximately 320 million subscribers in ten countries.

In pursuit of our vision to be a New Generation Digital Champion by 2020, Axiata pieces together the best in the region in terms of innovation, connectivity and talent. With a diverse portfolio in mobile network, communications infrastructure and digital services, Axiata, through our operating companies, offers a range of innovative telecommunications products and services.



**axiata**

*'Prisms by Axiata'*



Approximately  
**320 Million**  
**Customers**  
in Asia

One of the  
**Leading**  
**Telecommunications**  
Groups in Asia

Axiata has controlling interests in six mobile operators under the brand names of 'Celcom' in Malaysia, 'XL' in Indonesia, 'Dialog' in Sri Lanka, 'Robi' in Bangladesh, 'Smart' in Cambodia and 'Ncell' in Nepal, with strategic interests in 'Idea' in India and 'M1' in Singapore.

'edotco', our Group's infrastructure company, operates in five countries to deliver telecommunications infrastructure services, and operates and manages a regional portfolio of over 25,000 towers. It aims to be one of the top regional tower companies and is committed to responsible and sustainable business operations.

In 2012, Axiata established 'Axiata Digital' to capture the rapid growth in Internet-based businesses. Over the years, Axiata Digital has built a portfolio of 29 digital brands including three subsidiaries and seven joint ventures, servicing growing demands in mobile money, mobile advertising, e-commerce, entertainment and education.

Group revenue for 2016 was at RM21.6 billion (USD5.2 billion) while market capitalisation stood at over RM42.3 billion (USD9.4 billion) by end 2016. We provide employment to more than 25,000 people across Asia.

#### **Axiata's Journey**

Axiata was incorporated in Malaysia on 12 June 1992 as a private limited company under the name of Telekom Malaysia International (TMI), which then operated as a division within Telekom Malaysia Berhad (TM). TMI was subsequently demerged from TM and listed on Bursa Securities on 28 April 2008. In March 2009, TMI changed its name to Axiata Group Berhad and launched a new identity, enhancing our position as a leading mobile operator in Asia.

The move was a reinforcement of our new business philosophy and commitment to Advancing Asia by addressing the unfulfilled communication needs of local populations in the region with affordable and innovative digital products and services.

Since then, we have gone from 40 million customers, pre-demerger, to approximately 320 million across ten countries, making Axiata one of the leading mobile players in Asia. Our mobile telecommunications footprint now spans across the Asian continent, covering Malaysia, Indonesia, Sri Lanka, Bangladesh, Cambodia, Nepal, Myanmar, India, Singapore and Pakistan.

#### **Shaping The Future**

Axiata has always been ahead of the curve, quickly adapting to change and positioning its business model to capitalise on developments of an increasingly digitalised world. Parallel to its investments in network and technology modernisation over the years, Axiata has also evolved its business to embrace the digital age and fast growing demand for data. 2017 will be a critical year for Axiata as it progresses in its transformation beyond a traditional telecommunications company.

In Advancing Asia, Axiata remains committed to its role as a responsible corporate citizen, to make a difference in people's lives and help transform the countries in which it operates. Further details of Axiata's sustainability and national contribution efforts are now available online at [www.axiata.com](http://www.axiata.com).

# VISION & MISSION

## CODE OF CONDUCT AND CORE VALUES

Operating in ten countries in Southeast Asia and South Asia and serving approximately 320 million customers, Axiata's Vision and Mission is defined as follows.

### Vision

New Generation Digital  
Champion by 2020

### Mission

Advancing Asia, by piecing together the  
best in Innovation, Connectivity & Talent

### Code of Conduct

Axiata is committed to conduct its business fairly, impartially and in full compliance with all applicable laws and regulations in Malaysia and in countries where the Group has operations.

The Group's professionalism, honesty and integrity must at all times be upheld in all of the Company's business dealings by all employees.

Axiata has in place a Code of Conduct that serves as documentation of our commitment in ensuring our business dealings are conducted in a manner that is efficient, effective and fair. Axiata ensures that it is the responsibility of every employee to act in accordance with the policies detailed in the Group's Code of Conduct.

### Core Values

At Axiata, there are two core values that we embrace across the Group:  
Uncompromising Integrity and Exceptional Performance. These two values define who we are and how we operate.



#### Uncompromising Integrity

Always doing the right thing and fulfilling promises made to earn the trust of our stakeholders.

We are committed to upholding the highest standards of lawful and ethical conduct, and in demonstrating honesty, fairness and accountability in all of our dealings.



#### Exceptional Performance

Always pushing ourselves to deliver benchmarked outstanding performance.

We are determined to be the winner, leader and best-in-class in what we do. Whilst we are tough with performance standards, we are compassionate with people - we call it "Performance with a Heart"

Uncompromising Integrity and Exceptional Performance are our distinct values and key to our success as a New Generation Digital Champion.

We place great emphasis in building a culture based on these two values across the Axiata Group.

These two core values are incorporated into the existing values of the individual Operating Companies (OpCos) which includes, amongst others, service excellence, teamwork, creativity and customer centricity.

### Enhanced Privacy and Data Protection

We are committed to respect and protect the data and privacy of our customers throughout our regional footprint of ten countries across Asia.

Our commitment on privacy and data protection is available on page 108.

# FINANCIAL CALENDAR

| 27 April 2017   | 26 May 2017                        |
|---|------------------------------------|
| <b>NOTICE OF 25TH ANNUAL GENERAL MEETING AND ISSUANCE OF ANNUAL REPORT 2016</b> | <b>25TH ANNUAL GENERAL MEETING</b> |

## Quarterly Results

| 2016   |   |  | 2017   |
|--|---|--|--|
| 25 May   | 25 August   | 24 November  | 23 February  |
| Unaudited consolidated results for the 1st quarter ended 31 March 2016 | Unaudited consolidated results for the 2nd quarter and half-year ended 30 June 2016 | Unaudited consolidated results for the 3rd quarter ended 30 September 2016 | Audited consolidated results for the 4th quarter and financial year ended 31 December 2016 |

## Dividends

| 2016  |  |  |
|---|--|--|
| 25 May  | 9 June   | 8 July   |
| Notice of Book Closure for Final Tax Exempt Dividend under Single Tier System of 12 sen per Ordinary Share  | Date of Entitlement for Final Tax Exempt Dividend under Single Tier System of 12 sen per Ordinary Share  | Payment for Final Tax Exempt Dividend under Single Tier System of 12 sen per Ordinary Share  |
| 22 September  | 10 October   | 7 November   |
| Notice of Book Closure for Interim Tax Exempt Dividend under Single Tier System of 5 sen per Ordinary Share | Date of Entitlement for Interim Tax Exempt Dividend under Single Tier System of 5 sen per Ordinary Share | Payment for Interim Tax Exempt Dividend under Single Tier System of 5 sen per Ordinary Share |



# CORPORATE INFORMATION

## Board of Directors

**TAN SRI DATO' AZMAN HJ. MOKHTAR**

Chairman  
Non-Independent Non-Executive Director

**TAN SRI JAMALUDIN IBRAHIM**

Managing Director/President &  
Group Chief Executive Officer

**TAN SRI GHAZZALI SHEIKH ABDUL KHALID**

Independent Non-Executive Director

**DATUK AZZAT KAMALUDIN**

Senior Independent Non-Executive Director

**DATO' MOHD IZZADDIN IDRIS**

Non-Independent Non-Executive Director

**DATO DR NIK RAMLAH NIK MAHMOOD**

Independent Non-Executive Director

**DAVID LAU NAI PEK**

Independent Non-Executive Director

**BELLA ANN ALMEIDA**

Independent Non-Executive Director

**DR MUHAMAD CHATIB BASRI**

Independent Non-Executive Director

**KENNETH SHEN**

Non-Independent Non-Executive Director

## Group Company Secretary

Suryani Hussein  
LS0009277

## Registered Office

Level 5, Corporate Headquarters  
Axiata Tower, 9 Jalan Stesen Sentral 5  
Kuala Lumpur Sentral  
50470 Kuala Lumpur, Malaysia  
Tel : +603 2263 8888  
Fax : +603 2263 8903

## Share Registrar

Tricor Investor & Issuing House Services Sdn Bhd  
(Company No. 11324-H)  
Unit 32-01, Level 32, Tower A  
Vertical Business Suite, Avenue 3, Bangsar South  
No. 8, Jalan Kerinchi  
59200 Kuala Lumpur, Malaysia  
Tel : +603 2783 9299  
Fax : +603 2783 9222

## Auditors

PricewaterhouseCoopers (AF: 1146)  
Level 10, 1 Sentral, Jalan Rakyat  
Kuala Lumpur Sentral  
50706 Kuala Lumpur, Malaysia  
Tel : +603 2173 1188  
Fax : +603 2173 1288

## Website

[www.axiata.com](http://www.axiata.com)

## Investor Relations

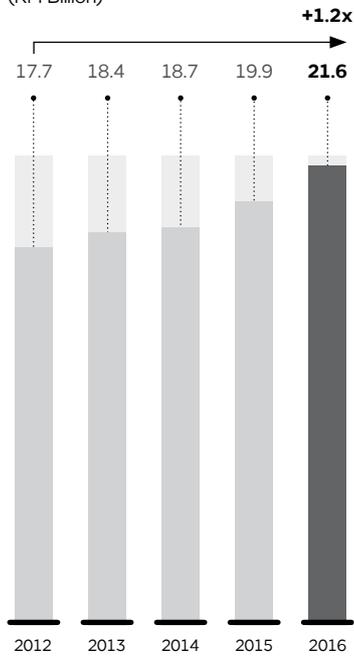
Tel : +603 2263 8706  
Fax : +603 2263 8882  
Email : [ir@axiata.com](mailto:ir@axiata.com)

## Stock Exchange Listing

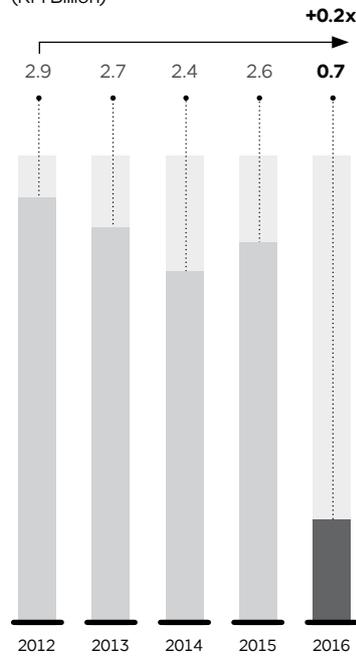
Listed on Main Market of Bursa Malaysia Securities Berhad  
Listing Date : 28 April 2008  
Stock Code : 6888  
Stock Name : Axiata  
Stock Sector : Trading/Services

# FINANCIAL HIGHLIGHTS

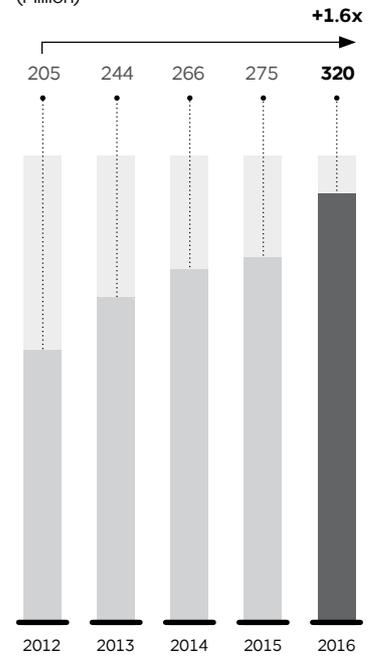
**Operating Revenue**  
(RM Billion)



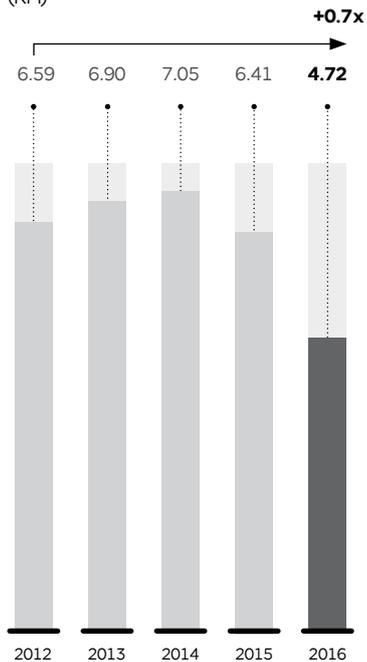
**PAT**  
(RM Billion)



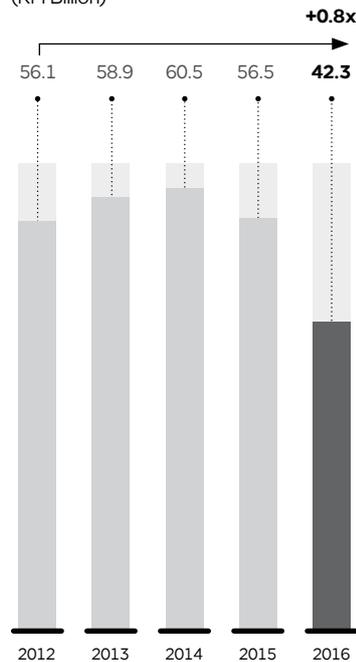
**Subscribers**  
(Million)



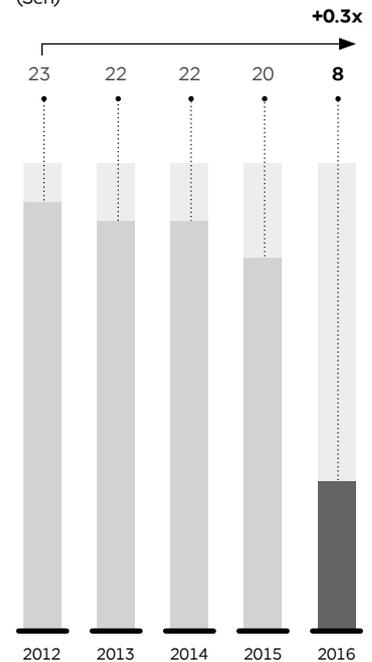
**Share Price**  
(RM)



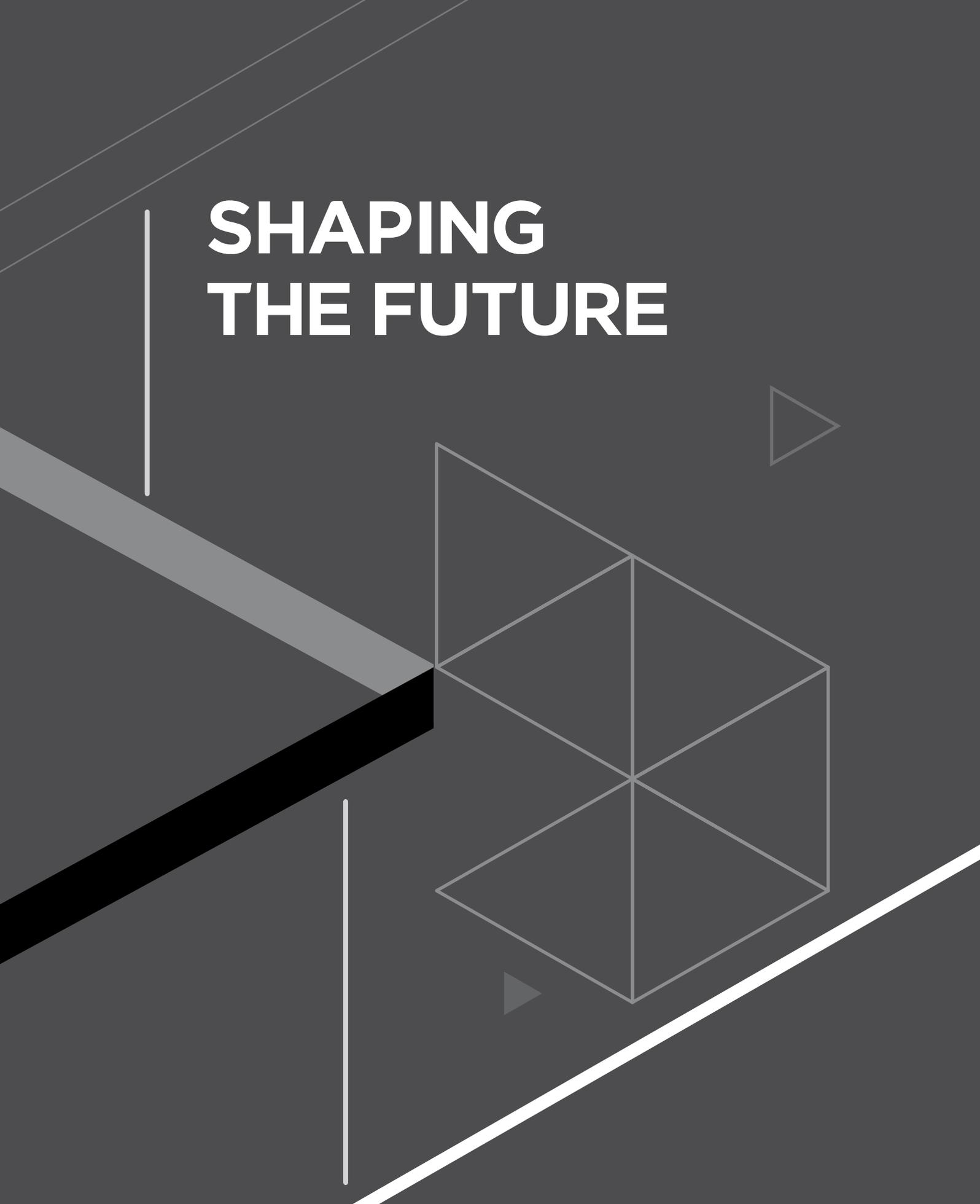
**Market Capitalisation**  
(RM Billion)



**Dividend Per Share**  
(Sen)



# SHAPING THE FUTURE



# CHAIRMAN'S STATEMENT

## Dear Shareholders,

2016 was a challenging year as advanced economies grappled with escalating national debt, stagnating global trade, protectionist and a low investment environment. The global business and market environment saw an increase in volatility and ambiguity as a result of unexpected key geopolitical outcomes to emerge out of the UK and US.

According to the World Bank<sup>1</sup>, global growth for 2016 was an estimated 2.3%, its lowest since the 2008 global financial crisis. The regional economies of our footprint in Southeast Asia and South Asia regions mirrored the global economic struggle. Within the East Asia and Pacific region, growth reduced by an average of 2.0% to 6.3%. Heightened global unpredictability coupled with concerns of capital flight further prompted currency depreciation and higher interest rates. As a result, regional currencies, especially the Ringgit Malaysia, remained under pressure against the US Dollar.

Within our industry, the regional telecoms sector is facing less predictable regulatory and policy shifts, rapidly changing market dynamics, and cross-integration of industries and Over-The-Top (OTT) services. The disruptions brought on by the latter, coupled with hypercompetition in many markets, have resulted in the telecoms industry losing market capitalisation and value over the last few years.

Despite these compounding external and internal challenges, Axiata maintains its standing as one of the largest Asian telecommunications groups, with presence in ten countries in ASEAN and South Asia, servicing approximately 320 million customers. The Group is ranked number two in customer base, number four in revenue and number seven in market capitalisation against other regional telecoms operators.

We are now in the third phase of our journey, one that will transition the Group into a truly digital company by 2020. In building strong foundations for our *New Generation Digital Champion* ambition, we remain keenly focused on redefining and digitising our operating model at both Group and Operating Company (OpCo) levels to capture value from new opportunities on the horizon. Tan Sri Jamaludin Ibrahim outlines these clear strategies in his message to you on page 13.

## KEY CORPORATE DEVELOPMENTS DRIVING GROWTH

Over the course of 2016, a number of key developments helped shape our Axiata 3.0 journey. We completed the acquisition of Ncell and welcomed the company into the Group, marking our entry into the fast-growing market of Nepal. As the market leader, Ncell has proven to be earnings accretive to Axiata.

Axiata led the first market consolidation of the highly competitive telecommunications sector in Bangladesh with Bharti Airtel Limited. Serving approximately 33.8 million subscribers, Robi has cemented its position as a stronger number two player post-merger.

edotco, our integrated telecommunications infrastructure services company, set a new record in the global tower industry with the sector's largest private placement deal of USD600 million announced in 2016. At the close of the placement exercise, edotco's final portfolio equity value

was USD1.5 billion with an Enterprise Value (EV) to 2016 Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) multiple of 12.5x<sup>2</sup>.

In advancing our *New Generation Digital Champion* ambitions, our digital services arm, Axiata Digital, has astutely invested over USD160 million to build a portfolio of 29 digital assets with three subsidiaries and seven joint ventures. Key milestones in 2016 for Axiata Digital include the successful monetisation of two of these companies through private placements and the expansion of its footprint into the burgeoning Indian digital market.

## COMMITMENT TO LONG-TERM VALUE CREATION

Since 2010, the Group has maintained a progressively increasing Dividend Payout Ratio (DPR). As outlined in our dividend policy, this is subject to a number of factors including business prospects, capital requirements and surplus, growth/expansion strategy, considerations for non-recurring items and other factors considered relevant by the Board.

Having taken the uncertain investment and business climate into account, we have adopted a temporarily more prudent dividend payout to ensure the Group is sufficiently resilient while continuing to invest for the future.

Our decision on a 50% DPR for 2016 was two-fold; as a precautionary measure against unpredictable forex and market volatility as well as further spectrum costs expected within the next two years; and investments for strategic long-term benefits such as 4G networks for data leadership as well as for possible mergers and acquisitions (M&A) exercises in the areas of market consolidation.

We remain committed to delivering the value proposition of moderate growth and moderate yield to our shareholders over the longer term. Strong internally generated funds and a healthy balance sheet will support our commitment to reward shareholders.

## SUSTAINABILITY AND SOCIAL IMPACT

Axiata remains dedicated to our nation building efforts, through our sustained long-term investments and contributions to communities in countries where we operate.

As a regional operator, we are a diverse Group with over 40 nationalities within our workforce. We are committed to advancing gender equality with women comprising 30% of our total workforce, of whom 16% are in senior management positions.

On the global stage, Axiata is committed to global mobile development through our role in the GSMA Foundation. We help steer mobile development towards key areas that are relevant to our stakeholders such as the Connected Women Initiative (CWI) launched in 2016. I am

<sup>1</sup> Source : "Global Economic Prospects : Weak Investment in Uncertain Times" published by the World Bank Group in January 2017

<sup>2</sup> Based on 2016 unaudited proforma full year financials



## CHAIRMAN'S STATEMENT

proud to report that our OpCos, Dialog and Robi, are among the first GSMA members to have made CWI commitments in Sri Lanka and Bangladesh respectively. We also recognise the importance of sourcing from local suppliers and each of our OpCos have invested in local vendor development programmes to stimulate economic growth. In 2016, 41% of our procurement spend was on local vendors.

As part of our commitment to mitigate climate change through greener operations, edotco leads the way in regional green operations. As a Group, we have set ambitious targets of reducing our carbon footprint in 2018 by 40% from 2013. In 2016, we saw reductions in our carbon emission of 29% and 25% in Malaysia and Bangladesh respectively.

Axiata's full Sustainability and National Contribution Report 2016 has been made available to you together with this Annual Report. The report highlights our Group-wide sustainability goals, efforts and progress.

### UPHOLDING STRONG GOVERNANCE

We continue to adhere to the highest standards of corporate governance, in the firm belief that it is the basis of a well-managed company which provides the best long-term returns for our investors and shareholders. Our efforts have earned us a number of international accolades and awards. Over the last four years, Axiata has been recognised for upholding the highest governance and compliance standards at the Malaysian-ASEAN Corporate Governance Index, Findings and Recognition event organised by the Minority Shareholder Watchdog Group (MSWG).

### GROUP ACHIEVEMENTS AND RECOGNITIONS

In 2016, Axiata's product innovations and leadership capabilities received its fair share of international accolades. Across the Group, we received three awards at the GSMA alone, a significant acknowledgement of Axiata's contributions to the global telecommunications industry. Our Regional CEO for South Asia, Dr Hans Wijayasuriya, was honoured with the Outstanding Contribution to the Asian Mobile Industry Award at the GSMA 2016 Mobile Asia Awards. Frost & Sullivan also recognised our regional OpCos with awards for Ncell, Smart and edotco.

For complete details of our awards, please refer to page 70 of this Annual Report.

### CHANGES IN BOARD COMPOSITION

2016 saw some changes in our Board of Directors as we continued to strengthen our Board composition. Thus, we bid farewell to Juan Villalonga Navarro and Dato' Abdul Rahman Ahmad from the Board. We thank them for their years of dedicated service and for sharing their invaluable insights and wisdom, helping us navigate Axiata towards the leading regional telecommunications group it is today. In their place, we welcomed two new Directors, Dato' Mohd Izzaddin Idris and Dato Dr Nik Ramlah to the Board. We look forward to many years of strong partnership and contribution from our new Directors in helping Axiata in its forward moving trajectory.

### ACKNOWLEDGEMENTS

On behalf of the Board, I would like to thank our various stakeholders for their continuous and steadfast support throughout the years. To the governments and regulators of the countries in which we operate, we thank you for giving us the opportunity and honour to provide digital and telecommunication services to approximately 320 million people.

The successes of Axiata would not be possible without the hard work and unstinting efforts of our employees and the Board extends our appreciation to each and every Axiata employee across the region. We remain grateful to our shareholders for their belief in our future growth strategy, anchored on prudent financial management and a strong business foundation.

It gives me great pleasure to present to you Axiata's 2016 Annual Report.

**TAN SRI DATO' AZMAN HJ. MOKHTAR**  
Chairman

# PRESIDENT & GROUP CEO'S MESSAGE

## Dear Shareholders,

Since its establishment in 2008, Axiata has been growing from strength to strength, delivering strong performance across most of our markets and businesses. Our performance track record and milestones culminated in the realisation of Axiata's vision of becoming a Regional Champion in 2015. We are now recognised as one of Asia's leading telecommunications groups.

2016, however, proved to be our most difficult year yet due to significant external challenges and our own internal weaknesses. It was what I refer to as the 'Perfect Storm', a unique combination of circumstances that intensified an already daunting business environment.

In the face of these challenges, we maintained our commanding regional standing with approximately 320 million customers across ten countries in the region, with some of our Operating Companies (OpCos) in dominant leadership positions in their markets.

Moving into phase three of our Group's growth strategy, Axiata remains committed to delivering the value proposition of moderate growth and moderate yield to our shareholders over the longer term. In transforming ourselves into a *New Generation Digital Champion*, with Axiata 3.0 as our strategy blueprint, we foresee growth opportunities not only in strengthening our core mobile business, but also in new ventures such as communications infrastructure and tower services, fixed-mobile convergence, digital services, and Enterprise Internet-of-Things (IoT).

As such, 2017 will be the year where we can expect solid turnaround in our mobile businesses, while we continue building ourselves into a *Digital Champion*.

## 2016 IN REVIEW

### Group Financial Performance

Despite the challenges we faced which were consistent to the industry, Axiata recorded firm top line growth in 2016. Our revenue broke the RM20 billion barrier when we recorded our highest revenue ever at RM21.6 billion. We saw double-digit Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) which increased by 10.0% to reach RM8.0 billion.

There were three significant factors that created the 'Perfect Storm' which led to the Group's Profit After Tax (PAT) being impacted:

- (i) Unprecedented external events  
The depreciation and volatility of the Ringgit Malaysia against the US Dollar resulted in the Group recording a substantial pre-tax foreign exchange (forex) loss of RM685.1 million mainly due to US Dollar exposed debt incurred from the acquisition of Ncell.

At the point of the Ncell acquisition in April 2016, the Ringgit Malaysia was at its strongest for the year at approximately RM3.90 against the US Dollar. Unfortunately, by the end of 2016, it had depreciated to RM4.49 against the US Dollar, falling 9% in the fourth quarter alone.

Furthermore, aggressive competition in India with the entry of a disruptive new player at an unheard of scale, resulted in considerably lower contribution from Idea by RM303.7 million.

- (ii) Costs related to strategic investments for long-term growth  
In strengthening Robi's market position in Bangladesh with the country's first telecoms consolidation, the Group incurred merger fee and related costs totalling RM87.1 million. At the same time, Ncell acquisition related costs amounted to RM312.4 million during the year.

Our capex investments for data leadership, especially in Malaysia, Indonesia and Bangladesh, led to a higher depreciation and amortisation (D&A) of RM1.5 billion compared to 2015, including accelerated depreciation at XL and Robi of RM581.5 million. Investments in the Group's digital/Internet ventures portfolio led to start-up losses in 2016.

- (iii) Underperformance at some of our OpCos and Associates  
Despite showing early signs of stabilisation in the final two quarters of the year, Celcom registered 2016 PAT results of RM976.3 million versus RM1.3 billion in 2015. Performance at XL, to some extent, also impacted overall performance. Fortunately, this was partially offset by the tower sales gains of XL's non-strategic assets of RM536.5 million.

As a consequence of these factors, the Group's PAT for the year was at RM657.2 million, as compared to RM2.6 billion in 2015. If we normalise these numbers to exclude one-off charges and only reflect on operations, the Group's PAT would be RM1.5 billion. Understandably, the Group's profitability reflected on Axiata's share price for the year.

### Strengthening Our Position as Asia's Leading Telco

In 2016, despite all the challenges the Group faced, we delivered stronger performance at some of our other OpCos and recorded key strategic developments during the year.

#### 1. Better Performing Markets

Despite the hypercompetitive Cambodian telecoms environment, Smart performed exceedingly well, recording yet another year of outstanding performance on the back of very strong growth of data revenue. 2016 revenue, EBITDA and PAT grew double-digits at 20.0%, 19.4% and 26.3% respectively.

In South Asia, Dialog and Ncell continue to strengthen their leadership position in their respective markets with excellent overall performance. Dialog's 2016 revenue, EBITDA and PAT growth were 16.0%, 21.1% and more than 100% respectively. Ncell registered better than our internal investment and accretion targets to contribute RM1.6 billion in revenue for eight months in 2016. Ncell's full year revenue grew 2.4%, EBITDA increased 2.3%, and PAT improved 7.8%.

## PRESIDENT & GROUP CEO'S MESSAGE

### 2. Expanding and Strengthening our Position by way of M&A

In recent years, we have strengthened our existing operations through in-country M&A exercises in our markets such as Sri Lanka, Cambodia and Indonesia. In 2016, we successfully improved our presence in Bangladesh with the completion of the first telecoms merger in the country with Bharti Airtel Limited to position Robi as the second largest operator in the country serving approximately 33.8 million customers. In a competitive market such as Bangladesh, market consolidation would result in healthy competition and will benefit customers.

During the year, the Axiata footprint was further expanded with the acquisition of Ncell, the number one mobile operator in Nepal, which itself will bring accretion revenue of RM1.6 billion and Profits After Tax and Minority Interests (PATAMI) of RM454.8 million to the Group.

Together, these developments mark significant milestones for the Group in solidifying our stronghold in the region.

### 3. Largest Global Tower Sector Private Placement Deal in 2016 at edotco

Our infrastructure services company, edotco, with a portfolio of over 25,000 operated and managed towers in five countries, has become an important source of growth and a potential dividend yielding company in the medium-term. One of the Group's milestones in 2016 was the maiden equity raising exercise for edotco which set a new benchmark as the largest global tower sector private placement for the year at a record of USD600 million. The placement exercise brought about a very encouraging valuation of edotco at USD1.5 billion, representing an Enterprise Value (EV) to EBITDA multiple of 12.5x<sup>1</sup>.

With the additional capital injection of up to USD400 million, edotco has the capacity to execute its growth strategies through acquisitions and further in-country opportunities. The placement of secondary shares of USD200 million will help Axiata reduce its debt.

We are very encouraged by this deal as it represents valuable external endorsement of edotco's performance to date and future growth potential of the company. We remain determined to make edotco a world-class business and one of the world's largest independent tower companies by 2020.

### 4. Monetisation of Assets and Growth at Axiata Digital

Axiata Digital, our digital services arm, made some significant inroads in 2017 which reinforces our digital ambitions. Our portfolio of digital companies has grown to 29 with three subsidiaries and seven joint ventures, and serve 32 million customers, 30% of which are new to Axiata. Collectively, our e-commerce marketplaces companies registered a Gross Merchandise Value (GMV) of USD257 million.

Some notable developments at Axiata Digital in 2016 include the monetisation of its assets through private placement exercises of two portfolio companies - Freedompop and Adknowledge Asia; making its first digital service investment in India; successfully rolling out its anchor Digital Music app Yonder Music in two OpCo countries; continuing its e-commerce leadership in respective markets as strong number two players; and establishing mobile money services in five countries.

## 2017 OUTLOOK

### Challenges in 2017

We remain cognisant of the challenges we will face on the road ahead both internally and externally.

In our core markets we are continuing to witness heightened price competition especially for data services, which on the back of a 50% Year on Year (YoY) yield decline in 2016, continues to show a downward trend especially in Malaysia, Cambodia and Indonesia. In India, we expect the competition to continue in 2017. It would be ideal if the industry consolidates to allow for more rational and sustainable competition.

Currency volatility and increasingly stringent forex control requirements in Malaysia will be a challenge. Similarly, taxation and regulatory uncertainties continue to exist in all our markets and will be an area the Group will need to successfully navigate.

The performance of Celcom and XL is our greatest focus in 2017. We will also continue to explore various initiatives to manage our balance sheet and US Dollar debt.

### Focused and Strategic Plans for 2017

Strategically, we are on the right trajectory, and we remain optimistic about our future with the focused set of strategic initiatives we have set forth for 2017.

#### 1. Turnaround at Celcom and XL

We will be aggressive in recapturing our leadership position in certain areas in Malaysia in 2017. Our products and services are generally very competitive but more improvements are required in sales, marketing, network and IT, as well as changes within the organisation.

We are allocating up to RM1.4 billion (USD315 million) capex for Celcom in 2017, the majority of which will be utilised in improving its network quality and coverage. This is essential for Celcom to regain its momentum especially in the prepaid segment. Within its prepaid business, we will be dealing with issues of pricing and packaging, thus correcting our trajectory in 2017.

At XL, the Axis brand has been doing well but significant improvements are now underway to position and improve the XL brand. There has been good traction with data savvy customers and it is clear from smartphone penetration and rising traffic that we are attracting the right customers. XL's 4G LTE footprint now spans close to 100 cities and is further supported by its roll out on UMTS900 frequency which significantly improved the quality and reach of its data services. We plan to expand aggressively beyond Java to growth areas in Sumatra, Kalimantan and Sulawesi that would help contribute positively to earnings in 2017.

We expect revenue growth for Celcom and XL to be in line with the industry for 2017 in the first half and exceed industry growth in the fourth quarter.

<sup>1</sup> Based on 2016 unaudited proforma full year financials

## 2. Strengthen our Position in Markets Where We Lead

In the markets where we are the number one operator – Sri Lanka, Nepal and Cambodia – we are committed to out-investing our competitors as we are confident that this is key to maintaining and growing our leadership in the new data-led reality.

## 3. Increase Investment in Network, IT and Product Innovation

Axiata intends to be a clear number one player in 4G and data network leadership in selected areas in all of our markets. To achieve this, we will increase our capex from RM6.1 billion in 2016 to RM6.6 billion in 2017 to fund key technology and network projects to secure the best data network.

At the same time, we intend to achieve product leadership and lead the way in innovation, especially for data-led products and services in the areas of financial services, music, media and entertainment, digital advertising, and Enterprise and Internet of Things (IoT). Where possible, we will execute this via collaborative opportunities and commercial partnerships available in the marketplace, leveraging our Group-wide scale to rapidly launch new and exciting digital products and services across our markets.

## 4. Prudent Cost Management

To support our more aggressive technology investment, we are implementing a Group-wide Cost Management programme to improve efficiency and profitability within a more sustainable cost structure. Cost optimisation of RM800 million in operational expenditure and capex savings have been built into our 2017 plan, and we aim to achieve RM1.5 billion in additional savings in 2018 and 2019. Our cost savings will be channelled into investments aimed at growing our business for the long-term.

## 5. Explore New Growth Areas

We are at a critical moment in the evolution of our industry and we are increasingly clear on the strategic growth initiatives we must execute to maintain our competitiveness and underpin our future. The new growth areas we are focused on under Axiata 3.0 include:

- **Convergent Networks and Infrastructure** – to deliver dedicated services into the home, using the most efficient technology be it fixed or mobile, terrestrial or non-terrestrial, and also building scale in supporting infrastructure investments such as towers and transmission
- **Enterprise and IoT** – a relatively new area of focus for the Group but one which is achieving double-digit growth and holds great promise as a multi-billion dollar addressable market in our footprint for Business to Business (B2B) and Business to Business to Consumer (B2B2C) solutions across multiple industries
- **Digital Financial Services (Fintech)** – moving beyond digital payments/remittances, into higher value offerings in insurance and micro/nano-credit
- **Media, Entertainment and Advertising** – via go-to-market partnerships and investments through Axiata Digital, we will tap new revenues from the explosion of digital content and advertising on our networks

## 6. Strategic M&A Exercises

Within our core mobile business, Axiata's mergers and acquisitions (M&A) focus has always been inorganic through in-country consolidation in our existing footprint to strengthen our market position. We will continue to explore potential merger opportunities where it is immediately value accretive or can result in structural market repair leading to improved long-term market sustainability and Axiata's leadership.

We are determined to make edotco a world-class business and one of the world's largest independent tower companies by 2020. To do this, we will aggressively pursue expansion opportunities with the intent to add at least one to two more tower companies within ASEAN and South Asia within the next one to two years.

While in the areas of Enterprise and IoT, Fintech, Media & Adtech, we may make new and select investments into digital businesses, products and solutions where they fit with our strategy for growth.

## 7. Portfolio Rebalancing

As a leading telecommunications group in Asia with a diverse portfolio of investments across the region, it has always been a part of our business and responsibility of management to continuously review various strategic portfolio options to ensure long-term value enhancement, and optimal deployment of capital/funding for our growth strategies. In 2017, we will actively evaluate various options and rebalance our portfolio from a risk management perspective to ensure an effective and a balanced portfolio is maintained.

## 8. Strengthening of Balance Sheet

Given the economic and currency volatility the Group is exposed to, we will be looking at various initiatives to manage our US Dollar debt incurred from borrowing for acquisitions and expansion, including hedging and paring down our gearing to a more comfortable level.

## 9. Digitisation

Group-wide we will be focusing on some key digitisation initiatives in 2017:

- Customer facing digitisation efforts such as self-care digital application and dealer registration digital application roll outs
- Moving sales and marketing efforts onto digitised platforms
- Enhancing digital and social media platform marketing, analytics and customer engagement
- Commencing a structured digitisation benchmarking against global and regional peers
- Setting and measuring Key Performance Indicators (KPIs) to achieve digitisation across the business at both Group and OpCo levels

### ADVANCING ASIA THROUGH NATIONAL CONTRIBUTIONS & TALENT DEVELOPMENT

Throughout the years, we have stayed true to our broader vision of Advancing Asia by piecing together the best in innovation, connectivity and talent. We drive this through our commitments to the triple bottom line of Economic, Environmental and Social (EES) sustainability throughout all our countries of operation in Southeast Asia and South Asia. Our approach to sustainability is underpinned by Axiata's 4Ps Sustainability Framework which outlines focus areas and initiatives to create long-term value for our stakeholders and pave the way forward for our transition into a New Generation Digital Champion in line with our Advancing Asia vision.



## PRESIDENT & GROUP CEO'S MESSAGE

### Continued Commitment to National Contribution and Sustainability

As long-term investors in our countries of operations, Axiata stands as one of the largest contributors of Foreign Direct Investment (FDI) and national taxes. The Group continues to contribute to the national development of our countries of operation. Our regional capex spend is now USD11.1 billion<sup>1</sup> in eight countries for a period of five years, while our GDP contributions are USD68.2 billion<sup>2</sup> in eight countries over the last five years. Throughout our footprint, we have provided direct and indirect employment to over 1.2 million people.

### Relentless Pursuit in Building the Digital Ecosystem and Talent Development

Through the Axiata Digital Innovation Fund (ADIF) in partnership with Malaysia Venture Capital Management Berhad (MAVCAP), Axiata continues to support and catalyse the growth of digital entrepreneurs. At a RM100 million fund size, ADIF is the largest and most active digital venture capital fund in Malaysia. Since 2014, ADIF has invested in 12 digital start-ups that have collectively generated approximately RM56.6 million in revenue. Axiata has established the same fund model in Cambodia in 2017, with plans to do the same in Sri Lanka in 2018.

Our flagship corporate social responsibility programme with a commitment of RM100 million over 10 years, the Axiata Young Talent Programme, has contributed towards nation building through the leadership development of 1,129 talented young individuals since the programme's inception in 2011.

For complete details of our EES initiatives, please refer to page 112 of this Annual Report, as well as our standalone Sustainability and National Contribution Report 2016.

### ACKNOWLEDGEMENT

On behalf of the management of Axiata Group, I would like to thank our Board of Directors for their invaluable insights and support in steering Axiata on its transformation journey towards being a New Generation Digital Champion. To our 25,000 employees across Asia, we are indebted to you for the contributions of your exemplary work ethics and dedication.

I would also like to express our gratitude to our investors, partners and media. Our appreciation also to governments and regulators for your co-operation and facilitation throughout 2016. We remain committed to contributing to the development of your nations for the long-term. Most of all, we would like to acknowledge our approximately 320 million customers for their support and loyalty.

### TAN SRI JAMALUDIN IBRAHIM

Managing Director/President & Group Chief Executive Officer

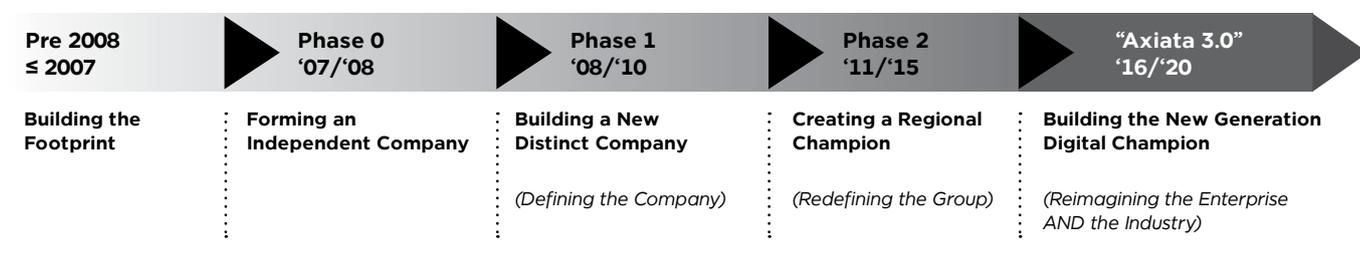
<sup>1</sup>&<sup>2</sup> Capex spend and GDP contributions covers seven countries of operation till 2015 excluding Nepal. 2016 figures include Nepal, bringing the total to eight countries.

# GROUP STRATEGY: JOURNEY TOWARDS A NEW GENERATION DIGITAL CHAMPION

Axiata has completed two distinct phases since our inception as an independent company in 2008. With the conclusion of Phase 2 in 2015, we have established Axiata as a Regional Champion providing mobile services to approximately 320 million customers in ten countries, as well as being a responsible corporate citizen and committed long-term investor.

Today, Axiata generates an annual revenue of over RM21 billion with Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) of RM8.0 billion and market capitalisation of RM42.3 billion. We rank number two in subscriber base, number four in revenue and number seven in market capitalisation against other regional mobile players within Southeast Asia and South Asia.

In Phase 3, 'Axiata 3.0' is the playbook guiding the Group's key strategic decisions on Axiata's journey to become a New Generation Digital Champion by 2020.



### Axiata 3.0 Capturing and Adopting to Technology Shifts

The telecommunications industry is witnessing a structural shift in value from providing access and connectivity infrastructure to offering applications, content, platforms and solutions. Access - high quality connectivity services - is a hygiene factor for which economies of scale and cost optimisation have become critical. Content and Applications are driving data consumption and Platforms are enabling new solutions and business models.

Coupled with this value shift, demographics in ASEAN and South Asia have moved to the point that Millennials, or Digital Natives, are now the largest consumer group making spending decisions on telecoms access, media services and utilising applications enabled by new digital platforms. This segment of customers has vastly differing values, attitudes and behaviours in the way they engage with their product and service providers, make purchase decisions, and how they consume digital content and services.

Similarly, Enterprises - or the Business to Business (B2B) segment - in ASEAN and South Asia are embracing digitisation and automation at such a rate that Internet of Things (IoT) applications and Cloud or platform based Information and Communications Technology (ICT) solutions are seeing rapid growth. Compared to the consumer segment experiencing flat to single-digit growth, especially with regards to the access business, the B2B segment for IoT and ICT is enjoying double-digit compound growth which is certain to be sustained over the coming years.

It is in this context that Axiata 3.0 has evolved to a clearer heading of the core composition and priority growth pillars of the business moving forward. In line with our core business pillars of Digital Communications and Connectivity; Enabling Infrastructure and Platforms; and Digital

Applications and Services, Axiata 3.0 has been further developed to define the composition of Axiata as a New Generation Digital Champion by 2020.

### Axiata 3.0 defines the Group as a triple core growth engine comprising:

|   |   |
|---|---|
| <b>Core 1:<br/>Mobile &amp;<br/>Convergence</b> | Mobile and Fixed Convergent Access, as number one or strong number two in key markets - operating lean and at maximum operational efficiency  |
| <b>Core 2:<br/>Solutions &amp;<br/>Service</b>  | Four pillars of Fintech; Media and Entertainment; Adtech and Analytics, Enterprise and IoT - to invest in for rapid growth  |
| <b>Core 3:<br/>Enabler &amp;<br/>Platform</b>   | Comprising Passive and Active Infrastructure assets such as edotco; and Enabling Connectivity Platforms such as our globally awarded Mobile Internet Fulfilment Exchange (MIFE) network Application Programme Interface (API) |

Within this strategic framework, Axiata will continue its objectives of transforming the core focused on digitisation and product leadership; expanding the core through investments and organic capability development; and selectively acquiring new core via opportunities to strengthen our market positions, undertake market repair and grow Axiata's footprint.

The background features a dark gray field with several geometric elements. A prominent white diagonal bar runs from the bottom left towards the center. A light gray diagonal bar runs from the top left towards the center. A white wireframe cube is positioned in the upper right quadrant. There are also several small triangles: a solid gray one near the top left, a white outline one to its left, and a solid gray one near the bottom left.

# **MANAGEMENT DISCUSSION & ANALYSIS**

# 2016 IN REVIEW: GROUP PERFORMANCE

## OPERATING ENVIRONMENT

2016 was a challenging year on multiple operating fronts. Geopolitical and macroeconomic headwinds coupled with heightened market competition and regulatory factors imposed material negative pressures on Axiata's operating environment.

### a. Global Economy

Global economic growth was characterized by stagnant global trade, subdued investment and heightened policy uncertainty. According to the World Bank<sup>1</sup>, 2016 growth was estimated at 2.3%, its lowest since the 2008 global financial crisis.

The regional economies of Axiata's countries of operation in the Southeast Asia and South Asia regions mirrored the global economic struggle. Reflecting heightened global volatility, regional currencies like the Ringgit Malaysia were under pressure against the US Dollar, which prompted authorities to introduce additional measures to enhance liquidity in the foreign exchange (forex) market.

The Organisation for Economic Co-operation and Development (OECD) noted that in the ten countries within ASEAN, the average real Gross Domestic Product (GDP) growth in 2016 was an estimated 4.8%, a decline of 0.1% from 2015 GDP growth of 4.7%<sup>2</sup>. Within the Group's Southeast Asian markets, real GDP growth in Malaysia was at an estimated 4.2% in 2016, while in Indonesia it was 5.1%, and in Cambodia, 7%.

In South Asia, which is now the world's fastest-growing emerging market and developing economy (EMDE) region, growth is estimated at 6.8%. Excluding India, which represents 80% of South Asia's GDP, the region grew 5.3%. There were wide variations among countries – growth in post-earthquake Nepal was an estimated 0.6%, while in Sri Lanka it was 4.8% and in Bangladesh, 7.1%.

### b. Competition and Market Dynamics

In 2016, Axiata witnessed intensified competition in several markets, especially with regards to data pricing. Mobile customers have been increasing their data usage, driven by the increased consumption of video which became more widely integrated into social media platforms and the emergence of Streaming Video on Demand (SVOD) players. Data usage in Axiata's markets increased by close to 100%, while data yields and unit price per Gigabyte fell by approximately 50%.

Over the past year, the data cycle interdependence is driving usage up and pricing down, in a virtuous interdependent cycle, across Axiata's markets:

- Smartphone penetration tipped over 50% on average, including in emerging markets, with sub-USD50 large screen 4G devices becoming available in the market
- Heightened investment in 3G and 4G networks improving the data service experience and feeding demand
- Social media effectively evolved to a video-led proposition, coupled with the emergence of several SVOD players which were subsidised or hard-bundled

- Operators moved to compete on data-led bundles with quotas doubling for the same price, while voice is increasingly included at no perceived incremental price
- Customer data usage grew to approach 4GB per user in Malaysia and Cambodia, with an average across the footprint of approximately 2GB per user per month on mobile

In some markets, the impact of data cycle interdependence are being compounded by hypercompetition and unbalanced market structures. In Malaysia, the presence of six players with the emergence of a disruptor has caused the overall telecommunications market value to shrink. While in India, there is a wave of anticipated consolidation among competitors. In both Indonesia and Bangladesh, the dominance of the incumbent number one players has increased throughout 2016. In Bangladesh, this led to consolidation with the merger of Robi and Airtel Bangladesh Limited (Airtel) to secure a strong number two position. In Indonesia where XL operates, there were price-led battles among the second and third players.

In Sri Lanka, Nepal and Cambodia, Axiata's Operating Companies (OpCos) Dialog, Ncell and Smart respectively operate as number one players. Dialog, Ncell and Smart have compounded their market positions while improving profitability. This has led to renewed aggressive retaliatory responses from competitors in the form of data price cuts, even where regulatory floor pricing exists.

### c. Regulatory

Operating in ten markets across Asia, the Group faces a shifting and risk-biased regulatory environment which includes:

- New spectrum allocations and reassignment of existing spectrum such as was witnessed in Malaysia
- Development of new regulations, including the wholesale modernisation of regulatory frameworks in some markets
- Increased levels of general, industry-targeted and opportunistic taxes, as witnessed in Sri Lanka, Bangladesh and Nepal
- Weak competition regulations to address market sustainability and imbalanced competition in some markets, and
- An uneven regulatory playing field with unlicensed and Over-the-Top (OTT) digital service operators.

Axiata continues to proactively engage with regulators, government ministries, industry associations, non-governmental bodies and other industry players in order to further the understanding of the challenges and opportunities facing the industry in these times of digitisation and structural change to the sector.

Addressing regulatory challenges is a key priority not only for Axiata, but for the entire telecommunications industry and the economies of several emerging markets in which we operate, where the Group is the leading Foreign Direct Investor, employer and tax payer. Therefore, in the past year, Axiata has increased its regulatory engagement activities with government ministries and regulators outside the telecommunications sector, so as to further the understanding of the need to create and maintain sustainable and rational telecommunications markets and market structures.

<sup>1</sup> Source : "Global Economic Prospects : Weak Investment in Uncertain Times" published by the World Bank Group in January 2017

<sup>2</sup> Source : "Economic Outlook for Southeast Asia, China and India 2017 Addressing Energy Challenges" published by the Organisation for Economic Co-operation and Development (OECD) in January 2017

## 2016 IN REVIEW: GROUP PERFORMANCE

### GROUP FINANCIAL ANALYSIS 2016

In 2016, Axiata faced challenges from both external events and internal operational weaknesses. Despite this, the Group registered its highest revenue to date and surpassed the RM20 billion mark for the first time. During the year, Axiata also acquired a new mobile operations, Ncell in Nepal and completed the first telecommunications merger in Bangladesh with the merger of Robi and Airtel. By end of 2016, both companies were integrated into the Group. The year concluded with the Group's subscribers growing 16.4% Year on Year (YoY) to approximately 320 million.

#### Group Performance

The Group saw a revenue growth of 8.5% YoY to reach RM21.6 billion. This was mainly driven by higher revenue recorded by Dialog, Smart and Robi, as well as contribution from Ncell. The fluctuation of the Ringgit Malaysia against all regional foreign currencies during the year had favourably affected the Group's translated revenue.

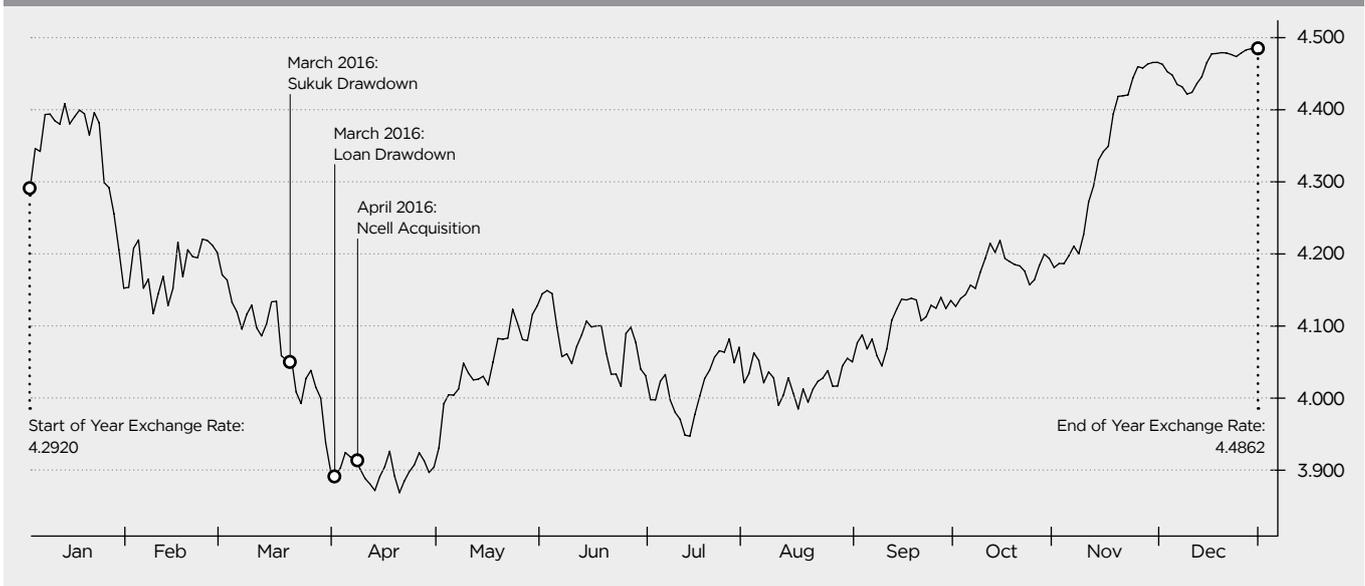
Data continues to see positive traction and drive growth in revenue with 34.7% increase YoY contributing to 29.2% of total Group revenue, a marked increase of 5.7 percentage points (pp) from 23.5% in 2015, demonstrating that the Group-wide targeted data investment is paying off. This growth dynamic is expected to continue at a faster pace for the coming years and will drive the future strategic investment of the Group. Mobile Voice services contributed 45.9% to total Group revenue, a marginal increase of 1.7 pp from the prior year.

The Group achieved double-digit growth in its Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA), increasing 10.0% to RM8.0 billion with margin improving by 0.6 pp to 37.2%. The increase was mainly due to better contribution from Dialog, XL and Smart. Further to this, the completion of the acquisition and consolidation of Ncell had contributed RM1.0 billion to the EBITDA of the Group.

The Group's Profit After Tax and Minority Interest (PATAMI) for the year was RM504.3 million, a decrease of 80.3% YoY. This was attributed to three significant factors; i) unprecedented external events ii) strategic investments for long-term growth including mergers and acquisitions (M&A) related costs which were mostly one-offs and iii) underperformance of some OpCos and Associates.

In 2016, Ringgit Malaysia depreciated substantially against all regional foreign currencies and the US Dollar, which had negatively impacted the Group's profits, primarily due to US Dollar borrowings for the acquisition of Ncell. Despite disciplined management practices and effectively hedging almost 50% of US Dollar exposed debt under stringent and forex controlled conditions, the fall of the Ringgit Malaysia against the US Dollar at about 14% during the year, led to net forex losses of RM685.1 million.

### FOREIGN EXCHANGE MOVEMENT OF USD AGAINST RM FROM JANUARY TO DECEMBER 2016



In India, the unprecedented competitive disruption by a new player significantly impacted Idea's financial performance which led to a sharp decline in its share of results for the year from RM368.8 million to RM65.1 million recorded in the current year. Over the last two years, as Idea continued to expand its scale of operation, higher depreciation and amortisation cost and net interest and finance cost were registered as a result of higher investments which further impacted Idea's profit for the year.

Similarly, M1's financial performance was negatively impacted by an anticipated new entrant to the market which resulted in share of results for the year decreasing by RM29.0 million. M1's service revenue for 2016 decreased as traditional telecommunication services continued to be impacted by OTT services.

In 2016, Axiata continued its strategic investments and M&A for long-term growth which resulted in the Group incurring higher finance costs. Net finance costs of the Group rose by 54.7% to RM1.0 billion and mainly attributable to the increase in borrowings by RM5.9 billion with the acquisition of Ncell.

To support the enlarged customer base and with the aim to be the number one player in 4G and achieve data network leadership in all markets, OpCos have increased investment in 4G LTE network in 2016. This has resulted in higher depreciation and amortisation costs by 35.0% YoY, especially in Malaysia, Indonesia and Bangladesh. The impact of accelerated depreciation incurred for network modernisation in some OpCos and the amortisation of intangible assets arising from the acquisition of Ncell have also contributed to a higher depreciation, impairment and amortisation.

Performance-wise, despite showing early signs of stabilisation in the final two quarters of the year, Celcom registered a PATAMI of RM966.5 million versus RM1.3 billion in 2015. Excluding XL's tower sales gains, XL performance would have further impacted the Group's overall performance.

### Group Financial Position

At 31 December 2016, the Group's balance sheet and liquidity positions weakened versus the prior year but remains stable. The Group's gross debt to EBITDA was at 2.64x based on Ncell's annualised EBITDA as opposed to 2.25x in 2015 resulting from new debt and the weakening of the Ringgit Malaysia against the US Dollar.

Below are the key highlights of Group Balance Sheet:

- **Total equity** increased by RM2.9 billion mainly due to:
  - Forex gains on currency translation of subsidiaries, Associates and joint ventures of RM1.4 billion
  - Netted off with the recognition of put option of non-controlling interest in the Robi-Airtel merger of RM1.3 billion
  - RM2.8 billion increase in non-controlling interest mainly due to the acquisition of Ncell and the Robi-Airtel merger
- **Total assets** net increased RM14.4 billion driven by:
  - RM9.0 billion increase in intangible assets of spectrum and goodwill arising from the acquisition of Ncell and the Robi-Airtel merger
  - Property, plant and equipment growth include RM6.1 billion targeted investments in network infrastructure across the Group's footprint as well as RM2.0 billion of assets from the acquisition of Ncell and the Robi-Airtel merger during the year
  - Trade and other receivables increased by RM841.3 million due to acquisition of the net assets of Ncell coupled with Airtel following the Robi-Airtel merger
- **Total liabilities** stand at RM41.9 billion, an increase by RM11.5 billion from 2015 mainly driven by:
  - Increase in total debt by RM5.9 billion from the new borrowings to fund strategic acquisition investments
  - Increase in total trade and other payables by RM3.3 billion was due to the consolidation of Ncell and the Robi-Airtel merger
  - RM1.1 billion increase in financial liabilities represent newly entered put option of non-controlling interest
  - Tax liability increased by RM595.9 million mainly due to allocation of purchase price upon the acquisition of Ncell and the Robi-Airtel merger

Cash at year end was at RM5.3 billion, a slight decrease of RM178.3 million as compared to RM5.5 billion in 2015. The decrease was a result of higher investing activities of RM10.8 billion which was imminent due to the Group's expansion into Nepal amounting to RM5.2 billion, as well as RM5.6 billion for capex investment to drive data leadership. This was then netted off against net cash flow from operating activities of RM6.8 billion, net cash flow from financing activities of RM4.3 billion, as a result of proceeds from additional financing and forex gains from translation of bank balances of RM98.1 million.



## 2016 IN REVIEW: GROUP PERFORMANCE

The Group's Board of Directors (BOD) declared an interim tax exempt dividend under a single tier system of 5 sen per share, which was paid in the fourth quarter of 2016. The BOD recommended and announced a final tax exempt dividend under a single tier system of 3 sen per share, bringing the total dividend declared for 2016 to 8 sen per share. The final dividend is subject to the approval of the shareholders at the forthcoming Annual General Meeting. In 2016, a total dividend payment of RM1.5 billion was settled via cash of RM790.5 million and through a dividend reinvestment scheme of RM714.6 million.

### **Capital Requirements, Structure & Resources**

#### *Capital Expenditure Requirements*

Total capex spent for the year was RM6.1 billion or capex intensity of 28.5% of revenue which was sourced mainly from internally generated funds. In pursuit of being a clear number one player in 4G and data leadership, the Group has adopted a temporarily prudent dividend payout for 2016 with a 50% Dividend Payout Ratio (DPR) to ensure the Group cash position is sufficiently resilient while continuing to invest for the future. To support more aggressive technology investment, the Group is implementing a Group-wide operational to improve efficiency and profitability within a more sustainable cost structure. Cost savings will be channelled into investments aimed at sustaining long-term growth of the business.

#### *Capital Structure and Capital Resources*

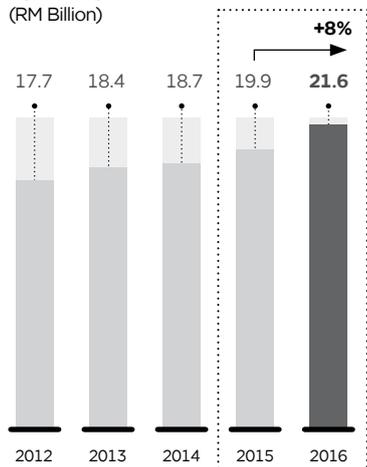
The Group's borrowings increased by RM5.9 billion as compared to RM16.4 billion recorded in 2015 mainly because of the new loan drawdown to fund the Ncell acquisition in Nepal and forex losses on translation of US Dollar borrowings. These have resulted in the Group's gearing ratio (total Group borrowings over Group's equity attributable to owners of the Company) to increase to about 0.9 times as at the end of 2016 as compared to 0.7 times in the previous year.

Given the economic and currency exposures, the Group is committed to undertake at various initiatives which include hedging and paring down the gearing to a more comfortable level. The Group remains prudent in maintaining a sound financial position that enables the execution of its strategic objectives in creating value over the coming years.

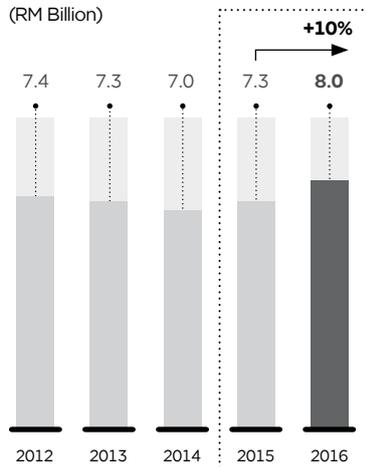


**GROUP FINANCIAL HIGHLIGHTS**

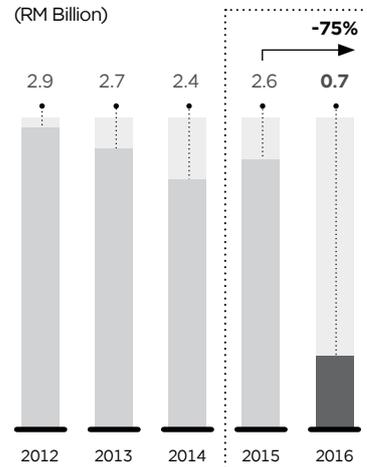
**Operating Revenue**  
(RM Billion)



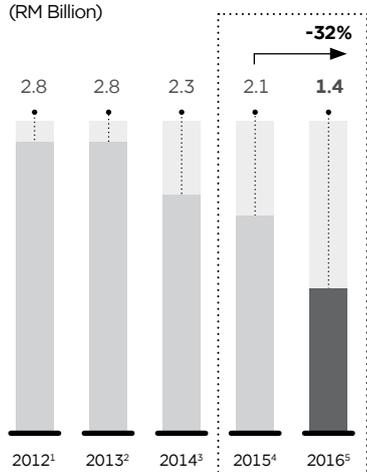
**EBITDA**  
(RM Billion)



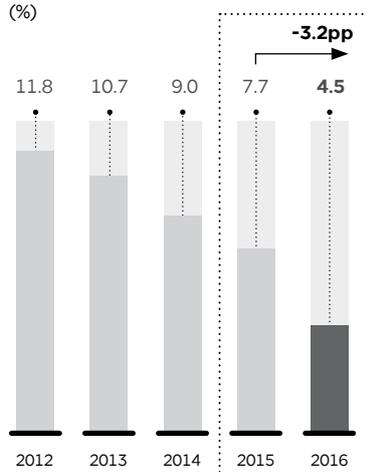
**PAT**  
(RM Billion)



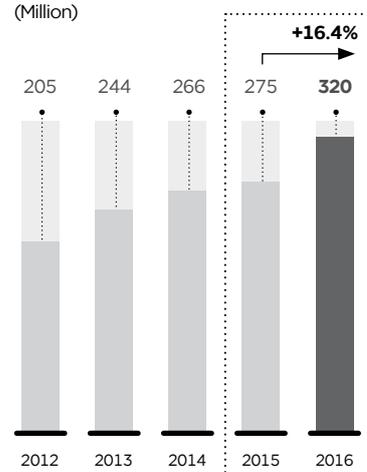
**Normalised PATAMI\***  
(RM Billion)



**ROIC**  
(%)



**Subscribers**  
(Million)



Note 1 - 2012 normalised PATAMI excludes Celcom tax incentive (-RM110.0 million), Celcom Sukuk related costs (+RM26.3 million), Celcom network impairment (+RM161.6 million), Dialog tax impact (-RM47.8 million), Hello asset impairment (+RM46.0 million), Robi SIM tax (+RM34.4 million) and foreign exchange loss (+RM161.3 million).

Note 2 - 2013 normalised PATAMI excludes Celcom tax incentive (-RM106.0 million), Celcom network impairment (+RM67.5 million), Robi physical count loss and impairment on receivables (+RM16.7 million), Smart asset write-off (+RM31.4 million) and foreign exchange loss (+RM201.3 million).

Note 3 - 2014 normalised PATAMI excludes gain on disposal of Samart i-Mobile (-RM116.7 million), XL gain on disposal of towers (-RM48.2 million) and foreign exchange loss (+RM55.5 million).

Note 4 - 2015 normalised PATAMI excludes XL gain on disposal of towers (-RM399.8 million), Sri Lanka tax impact (+RM49.0 million) and foreign exchange gain (-RM132.3 million).

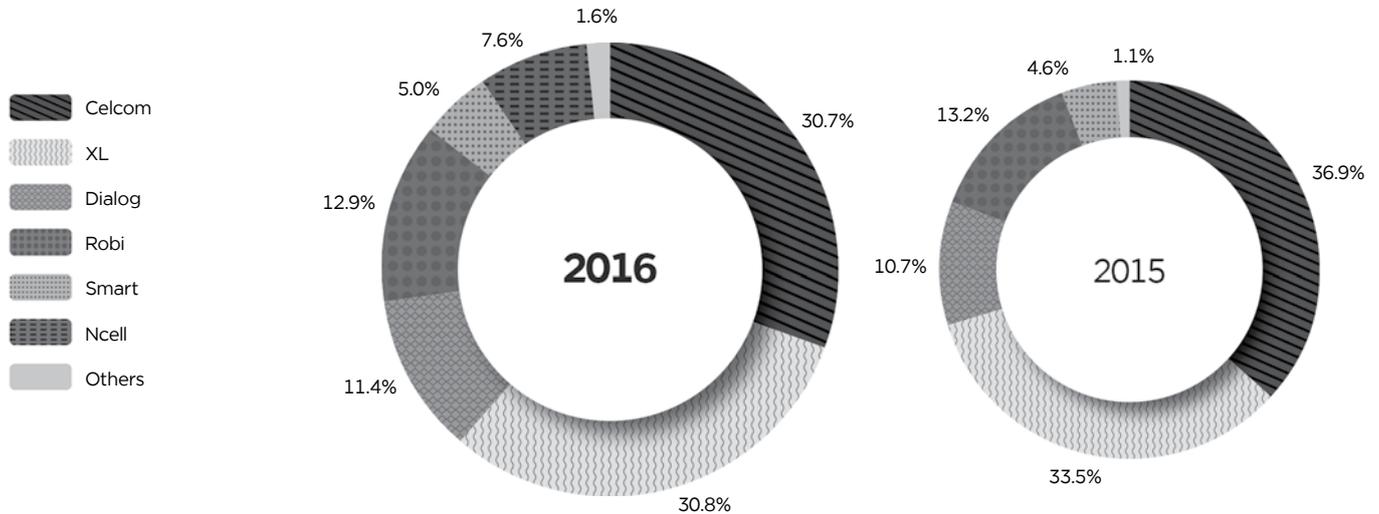
Note 5 - 2016 normalised PATAMI excludes XL gain on disposal of towers (-RM339.6 million), XL accelerated depreciation (+RM193.3 million), Ncell purchase price allocations (+RM105.5 million), Robi accelerated depreciation (+RM110.5 million), Robi-Airtel merger one-off adjustments (+RM20.2 million) and foreign exchange loss (+RM824.1 million).

\* On normalised PATAMI, derivative gains/losses were not normalised prior to 2014. Derivatives losses in FY14 was RM22.5 million, gains in 2015 was RM49.5 million while loss in 2016 was RM77.1 million.

## 2016 IN REVIEW: GROUP PERFORMANCE

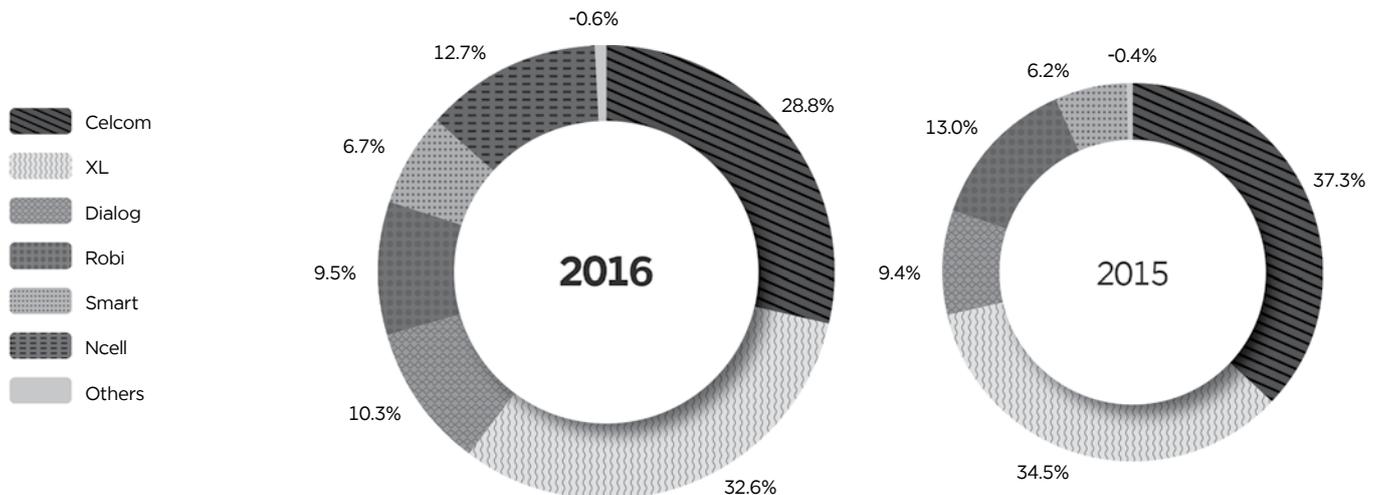
### SUMMARY BREAKDOWN OF OPERATING REVENUE & EBITDA

#### OPERATING REVENUE



Across the Group's portfolio, non-Malaysian contribution for revenue continues to increase with the inclusion of Ncell, as the fifth largest contributor at 7.6%. In 2016, non-Malaysian operations contributed 68.5% of revenue of the Group, a reflection of our multinational corporation and thereby, reducing our dependency on Malaysian operations. Celcom and XL continue to be the major contributors with 61.5% of total Group revenue.

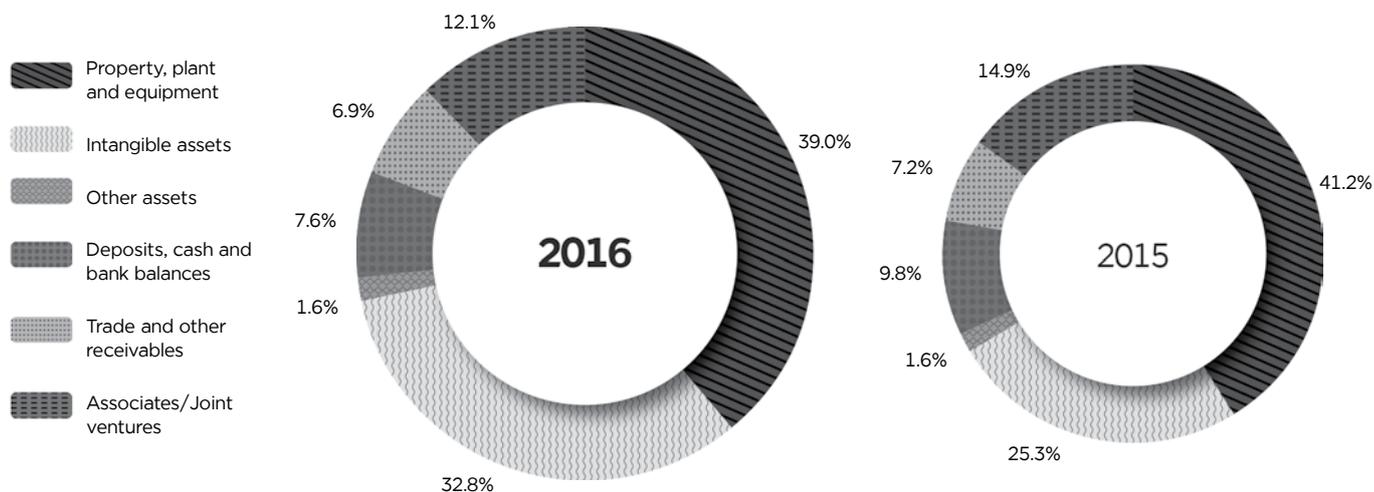
#### EBITDA



Non-Malaysian operations contributed 72.0% of total EBITDA of the Group with Celcom and XL to dominate as major contributors with 28.8% and 32.6% of total EBITDA of the Group, respectively. Ncell in Nepal has emerged as the third largest EBITDA contributor, with 12.7% of the total EBITDA of the Group.

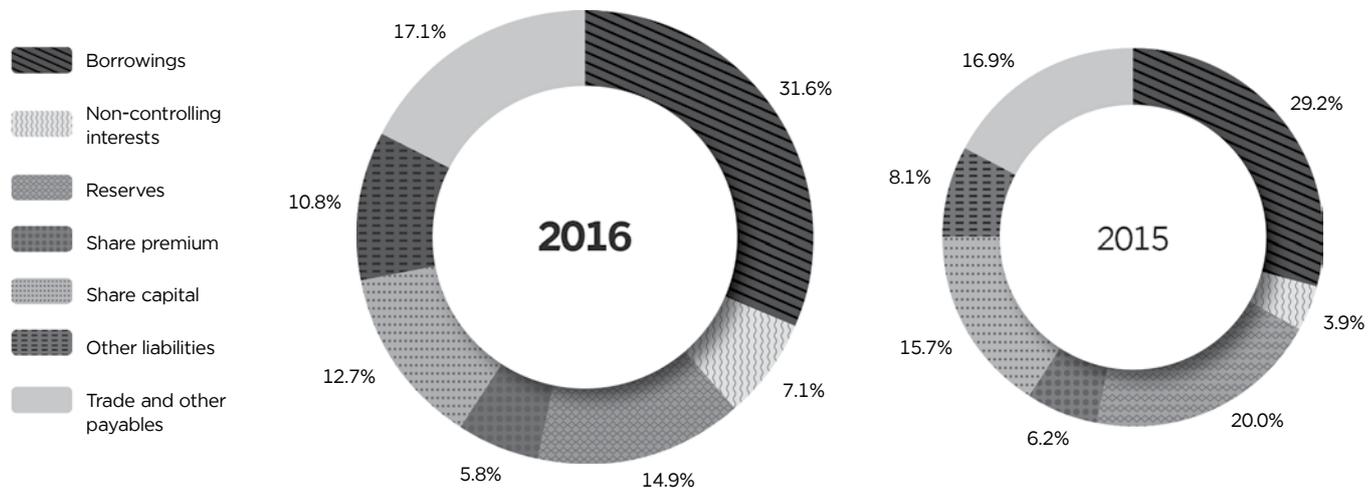
**SUMMARY BREAKDOWN OF ASSETS & LIABILITIES**

**TOTAL ASSETS**



The Group's total assets stood at RM70.5 billion, an increase by 25.6% from RM56.1 billion in 2015. The net increase of RM14.4 billion were driven by the acquisition of Ncell and the Robi-Airtel merger in 2016.

**TOTAL LIABILITIES & EQUITY**



The Group's total liabilities stood at RM41.9 billion while equity at RM28.6 billion. The increased in total liabilities was largely due to additional borrowings required to fund the acquisition of Ncell in 2016.

## 2016 IN REVIEW: GROUP PERFORMANCE

## FIVE-YEAR GROUP FINANCIAL SUMMARY

## Operational Highlights

| All in RM Million unless stated otherwise                              | FY2016 | FY2015 | FY2014 <sup>2</sup> | FY2013 | FY2012 |
|--|--------|--------|---------------------|--------|--------|
| 1. Operating Revenue   | 21,565 | 19,883 | 18,712              | 18,371 | 17,652 |
| 2. Earnings Before Interest Tax Depreciation and Amortisation (EBITDA) | 8,013  | 7,284  | 6,999               | 7,271  | 7,424  |
| 3. Earnings from Associates & Jointly Controlled Entities              | 30     | 434    | 339                 | 255    | 211    |
| 4. Profit Before Tax (PBT)   | 1,140  | 3,331  | 3,147               | 3,533  | 3,762  |
| 5. Profit After Tax (PAT)  | 657    | 2,636  | 2,369               | 2,739  | 2,880  |
| 6. Profits After Tax and Minority Interests (PATAMI)                   | 504    | 2,554  | 2,365               | 2,550  | 2,513  |
| 7. Normalised PATAMI <sup>1</sup>                                      | 1,418  | 2,071  | 2,256               | 2,761  | 2,784  |
| 8. Total Shareholders' Equity  | 23,581 | 23,525 | 20,761              | 19,622 | 20,101 |
| 9. Total Assets  | 70,489 | 56,118 | 49,106              | 43,497 | 42,931 |
| 10. Total Borrowings   | 22,260 | 16,392 | 13,893              | 13,436 | 12,658 |
| 11. Subscribers (million) <sup>3</sup>                                 | 322    | 275    | 266                 | 244    | 205    |
| <b>Growth Rates YoY</b>  |        |        |                     |        |        |
| 1. Operating Revenue   | 8.5%   | 6.3%   | 1.9%                | 4.1%   | 8.4%   |
| 2. EBITDA  | 10.0%  | 4.1%   | -3.7%               | -2.1%  | 3.4%   |
| 3. Total Shareholders' Equity  | 0.2%   | 13.3%  | 5.8%                | -2.4%  | 1.3%   |
| 4. Total Assets  | 25.6%  | 14.3%  | 12.9%               | 1.3%   | 4.4%   |
| 5. Total Borrowings  | 35.8%  | 18.0%  | 3.4%                | 6.1%   | 10.5%  |
| <b>Share Information</b>   |        |        |                     |        |        |
| 1. Per Share   |        |        |                     |        |        |
| Earnings (basic) – sen   | 5.7    | 29.5   | 27.4                | 29.9   | 29.6   |
| Earnings (diluted) – sen   | 5.7    | 29.3   | 27.2                | 29.7   | 29.5   |
| Net Assets – RM  | 2.6    | 2.7    | 2.4                 | 2.3    | 2.4    |
| 2. Share Price information – RM  |        |        |                     |        |        |
| High   | 6.34   | 7.22   | 7.27                | 7.00   | 6.76   |
| Low  | 4.19   | 5.71   | 6.44                | 6.16   | 4.67   |
| <b>Financial Ratio</b>   |        |        |                     |        |        |
| 1. Return on Invested Capital <sup>4</sup>                             | 4.5%   | 7.7%   | 9.0%                | 10.7%  | 11.8%  |
| 2. Gross Debt to EBITDA <sup>5</sup>                                   | 2.8    | 2.3    | 2.0                 | 1.8    | 1.7    |
| 3. Debt Equity Ratio <sup>6</sup>                                      | 0.9    | 0.7    | 0.7                 | 0.7    | 0.6    |

## Notes:

<sup>1</sup> Excludes foreign exchange gain/loss, gain on disposal of an associate, Ncell purchase price allocations, XL gain on disposal of towers, Robi SIM tax, Robi-Airtel merger one-off adjustments, XL & Robi accelerated depreciation, Robi physical count loss and impairment on receivables, Celcom asset impairment, tax incentive, Celcom Sukuk related costs, Dialog tax impact, Hello asset impairment and Smart asset write-off. From FY14 normalised PATAMI excludes gain/loss on derivatives

<sup>2</sup> FY14 are based on restated financials

<sup>3</sup> Restated subscribers based on active base definition starting 2012

<sup>4</sup> EBIT less tax over average invested capital

<sup>5</sup> Gross debt over EBITDA

<sup>6</sup> Total borrowings over total shareholders' equity

# 2016 IN REVIEW: OVERVIEW OF OPERATING COMPANIES' PERFORMANCE

## OPERATING COMPANIES



In 2016, Celcom's gross revenue decreased by 9.9% to RM6.6 billion, primarily as a result of a decrease in service revenue from voice, Value Added Services (VAS) and the Overseas Foreign Workers (OFW) segment. Consequently, there was a 15.3% reduction in EBITDA to RM2.3 billion. Profit After Tax (PAT) dropped by 25.0% to RM976.3 million due to lower EBITDA and higher share of losses from Associates, partly offset by lower tax expense.

Despite the sluggish Malaysian economy, data revenue accounted for 34.1% of total revenue and continued its growth momentum of 10.0%, fueled by a 19.0% surge in mobile Internet revenue. With its focus on the data segment of the market, Celcom's data users of 6.5 million now represent 61.9% of its total subscriber base of 10.6 million. Moving into 2017, Celcom's "Refresh" exercise will continue with the Company's commitment to deliver superior customer experience and innovative data offerings.



XL saw general improvements in the execution of its "3R – Revamp, Rise, Reinvent" Transformation Agenda with the decline in voice and revenue outside the Java region stabilising. While XL's revenue decreased by 0.3% to RM6.6 billion, EBITDA increased by 4.0% to RM2.6 billion, gaining 1.7 pp to 39.4% compared to 2015. PAT stood at RM112.9 million, signifying more than 100% improvement compared to losses in 2015. This was primarily due to higher EBITDA contribution and net foreign exchange gain, which was partially offset by accelerated depreciation arising from the network modernisation plan focusing on profitability, the crux of XL's Transformation Agenda.

XL's 4G LTE footprint continued to grow and now spans close to 100 cities, with 8,204 4G Base Transceiver Stations (BTS). This is further supported by XL's roll out of UMTS900 which significantly improved the quality of its data services in areas outside Java. With high smartphone penetration of 63% and data users at 65% of its subscriber base, XL delivered 2016 total traffic growth of more than 100%.



Notwithstanding a challenging market, Dialog maintained its excellent performance across all business units, operating from its position of strength as Sri Lanka's market leader. It generated strong gross revenue growth of 16.0% to RM2.5 billion on the back of robust business performance, recording revenue growth of 16.7%, 27.6% and 5.3% respectively for mobile, fixed and Pay TV operations. As Dialog further consolidated its position as a market leader, total mobile subscribers increased by 8.8% to 11.8 million subscribers.

EBITDA increased by 21.1% while margin gained 1.4 pp to 33.7%. PAT grew by 159.7% to RM255.9 million, mainly flowing from higher EBITDA. Mobile data revenue saw a phenomenal increase of 52.4%, with data revenue now making up 23.0% of Dialog's total mobile revenue. Based on its strong performance, a cash dividend of SLR0.39 per share was declared for 2016, representing a 35.1% DPR.



At Robi, revenue increased by 6.1% to RM2.8 billion, driven by translation impacts from the appreciation of the Bangladesh Taka (BDT) against the Ringgit Malaysia, and better performance within its major business segments especially in data which offset voice revenue following the merger with Airtel. Robi's subscriber base grew an impressive 19.5% from 28.3 million in 2015 to 33.8 million in 2016, with data subscribers accounting for 55.8% of its total subscriber base.

Higher regulatory costs associated with revenue growth and network operating cost from an expanded network caused a 19.7% reduction in EBITDA, with margin decreasing by 8.8 pp to 27.2%. Robi's operations reported a Loss After Tax of RM205.6 million, impacted by higher depreciation and amortisation charges arising from the accelerated depreciation of assets affected by the ongoing network modernisation initiatives.



Smart continued with its strong growth momentum for the year, registering 20.0% increase to RM1.1 billion in gross revenue, mainly driven by data revenue. This resulted in higher EBITDA growth of 19.4% while PAT increased by 26.3% to RM278.4 million. Data subscribers grew by 25.4% to 3.8 million while data revenue improved by 48.6% with data accounting for 42.3% of Smart's total revenue.



Performing better than acquisition accretion target, Ncell recorded strong overall performance with contributions of 7.6%, 12.7% and 86.5% to revenue, EBITDA and PAT of the Group respectively.

## ASSOCIATES



At Idea, heightened and intense competition within the telco industry, coupled with increased finance cost and higher depreciation and amortisation charges, led to a sharp decline in its' share of results for the year by RM303.7 million to RM65.1 million.



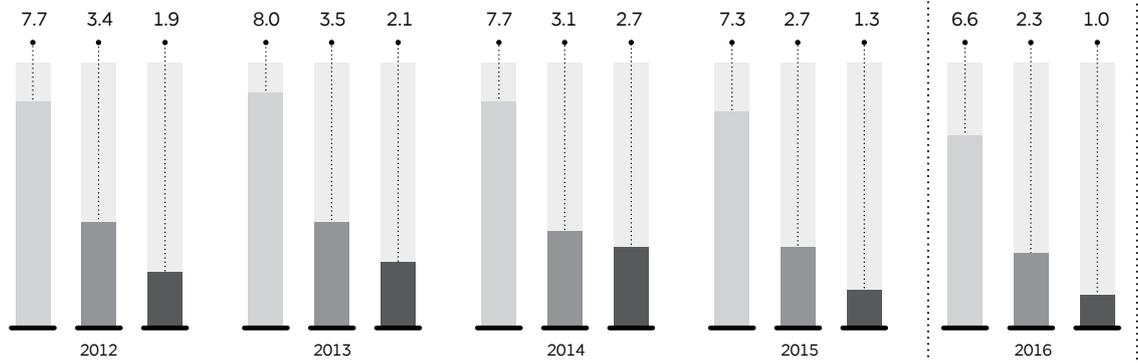
M1's share of results for the year decreased by RM29.0 million mainly impacted by an increase in depreciation and amortisation expenses from a higher 4G network asset base and additional spectrum acquired.

# 2016 IN REVIEW: OVERVIEW OF OPERATING COMPANIES' PERFORMANCE

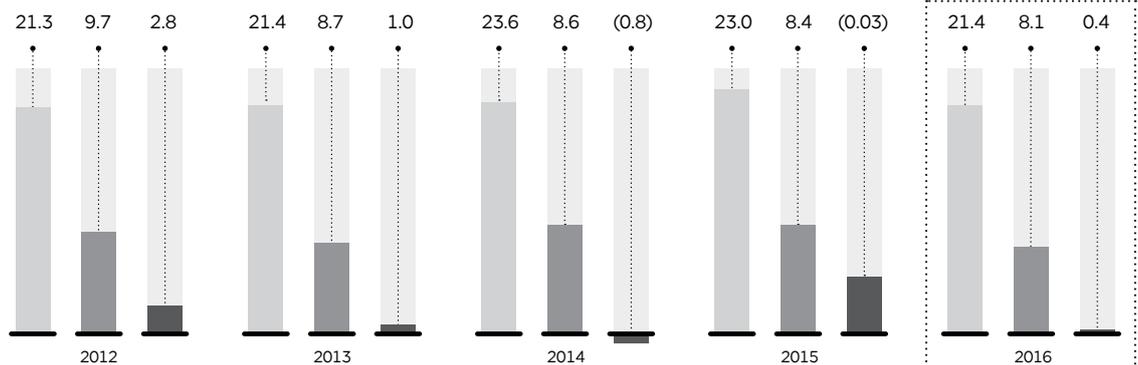
## REPORTING BY GEOGRAPHICAL LOCATION



### Malaysia (RM Billion)



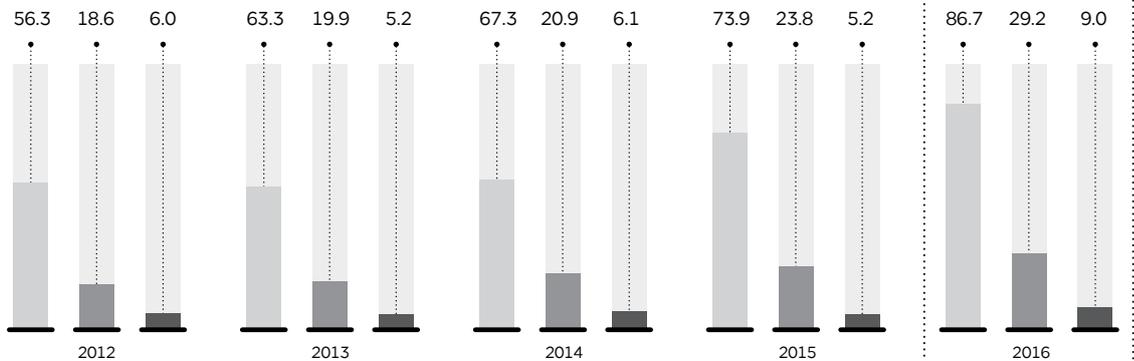
### Indonesia (IDR Trillion)



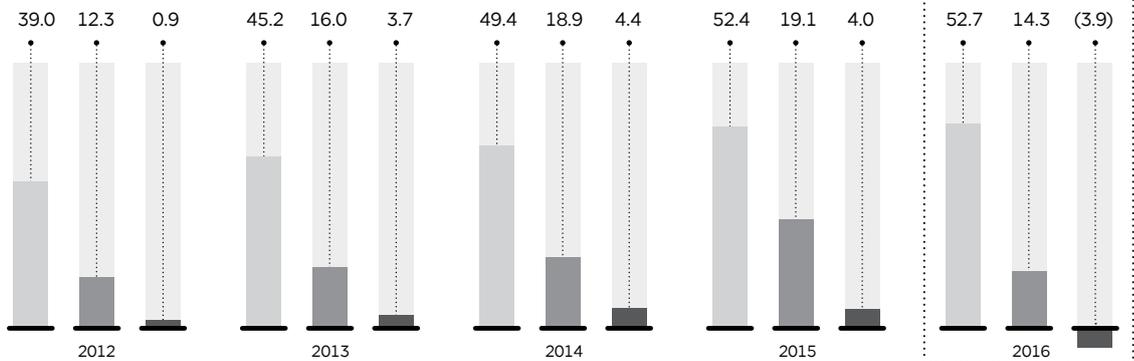
Revenue
  EBITDA
  PAT

<sup>1</sup> All financial numbers are based on audited financial figures and follows the respective country GAAP except for Ncell which has a different financial year end.

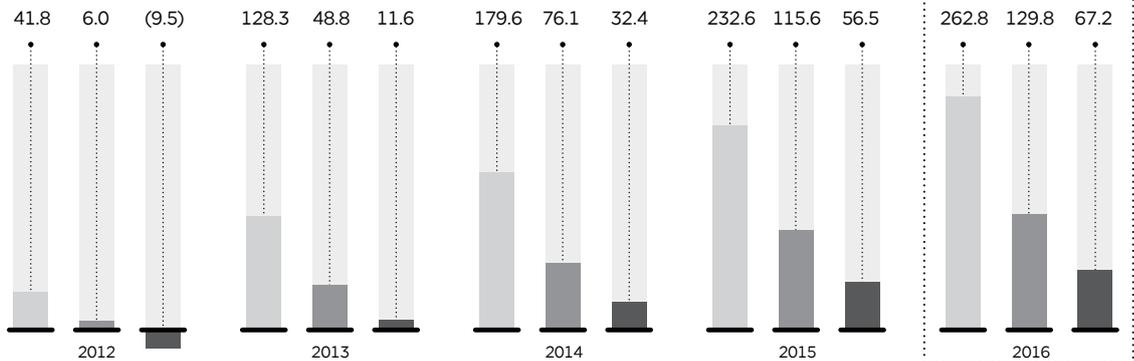
**Sri Lanka**  
(SLR Billion)



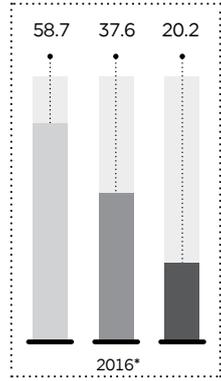
**Bangladesh**  
(BDT Billion)



**Cambodia**  
(USD Million)



**Nepal**  
(NPR Billion)



\* Annualised figure based on 8.5 months since acquisition of Ncell on 11 April 2016.

# 2016 IN REVIEW: KPI, INVESTMENT PERFORMANCE & PRUDENT AND DISCIPLINED DIVIDEND PAYOUT

## KEY PERFORMANCE INDICATORS

Axiata is firm on setting its Key Performance Indicators (KPIs) based on the Group's strategic direction and vision of being a New Generation Digital Champion. Below is our progress on the KPIs measured in 2016.

| FY2016 KPI  |                       | PERFORMANCE |
|---|-----------------------|-------------|
| <b>Revenue Growth</b><br>Revenue growth measures overall YoY growth of the Group. | 2016 KPI <sup>1</sup> | 12.2%       |
|   | FY2016 <sup>1</sup>   | 8.1%        |
|   | 2016 KPI <sup>2</sup> | 9.8%        |
|   | FY2016 <sup>2</sup>   | 5.4%        |
|   | FY2016 <sup>3</sup>   | 8.5%        |
| <b>EBITDA Growth</b><br>EBITDA growth measures overall YoY growth of the Group.   | 2016 KPI <sup>1</sup> | 16.0%       |
|   | FY2016 <sup>1</sup>   | 9.7%        |
|   | 2016 KPI <sup>2</sup> | 13.7%       |
|   | FY2016 <sup>2</sup>   | 6.8%        |
|   | FY2016 <sup>3</sup>   | 10.0%       |
| <b>ROIC</b><br>ROIC is defined as EBIT less tax over average invested capital.    | 2016 KPI <sup>1</sup> | 6.8%        |
|   | FY2016 <sup>1</sup>   | 4.8%        |
|   | 2016 KPI <sup>2</sup> | 6.6%        |
|   | FY2016 <sup>2</sup>   | 4.6%        |
|   | FY2016 <sup>3</sup>   | 4.5%        |
| <b>ROCE</b><br>ROCE is defined as EBIT less tax over average capital employed.    | 2016 KPI <sup>1</sup> | 6.1%        |
|   | FY2016 <sup>1</sup>   | 4.2%        |
|   | 2016 KPI <sup>2</sup> | 6.0%        |
|   | FY2016 <sup>2</sup>   | 4.0%        |
|   | FY2016 <sup>3</sup>   | 4.0%        |

2016 has been a challenging year for Axiata, as it was adversely impacted by weaker performance at Celcom, XL, Robi and Idea, as well as losses in digital ventures and forex. However, the Group's performance was cushioned by the consolidation of Ncell in Nepal on 11 April 2016 and continued excellent performance from Dialog and Smart.

Compared to previous years, 2016 saw worse than expected competition and disruptions in Malaysia, India and Singapore. Celcom's overall recovery was delayed by shrinking industry growth in Malaysia, whilst Idea experienced unprecedented disruption in the Indian market. In Indonesia, XL faced accelerated changing consumer behavior in the substitution from legacy services to data as well as distribution challenges, coupled with brand and network perception gaps.

In 2016, the Group faced regulatory challenges in Nepal, Sri Lanka and particularly in Bangladesh which resulted in the prolonged completion of the Robi-Airtel merger till the end of the year. Whilst the Group will harness the synergy benefits in the coming years, in 2016 it was hit with merger fees and integration costs arising from this business combination.

The Group fell short of 2016 target by 2.0<sup>1</sup> percentage point.

The Group fell short of 2016 target by 2.0<sup>2</sup> percentage point.

The Group fell short of 2016 target by 1.9<sup>1</sup> percentage point.

The Group fell short of 2016 target by 2.0<sup>2</sup> percentage point.

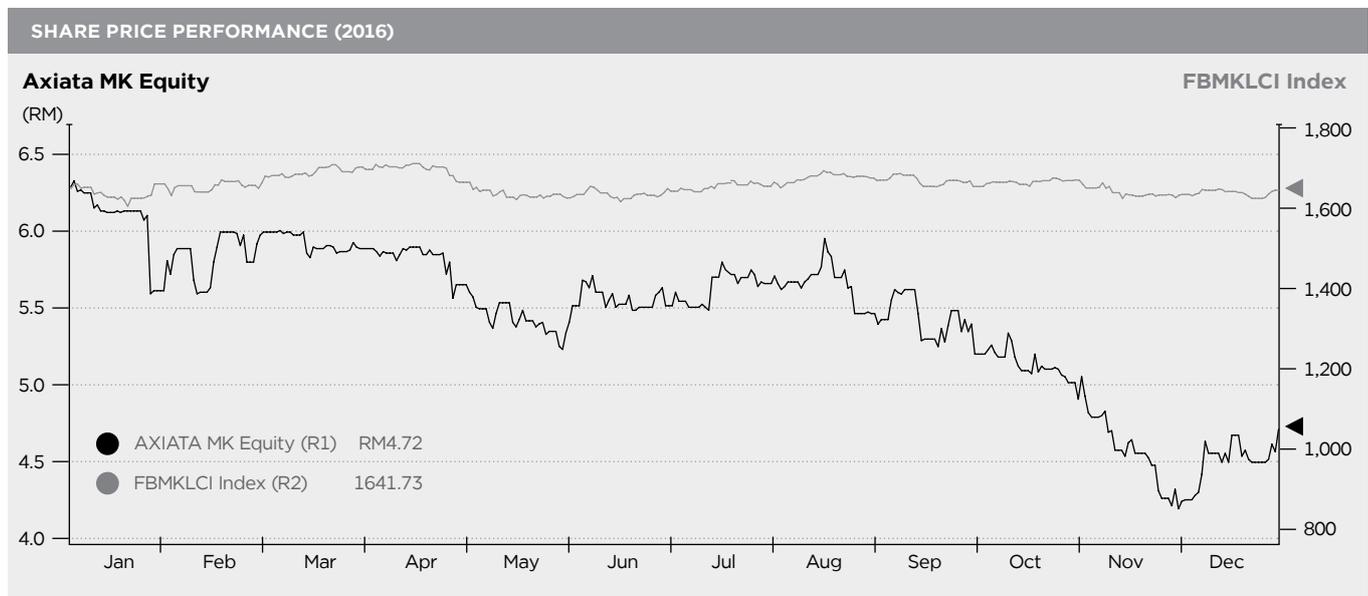
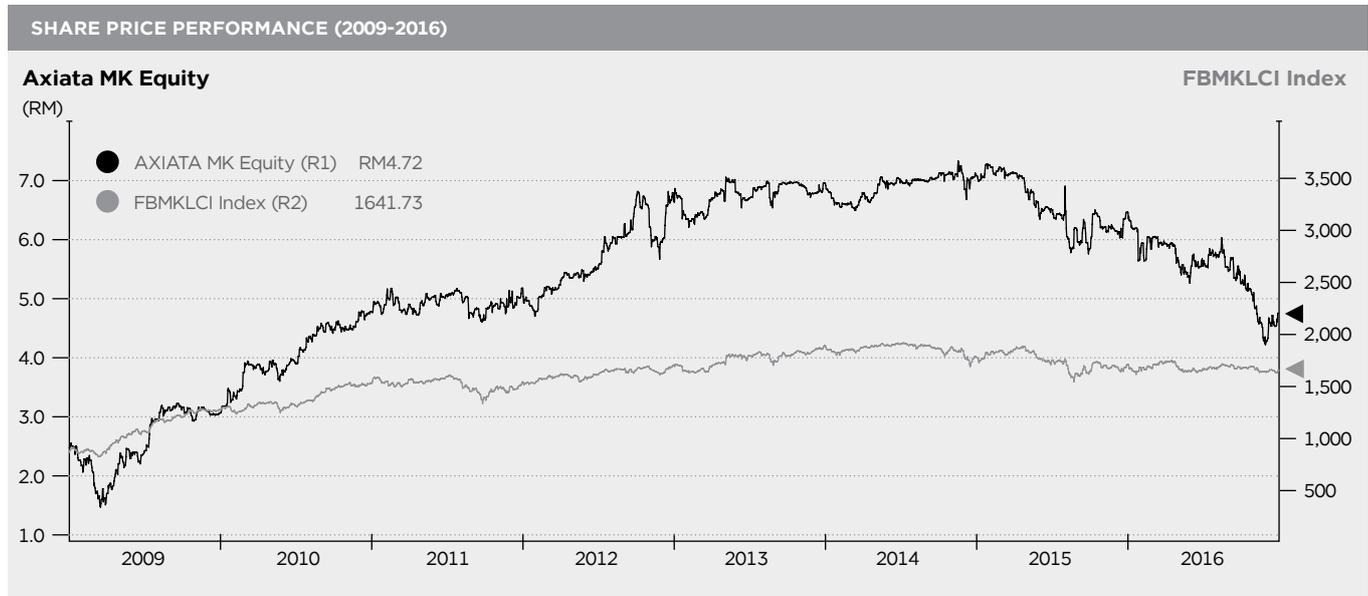
<sup>1</sup> Based on Bloomberg estimate in mid-Oct 2015 for 2016 forex (USD = RM4.20)

<sup>2</sup> Based on constant currency

<sup>3</sup> Based on actual currency

**INVESTMENT PERFORMANCE**

**Share Price Performance**



At end 2016, Axiata was the eighth largest company on the FTSE Bursa Malaysia KLCI (FBMKLCI) in terms of market capitalisation. From 2009 to 2016, Axiata's share price had increased 91.5% while the FBMKLCI had increased 87.3%. However, in 2016, Axiata's share price decreased by 26.4% and underperformed the FBMKLCI index to close at RM4.72 on 30 December 2016. Market sentiments on Axiata was impacted by the challenging performance of the Group's key subsidiaries, spectrum fees and reallocation in Malaysia as well as concerns over the telecommunications industry outlook in Malaysia, Singapore and India. At the same time, external challenges which impacted the share price include currency volatility and global political uncertainties.

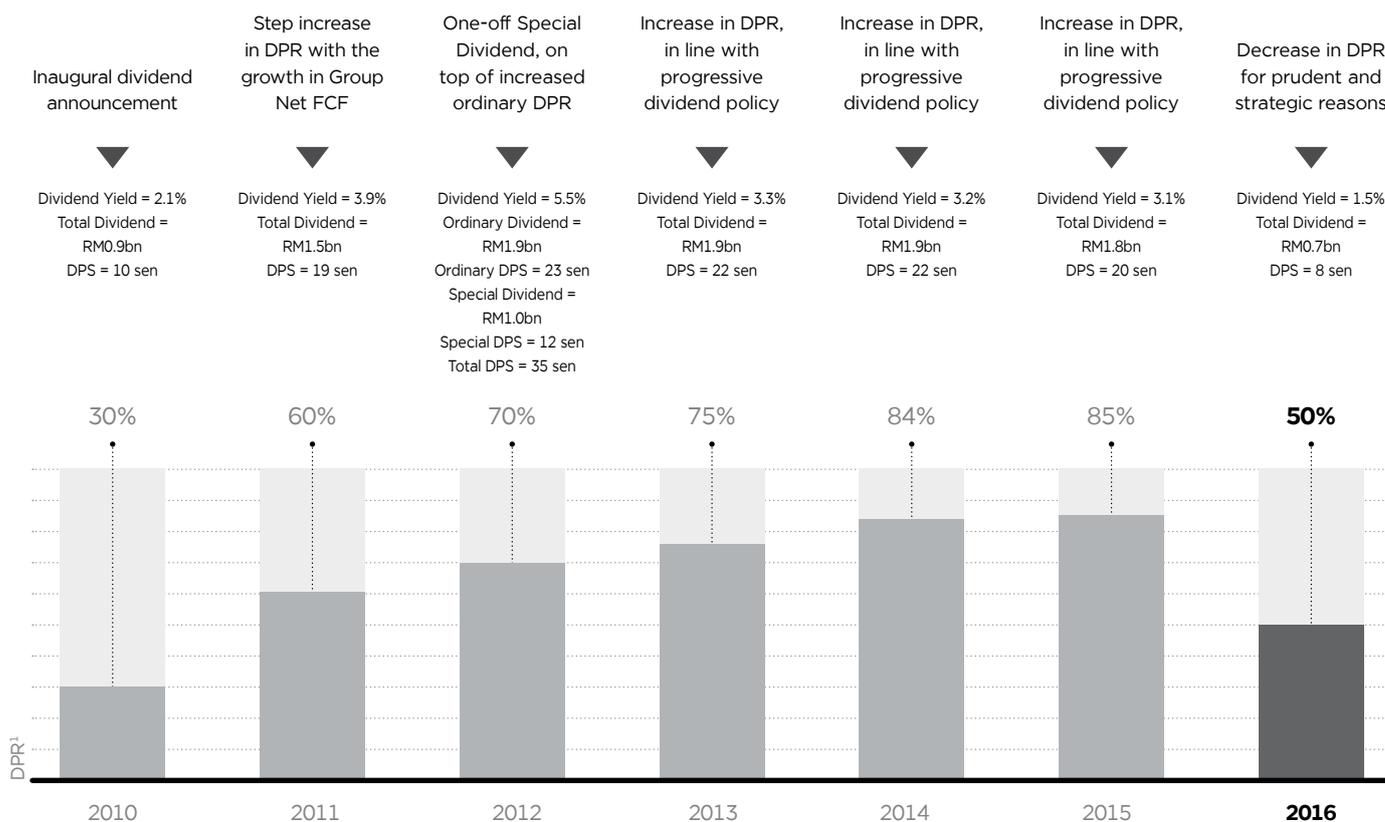
## 2016 IN REVIEW: KPI, INVESTMENT PERFORMANCE & PRUDENT AND DISCIPLINED DIVIDEND PAYOUT

### PRUDENT AND DISCIPLINED DIVIDEND PAYOUT

Axiata declared a 8 sen per share single tier dividend (including interim dividend of 5 sen per share paid last year), implying a DPR of 50%. The Board's decision to declare a conservative 50% DPR takes into account the following:

- i) Cautionary, prudent measure to ensure resilience against:
  - a) unpredictable forex and market volatility; and
  - b) further spectrum costs in the next two years
- ii) Investment for strategic long-term benefits:
  - a) Increased capex investment where Axiata intends to be a clear number one player in 4G and data leadership in selected areas in all markets; and
  - b) Market consolidation and edotco's expansion.

This decision is for the short-term and the DPR is expected to be at 2015 level within two years, as management remains committed to sustain positive performance with financial discipline, efficient cash management and prudent investments, and growth strategies moving forward.



<sup>1</sup> DPR - Dividend payout ratio

<sup>2</sup> DPS - Dividend per share



# 2016 IN REVIEW: GOVERNANCE, COMPLIANCE & EES

## GOVERNANCE

Axiata believes in putting in place a strong and highest standards of governance, not only in Axiata but throughout the Group. Throughout 2016, some key highlights of corporate governance developments includes, strengthening the composition of the Board of Axiata and its major OpCos with the appointment of new Board members with additional skillsets and increasing capable and qualified female individuals; a phased retirement plan at Axiata Board level was adopted for its long serving Independent Non-Executive Directors (INEDs); roll out of a digital platform across the Group to disseminate Board documents; and execution of Axiata Group's succession plan and appointments of OpCos' CEOs and several senior appointments of Corporate Executive Vice President (EVP)/Regional CEOs.

In the year 2016, Axiata's corporate governance practices have received many recognitions including:-

- i) Ranked 3rd in Excellence Award for Top Corporate Governance and Performance (Overall Category) and Merit Award for Corporate Governance Disclosures; and
- ii) Excellence Award for Long-Term Value Creation and for ESG Practices.

For complete details of our governance practices, please refer to our Statement on Corporate Governance on page 73 of this Annual Report.

## RISK & MITIGATION

Axiata has in place a comprehensive Risk Management structure and Internal Control Framework which is overseen by the Board, assisted by the Board Audit Committee (BAC). In 2016, some key risk factors and mitigation measures were as follows:

| Risk Factors   | Mitigation Measures  |
|--|--|
| <b>Financial Risk</b> <ul style="list-style-type: none"> <li>• Forex volatilities associated with the Indonesian Rupiah and Ringgit Malaysia against the US Dollar</li> <li>• US Dollar-denominated debt which exposed the Group to forex impacts</li> </ul> | The Axiata Treasury Management Centre developed hedging strategies governed by strict treasury policies.   |
| <b>Market Risk</b> <ul style="list-style-type: none"> <li>• Global political and economic developments</li> </ul>  | Axiata has been driving efficiencies and innovations through targeted investments in new digital technologies and strategic partnerships with OTT and other digital product developers to create products and services which meet evolving customer needs, increases share of customer wallet and rebuilds customer loyalty. |
| <b>Investment Risk</b> <ul style="list-style-type: none"> <li>• Venturing into new growth areas</li> </ul>   | The Group has put in place a Mergers and Acquisitions Committee that oversees all acquisitions and divestments and maintains a robust due diligence process to evaluate and manage potential risks.  |
| <b>Technology Risk</b> <ul style="list-style-type: none"> <li>• Rapid technological advances</li> </ul>  | In order to remain relevant, the Group reviewed and revamped its capex governance and business planning process, focusing on prudent cost management and capex productivity.   |

For complete details of Axiata's Risk Management and Internal Control Framework, as well as a list of all our risk factors and mitigation measures, please refer to our Statement on Risk Management and Internal Control from pages 96 to 104 of this Annual Report.



## 2016 IN REVIEW: GOVERNANCE, COMPLIANCE & EES

### REGULATORY & LEGAL

In 2016, the Group faced several regulatory opportunities and risks ranging from spectrum allocations, the development of new regulations including the wholesale modernisation of regulatory frameworks, increased levels of taxes, as well as regulatory measures addressing sustainability concerns on over-competition in a few markets and an uneven playing field with OTT service operators.

In 2015, the Group had implemented the Axiata Regulatory Compliance Framework as an integral part of the Corporate Governance Framework which provides the Board oversight of Axiata's regulatory compliance performance. Its objective is to set baseline expectations in all OpCos in relation to Regulatory Compliance. It also assists the Group to manage exposure to unacceptable compliance risks, and ensure compliance with regulatory authorities.

Axiata's approach has been to actively engage with national regulatory authorities and policy makers on key regulatory topics and encourage the development of national-level policies and regulations based on global best practice. The Group's stance on key issues defining the telco regulatory landscape include the maximisation of spectrum allocations to ensure efficient use; the rationalisation of regulatory fees and charges including sector specific taxation policies to promote long-term economic growth; and developing suitable regulations to address a more level playing field between traditional telco operators and OTT service operators.

Axiata also encourages policy makers to consider the long-term sustainability of the sector by allowing more flexible network and spectrum sharing rules, as well as address emerging regulatory topics such as digital financial services, Data Privacy and Trust, and Digital Identity, all which are building blocks for a vibrant digital economy.

### CUSTOMER PRIVACY, DATA PROTECTION & CYBERSECURITY

Axiata's Group-wide customer privacy, data protection and cybersecurity policy is based on four fundamental pillars namely:

- Personal Data Security
- Personal Data Privacy
- National Surveillance/Support for Law Enforcement
- Information Technology (IT)

In 2016, Axiata reinforced its commitment to upholding privacy and security across the Group by drafting of a Group Privacy Framework which will be developed across all OpCos over the next two years.

Increased digitalisation has brought on a greater threat of security breaches from online transactions and mobile connections which may result in the loss or compromise of sensitive information or interruption of services. Mindful of the risks and its repercussions, in 2016 the Group established a Cyber Security Steering Committee which focuses on the implementation of cybersecurity initiatives to minimise the risk of security breaches. In addition, Axiata also established the Cyber Security Operations Center (CSOC) across the majority of its OpCos to improve incident monitoring capability of cybersecurity breaches.

For complete details of our customer privacy, data protection and cybersecurity policy and initiatives, please refer to our Commitment to Customer Privacy, Data Protection and Cybersecurity on page 108 of this Annual Report.

### ECONOMIC, ENVIRONMENTAL AND SOCIAL SUSTAINABILITY

Axiata's Economic, Environmental and Social (EES) Sustainability measures and initiatives is underpinned by the Group's Sustainability Pillars, namely Beyond Short Term Profits, Nurturing People, Process Excellence and Governance, and Planet and Society.

In 2016, the Group continued to contribute to the national development of its countries of operation. Axiata's regional capex and opex spend is now USD46.5 billion<sup>1</sup> in eight countries for a period of five years, while GDP contributions are USD68.2 billion<sup>2</sup> in eight countries over five years. Throughout Axiata's footprint, the Group has provided direct and indirect employment to over 1.2 million people.

The Axiata Digital Innovation Fund (ADIF), one of the most active Malaysian venture capital funds, continues to support and catalyse the growth of digital entrepreneurs. ADIF has invested in 12 digital companies to date, helping start-ups expand their business and product reach into the regional digital services marketplace. In 2016, a total of 50% of ADIF's investments were in Bumiputera companies, and through its investments, has created 918 jobs. Axiata was also recently launched ADIF in Cambodia in 2017.

The Axiata Young Talent Programme, Axiata's flagship corporate social responsibility programme with a commitment of RM100 million over ten years, has contributed towards the leadership development of 1,129 talented young individuals since the programme's inception in 2011.

The Group's commitment to advancing gender equality is evident through the increase in the number of women employed within its 25,000 employee base across the region. Women comprise 30% of Axiata's total workforce, of whom 16% are in senior management positions.

For complete details of our EES initiatives and outcomes, please refer to our standalone Sustainability and National Contribution Report 2016.

<sup>1&2</sup> Capex and opex spend, and GDP contributions covers seven countries of operation till 2015 excluding Nepal. 2016 figures include Nepal, bringing the total to eight countries.

# 2017 OUTLOOK

## INDUSTRY AND MARKET OUTLOOK IN 2017

The effect of reducing revenues, coupled with increasing capex spend is presenting operators across the globe with challenges. This has resulted in a shift of value from asset heavy telecom operators to newer asset-light or OTT players. In 2017, Axiata foresees the data interdependence cycle to continue, with traditional telecom operators responding more aggressively to the structural shifts.

Smartphone penetration is expected to continue to rise, likely exceeding 60% in Axiata's footprint markets driven by sub-USD50 4G LTE devices and demand for video content from mobile-first customers. It is anticipated that the industry will see continued heightened capex intensity due to the need to invest in additional spectrum and data network capacity, as well as coverage.

As data devices and networks continue to proliferate and improve, it is likely that data usage will continue to increase at approximately 50% compound annual growth, which may result in average usage across the Group increasing to approximately 3GB per user per month. The heaviest usage markets of Malaysia and Cambodia is expected to approach 6GB per user per month on mobile.

With the increasing emergence, acceptance and adoption of SVOD services, it is anticipated that fixed and mobile convergence will become a priority, for telecom operators in 2017 as they seek to displace traditional media and Pay TV players, monetise content driving capital investments in the network, and move into the home segment on a lower cost fixed platform.

In 2017, it is expected that the telecoms industry will see further consolidation in three possible dimensions:

- Mobile network sharing/consolidation
- Mobile mergers to achieve greater scale
- Mobile and Fixed mergers to achieve Convergence

### Challenges in 2017

Moving into 2017, the Group is prepared for the onslaught of several challenges within its operating environment. The unprecedented competition which marked the Indian telco sector in 2016 will continue into the first half of 2017. Ideally, the Indian telco industry's restructuring and rationalisation through market consolidation into a three player market would allow for more rational and reasonable competition. In Malaysia, currency volatility and increasingly stringent forex control requirements are expected to persist. However, the Group's aggressive mitigation exercise of forex exposure by hedging US Dollar-denominated debts will reduce its vulnerability.

Rapid changes in regulatory and government policies such as spectrum reallocations and auctions, and national taxes, remain at the forefront of challenges. For 2017, these uncertainties include spectrum reallocation in Malaysia, the impact of new taxes announced in the 2017 Sri Lankan Budget and uncertainty over network sharing in Indonesia. As well as that, effective and meaningful customer touchpoints are becoming more essential to generate sustainable business growth and Axiata needs to defend its customer relationships in all its markets of operation.

## 2017 OUTLOOK

### GROUP OUTLOOK FOR 2017

For 2017, Axiata has strategised a number of initiatives and targets in line with its ambition of becoming a New Generation Digital Champion by 2020.

| Strategy in 2017   | Targets  |
|--|--|
| <b>Turnaround at Celcom and XL</b>   | <p>Axiata is banking on successful recovery at Celcom on the back of its refreshed management and turnaround strategy and will be aggressive in recapturing its leadership position in certain areas in Malaysia in the coming year. In line with this, the Group has allocated capex of RM1.4 billion (USD315 million) for Celcom for 2017, the majority of which will be used to improve its network quality and coverage. This directed approach will enable Celcom to regain its momentum in the prepaid space, dealing with issues such as pricing and packaging to regain its leadership position in 2017.</p> <p>At XL there has been good traction amongst data savvy customers, with rising smartphone penetration and traffic denoting that it is attracting the right customers. The plan is to expand beyond Jawa to growth areas in Sumatra, Kalimantan and Sulawesi which is bound to contribute to an increase in revenue. To capture real growth in the middle segment of the market, XL will focus on better deals, whilst refreshing the brand and team proposition. Within its vendor base, XL will be offering a different game plan to appeal to its target market segment.</p> |
| <b>Investing in the best data network, regaining data and product leadership</b> | <p>Axiata intends to be a clear number one player in 4G and achieve data leadership within selected areas in all of its markets of operation. In line with this, the Group will be increasing capex from RM6.1 billion in 2016 to RM6.6 billion in 2017 to fund key technology and network projects to achieve the best regional data network. By leveraging on collaborative opportunities available in the marketplace, Axiata will lead the way in product leadership and innovation, especially of data-led products and analytics in areas such as financial services, music, media and entertainment, digital advertising, Enterprise and Internet of Things (IoT), and devices.</p>   |
| <b>Continue Strengthening our South Asia Market</b>                              | <p>Following on from Robi's merger in Bangladesh and the acquisition of Ncell in Nepal, the focus will be on effecting a quick turnaround on consolidation and integration within these two OpCos and the Group, which will contribute to greater profitability in 2017. At Robi, the focus is to strengthen performance and improve market share by capitalising on synergies with Airtel, and the Group has targeted double-digit revenue growth for the coming year.</p>  |
| <b>Achieving a Balanced Portfolio</b>  | <p>A key target slated for 2017 is to achieve a balanced portfolio by improving the Group's balance sheet and continuously reviewing various strategic portfolio options to ensure long-term value enhancement, and optimal deployment of capital and funding for growth strategies.</p>   |
| <b>Cost Management Strategy</b>  | <p>Within the Group, Axiata has started implementing of a Group-wide Cost Management programme that will improve efficiency and profitability within a better cost structure. Cost optimisation of RM800 million from operational expenditure and capex savings has been built into the Group's 2017 plan. Axiata intends to achieve RM1.5 billion in additional savings in 2018 and 2019, channelling the funds into its long-term business growth strategies.</p>  |
| <b>Growth at edotco</b>  | <p>edotco will be aggressively pursuing expansion opportunities within the region and intends to add at least two more tower companies within the ASEAN and South Asia region to its portfolio of companies within the next one to two years.</p>  |
| <b>Exploring New Growth Areas</b>  | <p>To maintain competitiveness within the evolving telco landscape, Axiata has identified four key growth pillars under the Axiata 3.0 strategy:</p> <ul style="list-style-type: none"> <li>• Convergent Networks and Infrastructure to deliver dedicated services into the home via the most efficient technology</li> <li>• Enterprise and IoT through Business to Business (B2B) and Business to Business to Consumer (B2B2C) solutions across multiple industries</li> <li>• Financial Services (Fintech) such as insurance and micro/nano-credit</li> <li>• Media, Entertainment and Advertising via go-to-market partnerships and investments through Axiata Digital</li> </ul>  |
| <b>Investing in Digitisation</b>   | <p>In staying ahead of the curve and capitalising on the benefits of digitisation, Axiata will be focusing on some key initiatives in 2017:</p> <ul style="list-style-type: none"> <li>• Commencing a structured Digitisation benchmarking against global and regional peers</li> <li>• Setting and measuring Key Performance Indicators (KPIs) to achieve digitisation across the business at both Group and OpCo levels</li> <li>• Customer facing digitisation efforts such as self-care digital application and dealer registration digital application roll outs</li> <li>• Digital and social media platform marketing, analytics and customer engagement</li> </ul>   |

For complete details on outlook for each market, please refer to pages 38 to 50 of this Annual Report.



**OPERATING  
COMPANIES  
BUSINESS  
REVIEW**

# BUSINESS REVIEW



## Key Highlights

- **Extremely challenging year due to internal and external issues**
- **Strong data traffic growth of 105%**
- **4G covering 76% of the population**

## About Celcom

Celcom is Malaysia's premier and most experienced mobile telecommunications company with the widest coverage in the nation. It provides both prepaid and postpaid mobile services to close to 11 million subscribers. Celcom is also growing its position in content and Value Added Services (VAS), enterprise solutions, bulk wholesale services, digital services and machine-to-machine (M2M) solutions, in line with evolving technologies and changing consumer behaviour in Malaysia.

Celcom has the widest network in Malaysia, covering 95% and 90% of the population with its 2G and 3G networks respectively. With close to 4,800 4G LTE sites, Celcom continues to invest in network coverage, capacity and performance to maintain its technology leadership and position as the country's best mobile service provider whilst looking to drive differentiation based on a superior network and exceptional mobile data and Internet experience.

Celcom is also a pioneer of industry leading wholesale partnerships which include Mobile Virtual Network Operators (MVNOs) as well as domestic and international roaming. Celcom currently has six MVNO partners that provide additional channels to the market, covering niche segments with strong growth potential. Celcom views MVNOs as an important alternative channel for servicing niche consumer segments and continuously evaluates new MVNO partnerships.

Celcom's long standing partnerships with local and global operators have resulted in a broad Internet network coverage with roaming services in 197 countries via 462 network partners. As part of the Axiata Group, its customers also enjoy great rates and consistent experience whilst roaming.

Celcom puts high emphasis on Customer Experience in all its products and services. This

is reflected in Celcom winning awards for best telco, customer experience, brands and other corporate accolades.

## Business Review 2016

2016 was characterised by an intensely competitive telco sector and an overall decline in the market. Business and consumer confidence in Malaysia reflected a declining trend in 2016, resulting in lower overall expenditure on telecommunications services. Despite these trying market conditions, Celcom managed to stabilise its core business in the second half of the year.

The second half of 2016 saw Quarter on Quarter (QoQ) improvements in service revenue, while Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) improved more than 10% in the fourth quarter of 2016. The organisational refresh strategy that was introduced in Celcom in the last quarter helped accelerate recovery in some key areas.

The new management team rolled out a turnaround plan after identifying key challenges, which included sales and distribution channels, products, regulatory and network. This covered a revamp of Celcom's postpaid product, contributing to strong postpaid subscriber and revenue growth in 2016. Data and smartphone penetration within Celcom's base grew substantially throughout the year. Active smartphone penetration rose from 59% in the fourth quarter of 2015 to 64.4% in the corresponding period in 2016, while the data subscriber ratio rose from 54.4% to 61.9% of total subscribers during the year, which resulted in significant growth in data traffic of 105%.

The product portfolio revamp included relaunching new Content Providers and VAS on a new Application Programme Interface (API) platform, a highly competitive roaming product and a new offering targeting Overseas Foreign Workers (OFW). These initiatives have aided in further accelerating Celcom's turnaround.

Initiatives focused on improving customer experience and digital channels included the migration of bluecube.com.my to celcom.com.my and the launch of a new Xpax App, making it easier for customers to purchase and use Celcom's services. The remodelling and restructuring of Blue Cube began in earnest in 2016, and will continue through 2017 to deliver a superior experience to Celcom customers.

Last year the Company took aggressive steps to improve its mobile network quality and experience for its customers. As part of its' network modernisation initiatives, the roll out of the Klang Valley RAN Swap was initiated

by upgrading the 4G network to keep pace with the increasing demands of smartphone users. The reallocation of bandwidth impacted the roll out process for the Klang Valley Swap, due to the need to simultaneously undertake spectrum refarming. These efforts, which are set to continue into 2017, have significantly improved quality and data download speeds, from approximately 19Mbps to 23Mbps. The aggressive roll out of 4G LTE-enabled base transceiver stations (BTS) nationwide, have resulted in significant improvements in Celcom's coverage, with 76% of the population covered by 4G and 90% covered by 3G respectively.

These sustained efforts have had positive impacts on the Company. In a survey initiated by Celcom and conducted by an independent external party, Nielsen Corporation, Celcom was ranked number one in Net Promoter Score amongst the big three operators in Malaysia, while complaint resolution performance has either met or exceeded statutory requirements laid down by the Malaysian Communications and Multimedia Commission.

## Financial Performance

2016 saw Celcom gaining traction in stabilising its market share with improvements in QoQ revenue and EBITDA. Celcom also demonstrated early signs of stabilisation with an improved quarter with QoQ growth in service revenue, normalized EBITDA and normalised Profits After Tax and Minority Interests (PATAMI) of 1.4%, 10.9% and 1.8% respectively.

Positive take-up on enhanced postpaid offerings such as First Gold 80 and First Platinum, delivered higher postpaid Average Revenue Per User (ARPU) of 4.1% and subscriber growth of 3.2% QoQ. Data revenue continues to be a key driver for Celcom, increasing by 10.0% in 2016 driven by mobile Internet revenue growth of 19.0%. Data revenue accounted for 34.1% of total revenue.

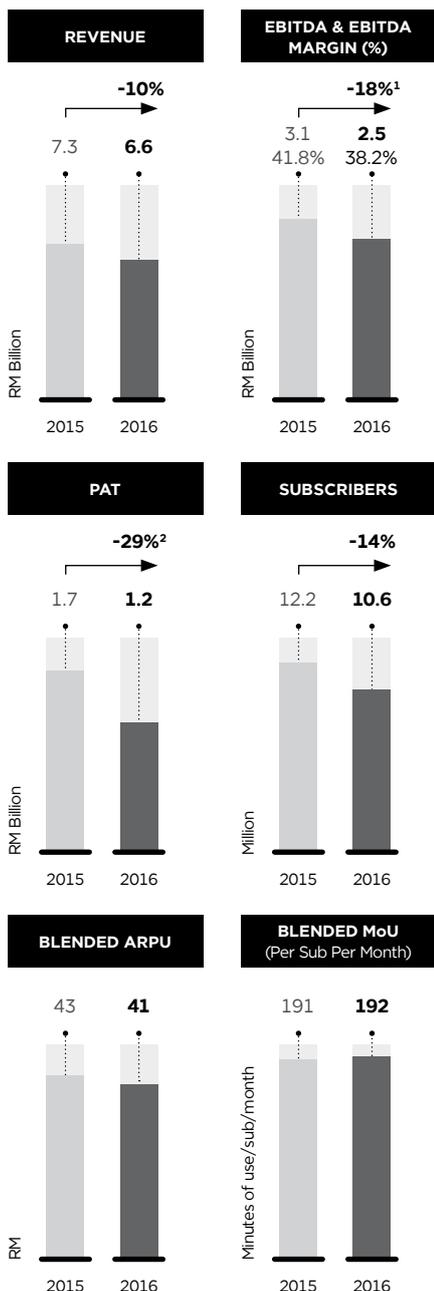
## Outlook for 2017

While Celcom's performance in the second half of 2016 has been encouraging, the telecommunications sector will continue to be highly competitive in 2017, with limited opportunities for growth. Other challenges include spectrum refarming, along with the entry of new players. Data traffic is expected to continue its strong growth trajectory, offsetting continued decline in voice traffic and associated revenues. Increased penetration of smart devices and LTE enabled phones will underpin further growth in data revenue.

Celcom will continue its focus on delivering an industry leading customer experience in

2017, supported by superior mobile data service quality. Digitalisation of Celcom's core business and channels, including digitalising the value chain and engagement with dealer and distributor partners, is another strategic focus

**Celcom**



area. The Company will continue enhancing self-care apps for the prepaid and postpaid segments to provide customers greater convenience and revamp online care channels.

Technology is the key enabler in supporting the ever increasing demand for data traffic. Enhancements to Celcom's IT systems will be supported by increased rate of Cloud adoption, thus improving agility and optimizing cost in IT operations. Celcom will continue to aggressively invest in 4G LTE networks to deliver the best video and data quality experience. Investments are targeted to deliver both capacity and coverage improvements, and include an increase in fiberisation of backhaul to base station sites.

The Company will continue focusing on product innovation, with the aim of generating new revenue streams in adjacent markets, such as the Internet of Things (IoT), payment services and an enhanced service portfolio for Enterprise customers. Celcom will also enhance its Data Science and Advanced Analytics capabilities, thus building firm foundations to become a Digital Champion, offering a personalised customer experience and leading data and video experience quality.

more than 90% of the population throughout Indonesia. With over 20 years experience, XL armed with deep understanding of its subscribers needs, is credited with bringing mobile services to ordinary Indonesians when it introduced the budget "IDR1/second" programme in 2007, allowing more middle and lower income groups access to mobile services. XL has grown from a small company offering basic telephony services into one of the country's largest telecommunications companies, with extensive network infrastructure and services.

XL's network runs on GSM 900/DCS 1800, IMT-2000/3G technologies and 4G LTE and it holds several licenses, including Closed Regular Network (Leased Line), Internet Services Protocol (ISP), Voice over Internet Protocol (VoIP), Internet Interconnection Services (NAP), and an e-money (electronic money) license from the Central Bank of Indonesia, which enables XL to provide remittance services to its subscribers. As the second largest telecommunications company in the market in terms of market capitalisation, XL continues to innovate and is transforming itself into a leading mobile data provider, serving the burgeoning demand for data amongst Indonesians. XL is dynamic in managing and operating its business, and fast in adapting to changes in the industry and market landscape, to deliver excellent service quality to its customers.



**Key Highlights**

- **Sustained focus on "3R – Revamp, Rise & Reinvent" transformation**
- **More than 84,000 BTS in close to 100 cities & market leader in 4G with over 8,000 BTS in close to 100 cities**
- **Nationwide UMTS900 for 3G data services**
- **Launched Mobile Broadband (MBB) Product**
- **1st Indonesian telco to commercially launch 4.5G Ready on the 1,800 MHz spectrum**

**About XL**

As one of Indonesia's leading telecommunication service providers, XL offers an array of innovative telecommunications products and services ranging from voice, SMS and Value Added Services (VAS) to mobile data covering

**Business Review 2016**

In 2016, XL continued with the implementation of the "3R – Revamp, Rise & Reinvent" Transformation Agenda to position the business for data. In line with this, there was strong focus on enhancing the Company's data infrastructure through a wider, stronger and better network to attract data savvy customers. As a result, XL's 4G footprint now spans close to 100 cities and areas across the country with more than 8,200 sites, with smartphone penetration rising to 63%, the highest in the industry. By end December 2016, XL had 29 million smartphone subscribers, signifying an increase of 64% Year on Year (YoY).

Given the low penetration of fixed broadband in Indonesia, XL launched its Mobile Broadband (MBB) solution XL Go which utilises Mi-Fi on 4G LTE and 3G networks to connect several devices. During the year, increased growth in 4G LTE services and smartphone subscribers contributed to total traffic growth of 162% YoY.

The Company improved its nationwide network coverage by utilizing the UMTS900 frequency for 3G services. This will be implemented across

<sup>1 & 2</sup> Normalisation excludes holding company charge, impact of edotco disposal, ESCAPE, Celcom Planet, Employee Wish Plan and Sukuk interest.

## BUSINESS REVIEW

Indonesia, including Sumatra and Kalimantan, in line with the Indonesia Broadband plan to expand digital access in remote areas of the country.

In 2016, XL was the first telecommunications operator in Indonesia to commercially launch 4.5G on the 1,800 MHz spectrum, covering Jakarta, Bogor, Depok, Tangerang and Bekasi (Jabodetabek), Bandung, Surabaya and Denpasar.

In line with its Transformation Agenda, the Company conducted a range of balance sheet management initiatives with the aim of strengthening its balance sheet and reducing the effect of foreign currency fluctuations. This included a rights issue in the first half of 2016 offering 2.14 billion new shares, the proceeds of which were used to repay a loan from the parent company. XL also completed the sale and leaseback of 2,500 towers, and the proceeds were used to pare down debt. Consequently, the Company has improved its gearing ratio and strengthened its financial position. XL's diligent focus on cost management resulted in an increase in EBITDA margins to 37.6% in 2016 compared to 36.6% a year ago.

### Financial Performance

In 2016, XL recorded revenue of IDR21.4 trillion, lower by 7% YoY due to the shift in customer behaviour which resulted in a decline in Legacy Services revenue. Service revenue however, only declined by 4% YoY to IDR18.3 trillion as the decline in Legacy Services revenue was offset by stronger growth in data revenues. Service revenue now accounts for 86% of total gross revenue.

EBITDA reduced by 4% YoY to IDR8.1 trillion due to the decline in revenue but was offset by cost efficiencies achieved during the year. As a result, EBITDA margin improved to 37.6% in 2016 from 36.6% in 2015.

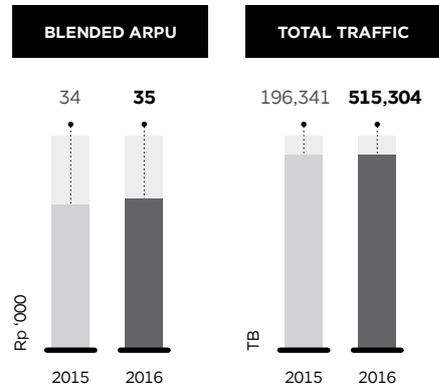
XL recorded a net profit of IDR376 billion in 2016 compared to a net loss of IDR25 billion in 2015. This was driven by gains from the sale and leaseback of towers conducted during the year as well as the strengthening of the value of the Indonesian Rupiah.

### Outlook for 2017

Moving forward into 2017, XL will continue focusing on the execution of its 3R Transformation Agenda to position the business to be more data-centric as Indonesia continues to see explosive growth from data services due to rapidly increasing demand. XL has laid strong foundations with the strengthening

of both its 4G LTE network and the roll out of UMTS900 improving quality and coverage for 3G services. Customers are beginning to recognize these benefits which have resulted in increased smartphone penetration of 63% across its subscriber base being the highest amongst operators in Indonesia.

In 2017, XL will persist with its strategy to acquire data savvy smartphone customers by further improving and widening the coverage of its data network. The Company will also ramp up marketing and communications efforts to educate the market on its stronger network proposition as well as increase its innovative data-focused bundled offerings to entice smartphone customers. XL continues to be at the technological forefront with the testing and implementation of 4.5G, the first operator in Indonesia to do so. As the Company seeks to build a stronger, more profitable and sustainable business, it will continue to focus its efforts on cost efficiencies to improve returns to all stakeholders.



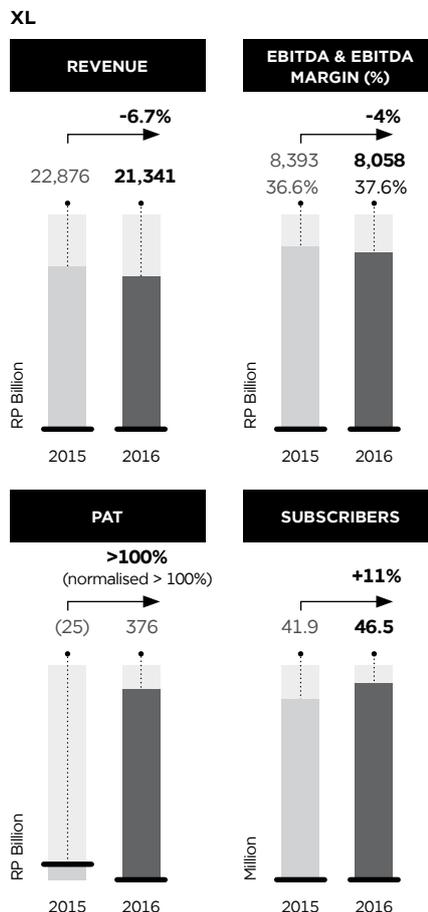
### Key Highlights

- Double-digit revenue growth for the 2nd consecutive year
- Data revenue continued to grow exponentially by 52%
- Strong EBITDA growth of 23%
- Commissioned Bay of Bengal Gateway (BBG) Submarine Fibre Optic Cable
- Demonstrated South Asia's 1st 4.5G Demo

### About Dialog

Dialog Axiata PLC operates Sri Lanka's largest and fastest growing mobile telecommunications network. The Company is one of the largest listed companies on the Colombo Stock Exchange in terms of market capitalisation. Dialog is also Sri Lanka's largest Foreign Direct Investor (FDI) with investments totalling over USD2 billion.

Dialog, a winner of six GSMA Mobile World Awards has the distinction of being voted by Sri Lankan consumers as the Telecom Service Provider of the Year for the sixth successive year as well as the Internet Service Provider of the Year at the SLIM-Nielsen People's Choice Awards for the sixth successive year. Dialog has topped Sri Lanka's Corporate Accountability rankings for the past six years in succession and is an ISO 9001 certified company.





Dialog has been at the forefront of innovation in the mobile industry in Sri Lanka since the late 1990s, propelling the nation's mobile telephony infrastructure to a level of advancement on par with the developed world. The Company delivers advanced mobile telephony and high speed mobile broadband services to a subscriber base of 11.8 million Sri Lankans, via 2.5G and 3G/3.5G and 4G networks.

Dialog supplements its market leading position in the mobile telecommunications sector with a robust footprint and market presence in Sri Lanka's Fixed Telecommunications and Digital Pay Television markets through its fully-owned subsidiaries Dialog Broadband Networks (Private) Ltd (DBN) and Dialog Television (Private) Ltd. (DTV). DBN is Sri Lanka's second largest Fixed Telecommunications service provider, serving residential and enterprise customers with voice, broadband, lease lines and customised telecommunication services. DTV operates a Direct-to-Home (DTH) Digital Satellite Pay TV service and is the market leader in Sri Lanka's Pay TV sector and delivers high quality infotainment to a viewer base of over 800,000 Sri Lankan households.

### Business Review 2016

Dialog witnessed another year of stellar performance amidst intense competition, registering significant improvement in profitability along with operational efficiencies driven by Cost Rescaling Initiatives. The Company's subscriber base reached 11.8 million in 2016 compared to 10.9 million in 2015, expanding its subscriber market share by 1.5pp.

While voice continues as the dominant service, mobile broadband services demonstrated robust revenue growth. This was the result of data network coverage expansions, attractive tariffs, and growing smartphone penetration driven by digitisation, increasing affordability and availability of devices, as well as the adoption of data-intensive applications, such as gaming and video streaming. Data revenue grew by a strong 52% Year on Year (YoY), while mobile broadband subscriber base grew by 41%. Smartphone adoption within Dialog's network increased to 44% in 2016.

Dialog invested substantial capex towards increasing its 3G and 4G base stations, expanding by 12% and 71% respectively in 2016, while fixed 4G LTE sites increased by 76%.

During the year, Dialog commissioned the Ultra High Capacity 100G-PLUS Bay of Bengal

Gateway (BBG) Submarine Fibre Optic Cable with an investment in excess of USD34.5 million (SLR5 billion). The BBG system represents a significant step-up in connectivity speeds which will further augment the multiplicity of global networking options for Sri Lanka's enterprise ICT sector, as well as speeding up Dialog's 3G HSPA+, 4G and fibre optic networks. Dialog also launched the country's first Voice over LTE (VoLTE) service, enabling ultra-high quality voice and video calls over its 4G LTE networks. Within its digital services segment, Digital Health Private Limited (DHPL), which operates the digital health app Doc990, launched commercial operations with the Asiri Group of hospitals, thus expanding its reach to over 100,000 customers.

Ideamart, Dialog's own Application Programme Interface (API), began operating within the Hutch network in 2016, enabling Ideamart developers to widen their app reach to Hutch subscribers. During the year, Ideamart had a development community of over 5,600 individuals and nearly 11,000 active apps, with its user base surpassing the 1.6 million mark.

In the Digital Money sector, eZ Cash grew its customer base to 2.8 million, with over 30,000 merchants island-wide. The Digital Commerce sector recorded strong growth in monthly turnover and Merchandise Value, with a user increase of 37%.

DBN's customer base comprises over 570,000 individuals and corporates providing multiple services including fixed telephony, hosted PABX offerings, broadband, Internet leased lines, data communication, Internet Data Centre (IDC), converged ICT solutions, telecommunication infrastructure, transmission and backbone services. DBN's IDC received the ISO 27001:2013 certification during the year, becoming the first and only Sri Lankan service provider to receive the accreditation and recorded 56% YoY growth in both co-location and Cloud business.

Dialog also successfully completed 4.5G technology trials, which demonstrated download speeds in excess of 1Gbps. The fixed LTE demonstrated an accelerated uptake where the customer base grew by over 100% in 2016, surpassing 200,000 subscribers.

Meanwhile, DTV subscribers grew by 29% during the year. DTV continued to consolidate its growth momentum with subscribers surpassing the 800,000 milestone to reach a subscriber base of over 838,000. DTV added 13 new channels, including three new HD channels, thus expanding its number of channels to more than 130.

### Financial Performance

Dialog continued its strong performance trajectory, delivering a consolidated revenue of SLR86.7 billion in 2016. This represented significant double digit growth of 17% YoY, underpinned by strong growth across all business segments. On the back of substantial revenue growth combined with operational efficiencies derived through continued focus on Cost Rescaling Initiatives, Dialog recorded EBITDA growth of 23% YoY to reach SLR29.2 billion. EBITDA margin for 2016 also improved to 33.7%.

Net PAT (NPAT) grew significantly by 74% YoY to SLR9.0 billion. NPAT performance was driven by improved EBITDA and lower non-cash translational forex loss of SLR0.8 billion compared to a loss of SLR2.2 billion the previous year. The Sri Lankan Rupee depreciated against the US Dollar by 3.9% in 2016.

Dialog's capital expenditure for 2016 was SLR23.2 billion, with investments to capture leadership position in Sri Lanka's Broadband Sector. Accordingly, capital expenditure was directed towards investments in High-Speed Broadband infrastructure encompassing capacity upgrades for 3G and expansion-focused investments for 4G along with the extension of the Company's Optical Fibre Network to support robust seamless connectivity.

### Outlook for 2017

Sri Lanka is seeing a rapid transition in its telecommunications industry, with a shifting trend towards data connectivity and digitisation. The mobile subscriber growth rate in Sri Lanka has been increasing rapidly and is expected to moderate in the near future as the market reaches a state of maturity. However, the mobile broadband market is exhibiting strong growth driven by 3G and 4G adoption and increased smartphone penetration.

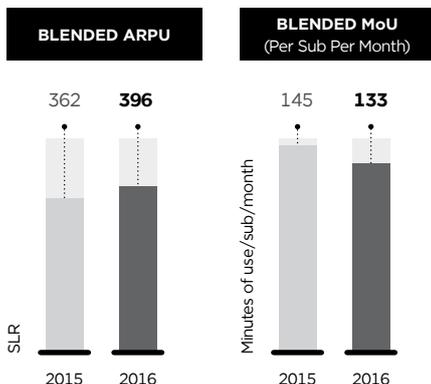
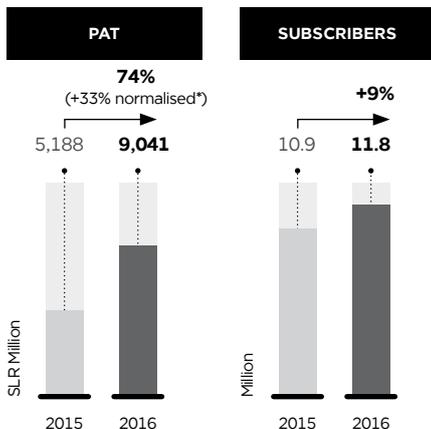
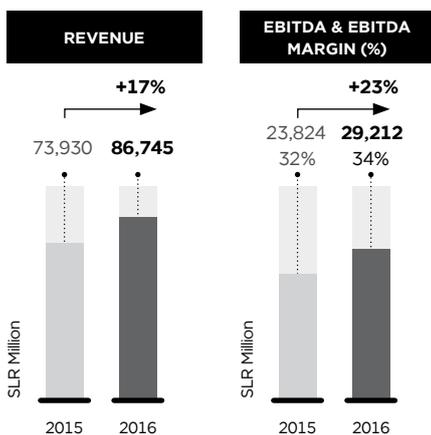
Digital transformation is reshaping the way businesses operate, with big data and analytics as key business drivers. This has resulted in more corporates migrating to Business Intelligence platforms which Dialog intends to leverage on for future growth.

The Internet of Things (IoT) is playing an increasingly crucial role in the development of Smart City, with more users turning to IoT enabled devices within the key segments of Health, Near-Field Communication (NFC), Radio Frequency Identification (RFID) tagging, Home

## BUSINESS REVIEW

Security and Home Automation. Dialog intends to capitalise on IoT opportunities available to further augment its profitability.

### Dialog



\* Normalised for forex losses



### Key Highlights

- **Subscriber growth of 19.5% to 33.8 million**
- **Data revenue growth of 38.9%**
- **Post-merger operating as “Robi Axiata Limited”**
- **World’s # 1 Socially Devoted Brand by ‘Socialbakers’**
- **GSMA Glomo Awards for Best Mobile Innovation for Education and Learning**

### About Robi

Robi Axiata Limited is a joint venture of Axiata Group Berhad of Malaysia, Bharti Airtel Limited of India (Bharti) and NTT DoCoMo Inc. of Japan (NTT DoCoMo). The entity ‘Robi Axiata Limited’ merged with Bharti’s operation in Bangladesh, ‘Airtel Bangladesh Limited’, in November 2016 to form the new entity where Axiata holds 68.7% controlling stake, Bharti 25% while the remaining 6.3% is held by NTT DoCoMo.

The merged entity is the second largest mobile operator in Bangladesh with 33.8 million active subscribers. It provides the country’s widest network coverage, covering 99% of the population with 9,295 2G and 5,192 3.5G sites.

Robi is the first operator to introduce GPRS and 3.5G services in Bangladesh. The Company has introduced many first of its kind digital services in the country and has invested heavily in providing mobile financial services to underserved communities in rural and semi-urban areas.

### Business Review 2016

2016 proved to be a challenging year for the telco industry in Bangladesh, primarily due to regulatory impacts from required compliance for SIM biometric re-registration. The requirement caused a drop off in new subscriber activations, and subscriber growth was sluggish as a result. The situation was further complicated by the

regulator deactivating unregistered biometric non-compliant SIMs.

Despite these challenging circumstances, Robi’s subscriber base increased by 19.5% to 33.8 million post-merger, representing 26.9% of industry subscriber market share, effectively cementing its position as the second largest operator in Bangladesh.

Total revenue grew marginally by 0.5% compared to the previous year, while data revenue registered strong growth of 38.9%. Data revenue growth was propelled by significant network investments to the tune of BDT20.3 billion, coupled with innovative affordable data offerings to drive 3.5G and 2.5G data use.

The Company continued investing aggressively in fast-tracking its 3.5G network expansion and improving 2.5G network quality for better customer experience both in voice and data services. Total capex investment made by Robi since inception amounted to BDT182.6 billion. Robi now has network coverage in all 64 districts in Bangladesh with 9,295 2G and 5,192 3.5G sites.

Throughout the year, Robi continued with its innovative and affordable product offerings in the market. Among them were special offerings to capture greater market share capitalising on the public interest over the Robi-Bharti merger such as the ‘Merger Bonanza Offer’ launched on the eve of the merger. The Company also expanded the Airtel-Yonder Music app offering to subscribers of the Airtel brand.

With the successful completion of the final phase of the merger in the fourth quarter of 2016, Robi has been focusing on creating the number one network which will deliver the widest mobile network coverage and superior mobile services experience to its subscribers.

### Financial Performance

In 2016, Robi registered total revenue growth of 0.5% while data revenue grew significantly by 38.9%. Data revenue growth was due to focused investments in network as well as innovative affordable data offerings to drive 3.5G and 2.5G data usage.

The Company registered fourth quarter Quarter on Quarter (QoQ) revenue growth of 5.0%, which includes 1.5 months of Airtel revenue and solid growth within the data business segment.



EBITDA margin was lower by 19.5 percentage points mainly due to one-off merger related fees and charges.

Robi's profitability was negative at BDT3.9 billion, impacted by accelerated depreciation resulting from the nationwide network modernisation especially in the Chittagong-Comilla region.

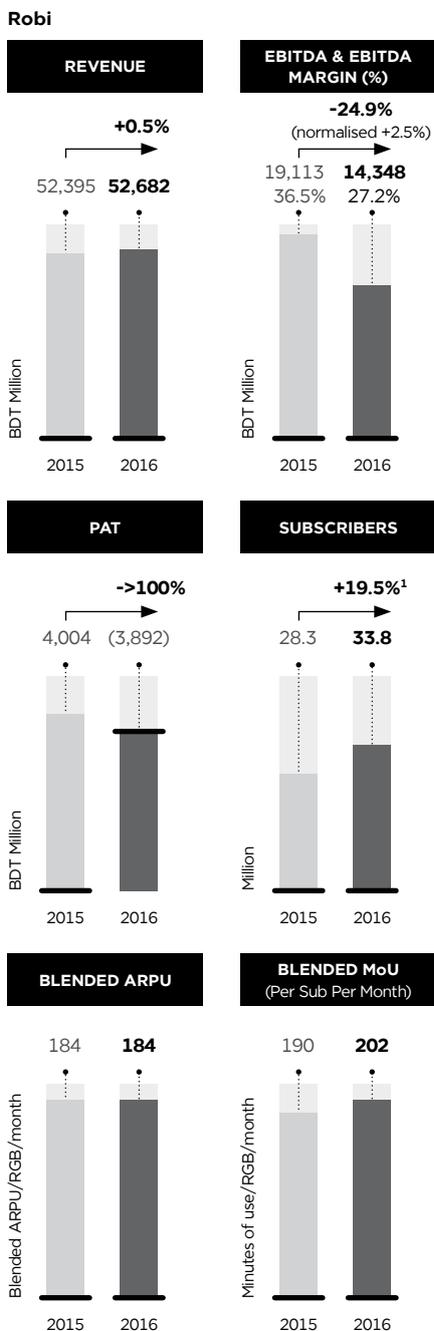
One-off merger expenses also affected EBITDA growth which shrank by 24.9% during the year. Robi's operating profit (EBITDA) margin was 27.2% in 2016, down 9.3 percentage points from the previous year. This was due to its marginal revenue growth, higher network operating expenses from continued network investments, and one-off merger fees and charges. Due to its sustained investment in its nationwide network modernization, Robi was lagging in terms of expected profitability in 2016.

**Outlook for 2017**

Following the completion of the merger between Robi and Bharti, the new merged entity is now sharply focused on leveraging on the synergies of the merged company. Moving into 2017, Robi plans to deliver on its promise of creating the number one network in the country and has begun making inroads on its strategic plans in this regard, by focusing on the smooth integration of its expanded network. As the second largest mobile phone operator in Bangladesh with 33.8 million subscribers, Robi is in a strong position to offer the best network experience upon completion of its network integration exercise.

Robi will also leverage on Airtel brand's strength within the marketplace as the telco brand of choice for the youth market in Bangladesh. Robi is continuing with its transformation journey to become the New Generation Digital Champion in Bangladesh by strengthening its digital offerings.

Robi looks forward to deriving the benefits from the injection of fresh talent from Airtel as a result of the merger, with the new team working collaboratively to further strengthen the Company's value offerings. In the coming year, Robi will also be embarking on its drive to expand its digitisation programme throughout all processes and business units within the new merged entity.



<sup>1</sup> 2015 subscriber numbers are based on Robi's customer base pre-merger while 2016 subscriber numbers are based on Robi-Airtel post-merger consolidated subscriber base.



**Key Highlights**

- **1st Cambodian telco offering 4G+ & 4G in all provinces**
- **1st Cambodian telco to launch SmartPay, a payment solution via virtual MasterCard**
- **100% of base stations deployed with 3.75G; 60% of base stations deployed with 4G LTE**
- **Double-digit growth of Revenue, PAT, EBITDA, ROIC**

**About Smart**

Smart Axiata Co., Ltd., a leading mobile telecommunications company of Cambodia, currently serves over 8 million subscribers under the 'Smart' brand.

In January 2014, Smart launched its 4G LTE network and became the first mobile operator in Cambodia to provide true 4G services. 4G LTE powered by Smart, the fastest mobile Internet in Cambodia, is now available across all 25 provinces widely. Smart also provides 2G, 2.5G, 3G and 3.75G mobile services, supporting the very latest in multimedia and mobile Internet services as well as international roaming across more than 190 countries. Its extensive nationwide network coverage covers more than 98% of the Cambodian population. In September 2016, Smart launched 4G+ also known as LTE Advanced using Carrier Aggregation, fostering its data leadership position in Cambodia.

Through its partnership with Apple, Smart is the first and only telecom operator partner of Apple in Cambodia able to offer iPhones and iPads. Smart, moreover, is the exclusive partner of Universal Music in Cambodia. Being a strong advocate of digital innovation, Smart has launched various ranges of value added services and digital services such as SmartLuy, Smart Life Insurance, SmartPay and Smart Music.

## BUSINESS REVIEW

Smart Axiata was recognized as Cambodia's Mobile Service Provider 2016 by Frost & Sullivan following the Asia Pacific Emerging Market Telecom Service Provider of the Year Award in 2015. Smart Axiata has also been awarded as the Best Telecommunications Company Cambodia and Best Corporate Social Responsibility (CSR) Company Cambodia in 2015 and 2016 by Global Banking & Finance Review.

The Company's workforce consists of more than 1,000 people including local and foreign experts. Smart is committed to its customers, employees and the people of Cambodia in delivering its promise of improving their lives. "Live. Life. Be Smart."

### Business Review 2016

In 2016, Smart continued to strengthen its market position and performance, serving a customer base of more than 8 million subscribers.

The Company invested USD75 million focused on rolling out its 4G LTE network across all 25 provinces nationwide and on mobile Internet infrastructure in general. In its drive to deliver the fastest mobile Internet service at an affordable price to all Cambodians, Smart upgraded parts of its 4G LTE network to 4G+ in September 2016, where Carrier Aggregation is used to increase the capacity of the base stations and consequentially increases the speed of mobile Internet available to customers. By the end of the year, more than 60% of its 2100 base stations across all 25 provinces were equipped with 4G and 100% with 3G. An independent study conducted and published under the Ookla Net Index<sup>1</sup> recognised Smart as Cambodia's Fastest Mobile Network Provider in 2016.

Smart continued on its evolutionary journey towards being a digital lifestyle brand. SmartPay, an award winning product at the Cambodia ICT Awards 2016, was launched as a new payment solution for app purchases via phone balance while at the same time providing opportunities for the App Developer Community to monetise their work. SmartLuy is building on its unique proposition of being mobile, innovative, simple and better than cash, while Smart Music offers streaming of more than a million songs. The Company also released Apple iPhone 7 and iPhone 7 Plus and continues to be the only authorised operator distributing Apple iPhones with attractive bundle plans in Cambodia.

Beyond its core business, the Company actively contributes towards numerous initiatives and partnerships structured around the corporate social responsibility (CSR) pillars of Education,

Environment and Community Sports. Besides the SmartEdu Scholarship Program in partnership with the Ministry of Education, Youth and Sport and the landmark long-term partnership between Smart and UNESCO in developing and implementing joint-initiatives in the field of education in Cambodia, Smart has also launched and sponsored many other successful projects as key development partner of various ministries of the Royal Government of Cambodia. Throughout 2016, Smart continued with its sustained focus in the areas of ICT literacy, technopreneurship and digital start-ups.

Besides being recognised as Cambodia's Mobile Service Provider 2016 by market research firm Frost & Sullivan and winning the Best Community Project Award by Telecom Asia for its involvement in Cambodia's National Literacy Campaign in collaboration with the Ministry of Education, Youth and Sport as well as UNESCO, Smart has also been lauded again by Global Banking and Finance Review as both the Best Telco and the Best CSR Company Cambodia 2016.

### Financial Performance

Smart continued with yet another year of stellar performance, recording double-digit Year on Year (YoY) growth in 2016 fueled by excellent data subscriber and revenue growth. Data subscribers grew 25.4% to 3.8 million while data revenue grew by 48.6% with data accounting for 42.3% of Smart's total revenue.

Smart achieved 13% YoY growth of its overall revenue, continuing with its strong growth momentum of previous years. Strong focus on cost management and capex efficiency has enabled the Company to achieve 12% and 19% YoY increase in EBITDA and PAT respectively.

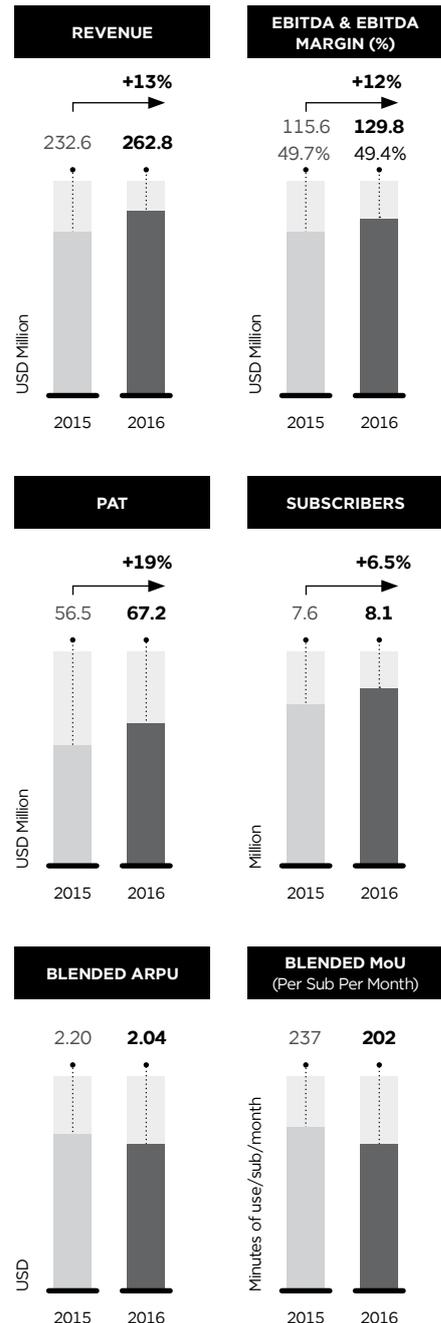
### Outlook for 2017

As the Cambodian mobile telecommunications industry's 4G leader, Smart continues with its commitment of delivering high speed and high quality mobile Internet service to all Cambodians. Moving into 2017, the Company has earmarked approximately USD80 million capex for network expansions during the year. Through the introduction of new digital services and other digitisation initiatives both internally and externally, Smart expects to strengthen its data leadership and digital lifestyle position in Cambodia further.

While several factors of uncertainty related to the political, economic and regulatory environment as well as an even further intensified competition remain concerns for the Cambodian telco market,

Smart remains cautiously optimistic about the Company's revenue and profit development for 2017. As the year unfolds, Smart will press ahead while it continues playing a key role in developing Cambodia's ICT sector and building a digital Cambodia.

### Smart



<sup>1</sup> <http://www.speedtest.net/awards/kh/carrier/2016>



**Key Highlights**

- **Subscriber growth of 14.4% to 14.9 million**
- **2016 net addition of 1.8 million**
- **Data subscriber growth of 22% to 6.02 million**
- **Rebranded as “Ncell, an Axiata company” in August 2016**
- **Successfully completed integration into the Group in April 2016**

**About Ncell**

Ncell Private Limited has been in operations in Nepal since 2004 as the first private mobile service provider in the country. The Company is committed to being the best local mobile providing international quality services with a local touch. Most of the employees of Ncell are Nepali and its services are designed to meet the needs of local society.

Ncell is constantly working towards its goals of connecting everyone in Nepal through its network, providing high quality, modern and cost effective services, and creating value for its customers and partners.

Contributing to the development of the country’s economy and infrastructure, Ncell builds best-in-class networks and brings communication services to people living in the most remote areas of Nepal.

**Business Review 2016**

In 2016, Ncell maintained its leading position in the Nepalese mobile market. The Company’s subscriber base grew by 14.4% Year on Year (YoY) to reach 14.9 million subscribers.

Data revenue contributed 16% of total revenue during the year, representing data revenue growth of 70.3% YoY, driven by 116.2% growth in data volume.

Ncell’s 3G population coverage increased compared to the previous year, reaching 29.6% as at end of December 2016.

One of the Company’s top priorities within the telecommunications service industry is its focus on enhancing customer experience. Reflecting its sustained efforts in this area, Ncell achieved the highest Net Promotor Score (NPS) score in Nepal in 2016 in comparison to its competitors.

Throughout the year, the Company continued to provide quality services at affordable rates with attractive voice and data services. Among the new products and services launched were Day Voice Pack and Day Data Pack, Every Customer is a Winner and Dobbar Paisa Back which garnered positive results from customers as well as increased its competitive strengths within the Nepalese telco industry.

Innovative new services were launched in 2016, which included the Mobile TV Pack application enabling customers to watch live TV on mobile devices at an affordable rate. The Video on Demand (VOD) service, the first to be launched in the Nepal market, marks a key milestone for Ncell.

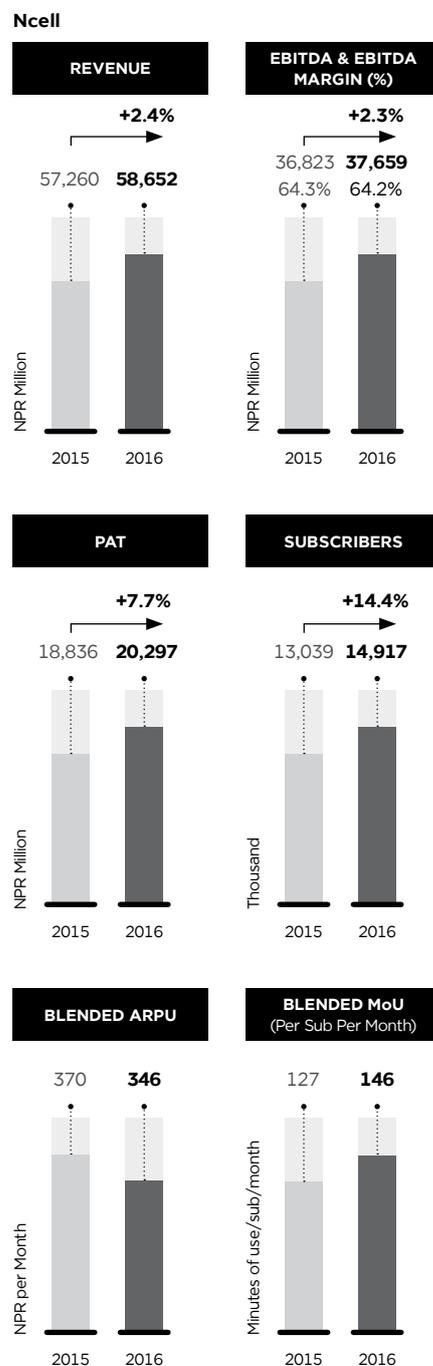
A total amount of NPR9.59 billion in capital expenditure was capitalised at end 2016. Ncell’s focused strategic investments significantly impacted its network coverage as well as quality, and contributed towards revenue growth in the Company.

Moving into 2017, Ncell will continue to focus on extending its data leadership as a key growth driver, by maintaining voice and international long distance revenue contributions, expanding its digital services portfolio, and putting greater emphasis on operational efficiency to ensure profitability and maximising shareholders’ value. At the same time, Ncell is committed to offer the highest standard of service to its customers by embracing its core values of trust, innovation and affordability throughout its delivery chain.

**Financial Performance**

In 2016, Ncell recorded revenue of NPR58.652 million, signifying an increase of 2.4% YoY on the back of outgoing voice revenue increasing by 7% and data revenue growth of 70.3%. This was achieved in spite of lower incoming international long distance revenue contribution of 17% YoY.

EBITDA and PAT increased by 2.3% and 7.7% respectively, mainly due to higher revenue as well as lower operational expenses achieved through effective cost management initiatives.



## BUSINESS REVIEW

### Outlook for 2017

Moving into 2017, Ncell is committed to maintaining its leadership position in the Nepalese mobile market by continuously providing superior customer experience through network expansion and modernisation, as well as the introduction of an innovative range of products and services.

The Company's key focus will be on generating sustainable revenue streams by maintaining voice segment growth, stabilising the international long distance business and aggressively driving growth in data revenue contribution. Introduction of 4G services in the future as well as data-led pricing will enable the company to enhance its data leadership position in the market as well as gaining competitive advantage amidst rapid shift in the consumption pattern from voice to data.

In 2017, Ncell will place greater emphasis on sustainably generating its next wave of growth via digital services offerings and developing the ecosystem to support it. The Company will also focus on the digitalisation of its core functions to increase operational efficiency and effectiveness. The resultant effect would be a more robust delivery chain, better equipped to face continuous market pressure on its profitability.



### Key Highlights

- **6th largest mobile operator globally by subscriber base, with over 185 million subscribers<sup>1</sup>**
- **Pan-India 3G & 4G networks reaching 500 million Indians**
- **Roll out 63,000 sites in 2016**
- **Mobile Number Portability leadership with 20.7 million net subscribers gain**
- **In-principle approval from Reserve Bank of India to launch Payments Bank**

<sup>1</sup> As at end December 2016

### About Idea

Idea, an Aditya Birla Group Company, is a pan-India integrated wireless operator offering 2G, 3G and 4G services, with National Long Distance (NLD), International Long Distance (ILD) and Internet Service Provider (ISP) operations. Idea is one of the top three mobile operators in India, with an annual revenue in excess of USD5 billion and a revenue market share of 19%. With nearly 200 million subscribers, Idea ranks sixth in global rankings of operators in terms of subscribers for a single country operation.

In line with the Government's vision of Digital India, Idea has accelerated its efforts in building a digital economy. Idea has embarked into digital services, having begun its transformation from a pure play mobile operator to an integrated digital services and solutions provider, and expanded its digital offerings to digital communications, digital payments, Cloud and storage, digital information and more.

Idea's pan-India mobile voice network covers over one billion Indians across 400,000 towns and villages. As at end December 2016, Idea's network comprised 230,000 sites and over 128,000 km of optical fibre.

Idea provides world-class service delivery through the most extensive network of customer touch points, comprising of 8,780 exclusive Idea outlets, call centre, digital app and social media. Idea's commitment to providing superior customer experience led to the company achieving No. 1 ranking in market research firm Forrester's 'Customer Service Index 2016'.

Idea has consistently retained its leadership position in Mobile Number Portability (MNP), continuing to grow its MNP net gain to 20 million subscribers.

### Business Review 2016

In 2016, the Indian telecom sector achieved the milestone of one billion mobile subscribers, an instrumental development to get Indians to move towards a digital economy as demonetisation marked the closure of the year in the country.

In line with the Government's vision of Digital India, Idea accelerated its efforts of building a digital economy by catalysing wireless broadband penetration. During the year, Idea achieved pan-India wireless broadband capability with an investment of INR130,000 million in spectrum acquisition in October 2016. The Company has also invested in expanding its network infrastructure across the country. In

2016, Idea rolled out 4G at an accelerated pace, setting up nearly 63,000 sites.

With a spectrum availability of 900 MHz across TDD and FDD bands, Idea is geared with substantial spectrum capacity required to meet data capacity needs for its customer base. The Company also launched Digital Idea, a suite of lifestyle apps which enables customers to enjoy a range of digital entertainment and content.

Idea's market penetration in rural areas has enabled it to offer mobile broadband services to new market segments, and the Company has been consistently propagating the benefits of mobile Internet to rural Indians through digital awareness and marketing activities.

In 2016, Idea launched its Internet4All campaign which resulted in 22 million hits where free data credit was given to nearly five million non-data users.

Idea's commitment to providing superior customer experience across all touch points enabled it to achieve lead ranking of number one position in customer service by market research firm Forrester in its Customer Service Index 2016, the only mobile service provider to do so.

In spite of the disruptions brought on by the entry of a new operator in the market last year, Idea retained its leadership position in MNP, continuing to grow its MNP net gain to 20 million subscribers.

### Financial Performance

For the nine months ending 31 December 2016, Idea reported Year to Date revenue growth of 3.6%. EBITDA was INR80,798 million, compared to INR94,139 million the previous year. Idea suffered a Loss After Tax of INR720 million.

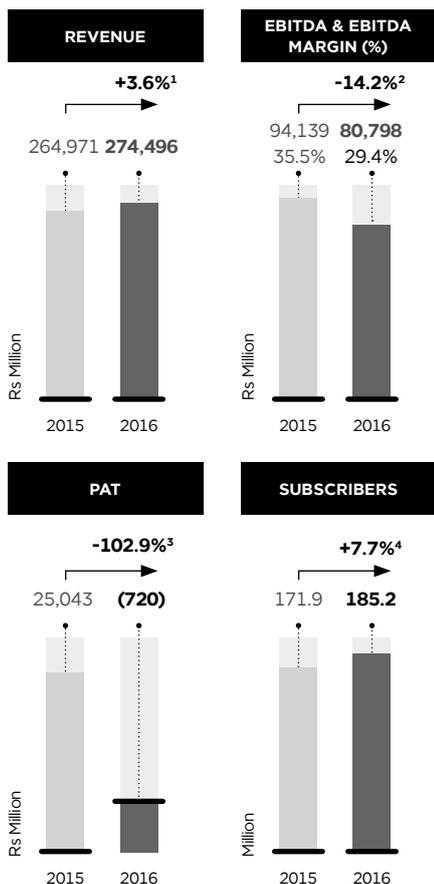
### Outlook for 2017

The Indian mobile industry witnessed unprecedented disruption in the last quarter of October to December 2016, primarily due to free voice and mobile data promotions by the new entrant in the sector. Consequently, revenue, Key Performance Indicators (KPIs) and financial parameters for all mobile operators have sharply declined. For the first time in its history the flourishing Indian mobile sector is trending towards an annual revenue decline of between 3% and 5% in 2017, compared to 2016, for the year ending 31 March 2017. The sector can expect to recover revenues only once the new operator starts charging for its pan-India mobile services.

In spite of the short-term challenges, Idea remains committed to the process of building world class mobile broadband services. The Company is aggressively participating in the Digital India mission and is gearing up to offer Pan India wireless broadband services via 3G and/or 4G in all 22 telecom service areas in India. By the end of the first quarter of 2017, Idea's 4G services will be expanded to 20 circles, covering 94% of its revenue market. The first half of 2017 will also see the launch of Aditya Birla Idea Payments Bank.

Idea's track record has proved that the company has performed better than the industry consistently, and the Company believes that healthy competition in the 4G market will aid in market growth and offer consumers greater choices.

**Idea**



**Key Highlights**

- **Singapore's fastest residential fibre broadband service 10Gbps XGPON**
- **Demonstrated Southeast Asia's fastest combined speeds in 4.5G speed trial**
- **Singapore's 1st WiFi-On-The-Go service trials**
- **Singapore's 1st nationwide commercial narrowband Internet of Things (NB-IoT) network**
- **Singapore's 1st nationwide HetNet**

**About M1**

M1 is Singapore's most vibrant and dynamic communications company, providing mobile and fixed services to more than two million customers. Since the launch of commercial services in 1997, M1 has achieved many firsts, including the first operator to offer nationwide 4G service, as well as ultra-high-speed fixed broadband, fixed voice and other services on the Next Generation Nationwide Broadband Network (NGNBN). With a continual focus on network quality, customer service, value and innovation, M1's mission is to link anyone and anything; anytime, anywhere.

The Company holds Facilities-Based Operator and Services-Based Operator licences issued by the Infocommunications Media Development Authority of Singapore (IMDA), for the provision of telecommunication systems and services. M1 also has a Telecommunication Dealer's Class Licence, for the import and sale of telecommunication equipment.

M1 operates nationwide 4G LTE Advanced and 3G/HSPA networks, capable of download speeds of up to 300Mbps. Through these networks, it provides customers with a wide range of data, voice and value added postpaid and prepaid mobile services. To cater to its customers' varied needs, M1 offers service plans with a choice of data and voice bundles that they can take up, with or without a device.

M1 makes available to its mobile and fixed line customers International Direct Dial (IDD) services, as well as an International Calling Card service. M1 also trades wholesale voice minutes with other international and local service providers and provides dark fibre services to carriers and data centres. Since September 2010, M1 has made available a range of residential fibre broadband services with speeds of up to 10Gbps, including fixed voice and other value-added services. The Company offers an extensive suite of mobile and fixed services to the corporate segment.

**Business Review 2016**

In 2016, the postpaid mobile segment remains the key contributor to M1's revenue, comprising 61.8% of its total mobile customer base as at end 2016 and 89.0% of revenue. During the year, M1 added 52,000 postpaid customers to bring its postpaid base to 1,247,000.

Driven by faster networks and devices, mobile data usage grew to an average data usage per smartphone customer of 3.6GB per month in the fourth quarter of 2016, up from 3.3GB per month a year ago.

Throughout 2016, M1 continued to enhance and expand its products and services. It launched new Upsized Data bundles to cater to an increasing data usage trend among customers, as well as M1 Entertainment Data which enables customers to enjoy unlimited local access to OTT video and music services.

Within the prepaid mobile segment, the Company grew its customer base by 39,000 to 772,000, driven by various marketing campaigns, promotions and new offerings. Prepaid customers were able to use their data bundles in Malaysia, Indonesia, Hong Kong, Macau and Taiwan. M1 also launched a new IDD prefix, which offered customers low flat rates on calls to India, Bangladesh, China, Myanmar, Philippines and Indonesia.

In the fixed services segment, the Company added 32,000 customers to bring its fibre customer base to 160,000, driven by its competitive service plans, tactical promotions and new complementary services such as the M1 Fibre Sports Bundle. M1 also launched Singapore's fastest residential fibre broadband service, the 10-Gigabit Passive Optical Network (10Gbps XGPON) fibre service in 2016.

<sup>1,2,3&4</sup> All financials are for nine months ending December 31 for both years.

## BUSINESS REVIEW

Within the corporate segment, M1 was appointed by Ascendas-Singbridge for Singapore's largest fibre upgrading project to install and enhance telecommunication and fibre infrastructure at 70 Ascendas-Singbridge commercial buildings. The first completed site situated along Singapore Science Park was announced in November 2016.

Throughout 2016, the Company made available a range of new products and services within both the residential and corporate segments. This included the next generation Hosted Unified Communications (UC) solution offering integrated modern business tools, Smart Activity Monitoring Service to support vulnerable senior citizens, contactless transit payments via a partnership with EZ-Link Pte Ltd, an affordably priced SOHO Fibre Broadband plan, a 1Gbps M1 Fibre Sports Bundle and the Cyber Security Solutions Suite offering a comprehensive suite of enterprise-grade managed cybersecurity solutions.

To augment its growth, M1's 13 shop outlets continued to provide customers with convenient access to its products and services while its e-Shop recorded an increase in online transactions.

New brand campaigns were rolled out during the year which increased brand awareness and perception in the marketplace. M1 also continued to strengthen customer experience across all touch points, such as the enhanced My M1 app which provides customers near real-time access to their voice, messaging and data usage information. As a result of its sustained efforts to better serve its customers, the Company topped the Customer Satisfaction Index of Singapore for 2016 in the residential broadband segment.

Since inception, M1 has invested more than SGD1.9 billion into its fixed and mobile networks. Key initiatives in 2016 include a 4.5G speed trial which demonstrated Southeast Asia's fastest combined upload and download speeds, launching Singapore's first WiFi-On-The-Go service on selected SMRT vehicles as part of the national Heterogeneous Network (HetNet) trials, Singapore's first nationwide commercial narrowband Internet of Things (NB-IoT) network deployment, and the roll out of Singapore's first nationwide HetNet which is an integral part of M1's 5G network roadmap.

### Financial Performance

In 2016, M1's operating revenue decreased 8.3% Year on Year (YoY) to SGD1,060.9 million due to lower handset sales. Service revenue decreased 2.0% to SGD805.5 million, as a result of lower international call services and roaming revenues. Mobile data revenue increased 7.7 percentage points YoY to 54.0% of service revenue.

NPAT decreased 16.1% YoY to SGD149.7 million, due to lower international call and roaming revenues, higher handset subsidy, as well as higher depreciation and amortisation expenses. NPAT margin on service revenue closed 3.1 percentage points lower at 18.6%. Free cash flow increased 22.6% to SGD129.6 million and net debt-to-EBITDA remained healthy at 1.2 times.

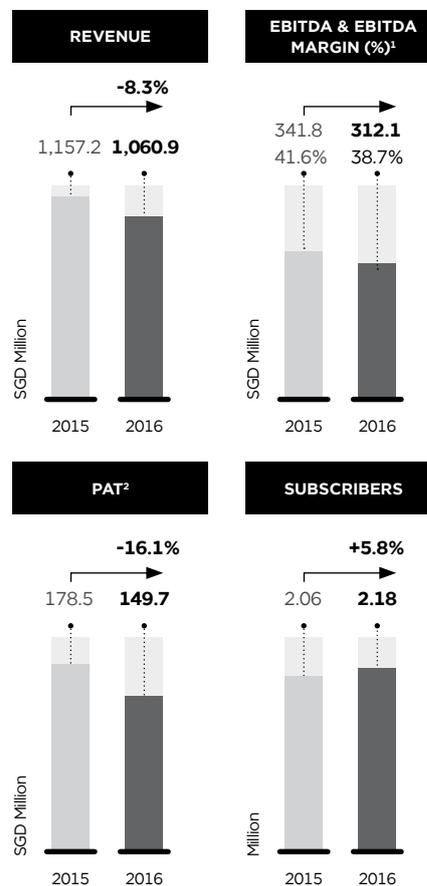
### Outlook for 2017

Market conditions will remain challenging in 2017. Traditional telecommunications will continue to be impacted by OTT services while global economic conditions remain uncertain. The Company expects competition within the telecommunications sector to remain intense, ahead of the entry of a fourth mobile network operator in Singapore in 2018.

In spite of these challenges, consumers and businesses alike appreciate the benefits of connectivity and this will drive continued growth in mobile data and fixed services through 2017. M1 is also seeing emerging opportunities in areas such as Internet of Things (IoT), Smart Cities and Data Analytics, and these will grow as the technologies and business models that underpin them gain greater traction.

As a forward looking company, M1 has been investing and innovating in anticipation of these developments by strengthening its core connectivity infrastructure and services, building its digital capabilities, and enhancing its operational structure. Through these efforts, M1 is well on its way to becoming Singapore's Smart Communications Provider of choice, with products and services that are relevant and serve present, as well as future customers' needs.

### M1



<sup>1 & 2</sup> EBITDA Margin and PAT is derived as a percentage of service revenue

# EDOTCO GROUP



## About edotco

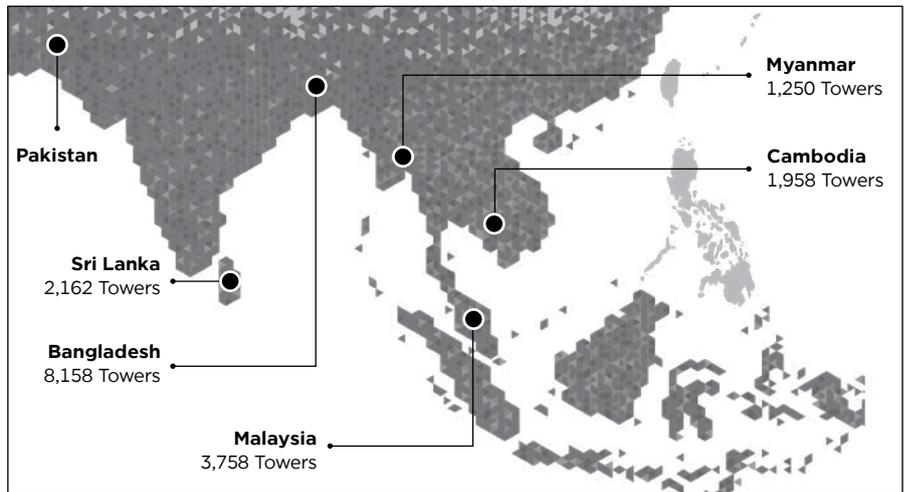
Established in 2012, edotco is the first regional integrated telecommunications infrastructure services company in Asia, providing end-to-end solutions in the tower services sector from tower leasing, co-locations, build-to-suit, energy and transmission to operations and maintenance (O&M).

edotco operates and manages a portfolio of over 25,000 towers across its core markets of Malaysia, Myanmar, Bangladesh, Cambodia and Sri Lanka with 17,286 towers directly operated by edotco and a further 8,100 towers managed through a range of services provided. edotco strives to deliver outstanding performance in telecommunications infrastructure services and solutions.

Its state-of-the-art real time monitoring service, echo, has already seen improvements in field operations while maximising operational efficiencies in terms of battery, energy and fuel consumption for telecommunications infrastructure.

Through its operations in developing Asian economies, edotco has established a strong track record in nation building. edotco has progressively invested in industry best practices, providing a broad portfolio of infrastructure solutions and offering value added services to enhance efficiencies and connectivity for communities. edotco is committed to conducting its business in a responsible and sustainable manner for the benefit of its customers, employees, communities and developing nations.

A key milestone for the Company in 2016 was its maiden equity raise exercise which set a new benchmark as the largest global tower sector private placement for the year at a record



USD600 million. The deal saw strong demand for edotco shares with interest from a diverse mix of investors comprising international and local asset management companies, financial institutions and strategic investors.

Significant portfolio expansion to 17,286 towers in 2016, as well as strong improvements in tenancy ratio of 1.54x<sup>2</sup> have led to robust business growth. edotco now has a portfolio with equity value of close to USD1.5 billion and an Enterprise Value close to 2016 EBITDA multiple of 12.5x<sup>1</sup>, which is comparable to regional peers.

In 2016, edotco Group was awarded the Frost & Sullivan 2016 Southeast Asia Telecoms Tower Company of the Year Award for its demonstrated exemplary business growth and performance in Southeast Asia.

### Outlook for 2017

edotco is a fast growing telecommunications infrastructure company that aims to be a leader in the market. A key component of edotco's diversified culture is putting its values into action, based on the understanding that business conduct is critical to the continued success and sustainability of the Company.

edotco is well positioned to capitalise on growth opportunities in the industry. In 2017, the Company will strive to enhance its focus on the key strategic areas of customer centricity, commercial management, operational excellence, sustainable development, building a high performance organisation and owning a best-in-class portfolio to drive business performance and deliver results for customers. edotco will also continuously look for opportunities to expand the business inorganically and organically, to further strengthen its position as a leading integrated telecommunications infrastructure services provider in the region. While the Company is focused on business growth and profit, equal focus is also given to innovative sustainable energy and tower designs where a total cost of ownership (TCO) approach is taken.

edotco takes a holistic approach to energy design, material use, sourcing, footprint size and tonnage to create the right solution in the right area. This is instrumental to ensure edotco proactively reduces its carbon footprint, making a positive impact on the communities and environment for a sustainable future.

## 2016



January

### Achievements

Launched eMOS; first of its kind multi-tenant Cell-On-Wheel (COW) in Malaysia



February

Introduced camouflage site for petrol stations in Malaysia



May

Launched Base Transceiver Station (BTS) Hotel in Malaysia



August

Launched the 1<sup>st</sup> carbon fibre tower in Asia



October

Conferred the Southeast Asia Telecoms Tower Company of the Year by Frost & Sullivan



December

Announced global tower sector's largest private equity placement for 2016

<sup>1</sup> Based on 2016 unaudited proforma full year financials

<sup>2</sup> As of December 2016

# AXIATA DIGITAL

Axiata Digital's mission remains to enhance Axiata's core business revenue by creating new sources of value and contributing to the long-term upside creation through partnerships and acquisitions in the digital ecosystem.

Through Axiata Digital, we have expanded our portfolio of services to cater to online customers via connected devices and our digital strategy has managed to capture an increased share of customer wallet and reach beyond Axiata's traditional mobile services of approximately 320 million mobile subscribers.

Axiata Digital is in a unique position to leverage on the Group's strength as a leading regional telecommunications operator, by building on existing customer relationships within our eight mobile markets, which now includes Nepal through the acquisition of Ncell in 2016. It is also able to capitalise on the physical distribution networks of Axiata and partner stores in most of our markets of operation, allowing customers and digital businesses alike to have physical points of contact.

As the Group enters into its third phase of growth which focuses on being a New Generation Digital Champion, Axiata Digital supports Axiata's growth agenda through the following value capturing initiatives:

- Driving synergies across the portfolio of investee companies and related Operating Companies (OpCos) through the use of relevant services and joint marketing activities
- Creating value by churn reduction, increased data usage and insights into user behavior that can be leveraged by mobile operations

- Attracting new strategic and financial investors to contribute to the growth of the investee companies

The learnings, experience and data acquired from incubating and launching new businesses have assisted Axiata Digital in developing new business models to address prevailing market challenges of hypercompetition, disruptive technologies and new trends. As at end 2016, Axiata Digital has focused its investments in seven key business verticals namely Digital Advertising, Digital Marketplaces, Digital Financial Services, Digital Entertainment and Education, Internet of Things (IoT) and Over-The-Top (OTT) Enablement Platforms. We have 29 digital businesses across these verticals, with three subsidiaries and seven joint ventures, and serve 32 million customers.

### Enabling and Investing in the Digital Ecosystem

In 2016, Axiata Digital made progress on its investments in FreedomPop and Adknowledge Asia as both concluded private placements from external investors. The Company also completed a strategic equity investment through StoreKing, an assisted e-commerce player based in India, in July 2016. Regional expansion plans are ongoing to roll out the StoreKing model in Axiata markets targeting rural segments. 2016 also marked the commencement of further fundraising exercises for Yonder, Adknowledge Asia, Wow.lk, elevenia and 11street.

Axiata Digital has also further increased its portfolio of services through the setup of mobile IoT Cloud, a cloud-based IoT platform to serve all IoT verticals across the Group's markets. Other launches include WSO2.Telco's digital enablement hub to deliver the GSMA Mobile Connect mobile-based authentication solution to the six major telcos in India which include

Aircel, Bharti Airtel, Idea, Tata Teleservices Ltd, Telenor and Vodafone with a potential reach to over 800 million subscribers.

Digital entertainment app, Yonder Music, expanded into Indonesia and Bangladesh in May 2016. With Yonder Music currently available in three markets, it is set to expand further into Axiata's remaining markets of operation and beyond Asia in 2017. XL Axiata launched Tribe, a Video On Demand service in partnership with Malaysia's Astro. bdtickets, Robi's e-ticketing platform was officially launched in January 2016 and has established itself well in the Bangladesh market.

Meanwhile, elevenia and 11street continue to grow and are both strong number two Online Marketplace Platform (OMP) players in their respective markets. Wow.lk continues its lead in Sri Lanka and has increased its market share gap with the competition. Adknowledge Asia is the largest AdTech company in the region and expanded its presence to India by hiring a Country Managing Director to oversee market development.

WSO2.Telco joined several of the world's largest mobile network operators, infrastructure providers, system integrators and other technology companies in support of Facebook's Telecom Infra Project (TIP). The initiative brings these companies together to collaborate on the development of new technologies and reimagine traditional approaches to building and deploying telecom network infrastructure.

Finally, Axiata Digital Innovation Fund (ADIF), the largest digital services corporate venture capital fund in Malaysia, continued its year two batch of IT investments. Three Malaysian-owned technology companies received funds of RM11.4 million which will be used to expand their business and product reach into the regional digital services marketplace.

### In 2016, Axiata recorded six key milestones in strengthening, expanding and increasing its digital portfolio covering digital commerce and activation, digital advertising and digital entertainment.



Private placements closed for FreedomPop and AdKnowledge Asia from external investors



Completed acquisition of assisted e-commerce StoreKing, Axiata Digital's first investment in India



Digital entertainment app Yonder Music expanded into Bangladesh and Indonesia, and is now in three markets with more launches in 2017



E-commerce assets continue leadership position with Wow.lk leading in Sri Lanka, and elevenia and 11street strong #2 players in Indonesia and Malaysia respectively<sup>1</sup>



Expanded its portfolio with IoT Cloud - a cloud-based IoT platform launched in Sri Lanka to serve the Group's markets; and StoreKing in India



Launched Indonesian Video-on-Demand (VOD) service, Tribe, in partnership with Astro; e-ticketing service bdtickets in Bangladesh; and WSO2.Telco's digital enablement hub to deliver the GSMA Mobile Connect mobile-based authentication solution in India

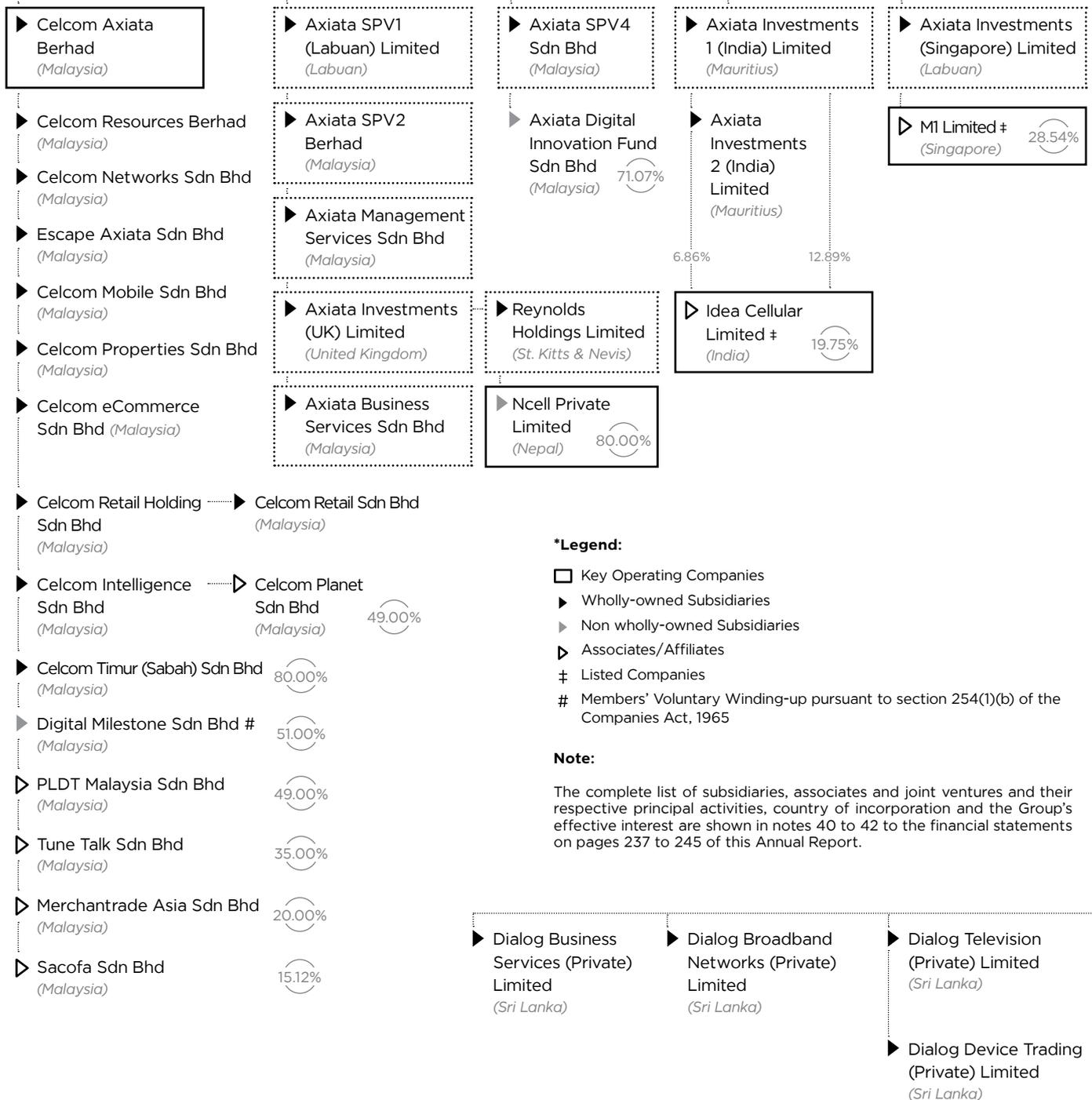
<sup>1</sup> #2 players in terms of Gross Merchandise Value (GMV)

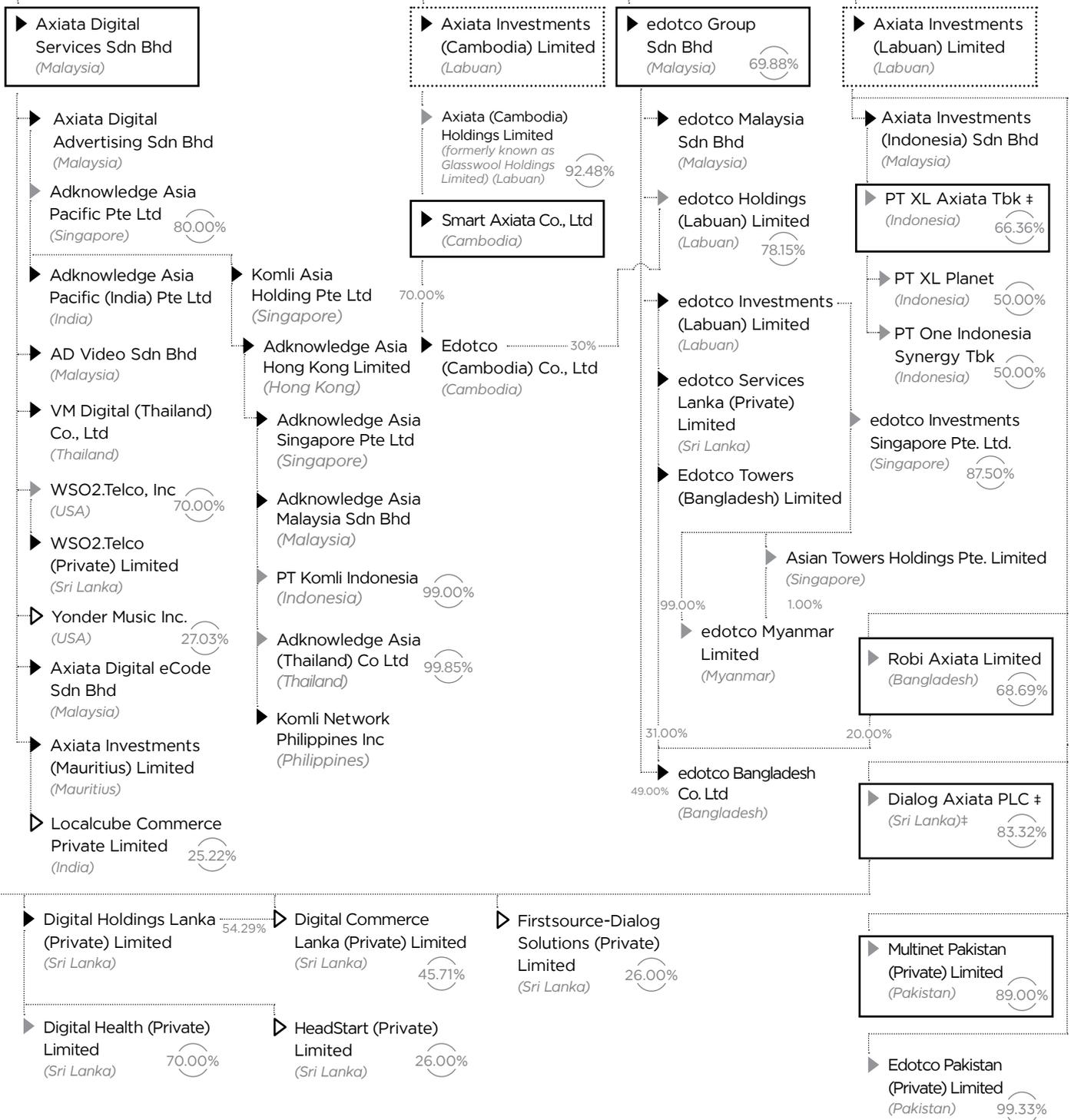


# CORPORATE PROFILE

# GROUP CORPORATE STRUCTURE\*

## AXIATA GROUP BERHAD





# ENTITIES ACROSS ASIA

## MOBILE SUBSIDIARIES



### MALAYSIA Celcom Axiata Berhad

**Year of Investment/  
Shareholding:**  
2008/100%

**Nature of Business:**  
Mobile

**Subscribers:**  
10.6 Million

**Technology Deployed:**  
GSM, GPRS, EDGE, 3G,  
HSPA+, WiFi, 4G LTE,  
LTE-ADVANCED

**No. of BTS:**  
24,900

**Network Coverage  
(by population and  
technology):**  
2G-95.2%  
3G-90%  
4G-76%



### INDONESIA PT XL Axiata TBK

**Year of Investment/  
Shareholding:**  
2005/66.36%

**Nature of Business:**  
Mobile Telecommunications  
and Multimedia Services

**Subscribers:**  
46.5 Million

**Technology Deployed:**  
GSM, GPRS, EDGE, 3G,  
HSPA+, DC-HSPA+, 4G LTE

**No. of BTS (2G/3G):**  
76,280

**No. of BTS (4G) :**  
8,204

**Network Coverage  
(by population):**  
2G-93%  
3G-91%  
4G-53%



### SRI LANKA Dialog Axiata PLC

**Year of Investment/  
Shareholding:**  
1995/83.32%

**Nature of Business:**  
Communication  
Services,  
Telecommunications  
Infrastructure Services,  
Media and Digital  
Services

**Subscribers:**  
11.8 Million

**Technology Deployed:**  
GSM, GPRS, EDGE, 3G,  
HSPA, 4G LTE (FDD)  
WiFi, VoLTE, CDMA  
2000, WiMAX, 4G LTE  
(TDD), GPON, XGPON,  
DTH, IPTV, OTT, MPEG-4,  
HEVC, SD, HD

**No. of BTS  
(2G/3G/4GFDD/TDD):**  
10,077

**Network Coverage (by  
population):**  
2G-97%  
3G-85%  
4G(TDD)-53%  
4G(FDD)-36%



### BANGLADESH Robi Axiata Limited

**Year of Investment/  
Shareholding:**  
1996/68.7%

**Nature of Business:**  
Mobile Telecom  
Operator

**Subscribers:**  
33.8 Million

**Technology Deployed:**  
GSM, GPRS, EDGE,  
HSPA+, 3G

**No. of BTS:**  
2G-9,295  
3.5G-5,192

**Network Coverage  
(by population):**  
2G-99%  
3.5G-29%



### CAMBODIA Smart Axiata Co., Ltd.

**Year of Investment/  
Shareholding:**  
2013/92.5%

**Nature of Business:**  
Mobile

**Subscribers:**  
8.1 Million

**Technology Deployed:**  
GSM, GPRS, EDGE, 3G,  
HSPA+, 4G LTE, 4G+

**No. of BTS:**  
2,103 sites on air  
2G-2,068  
3G-2,100  
4G-1,261

**Network Coverage  
(by population):**  
2G-98.7%  
3G-63.2%  
4G-52.3%



### NEPAL Ncell Private Limited

**Year of Investment/  
Shareholding:**  
2016/80.0%

**Nature of Business:**  
Mobile Telecom  
Operator

**Subscribers:**  
14.9 Million

**Technology Deployed:**  
GSM, GPRS, EDGE,  
HSPA+, 3G

**No. of BTS (2G/3G):**  
3,069 (Co-located: 1,864,  
Standalone 2G: 1,115,  
Standalone 3G: 90)

**Network Coverage:**  
2G Geographical  
Coverage-48.68%  
2G Population  
Coverage-91.97%  
3G Geographical  
Coverage-7.46%  
3G Population  
Coverage-29.59%

## MOBILE ASSOCIATES / AFFILIATES



### INDIA Idea Cellular Limited

**Year of Investment/  
Shareholding:**  
2008/19.75%

**Nature of Business:**  
Mobile Services

**Subscribers:**  
192.1 Million (as of 31  
December 2016)



### SINGAPORE M1 Limited

**Year of Investment/  
Shareholding:**  
2005/28.54%

**Nature of Business:**  
Mobile and Fixed Services

**Subscribers:**  
2.18 Million (as of 31  
December 2016)



### MALAYSIA edotco Group Sdn Bhd

**Year of Investment/  
Shareholding:**  
2012/69.88%

**Nature of Business:**  
Telecommunications  
Infrastructure and Services

## AXIATA DIGITAL

### MALAYSIA Axiata Digital

**Year of Investment/  
Shareholding:**  
2014/100%

**Nature of Business:**  
Investment Holding and  
Operations of Digital Services



### PAKISTAN Multinet Pakistan (Private) Limited

**Year of Investment/  
Shareholding:**  
2005/89.0%

**Nature of Business:**  
Broadband, Long Distance  
and International Services

## NON-MOBILE SUBSIDIARIES & ASSOCIATES / AFFILIATES

# PROFILE OF DIRECTORS



**TAN SRI DATO' AZMAN  
HJ. MOKHTAR**

*Chairman  
Non-Independent  
Non-Executive Director  
(Representative of Khazanah)*

| Age | Nationality | Gender | Date of Appointment | Length of Service | Date of Last Re-election |
|-----|-------------|--------|---------------------|-------------------|--------------------------|
| 56  | Malaysian   | Male   | 3 March 2008        | 9 years           | 20 May 2015              |

#### Membership of Board Committees:

- Nil

#### Qualifications:

- British Chevening Scholar
- Masters of Philosophy in Development Studies, Darwin College, Cambridge University, UK
- Fellow of the Association of Chartered Certified Accountants, UK
- Chartered Financial Analyst
- Diploma in Islamic Studies, International Islamic University, Malaysia

#### Working Experience:

Formerly, Azman was the Managing Director and co-founder of BinaFikir Sdn Bhd, Director and Head of Country Research at Salomon Smith Barney Malaysia and Director and Head of Research at Union Bank of Switzerland in Malaysia. He previously served in various capacities with Malaysia's largest utility company, Tenaga Nasional Berhad. From June 2004 to date, Azman holds the position of Managing Director of Khazanah Nasional, the strategic investment fund of the Government of Malaysia.

#### Directorships of Public Companies:

##### Axiata Group

###### Listed

- Nil

###### Non-listed

- Nil

#### Others

###### Listed

- Nil

###### Non-listed

- Iskandar Investment Berhad (Chairman)
- Yayasan Khazanah
- Yayasan Hasanah

#### Other Information:

Azman holds various board memberships including Khazanah Research Institute and serves on various public service bodies including the National Science Council, the Capital Market Advisory Group for Securities Commission Malaysia and the National Export Council. Azman is also a member of the Stewardship Board on Growth and Social Inclusion of the World Economic Forum and a member of the Asia Business Council.



**TAN SRI JAMALUDIN  
IBRAHIM**

*Managing Director/  
President & Group Chief Executive  
Officer*

| Age | Nationality | Gender | Date of Appointment | Length of Service | Date of Last Re-election |
|-----|-------------|--------|---------------------|-------------------|--------------------------|
| 58  | Malaysian   | Male   | 3 March 2008        | 9 years           | 25 May 2016              |

#### Membership of Board Committees:

- Nil

#### Qualifications:

- MBA, Portland State University, USA
- Bachelor of Science in Business Administration (Minor in Mathematics), California State University, USA

#### Working Experience:

Jamaludin is Managing Director/President & Group Chief Executive Officer of Axiata Group Berhad, which he joined in March 2008. He has worked for about 35 years in the ICT industry – 16 years in IT and 19 years in telecommunications.

Jamaludin started his career as a lecturer in Quantitative Methods at California State University, USA in 1980.

He then spent 12 years in IBM (1981-1993), the first five years as Systems Engineer and then in various positions in Sales, Marketing and Management. In 1993, he was appointed Chief Executive Officer of Digital Equipment Malaysia (the Malaysian branch of Digital Equipment, then the second largest IT company worldwide).

Four years later, in 1997, Jamaludin joined Maxis Communications Berhad, and was appointed Chief Executive Officer in 1998. In 2006, he was re-designated Group Chief Executive Officer. He retired from Maxis in 2007. In 2008, he joined Axiata as the Managing Director/President & Group Chief Executive Officer.

#### Directorships of Public Companies:

##### Axiata Group

###### Listed

- Dialog Axiata PLC (Alternate Director)
- PT XL Axiata Tbk
- M1 Limited

###### Non-listed

- Celcom Axiata Berhad (Chairman)
- Axiata Foundation

#### Others

###### Listed

- Nil

###### Non-listed

- GSMA Mobile For Development Foundation
- GSM Association (Foundation Board Member)

#### Other Information:

Jamaludin earned the accolade of Malaysia's 'CEO of the Year 2000' by American Express & Business Times and was inducted into the Hall of Fame for 'Services to the Mobile Telecommunications Industry' by Asian Mobile News in 2004. He was also named 'Asian Mobile Operator CEO of the Year' by Asian Mobile News Awards 2007 and 'Telecommunications CEO of the Year' by Telecom Asia Awards 2010 and Frost & Sullivan Asia Pacific ICT Awards 2010. In 2014, he was named CEO of the Year at the MSWG-ASEAN Corporate Governance Transparency Index Awards. He was also the recipient of the 2015 GSMA Chairman's Award which is the GSMA's most prestigious award and recognises outstanding personal contribution to the growth and development of mobile communications around the world.

## PROFILE OF DIRECTORS



**TAN SRI GHAZZALI  
SHEIKH ABDUL KHALID**  
*Independent Non-Executive Director*

| Age | Nationality | Gender | Date of Appointment | Length of Service | Date of Last Re-appointment |
|-----|-------------|--------|---------------------|-------------------|-----------------------------|
| 71  | Malaysian   | Male   | 24 March 2008       | 9 years           | 25 May 2016                 |

#### Membership of Board Committees:

- Board Nomination Committee (Chairman)
- Board Remuneration Committee (Chairman)

#### Qualifications:

- Degree in Economics, La Trobe University, Australia

#### Working Experience:

Ghazzali has made his career as a diplomat since 1971 and became the Ambassador of Malaysia to USA in March 1999. Prior to his appointment to Washington, D.C., he served as Deputy Secretary-General at the Ministry of Foreign Affairs, Malaysia. Over the years, his overseas appointments have included postings to Austria, Germany, Hong Kong, Thailand, UK, Zimbabwe and the Permanent Mission of Malaysia to the United Nations in New York, USA. His last position before his retirement in September 2010 was as Ambassador-at-large of the Ministry of Foreign Affairs, Malaysia to which he was appointed in 2006.

#### Directorships of Public Companies:

##### Axiata Group

###### Listed

- Nil

###### Non-listed

- Robi Axiata Limited (Chairman)
- Axiata Foundation (Chairman)

##### Others

###### Listed

- Nil

###### Non-listed

- Nil



**DATUK AZZAT  
KAMALUDIN**  
*Senior Independent Non-Executive Director*

| Age | Nationality | Gender | Date of Appointment | Length of Service | Date of Last Re-appointment |
|-----|-------------|--------|---------------------|-------------------|-----------------------------|
| 71  | Malaysian   | Male   | 24 March 2008       | 9 years           | 25 May 2016                 |

#### Membership of Board Committees:

- Board Audit Committee
- Board Nomination Committee
- Board Remuneration Committee

#### Qualifications:

- Barrister-at-Law, Middle Temple, London, UK
- Degrees in Law and International Law, University of Cambridge, UK

#### Working Experience:

Azzat is a lawyer by profession and is a partner of the law firm of Azzat & Izzat. Prior to being admitted as advocate and solicitor of the High Court of Malaya in 1979, he served as an administrative and diplomatic officer with the Ministry of Foreign Affairs, Malaysia from 1970 to 1979. Between 1 March 1993 to 21 March 1999, he served as a member of the Securities Commission.

#### Directorships of Public Companies:

##### Axiata Group

###### Listed

- Dialog Axiata PLC (Chairman)

###### Non-listed

- Celcom Resources Berhad

##### Others

###### Listed

- Boustead Holdings Berhad
- Boustead Heavy Industries Corporation Berhad
- KPJ Healthcare Berhad

###### Non-listed

- Malaysian Directors Academy



### DATO' MOHD IZZADDIN IDRIS

*Non-Independent Non-Executive Director*

| Age | Nationality | Gender | Date of Appointment | Length of Service | Date of Last Re-election |
|-----|-------------|--------|---------------------|-------------------|--------------------------|
| 54  | Malaysian   | Male   | 24 November 2016    | 5 months          | Nil                      |

#### Membership of Board Committees:

- Nil

#### Qualifications:

- Bachelor of Commerce Degree (First Class Honours in Finance), University of New South Wales, Australia
- Fellow of Chartered Public Accountants (CPA) Australia
- Member of the Malaysian Institute of Accountants (MIA)

#### Working Experience:

Izzaddin is currently the Group Managing Director/Chief Executive Officer of UEM Group Berhad, a position he held since July 2009. Izzaddin has over 20 years of experience in the fields of investment banking, financial and general management having served in various senior positions at Malaysian International Merchant Bankers Berhad, Malaysian Resources Corporation Berhad and Southern Bank Berhad. Before his current position, he was the Chief Financial Officer/Senior Vice President (Group Finance) of Tenaga Nasional Berhad, a position he held from September 2004 to June 2009.

#### Directorships of Public Companies:

##### Axiata Group

*Listed*

- Nil

*Non-listed*

- Nil

#### Others

*Listed*

- UEM Sunrise Berhad
- UEM Edgenta Berhad

*Non-listed*

- UEM Group Berhad
- PLUS Malaysia Berhad
- PLUS Expressway International Berhad
- Projek Lebuhraya Usahasama Berhad
- Cement Industries of Malaysia Berhad
- OPUS Group Berhad
- UEM Builders Berhad
- UEM Suria Berhad
- Yayasan UEM
- Yayasan Putra Business School



### DATO DR NIK RAMLAH NIK MAHMOOD

*Independent Non-Executive Director*

| Age | Nationality | Gender | Date of Appointment | Length of Service | Date of Last Re-election |
|-----|-------------|--------|---------------------|-------------------|--------------------------|
| 61  | Malaysian   | Female | 21 March 2017       | 1 month           | Nil                      |

#### Membership of Board Committees:

- Nil

#### Qualifications:

- Bachelor of Law with Honours, University of Malaya
- Masters of Law and PhD in Law, University of London

#### Working Experience:

Dr Nik Ramlah Nik Mahmood retired as Deputy Chief Executive of Securities Commission Malaysia ("SC") in March 2016. She was appointed Deputy Chief Executive of the SC and member of the Commission on 1 April 2012. She joined the SC in 1993 as Manager of Law Reform and went on to become Director of the Policy and Development Division in 1997. In 2008, she was made Managing Director and Executive Director of the Enforcement Division. Prior to joining the SC, Dr Nik Ramlah was an Associate Professor at the Faculty of Law, University of Malaya.

Dr Nik Ramlah is a member of the Board of Directors of Perbadanan Insurans Deposit Malaysia, the Securities Industry Development Corporation and Amanah Saham Nasional Berhad. She is also a member of the Professional Development Panel (Senate) of INCEIF, the global university for Islamic finance and an Adjunct Professor at the Faculty of Law, University Teknologi MARA.

#### Directorships of Public Companies:

##### Axiata Group

*Listed*

- Nil

*Non-listed*

- Nil

#### Others

*Listed*

- United Malacca Berhad

*Non-listed*

- Securities Industry Development Corporation
- Amanah Saham Nasional Berhad

## PROFILE OF DIRECTORS



**DAVID LAU NAI PEK**  
Independent Non-Executive Director

| Age | Nationality | Gender | Date of Appointment | Length of Service | Date of Last Re-election |
|-----|-------------|--------|---------------------|-------------------|--------------------------|
| 64  | Malaysian   | Male   | 23 April 2008       | 9 years           | 20 May 2015              |

**Membership of Board Committee:**

- Board Audit Committee (Chairman)

**Qualifications:**

- Bachelor of Commerce, Canterbury University, New Zealand
- Member of the Malaysian Institute of Accountants
- Member of the New Zealand Institute of Chartered Accountants

**Working Experience:**

David has over 35 years professional experience in finance and leading financial organisations in various locations in Australia, Brunei, China, Malaysia, New Zealand, Netherlands and UK. David retired from Shell Malaysia in August 2011 after serving the Shell Group for about 30 years. His major assignments include the Finance Director for Shell Malaysia, Finance Director for Shell China, Global Controller for the Exploration & Production Division of Royal Dutch Shell, and Vice-President Finance for Shell International Exploration and Production B.V., the Netherlands.

**Directorships of Public Companies:**

**Axiata Group**

Listed

- Nil

Non-listed

- Celcom Axiata Berhad (Chairman of Board Audit Committee)

**Others**

Listed

- Shell Refining Company (Federation of Malaya) Berhad
- KKB Engineering Berhad

Non-listed

- Malaysia Airlines Berhad

**Other Information:**

Member of Investment Panel of Employees Provident Fund



**BELLA ANN ALMEIDA**  
Independent Non-Executive Director

| Age | Nationality | Gender | Date of Appointment | Length of Service | Date of Last Re-election |
|-----|-------------|--------|---------------------|-------------------|--------------------------|
| 60  | British     | Female | 21 January 2013     | 4 years           | 25 May 2016              |

**Membership of Board Committees:**

- Board Nomination Committee
- Board Remuneration Committee

**Qualifications:**

- MA in Economics, Cambridge University, UK
- MBA, Imperial College, London, UK

**Working Experience:**

Ann was the Group Managing Director, Human Resources of The Hongkong and Shanghai Banking Corporation Limited between February 2008 and May 2015 and a member of the Group Management Board. In 2011, her remit widened to include Corporate Sustainability. Ann joined the HSBC Group in 1992 and by 1995, she was appointed Head of HR for James Capel (Stockbroking). Since 1996, Ann was Director, HR for HSBC's Investment Bank, Transaction Bank, Private Bank, Islamic Bank and Asset Management, before taking up her last role. She retired in May 2015 after 23 years service with the HSBC Group.

**Directorships of Public Companies:**

**Axiata Group**

Listed

- Nil

Non-listed

- Nil

**Others**

Listed

- Nil

Non-listed

- Julius Baeer, Global Swiss Private Bank

**Other Information:**

Non-Executive Chairman of the Human Resources Committee of Jadwa Investments, a Saudi Islamic bank and Chairman of the Remuneration & Nomination Committee of Fajr Capital, a private equity group.



### DR MUHAMAD CHATIB BASRI

*Independent Non-Executive Director*

| Age | Nationality | Gender | Date of Appointment | Length of Service | Date of Last Re-election |
|-----|-------------|--------|---------------------|-------------------|--------------------------|
| 51  | Indonesian  | Male   | 25 February 2015    | 2 years           | 20 May 2015              |

#### Membership of Board Committees:

- Nil

#### Qualifications:

- PhD in Economics and Master of Economic Development, Australian National University, Australia
- Bachelor of Economics, University of Indonesia, Indonesia

#### Working Experience:

Dr. Muhamad Chatib Basri, was Indonesia's former Minister of Finance from May 2013 to October 2014. Previously, he was the Chairman of Investment Coordinating Board of Indonesia from June 2012 to October 2013. Prior to that, from 2010 to 2012, he served as the Vice Chairman of the National Economic Committee of the President of Indonesia. He is currently the Chairman of Indonesia Infrastructure Finance, and also Chairman of the Advisory Board of Mandiri Institute. Dr. Basri was a member of the Asia Pacific Regional Advisory Group of the International Monetary Fund (IMF). From 2010 to 2012, he was a member of the High Level Trade Experts Group, co-chaired by Jagdish Bhagwati and Peter Sutherland. In 2010, he co-founded CReco Research Institute, a Jakarta based economic consulting firm. Dr Basri has from 1995 until present lectures at the Department of Economics, University Indonesia.

He has acted as a consultant for the World Bank, the Asian Development Bank (ADB), the USAID, AUSAID, OECD and UNCTAD. He is the author of a number of papers in international academic journals and actively writes for various leading newspapers and magazines in Indonesia.

#### Directorships of Public Companies:

##### Axiata Group

*Listed*

- Nil

*Non-listed*

- Nil

##### Others

*Listed*

- Nil

*Non-listed*

- Nil

#### Notes:

None of the Directors have:

- Any family relationship with any Director and/or major shareholder of Axiata.
- Any conflict of interest with Axiata.
- Any conviction for offences within the past five years (other than traffic offences).
- Any sanctions and/or penalties imposed on them by any regulatory bodies during the financial year ended 31 December 2016.
- Information on Directors' attendance at Board meetings held during the financial year is disclosed on page 79 of the Statement on Corporate Governance.



### KENNETH SHEN

*Non-Independent Non-Executive Director*

*(Representative of Khazanah)*

| Age | Nationality | Gender | Date of Appointment | Length of Service | Date of Last Re-election |
|-----|-------------|--------|---------------------|-------------------|--------------------------|
| 52  | American    | Male   | 5 October 2011      | 5 years           | 28 May 2014              |

#### Membership of Board Committees:

- Board Audit Committee
- Board Nomination Committee
- Board Remuneration Committee

#### Qualifications:

- Bachelor of Arts Degree (magna cum laude) in East Asian Languages and Civilisations (Japanese) and Economics from Harvard College, USA
- MBA, Harvard Graduate School of Business Administration, USA
- Completed studies at Keio University, Japan

#### Working Experience:

Kenneth joined Khazanah as Executive Director of Investments in 2011. He has more than 25 years of global investment, corporate finance and mergers and acquisitions experience gained in New York, Hong Kong, Qatar and Malaysia. Prior to joining Khazanah, Kenneth was with Qatar Investment Authority (QIA) from 2006 where he most recently was Advisor to the CEO and a member of the Board of Directors of Qatar Holding LLC. In addition, Kenneth had responsibility for QIA's direct investments in public and private companies as well as its investments in private equity, special situations and venture capital funds. Prior to that, he was with Salomon Brothers Inc and its successor companies from 1996 where his most recent role was Co-Head, Corporate Finance at Citigroup Global Markets Asia Limited. Prior to Salomon Brothers, Kenneth was with Lehman Brothers Inc. from 1992 in Lehman's Merchant Banking and Principal Investments Groups in New York.

#### Directorships of Public Companies:

##### Axiata Group

*Listed*

- Nil

*Non-listed*

- Nil

##### Others

*Listed*

- Nil

*Non-listed*

- Yayasan Amir

# PROFILE OF MANAGEMENT TEAM



## TAN SRI JAMALUDIN IBRAHIM

Managing Director/President &  
Group Chief Executive Officer

Please refer to page 55



## DATO' SRI MOHAMMED SHAZALLI RAMLY

Corporate Executive Vice President & Regional  
CEO, Southeast Asia Operations

**Nationality / Age / Gender:**  
Malaysian / 55 / Male

**Date of Appointment:**  
5 September 2016

**Department/Portfolio:**  
Southeast Asia Region

**Academic/Professional Qualification(s):**

- Bachelor of Science (Marketing), Indiana University, Bloomington
- MBA, St Louis University, Missouri, USA

**Working Experience:**

Shazalli was appointed CEO and Director of Celcom on 1 September 2005. Prior to that, he was CEO of ntv7 for eight years since its launch in 1998. Shazalli had earlier left his mark in the fast moving consumer goods industry, with Lever Brothers (1987-1993), followed by the Malaysian Tobacco Company (MTC) and British American Tobacco (BAT) (1993-1996) both in Malaysia and the UK. He also served as Astro's Marketing Director for two years where he pioneered the launch of Astro digital satellite services in Malaysia.

**Directorships of Public Companies:**

**Axiata Group**

*Listed*

- PT XL Axiata Tbk

*Non-listed*

- Celcom Axiata Berhad
- Celcom Resources Berhad

**Others**

*Listed*

- Malaysia Airlines Berhad
- Malaysia Aviation Group Berhad

*Non-listed*

- Nil



## DR HANS WIJAYASURIYA

Group Executive Vice President & Regional CEO,  
South Asia Region

**Nationality / Age / Gender:**  
Sri Lankan / 48 / Male

**Date of Appointment:**  
1 January 2017

**Department/Portfolio:**  
South Asia Region

**Academic/Professional Qualification(s):**

- Degree in Electrical and Electronic Engineering, University of Cambridge
- MBA, University of Warwick, UK
- PhD in Digital Mobile Communications, University of Bristol
- Chartered Engineer and Fellow of the Institute of Engineering Technology UK

**Working Experience:**

In line with Axiata's regional expansion in the South Asia region, Hans was appointed as the Regional CEO, South Asia in January 2016. Up to the end of 2016, Hans also functioned as the Group CEO of Dialog Axiata PLC Sri Lanka. He joined Dialog's founding management team in 1994, and took on the role of CEO in 1997. From 2012 till 2014, Hans was also the founding CEO of Axiata Digital Services.

**Directorships of Public Companies:**

**Axiata Group**

*Listed*

- Dialog Axiata PLC
- Idea Cellular Limited

*Non-listed*

- Robi Axiata Limited

**Others**

*Listed*

- John Keells Holdings PLC

*Non-listed*

- Nil



### VIVEK SOOD

Group Chief Financial Officer

#### Nationality / Age / Gender:

Indian / 53 / Male

#### Date of Appointment:

3 April 2017

#### Department/Portfolio:

- Strategic Finance, Financial Planning & Analysis
- Investor Relation
- Treasury & Corporate Finance
- Tax
- Accounts Operation
- Financial System

#### Academic/Professional Qualification(s):

- Bachelor in Commerce and Qualified Chartered Accountant India
- Accountancy and Audit Training in Pricewaterhouse

#### Working Experience:

Vivek was most recently the Executive Vice President and Group Chief Marketing Officer of Telenor Group Inc. Prior to this he has held positions as CFO and subsequently CEO of Telenor India, CEO of Grameenphone (Bangladesh) and COO and CFO of Tata AIA Life Insurance.

#### Interest in the securities of Axiata or its Subsidiaries

- Nil

#### Directorships of Public Companies:

##### Axiata Group

Listed

- Nil

Non-listed

- Nil

##### Others

Listed

- Nil

Non-listed

- Nil



### AMANDEEP SINGH

Group Chief Technology Officer

#### Nationality / Age / Gender:

Indian / 46 / Male

#### Date of Appointment:

2 November 2012

#### Department/Portfolio:

- IT Strategy & Architecture
- Axiata Procurement Centre
- Radio Access Network

#### Academic/Professional Qualification(s):

- Bachelor Degree in Electronics & Electrical Communications from India

#### Working Experience:

Amandeep has over 25 years of experience in the telecommunications sector encompassing mobile, fixed and long distance networks. During his professional career, he has held various portfolios to lead the technology function spanning across multiple countries in Asia and Africa. He brings hands on experience in strategising and managing state-of-the-art telecommunication networks including 2G/3G/4G LTE/IT and Systems. He has handled complex, multi-country and large scale technology transformations in the past. Amandeep also brings a rich wealth of experience in the towerco business. Prior to Axiata, his last assignment was with Bharti Airtel for more than nine years, working out of the company's offices in India and Africa.

#### Directorships of Public Companies:

##### Axiata Group

Listed

- Nil

Non-listed

- Nil

##### Others

Listed

- Nil

Non-listed

- Nil



### ANNIS SHEIKH MOHAMED

Chief Corporate Development Officer

#### Nationality / Age / Gender:

Malaysian / 45 / Male

#### Date of Appointment:

1 July 2011

#### Department/Portfolio:

- Corporate Development

#### Academic/Professional Qualification(s):

- Bachelor Degree in Business Administration (Hons), majoring in Finance, Investment and Banking, University of Wisconsin-Madison, USA

#### Working Experience:

Annis has close to 17 years' experience in the banking industry with extensive knowledge and experience in the areas of financial advisory, structured finance, acquisition finance and project finance. He started his career at Citibank Berhad and later joined Macquarie Malaysia and RHB Sakura Merchant Bankers Bhd. His last position before joining Axiata was Chief Officer & Head of Investment Banking in Kuwait Finance House (Malaysia) Berhad (KFHMB).

#### Directorships of Public Companies:

##### Axiata Group

Listed

- Nil

Non-listed

- Nil

##### Others

Listed

- Nil

Non-listed

- Nil

## PROFILE OF MANAGEMENT TEAM



**ASRI HASSAN SABRI**  
Group Chief Business Operations Officer

**Nationality / Age / Gender:**  
Malaysian / 50 / Male

**Date of Appointment:**  
12 January 2016

**Department/Portfolio:**

- Enterprise
- Axiata ISBU
- Voice
- Qorus Alliance
- International Data & Network
- Roaming
- Product & Marketing

**Academic/Professional Qualification(s):**

- Bachelor of Commerce, University of Newcastle, Australia

**Working Experience:**  
Asri has 27 years of experience in various management, consulting and entrepreneur engagements in the IT and telecom industries. He is a former Country President for Motorola Malaysia, a position he held from 2006 till 2008. He was also a strategic partner with Provident Capital Partners, an established South Asia private equity company. Besides Motorola, Asri has also worked with other multinational corporations (MNCs) such as Nokia.

**Directorships of Public Companies:**  
**Axiata Group**

*Listed*

- Nil

*Non-listed*

- Nil

**Others**  
*Listed*

- Nil

*Non-listed*

- Nil



**DATIN SRI BADRUNNISA MOHD YASIN KHAN**  
Group Chief Talent Officer

**Nationality / Age / Gender:**  
Malaysian / 57 / Female

**Date of Appointment:**  
18 May 2011

**Department/Portfolio:**

- Organisational Development
- Talent Management
- Learning & Development
- Corporate Responsibility

**Academic/Professional Qualification(s):**

- Bachelor of Science (Honours) in Biochemistry and Pharmacology, University of Aston, Birmingham, UK

**Working Experience:**  
Badrunnisa has had over 30 years of working experience. Her career has predominantly been with Shell in Malaysia with the first half focusing on IT software application and the second half in Human Resources, where her last stint was in a global position reporting to Shell's Group HR. Before Axiata, she was with TM where she was General Manager, Leadership & Talent Management, Group HR. She was also the Head of Group Human Resources in Axiata before the function was split to allow her to focus on Talent Management across the Group.

**Directorships of Public Companies:**  
**Axiata Group**

*Listed*

- Nil

*Non-listed*

- Nil

**Others**  
*Listed*

- Nil

*Non-listed*

- Nil



**DARKE M SANI**  
Group Chief Human Resources Officer

**Nationality / Age / Gender:**  
Singaporean / 61 / Male

**Date of Appointment:**  
18 May 2011

**Department/Portfolio:**

- Human Resources
- Organisational Development
- Facility Management

**Academic/Professional Qualification(s):**

- Bachelor's Degree in Civil Engineering from the National University of Singapore

**Working Experience:**  
Darke has had over 30 years experience both in Malaysia and in the South Asia region, having held several senior positions in multinational companies and large local companies. These include Managing Director of South East Asia and India of Apple Inc, Managing Director (Singapore) of Digital Equipment Corporation (now part of Hewlett-Packard) and Managing Director of Enterprise Business of Maxis Communications at Malaysia. Prior to joining Axiata in 2011, he was a director of a leadership development and management consulting company.

**Directorships of Public Companies:**  
**Axiata Group**

*Listed*

- Nil

*Non-listed*

- Nil

**Others**  
*Listed*

- Nil

*Non-listed*

- Nil



### DOMINIC P ARENA

Group Chief Strategy Officer

**Nationality / Age / Gender:**

Australian / 40 / Male

**Date of Appointment:**

1 March 2016

**Department/Portfolio:**

- Group Corporate Strategy
- Marketing & Brand Development
- Strategic Projects
- Product Innovation & Partnerships

**Academic/Professional Qualification(s):**

- Bachelor of Engineering in Telecommunications (Honours) and a Graduate Diploma in engineering Management (Dip. Eng. Prac., Honours), University of Technology Sydney, Australia
- Member, Australian Institute of Company Directors (MAICD)

**Working Experience:**

Dominic has over 23 years' experience in the telecoms, media and technology sectors having held executive roles with global telecom operators including Vodafone, Orange and British Telecom as well as for leading strategic advisory firms. Prior to joining Axiata, Dominic was the Group Managing Director of AEC Advisory, a regional strategic and corporate advisory firm headquartered in Singapore. Preceding this he has held several senior corporate advisory roles as a global equity Partner of Value Partners Management Consulting, as Regional Director APAC for BT Global Services consulting group, as a Director of KPMG Australia and a Director with KPMG Consulting in SE Asia in charge of Telecom & Media advisory.

**Directorships of Public Companies:**

**Axiata Group**

Listed

- Dialog Axiata PLC

Non-listed

- Robi Axiata Limited

**Others**

Listed

- Nil

Non-listed

- Nil



### IDHAM NAWAWI

Group Chief Corporate Officer

**Nationality / Age / Gender:**

Malaysian / 49 / Male

**Date of Appointment:**

1 March 2013

**Department/Portfolio:**

- Government Relations
- Corporate Communications & Sustainability
- Regulatory Affairs

**Academic/Professional Qualification(s):**

- Bachelor of Science in Mechanical Engineering, University of Rochester New York, USA
- Masters in Communication Management (MBA in Telecommunications), University of Strathclyde, Glasgow, Scotland

**Working Experience:**

Idham has over 20 years' experience in telecommunications and IT industry in the region. Prior to his role in Axiata, Idham served as Chief Operating Officer of Packet One Networks in Malaysia, Head of Strategy and Corporate Affairs for Axis Communications in Indonesia and in various senior management positions for Maxis in Malaysia. He started his career as an engineer for Carl Zeiss in Princeton, New Jersey, USA, before venturing into ICT with IBM.

**Directorships of Public Companies:**

**Axiata Group**

Listed

- Nil

Non-listed

- Nil

**Others**

Listed

- Nil

Non-listed

- Nil



### NIK NAZIFAH NIK AHMAD

Group Chief Internal Auditor

**Nationality / Age / Gender:**

Malaysian / 46 / Female

**Date of Appointment:**

1 May 2015

**Department/Portfolio:**

- OpCo Internal Audit

**Academic/Professional Qualification(s):**

- BSc (Hons) Accountancy, University of East Anglia UK
- Fellow member of the Association of Chartered Certified Accountants (ACCA) UK

**Working Experience:**

Prior to Axiata, she held the position of Corporate Controller at Celcom Axiata Berhad. Before joining Celcom, Nik Nazifah was with Shell Malaysia for over 15 years, including a three year assignment at Shell Headquarters in The Hague, Netherlands. Her earlier years were spent in external audit where she gained exposure to a variety of industries, ranging from Financial Institutions to Government linked companies.

**Directorships of Public Companies:**

**Axiata Group**

Listed

- Nil

Non-listed

- Nil

**Others**

Listed

- Nil

Non-listed

- Nil

## PROFILE OF MANAGEMENT TEAM



**SURYANI HUSSEIN**  
Group Company Secretary

**Nationality / Age / Gender:**  
Malaysian / 50 / Female

**Date of Appointment:**  
1 April 2008

**Department/Portfolio:**  
• Company Secretarial

**Academic/Professional Qualification(s):**  
• LL.B (Hons) Bachelor of Laws, International Islamic University, Malaysia  
• Advocate and Solicitor of the High Court of Malaya and Licensed Company Secretary

**Working Experience:**  
Suryani, a qualified Advocate and Solicitor of the High Court of Malaya and licenced Company Secretary, spent the early years of her career in legal practice. She subsequently joined the corporate sector doing both legal and company secretarial work and was appointed Head of Legal and Secretarial, Celcom in 2002. Suryani joined Axiata upon its listing in 2008 and until June 2011 retained her leadership role as Head of Legal in Celcom.

**Directorships of Public Companies:**  
**Axiata Group**

*Listed*  
• Nil

*Non-listed*  
• Nil

**Others**  
*Listed*  
• Nil

*Non-listed*  
• Nil



**TAN GIM BOON**  
Group General Counsel and Risk Officer

**Nationality / Age / Gender:**  
Malaysian / 44 / Male

**Date of Appointment:**  
1 October 2004

**Department/Portfolio:**  
• Corporate Counsel  
• Risk Management  
• Enterprise Risk Management

**Academic/Professional Qualification(s):**  
• Bachelor of Commerce and Bachelor of Law, University of Adelaide, Australia  
• Advocate and Solicitor of the High Court of Malaya and as a solicitor in New South Wales, Australia  
• Masters of Law, University of New South Wales, Australia

**Working Experience:**  
Gim joined TMI (now Axiata) in 2004. Prior to joining Axiata, he was working as a lawyer in Malaysia and Australia. His areas of practice were predominantly in the fields of mergers and acquisitions, equity capital markets and corporate finance. Gim's last post before joining Axiata, was with Malaysia's largest law firm, Zaid Ibrahim & Co.

**Directorships of Public Companies:**  
**Axiata Group**

*Listed*  
• Nil

*Non-listed*  
• Nil

**Others**  
*Listed*  
• Nil

*Non-listed*  
• Nil

**Notes:**  
None of the management team have:-  
• Any family relationship with any Director and/or major shareholder of Axiata.  
• Any conflict of interest with Axiata.  
• Any conviction for offences within the past 5 years (other than traffic offences).  
• Any sanctions and/or penalties imposed on them by any regulatory bodies during the financial year ended 31 December 2016.

# PROFILE OF OPERATING COMPANIES' MANAGEMENT TEAM



## MICHAEL KUEHNER

Chief Executive Officer  
Celcom Axiata Berhad

### Nationality / Age / Gender:

German / 65 / Male

### Date of Appointment:

1 September 2016

### Academic/Professional Qualification(s):

- Master Degree in Mathematics and Economic Science, University of Cologne, Germany
- Executive Program and General Manager Program at the Fuqua School of Business at Duke University, Durham, North Carolina
- Executive Education, Leading Decision Making at INSEAD, Fontainebleau, France

### Working Experience:

Michael was appointed CEO of Celcom Axiata in 2016. He was previously the CEO and Managing Director of Robi Axiata from 2009 till 2013. Prior to that from 2007 till 2009, he was the Head of Region for Nokia Siemens Networks, India. He was also the Head of Sub Region of Nokia Siemens Networks, Japan and Korea, in 2007, Managing Director of Siemens Public Communication Networks Ltd., India from 2005 till 2007, and Senior Vice President of Siemens Malaysia from 2000 till 2005.

### Directorships of Public Companies:

#### Axiata Group

Listed

- Nil

Non-listed

- Celcom Axiata Berhad
- Robi Axiata Limited

#### Others

Listed

- Nil

Non-listed

- Nil



## DIAN SISWARINI

President Director  
PT XL Axiata Tbk

### Nationality / Age / Gender:

Indonesian / 48 / Female

### Date of Appointment:

1 April 2015

### Academic/Professional Qualification(s):

- Bandung Institute of Technology majoring in Telecommunications
- Harvard Advance Management Program, Harvard Business School

### Working Experience:

Dian was appointed President Director of XL in April 2015. Prior to that, she was Axiata's Group Chief Marketing and Operations Officer. She also served as the Director and Chief Digital Services Officer from March 2013 and Director of Network Services in 2007. She joined XL in 1996 and started her career as a Radio Network Design Engineer and held numerous key positions in Network and Engineering Department. Her last position was Senior Vice President of Network Planning & Development prior to her appointment as Director.

### Directorships of Public Companies:

#### Axiata Group

Listed

- PT XL Axiata Tbk (President Director)

Non-listed

- Nil

#### Others

Listed

- Nil

Non-listed

- Nil



## SUPUN WEERASINGHE

Director/Chief Executive Officer  
Dialog Axiata PLC

### Nationality / Age / Gender:

Sri Lankan / 41 / Male

### Date of Appointment:

1 January 2017

### Academic/Professional Qualification(s):

- Bachelor of Science (First Class Honours) in Accountancy and Financial Management, University of Jayewardenepura, Sri Lanka
- MBA, University of Western Sydney, Australia
- Alumnus of Harvard Business School

### Working Experience:

Supun is the Group CEO of Dialog Axiata PLC, with effect from January 2017. Before returning to Dialog, Supun was the CEO and Managing Director of Robi Axiata Limited in Bangladesh from 2014 to 2016. Prior to joining Robi, Supun served as the Group Chief Strategy Officer (GSCO) of Axiata Group Bhd in Malaysia. At Axiata, he also served as the Head of Network Transformation Strategic Business Unit under which he led the Group Technology, Carrier Collaboration and Axiata Intelligence Unit. Prior to his assignment to Axiata Group in 2013, Supun was the Group Chief Operating Officer (GCOO) of Dialog. He started his career in Telecommunications at Dialog in 1999 and held multiple roles such as Head of Strategy and CEO of the Mobile Business.

### Directorships of Public Companies:

#### Axiata Group

Listed

- Dialog Axiata PLC

Non-listed

- Nil

#### Others

Listed

- Nil

Non-listed

- Nil

## PROFILE OF OPERATING COMPANIES' MANAGEMENT TEAM



### THOMAS HUNDT

Chief Executive Officer  
Smart Axiata Co., Ltd

**Nationality / Age / Gender:**  
German / 39 / Male

**Date of Appointment:**  
1 July 2008

**Academic/Professional Qualification(s):**

- Siemens AG "Stammhauslehre", Siemens Zweigniederlassung Leipzig, Germany
- "IHK Industrial Business Administration"

**Working Experience:**  
Thomas has gained vast experience in the telecommunications industry during his tenure in key management positions with Siemens AG's Communication Division and Nokia Siemens Networks. Thomas was also a member of the Supervisory Board of Azerfon in Azerbaijan. Since mid-2008, he has been CEO of Smart Mobile, which he grew from greenfield, number eight position in the market to number three position, including through the acquisition of Star-Cell in 2011 and the merger with Hello Axiata in 2013.

**Directorships of Public Companies:**  
**Axiata Group**

*Listed*

- Nil

*Non-listed*

- edotco (Cambodia) Co., Ltd.
- Ncell Private Limited

**Others**  
*Listed*

- Nil

*Non-listed*

- ACL ASEAN Tower Holdco Limited/Golden Towers BTS Corp
- European Chamber of Commerce Cambodia



### SIMON PERKINS

Managing Director  
Ncell Private Limited

**Nationality / Age / Gender:**  
British / 57 / Male

**Date of Appointment:**  
12 April 2016

**Academic/Professional Qualifications:**

- Master of Business Administration (MBA) Warwick University UK
- Electronic and Electrical Engineering Degree, BSc (Honours), Loughborough University of Technology UK
- Chartered Engineer, UK Engineering Council
- Chartered Professional Engineer Australia
- FIET Fellow of the Institution of Engineering and Technology, UK
- FIEAust Fellow of the Institution of Engineers, Australia
- GAICD Graduate Member of Australian Institute of Company Directors

**Working Experience:**  
Simon has been in telecommunications industry for over 40 years, with almost half that time spent in the UK in his early career, and half in Australia and Asia. Over the last 15 years, Simon has been in CEO roles managing telecommunication network operators in the region, ranging from start-ups in green-field markets to developing existing businesses. Simon joined Axiata in 2009, initially as CEO for the Cambodia operation.

**Directorships of Public Companies:**  
**Axiata Group**

*Listed*

- Nil

*Non-listed*

- Nil

**Others**  
*Listed*

- Nil

*Non-listed*

- ANZ Royal Bank Cambodia

**Notes:**  
None of the operating companies' management team have:-

- Any family relationship with any Director and/or major shareholder of Axiata.
- Any conflict of interest with Axiata.
- Any conviction for offences within the past 5 years (other than traffic offences).
- Any sanctions and/or penalties imposed on them by any regulatory bodies during the financial year ended 31 December 2016.
- Celcom, XL, Dialog, Smart and Ncell are principal subsidiaries as defined under the Main LR specifically subsidiaries which each accounts for 25% or more of the profit after tax on total assets employed by Axiata based on the latest published audited consolidated financial statements.



### MAHTAB UDDIN AHMED

Managing Director/Chief Executive Officer  
Robi Axiata Limited

#### Academic/Professional Qualification(s):

- Bachelor of Honours and Masters in Accounting, University of Dhaka, Bangladesh
- Fellow member of Institute of Cost and Management Accountant of Bangladesh (ICMAB), FCMA & CGMA of Chartered Institute of Management Accountants (CIMA, UK)
- Alumnus, Harvard Business School

#### Working Experience:

Mahtab joined Robi Axiata in 2010 as CFO, the position which he held till 2014. Prior to joining Robi, Mahtab spent 17 years of his career with Unilever where he held various business and finance leadership positions including the post of Finance Director in various operating companies like Unilever Pakistan, Unilever Arabia and Unilever Bangladesh.



### HIMANSHU KAPANIA

Managing Director  
Idea Cellular Limited

#### Academic/Professional Qualification(s):

- Alumnus of Birla Institute of Technology and the Indian Institute of Management, Bangalore

#### Working Experience:

Himanshu has been the Managing Director of Idea since April 2011. He has engineered Idea's fast paced growth making it amongst the top three players and the fastest growing mobile operator in India. Himanshu is a veteran in the Indian telecom industry, contributing to the evolution of the industry, over the last two decades. He has been actively involved in the industry from its early days when India was a two player mobile market to the present times of hyper competition with a dozen global mobile operators competing for the world's second largest telecom market.



### MOHD KHAIRIL ABDULLAH

Chief Executive Officer  
Axiata Digital Services Sdn Bhd

#### Academic/Professional Qualification(s):

- BA (Engineering) and MEng, University of Cambridge, UK
- MBA from INSEAD, France

#### Working Experience:

Khairil was appointed as Chief Executive Officer of Axiata Digital Services in January 2015. He first joined Axiata in 2012 and served as Group Chief Marketing and Operations Officer. Prior to Axiata, Khairil was a Partner at Bain & Company, Inc., a leading global management consultancy. He was with Bain for more than 15 years. Prior to joining Bain, Khairil was an operations consultant at Coopers & Lybrand, Management Consulting Services. He was also founder and operations manager of P-Shift Consulting (Southeast Asia) from 1996 till 1997, and manufacturing consultant with PERA Consulting in London and Kuala Lumpur from 1995 till 1996.



### KAREN KOOI

Chief Executive Officer  
M1 Limited

#### Academic/Professional Qualification(s):

- Master of Business Administration degree in Investment and Finance (Distinction), University of Hull in the UK
- Fellow of the Association of Chartered Certified Accountants (UK)

#### Working Experience:

Karen was the Acting CEO of M1 from 1 February 2009 to 22 April 2009, having joined M1 as CFO in August 1995. She was a key member of the senior management team responsible for the planning, development and launch of M1's commercial operations. Prior to joining M1, Karen held various senior financial positions in large public listed companies, including Singapore Press Holdings Limited and City Developments Limited. She has over 30 years of experience in general and financial management.



### SURESH SIDHU

Chief Executive Officer  
edotco Group Berhad

#### Academic/Professional Qualification(s):

- Degree in Natural Science, University of Cambridge, UK
- MBA from INSEAD, France

#### Working Experience:

Prior to joining Axiata, Suresh served as Chief Corporate and Operations Officer of Celcom since 2012. Leading up to his appointment at Celcom, Suresh was Group Chief Officer - Enterprise and Global at Dialog. Suresh first joined Axiata Group Berhad in 2009. Prior to this, he has held many senior roles in strategy, international wholesale, and merger and acquisitions at Maxis Communications Berhad. Suresh also spent over seven years with the Boston Consulting Group in strategy consulting in South East Asia and North America.



### ADNAN ASDAR

Chief Executive Officer  
Multinet Pakistan (Private) Limited

#### Academic/Professional Qualification(s):

- Degree in Science (Civil Engineering), Wisconsin, USA
- Masters in Science (Civil Engineering), Minnesota, USA

#### Working Experience:

Adnan has over 25 years' experience in structural and forensic engineering, construction management, quality control and project management. He also plays advisory roles in several non-profit organisations primarily focused on education and health and is on the Executive Council Board for the Citizen's Foundation, Hunar Foundation and Indus Hospital.

# SIGNIFICANT MILESTONES

## 2017

### 9 JANUARY

Axiata Digital completed the incorporation of Axiata Digital eCode Sdn Bhd to carry out the business of researching and developing internet services and mobile applications.

### 18 JANUARY

edotco Group and Axiata entered into the following agreements:-

- Share Subscription Agreement between edotco and Innovation Network Corporation of Japan (INCJ) on the subscription by INCJ of up to 546,539,249 ordinary shares of RM1.00 each in edotco Group (edotco Shares) at a cash consideration of up to USD400.00 million; and
- Share Purchase Agreement between Axiata and Mount Bintang Ventures Sdn. Bhd. (MBVSB), a wholly-owned subsidiary of Khazanah for the purchase by MBVSB of 273,269,624 edotco Shares at a purchase consideration of USD200.00 million.

### 27 JANUARY

Completion of private placements of edotco Shares equivalent to USD300.0 million and USD200.00 million to INCJ and Khazanah. Shareholders' Agreement between edotco Group, Axiata, INCJ and Khazanah to govern the parties' relationship in edotco Group became effective.

### 20 MARCH

The Board of Directors of Idea Cellular Ltd approved the scheme of amalgamation of Idea and Vodafone India Limited and its wholly-owned subsidiary, Vodafone Mobile Services Limited with Idea (Proposed Merger).

## 2016

### 28 JANUARY

Celcom and its wholly-owned subsidiaries; namely, Celcom Mobile Sdn Bhd (Celcom Mobile) and Celcom Networks Sdn Bhd (Celcom Networks) entered into the following agreements with TM:-

- Memorandum of Agreement for the next phase of infrastructure collaboration; and
- Domestic Roaming Services and Domestic Roaming Facilities Agreement between Celcom, TM and Packet One Networks (Malaysia) Sdn Bhd (P1) for the provision by

Celcom of 2G and/or 3G Domestic Roaming Services and 2G and/or 3G Domestic Roaming Facilities to P1.

### 28 JANUARY

Robi entered into an agreement with Bharti Airtel Holdings (Singapore) Pte. Ltd. (Bharti) for the merger of Robi with Airtel Bangladesh Limited (Airtel Bangladesh) on the terms set in the agreement and Companies Act 1994 of Bangladesh.

### 1 FEBRUARY

Celcom and Celcom Mobile received notices of spectrum reallocation from Malaysian Communications and Multimedia Commission (MCMC) for both the 900MHz and 1800MHz bands.

In line with the Government's decision to optimise the use of spectrum resources, the following frequency bands will be allocated to Celcom by way of Spectrum Assignment:-

- 890MHz to 900MHz paired with 935MHz to 945MHz with effect from 1 July 2017; and
- 1745MHz to 1765MHz paired with 1840MHz to 1860MHz with effect from 1 January 2017.

Based on the notice from MCMC, Celcom's spectrum allocation, compared to the current allocation, will be lowered from 2x17MHz to 2x10MHz in 900MHz band, and from 2x25MHz to 2x20MHz in 1800MHz band.

### 17 FEBRUARY

Acquisition of entire issued and paid-up capital of Reynolds Holdings Limited (Reynolds) which in turn holds 80% equity interest in Ncell was approved by Axiata shareholders at an Extraordinary General Meeting.

### 25 FEBRUARY

Axiata Digital completed the incorporation of AD Video Sdn Bhd to establish, maintain and operate internet-based multimedia services.

### 10 MARCH

XL shareholders approved the establishment by XL Long Term Incentive Plan (LTIP) 2016-2020 for eligible employees and Directors of XL at an Extraordinary General Meeting of Shareholders.

### 17 MARCH

WSO2.Telco Inc., a subsidiary of Axiata Digital, completed the incorporation of WSO2.Telco (Private) Limited in Sri Lanka to develop

and provide support services to software technologies, products and solutions.

### 24 MARCH

Completion of acquisition of Edotco Pakistan (Private) by Axiata Investments (Labuan) Limited, a wholly owned subsidiary of Axiata.

### 24 MARCH

Axiata SPV2, a wholly-owned subsidiary of Axiata successfully priced USD500.00 million Sukuk to be listed and quoted on Bursa Malaysia (under the Exempt Regime) and on the Singapore Exchange Securities Trading Limited.

### 11 APRIL

Completion of the acquisition of Ncell.

### 3 MAY

Axiata Digital completed the incorporation of VM Digital (Thailand) Co., Ltd., to operate telecommunications and all all types of communication businesses.

### 9 MAY

XL entered into a Deed of Establishment with PT Indosat Tbk for the establishment of a joint venture, PT One Indonesia Synergy Tbk.

### 26 MAY

Axiata shareholders approved the establishment of Axiata's new LTIP replacing the existing LTIP which will expire in April 2019. The new LTIP is for a period of ten years from the effective date of the LTIP.

### 15 JUNE

XL received the 'Dissolution Certificate' from Labuan Financial Services Authority for its wholly-owned subsidiary companies, namely, GSM One (L) Limited (GSM One) and GSM Two (L) Limited (GSM Two).

### 24 JUNE

Robi and Bharti extended the agreement on the merger of Robi with Airtel Bangladesh until 26 September 2016.

### 29 JULY

Axiata completed the incorporation of Axiata Business Services Sdn Bhd to provide international carrier services, global communications products, managed information, communications and technology and Internet-of-Things.



### 30 AUGUST

Celcom received Letter of Offer from the MCMC in respect of the allocation of 2x10MHz of 900MHz and 2x20MHz of 1800MHz bands effective 1 July 2017.

The spectrum fee consists of 2 components:-

- Price component of RM816,750,000.00 ; and
- Annual fee component of RM 70,252,000.00.

Payment of lump sum or first payment for spectrum assignment due on 1 November 2016.

### 31 AUGUST

High Court Division of the Supreme Court of Bangladesh approved the Scheme of Amalgamation for the merger of Robi with Airtel Bangladesh subject to certain conditions.

In addition to the conditions imposed by the High Court, the Robi-Airtel Bangladesh merger was also subjected to fulfilment of other conditions stipulated in the Amalgamation Agreement extended further by the parties until 31 December 2016.

### 30 SEPTEMBER

Axiata's new LTIP Axiata became effective after all required approvals obtained and compliance of the requirements pertaining to the new LTIP.

### 31 OCTOBER

Celcom received the letter from the MCMC granting Celcom and Celcom Mobile the full settlement of spectrum fees amounting to RM816.75 million.

### 7 NOVEMBER

edotco Investments (Labuan) Limited (edotco Labuan), a wholly-owned subsidiary of edotco Group, entered into a Sale and Purchase Agreement with YSH Finance for the acquisition of 250,000 ordinary shares in the share capital of edotco Investments Singapore Pte Ltd, the parent company of edotco Myanmar Limited (edotco MM) representing 12.5% of the options over these shares, at a cash consideration of USD35.0 million.

### 9 NOVEMBER

Robi obtained the extension from the High Court Division of the Supreme Court of Bangladesh for the registration of the Scheme of Amalgamation for the merger of Robi-Airtel Bangladesh with Registry of Joint Stock Companies for a period of 4 weeks from 9 November 2016 to 9 December 2016.

### 16 NOVEMBER

Robi registered the Merger Filing with the Registry of Joint Stock Companies. Pursuant to the above and in accordance with the agreement, the merger of Robi with Airtel Bangladesh is effective.

On the effective date, Robi is the surviving corporation and the shareholding in Robi between Axiata, Bharti Group and NTT DOCOMO Group is 68.7%, 25.0%+1 Robi Share and 6.3% respectively.

### 17 NOVEMBER

edotco Labuan completed the incorporation of Edotco Towers (Bangladesh) Limited.

### 21 NOVEMBER

Dialog completed the incorporation of Dialog Business Services (Private) Limited to provide Business Process Outsourcing services including call centre.

### 13 DECEMBER

Axiata and edotco Group entered into a binding term sheet with INCJ and Khazanah for private placement of edotco Shares.

### 19 DECEMBER

Completion of the acquisition of additional 12.5% stake in edotco MM. edotco Group now holds 87.5% interest in edotco MM.

## 2015

### 19 JANUARY

Axiata Digital Advertising Sdn Bhd (ADA), a wholly owned subsidiary of Axiata Digital, completed the subscription of its 80% stake in Adknowledge Asia Pacific Pte. Ltd. (Adk Asia Pacific)

### 24 JULY

Axiata Digital entered into a Subscription and Stockholders' Agreement with WSO2 and WSO2 Telco, Inc. ("WSO2 Telco") for the subscription by Axiata Digital of shares in WSO2 Telco and to govern their relationships in WSO2 Telco.

### 7 AUGUST

Adk Asia Pacific entered into a Sale and Purchase Agreement with Komli Media, Inc for the acquisition of the entire issued share capital of Komli Asia Holding Pte.Ltd. at a cash consideration of USD11.25 million.

### 17 AUGUST

Dialog, through its wholly owned subsidiary, Digital Holdings Lanka (Private) Limited (Digital Holdings) completed the incorporation of Digital Health (Private) Limited (Digital Health). Digital Health is the designated vehicle for the joint venture between Digital Holdings and Asiri Hospitals to develop and operate state-of-the-art electronic commerce infrastructure for the Sri Lanka's healthcare sector.

### 2 OCTOBER

edotco Group entered into a Share Purchase Agreement with Digicel Group Limited to acquire 75% equity interest in Digicel Asian Holdings Pte Ltd ("Digicel"), the parent of Digicel Myanmar Tower Company Limited (now known as edotco MM).

### 28 OCTOBER

XL announced its plan to establish the an IDR5.0 million Sukuk Programme. The first tranche of the Sukuk under this programme was listed and issued on 2 December 2015.

### 4 DECEMBER

edotco completed the acquisition of 75% equity interest in Digicel, the parent of edotco MM.

### 15 DECEMBER

Axiata completed the incorporation of Axiata Investments (UK) Limited ("Axiata UK").

### 21 DECEMBER

Axiata UK entered into a sale and purchase agreement and other ancillary agreements with the following parties for the acquisition of the entire issued and paid-up capital of Reynolds which in turn holds 80% equity interest in Ncell for a total cash consideration of approximately USD1,365.1 million:-

- TeliaSonera UTA Holdings B.V.;
- SEA Telecom Investments B.V.;
- TeliaSonera AB, as the guarantor for TS Norway;
- TeliaSonera Norway Nepal Holdings AS ("TS Norway"); and
- Axiata, as the guarantor for Axiata UK.



# AWARDS

## 2016

### MALAYSIA Axiata

#### GSMA Mobile Asia Awards 2016

Outstanding Contribution to the Asian Mobile Industry Award – Axiata Regional CEO for South Asia Dr Hans Wijayasuriya

#### MSWG Malaysia-ASEAN Corporate Governance Awards 2016

Ranked #3 in Excellence Award for Top Corporate Governance (CG) and Performance (Overall Category)  
Excellence Award for Long-term Value Creation  
Excellence Award for Environmental, Social and Governance (ESG) Practices  
Ranked #3 in Merit Award for Corporate Governance (CG) Disclosures

#### MSWG Malaysia-ASEAN Corporate Governance Transparency Index 2016

Ranked #3 among Top 100 Companies with Good Disclosures  
Ranked #3 among Top 100 Companies for Overall Corporate Governance (CG) and Performance

#### ACCA Malaysia Sustainability Reporting Awards (MaSRA) 2016

Commendation Award for Innovation

#### Asia Pacific Procurement Leaders Award

Best Procurement Transformation 2016

#### Bank Negara Malaysia

Emas Status for Second Issuance of Sukuk

### MALAYSIA Celcom

#### Frost & Sullivan Malaysia Excellence Awards 2016

Customer Experience for Telecommunications Industry – Overall  
M2M Service Provider of the Year

#### MyClear Malaysia e-Payments Excellence Awards

Top Financial Process Exchange (FPX) Merchants Award

#### PUMM 2015/2016 Top 50 Enterprise Awards Malaysia

The Honorary Award

#### Malaysia's Strongest Brands Awards 2016

Malaysia's Strongest Brands – Telecommunications

#### Putra Brand Awards 2016

Silver Award (Communications - Network)

#### HWM Magazine+Hardwarezone.com.my Tech Awards 2016

Best Telco Award

### INDONESIA XL

#### Frost & Sullivan Indonesia Excellence Awards 2016

Indonesia Mobile Data Service Provider of the Year  
Indonesia Digital Service Provider of the Year

#### Project Management Institute Indonesia Chapter (PMIIC)

Project of the Year 2016 Winner (Business & Information System)

#### The 8th Annual Global CSR Summit Awards 2016

Excellence in Provision of Literacy & Education Award

The Best CFO – XL Chief Financial Officer Mohamed Adlan Bin Ahmad Tajudin

#### Indonesia Cellular Show Awards 2016

Best Data Plan

#### Telco Cloud Awards 2016

Best Telco Cloud Partnership

#### Elle Career Woman of The Year

XL Chief Executive Officer Dian Siswarini

#### Selular Award 2016

Best M2M Services Award  
Excellence in Performance Award – XL Director & Chief Service Management Officer Yessie D. Yosetya

#### PERHUMAS Award 2016

PR Excellence Awards 2016 – Corporate Social Responsibility (CSR) Program XL Future Leaders  
PR Excellence Awards 2016 – Internal PR Program

#### The 1st PR Indonesia Media Relations Awards & Summit (PRIMAS) 2016

#### Anugerah Perusahaan Terbuka Indonesia III 2016

#### The 8th Indonesian Institute for Corporate

Directorship (IICD) Corporate Governance Conference & Awards 2016  
Top 50 Best Issuers  
The Best Non-Financial Sector

#### TOP IT Telco Awards 2016

TOP IT Implementation in ICT Sector

#### PR People of the Year 2016

Spokesperson of the Year 2016 – XL Chief Executive Officer Dian Siswarini  
Best Corporate Communication Team 2016

#### Top IT Infrastructure 2016

Top Infrastructure on Telecommunication Sector 2016

#### Indonesia Good Corporate Governance Awards 2016

Indonesia Most Trusted Company  
XL Chief Executive Officer Dian Siswarini

#### Indonesia Most Admired CEO Award 2016

XL Chief Executive Officer Dian Siswarini

#### Indonesia Wow Service Excellent Award 2016

Silver Champion – National  
Gold Champion – Kalimantan and Sulawesi-Papua  
Silver Champion – Java  
Bronze Champion – Sumatera

#### Occupational Health and Safety Management (OHSM) System Certificate and Gold Flag

#### The 8th IICD Corporate Governance Conference & Award 2016

#### TOP IT Telco Awards 2016

#### IBM Marketing Innovation Awards 2016

#### Indonesia GCG Award -II- 2016

### SRI LANKA Dialog

#### GSMA Global Mobile Awards 2017

Best Mobile Network Solution for Serving Customers

#### GSMA Mobile World Congress 2016

Best Mobile Network Solution for Serving Customers

#### SLIM-Nielsen PEOPLES Awards 2016

Telecom Service Provider of the Year  
Internet Service Provider of the Year

#### LMD Magazine 2016

Sri Lanka's Most Connected Brand  
Ranked #6 as Sri Lanka's Most Respected Entities 2016

#### Business Today Top 20

Ranked #5

### BANGLADESH Robi

#### GSMA Global Mobile Awards 2017

Best Mobile Innovation for Education & Learning

#### 'Socialbakers' Global Online Analytics Publishing Company

#1 'Most Socially Devoted Brand' in the world

### CAMBODIA Smart

#### Frost & Sullivan Asia Pacific Best Practices Awards

Cambodia Mobile Service Provider of the Year 2016

#### Cambodia ICT Awards 2016

Best Performance in Private Sector

#### Global Banking and Finance Review 2016

Best Telecommunications Company Cambodia 2016  
Best Corporate Social Responsibility (CSR) Company Cambodia 2016

#### Telecom Asia Award 2016

Best Community Project

#### Speedtest by Ookla

Cambodia's Fastest Mobile Network 2016

### NEPAL Ncell

#### GSMA Global Mobile Awards 2016

Mobile in Emergency or Humanitarian Situations

#### Frost & Sullivan Asia Pacific Best Practices Awards

Nepal Mobile Service Provider of the Year 2016

#### Frost & Sullivan Nepal Best Practices Awards

Mobile Service Provider for the Year 2016

### MALAYSIA edotco

#### Frost & Sullivan Asia Pacific Best Practices Awards

Southeast Asia Telecoms Tower Company of the Year 2016

#### Axiata Digital

#### Silver at the Appies 2016

Silver Award for Yonder Music

#### SK Group's SUPLEX Challenge Award

Special Recognition for Achieving SUPLEX Performance of Online Commerce Market

#### Ad Awards Malaysia, 2016

Top Ad in Retail Award

#### HMW Tech Awards

Best Electronics Shopping Portal/Best Online CE Store

**13th Annual Cellular Awards 2016**  
Best M2M Service for XL's IoT

**7th Annual Telco Cloud 2016 by Informa**  
Best Cloud Partnership - XL's Xcloud

## SINGAPORE M1

**Frost & Sullivan Singapore Excellence Awards 2016**  
Overall Telecom Service Provider of the Year Award

**CTIA Emerging Technology Awards 2016**  
Ranked #3 for Mobility Management Solutions

**National Infocommunications Awards 2016**  
Merit Award (Most Innovative Use of Infocommunications Technology)

**Small Cell Forum Awards 2016**  
Excellence in Commercial Deployment (Urban)

**National Arts Council**  
Patron of the Arts Award 2016

## INDIA Idea

**GSMA Global Mobile Awards 2016**  
Chairman's Award for Outstanding Achievement In Support of the GSMA's Mobile Connect Initiative

**ET Telecom Awards 2016**  
Idea Internet Network Campaign

**Voice & Data Telecom Leadership Awards 2016**  
Chief Technology Officer of the Year  
Highest Subscriber Additions in 2016  
Enterprise Business  
Value Added Services (VAS)  
Marketing  
Internet & Broadband  
Infrastructure Innovation

**Golden Peacock Award**  
Corporate Social Responsibility of the Year

**Business Today's Top 25 Best Companies to Work For Awards 2016**

## PAST AWARDS 2015

### Axiata

**MSWG-ASEAN Corporate Governance Index 2015 Awards**  
Excellence Award for Environmental, Social and Governance (ESG) Practices  
Top 10 Corporate Governance Disclosure Merit Recognition Award  
Exemplary AGM Conduct & Minutes

**ACCA Malaysia Sustainability Reporting Awards (MaSRA) 2015**  
Best Sustainability Report

**Asia Pacific Procurement Leaders Award**  
Best Procurement Transformation 2015

**FinanceAsia Best Managed Company Poll 2016**  
#2 Best Managed Company in Malaysia  
#3 Most Committed to Corporate Governance in Malaysia  
#3 Best at Investor Relations in Malaysia  
#4 Best at Corporate Social Responsibility in Malaysia  
#1 Best CFO in Malaysia

**Bank Negara Malaysia**  
Emas Status for Issuance of Sukuk

## 2014

### Axiata

**2015 GSMA Mobile World Congress Chairman's Award**  
Dato' Sri Jamaludin Ibrahim, President and Group CEO

**Frost & Sullivan Asia Pacific ICT Awards**  
Best Telecom Group 2014

**Malaysian-ASEAN Corporate Governance Index 2014 Awards**  
Top 5 Corporate Governance - Overall Recognition  
Exemplary Environmental, Social and Governance (ESG) Practices  
CEO of the Year, Dato' Sri Jamaludin Ibrahim

**The Edge Billion Ringgit Club 2014**  
Malaysia's Outstanding CEO 2014, Dato' Sri Jamaludin Ibrahim  
Best CR Initiative, 3rd Place

**ACCA Malaysia Sustainability Reporting Awards (MaSRA) 2014**  
Best Sustainability Report, Runner-up

**National Annual Corporate Reports Awards (NACRA) 2014**  
Best Designed Annual Report, Silver Award

**Kancil Awards 2014**  
Film Craft Cinematography, Bronze Kancil

## 2013

### Axiata

**Frost & Sullivan Asia Pacific ICT Awards**  
Best Telecom Group 2013

**TMT Finance Asia**  
TMT Leadership Award for Asia 2014 - Dato' Sri Jamaludin Ibrahim

**Malaysian Business Awards**  
ASEAN Conglomerate & CEO of the Year Award - Dato' Sri Jamaludin Ibrahim

**The Asset Triple A**  
Best Corporate Sukuk  
Best Islamic Deal, Malaysia

**Islamic Finance News**  
Cross Border Deal of the Year 2012

**KLIFFE**  
Most Outstanding Islamic Product

**Malaysia-ASEAN Corporate Governance Index 2013 Awards**  
Top 3 Corporate Governance Transparency Award  
Top 5 Overall Corporate Governance Award  
Best Conduct of Annual General Meeting Award  
Industry Excellence Award - Telecommunications

**Malaysian Institute of Accountants (MIA)**  
NACRA Merit Award

**International Legal Alliance Summit**  
Silver Award Best Asian and South Pacific Legal

## 2012

### Axiata

**Frost & Sullivan Asia Pacific ICT Awards**  
Best Telecom Group 2012

**Boston Consulting Group**  
2012 BCG Southeast Asia Challengers

**Asian Strategy & Leadership Institute (ASLI)**  
Asian Corporate Giants 2012 Listing - Top 10

**Bank Negara Malaysia**  
Emas Status for Issuance of Sukuk

**Finance Asia**  
Best Islamic Finance Deal 2012

**Euromoney Islamic Finance**  
Most Innovative Deal 2012

**Alpha Southeast Asia**  
The Best Deal of the Year 2012 in Southeast Asia

**IFM (Industry Fund Management)**  
Cross Border Deal of the Year 2012

## 2011

### Axiata

**Asia Pacific Brands Foundation (APBF)**  
BrandLaureate CEO of the Year 2010-2011

**Forbes Asia's Fab 50**

**Frost & Sullivan Asia Pacific ICT Award 2011**  
Best Telecommunications Group of the Year

**Malaysian Corporate Governance Index Awards 2011**  
Best Conduct of AGM  
Distinction Award

**Telecom Asia Awards 2011**  
Best Regional Mobile Group

## 2010

### Axiata

**Frost & Sullivan Asia Pacific ICT Awards 2010**  
Best Telecom Group of the Year  
CEO of the Year: Service Provider

**Telecom Asia Awards 2010**  
Telecom CEO of the Year  
Best Regional Mobile Group

## 2009

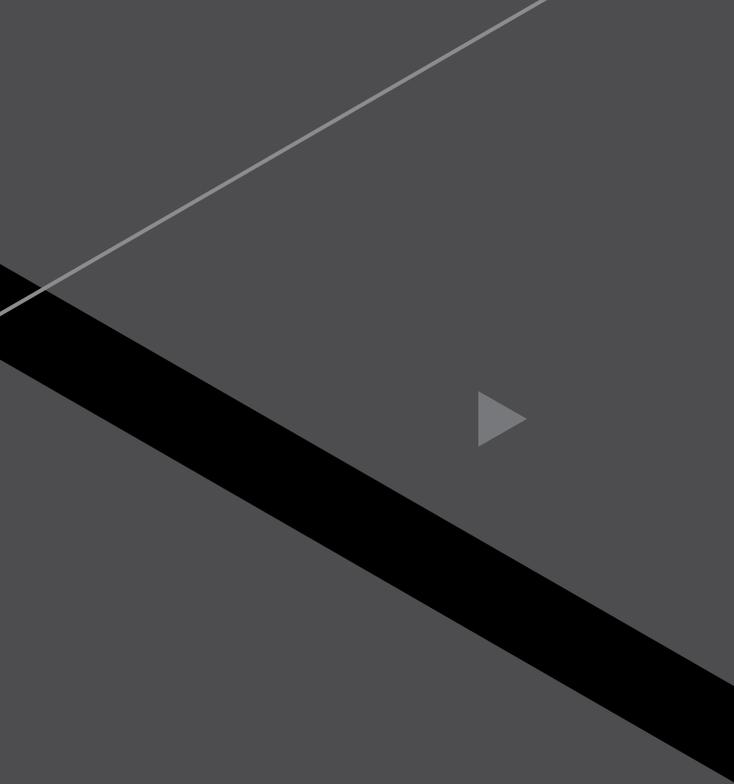
### Axiata

**Frost & Sullivan Asia Pacific ICT Award**  
Best Telecom Group of the Year 2009

**National Annual Corporate Report Awards (NACRA) 2009**  
Gold Award in the Best Designed Annual Report category

**Malaysian Corporate Governance Index 2009**  
Merit Award

**Alpha South East Asia Annual Deal Awards 2009**  
Best Secondary Deal of the Year 2009 in Southeast Asia



# GOVERNANCE





# STATEMENT ON CORPORATE GOVERNANCE

## INTRODUCTION

The Board of Directors of Axiata Group Berhad (Axiata or Company) is a strong advocate of good corporate governance and strives to put in place a strong and effective system throughout the Group. Axiata's continuous efforts to enhance its corporate governance practices have received many recognitions including the following in the year 2016:-

- i) Ranked 3rd in Excellence Award for Top Corporate Governance and Performance (Overall Category) and Merit Award for Corporate Governance Disclosures; and
- ii) Excellence Award for Long-Term Value Creation and for ESG Practices.

In this statement, the Board presents key highlights for the year 2016 and outlines how Axiata complies with each of the eight principles and 26 recommendations of the Malaysia Code on Corporate Governance 2012 (MCCG2012). This statement has been made in accordance with the resolution and authority of the Board dated 22 February 2017 and updated until the date of the Annual Report.

For better understanding of Axiata's compliance with the MCCG 2012 in respect of the financial year 2016 (FY16) kindly refer to the table at <https://axiata.com//media/upload/corporate/MCCG2012-Checklist.pdf>

## Corporate Governance Framework

Axiata's Corporate Governance Framework is developed based on the following statutory requirements, best practices and guidelines:-

- i) Companies Act 2016 (CA 2016);
- ii) Main Market Listing Requirements (Main LR) of Bursa Malaysia Securities Berhad (Bursa Securities);
- iii) MCCG 2012;
- iv) Manual on Enhancing Board Effectiveness by the Putrajaya Committee on Government Linked Companies (GLCs)' High Performance (Green Book); and
- v) Corporate Governance Guide: Towards Boardroom Excellence 2nd Edition issued by Bursa Securities.

## BOARD OF DIRECTORS

### Board Charter

The Board Charter sets out the roles and responsibilities of the Board. Axiata's Board Charter, which is periodically reviewed, takes into consideration all applicable laws, rules and regulations as well as best practices. The Board Charter covers inter-alia, the objectives of the Board, duties and responsibilities, powers, roles of the Chairman, President & GCEO and Non-Executive Directors (NED). It serves as a reference and primary induction literature, providing Board members and Management insight into the function of the Board. Board's specific reserved matters covering areas such as strategy and business planning, finance and controls, people, compliance, support and assurance are entrenched in the Board Charter.

Axiata Board Charter is available online at [www.axiata.com//media/upload/corporate/Board\\_Charter.pdf](http://www.axiata.com//media/upload/corporate/Board_Charter.pdf)

## Roles and Responsibilities of the Board

In support of the Board Charter, Axiata has in place the Limits of Authority (LOA) document. The LOA serves to optimise operational efficiency and outlines high level duties and responsibilities of the Board and delegated day-to-day management of the Company to the President & GCEO. This delegation structure is further cascaded by the President & GCEO to the Senior Leadership Team (SLT) within the Company's CC. The President & GCEO and the SLT remain accountable to the Board for the authority being delegated.

The LOA is subject to review from time to time and any revision is first tabled to the Board Audit Committee (BAC) for recommendation before seeking the Board's approval. For the year 2016, the Board approved updates and/or revisions to the LOA covering; inter-alia, new capex governance process, strategy and business planning.

The following paragraphs describe how the Board of Directors of Axiata have discharged its key fiduciary duties and leadership functions and responsibilities in 2016:-

### i) Review and Approve Strategic and Annual Business Plan and Budget

The Board plays a key and active role in the formulation and development of the Company's strategy. Annually, two off-site or retreat sessions are held for discussions on key strategies and proposed business plans for the following year. At the mid-year Board Strategy Retreat in July 2016, the Board focused on Axiata's Long Range Plan covering various areas crucial to Axiata's future; such as data leadership, convergence, new business opportunities, capex, organisational and cultural changes for turnaround and digital culture. A case study on convergence and business transformation in one of the world's largest mobile phone companies was also presented at the strategy retreat. Discussions during the mid-year retreat set the tone and provided direction in the formulation of the Company's strategy and business plans.

At the year-end Board Strategy and Business Planning Retreat in November 2016, the proposed business plan and budget were presented by the Management of Axiata and the OpCos. In this session, the Board deliberated in detail on the Group's annual strategy and business plan and provided their feedback and guidance before subsequent approval was sought. Selected topics such as network strategy, disruptive technology opportunities, digitisation and innovation were also dealt with in more detail during the year-end Retreat.

### ii) Overseeing Conduct of Company's Business

On a quarterly basis, execution of annual strategy and challenges thereof are reported to the Board. Progress is monitored against the agreed KPIs approved by the Board. Major OpCos are also invited to present their performance on a rotational basis. This enables the Board to receive first hand updates from the Management of the respective major OpCos on their performance, key developments and/or issues and prospects.

## STATEMENT ON CORPORATE GOVERNANCE

### iii) Succession Planning

The Board through the BNC has oversight of the succession planning of Key Senior Management positions across the Group. A Group Talent Management Framework is put in place to identify and develop a group talent pipeline for future leadership across the Group. Through the framework and structured leadership development programme, mentoring and coaching, regular leadership assessments as well as cross-functional and cross-country assignments, the Group has met its target of identifying C-suite potentials providing a cover ratio of 2:1 from within the Group. Leadership talent pipeline is regularly reviewed via the Group Talent Council and assessed as potential successors for key positions in the Group against internal and external benchmarks. Update on talent framework, talent pool, succession plan and robustness of talent pipeline is presented to BNC and Board twice yearly and in 2016, it was presented in August and November.

During the year, the succession plan of three OpCos CEOs; namely, Celcom, Dialog and Robi were reviewed. Changes were planned and executed in transition and were fully in place by year end. Two regional positions were created; namely Regional CEO for South Asia and Regional CEO for Southeast Asia operations. These structural changes had created further opportunities and increased the bandwidth of Axiata CC.

The Board through the BNC also reviews candidates for key management positions and formulates nomination, selection and succession policies for members of the Board and the Group's key management personnel. The Board then deliberates on the BNC's recommendations and proactively provides guidance on talent management and succession planning.

Board's succession planning was a key agenda in 2016 and is further elaborated under Board Refresh and Succession Planning on pages 76 and 77 of this Annual Report.

### iv) Identifying Principal Risks and Ensuring Implementation of Internal Controls and Mitigation Measures

Significant emphasis was placed by the Board on cybersecurity risk in 2016. This resulted in the setting up of the Cyber Security Steering Committee (CSSC), made up of members of BAC of Axiata, Celcom and XL reporting to the BAC of Axiata. A presentation on cybersecurity by external experts were made at the pre-Board meeting in May 2016 and in February 2017, the Chairman of the CSSC presented the findings on cybersecurity risk assessments of the Group and made recommendations on how to mitigate these risks to Axiata Board. These recommendations including development of 'best in class' were duly endorsed by Axiata Board.

A quarterly updated risk profile of the Group and each of the OpCos is presented to the BAC and Board. The BAC reviews in detail the major risks that the Group faces in its business and operations and management controls and processes that are in place to manage those risks. Such systems are designed to manage rather than eliminate risks and provide only reasonable assurance against misstatement or loss. Focus areas of these risks are deliberated by the Board as they are raised by the Chairman of the BAC at Board meetings. Other than cybersecurity, key risks deliberated by the Board in 2016 included forex, treasury and regulatory risks.

### v) Overseeing Development and Implementation of Shareholder Communications Policy

Axiata believes in building investor confidence and trust through transparent communication of its objectives and KPIs. The Company carried out its Investor Relations (IR) activities in accordance with its annual IR calendar which is tabled to the Board and available on the IR section of Axiata's corporate website. On a quarterly basis, the Board is apprised of these activities including the number of non-deal roadshows and conferences attended, summary of analysts' recommendations, investors' feedback and market consensus of the Group's annual performance against KPIs. Report on movements of the share price of Axiata and Total Shareholder Returns against indices and peers are also included.

Further details on IR activities undertaken by Axiata's IR function in FY16 is provided on page 89 of this Annual Report.

### vi) Reviewing Adequacy and Integrity of Management Information and Internal Control System

The Board has the overall responsibility and accountability for the Group's internal control system and continues to maintain and review its internal control system to ensure, as far as possible, the protection of the Group's assets and the Company's shareholder investments. The Board is ultimately responsible for the adequacy and integrity of the Company's internal control system. Details pertaining to the Company's internal control system and its effectiveness are captured in the Statement on Risk Management and Internal Control on page 96 of this Annual Report.

### Roles and Responsibilities of Chairman & GCEO

There is a clear division between the roles and responsibilities of the Chairman and the President & GCEO as set out in the Axiata Board Charter. The Chairman is responsible for the operations, leadership and governance of the Board, ensuring its effectiveness and assumes the formal role as the leader in chairing all Board meetings and shareholders' meetings. He leads the Board in overseeing Management and principally ensures that the Board fulfills its obligations under the Axiata Board Charter and as required under the relevant legislations. Some of the specific responsibilities of the Chairman include:-

- i) Managing Board meetings and boardroom dynamics by promoting a culture of openness and debate where Directors are encouraged to provide their views,
- ii) Working closely with the President & GCEO to ensure provision of accurate, timely and clear information to facilitate the Board to perform effectively, be able to make informed decisions and to monitor the effective implementation of the Board's decisions; and
- iii) Ensuring meetings of the shareholders are conducted in an open and proper manner with appropriate opportunity for them to ask questions.

While the Chairman is a NINED by virtue of him being the representative of the major shareholder of the Company, he has never assumed an executive position in the Company.

The President & GCEO is responsible for the management of the Company's business, organisational effectiveness and implementation of Board strategies, policies and decisions. By virtue of his position as a Board member, he also acts as the intermediary between the Board and the SLT.

**Board Composition Framework**

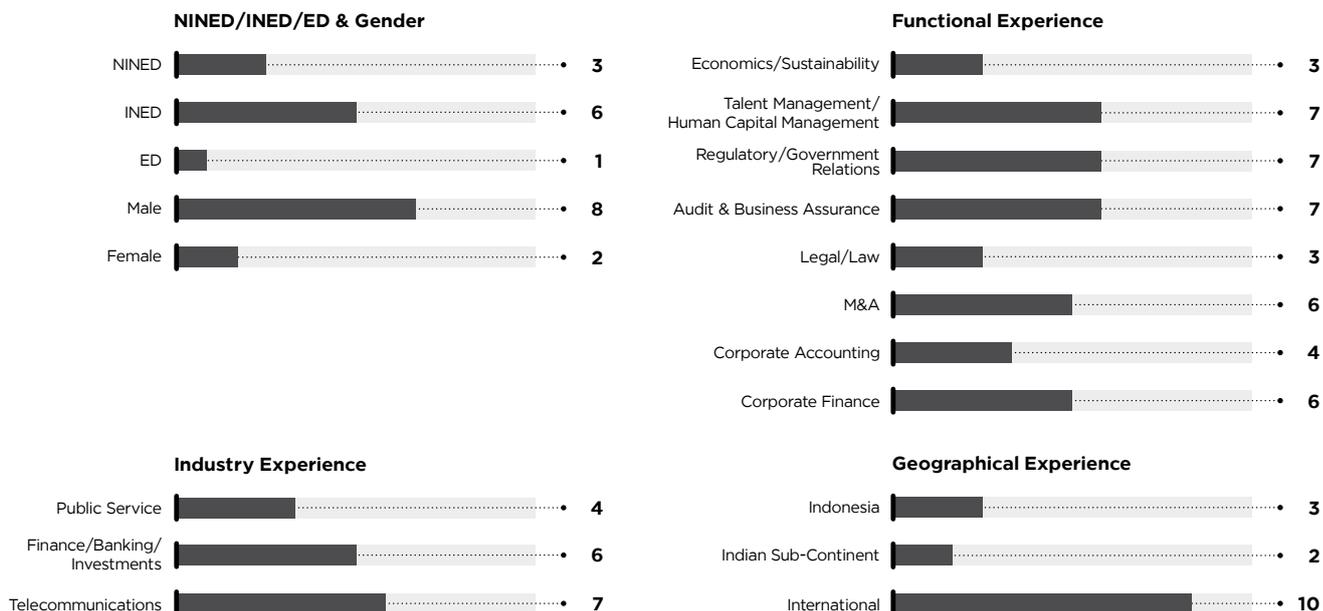
In designing its Board composition, Axiata remains true to its Board Composition Framework formulated in 2008. The framework took into consideration, amongst others, the complexity and geographical spread of the Group’s business, as well as best practices and recommendations in the Green Book as follows:-

- i) Maximum of 10 Board members (up to two Executive Directors (EDs). In recent discussions, the Board indicated a possibility that the Board composition may be larger than 10 in view of the new businesses and allowing a certain duration for Board transition and refresh;
- ii) Two Non-Independent Non-Executive Directors (NINEDs) representing Khazanah as the major shareholder;
- iii) More than 50% of the Board to comprise Independent Non-Executive Directors (INEDs) with various mix of skills, experience and diversity including in terms of nationality and gender; and
- iv) Up to three members with geographical experience matching Axiata’s footprint (Indonesia/Indian sub-continent/international).

**Board Composition and Balance**

The year 2016 saw several changes to Axiata Board composition, partly planned and unplanned as follows:-

- i) Juan Villalonga Navarro’s planned retirement at the 2016 AGM on 25 May 2016 as elaborated under Board Refresh and Succession Planning on page 77 of this Annual Report;
- ii) Dato’ Abdul Rahman Ahmad’s resignation due to his appointment as President & Group CEO of Permodalan Nasional Berhad on 30 September 2016;
- iii) Appointment of Dato’ Mohd Izzaddin Idris on 24 November 2016 to fill the vacancy created by Dato’ Abdul Rahman Ahmad’s departure; and
- iv) Appointment of Dato Dr Nik Ramlah Nik Mahmood on 21 March 2017 as elaborated under Board Refresh and Succession Planning on page 77 of this Annual Report.



The Board currently comprises of 10 Directors. Of the 10, three are NINEDs, two including the Chairman represent the interest of Khazanah and one by association to Khazanah, six are INEDs and one ED, namely the President & GCEO. INEDs make out more than 50% of the Board composition, exceeding the MCCG 2012 recommendation and the minimum number required under the Main LR. The high proportion of INEDs ensures effective check and balance on the Board with INEDs acting as caretakers for minority shareholders, providing unbiased perspectives and promoting constructive discussion of Management’s proposal.

The Board also ensures that it has appropriate mix of diversity, skills, experience and expertise to enhance the Board’s decision making capabilities. This is fundamental given the size and geographical presence of Axiata Group. The breadth of skillsets and experience of the Board is also instrumental to guide Axiata through the third phase of its transformation journey focused on redefining Axiata and shaping the future of telecommunications in the region in meeting its vision to become a ‘New Generation Digital Champion’ by 2020.

## STATEMENT ON CORPORATE GOVERNANCE

Axiata Board's structured approach in designing the Board composition is mirrored throughout the whole Group with OpCos adopting their own Board composition framework which takes into consideration the companies requirements, local laws and regulations and agreements with partners. The framework ensures sufficient oversight and connectivity with Axiata Board, CC, Management and OpCos Management. It sees each OpCo having a maximum of nine members made up of Axiata INED, Group Management representatives, OpCos CEO and partner's representatives with good mix of skillsets and diversity covering operations strategy and finance.

### Board Gender Diversity Policies and Targets

Axiata did not set a specific target on gender diversity but it is entrenched in its Board Charter that the Board would actively work towards meeting the Government's target of 30% women's participation on Boards. This is implemented by having a requirement for third party recruitment firms to shortlist at least 50% qualified women candidates in their search for Board candidates. Outcomes have not always been favourable, but it puts much emphasis on Axiata's efforts to pursue this agenda and strengthen the Group and Board's performance. This approach has enabled Axiata to make progress in this regard without compromising on the normal selection criteria of a Director.

In the last two years, Axiata has appointed the following capable and qualified individuals on its Board and the Boards of its OpCos:-

- i) Dato Dr. Nik Ramlah Nik Mahmood as INED of Axiata;
- ii) Dian Siswarini Soetiman as President Director of XL;
- iii) Khatijah Shah Mohamed as INED of Celcom; and
- iv) Rosanna Annizah Ahmad Rashid as INED of edotco Group.

### Independence

Axiata measures the independence of its Directors based on the criteria prescribed under the Main LR in which a Director should be independent and free from any business or other relationship that could interfere with the exercise of independent judgment or the ability to act in the best interest of the Company. A Director should also be willing to express his opinion at the Board free of concern about his position or the position of any third party. The Board believes that it is impractical to formulate a list of criteria which is appropriate to characterise, in all circumstances, whether a NED is independent and instead choose to assess the INEDs based on intrinsic independent values demonstrated by the INEDs. Objective assessment of the independence of Directors based on the provisions of the Main LR is carried out before the appointment of Directors and reaffirmed annually. The review of Directors' independence also form part of the annual Individual Director Peer and Self Review carried out by the BNC whereby INEDs are essentially assessed based on the spirit, intent, purpose and attitude of each INED as well as readiness to challenge and debate, which is considered as exhibiting independent judgment and ability to act in the best interest of Axiata.

During the financial year 2016, none of Axiata INEDs disclosed any relationships that could materially interfere with, or be perceived to materially interfere with their independent judgement and ability to act in the best interest of Axiata. Based on the feedback from BEE for 2016, the Board was rated highly in having a suitably strong element of independence and the INEDs were rated highly on their ability to demonstrate the values

and principles associated with independence during Board discussions such as impartiality, objectivity and consideration of all stakeholders' interest and ability to effectively delineate their role of providing oversight as Independent Directors.

### Independence Term Limit

The Board subscribes to the nine-year independence limit prescribed in MCGG 2012. Notwithstanding the tenure limit, the Board recognises that INEDs would have developed a good understanding of Axiata Group's businesses over time and Axiata could lose their valuable contributions simply by phasing out INEDs who have reached the limit. In this regard, the Board still believes that term limits do not in any way interfere with an INED's judgement and ability to act in the best interest of the Company and as such, the INEDs could be re-designated as NINED or retained as independent Director as prescribed under MCGG 2012. Assessment, however, will be carried out by the BNC based on 'independence' criteria adopted by the Company to assess whether a Director can remain as an INED after serving a cumulative term of nine years. Recommendations by the Board and justifications to shareholders will be provided in circumstances where a Director is to remain as INED despite serving more than nine years.

As at the date of the Annual Report, three of Axiata INEDs; namely, Tan Sri Ghazzali Sheikh Abdul Khalid, Datuk Azzat Kamaludin and David Lau Nai Pek have reached the nine years' cumulative term as Independent Directors. In accordance with the recommendation of the MCGG 2012, shareholders' approval will be sought for the three Directors to be retained as INEDs. Details of BNC and Board review on the independent status of the said INEDs are provided under the section on Review of Directors for Re-Election/Re-Appointment on page 82 of this Annual Report.

### Board Refresh and Succession Planning

A report from one of the previous Board Effectiveness Evaluation highlighted that most Axiata INEDs would reach the nine year cumulative term limit under the MCGG 2012 at about the same time in 2017. It was proposed that a phased retirement plan be put in place to ensure smooth transition. This proposal was followed through by the Board through the BNC which spent a considerable amount of time consulting each Board member on their individual plans and deliberating on the same in the context of the overall Board composition requirements.

The Board was able to conduct an open and transparent discussion on Board refresh and succession planning with a clear objective to achieve a more balanced board tenure and mitigate the potential risk of 'groupthink' often observed in cohesive teams that have been together for an extended period of time.

In 2016, a clear phased retirement plan has been adopted around the following parameters:-

- i) Axiata INEDs tenure as independent directors shall not exceed cumulative term of 12 years;
- ii) Phased retirement plan for Axiata INEDs from 2016-2020;
- iii) Where the skillset is unique, the successor will overlap the retiring INED for a period of transition; and
- iv) Continue to observe the gender diversity agenda on best effort basis.

The plan was put in motion with the retirement of Juan Villalonga Navarro at Axiata's AGM in 2016. Thereafter, one each of the long serving Axiata INEDs will retire in each subsequent year until 2020. With new appointments expected to take place, more than 50% of the Board composition will be refreshed by the year 2020.

The appointment of Dato Dr. Nik Ramlah, a qualified legal practitioner with extensive experience in corporate and regulatory affairs is part of the transition plan to replace a unique skillset in the field of law that the Board is expected to lose in the phased retirement plan.

Axiata is still in the midst of searching for replacement for Juan Villalonga Navarro who brought with him global experience and years of telco industry expertise. From a previous review on Board composition, there is also a requirement to find a millennial candidate with digital, entrepreneur and disruptor mindset. This additional skillset and diversity would further strengthen the Board during this challenging period for the telco industry and as Axiata accelerates its own agenda on digitisation and innovative technologies and solutions.

### Board Appointments

There is a clear and transparent process for the selection, nomination and appointment of suitable candidates to the Board of Axiata as described in the chart below:-



The review of candidates for Board appointment has been delegated to the BNC and such responsibilities include reviews of the existing composition of the Board to identify gaps based on Axiata's Board composition framework. Subsequently, BNC reviews and recommends to the Board a candidate with the relevant skillsets, expertise and experience to fill the gaps. Other criteria such as integrity, existing commitments, potential risks and/or conflict of interests and ability to bring a different perspective and increase diversity of the Board are also considered in BNC's review to assess suitability of candidates for appointment to the Board. The process for Board appointment also mandates the BNC/President & GCEO to engage external consultants and this has been utilised on several occasions.

Recent appointments of Dato' Izzaddin on 24 November 2016 and Dato Dr Nik Ramlah on 21 March 2017, did not deviate from this process.

When Dato' Abdul Rahman resigned from Axiata Board on 30 September 2016, the Board identified gaps in areas such as mergers and acquisitions, finance, banking and investments. Dato' Izzaddin, a member of Malaysia Institute of Accountants and a fellow member of Certified Public Accountants of Australia, was identified as a potential successor through internal recommendation. His position as Group Managing Director/CEO of UEM Group Berhad and previous experience as CFO and key positions held in banking, finance and corporate affairs in large corporations made him a strong candidate to replace Dato' Abdul Rahman and after a meeting with several BNC and Board members, Axiata formalised Dato' Izzaddin's appointment.

In the case of Dato Dr Nik Ramlah, her candidacy was first mooted internally but external consultant was engaged in the process. President & GCEO and BNC members met with Dato Dr Nik Ramlah, a former Deputy CEO of the Securities Commission of Malaysia before formalising her appointment as INED.

Upon his/her appointment, the director will receive a letter of appointment outlining his/her duties and responsibilities and disclosure required of him/her in compliance with the CA 2016, Capital Market & Services Act 2007 (CMSA 2007) and Main LR. The letter of appointment encloses Axiata's governance documents such as Board Charter/Board Committees' Terms of Reference (ToR) and documents outlining NED remuneration and benefits.

### Directors' Time Commitment

Each Board member is expected to commit sufficient time to carry out his/her role as Director and/or member of the Board Committees which they are part of. While it is impossible to be specific about the actual or maximum time commitment, a NED of Axiata is expected to devote such time as is necessary to attend all Board and committee meetings, AGM/EGM, Directors' training, Board networking events, meetings with various stakeholders and site visits.

A Director is expected to advise the Chairman of the Board or in his absence, the Chairman of the BNC, of his/her intention to join the Board of another public listed company outside the Group. In doing so, the Director is expected to indicate the time commitment with respect to the new appointment. If necessary, the Chairman and/or Chairman of the BNC will consult with the rest of the Board members as to whether the proposed new appointment is likely to impair the Director's ability to devote the necessary time and focus on his/her role as a Director of the Company.

In any given circumstances, in accordance with the provision of the Main LR and additional provision in the Green Book, members of the Board are expected to serve in no more than five and 10 public listed and private companies respectively.

The President & GCEO, who is the ED of Axiata, does not serve as a Director of other listed companies outside the Group.



## STATEMENT ON CORPORATE GOVERNANCE

### Board Induction/Orientation Programme

Each new Board member participates in a formal Board Induction programme coordinated by the Group Company Secretary together with the President & GCEO. The orientation program includes in-person presentations with the SLT with the objective of providing newly appointed Directors with the necessary information and overview to assist them in understanding the operations, current issues, corporate strategies, challenges as well as the structure and management of the Company.

The program generally covers the following topics:-

- i) Company vision, mission and objectives;
- ii) Overview of Group Strategy, Finance, Procurement, Corporate Finance, Treasury, Human Resources, Internal Audit, Treasury and IR;
- iii) OpCos engagement process, background and major developments;
- iv) Risk Management, Talent Management and Leadership Development Programme;
- v) Technology updates and initiatives;
- vi) Mergers and Acquisitions (M&A) updates;
- vii) Regulatory issues and recent developments; and
- viii) Corporate, Board and Governance structure.

In addition, a telecommunications industry primer on the essentials of mobile communications highlighting key concepts and terminology of the mobile telecoms industry is also offered to appointees. On-site briefings or site visits may also be requested by the Directors of Axiata for them to gain more insights into the business and operations aspects of the Group. A few such events have been organized in the past.

Both Dato' Izzaddin and Dato Dr Nik Ramlah attended Board Induction not long after their appointments.

### Re-Election & Re-Appointment of Directors

In accordance with the Articles of Association of the Company (Articles), newly appointed Directors during the year must offer themselves to the shareholders for re-election at the first AGM following their appointment and one-third of Directors are subject to retirement by rotation at every AGM but shall be eligible for re-election. The Directors to retire in each year are the Directors who have been longest in office since their appointment or re-election. The President & GCEO, as Director, is subject to the same retirement by rotation provisions as the other Directors notwithstanding any contractual terms that may have been entered into with the Company.

At this forthcoming AGM, the two Directors who will be retiring by rotation under Article 93 are Dr Muhamad Chatib Basri and Kenneth Shen. Dato' Izzaddin and Dato Dr Nik Ramlah who were appointed after the 24th AGM will be seeking re-election under Article 99(ii). All being eligible, have offered themselves for re-election.

With the coming into force of the CA 2016 on 31 January 2017, which repealed Section 129 of the CA 1965, there is no age limit for directors. At the 24th AGM held on 25 May 2016, Tan Sri Ghazzali Sheikh Abdul Khalid and Datuk Azzat Kamaludin, both of whom are above the age of 70, were re-appointed pursuant to Section 129 of the CA 1965 to hold office until the conclusion of the next AGM. Their term of office, therefore will end at the conclusion of this AGM. In view of the above, their re-appointment will be sought at this forthcoming AGM for them to continue as Directors from the date of the AGM and they shall be thereafter subject to retirement by rotation.

### Board Meetings and Attendance

The calendar for Board meetings providing scheduled dates for meetings of the Board (including Pre-Board and Board Retreat sessions), Board committees and AGM as well as the Board Annual Calendar providing major items on the agenda for each financial year are fixed in advance for the whole year so as to enable Management to plan ahead and ensure that the Board meetings are booked into their respective schedules.

Where any decisions are required expeditiously or urgently from the Board between scheduled meetings, special Board meetings are convened by the Group Company Secretary with sufficient notice after consultation with the Chairman.

In 2016, the Board met 13 times (including four special board meetings, the off-site Mid-Year Strategy Retreat and Year-End Retreat) spending a total of approximately 78 hours.

The overall calendar of meetings of the Board and Committees held in 2016 and attendance of the respective Directors are provided below:-

|            | Jan               | Feb | Mar | Apr | May | Jun          | Jul  | Aug | Sept         | Oct | Nov                                     | Dec          |
|------------|-------------------|-----|-----|-----|-----|--------------|--|-----|--------------|-----|---|--------------|
| <b>BOD</b> | •<br>Special<br>• | •   | •   |     | •   | •<br>Special | •<br>Special<br>•<br>Mid-Year<br>Strategy<br>Retreat | •   | •<br>Special |     | •<br>•<br>2-day<br>Business<br>Planning | •<br>Special |
| <b>BAC</b> | •                 | •   | •   |     | •   |              |  | •   |              |     | •                                       |              |
| <b>BNC</b> |                   | •   | •   |     | •   | •<br>Special | •<br>Special   | •   |              |     | •                                       |              |
| <b>BRC</b> | •                 | •   | •   |     |     |              |  |     |              |     |   |              |

Analysis of percentage of time spent by the Board of Axiata on agenda items deliberated at Board meetings in 2016 is provided below:-

#### Total Number of Meetings

Board - 13, BAC - 6, BNC - 7, BRC - 3

#### Total Hours

78 hours (Including Board Retreats)

Strategy Retreat (June): 21 hours

BP Session (November): 22 hours



|                                      | Board (13)              | BAC (6)    | BNC (7)   | BRC (3)   |
|--------------------------------------|-------------------------|------------|-----------|-----------|
| Tan Sri Dato' Azman Hj. Mokhtar      | 12/13 (92%)             | n/a        | n/a       | n/a       |
| Tan Sri Jamaludin Ibrahim            | 13/13(100%)             | n/a        | n/a       | n/a       |
| Tan Sri Ghazzali Sheikh Abdul Khalid | 13/13(100%)             | n/a        | 6/7(86%)  | 3/3(100%) |
| Datuk Azzat Kamaludin                | 11/13 (85%)             | 6/6 (100%) | 7/7(100%) | 3/3(100%) |
| Dato' Mohd Izzaddin Idris*           | 2/2 <sup>∞</sup> (100%) | n/a        | n/a       | n/a       |
| David Lau Nai Pek                    | 13/13(100%)             | 6/6 (100%) | n/a       | n/a       |
| Ann Almeida                          | 7/13 (54%)              | n/a        | 6/7 (86%) | 2/3 (67%) |
| Dr Muhamad Chatib Basri              | 10/13 (77%)             | n/a        | n/a       | n/a       |
| Kenneth Shen                         | 12/13 (92%)             | 6/6 (100%) | 7/7(100%) | 3/3(100%) |

\* Appointed on 24 November 2016

∞ Number of Board meetings held after his appointment

# STATEMENT ON CORPORATE GOVERNANCE

## Supply of Information

In line with the Green Book, the Board receives Board meeting agenda and meeting papers within at least 14 days and seven days respectively prior to Board meetings. In order for Board meetings to be more effective and to enable in-depth deliberations of matters, the meeting agenda at Board meetings are sequenced in such a way taking into consideration the complexity of the proposals and/or whether there are items for approval, discussion or notation by the Board. Time allocation is also determined for each agenda item in order for Board meetings to be conducted efficiently.

Presentations to the Board are prepared and delivered in a manner that ensures clear and adequate presentation of the subject matter. The Board Paper guidelines prescribes a format which includes an Executive Summary outlining the salient key points of matters to be deliberated. Based on Board's feedback, the guidelines have recently been revised to reduce the number of pages of board papers to between 10 to 15 pages only for routine matters in order not to have important details buried in lengthy Board papers.

In early 2016, Axiata rolled-out a common platform across the Group to disseminate Board documents in a more efficient and secure manner digitally. Through the digital platform, Board and Board Committee meetings are more efficiently managed and Board documents, including updates, are distributed in a more timely manner, aiding them in making well-informed decisions.

All issues raised, discussions, deliberations, decisions and conclusions including dissenting views made at Board meetings with clear actions to be taken by responsible parties are recorded in the minutes. Decisions of the Board are made unanimously or by way of majority after the issues are thoroughly deliberated by the Board members.

Board papers and presentations by Management at each Board meeting are rated by the Board. In 2016, the overall average Board rating on the quality of Management papers and presentations was 4.25 out of 5.0 points.

Whenever necessary, Management or external advisors are also invited to attend the Board and Board Committee meetings to explain matters within their competencies and provide clarity on agenda items being discussed to enable the Board and/or Board Committees to arrive at a considered and informed decision.

As the Group's quarterly results is one of the regular annual schedule of matters which are tabled to the Board for approval at the quarterly Board meetings, notices on the closed period for trading in Axiata's securities are also circulated to Directors, key management personnel and principal officers who are deemed to be privy to any sensitive information. This is to comply with the Main LR and the CMSA 2007 requirements where key management personnel and principal officers of the Company and the Group are prohibited from trading in securities or any kind of property based on price sensitive information which have not been publicly announced within 30 calendar days before the targeted date of announcement of the quarterly results up to the date of announcement. In 2016, none of the Directors dealt in Axiata's securities during the closed period.

## Management of Conflicts of Interest

The Board aims to avoid conflict of interest with the Group as far as possible and formal procedures for managing compliance on conflicts of interest has been in place. Where the Board is considering a matter in which a Director

has an interest, the relevant Director immediately discloses the interest and abstains from participating in any discussion or voting on the subject matter and, where appropriate, excuses himself/herself from being present in the deliberations. In the event a corporate proposal is required to be approved by shareholders, interested Directors will abstain from voting in respect of their shareholdings in Axiata on the resolutions relating to the corporate proposal, and will further undertake to ensure that persons connected to them similarly abstain from voting on the resolutions. This is recorded in the minutes of the meetings.

The following transactions undertaken in 2016 saw both the representatives of Khazanah declaring their interest and abstaining from any deliberations and/or voting when the matters were presented to the Board:-

- i) Infrastructure collaboration covering High Speed Broadband Services Agreement, Wholesale Internet Access Services, Fiber Backhaul Connectivity Services and Wholesale Bandwidth Services Agreement;
- ii) Domestic Roaming Services and Domestic Roaming Facilities Agreement between Celcom, TM and Packet One Networks (Malaysia) Sdn Bhd; and
- iii) Divestment by Axiata of edotco Shares to Khazanah for a cash consideration of USD200.0 million.

In these instances, the interested Directors sought clarification on their positions and advice from legal advisors and board members and acted accordingly.

## Board Access to Management, Company Secretary and Independent Professional Advice

The Directors enjoy complete and unrestricted access, either collectively or in their individual capacities to the SLT and Group Company Secretary. Directors may seek briefing from the SLT on specific matters, in addition to regular presentations by the SLT to the Board and Board Committees. Directors may also interact directly with, or request further explanation, information or update on any aspects of the Company's operations from the SLT. Selected Board members were invited by SLT on several occasions to deliberate and/or provide their inputs on matters which SLT intends to propose to the Board for approval.

The Board has strong support from an experienced, competent and knowledgeable Group Company Secretary who works closely with the President & GCEO and the SLT to ensure timely and appropriate information flow within the Board and Board Committees and between the NEDs and SLT. The Group Company Secretary is also responsible to give clear and sound advice to the Board, through the Chairman, on all governance matters and assist the Board and Chairman on the implementation of an effective corporate governance system. The Group Company Secretary attends all meetings of the Board and relevant Board Committees and is responsible for the accuracy and adequacy of records of proceedings of the Board and Board Committees and resolutions. The appointment, remuneration and removal of the Group Company Secretary are also matters for the Board to decide to ensure a qualified and suitable individual is selected.

The profile of the Group Company Secretary is provided on page 64 under the Profile of Axiata's Management Team.

In ensuring uniformity of Board conduct and effective boardroom practices, the Group Company Secretary has oversight on the overall corporate secretarial functions of the Group, both in Malaysia and in the countries

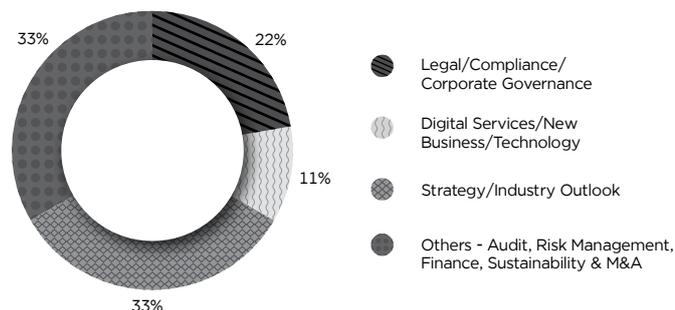
where the Group operates. The Group Company Secretary also serves as an adviser and support centre to the named secretaries in the countries where the Group operates on matters pertaining to governance and facilitates the flow and sharing of information.

The Board is also authorised, whether as a full Board or in their individual capacities, to seek independent professional advice, if necessary, at the Company’s expense from time to time to enable the Board to discharge its duties in relation to matters being deliberated. Similar access is also extended to all Board Committees on the same basis. Appropriate procedures are in place to allow access to such advice. No Board matters were referred to external legal counsels for advice during 2016.

**Directors’ Training & Education**

A dedicated training budget is allocated every year for Directors’ continuing education. ‘Guidelines for Axiata Board Training Program’ (BTP Guidelines) adopted by the Board provides a framework to effectively address the training needs of the Board including types of training applicable to Directors (newly appointed and existing Directors), budget provision, internal process and reporting on Directors’ Training.

**2016 Directors’ Training Areas**



Annually, the BNC through feedback provided by the Board during the BEE and annual review of Directors’ training needs, identifies training needs of Axiata Directors. The Group Company Secretary has the responsibility of ensuring the relevant training programmes are brought to the attention of the Board. Directors’ focus are no longer on topics related to regulatory and governance alone but also industry related and current issues. Directors’ training report covering training program disseminated to the Board and attended by directors are tabled to BNC bi-annually to enable the BNC to keep track of Directors’ training progress.

In line with the BNC’s recommendation for Board members to attend seminars and/or conferences focusing on digital services, technology and new business taking into consideration Axiata’s digital services and new business initiatives, in 2016, the GSMA Mobile World Congress held annually in Barcelona and Mobile World Congress in Shanghai were included as major training events. BNC recommended two to three Directors to attend annually under Axiata’s NEDs’ entitlements of Annual Overseas Business Development Trip (AOBDT).

Some of the training/conferences/seminars and/or workshops, internal and external, in which members of the Board have participated during 2016 are listed in **Appendix 1** of this Statement.

**BOARD EFFECTIVENESS EVALUATION**

Board evaluation for Axiata is an effective avenue to assess the Board’s collective performance as well as that of individual Directors. It is an integral part of the Board’s annual activities and is carried out under the supervision of the BNC which plays a key role in determining the methodology and approach, areas of assessment and selection of consultants to facilitate the exercise.

The same facilitator who was appointed to do a comprehensive 360 degrees review in 2013 and subsequent updates in 2014 and 2015 was appointed to facilitate the 2016BEE. A refresher approach based on similar set of criteria and questionnaires were used for the Board to provide their ratings as an update of the areas measured in the preceding BEE which covers both Board and self-peer evaluation as follows:-

| Board   | Self-Peer   |
|---|---|
| <ul style="list-style-type: none"> <li>Group Dynamics and Effectiveness</li> <li>Overall impressions of the Board - Effectiveness, Involvement and engagement, Structure and composition</li> <li>Board Organisation – Agendas, meeting frequency, quality, structure and timeliness of Board materials, discharge of duties, adequacies of time for deliberations, information &amp; support materials, strategic oversight, balance, size, gender diversity, skillsets, independence elements</li> <li>Board Committees – Organisation, agendas, meeting frequency, performance of members, size, balance of topics discussed and adequacies of report to Board</li> <li>Succession Planning and Development</li> <li>Communications</li> </ul> | <ul style="list-style-type: none"> <li>Knowledge and understanding on strategy, market, critical success factors, business risk, performance measures, financial discussions, awareness, risk management, skills and experience</li> <li>Analytical skills</li> <li>Preparation for Board meetings, time commitment and commitment to professional development</li> <li>Independence - Ability to speak openly, and ability to demonstrate independence exemplified by impartiality, objectivity and consideration of all stakeholders’ interest</li> </ul> |

Based on the findings of the 2016BEE tabled to the Board at its meeting in April 2017, the key themes highlighted in previous years’ report remained consistent. Axiata Board continues to be seen as a well-run, high quality Board that facilitates robust exchange of views during Board discussions. The Board is committed to the highest standards of good governance and marked improvements were reported in leveraging of technology to enhance efficiency and effectiveness of Board’s deliberations and support materials for Board committees.

On the suggested areas of improvement, Board and Management succession planning were already being actively addressed along with gender diversity and skillset. Other suggestions on administrative matters were noted by the Board and will be addressed as appropriate.

# STATEMENT ON CORPORATE GOVERNANCE

## Review of Directors Standing for Re-Election/Re-Appointment

In order to assist BNC in the discharge of its duties pertaining to the assessment of Directors retiring and seeking re-election at the forthcoming AGM, the report of the 2016BEE included feedback and ratings on these Directors. In its assessment, the BNC took into consideration the self-peer ratings on the areas evaluated in the BEE, feedback from other Directors in the evaluation and contribution to the Board through their skills, experience, strengths and qualities, level of independence and ability to act in the best interests of the Company, BNC's recommendations are thereafter submitted to the Board and shareholders' for approval.

Kenneth Shen excellent ratings have been consistent and in the overall, remained one of the highest rated Director. He was perceived as having a strong understanding of Axiata's vision and markets and performance measures employed by Axiata. His experience in international business and contribution to Axiata's strategy development is viewed as a valuable asset to the Board.

Dr Muhamad Chatib Basri has been a consistent performer particularly on his understanding of Axiata's market; specifically, Indonesia. He was rated highly on principles and values associated with independence with his consistency to demonstrate them during Board discussions. His ability to listen to other Directors' ideas and to communicate openly and honestly also further evidenced his quality as an Independent Director.

Tan Sri Ghazzali Sheikh Abdul Khalid is rated highly on his knowledge and understanding of his role as a Board member and role of the Board in governing Axiata. Although collegial in nature, he strongly demonstrates his independence through his objective chairmanship of the Board committees and on discussions affecting management. He is also objective in providing inputs on many issues especially on human capital and geopolitical issues. The Board is of the view that he should remain as an INED and recommends his re-appointment.

Datuk Azzat Kamaludin rated highly on his understanding of the market and contribution to strategy development. His strong legal and compliance knowledge is valued by the Board as the Group continue to operate across its footprints. As an INED, he continues to demonstrate his independence by his forthright, critical assessment and evaluation of issues before the Board and viewed as uncompromising in upholding the integrity and good governance in the conduct of Board's responsibilities. Rated highest around his contributions and consistency to demonstrate values and principles associated with impartiality and objectivity during Board discussions, the Board recommends his re-appointment and for him to continue to serve as an INED.

David Lau was rated highly on his understanding of Axiata's market and the factors critical for the success of the Group. His contributions and objectivity in discussions on financials and performance measures and/or financial metrics as well as taking into consideration all stakeholders' concerns are impeccable. He is a high quality and credible Board member who is able to balance matters well between challenging and supporting which is evident in his approach to challenge management figures and/or statistics on capex and possible profitability indexes. David had close to the maximum rating among his peers in his consistency to demonstrate and uphold the values and principles associated with his independence status. The Board recommends him to continue as an INED for approval by the shareholders.

All the above INEDs have re-affirmed their independence based on the independence criteria under the provisions of the Main LR applied by the Company.

## Board Committees

There are currently four main Board Committees namely:-

- BAC;
- BNC;
- Board Remuneration Committee (BRC); and
- Axiata Digital Services Investment Board Committee (AIB).

*The ToRs of the Board Committees are available online at <https://axiata.com/corporate/corporate-governance/>*

Board Committee meetings are normally held in conjunction with the Board meetings. All deliberations, recommendations and decisions of the Board Committees are recorded and minuted and subsequently confirmed by the Board Committees at the subsequent Board Committee meetings. During Board meetings, the Chairman of each respective Board Committee provides summary reports of the decisions and recommendations made by the Board Committee and highlights to the Board if any further deliberation is required at Board level. Verbal reports are provided if Board committees are held on the same day as the Board meetings.

A brief description of each Board Committee is provided below:-

### BAC

The members of BAC are as follows:-

- i) David Lau Nai Pek – Chairman, INED (Member of Malaysian Institute of Accountants and New Zealand Institute of Chartered Accountants);
- ii) Datuk Azzat Kamaludin – Senior INED; and
- iii) Kenneth Shen – NINED

All BAC members are financially literate, well above the level needed for a BAC.

Further details on the summary of activities of the BAC during FY16 are set out separately in the BAC Report on pages 105 to 107 of this Annual Report.

The Group Chief Financial Officer (GCFO) and Group Financial Controller attend all meetings of the BAC except when meetings are held between the BAC and external auditors without Management's presence. During the year 2016, the BAC met with the external auditors without Management's presence on 16 February 2016 and 23 August 2016.

### BNC and BRC

The BNC and BRC currently comprise of the same members as follows:-

- i) Tan Sri Ghazzali Sheikh Abdul Khalid – Chairman, INED;
- ii) Datuk Azzat Kamaludin – Senior INED;
- iii) Ann Almeida – INED; and
- iv) Kenneth Shen – NINED

**BNC**

The key responsibilities of the BNC are as follows:-

- i) To oversee the selection and assessment of Directors and to ensure that the Board composition meets the needs of the Group;
- ii) To facilitate and review Board induction and training programs;
- iii) To recommend or approve, as the case may be, based on the ToR, the appointment of key management of the Group;
- iv) To assess the effectiveness of the Board, Board Committees and individual Directors (including the President & GCEO); and
- v) To review, on an annual basis, the size of the Board and the required mix of skills, experience and responsibilities present on the Board in ensuring the continued effectiveness of the Board.

In 2016, the BNC considered and made recommendations to the Board on the following matters:-

- i) Directors independence term limit and succession planning for INEDs reaching the nine year cumulative term limit under MCGG 2012;
- ii) Appointment of Dato' Mohd Izzaddin as Axiata Board member;
- iii) Appointment of members of AIB;
- iv) Appointment of GCFO of Axiata;
- v) Directors' training needs and 2016 Annual Training Calendar;
- vi) Appointment and extension of employment contracts of key personnel of Axiata;
- vii) Nomination of Directors for major OpCos;
- viii) Succession planning for key positions including GCEO and CEOs of OpCos;
- ix) 2015BEE findings and follow-up actions; and
- x) Approach for 2016BEE.

**BRC**

The key responsibilities of the BRC are as follows:-

- i) To assist the Board in determining the policy and structure for the compensation of NEDs and remuneration of the ED and key management of the Group; and
- ii) To recommend to the Board the remuneration of the ED in all its forms and compensation of NEDs, drawing from outside advice as necessary.

In 2016, the BRC considered and made recommendations to the Board on the following matters:-

- i) Performance achievements and rewards for the President & GCEO;
- ii) Performance of the Group Company Secretary against pre-determined KPIs for 2016;
- iii) Bonus pool and salary increment for 2016;
- iv) Additional grant of Restricted Share Awards (RSA) to the President & GCEO; and
- v) Long Term Incentive Plan for Axiata and ADS.

**AIB**

The key responsibilities of the AIB is to review and approve Axiata Digital equity investments within the Group, of up to a maximum of USD20 million as specified in the Limits of Authority of Axiata applicable to digital services.

The members of AIB are as follows:-

- i) Dato' Mohd Izzaddin - Chairman, NINED;
- ii) David Lau Nai Pek - INED;
- iii) Kenneth Shen - NINED;
- iv) Tan Sri Jamaludin Ibrahim, President & GCEO, Axiata;
- v) Dr Hans Wijayasuriya, Regional CEO, South Asia; and
- vi) Mohd Khairil Abdullah, CEO, Axiata Digital

During FY16, the AIB met 2 times where investment decisions were made.

## STATEMENT ON CORPORATE GOVERNANCE

**DIRECTORS' REMUNERATION****Axiata****Non-Executive Directors**

As a regional company, the remuneration philosophy is to develop a remuneration structure that commensurates with the Directors responsibilities at both Board and Board Committee level and is sufficient to attract, incentivise and retain quality Directors. The review of the remuneration structure undertaken in 2014 was the first since the inception of Axiata as a listed company in 2008. The review brought about the introduction of monthly fixed fees for Board Committees which were absent from Axiata NEDs remuneration component, putting Axiata in the minority.

The introduction of the monthly fixed fees for Board Committees and payment of the same together with the Board monthly fixed fees was approved by the shareholders at the AGM. The following table outlines the remuneration and benefits components/structure for Axiata's NEDs:-

| Remuneration           | Monthly Fees <sup>1</sup><br>(RM) |           | Meeting Allowances <sup>2</sup><br>(RM) |          |
|------------------------|-----------------------------------|-----------|---|----------|
|                        | NEC <sup>3</sup>                  | NED       | NEC <sup>3</sup>                        | NED      |
| Board of Directors     | 30,000.00                         | 20,000.00 | 3,000.00                                | 2,000.00 |
| BAC                    | 4,000.00                          | 2,000.00  | 3,000.00                                | 2,000.00 |
| BNC                    | 1,200.00                          | 800.00    | 1,500.00                                | 1,000.00 |
| BRC                    | 1,200.00                          | 800.00    | 1,500.00                                | 1,000.00 |
| Other Board Committees | Nil                               | Nil       | 1,500.00                                | 1,000.00 |

<sup>1</sup> In accordance with shareholders' approval, Axiata pays Board and Board committees' Directors' fees on a monthly basis

<sup>2</sup> Meeting allowances are paid on a per meeting basis, notwithstanding any adjournment and number of days

<sup>3</sup> NEC refers to Non-Executive Chairman

**Benefits**

Benefits such as annual overseas business development trips, leave passage, travel allowance, travel allowance for non-resident NEDs, equipment, telecommunication facilities, insurance and medical.

**Frequency of Review**

Targeted to occur every five years, the last review was undertaken in 2014. Director's remuneration is decided by the Board collectively after review by the BRC and the individual Director does not participate in decisions regarding his/her remuneration package.



## OpCos

A remuneration and benefits policy was formulated for NEDs of the Group based on annual revenue per annum of the OpCos. The policy serves as a guidance and is applicable to active companies in Axiata Group. Its application is subject to compliance with local laws, joint venture and/or shareholders' agreement, listing rules and other internal requirements and is approved by the respective OpCo.

The following table outlines the remuneration structure for NEDs of the Group:-

| Company                          | Designation | Monthly Fees<br>(MYR unless<br>indicated<br>otherwise) | Meeting Attendance per Meeting<br>(MYR unless indicated otherwise) |           |                          |                        |                           |
|----------------------------------|-------------|--|--|-----------|--------------------------|------------------------|---------------------------|
|                                  |             |  | Board of<br>Directors  | BAC       | BNC/BRC                  | Executive<br>Committee | Other Board<br>Committees |
| Celcom                           | NEC         | 12,000.00  | 2,000.00   | 2,000.00  | 1,000.00                 | -                      | 750.00                    |
|                                  | NED         | 8,000.00   | 1,500.00   | 1,500.00  | 750.00                   | -                      | 500.00                    |
| XL                               | President   | IDR100M  | IDR5M  | -         | -                        | -                      | -                         |
|                                  | BOC, Member | IDR70-100M   | IDR5M  | -         | -                        | -                      | -                         |
|                                  | BAC, Member | IDR60M   | -  | -         | -                        | -                      | -                         |
| Dialog                           | NEC         | USD975.00  | USD975.00<br>(AGM: USD650.00)                                      | USD975.00 | USD490.00<br>(BNC & BRC) | USD490.00              | USD390.00                 |
|                                  | NED         | USD750.00  | USD750.00<br>(AGM: USD500.00)                                      | USD750.00 | USD375.00<br>(BNC & BRC) | USD375.00              | USD300.00                 |
| Robi                             | NEC         | USD2,500.00  | USD300.00  | USD300.00 | USD150.00<br>(BRC Only)  | -                      | -                         |
|                                  | NED         | USD2,000.00  | USD200.00  | USD200.00 | USD100.00<br>(BRC Only)  | -                      | -                         |
| Ncell                            | NEC         | USD2,500.00  | USD300.00  | USD300.00 | USD150.00<br>(BRC Only)  | -                      | -                         |
|                                  | NED         | USD2,000.00  | USD200.00  | USD200.00 | USD100.00<br>(BRC Only)  | -                      | -                         |
| edotco                           | NED         | 8,000.00   | 1,000.00   | 1,000.00  | 750.00                   | -                      | 350.00                    |
|                                  | NEC         | 6,000.00   | 700.00   | 700.00    | 500.00                   | -                      | 250.00                    |
| Smart                            | NEC         | USD1,200.00  | USD300.00  | USD300.00 | USD150.00                | -                      | -                         |
|                                  | NED         | USD1,200.00  | USD300.00  | USD300.00 | USD150.00                | -                      | -                         |
| Axiata Digital<br>Advisory Board | NED         | -  | 5,000.00   | -         | -                        | -                      | -                         |

NED who is an employee of Axiata Group shall not be entitled to receive Fixed Fee and Meeting Allowance from all companies in which he/she is a Director.

## Benefits

Overseas and in-country entitlements for travels, travel allowance for non-resident NEDs, mobile communication devices and telecommunication facilities.

NED shall be entitled to receive Fixed Fee and Meeting Allowance from all the companies within Axiata Group in which he/she is a Director but shall be entitled to receive the benefits from one company only within Axiata Group. NED who is an employee of Axiata Group shall be entitled to receive the benefits from one company only within Axiata Group.

## STATEMENT ON CORPORATE GOVERNANCE

The number of Directors of the Company whose total remuneration including remuneration for services rendered by them to Axiata Group during the financial year falls within the required disclosure band is as follows:-

Breakdown of the aggregated remuneration of NEDs for FY16 into appropriate components is set out below:-

| Name of Director                                  | Axiata           |  |  | Subsidiaries     |                                   | Total<br>(RM'000) |
|---|------------------|--|--|------------------|-----------------------------------|-------------------|
|   | Fees<br>(RM'000) | Meeting<br>Allowances <sup>a</sup><br>(RM'000) | Monetary<br>Value of<br>Benefits-in-<br>Kind<br>(RM'000) | Fees<br>(RM'000) | Meeting<br>Allowances<br>(RM'000) |                   |
| Tan Sri Dato' Azman Hj. Mokhtar <sup>b</sup>      | 360              | 42   | 115  | -                | -                                 | 517               |
| Tan Sri Ghazzali Sheikh Abdul Khalid <sup>c</sup> | 269              | 48   | 44   | 214              | 15                                | 590               |
| Datuk Azzat Kamaludin <sup>d</sup>                | 283              | 57   | 25   | 144              | 48                                | 557               |
| Dato' Abdul Rahman Ahmad <sup>e</sup>             | 187              | 30   | 50   | -                | 5                                 | 272               |
| Dato' Mohd Izzaddin Idris <sup>f</sup>            | 25               | 4  | -  | -                | -                                 | 29                |
| David Lau Nai Pek <sup>g</sup>                    | 276              | 70   | 65   | 228              | 39                                | 678               |
| Juan Villalonga Navarro <sup>h</sup>              | 110              | 6  | 8  | -                | -                                 | 124               |
| Ann Almeida                                       | 259              | 31   | 17   | -                | -                                 | 307               |
| Dr Muhamad Chatib Basri <sup>i</sup>              | 240              | 28   | 58   | 289              | 17                                | 632               |
| Kenneth Shen <sup>b, j</sup>                      | 282              | 59   | 84   | 73               | 6                                 | 504               |
| <b>Total (RM'000)</b>                             | <b>2,291</b>     | <b>375</b>                                     | <b>466</b>   | <b>948</b>       | <b>130</b>                        | <b>4,210</b>      |

a. Meeting Allowances cover BAC, BNC, BRC and other Board committees

b. Fees and Meeting Allowances paid directly to Khazanah

c. Fees and Meeting Allowances from subsidiaries-Robi and Ncell

d. Fees and Meeting Allowances from subsidiaries-Dialog and edotco

e. Meeting Allowances for Axiata Digital Advisory Board

f. Appointed on 24 November 2016. 50% of Fees and Meeting Allowances paid directly to UEM Group

g. Fees and Meeting Allowances from subsidiaries-Celcom, Smart and edotco

h. Retired on 26 May 2016

i. Fees and Meeting Allowances from subsidiary-XL

j. Fees and Meeting Allowances from subsidiary-edotco

Breakdown of the aggregated remuneration of Tan Sri Jamaludin Ibrahim for FY16 into appropriate components is set out below:-

|   | (RM'000) |
|---|----------|
| a. Salaries, Allowances and Bonus   | 5,500    |
| b. Benefits (Contribution to EPF, ESOS and RSA Expenses and Monetary Value of Benefits-in-Kind) | 2,989    |

### Executive Director

The Company's policy on remuneration for the ED is similar to previous years which is to ensure that the level of remuneration is generally set to provide market competitiveness to attract, retain and motivate an ED of the highest calibre to competently manage the Company.

The component parts of the remuneration are therefore structured to link the remuneration package with corporate and individual performance as well as relative shareholders' returns and takes into account similar packages at comparable companies (of similar size and complexity to Axiata locally; and in the same industry in the region), based on information prepared by independent consultants and survey data.

The BRC reviews and recommends the remuneration package of the ED for the Board's approval and it is the responsibility of the Board as a whole to approve the total remuneration package of the ED, giving due considerations to law and corporate governance principles. The current remuneration policy of the ED consists of basic salary, performance-linked bonus, benefits-in-kind, EPF contributions and RSA respectively based on the recommendation of the BRC. The ED is not entitled to monthly fees nor is he is entitled to receive any meeting allowances for the Board and Board Committee meetings he attends both for Axiata and subsidiaries.

The performance of the ED is measured based on the achievements of his annual KPIs. These KPIs comprise not only quantitative targets, such as annual targeted revenue, EBITDA, PATAMI or Return on Invested Capital (ROIC) and relative performance of the OpCos, but also qualitative targets which include strategic milestones and initiatives that need to be achieved and implemented on areas such as strategy, innovation, business development, synergy, human capital management, financial management and societal development. The weightage of the qualitative and quantitative targets may be adjusted to accommodate the Group's aspirations.

The evaluation on the achievement of each of the KPIs against an agreed performance standard is reviewed by the BRC and the recommendations of the BRC are tabled for approval by the Board. The rewards accorded to the ED for his achievement of the respective KPIs comprise annual bonuses and long term incentive plan in the form of RSA or options over the shares of the Company. In the case of RSA, its vesting is further subject to performance conditions established by the Board and the final number of shares of RSA will depend on the level of achievement of these targets over the performance period.

### Code of Ethics and Employees' Code of Conduct

In discharging its functions, the Board adheres strictly to the Directors' Code of Ethics it has in place. Directors are expected to conduct themselves with the highest ethical standards and corporate governance.

The corporate culture of uncompromising integrity and exceptional performance is applicable across the Group and the Code of Conduct manual applicable to employees provides guidance on high ethical business standards and guidelines. The code serves as a guideline for employees' conduct in the workplace, business conduct when dealing with external parties, including key issues such as bribery, conflicts of interests, insider trading and data integrity and retention. The Code of Conduct is disseminated throughout to employees of Axiata through its intranet. As part of its enforcement, employees are required to submit their declaration to adhere to and observe its provisions.

In 2015, the Board endorsed the Common Code of Conduct in which the Uncompromising Integrity Exceptional Performance (UI.EP) values which were already made common across the Group were further laid down through documentation of common code of rules to regulate conduct of employees and business aligned to the two values. The common Code of Conduct lays down the baseline standards and guidelines grounded on UI.EP values covering; inter-alia, employees' responsibilities and accountabilities, working attitude, protection of the Group's assets, data integrity and retention, business conduct, dealings with customers, insiders' trading, conflict of interest, gifts, entertainment, reporting violations and training and evaluation applicable to all employees across the Group.

### Whistleblowing Policy

Employees may raise their concerns of any unlawful or unethical situations or any suspected violation of the Code of Conduct in accordance with the Whistleblowing Policy administered by the Group Chief Internal Auditor and overseen by the BAC. The Board provides assurance that employees will not be at risk to any form of victimisation, retribution or retaliation and

emphasises good faith. Any attempt to retaliate, victimise or intimidate against the whistleblower is a serious violation and shall be dealt with by serious disciplinary action and procedures. As provided under the policy, employees may also report illegal and unethical practices directly to the statutory bodies such as the Malaysian Anti-Corruption Commission, the Securities Commission, the police or other similar agencies in other countries where the business is located.

Dedicated Whistleblowing email address: [wisel@axiata.com](mailto:wisel@axiata.com)

Directors' Code of Ethics, Employees' Code of Conduct and Whistleblowing Policy are available online at  
[https://axiata.com//media/upload/corporate/Directors\\_Code\\_of\\_Ethics.pdf](https://axiata.com//media/upload/corporate/Directors_Code_of_Ethics.pdf),  
[https://axiata.com//media/upload/corporate/Employees\\_Code\\_of\\_Conduct.pdf](https://axiata.com//media/upload/corporate/Employees_Code_of_Conduct.pdf) and  
[https://axiata.com/media/upload/corporate/Whistle\\_Blowing\\_Policy.pdf](https://axiata.com/media/upload/corporate/Whistle_Blowing_Policy.pdf) respectively.

### Senior Independent Director

The Board has appointed Datuk Azzat Kamaludin as the Senior INED of Axiata. The roles of the Senior INED as defined in the Board Charter are as follows:-

- i) Ensure all INEDs have an opportunity to provide input on the agenda, and advise the Chairman on the quality, quantity and timeliness of the information submitted by Management that is necessary or appropriate for the INEDs to perform their duties effectively;
- ii) Consult the Chairman regarding Board meeting schedules to ensure the INEDs can perform their duties responsibly and with sufficient time for discussion of all agenda items;
- iii) Serve as the principal conduit between the INEDs and the Chairman on sensitive issues, for example issues that arise from 'whistleblowing';
- iv) Serve as a designated contact for consultation and direct communication with shareholders on areas that cannot be resolved through the normal channels of contact with the Chairman or President & GCEO, or for which such contact is inappropriate; and
- v) Be available for confidential discussions with other NEDs who may have concerns which they believe have not been properly considered by the Board as a whole.

During FY16, no shareholders had asked to meet with Datuk Azzat.

Shareholders and other interested parties may contact Datuk Azzat to address any concerns in writing or via telephone, facsimile or electronic mail as follows:-

Tel: +6019 200 0878 or +603 7725 6050  
 Fax: +603 7725 6070  
 Email: [azzat@axiata.com](mailto:azzat@axiata.com) or [azzat@azzatizzat.com](mailto:azzat@azzatizzat.com)  
 Postal Address: Level 5, Corporate Headquarters, Axiata Tower,  
 9 Jalan Stesen Sentral 5, Kuala Lumpur Sentral,  
 50470 Kuala Lumpur, Malaysia

Contact details of the Senior Independent Director and his roles and responsibilities under the Axiata Board Charter are available online at <https://axiata.com/corporate/corporate-governance>

# STATEMENT ON CORPORATE GOVERNANCE

## RELATIONSHIP WITH OTHER STAKEHOLDERS AND SHAREHOLDERS

### Communication with Shareholders and Investors

The Board acknowledges the importance of an effective communication channel between the Board, stakeholders, institutional investors and the investing public at large to provide a clear and complete picture of the Group's performance and position as much as possible. The Company is fully committed in maintaining high standards in the dissemination of relevant and material information on the development of the Group in its commitment to maintain effective, comprehensive, timely and continuing disclosure. There has also been strong emphasis on the importance of timely and equitable dissemination of information. Disclosures of corporate proposals and/or financial results are made not only in compliance with the Main LR but also include additional items through media releases and are done on a voluntary basis. Whilst efforts are made to provide as much relevant and material information as possible to the shareholders and stakeholders, the Board is cognisant of the legal and regulatory framework governing the release of materials and sensitive information so as not to mislead the shareholders. Therefore, information that is price-sensitive or may be regarded as undisclosed material information about the Group, is not disclosed to any party until it is already in the public domain through disclosure.

Axiata uses a number of formal channels to account to shareholders and stakeholders; particularly-

#### 1. Annual Report

The Annual Report is a major channel of communication disclosing information not only on the Group's business, financials and other key activities but also additional information such as strategies, operations, performance, challenges and its management. The Board places great importance on the content of the Annual Report to ensure the accuracy of the information as the Annual Report is a vital source of information for investors, shareholders and the general public. The working committee comprising SLT and personnel from various divisions plays a meaningful role to ensure accuracy of information and full compliance with relevant regulatory requirements. The contents of the Annual Report are continuously enhanced to take into account development, amongst others, corporate governance. At the Board level, the Board Annual Report Committee, chaired by the BAC Chairman, oversees the production of the Annual Report and reviews its contents before it is published.

The Annual Report is also printed in summary form together with a digital version of the Annual Report in CD-ROM format. An online version of the Annual Report is also available on Axiata's own corporate website. Since 2014, Axiata has also made available a fully digitised version of its Annual Report and Sustainability and National Contribution Report, both of which can be downloaded for free at Apple App Store and Google Play on both iOS and Android.

The complete printed versions of the Annual Report is provided to shareholders upon request. Details on the request for printed copy are provided in the summary of the Annual Report. Our Share Registrar will ensure that the printed copies reach the shareholders within four days from receipt of written request. The shareholders may also submit their request online via the Share Registrar's website at [www.myetricor.com](http://www.myetricor.com).

#### 2. Announcements to Bursa Securities

Announcement of quarterly financial results, circulars and various announcements are made via Bursa LINK in full compliance with regulatory authorities' disclosure requirements. The same is also made available on Axiata's own corporate website. Prior to its release, announcements intended for Bursa Securities are subject to review and approval by the President & GCEO, GCFO, BAC or the Board, to ensure that the announcement fulfills the disclosure requirements as well as meets what is intended by management. In a few instances, announcements are also reviewed by external advisors to ensure that its contents are accurate and complete taking into consideration disclosure requirements and market perspectives.

Filings and announcements to Bursa Securities are available online at <http://axiata.com/investor/bursa-announcement>

#### 3. Media Releases

Media releases are provided to the media on all significant corporate developments and business initiatives to keep the investing community and shareholders updated on the Group's developments. Media releases are subject to approval by the President & GCEO and whenever necessary, released to Bursa Securities to increase the visibility of media releases.

Primary contact for Corporate Communications:-

Saffura Chinniah

Tel: +6032263 8881

Fax: +6032278 7755

E-Mail: [info@axiata.com](mailto:info@axiata.com)

Postal Address: Corporate Headquarters, Axiata Tower, 9 Jalan Stesen Sentral 5, Kuala Lumpur Sentral, 50470 Kuala Lumpur Malaysia

Media releases are available online at <https://axiata.com/mroom/news/>

#### 4. Quarterly Results and Analyst Briefings

Axiata holds analyst results briefings chaired by the President & GCEO and GCFO immediately after each announcement of quarterly results to Bursa Securities. These briefings are normally conducted via conference calls and attended by senior management of major OpCos as an avenue to provide dialogue between fund managers and research analysts with the Group's Senior Management as well as provide a platform for analysts and fund managers to receive a balanced and complete view of the Group's performance. The holding of analyst calls immediately after the release of the results is aimed to facilitate timely publication and/or dissemination of analysts' reports to the investing community. Materials intended for analysts briefings are made available immediately after the release of the financial results.

This equitable policy is not only prevalent to financial affairs but also extended to major and/or strategic transactions such as the acquisition of Ncell Pvt Ltd, Robi-Airtel Bangladesh merger, collaboration with TM and acquisition by edotco Group of Digicel Myanmar Tower Company (renamed edotco Myanmar Limited). Audiocasts of the presentation of these transactions were also made available on Axiata's website.

Presentation materials and audiocasts to analysts are available online at <http://axiata.com/investor/ir-presentation>



## 5. Media Conference

Media conferences are held on a half-yearly basis upon release of half-year and full-year results. The media conferences are held separately from analyst briefings to address the different requirements of each group and to be more productive and efficient. Management ensures that all information is well disseminated and materials for both the analyst briefings and media conferences are made available on Axiata's website.

## 6. Investor Relations

In 2016, Axiata conducted 245 meetings with investors and analysts via face-to-face meetings and conference calls. On 8 December 2016, Axiata organised its annual 'Analyst & Investor Day' in Singapore. The event was well received with participation by 52 analysts and investors, both local and foreign based. Amongst the key topics covered include long-term strategies under Axiata 3.0, updates from key OpCos, corporate branding, regulatory development and cost optimisation.

Axiata organises an earnings call every quarter chaired by the President & GCEO and GCFO once the quarterly financial performance is announced on the Bursa Malaysia Securities webpage. Conducted via a conference call which involves participation from senior management of key OpCos, the earnings call represents an avenue to provide dialogue between fund managers and financial analysts with the Group's Senior Management while setting a platform for them to receive a balanced and complete view of the Group's performance and the challenges. The earnings calls are hosted immediately after the release of the results to facilitate timely publication and/or dissemination of analysts' reports to the members of the investing community. The Company's quarterly financial performance materials presented during the analyst briefing are available online on the investor relations page at [www.axiata.com/investor/financial-reports/](http://www.axiata.com/investor/financial-reports/).

To date throughout FY16, the Group has enjoyed relatively extensive coverage and exposure to the members of the investment community with a total of 29 equity research analysts covering the Company.

### Conferences, non-deal roadshows, large group meetings and equity research coverage

#### Conferences

| 6 Jan 2016   | 6 – 8 Apr 2016   | 13 Apr 2016   | 20 – 21 Sept 2016                                 |
|--|--|---|---|
| <b>8th Annual Malaysia Corporate Day</b><br>CIMB<br>Kuala Lumpur | <b>19th Annual Asian Investment Conference</b><br>Credit Suisse<br>Hong Kong | <b>Invest Malaysia 2016</b><br>Maybank & Bursa Malaysia<br>Kuala Lumpur | <b>Investors' Forum 2016</b><br>CLSA<br>Hong Kong |

#### Non-deal roadshows and large group meetings

| 14 Jan 2016                              | 25 – 26 Feb 2016      | 4 – 5 Apr 2016           | 3 – 5 May 2016  | 20 July 2016                        | 23 Sept 2016                         | 30 Nov – 1 Dec 2016                   | 13 Dec 2016                        |
|--|-----------------------|--------------------------|---|-------------------------------------|--------------------------------------|---------------------------------------|------------------------------------|
| <b>Singapore</b><br>BofA - Merrill Lynch | <b>London</b><br>CIMB | <b>Tokyo</b><br>JPMorgan | <b>Europe (Zurich, Paris, Edinburgh)</b><br>Credit Suisse | <b>Kuala Lumpur</b><br>RHB Research | <b>Kuala Lumpur</b><br>TA Securities | <b>London</b><br>BofA - Merrill Lynch | <b>Kuala Lumpur</b><br>AllianceDBS |

#### Equity Research Coverage

|  |   |   |   |
|--|---|---|---|
| <ul style="list-style-type: none"> <li>Affin Hwang</li> <li>AllianceDBS Research</li> <li>AmlInvestment</li> <li>BIMB Securities</li> <li>BNP Paribas</li> <li>BofA - Merrill Lynch</li> <li>CIMB</li> </ul> | <ul style="list-style-type: none"> <li>Citi</li> <li>CLSA</li> <li>Credit Suisse</li> <li>Deutsche Bank</li> <li>Goldman Sachs</li> <li>Hong Leong Investment Bank</li> <li>HSBC</li> </ul> | <ul style="list-style-type: none"> <li>JF Apex Securities</li> <li>JPMorgan</li> <li>KAF Seagroatt &amp; Campbell</li> <li>Kenanga Investment Bank</li> <li>Macquarie</li> <li>Maybank Kim Eng</li> <li>MIDF</li> </ul> | <ul style="list-style-type: none"> <li>M&amp;A securities</li> <li>New Street Research</li> <li>Nomura</li> <li>Public Investment Bank</li> <li>RHB Research</li> <li>TA Securities</li> <li>UBS</li> <li>UOB Kay Hian</li> </ul> |
|--|---|---|---|

Primary contact for investor relations as disclosed on the Company's website:-

Clare Chin Kit Ching, Head, Investor Relations

Tel: +603 2263 8706

E-Mail: [ir@axiata.com](mailto:ir@axiata.com)

Postal Address: Corporate Headquarters, Axiata Towers, 9 Jalan Stesen Sentral 5, Kuala Lumpur Sentral, 50470 Kuala Lumpur Malaysia

## STATEMENT ON CORPORATE GOVERNANCE

### 7. Company Website

All information on share price, financial reports, downloadable annual reports, stock exchange filings, presentations, financial calendar and ownership profile are posted on the Investor Relations section while media has its own dedicated section for media releases. In addition, audio casts on briefings of quarterly results to analysts are also available for streaming or download from the Company's corporate website at [www.axiata.com](http://www.axiata.com).

The Corporate Governance section is also on the website where information such as Board Charter, Directors' Code of Conduct, Employees' Code of Conduct, Terms of Reference for BAC, BNC and BRC and Memorandum & Articles of Association are available to the shareholders and public. In addition, Notice of AGM/EGM and Minutes of the AGM/EGM are available in the Annual General Meeting section. Axiata will continually add new interactive capabilities to its website.

For queries regarding shareholding, kindly contact:

Tricor Investor & Issuing House Services Sdn Bhd  
 Tel: +603 2783 9299  
 Fax: +603 2783 9222  
 Email: [is.enquiry@mytricorglobal.com](mailto:is.enquiry@mytricorglobal.com)  
 Postal Address: Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No.8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia.

### Shareholders' Rights

The shareholders are the ultimate authority on decision making. The shareholders exercise their decision-making power at general meetings either by way of attending meetings in person or through proxy or authorised representative. Each share entitles the holder to one vote.

Matters reserved for shareholders' approval at AGM include the following:-

- i) Adoption of Audited Financial Statements;
- ii) Final dividends, if any;
- iii) Election and re-election of Directors;
- iv) Payment of fees to Directors; and
- v) Appointment/reappointment of external auditors.

Unless polling is requested, in accordance with the Articles, voting at general meetings will be carried out by way of show of hands. A poll could be demanded on a resolution (before or on the declaration of the result of the show of hands) by the following persons:-

- i) The Chairman of the meeting;
- ii) At least two members personally present in person or by proxy or by attorney or in the case of a corporation, by its duly authorised representative;
- iii) Members personally present in person or by proxy or by attorney or in the case of a corporation, by its duly authorised representative and representing not less than one-tenth (1/10) of the total voting rights of all members having the right to vote at the meeting; or
- iv) Members holding shares in the Company in which an aggregate sum has been paid up equal to not less than one-tenth (1/10) of the total sum paid up on all the shares held by all members present in person

or by proxy or by attorney or in the case of a corporation, by its duly authorised representative.

Memorandum and Articles of Association of the Company is available online at [https://axiata.com/media/upload/corporate/Memorandum\\_and\\_Articles\\_of\\_Association.pdf](https://axiata.com/media/upload/corporate/Memorandum_and_Articles_of_Association.pdf)

### Annual General Meeting

The AGM is undoubtedly the primary engagement platform between the Board and shareholders of the Company and has historically been well attended and the turnout saw an increasing trend year-on-year indicating a high level of engagement with shareholders.

In 2016, in line with international best practices, a 28-days' notice was issued for the convening of Axiata's 24th AGM which was held on 25 May 2016 at the Grand Ballroom, 1st Floor, Sime Darby Convention Centre, 1A Jalan Bukit Kiara 1, 60000 Kuala Lumpur, Malaysia. 2,330 persons representing 7,440,050,276 Axiata shares (equivalent to 84.30% of the issued and paid-up share capital of Axiata) attended the AGM.

At the AGM in 2016, with the exception of Juan Villalonga Navarro who retired at the said AGM, all Directors were present in person to engage directly with, and be accountable to the shareholders for the stewardship of the Company. Before the commencement of the proceedings, the Group Company Secretary highlighted administrative matters covering the voting procedures including the procedures for a demand to be made for a resolution to be voted by way of poll and the timing of making such demand.

The proceedings of the AGM normally commences with a concise but complete presentation by the President & GCEO on the financial performance of the Company for the preceding financial year, preceding quarter and the Company's vision and initiatives. The presentation is supported by visual illustrations of key points and key financial figures to facilitate shareholders' understanding. During the AGM, the shareholders are also at liberty to raise questions on all affairs of the Company unlike Extraordinary General Meetings where questions raised are on the proposed resolution being tabled. The Chairman, subject to the line of questions and relevance, entertains questions raised at the AGM as long as there is sufficient time and they are not repetitive. Questions posed, where possible, are answered in detail either at the AGM itself or thereafter where the shareholders will be contacted and provided with the answers.

Further, the President & GCEO also shared with the meeting the responses to questions submitted in advance by the MSWG. The Board, Management and the Company's external legal counsels and auditors, PricewaterhouseCoopers ("PwC") are in attendance to respond to questions raised and provide clarification as required by the shareholders.

At the AGMs, all valid proxy appointments are properly recorded, counted and reviewed by external auditors. Axiata chartered new milestone in 2016 by adopting poll voting at its general meetings. The first was during its EGM in February 2016 followed by the 24th AGM in May. At the 24th AGM, Axiata was among the first to pioneer electronic poll voting using tablets. Deloitte was appointed to act as independent scrutineers to verify the poll results. The scrutineers later announced the outcome of the poll result at the AGM and the same was announced to Bursa Securities immediately after.

While members of the media are not invited into the AGM meeting hall, a media conference is usually held immediately after the AGM where the Chairman, President & GCEO and GCFO update media representatives on the resolutions passed and answer questions on matters related to the Group. This approach provides the Company with a more efficient way to address both the shareholders and the media.

### Dividend Policy

Axiata's existing dividend policy provides that the Company intends to pay dividends of at least 30% of its consolidated PATAMI and endeavours to progressively increase the payout ratio over a period of time, subject to a number of factors including business prospects, capital requirements and surplus, growth/expansion strategy, considerations for non-recurring items and other factors considered relevant by the Board.

As the Company is a holding company, its income and therefore its ability to pay dividends, is dependent upon the dividends received from its subsidiaries, which in turn would depend on the subsidiaries' distributable profits, operating results, financial condition, capital expenditure plans and other factors that the respective subsidiary Board deems relevant.

Whilst the dividend policy reflects the Board's current views on the Group's financial and cash flow position, the dividend policy will be reviewed from time to time. It is the policy of the Board, in recommending dividends, to allow shareholders to participate in the Company's profits, as well as to retain adequate reserves for future growth.

On 22 February 2017, the Board recommended a conservative Final Dividend of 3 sen, implying a total dividend payout ratio of 50% (based on FY16 normalised PATAMI of RM1,418.3 million (including the interim dividend of 5 sen per Axiata Share paid last year on 7 November 2016). The total dividend of 8 sen for the FY16 would tantamount to a total payout of approximately RM715.5 million with a dividend yield of 1.7% (based on a 3-month VWAP). The Final Dividend is subject to the approval of the shareholders at this Annual General Meeting.

The Board's decision on 50% dividend payout ratio was two-fold;

- i) Cautionary, prudent measure to ensure resilience against unpredictable forex and market volatility, and
- ii) Further spectrum costs in the next two years and investment for strategic long term benefits:-
  - a) Increased capex investment where Axiata intends to be a clear number one player in 4G and data leadership in selected areas in all markets; and
  - b) Market consolidation and edotco expansion.

With the view to retain cash for future use, Axiata had in 2016 continued with the implementation of Dividend Reinvestment Scheme in which shareholders were given an option to elect to reinvest the whole or part of the dividend declared by the Company for FY15 final dividends and FY16 interim dividends, with electable portion at 100%. 46.93% and 48.79% of the final and interim dividend respectively were reinvested into shares.

### FY15 Final Dividend

Total Cash Dividend Paid : RM562.0 million  
 Dividend Reinvested : RM497.0 million  
 Payment Date : 8 July 2016

### FY16 Interim Dividend

Total Cash Dividend Paid : RM228.0 million  
 Dividend Reinvested : RM218.0 million  
 Payment Date : 7 November 2016

### Key Performance Indicators

On 23 February 2017, the Company announced the Headline KPIs for FY17 as follows:-

#### Headline KPIs

|  | Headline KPIs<br>@ Bloomberg Rate | Headline KPIs<br>@ constant currency |
|--|-----------------------------------|--------------------------------------|
| Revenue Growth (%)   | 9 - 11                            | 8 - 10                               |
| Earnings before interest, Tax,<br>Depreciation and Amortisation<br>(EBITDA) Growth (%) | 7 - 9                             | 6 - 8                                |
| Return on Invested Capital (ROIC) (%)  | 4.5 - 5.0                         | 4.5 - 5.0                            |
| Return on Capital Equity (ROCE) (%)  | 4.0 - 4.5                         | 4.0 - 4.5                            |

Note: Bloomberg rate assumes 1 USD = RM4.55, constant currency assumes 1 USD = RM4.14. Assumed no material fluctuations of regional currencies against Ringgit Malaysia

In establishing the FY17 Headline KPIs, the Management of Axiata has taken into consideration; inter-alia, short term dilutive impact from the merger with Robi, potential investment/losses at digital ventures and purchase price allocation charges in relation to Ncell acquisition.

For 2017, heightened competition, tax and regulatory challenges remain for the Group across most of OpCos particularly in Malaysia, Singapore and India, with rising capex weighing in on overall performance and profitability. The Group hope to see currency volatility and global macroeconomic factors to stabilise in 2017.

With major business and organisational changes made recently, the Group expects to see better performance especially at Celcom and XL. Barring regulatory changes, Axiata expect that the OpCos in South Asia will continue its momentum of excellent performance; particularly at Robi post-merger and Ncell. The Group is working towards group-wide cost management to improve Group profitability; RM800 million Opex and Capex savings are built in Axiata's 2017 plan, as well as aiming for RM1.5 billion additional savings in 2018 and 2019.



## STATEMENT ON CORPORATE GOVERNANCE

### ACCOUNTABILITY AND AUDIT

#### Financial Reporting

The Board is committed to ensuring that a clear, balanced and meaningful assessment of the Group's financial performance and prospects through the audited financial statements and quarterly announcement of results are provided to shareholders and regulatory bodies. In this respect, the Board through the BAC oversees the process and the integrity and quality of the financial reporting, annually and quarterly. The BAC, in this respect, assists the Board by reviewing the financial statements and quarterly announcements of results to ensure completeness, accuracy and adequacy in the presence of external auditors and internal auditors before recommending the same for the Board's approval.

The Directors' Responsibility Statement for the audited financial statements of the Company and the Group is set out on page 115 of this Annual Report. The details of the Company's and Group's financial statements for FY16 can be found on page 116 to 256 of the Annual Report.

#### Related Party Transactions

The Company has an internal compliance framework to ensure it meets its obligations under the Main LR including obligations relating to related party transactions. Processes and procedures are in place, to ensure that Recurrent Related Party Transactions (RRPT) are undertaken on an arms' length basis, are on terms not more favourable to related parties than to the public and not to the detriment of minority shareholders. This is achieved after taking into account the pricing and contract rates, terms and conditions, level of service and expertise required, and the quality of products and services provided, as compared to prevailing market prices and rates, industry norms and standards, as well as general practices, adopted by service providers of similar capacities and capabilities generally available in the open market. The annual internal audit plan incorporates a review of all RRPTs entered into or to be entered into under the shareholders' mandate procured at the AGM, to ensure that all the relevant approvals for RRPTs have been obtained.

RRPT transactions are recorded and the same presented to the BAC on a quarterly basis. This includes the utilisation of the RRPT mandate and/ or where applicable, new RRPT transactions for the BAC's review and endorsement.

At its 24th AGM, Axiata obtained a general mandate for the Group to enter into RRPT with Telekom Malaysia Berhad Group (TM Group) for transactions predominantly related to telecommunications and/or related services. The procurement of mandate for the Group to enter into RRPT with TM Group was obtained as these transactions in aggregate may result with the Company having to obtain shareholders' approval prior to the Group entering into the transactions. As these transactions may be constrained by time-sensitivity and confidentiality, it would be impractical for the Company to seek shareholders' approval on a case-by-case basis. The procurement of the mandate will also substantially reduce the expenses associated with convening of general meetings and improve administrative efficiency.

Based on the actual amount utilized from the date of the above AGM until March 2017, none of the actual aggregate value of transaction has exceeded 10% or more of the estimated amount under the mandate. The amount of RRPT entered into during the FY16, pursuant to RRPT mandate, is disclosed on page 110.

#### Internal Control and Risk Management

As highlighted earlier, the Board has the overall responsibility and accountability for the Group's internal control system and in maintaining and reviewing internal control system. The BAC assists the Board in evaluating the adequacy of risk management and internal control framework and through the Axiata Group Risk Management Committee (RMC) comprising SLT and chaired by the Chairman of the BAC, has put in place a systematic risk management framework and process to identify, evaluate and monitor principal risks and implement appropriate internal control processes to manage these risks across the Group. The RMC is mainly responsible for managing the overall Axiata Enterprise Risk Management (ERM) process and recommends quarterly ERM reports to the BAC for its onward submission to the Board. The RMC ensures continuous review of the key risks of the Group, and monitors the implementation of the mitigation plans on a quarterly basis.

A high-level risks register is maintained which is reviewed and updated annually. This comprises risks specific to the divisional activities of the business, as well as more Group-wide risks such as long-term business strategy, regulatory, substitution risks and technology. Focus areas of these risks are deliberated by the Board as they are raised by the Chairman of the BAC at Board meetings.

The Group has established the ERM Framework as a standardised approach to rigorously identify, assess, report and monitor risks facing the Group. The framework, benchmarked against ISO31000:2009 is adopted across the Group. Based on the ERM framework, a risk reporting structure has been established to ensure prompt communication to the BAC and the Board.

Although many risks remain outside the Company's direct control, a range of activities are in place to mitigate the key risks identified as set out in the Statement on Risk Management and Internal Control. A significant number of risks faced relate to wider operational and commercial affairs of the Company and the Group including those in relation to competition and regulatory developments.

An overview of the state of internal control within the Group, which includes the risk and internal control framework and key internal control structures, are set out in the Statement on Risk Management and Internal Control on page 96 to 104 of this Annual Report.

#### Relationship with Auditors

The BAC manages the relationship with its external auditors on behalf of the Board. The BAC considers the reappointment, remuneration and terms of engagement of the external auditors annually. The review procedures covers the independence and service level of the External Auditors, which amongst others, include reviewing the External Auditors' performance and quality of work, ability to meet deadlines, timeliness of service deliverables, non-audit services provided and the Engagement Partner's and the Partner's rotation.

The BAC had on 16 January 2016, reviewed the re-appointment of PwC based on the following criteria before making their recommendation:-

- i) Level of knowledge, capabilities, experience and quality of work;
- ii) Level of engagement with the Chairman, BAC;
- iii) Ability to provide constructive observations, implications and recommendations in areas requiring improvements;
- iv) Adequacy in audit coverage, effectiveness in planning and conduct of audit;
- v) Ability to perform audit work within agreed timeframe;
- vi) Non-audit services rendered by the External Auditor does not impede independence;
- vii) Succession plan of partner-in-charge and rotation of audit partner is evident; and
- viii) Comprehensive audit plan addressing company/industry specific objectives, geographical coverage, and level of resources and audit tests with specialist input on tax and regulations.

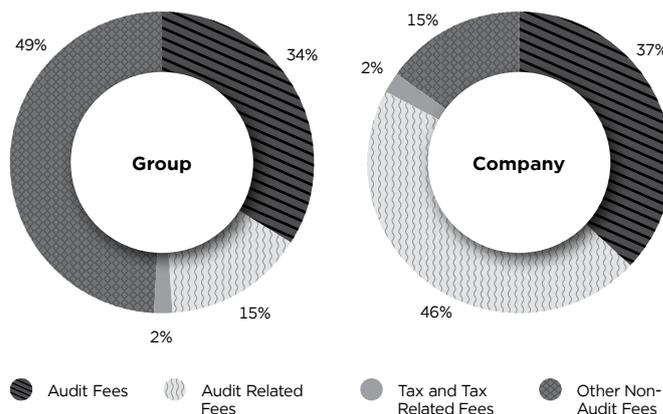
In safeguarding and supporting the external auditor’s independence and objectivity, Axiata has determined policies to restrict the type of non-audit services that can be provided by external auditors of the Group and the approval process related to them. Under these policies and guidelines, non-audit services can be offered by external auditors of the Group if there are clear efficiencies and value-added benefits to the Group and a detailed review of non-audit fees paid to the external auditors is undertaken by the BAC on a quarterly basis. These procedures are in place to ensure that neither their independence nor their objectivity is put at risk, and steps are taken to ensure that this does not impede the external auditors audit works.

The BAC remains confident that the objectivity and independence of the external auditors are not in any way impaired by reasons of the non-audit services provided to the Group. The auditors of the Company, PwC, annually confirms to the BAC their independence to the Group within the meaning of the provisions of the Bye- Laws on Professional Independence of the Malaysian Institute of Accountants and PwC’s firm’s requirements. PwC, having reviewed the non-audit services provided to the Group during the financial year 2015 in accordance with the independence requirements and, to the best of their knowledge, are not aware of any non-audit services that had compromised their independence as external auditors of the Group.

Details of statutory audit, audit-related and non-audit fees paid/payable in 2016 to the external auditors are set out below:-

|  | Group         | Company      |
|--|---------------|--------------|
|  | RM'000        | RM'000       |
| <b>Audit fees:</b>                                 |               |              |
| - PricewaterhouseCoopers Malaysia (PwCM)           | <b>3,742</b>  | <b>2,113</b> |
| - Member firm of PwC International Limited (PwCI)* | <b>4,667</b>  | -            |
| - Others   | <b>147</b>    | -            |
| <b>Audit related fees<sup>1</sup></b>              |               |              |
| - PwCM and PwCI                                    | <b>3,914</b>  | <b>2,651</b> |
|  | <b>12,470</b> | <b>4,764</b> |
| <b>Other fees paid to PwCM and PwCI:</b>           |               |              |
| - Tax and tax related services <sup>2</sup>        | <b>581</b>    | <b>101</b>   |
| - Other non-audit services <sup>3</sup>            | <b>12,354</b> | <b>884</b>   |
|  | <b>25,405</b> | <b>5,749</b> |

\* Separate and independent legal entity from PwCM  
<sup>1</sup> Fees incurred in connection with performance of quarterly reviews, review of purchase price allocation, agreed-upon procedures and regulatory compliance  
<sup>2</sup> Fees incurred for assisting the Group in connection with tax compliance and advisory services  
<sup>3</sup> Fees incurred primarily in relation to due diligence on potential acquisitions, project management and other advisory services mainly incurred by a foreign entity



## STATEMENT ON CORPORATE GOVERNANCE

## DIRECTORS' TRAINING LIST 2016

| Director                                    | List of Training/Conference/Seminar/Workshop Attended/Participated in 2016  |
|---|---|
| <b>Tan Sri Dato' Azman Hj Mokhtar</b>       | <ul style="list-style-type: none"> <li>World Economic Forum, Davos, Switzerland - 20 to 23 January 2016</li> <li>Co- Lecture @Tsing Hua University, Beijing - 14 January 2016</li> <li>Peneraju Professional CFA Annual CFA Summit, Park Royal KL - 26 March 016</li> <li>CEO Faculty Series - Collective Action, Complementary Advantage and Collaboration, University Malaysia Kelantan - 8 May 2016</li> <li>WEF on Asean, Shangrila Hotel KL - 1 &amp; 2 June 2016</li> <li>A Global CRM, Care and Marketing Platform by Facebook, Axiata Mid-Year Strategy Retreat, Bandung - 29 July 2016</li> <li>Race to (Re-)Convergence by Redshift, Axiata Mid-Year Strategy Retreat, Bandung - 30 July 2016</li> <li>Disruptive Technologies, High Throughput Satellites by Thaicom, Axiata Mid-Year Strategy Retreat, Bandung - 30 July 2016</li> <li>Creating Value in a Low Growth World by KRIS, Axiata Mid-Year Strategy Retreat, Bandung - 31 July 2016</li> <li>UTP : CEO@Faculty Program, Performance, Focus, Transformation, and Execution/ KL Convex - 15 August 2016</li> <li>2016 ABC Autumn Forum, Abu Dhabi - 22 to 24 September 2016</li> <li>CEO Faculty (Uitm), Dewan Berlian, Kampus Puncak Alam - 7 October 2016</li> <li>CEO Faculty Lecture Series "Real, Sensible and Islamic Finance", UIA - 10 November 2016</li> </ul> |
| <b>Tan Sri Jamaludin Ibrahim</b>            | <ul style="list-style-type: none"> <li>MSWG - Institutional Investor Council Governance Week 2016, Kuala Lumpur - 30 to 31 March 2016</li> <li>Race to (Re-)Convergence by Redshift, Axiata Mid-Year Strategy Retreat, Bandung - 30 July 2016</li> <li>Disruptive Technologies, High Throughput Satellites by Thaicom, Axiata Mid-Year Strategy Retreat, Bandung - 30 July 2016</li> <li>Creating Value in a Low Growth World by KRIS, Axiata Mid-Year Strategy Retreat, Bandung - 31 July 2016</li> </ul>  |
| <b>Tan Sri Ghazzali Sheikh Abdul Khalid</b> | <ul style="list-style-type: none"> <li>Directors Duties, Business Ethics &amp; Governance Seminar by Malaysian Institute of Corporate Governance, Kuala Lumpur - 28 April 2016</li> <li>Impact of Trans-Pacific Partnership Agreement to Government Linked Companies, Axiata Pre-BOD Meeting - 24 May 2016</li> <li>Cyber Security Risk, Axiata Pre-BOD Meeting - 24 May 2016</li> <li>30th Asia Pacific Roundtable, ISIS Malaysia - 30 May to 1 June 2016</li> <li>A Global CRM, Care and Marketing Platform by Facebook, Axiata Mid-Year Strategy Retreat, Bandung - 29 July 2016</li> <li>Race to (Re-)Convergence by Redshift, Axiata Mid-Year Strategy Retreat, Bandung - 30 July 2016</li> <li>Disruptive Technologies, High Throughput Satellites by Thaicom, Axiata Mid-Year Strategy Retreat, Bandung - 30 July 2016</li> <li>Creating Value in a Low Growth World by KRIS, Axiata Mid-Year Strategy Retreat, Bandung - 31 July 2016</li> <li>BIGIT Technology Malaysia 2016 by Olygen Sdn Bhd - 19 to 20 September 2016</li> <li>Bangladesh Trade &amp; Investment Summit 2016 by BMCCI, Kuala Lumpur - 5 December 2016</li> </ul>  |
| <b>Datuk Azzat Kamaludin</b>                | <ul style="list-style-type: none"> <li>Corporate Directors Advance Programme - Cyber Risk Management for the Boardroom and C-Suite by MINDA - 24 March 2016</li> <li>Impact of Trans-Pacific Partnership Agreement to Government Linked Companies, Axiata Pre-BOD Meeting - 24 May 2016</li> <li>Cyber Security Risk, Axiata Pre-BOD Meeting - 24 May 2016</li> <li>Shanghai Mobile World Congress by GSMA, Shanghai - 28 to 30 June 2016</li> <li>A Global CRM, Care and Marketing Platform by Facebook, Axiata Mid-Year Strategy Retreat, Bandung - 29 July 2016</li> <li>Race to (Re-)Convergence by Redshift, Axiata Mid-Year Strategy Retreat, Bandung - 30 July 2016</li> <li>Disruptive Technologies, High Throughput Satellites by Thaicom, Axiata Mid-Year Strategy Retreat, Bandung - 30 July 2016</li> <li>Creating Value in a Low Growth World by KRIS, Axiata Mid-Year Strategy Retreat, Bandung - 31 July 2016</li> <li>How to Leverage on AGMs for Better Engagement with Shareholders by MAICSA, Kuala Lumpur - 21 November 2016</li> <li>CG Breakfast Series with Directors: The Cybersecurity Threat and How Board Should Mitigate the Risks by MINDA, Kuala Lumpur - 18 November 2016</li> </ul>   |
| <b>Dato' Abdul Rahman Ahmad</b>             | <ul style="list-style-type: none"> <li>Wharton Executive Training - Emerging Issues &amp; Challenges In Board Leadership by Wharton Business of School, Philadelphia - 15 to 16 February 2016</li> <li>Impact of Trans-Pacific Partnership Agreement to Government Linked Companies, Axiata Pre-BOD Meeting, Kuala Lumpur - 24 May 2016</li> <li>Cyber Security Risk, Axiata Pre-BOD Meeting, Kuala Lumpur - 24 May 2016</li> <li>Study on Potential Economic Impact of TPPA on the Malaysian Economy and Oil &amp; Gas Sector by Price Waterhouse Coopers, Kuala Lumpur - 26 May 2016</li> <li>A Global CRM, Care and Marketing Platform by Facebook, Axiata Mid-Year Strategy Retreat, Bandung - 29 July 2016</li> <li>Race to (Re-)Convergence by Redshift, Axiata Mid-Year Strategy Retreat, Bandung - 30 July 2016</li> <li>Disruptive Technologies, High Throughput Satellites by Thaicom, Axiata Mid-Year Strategy Retreat, Bandung - 30 July 2016</li> <li>Creating Value in a Low Growth World by KRIS, Axiata Mid-Year Strategy Retreat, Bandung - 31 July 2016</li> </ul>  |

| Director                        | List of Training/Conference/Seminar/Workshop Attended/Participated in 2016   |
|---------------------------------|--|
| <b>Dato' Izzaddin Idris</b>     | <ul style="list-style-type: none"> <li>• World Economic Forum, Davos Switzerland – 20 to 23 January 2016</li> <li>• 8th Iskandar Malaysia CEO Forum by Khazanah Nasional Berhad, Kuala Lumpur – 23 March 2016</li> <li>• UEM Group Lecture Series by Dato' Sri Nazir Razak, Kuala Lumpur – 1 April 2016</li> <li>• Corporate Visit by INTAN to UEM Group, "Strategic Leadership", Kuala Lumpur – 13 April 2016</li> <li>• Transformational Leadership (Speaker), Universiti Teknologi Petronas, Malaysia – 26 May 2016</li> <li>• WEF on Asean, Shangrila Hotel KL – 1 &amp; 2 June 2016</li> <li>• UEM Group Lecture Series by Dato' Sri Shazalli, Kuala Lumpur – 4 August 2016</li> <li>• INTAN-RSOG Leadership Summit 2016, Kuala Lumpur – 27 September 2016</li> <li>• UEM Group's The Exchange 2016, Kuala Lumpur – 11 October 2016</li> <li>• UEM Group Lecture Series by Datuk Haji Mohamed Faroz Mohamed, Kuala Lumpur – 18 October 2016</li> <li>• Bloomberg Nation Builders Asia (Speaker), Singapore – 2 November 2016</li> <li>• Best Practices Conference : Co-Hosted by IRDA and REAM, Jakarta – 28 November 2016</li> </ul>   |
| <b>David Lau Nai Pek</b>        | <ul style="list-style-type: none"> <li>• Integrated Reporting Presentation by PricewaterhouseCoopers, Kuala Lumpur – 15 January 2016</li> <li>• 2016 BAC Chairmen Forum by Axiata Internal Audit Division, Kuala Lumpur – 11 April 2016</li> <li>• Impact of Trans-Pacific Partnership Agreement to Government Linked Companies, Axiata Pre-BOD Meeting, Kuala Lumpur – 24 May 2016</li> <li>• Cyber Security Risk, Axiata Pre-BOD Meeting, Kuala Lumpur – 24 May 2016</li> <li>• Shanghai Mobile World Congress by GSMA, Shanghai – 28 to 30 June 2016</li> <li>• A Global CRM, Care and Marketing Platform by Facebook, Axiata Mid-Year Strategy Retreat, Bandung – 29 July 2016</li> <li>• Race to (Re-)Convergence by Redshift, Axiata Mid-Year Strategy Retreat, Bandung – 30 July 2016</li> <li>• Disruptive Technologies, High Throughput Satellites by Thaicom, Axiata Mid-Year Strategy Retreat, Bandung – 30 July 2016</li> <li>• Creating Value in a Low Growth World by KRIS, Axiata Mid-Year Strategy Retreat, Bandung – 31 July 2016</li> <li>• Dynamic Board Stewardship Programme by MINDA, Sri Lanka – 31 October to 3 November 2016</li> </ul>   |
| <b>Kenneth Shen</b>             | <ul style="list-style-type: none"> <li>• 8th Iskandar Malaysia CEO Forum by Khazanah Nasional Berhad, Kuala Lumpur – 23 March 2016</li> <li>• Invest Malaysia 2016 by Khazanah Nasional Berhad, Kuala Lumpur – 12 to 13 April 2016</li> <li>• Models of Divestment (Pos Malaysia &amp; TIME dotCom) Case Study Show by Khazanah Nasional Berhad – 15 April 2016</li> <li>• Khazanah Europe Investment Ltd, Euro Mixer by Khazanah Europe Investment – 16 to 20 May 2016</li> <li>• Investments Mid-Year Retreat 2016 by Khazanah Investment Division – 24 May 2016</li> <li>• Impact of Trans-Pacific Partnership Agreement to Government Linked Companies, Axiata Pre-BOD Meeting, Kuala Lumpur – 24 May 2016</li> <li>• Cyber Security Risk, Axiata Pre-BOD Meeting, Kuala Lumpur – 24 May 2016</li> <li>• 2016 SPG Mid-Year Retreat by Khazanah Nasional Berhad, Kuala Lumpur – 26 to 28 May 2016</li> <li>• A Global CRM, Care and Marketing Platform by Facebook, Axiata Mid-Year Strategy Retreat, Bandung – 29 July 2016</li> <li>• Race to (Re-)Convergence by Redshift, Axiata Mid-Year Strategy Retreat, Bandung – 30 July 2016</li> <li>• Disruptive Technologies, High Throughput Satellites by Thaicom, Axiata Mid-Year Strategy Retreat, Bandung – 30 July 2016</li> <li>• Creating Value in a Low Growth World by KRIS, Axiata Mid-Year Strategy Retreat, Bandung – 31 July 2016</li> </ul> |
| <b>Dr. Muhamad Chatib Basri</b> | <ul style="list-style-type: none"> <li>• A Global CRM, Care and Marketing Platform by Facebook, Axiata Mid-Year Strategy Retreat, Bandung – 29 July 2016</li> <li>• Race to (Re-)Convergence by Redshift, Axiata Mid-Year Strategy Retreat, Bandung – 30 July 2016</li> <li>• Disruptive Technologies, High Throughput Satellites by Thaicom, Axiata Mid-Year Strategy Retreat, Bandung – 30 July 2016</li> <li>• Creating Value in a Low Growth World by KRIS, Axiata Mid-Year Strategy Retreat, Bandung – 31 July 2016</li> </ul>  |
| <b>Ann Almeida</b>              | <ul style="list-style-type: none"> <li>• Race to (Re-)Convergence by Redshift, Axiata Mid-Year Strategy Retreat, Bandung – 30 July 2016</li> </ul>   |

# STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

Pursuant to Paragraph 15.26(b) of the Main Listing Requirements (LR) of Bursa Malaysia Securities Berhad (Bursa Securities), the Board of Directors of listed issuers is required to include in their annual report, a ‘statement about the state of risk management and internal controls of the listed issuer as a group’. Accordingly, the Board is pleased to provide the following statement that was prepared in accordance with the ‘Statement of Risk Management and Internal Control: Guidelines for Directors of Listed Issuers’ as endorsed by Bursa Securities, which outlines the nature and scope of risk management and internal control of the Group during the financial year under review.

## Board’s Responsibility

The Board is responsible and accountable for maintaining sound processes of risk management and internal control practices to safeguard shareholders’ investments and the Group’s assets. Such processes cover not only financial control but also operational and compliance controls. In view of the limitations inherent in any process, the risk management and internal control processes and procedures put in place can only manage risks within tolerable levels, rather than eliminate the risk of failure to achieve the Group’s business objectives.

The Board Audit Committee (BAC) assists the Board in evaluating the adequacy of risk management and internal control framework. The BAC, via the Axiata Group Risk Management Committee (GRMC), has put in place a systematic risk management framework and process to identify, evaluate and monitor principal risks; and implement appropriate internal control processes and procedures to manage these risks across the Group, excluding Associate Companies and joint ventures which are not within the Group’s control.

Following the written assurance from the President and Group Chief Executive Officer (GCEO) and Group Chief Financial Officer (GCFO), that the Group’s risk management processes and internal controls are operating effectively, the Board is of the view that processes covering risk management and internal control in place for the year under review and up to the date of issuance of the financial statements is sound and sufficient to safeguard shareholders’ investments and the Group’s assets.

## Risk Management and Internal Control Framework

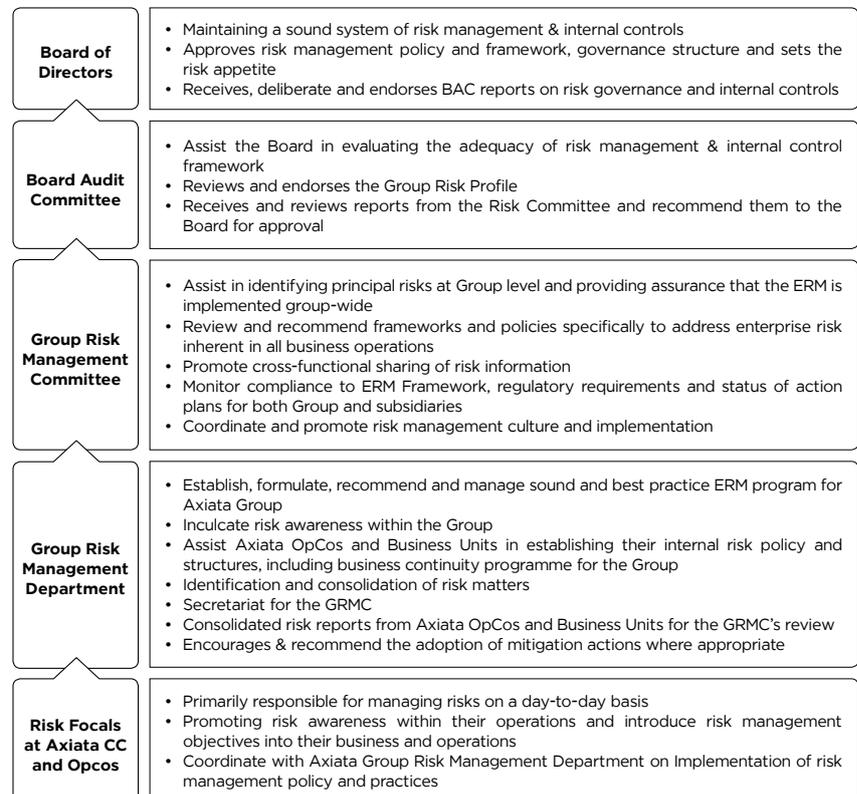
### 1. Axiata Enterprise Risk Management Framework

The Group adopts the Axiata Enterprise Risk Management (ERM) Framework as a standardised approach for timely identification, reporting and management of principal risks and ensures implementation, tracking and review of effectiveness of mitigation actions for the risks identified. The framework, benchmarked against ISO31000:2009, is adopted by all risk

management teams across the subsidiaries. It stresses the importance of balancing between risk and reward in making strategic business decisions, a tool in managing both existing and potential risks with the objective of protecting key stakeholders’ interests, and compliance with statutory and legal requirements. At the same time, the framework promotes an effective risk culture whilst embedding risk management in our daily business decisions.

### 2. Risk Governance Structure

The Group is committed towards continuous improvement of risk management processes and ensures that the processes remain relevant to the operating environment. The GRMC, which consists of all the members of Axiata Group Senior Leadership Team (SLT) and chaired by the Axiata Group BAC Chairman plays a key role in driving Axiata’s ERM Framework. With the assistance of the Group Risk Management Department (GRMD), they ensure systematic implementation and monitoring of the effectiveness of risk management culture and processes across the Group. The committee meets on a quarterly basis to review existing, new and evolving risks and where necessary, evaluate effectiveness of mitigation plans and improve existing risk practises, where necessary. The following depicts the key parties within the Group’s Risk Governance Structure and their principal risk management roles and responsibilities:



The implementation of risk management activities encompasses both corporate and subsidiary (at Operating Company or “OpCo”) levels where OpCos have similar risk structures within their jurisdiction. To ensure the operationalisation of risk management processes and clear accountability at the OpCo level, risk committees comprising of their Chief Executive Officer (CEO) as Chair, and selected senior management members are set up in each OpCo. At the same time, a risk focal person (“Risk Champion”) is appointed to provide timely risk updates and act as the key liaison with GRMD. Events which may materially impact the Group’s financial position and reputation will be escalated to the GRMD for appropriate action. At the same time, the Risk Champion would provide recommendation on the adoption of appropriate mitigation steps and provide quarterly updates to their respective OpCo BAC on the action taken. To further strengthen accountability at the management level, the CEO or Chief Financial Officer (CFO) of each OpCo is required to present their risk profile at the GRMC on a rotational basis. This structure provides the Group with the necessary detailed knowledge from OpCos, thus allowing the Board to have a comprehensive view of principal risks and mitigation activities across the board and ensure accountability by OpCos in managing their risks. As and when new OpCos are established, GRMD will work closely with the new management team in the set-up of the risk function.

The Group faces many risks and uncertainties which we mitigate and manage through various risk management strategies, actions and controls. These risks vary widely with some threatening our business model, future performance and financial standing of the business. There may be risks that are beyond the Group’s control, or presently unknown or currently assessed as insignificant, which may later prove to be material. Nonetheless, we aim to mitigate the exposures through appropriate risk management strategies and internal controls as much as possible.

Principally, the Group’s key risk factors are categorised into the following eleven categories:

- Financial Risk
- Market Risk
- Regulatory Risk
- Cyber Risk
- Operational Risk
- Geo Political Risk
- Strategic Risk
- Investment Risk
- People Risk
- Technology Risk
- Governance and Integrity Risk

A write-up of the key risks faced by the Group are listed in Appendix 1 of this statement.

The following key internal control structures are in place to assist the Board to maintain a proper internal control system.

## Key Internal Control Structures of the Group

### 1.0 Control Environment

The control environment sets the tone for the Group by providing fundamental discipline and structure. Key elements of the Group’s internal control systems include:

#### 1.1 Integrity and Ethical Values

- **Code of Conduct and Practice**

The Senior Management and Board set the tone at the top for corporate behaviour and corporate governance. All employees of the Group shall adhere to the policies and guidelines as set out in the Code of Conduct of the Group which sets out the principles to guide employees in carrying out their duties and responsibilities to the highest standards of personal and corporate integrity when dealing within the Group and with external parties. The Group’s Code of Conduct covers areas such as compliance with respect to local laws and regulations, integrity, conduct in the workplace, business conduct, protection of the Group’s assets, confidentiality, conflict of interest and anti-competition practices. In 2016, various initiatives including ongoing enforcement of the Gift Policy, consequence management on violation of integrity and values and Group Recognition Event to inculcate and encourage the appropriate behaviours continued.

- **Guidelines on Misconduct and Discipline**

Guidelines are in place for handling misconduct and disciplinary matters. These guidelines govern the actions to be taken in managing the misconduct of employees who breach the Code of Conduct and Practice or do not comply with the expressed and implied terms and conditions of employment. The Code of Conduct and Practice has also been extended to contractors and suppliers of the subsidiaries.

#### 1.2 Board Committees

##### (a) Board

Clear roles of the Board are stated under the Statement of Corporate Governance section of this Annual Report.

##### (b) Board Committees

To promote corporate governance and transparency, in addition to the Board, the Group has the BAC, Board Nomination Committee (BNC) and Board Remuneration Committee (BRC) collectively ‘Board Committees’ in place. These Board Committees have been established to assist the Board in overseeing internal control, Board effectiveness, and nomination and remuneration of the Group’s key positions and directors. The responsibilities and authority of the Board and Board Committees are governed by a clearly defined Terms of Reference (ToR).

## STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

**(c) BAC**

The primary function of the BAC is to assist the Board in fulfilling its statutory and fiduciary responsibilities. The BAC will review the financial statements and financial reporting process, the system of internal controls, management of enterprise risk, the audit process and the process for monitoring compliance with law and regulations including Bursa Securities requirements and the company's Code of Conduct.

It has direct access to the internal and external auditors and full discretion to invite any Director to attend its meetings. Further details of the BAC are stated under the BAC Report section of this Annual Report.

In 2016, the Cyber Security Steering Committee ("CSSC") was established as a sub-committee of the BAC focusing on the accelerated implementation of cybersecurity initiatives, for example, the establishment of the Cyber Security Operation Centre ("CSOC") and Cyber Security Posture Assessment in the Group and ensuring a standardised and aligned implementation across the Group.

**(d) BNC**

Please refer to the Statement on Corporate Governance section of this Annual Report.

**(e) BRC**

Please refer to the Statement on Corporate Governance section of this Annual Report.

**1.3 Senior Leadership Team (SLT)**

The SLT is committed to the identification, monitoring and management of risks associated with its business activities. The GCEO and Management are ultimately responsible to the Board for the Group's system of internal control and risk management. Each business unit is responsible and accountable for implementing procedures and controls to manage risks within its business.

**1.4 Organisation Structure**

- **Clear Organisation Structure**

The Group has an appropriate organisational structure led by functional SLT members who have clear roles of responsibility and lines of reporting. The proper segregation of duties promotes ownership and accountability for risk taking and defines lines of accountability and delegated authority for planning, executing, controlling and monitoring of business operations. Competent and professional individuals have been selected as part of our SLT to ensure we manage our business well and to deliver business results. Regular reviews of the organisational structure are held to address the changes in the business environment as well

as to keep abreast of current and future trending of new technologies, products and services.

- **Corporate Centre**

The Corporate Centre plays an advisory role to add value to the subsidiaries at varying engagement levels. The broad roles of the Corporate Centre are as follows:

1. Supporting role to Axiata Board Representatives at OpCos and OpCos' management; and
2. Supporting role to OpCos' Functional Heads.

Besides engaging in regular communication between the OpCos and the Group functions, the Corporate Centre also gives appropriate inputs and steers the Group on best practices through sharing of the Group's guidelines and strategies to minimise risk exposure and to increase the efficiency and effectiveness of business operations.

The Corporate Centre is also responsible for key processes and functions including strategic planning, mergers and acquisitions, joint development projects, capital raising and allocation, leadership, talent development, group accounts and reporting, procurement, treasury, technology including cybersecurity and network.

The Corporate Centre is also involved in leading Group initiatives to address current and future challenges of the Group.

**1.5 Assignment of Authority and Responsibility**

- **Policies and Procedures**

Documented policies and procedures are now in place for all major aspects of the Group's business and these are regularly reviewed and updated to ensure that they remain effective and continue to support the organisation's business activities at all times as the organisation continues to grow.

These policies and procedures are supported by clearly defined delegation of authorities for amongst others, spending on operating and capital expenditures, authority to enter into contracts and commitments, business plans and budget, and procurement of goods and services.

- **Limits of Authority (LoA)**

The Board has approved a clearly defined and documented LoA which is to be used consistently throughout the Group. These are regularly updated to reflect changing risks or to resolve operational deficiencies. It establishes a sound framework of authority and accountability within the Group, including segregation of duties which facilitates timely, effective and quality decision making at the appropriate levels in the Group's hierarchy.

Axiata's LoA document clearly sets out the matters reserved for the Board's consideration and decision making, the authority delegated to the President and GCEO and other SLT members, including the limits to which the President and GCEO can execute the authority, and provides guidance on the division of responsibilities between the Board and Management.

**1.6 Commitment to Competency**

- **Competency Framework**

The Group appoints employees of the necessary competencies to ensure that the personnel driving key operations are sufficiently skilled and exert the required qualities of professional integrity in their conduct.

- **Performance Management**

The Group is committed to attract and retain competent, dedicated and loyal employees. Programmes and initiatives have been established to ensure that the Group's human capital is equipped with the qualities and skills to drive the Group to become a world class company through ongoing emphasis on performance management and employee development.

The Group has in place a Key Performance Indicators (KPI) performance measurement process as prescribed under the Government-Linked Company Transformation (GLCT) programme to link performance and compensation in order to create a high performance work culture. This process also seeks to provide clarity, transparency and consistency in planning, reviewing, evaluating and aligning employees' actions and behaviours to that of the Group's vision and mission.

- **Training and Development Framework**

It is the Group's policy to train employees at all levels so that they would be able to perform well in their present jobs and also to develop employees who are considered to have the potential to perform duties with wider responsibilities so that they may be ready to assume them when needed. Programmes are also implemented to ensure that employees receive continuous training in various areas of work such as knowledge, health and safety, technical training, leadership and new product development.

- **Talent Development and Succession Planning**

There is a Group Talent Management Framework in place to identify and develop a group talent pipeline within the organisation as a supply for future leadership demands. In this respect, the Group has met its target of identifying C-suite potentials that provides a cover ratio of 2:1, from within the organisation and has been intensifying its efforts

in making these talent ready to succeed the current top management across the Group. This is done via structured leadership development programmes, mentoring and coaching, regular leadership readiness assessments, as well as cross-functional and cross-country assignments.

This leadership talent pipeline is also regularly reviewed via the Group Talent Council and assessed as potential successors for key positions in the Group, via internal and external benchmarks.

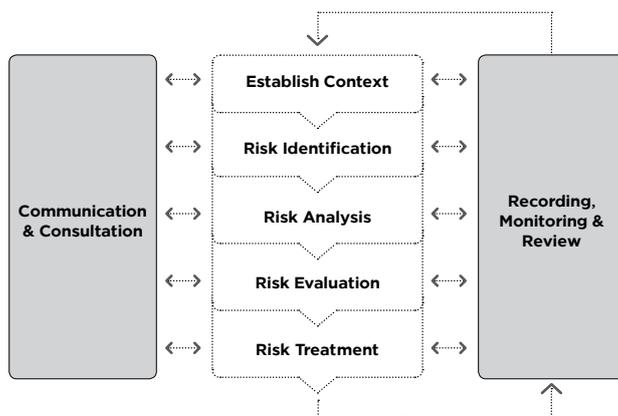
Succession plans and the robustness of the talent pipeline are regularly reviewed by the Board. The talent pipeline includes fresh graduates and middle management levels so as to ensure a continuous supply of talent. As of 31 December 2016, eleven (11) internal successors have been at placed top positions across the Group.

**2.0 Risk Assessment**

Axiata's risk management process is guided and principally aligned to ISO31000:2009 where risk is managed to ensure the achievement and implementation of strategic objectives. The Group's risk management process typically involves identifying particular events or circumstances relevant to our objectives and risk appetite, assessing them in terms of likelihood and magnitude of impact, determining a response strategy, evaluation of adequacy of existing controls, and monitoring the implementation of the response. The objective is to protect and create value for our key stakeholders.

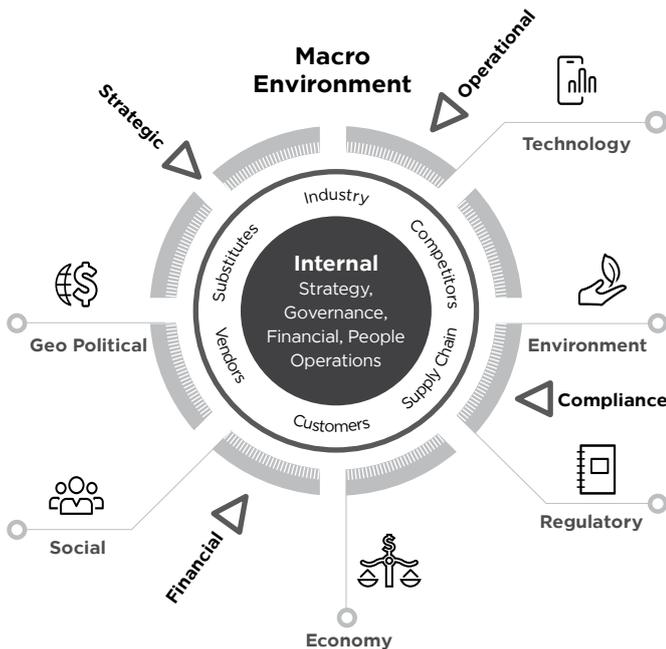
Axiata's Risk Assessment Process is depicted in the following diagram:

**Process for Managing Risk**



## STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

The risk identification process, which is done on an ongoing basis entails scanning all key factors within Axiata's business context from an 'outside-in' perspective, i.e. from macro-environment (external) to industry and internal risks. Risks are generally classified into distinct categories, i.e. strategic, financial, operational and compliance, representing the challenges to the Group's business operations, as depicted below:



Risk information and treatment plans are captured and updated into a risk register which is maintained by the respective OpCos and the Group. The information is then consolidated to provide an enterprise overview of material risks faced by the Group and the associated risk mitigation plans, which is tracked and reviewed from time to time.

- **Control Self-Assessment (CSA)**

CSA is an effective process used by the Group for improving business internal controls and processes. It allows employees of the Group to identify the risks involved in achieving the business objectives, to evaluate the adequacy and effectiveness of the controls in place and activities designed to manage those risks. CSA was performed on selected areas in XL and Robi in 2016.

### 3.0 Control Activities

Control activities are the policies, procedures and practices that ensure management objectives are achieved and risk mitigation strategies are carried out. Key activities within the Group are as follows:

#### 3.1 Policies and Procedures

- **Financial and Operational Policies and Procedures**

The Group currently maintains two policies, i.e. Limits of

Authority (LoA) and Group Policies encompassing both the Group and OpCo levels, which sets the framework for the development of the respective procedures covering financials and controls. The documented procedures include management accounting, financial reporting, procurement, information systems security, compliance, risk management and business continuity management.

Internal control is embedded into these policies to ensure consistent application throughout the Group. This serves as a preventive control mechanism whilst allowing the Group to promptly identify and respond to any significant control failures.

- **Budgeting Process**

A comprehensive annual budgeting process is in place to evaluate the feasibility and viability of the Group's businesses and to ensure that the Group's OpCos business plans are in line with the Group's future strategic plans. Annual budgets are prepared by the OpCos and deliberated with their respective Boards. They are then presented and discussed during the Axiata Board Retreat for approval before the commencement of a new financial year.

Upon approval of the budget, the Group's performance is periodically monitored and measured against the approved budget and ongoing business forecast, which is cleared by the President and GCEO and supported by the SLT. The Group's performance is also reported to the BAC and the Board. Reporting systems which highlight significant variances against the plan are in place to track and monitor performance. The results are reviewed on a quarterly basis by the Board to enable them to gauge the Group's overall performance, compared to the approved budget and prior periods, and to take remedial action where necessary. Similar performance reviews at OpCos Board level take place on a monthly or quarterly basis.

- **Whistleblower Policy and Procedures**

The Group has a Whistleblower Policy which enables employees to raise matters in an independent and unbiased manner. As part of this Whistleblower Policy and procedures, there is an anonymous ethics and fraud e-mail, under the administration of the Group Chief Internal Auditor (GCIA), as a mechanism for internal and external parties to channel their complaints or to provide information in confidence on fraud, corruption, dishonest practices or other similar matters by employees of the Group. The objective of such an arrangement is to encourage the reporting of such matters in good faith, with the confidence that employees or any parties making such reports will be treated fairly, their identity remains anonymous and are protected from reprisal.

- **Insurance and Physical Safeguard**

The Group maintains an insurance programme to ensure that its assets and businesses are sufficiently covered against any damage that will result in material losses. At the same time, we also ensure that our major assets are physically safeguarded and review the adequacy and type of insurance cover at regular intervals to ensure alignment against the Group's risk exposure and appetite.

### 3.2 Security (Application and IT Network)

- **Business Continuity Management**

The Board is committed to safeguard the interest of our stakeholders by ensuring the ability of business operations to continue during a crisis and to have speedier recovery from a crisis through the implementation of Business Continuity Management (BCM) across the Group. The BCM programme provides a framework for the Group in building organisational resilience in the face of a crisis. The programme created is sufficiently robust in catering for enhancement due to technological evolution or organisational changes.

The Group BCM framework, aligned against international standards of ISO 22301 Business Continuity Management have been formalised and standardised across the Corporate Headquarters and selected OpCos. At the same time, our versatile framework allows for customisation in accordance to each OpCo's requirements and operating environment. Business recovery plans have been documented for mission critical processes, tested and rehearsed regularly to ensure effective coordination, familiarity and awareness among employees. The Group Risk Management department, which is led by the Group Chief Risk Officer, is responsible in ensuring effective implementation and coordination of business continuity efforts across the Group. As at end 2016, BCM has been implemented for all OpCos including Corporate Centre.

- **Information Technology (IT)**

IT modernization and digital enablement for superior customer experience is identified as one of the Group's key strategies. All OpCos have been focusing in line with this strategy undertaking various initiatives which include the ground work for inducting Digital IT Stack, application rationalization, enhancing Application Programme Interface (API) strategy, modernising Business Support Systems (BSS) and Operations Support Systems (OSS) in order to meet evolving business requirements and achieve competitive positioning. Cybersecurity is an essential and underlying part of our digital strategy and risk mitigation. In 2016, the Cyber Security Operations Center (CSOC) was established across the majority of OpCos to improve incident monitoring capability. In addition, relentless focus continues on strengthening cybersecurity resilience through various initiatives, for example, periodic Cyber Security Posture Assessment (CSPA) etc. With business continuity being another critical area, continued focus and investments are being ensured in disaster recovery for key IT systems.

### 3.3 Regulatory and Compliance

- **Group Regulatory Affairs (GRA)**

The approach used is to pro-actively shape the landscape (external environment) at each OpCo market thus enabling proper and effective management of regulatory issues confronting the OpCos. The regulatory issues are those identified and monitored via regular reviews of the Group's risk matrix and managed as part of the Enterprise Risk Management process.

This approach encompasses:

- 1. Regulatory Strategy:**

- a. Constant monitoring of regulatory developments and identification of regulatory issues for each OpCo based on issues of highest strategic, financial and/or reputational impact;
- b. Periodic review of national OpCo annual regulatory strategies which addresses these issues. This would translate into an advocacy plan engaging regulators and other authorities through formal and informal submissions and where appropriate, joint advocacy with international partners such as GSMA; and
- c. Development of Group-wide positions on key issues such as availability of new spectrum bands, review of spectrum strategy, same service same rules for 'Over-The-Top' (OTT) providers, net neutrality, competition, digital services regulations and the ASEAN Digital Revolution Framework.

- 2. Stakeholder Engagement:**

- a. Engagement plan covering key government and political stakeholders in each OpCo market including key agencies such as the National Regulatory Agencies with effective messages based on the regulatory strategy; and
- b. Engagement plan covering international and regional regulatory bodies, inter-governmental agencies and trade bodies with effective messages based on the regulatory strategy.

- 3. Regulatory Compliance Framework:**

- a. Forms an essential part of the Corporate Governance Framework of the Group and states the principles and the tone by which regulatory compliance is to be approached and implemented;
- b. Objectives of the Regulatory Compliance Framework:
  - i. Set baseline expectation in relation to regulatory compliance;
  - ii. Place Axiata and OpCos in the best position to comply with regulatory obligations;
  - iii. Manage exposure to unacceptable compliance risk; and
  - iv. Avoid surprises on regulatory compliance and action from regulatory authorities.

In addition, GRA constantly embarks on ensuring a group-wide baseline of best practice regulatory skills and knowledge, through the development of industry collaterals, position papers and regular capacity building programmes.

The Group Regulatory Policy outlined in the Group Policy document provides guidance and establishes internal policies and procedures that attempt to manage the risk and impact of adverse regulatory decisions.

## STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

Underpinning the Group Regulatory Policy is the understanding that the Group shall comply with all applicable laws and regulations, regulatory obligations and governmental policies in the jurisdictions in which it operates, and that regulatory advice should be obtained in an efficient and cost effective manner as and when required.

It should be noted that the regulatory risks faced by Axiata in most markets are typical of those faced by telecommunications operators in emerging markets, where regulatory frameworks may be incomplete, there may be insufficient consultation with stakeholders, or political influence may materially affect the operations of mobile markets. Current regulatory risks which affect Axiata in multiple national communications markets include but not limited to: spectrum refarming, availability of new spectrum and associated acquisition costs, timely renewal of key operating licenses and spectrum allocations, levels of sector-specific taxation, quality of service, subscriber registration, competition, level playing field challenges from OTT providers, network security, digital services regulations, universal service obligations and periodic review of legal and regulatory frameworks.

### 4.0 Information and Communications

Information and communications support all other control components by communicating control responsibilities to employees and by providing information in a form and time frame that allows employees to carry out their duties. The key activities within the Group are as follows:

#### 4.1 Corporate Communication Policy

There is a Corporate Communications Policy in place to ensure that communication across the Group and to investors inside and outside of Malaysia are effectively managed and meets the diverse needs of the organisation.

The Board recognises the need for a robust reporting framework given the growth of the Group's international investments and is working towards further strengthening that element of the internal control system. The Board also recognises the need for more dialogue with investors and analysts as well as with the media moving forward. Details of investor relations activities are listed within the Statement on Corporate Governance section of this Annual Report.

#### 4.2 Business Control Incident (BCI) Reporting

The Group has in place BCI Reporting aimed at capturing and disseminating the lessons learnt from internal control incidents with the objective of preventing similar incidents from occurring in other OpCos within the Group and to enable monitoring of internal control incidents that have caused significant losses. Twelve (12) such incident reporting were shared with all OpCos in 2016.

### 5.0 Monitoring

Monitoring covers the oversight of internal control by management or other parties outside the process or the application of independent methodologies, such as customised procedures or standard checklists, by employees within a process. Key monitoring activities within the Group are as follows:

### 5.1 Performance Reporting

- **SLT Meetings**

The SLT meets monthly and as and when required, to deliberate on business performance, financial and operating risks and issues which include reviewing, resolving and approving all key business strategic measures and policies. Progress, exceptions and variations are also fully discussed and appropriate action taken. In 2016, there were 13 SLT meetings held at Group level. Similar meetings were held regularly at OpCo level.

Significant matters identified during these meetings are highlighted on a timely basis to the Board, which is responsible for setting the business direction and for overseeing the conduct of the Group's operations. Through these mechanisms, the Board is informed of all major control issues pertaining to internal control, regulatory compliance and risk taking. This ensures that business objectives stay on course.

- **Major Control Issues**

Quarterly reports on financial and operational control issues are tabled and subsequently reviewed by the BAC.

- **Headline Performance KPIs**

Headline Performance KPIs have been set and agreed upon by the Board as part of the broader KPI framework that the Group has in place, as prescribed under the GLCT programme.

The headline KPIs represent the main corporate performance measurement targets for the year and are announced publicly as a transparent performance management practice.

### 5.2 Ongoing Monitoring

- **Financial and Operational Review**

Quarterly financial statements and the Group's performance are reviewed by the BAC, which subsequently recommends them to the Board for their consideration and approval. Monthly management accounts containing key financial results, operational performance indicators and budget comparisons are also presented to the SLT to enable them to have regular and updated information of the Group's performance.

- **Internal Audit (IA)**

The function of IA is highlighted within the BAC Report section of this Annual Report.

## APPENDIX 1 - Key Risks Faced by the Group

### 1. Financial Risk

2016 was a volatile year for certain emerging markets currencies such as the Indonesian Rupiah and Malaysian Ringgit against US dollar. As a global player with presence across 10 countries, the Group is exposed to these volatilities which could adversely affect the Group's cash flow and financial performance. The Group has borrowings in foreign currencies and is cognisant of the foreign exchange and interest rates exposures. To mitigate this risk, Axiata Treasury Management Centre has been tasked to oversee and control the Group's treasury and funding matters, develop hedging strategies which are governed strictly by the treasury policies, taking into consideration current and future outlook of the relevant economies and foreign exchange markets with the ultimate objective of preserving the Group's profitability and sustainability.

### 2. Market Risk

The Group's key markets are predominantly emerging markets which are generally characterised as being economically less developed. These countries are also more prone to economic uncertainties and sensitive towards any changes in developed countries. The unexpected vote for Brexit in United Kingdom, the new American President and its policies, and the volatile price of oil have had an impact on the global economy. These developments have affected investor sentiment, lowered economic growth and hence resulting in lower levels of disposable income among customers. In addition, our OpCos are challenged by stiff price competition, from both incumbents, new players and smaller scale players, leading to lower profitability and a damaging price war in certain markets. It is imperative that the Group takes the necessary measures to drive efficiencies and innovations through investments in new technologies, establish strategic ties with 'Over-the-Top' (OTT) or other digital product developers in order to create products and services that meets evolving customer needs, increase the Group's share of customers' wallet and rebuild customer loyalty.

### 3. Regulatory Risk

The telecoms sector where the Group operates is subjected to a broad range of rules and regulations, put in place by various regulatory bodies. High tax rates, significant spectrum fees, levies, Value Added Taxes (VAT), call drop penalties, etc. are common challenges faced by the Group. In some countries, the Group is faced with prolonged tax litigations while others are challenged with a systematic increase in taxes and more favourable treatment accorded to the domestic operators. Such policies and regulations could disrupt the Group's business operations and impair its business returns and long-term growth prospects. These rules and regulations may also limit our flexibility to respond to market conditions, competition and new technologies. In responding to such a challenging environment, the Group advocates strict compliance, transparency and putting our case before the relevant authorities. We have instituted dedicated personnel and resources to constantly monitor all relevant developments and maintain regular contact and a courteous relationship with the governing authorities. The Group has also been at the forefront in engaging regulatory officials, participating in government consultations, and sharing knowledge and best practices in the development of healthy regimes for the telecoms sector.

Spectrum, a scarce resource, remains critical for the Group's core business of providing mobile voice and broadband services and is often seen as means of raising funds by the local government as evident in previous spectrum auctions within the Asian region. The Group saw two spectrum renewal exercises in 2016 which, through prudent planning, we were able to obtain sufficient spectrum capacity within the confined budget approved by the Board.

### 4. Cyber Risk

The increase connectedness of many everyday goods and services via the Internet (digitisation) has meant that telecom operators are facing greater challenges of security breaches from such connections. Such breaches may result in the loss or compromise of sensitive information or interruption to services. The Group considers this as a heightened risk, following the increase in malicious and high profile attacks against major corporations around the world. As the Group relies heavily on information technology, the Group has to protect the privacy of our customers as well as company confidential information stored within our network and systems infrastructure. A successful cyber-attack will undermine customers' confidence in the Group and may materially impact our businesses and tarnish the Group's reputation. Such breaches are also costly to rectify and could result in criminal or civil action in addition to regulatory penalties. Mindful of the risk and repercussions, the Group has established a Cyber Security Steering Committee, which focuses on the accelerated implementation of security initiatives. The committee has been at the forefront of safeguarding the Group by ensuring strict compliance with security policies, procedures, and putting in place technologies and tools to minimise the risk of security breaches. Other technical action have also been instituted to monitor and detect security breaches.

### 5. Operational Risk

The Group relies on third party vendors in many aspects of our business. Their non-performance will have an impact on the Group's operations. The telecoms industry is dominated by a handful of vendors which means any failure or refusal by these key vendor to meet their agreed obligations may significantly affect our core business and operations. One of Axiata Procurement Centre's key role is to be on the lookout for ways to manage these risks, monitor the performance of the vendors and develop new relationships to reduce such dependencies.

The telecoms network within our OpCos are subjected to risks of failures, some within our control while others are not. Repeated failures or service outages could disrupt services, resulting in revenue losses, damage to reputation and eventually customer churn. In some countries, the OpCo could be fined with stiff penalties for poor quality of services or drop calls. The IT systems are also crucial in running operations, from providing end-to-end customer services to running internal processes such as billing. The IT architecture changes regularly due to newer versions, upgrades and security patches. Failure to keep the architecture updated may result in a system crash or security breaches. Cognisant of the risks, the Group continuously address issues such as network congestions, drop calls, upgrades to network coverage, etc., to ensure better quality network and service delivery. Operating procedures with appropriate incident escalation procedures and adequate disaster recovery plans are in place at each OpCo to ensure seamless business continuity. In addition, the Group maintains a global insurance programme to mitigate business losses.

## STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

### 6. Geo Political Risk

2016 witnessed a rise in terrorist attacks globally. The Group operates in some countries that are the subject of such attacks and threats. In addition, they also continue to experience political instability and civil unrests. Such conditions, which are beyond the Group's control, may cause disruption to the business, undermining market sentiment and investor confidence towards the Group. To mitigate this risk, the Group work closely with the respective OpCo Management, leveraging on their local expertise, knowledge and ability to continually assess the political situation and have in place various measures to ensure a timely response in the event of such occurrences.

### 7. Strategic Risk

Evolution of the telecoms landscape, through the substitution of services by non-traditional OTT service providers, and entry of new operators, including Mobile Virtual Network Operators (MVNOs) has had a profound impact on the telecoms sector. There is a change in customer expectations away from simple connectivity to customers wanting better experience in Internet connection, network quality and competitive tariff rates. Increasingly, the ability to provide compelling digital content and lifestyle applications such as music and mobile money are equally important for mobile users. The entry of new players has also created pricing pressure eroding the Group's margin. Keeping pace with changing consumer expectations and competitive pricing has become a challenge across most of the key markets the Group operates in. To mitigate this risk, the Group closely monitors the competitive landscape, explores and makes appropriate investments to upgrade its technology and platform and reviews the relevance of its products and services offerings in order to stay in the game. Prudent cost management keeps our budget lean while maintaining strong strategic alliances with network vendors helps us to keep pace with technology shifts.

### 8. Investment Risk

Venturing into new growth areas remains as one of the Group's strategic initiatives to create additional revenue streams such as participating in digital and OTT initiatives and expanding into green field markets through strategic investments. Nonetheless, the Group recognises the risk and repercussions involved in poor investment decisions and the management of these new initiatives post-acquisition. To manage this risk, we have put in place a Mergers and Acquisition Committee that oversees all acquisitions and divestments and at the same time, maintain a robust due diligence process to evaluate and manage the potential risks involved. Post-acquisition, transition teams are put together to ensure that organisational, cultural and mind-set changes that are required are implemented appropriately.

### 9. People Risk

People are one of the key pillars of success for the Group as it underpins our ability to develop and deliver superior services to our customers. Hiring the right employee and loss of key talent remain a challenge in the emerging economies which the Group operates in. Failure to attract, develop and retain talented employees of the appropriate calibre will compromise our ability to execute our business strategies. Our Talent Management team is on a constant lookout for suitable employees,

whilst developing our people through robust talent development programmes, attractive performance based rewards and providing a safe and healthy work environment. Employee engagement is also critical for the Group as a failure to motivate and keep employees engaged will reduce overall morale, increase attrition and ultimately affect our business.

### 10. Technology Risk

The Group constantly strives to be at the forefront of both technology and innovation in all our operating regions. Rapid technological advances may result in premature obsolescence of key technology and equipment before the end of their expected useful life. On the other hand, a lag in development and deployment of new technologies may also result in the Group falling behind its competitors. To remain relevant, it is imperative that the Group constantly reviews and refreshes its technology yet maintain financial prudence. Capex intensity remains a challenge given the persistent upward trend of spending to keep pace with competition. The Group has recently reviewed and revamped its capital expenditure (CAPEX) governance and business planning process, focusing on prudent cost management and capex productivity, whilst increasing Group's visibility of these expenditure across all OpCos.

### 11. Governance and Integrity Risk

The Group holds strongly to our key values of Uncompromising Integrity and Exceptional Performance (UIEP) to ensure high ethical standards and good corporate governance are maintained. We believe that sound corporate governance is a key success factor when conducting business in a global, highly competitive, regulated and changing market. The Group's Code of Conduct sets out rules and guidelines on how personnel acting for or on behalf of the Group are expected to conduct business. The Group will continue its focus on maintaining and further developing the strong ethical platform and corporate governance standard to support Axiata's business integrity and continuing strong performance.

# BOARD AUDIT COMMITTEE

## Summary of the Board Audit Committee's Key Activities in 2016

During the Financial Year ended 2016 (FY16), the Board Audit Committee (BAC) discharged its functions and carried out its duties as set out in the Terms of Reference (ToR). Key activities undertaken by the BAC include the following:

### Risks and Controls

- The Group's major business risks and remedial actions were reported and deliberated at the BAC each quarter, a summary of which was reported to the Board.
- Four (4) Group Risk Management Committee meetings were held with the Senior Leadership Team (SLT). The Group's risks were assessed from various control perspectives that included preventive and detective controls.
- Reviewed the proposed collaboration between Celcom Axiata Berhad, Celcom Mobile Sdn Bhd and Celcom Networks Sdn Bhd with Telekom Malaysia Berhad and Packet One Networks (Malaysia) Sdn Bhd.
- The BAC provided an initial review of the implementation of BEPS ("Base Erosion Profit Shifting") Action Point No. 13 by the Malaysian Inland Revenue Board ("IRB") with the introduction of the Country-by-Country Reporting ("CbCR") including Master file and Local file which came into effect on 1 January 2017. The first CbCR that Axiata is required to submit to IRB is no later than 31 December 2018. The implication is to ensure transparent reporting of related party transactions (i.e. management support services, financing activities, etc).
- Reviewed the group gearing status, portfolio rebalancing and funding proposals.
- Reviewed Ncell's tax issues, hedging progress and internal controls.
- Reviewed and approved the new capex governance process to improve efficiency and effectiveness of spending.
- Reviewed the proposed amendment on dividend policy to be approved at the Board.
- Reviewed the fraud and investigation function and mechanism across the Group. This is to strengthen and improve the overall whistle blower and fraud and investigation framework.
- Reviewed and approved the revised version of Internal Control Assurance Letter (ICAL) to be completed by all Operating Companies' (OpCos) Chief Executive Officers (CEO), Axiata's SLT and selected group finance personnel. The purpose of ICAL is to provide a self-assessment of the internal controls based on the Committee of Sponsoring Organizations of the Treadway Commission (COSO) framework.
- Commissioned and approved the establishment of the Group Cyber Security Steering Committee (CSSC). As part of the CSSC, the Cyber Security Operations Center (CSOC) has been established across the majority of OpCos and implementation of initiatives such as the Cyber Security Posture Assessment (CSPA). A current assessment and test on cybersecurity readiness is ongoing in four (4) out of the six (6) OpCos, with agreed actions to address all gaps.
- Reviewed integrated financial reporting and monitored corrective actions taken.
- Axiata BAC Chairman Forum was conducted on 11 April 2016 prioritising risks and action plans. The top priorities were cybersecurity, digitization of the core, mergers and acquisitions deal learnings and capex efficiency and governance process.
- A total of 105 internal audit reviews were completed across the Group.

### Other recurring works include:

- Reviewed and recommended the Statement on Corporate Governance, Statement on Risk Management and Internal Control and BAC Report to the Board for approval.
- Reviewed the policy and limits of authority across the Group.
- Reviewed the financial results quarterly, half yearly and annually prior to the Board for approval.
- Reviewed impact of the new Companies Act and new IFRS standards on reporting.
- Reviewed the accounting impact and accounting entries arising from merger and acquisition deals and revised accounting policies when required.
- Reviewed the potential impairment exposure of major investments.
- Reviewed on a quarterly basis the related party transactions entered into by Axiata pursuant to the shareholders mandate on Recurrent Related Party Transactions (RRPT) procured at the 24th AGM of the Company held on 25 May 2016 and the reporting of these transactions in the 2016 Annual Report.
- During the financial year ended 31 December 2016, Axiata has granted a total of 5,338,000 shares under the Performance-Based Employee Share Options and Share Scheme (details provided under Notes 14 of the Audited Financial Statements) at the Share Reference Price of RM3.79 for 15 February Regular Stock Purchase (RSP) grant. The BAC has reviewed the allocation of the above shares granted to eligible employees (as defined in the Bye-Laws of the Performance-Based Employee Share Option and Share Scheme) and noted its compliance with the conditions for the allocation of share options/shares as approved.
- Held two (2) private meetings with the external auditors on 16 February 2016 and 23 August 2016 without the presence of management and Internal Audit. The topics that were discussed were the sufficiency and adequacy of information provided to external auditors to perform the audit, cooperation provided by the management and key matters noted from audits.
- Reviewed and approved appointment of external auditors, taking into consideration their competencies, commitments, objectivity and independence.
- Reviewed and approved the annual internal audit plan and budget.
- Assessed the quality of internal audit staff, experience, discipline and length of service.
- Reviewed 12 business control incidents and identified cases of control weaknesses including fraud for sharing of lessons learnt within the Group to avoid similar incidents.
- Acknowledged, reviewed and investigated 20 defalcation cases across the Group.

## BOARD AUDIT COMMITTEE

### Composition and Meetings

In 2016, the BAC, met six (6) times on 11 January 2016, 16 February 2016, 17 March 2016, 24 May 2016, 23 August 2016 and 23 November 2016. The composition and the attendance record of BAC members are listed below.

| Name of Director  | Status of Directorship/Qualifications     | No. of Meetings Attended |
|---|---|--------------------------|
| David Lau Nai Pek (Chairman of BAC)                     | Independent Non-Executive Director        | 6 out of 6               |
| Datuk Azzat Kamaludin                                   | Senior Independent Non-Executive Director | 6 out of 6               |
| Juan Villalonga Navarro<br>(Retired w.e.f. 25 May 2016) | Independent Non-Executive Director        | 1 out of 4               |
| Kenneth Shen  | Non-Independent Non-Executive Director    | 6 out of 6               |

### Financial Literacy

The BAC is chaired by David Lau Nai Pek, who has more than 30 years' experience with the Royal Dutch Shell Group, leading financial organisations in various countries. David is also a member of the Malaysian Institute of Accountants and a member of the New Zealand Institute of Chartered Accountants.

Datuk Azzat Kamaludin has spent many years in the BACs and Boards of major companies in Malaysia and internationally.

Juan Villalonga was Chairman and Chief Executive Officer of a major telecommunications services provider in Spain. He was also the former Chief Executive Officer of major banking institutions in Spain. He has retired from BAC with effect from (w.e.f.) 25 May 2016.

Kenneth Shen has more than 25 years' experience in global investment, corporate finance, and mergers and acquisition gained in New York, Hong Kong, Qatar and Malaysia.

### Group Internal Audit

The internal audit function is under the purview of Axiata Group Internal Auditors (AGIA) and headed by the Group Chief Internal Auditor (GCIA), who is independent and reports directly to the BAC and the CSSC.

The internal audit reporting structure within the Group has been organised whereby the audit departments of the OpCos report directly to the BAC of the respective OpCo with a dotted reporting line to the GCIA. AGIA has direct control and supervision over internal audit activities in OpCos that do not have an audit function. The GCIA also acts as the secretary to the BAC and CSSC.

AGIA provides independent, objective assurance on areas of operations reviewed, and makes recommendations that will improve and add value to the Group. AGIA identifies, coordinates and conducts global audits that are carried out throughout the Group and also provides standards, policies, guidelines and advice to the OpCos' audit function to standardise the internal audit activities within the Group.

AGIA adopts a systematic and disciplined approach to evaluate the adequacy and effectiveness of risk management, financial, operational, compliance and governance processes. Structured risk-based and strategic based approaches are adopted in identifying internal audit activities that are aligned with the Group's strategic plans to ensure that the risks facing the Group are adequately reviewed.

In addition, international standards and best practices are adopted to further enhance the relevancy and effectiveness of the internal audit activities. The areas of coverage include finance, sales, marketing, information and technology, billing, network, corporate governance, human resources, customer service and procurement. The audit reports of these assignments provide independent and objective assessment of the following:

- the adequacy, effectiveness and efficiency of the internal control systems to manage operations and safeguard the Group's assets and shareholders' value; and
- the adequacy and effectiveness of the risk management operations, governance and compliance functions to identify, manage and address potential risks facing the Group.

The internal audit reports are issued to management for their comments and to agree on action plans with deadlines to complete the necessary preventive and corrective actions. The reports are tabled at each OpCo's BAC and the summary of the key findings are presented to the BAC for due deliberation to ensure that management undertakes to carry out the agreed remedial actions. Members of management are invited to the BAC meetings from time to time, especially when major control weaknesses are highlighted by Internal Audit.

Key audits and reviews completed in 2016 were:

- Distributors Management
- SAP System (IT General Controls - Procure to Pay)
- Human Resource Management
- Follow up review on capex efficiency audit
- Follow up review on revenue assurance assessment
- Audit on Axiata Procurement Centre
- Audit on Ncell procurement

The total cost incurred by AGIA last year, inclusive of all OpCos, was RM13.4 million.

There are a total of 62 internal auditors across the Group whilst AGIA at Corporate Centre has six approved headcount and operates on a resource sharing basis with other OpCos' Internal Audit Divisions. All the internal auditors have tertiary qualifications and the level of expertise and professionalism within AGIA at the end of 2016 is as follows:

| Expertise Category | Percentage of total auditors |
|--------------------|------------------------------|
| Finance            | 60%                          |
| IT/MIS             | 40%                          |

| Professional Category                       | Percentage of total auditors |
|---|------------------------------|
| <b>Professional Certification</b>           |                              |
| • CPA, ACCA, CA, CIMA                       | 60%                          |
| • CIA                                       | 20%                          |
| • Certified IS Auditor                      | 40%                          |
| • Institute of Internal Auditors Membership | 60%                          |
| <b>Post Graduate</b>                        |                              |
| • MBA and Masters                           | 20%                          |

# COMMITMENT TO CUSTOMER PRIVACY AND DATA PROTECTION

As Axiata embarks on its journey towards becoming a New Generation Digital Champion, we remain committed to respecting and protecting the data and privacy of approximately 320 million customers throughout our regional footprint of ten countries across Asia, with a high level of cybersecurity standards.

We are cognisant of the sensitivity of our customers' information, which includes their personal information and communications, locations and their use of the Internet and digital applications.

As the world becomes increasingly digitalised, with mobile technologies a crucial communications enabler in our lives and businesses emphasis on data privacy and security measures is becoming increasingly more significant. Primary concerns centre on the complexity of advanced technologies, threats from hackers and the potential for human error, all of which can lead to the loss, deletion or misappropriation of information.

We intend to inspire digital trust and confidence in our customers through robust data privacy and security policies, frameworks and management, which will be based on our values of Uncompromising Integrity and Exceptional Performance (UI.EP). Our aim is to enhance our customer experience by ensuring the confidentiality of our customers' personal and business communications by respecting their choice and preferences, whilst keeping their information secure through various controls.

To maintain the digital confidence of our customers we will be implementing initiatives which will broadly cover a number of areas within the Group. These include how we process and protect personal data; maintain a cross-functional Privacy Team; detect and report non-conformities; and create an organisational and employee culture founded on a clear understanding of the importance of protecting and respecting our customers' information.

In 2016, we acknowledged privacy and security issues as an important element in our business processes. Understanding the need to maintain a very high level of compliance in this area, we identified a cross-functional privacy taskforce and identified several action items to reinforce our commitment to upholding privacy and security across the Group. Among these actions are to ascertain consumers' expectations for privacy and security in the markets we operate in, and draft a Group Privacy Framework that will conform to international best practices.

A new Group Privacy Framework will encapsulate Axiata's beliefs on Data Privacy and Cybersecurity and will have the key overarching objective of encouraging business practices and standards that enable innovation while respecting and protecting privacy through providing meaningful transparency, notice, choice and control for customers over the use of their personal information. These actions will be developed and initiated across our Operating Companies (OpCos) and the Group between 2017 and 2018.

We implemented the Axiata Regulatory Compliance Framework in 2015 as an integral part of our Corporate Governance Framework which provides the Board of Directors oversight of Axiata's regulatory compliance performance. Its objective is to set baseline expectations in all OpCos in relation to Regulatory Compliance, placing Axiata and our OpCos in the best position of compliance with regards to regulatory obligations. It also assists the Group to manage exposure to unacceptable compliance risks, and ensure compliance with regulatory authorities.

Within each of our OpCos, compliance with national laws and regulations are a vital core of our OpCos' Data and Privacy Policies. In Malaysia, we have set our commitment to privacy and security based on the Personal Data Protection Act (PDPA) 2010 and the information security standard ISO 27000.

Axiata Group's implementation and execution of our Group wide data privacy actions and measures will be based on four fundamental pillars:

## 1. Personal Data Security

To protect our customers from the threat of hackers and potential human error, we will utilise a mix of IT system security and periodic data security audits to secure the personal data of our customers. We will also adopt a formal Data Retention Policy to determine when data is to be deleted, once the data is no longer required for its original purpose.

Where the data processing function is subcontracted to a vendor or supplier for third party processing and/or cross border transfers, we will explain our processes to our customers to ensure they clearly understand our actions and intentions. For third parties with access to Axiata systems or the personal data of our customers, we will ensure that they are contractually bound to maintain Axiata's data security and privacy protocols, where subcontractors will be expected to provide data security levels which are on par with, if not higher than, Axiata's standards.

## 2. Personal Data Privacy

To ensure that our customers are aware of how and why we intend to process their personal data, we will provide all our customers with choice and control over the use of their personal data in accordance to prevailing laws and obligations as described in our operating licenses and approvals.

In creating new value through innovative services for today's digital-savvy consumer, we will do so by using techniques to process data where it is not possible to identify specific customers; and/or provide notice or ask for our customers' consent if otherwise. This is essential for the purpose of meeting legitimate business purposes to deliver, provision, maintain or develop new innovative apps and services.

## 3. Support for Law Enforcement

Mobile telecommunications information is playing an increasingly important role in activities related to national surveillance and support for law enforcement.

As a responsible Group, we will comply with local law enforcement and national security requirements and will respond to requests from authorities as stipulated within laws and regulations.

## 4. Information Technology (IT)

A key strategy employed by our OpCos is IT modernisation and digital enablement to give rise to a superior customer experience for our 320 million customers throughout Asia. In line within this, all our OpCos across the region are focusing on implementing various related initiatives to meet evolving business requirements and achieving competitive positioning for our Group. These include developing and inducting the Digital IT Stack to digitize business processes, application rationalisation, enhancing the Application Programme Interface (API) strategy, and modernising Business Support Systems (BSS) and Operations Support Systems (OSS).

Cybersecurity is an essential component of our digital strategy and risk mitigation. In 2016, Axiata's Cyber Security Operations Center (CSOC) was established across the majority of our OpCos to improve incident monitoring capability. In addition, we continue to relentlessly focus on strengthening our cybersecurity resilience through various initiatives such as periodic cybersecurity posture assessments (CSPA). Another critical area is business continuity and we are sustaining our focus and investments to ensure in effective disaster recovery for key IT systems.

# ADDITIONAL COMPLIANCE INFORMATION

## 1. Non-Audit Fees [Disclosed in accordance with Appendix 9C, Part A item 18, Main LR]

The amount of non-audit fees incurred for the services rendered to Axiata and the Group by its external auditors, Messrs PricewaterhouseCoopers and its affiliated companies for the FY16 are RM3,636,160 and RM16,849,162 respectively.

Services rendered by PricewaterhouseCoopers are not prohibited by regulatory and other professional requirements, and are based on globally practiced guidelines on auditors independence. PricewaterhouseCoopers was engaged in these services when their expertise and experience of Axiata are important. It is also the Group's policy to use the auditors in cases where their knowledge of the Group means it is neither efficient nor cost effective to employ another firm of accountants.

## 2. Material Contracts Involving Directors'/Major Shareholders' Interest [Disclosed in accordance with Appendix 9C, Part A item 21, Main LR]

There were no material contracts of Axiata and/or its subsidiaries involving directors' and major shareholders' interests either subsisting as at 31 December 2016 or entered into since the end of FY15.

## 3. Utilisation of Proceeds [Disclosed in accordance with Appendix 9C, Part A item 13, Main LR]

USD500 million MTN Sukuk was issued on 24 March 2016, and the utilisation of the proceeds is to fund merger and acquisition transaction.

## 4. Performance-Based Employee Share Option and Share Scheme [Disclosed in accordance with Appendix 9C, Part A item 27, Main LR]

The Performance-Based ESOS was approved by its shareholders at an Extraordinary General Meeting held on 24 March 2009 and implemented on 16 April 2009. On 1 June 2011, Axiata's shareholders had, at the 19th AGM, approved the amendments to the Bye-Laws of the Axiata Share Scheme (Bye-Laws) to include a Restricted Share Plan and the same took effect from 15 July 2011. From thereon, Axiata started to offer Eligible Employees the entitlement to receive RSA instead of ESOS Options.

Information on ESOS Options/RSA granted, vested, exercised and outstanding since the implementation of Axiata Share Scheme until FY16 are as follows:-

- Total Number of ESOS Options/RSA granted: 186,908,000 ESOS Options and 64,148,300 RSA

The ESOS Options and RSA granted shall be vested only upon the fulfilment of certain performance criteria by Axiata and individuals as at vesting date. Senior and top management can only vest the RSA at the end of the third year, with potential multiplier effect on the number of shares to be granted.

- Total Number of RSA vested: 34,500,100
- Total Number of ESOS Options exercised: 141,379,146
- Total number of ESOS Options/RSA outstanding: 23,444,762 ESOS Options, 27,048,400 RSA

As provided below, with the exception of Tan Sri Jamaludin Ibrahim, Managing Director/President & Group Chief Executive Officer of Axiata, none of the Directors of Axiata have been granted ESOS Options or RSA:-

|                           | Granted      |           | Adjusted         | Exercised/Vested |         | Outstanding  |                  |
|---------------------------|--------------|-----------|------------------|------------------|---------|--------------|------------------|
|                           | ESOS Options | RSA       | RSA <sup>1</sup> | ESOS Options     | RSA     | ESOS Options | RSA <sup>2</sup> |
| Tan Sri Jamaludin Ibrahim | 4,301,700    | 1,716,700 | 489,200          | 1,146,900        | 827,700 | 3,154,800    | 1,378,200        |

Notes:

<sup>1</sup> Adjusted refer to the additional number of shares vested due to multiplier effects or pro-rated shares offered at the time of vesting.

<sup>2</sup> The number of RSP shares that may vest is 1,378,200 provided that the performance targets for vesting are met. If not met, the amount could be nil or a portion of the amount. However, if the super stretched individual performance targets and the Group meeting superior company performance targets at the point of vesting are met, up to 6,757,000 Axiata Shares may be vested to Tan Sri Jamaludin Ibrahim.

In accordance with the Bye-Laws, not more than 50% of the Company's new ordinary shares made available under the Axiata Share Scheme shall be allocated, in aggregate to Eligible Employees who are Executive Directors of the Company or any corporation within the Group or who are Senior Management. For the FY16, the actual percentage of options/shares granted to them was 23.2% of the total number of options/shares granted. Since commencement of the Axiata Share Scheme, the actual percentage of ESOS Options/RSA granted in aggregate to Eligible Employees who are Executive Directors of Axiata or any corporation within the Group or who are Senior Management is 20.0%.

## ADDITIONAL COMPLIANCE INFORMATION

### 5. Recurrent Related Party Transactions of Revenue in Nature (RRPT) [Disclosed in accordance with paragraph 10.09 (1) (b) and paragraph 3.1.5 of Practice Note 12, Main LR]

At the last AGM held on 25 May 2016, Axiata has obtained a general mandate from its shareholders for the Group to enter into RRPT with related parties as set out in the Circular to Shareholders dated 26 April 2016 (RRPT Mandate). This RRPT Mandate is valid until the conclusion of Axiata's forthcoming 25th AGM to be held on 26 May 2017 (25th AGM).

Axiata proposes to seek a new RRPT Mandate at its forthcoming 25th AGM (Proposed Shareholders' Mandate). The Proposed Shareholders' Mandate, details as provided in the Circular to Shareholders dated 27 April 2017 sent together with the Annual Report, if approved by the shareholders, would be valid until the conclusion of Axiata's next AGM.

Details of RRPT entered into during FY16 under the RRPT Mandate are as follows:-

| Transacting Companies   | Transacting Related Parties                                | Interested Major Shareholder/ Director  | Nature of Transaction   | Value of Transactions RM'000 |  |  |
|---|--|---|---|------------------------------|--|--|
| Axiata Group  | Telekom Malaysia Berhad and/or its subsidiaries (TM Group) | <ul style="list-style-type: none"> <li>- Khazanah,</li> <li>- Tan Sri Dato' Azman Hj Mokhtar</li> <li>- Kenneth Shen</li> </ul> | <b>REVENUE</b>  |                              |  |  |
|   |  |   | <b>Telecommunication and Related Services</b>   |                              |  |  |
|   |  |   | - Interconnect payment from TM Group  | 20,441                       |  |  |
|   |  |   | - Leased-line payment from TM Group   | 6,465                        |  |  |
|   |  |   | - Voice Over Internet Protocol related services revenue from TM Group   | 5,445                        |  |  |
|   |  |   | - Dark fibre and leased line from Celcom Group to Fibrecomm Network (M) Sdn Bhd                                       | 712                          |  |  |
|   |  |   | - Leased-line from Celcom Group to Fiberail Sdn Bhd   | 477                          |  |  |
|   |  |   | - Transmission revenue on the services by Axiata Group to TM  | 3,523                        |  |  |
|   |  |   | - Site rental payable for telecommunication infrastructure, equipment and related charges by TM Group to Axiata Group | 6,896                        |  |  |
|   |  |   | <b>COSTS</b>  |                              |  |  |
|   |  |   | <b>Telecommunication and Related Services</b>   |                              |  |  |
|   |  |   | - Interconnect cost to TM Group   | 17,295                       |  |  |
|   |  |   | - Voice Over Internet Protocol related services by TM Group to Axiata Group   | 12,594                       |  |  |
|   |  |   | - Leased-line costs to TM Group   | 10,052                       |  |  |
|   |  |   | - Provision of data and bandwidth related services by TM Group to Axiata Group  | 35,813                       |  |  |
|   |  |   | - Internet access and broadband charges by TM Group to Celcom Group   | 0                            |  |  |
|   |  |   | - Provision of contact centre and business process outsourcing services by VADS Berhad to Axiata Group                | 67,024                       |  |  |
|   |  |   | - Leasing of fibre optic core and provision of bandwidth services from Fiberail Sdn Bhd to Celcom Group               | 1,927                        |  |  |
|   |  |   | - Purchase of dark fibre, bandwidth, space and facility from Fibrecomm Network (M) Sdn Bhd to Celcom Group            | 1,996                        |  |  |
|   |  |   | <b>Non-telecommunications Services</b>  |                              |  |  |
| - Site rental for telecommunication infrastructure, equipment and related charges by TM Group to Celcom | 93,821   |   |   |                              |  |  |
| - Rental of office premises payable monthly by Axiata Group to TM Group                                 | 13,978   |   |   |                              |  |  |
| <b>TOTAL</b>  |  |   |   |                              |  |  |
|   |  |   |   | <b>298,459</b>               |  |  |

### 6. Status of Legalisation of Outdoor Structures [Disclosed in accordance with letter from SC dated 12 February 2014]

Pursuant to the approval from Securities Commission Malaysia (SC) in 2008 in relation to, amongst others, TM Group's demerger and the listing of Axiata, Axiata is required to obtain the relevant approvals for the transmission towers and rooftop sites (Outdoor Structures) of Celcom Group within two years from the date of the SC's approval letter (Timing Conditions).

SC had, in 2010 and 2012, granted an extension of time for Axiata to comply with the Timing Conditions until 29 January 2012 and 29 January 2014 respectively.

Following the application submitted by CIMB Investment Bank Berhad, on behalf of Axiata, for further extension of time for the legalisation of the remaining 28 Outdoor Structures, SC had, via their letter dated 12 February 2014, granted an exemption to Axiata from complying with the Timing Conditions, subject to, amongst others, Axiata disclosing the status of the legalisation in its annual report until such time the necessary approvals are obtained.

As at 31 March 2016, 21 Outdoor Structures remained to be legalised. Applications for nine sites are pending approval from local authorities with one application in the process of finalisation for submission. Based on current regulations, the application for the remaining 11 sites could not be submitted at this juncture to the local authorities.

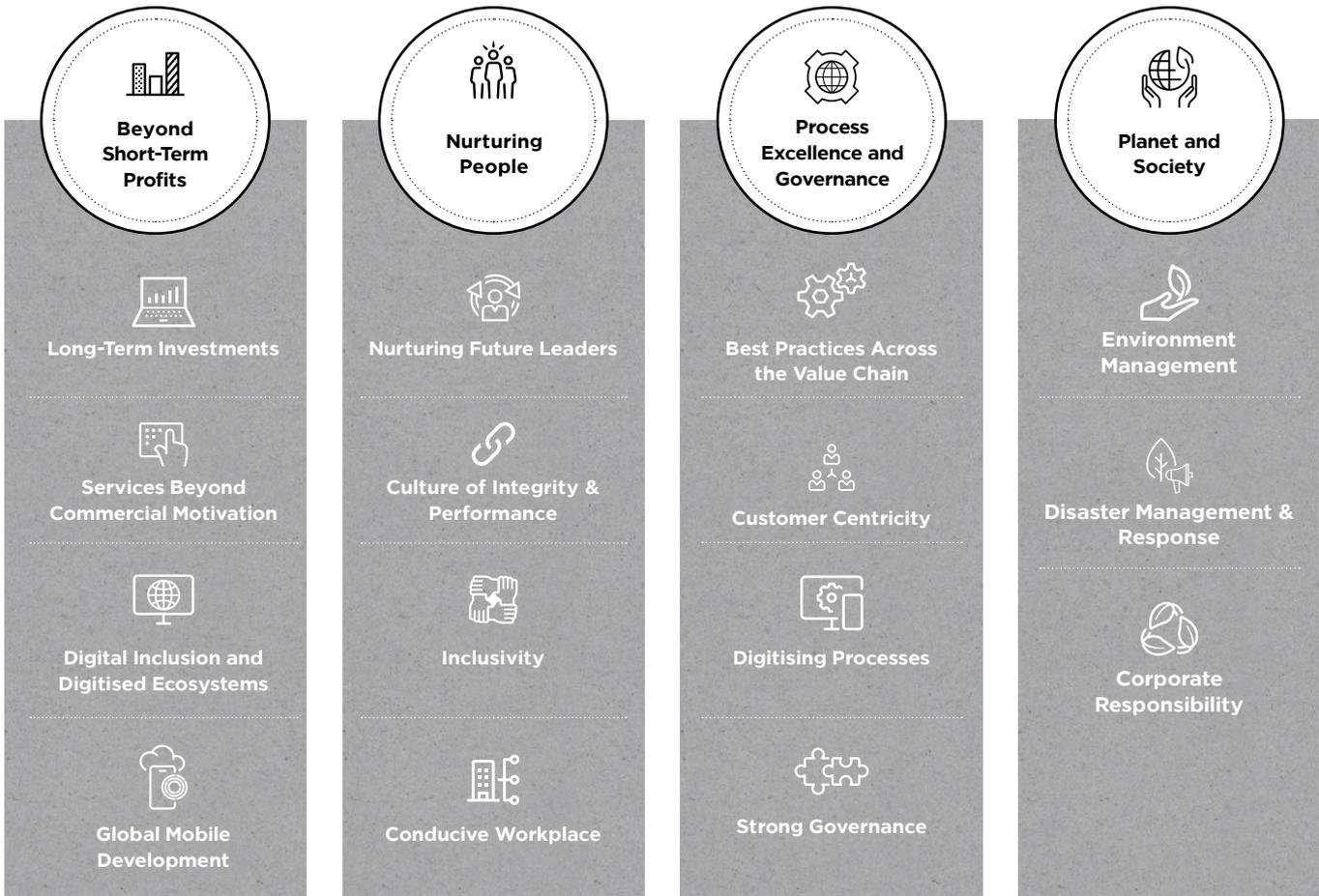
# CORPORATE RESPONSIBILITY



# SUSTAINABILITY AT AXIATA

## Our 4 P's Approach to Sustainability

The Axiata 4 Pillars (4P) sustainability framework, is aligned to our broader vision of Advancing Asia and aimed at creating long-term value for our stakeholders.



The next three years will see Axiata on its journey towards the next phase of development towards becoming a New Generation Digital Champion. We expect to see significant changes in the industry as well as our own operations over that period of time, and we are aware that these changes will certainly have an impact on our Economic, Environmental and Social bottom line.

The Group's sustainability journey, management approach to sustainability and achievements in 2016 are outlined in detail in Axiata's Sustainability & National Contribution Report 2016, "Commitment to Development, Towards a Digital Future".

The report is available online at [www.axiata.com](http://www.axiata.com) and can be downloaded on



# NATIONAL CONTRIBUTION

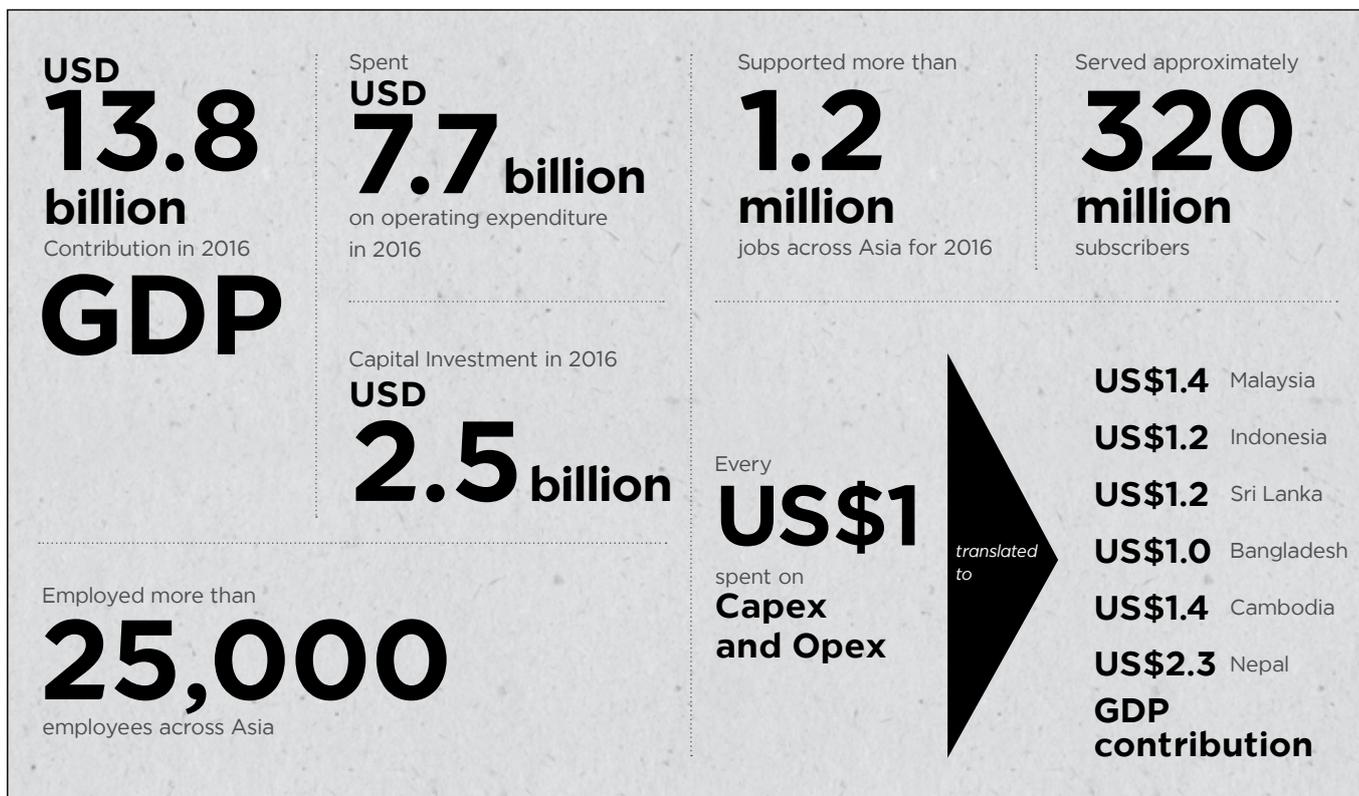
As one of the leading telecommunications groups in Asia with a presence in ten countries and a customer base of approximately 320 million, Axiata makes a substantial contribution to the countries in which the Group operates. Through its investments in its portfolio of operating companies across the region, Axiata is recognised as a one of the largest Foreign Direct Investors, best employer, significant taxpayer and a substantial purchaser of local services.

Axiata's business of providing telecommunications services, network infrastructure services and digital services has created significant economic value and opportunities, both directly and indirectly, to close to two billion people in ten countries across ASEAN and South Asia.

Additionally, as a committed long-term investor in all its countries of operations, Axiata has further supported and created non-economic value in areas identified as national priorities and agendas in the countries within its footprint.

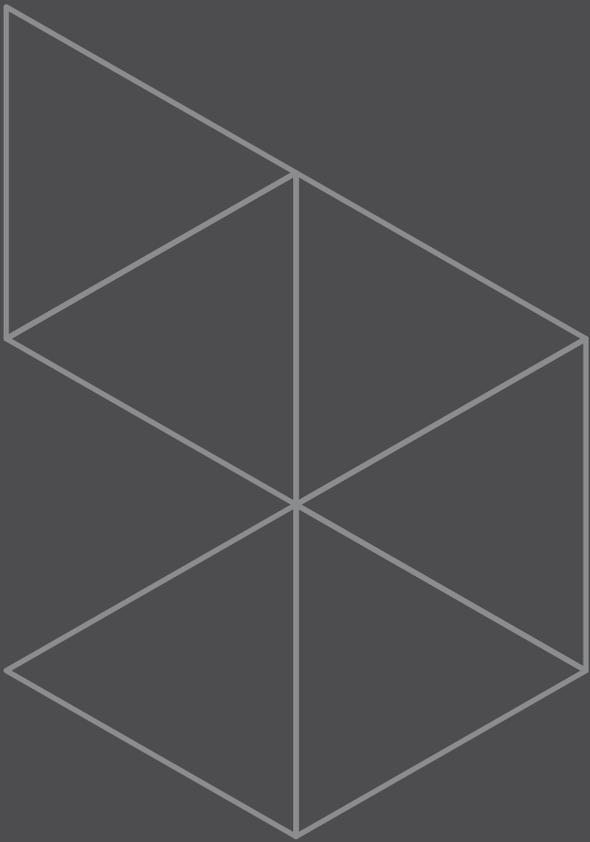
To continue to make a real economic difference in the countries and communities served, Axiata has been measuring its investment impact in its National Contribution Report annually over the past three years. In its National Contribution Report 2016, the Group has extended the rigour of the methodology and assessment used to include the non-economic or dollar value imprint as well as the support the Group and its operating companies bring to all its major markets.

## 2016 National Contribution Report Key Findings

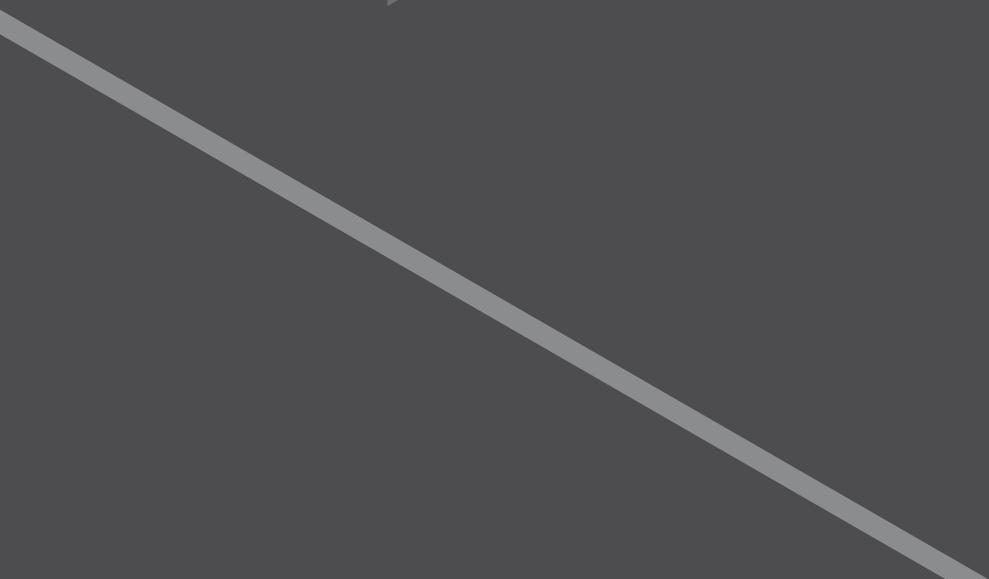


The full National Contribution Report is available in the Axiata Sustainability and National Contribution Report 2016, "Commitment to Development, Towards a Digital Future". Please visit [www.axiata.com](http://www.axiata.com) or download the app on





# FINANCIAL STATEMENTS





# DIRECTORS' RESPONSIBILITY STATEMENT

The Directors are required by the Companies Act, 1965 to prepare financial statements for each financial year which have been made out in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 so as to exhibit a true and fair view of the financial position of the Group and of the Company as of 31 December 2016 and of their financial performance and cash flows for the financial year then ended.

In preparing the financial statements, the Directors have:

- Selected and applied the appropriate and relevant accounting policies on a consistent basis;
- Made judgments and accounting estimates that are reasonable and prudent in the circumstances; and
- Prepared the annual audited financial statements on a going concern basis.

The Directors are responsible to ensure that the Group and the Company keep accounting records which disclose with reasonable accuracy the financial position of the Group and the Company.

The Directors also have the overall responsibilities to take such steps to safeguard the assets of the Group and for the establishment, designation, implementation and maintenance of appropriate accounting and internal control systems for the prevention and detection of fraud and other irregularities relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

# DIRECTORS' REPORT

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

## PRINCIPAL ACTIVITIES

The principal activities of the Group are the provision of mobile communication services and network transmission related services.

The principal activities of the Company are investment holding and provision of technical and management services on an international scale, where it has investments in subsidiaries, joint ventures and associates.

The principal activities of the subsidiaries are set out in Note 40 to the financial statements. There has been no significant change in the nature of the activities of the Group and the Company during the financial year.

## FINANCIAL RESULTS

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

|  | Group<br>RM'000 | Company<br>RM'000 |
|--|-----------------|-------------------|
| Profit for the financial year attributable to: |                 |                   |
| - owners of the Company                        | 504,254         | 1,203,302         |
| - non-controlling interests                    | 152,904         | -                 |
|  | 657,158         | 1,203,302         |

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

## SHARE CAPITAL

During the financial year, the issued and paid-up capital of the Company was increased from RM8,816.9 million comprising 8,816.9 million ordinary shares of RM1 each to RM8,971.4 million. The increase in issued and paid-up capital of the Company was in line with the exercise of options and vesting of restricted share awards ("RSA") granted under the Performance-Based Employee Share Option Scheme ("ESOS") and Restricted Share Plan ("RSP") ["Axiata Share Scheme"] by the employees of the Company and its subsidiaries as disclosed in Note 14(a) to the financial statements and implementation of Dividend Reinvestment Scheme ("DRS") as disclosed in Note 13(a) to the financial statements.

The above mentioned ordinary shares rank pari-passu in all respects with the existing ordinary shares of the Company.

## DIVIDENDS

The dividends paid or declared or proposed since the end of the previous financial year are as follows:

|  | Tax exempt dividend under single tier system |  |                 |
|--|--|--|-----------------|
|  | Type   | Per ordinary<br>share of RM1 each<br>Sen | Total<br>RM'000 |
| <b>In respect of financial year ended 31 December:</b> |  |  |                 |
| - 2015   | Final  | 12                                       | 1,058,806       |
| - 2016   | Interim                                      | 5  | 446,310         |
|  |  | 17                                       | 1,505,116       |



## DIVIDENDS (CONTINUED)

The DRS as stated in Note 13(a) to the financial statements was made applicable to the dividends declared during the financial year whereby shareholders were given the option to reinvest the whole or part of the dividend into new ordinary shares of the Company.

The Board of Directors has recommended a final tax exempt dividend under the single tier system of 3 sen per ordinary share of RM1 each of the Company in respect of financial year ended 31 December 2016 amounting to a total of RM269.1 million, based on the issued and paid-up capital of the Company as at 31 December 2016. The proposed dividend is subject to approval by the shareholders at the forthcoming Annual General Meeting (“AGM”).

The Board of Directors also determined that the Company’s DRS will apply to the proposed final dividend. This will be subject to the approval of shareholders at the forthcoming AGM for the renewal of the authority for the Directors of the Company to allot and issue the new ordinary shares pursuant to the DRS and the approval of Bursa Securities Berhad.

## RESERVES AND PROVISIONS

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

## AXIATA SHARE SCHEME

The Performance-Based ESOS of the Company was approved by its shareholders at the Extraordinary General Meeting (“EGM”) held on 24 March 2009 and implemented on 16 April 2009.

On 1 June 2011, the Company’s shareholders had, at the Nineteenth (19<sup>th</sup>) AGM of the Company, approved the amendments to the Bye-Laws of the ESOS to include a RSP. Accordingly, the existing Performance-Based ESOS was renamed as Axiata Share Scheme.

Details of the Axiata Share Scheme are disclosed in Note 14(a) to the financial statements.

No Performance-Based ESOS was granted to the employees of the Group during the financial year.

## DIRECTORS

The Directors who have held office during the period since the date of last report are as follows:

Tan Sri Dato’ Azman Hj. Mokhtar  
 Tan Sri Jamaludin Ibrahim  
 Tan Sri Ghazzali Sheikh Abdul Khalid  
 Datuk Azzat Kamaludin  
 David Lau Nai Pek  
 Bella Ann Almeida  
 Kenneth Shen  
 Dr Muhamad Chatib Basri  
 Dato’ Mohd Izzaddin Idris  
 Juan Villalonga Navarro  
 Dato’ Abdul Rahman Ahmad

Appointed on 24 November 2016  
 Retired on 25 May 2016  
 Resigned on 30 September 2016

In accordance with Article 93 of the Company’s Article of Association, Dr Muhamad Chatib Basri and Kenneth Shen retire from the Board at the Twenty-fifth (25<sup>th</sup>) AGM and being eligible, offer themselves for re-election.

In accordance with Article 99(ii) of the Company’s Article of Association, Dato’ Mohd Izzaddin Idris retires from the Board at the Twenty-fifth (25<sup>th</sup>) AGM and being eligible, offer himself for re-election.

## DIRECTORS' REPORT

### DIRECTORS' INTERESTS

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

|                           | Number of ordinary shares of RM1 each of the Company |            |          |                        |
|---------------------------|--|------------|----------|------------------------|
|                           | As at  | Additions* | Disposed | As at                  |
|                           | 1.1.2016   |            |          | 31.12.2016             |
| <b>Indirect interest</b>  |  |            |          |                        |
| Tan Sri Jamaludin Ibrahim | 2,489,391  | 87,634     | -        | 2,577,025 <sup>1</sup> |

<sup>1</sup> Shares held under CIMSEC Nominees (Tempatan) Sdn Bhd for CIMB Commerce Trustee Berhad, a trustee of discretionary trust and the beneficiaries of which are members of the family of Tan Sri Jamaludin Ibrahim subject to the terms of such discretionary trust.

\* Additions during the financial year arose from:

- Allotment of 61,339 shares pursuant to DRS on final dividend for the financial year ended 31 December 2015; and
- Allotment of 26,295 shares pursuant to DRS on interim dividend for the financial year ended 31 December 2016.

|  | Number of options/shares over ordinary shares of RM1 each of the Company |         |          |                      |            |
|--|--|---------|----------|----------------------|------------|
|  | As at  | Granted | Adjusted | Exercised/<br>Vested | As at      |
|  | 1.1.2016   |         |          |                      | 31.12.2016 |
| Tan Sri Jamaludin Ibrahim <sup>2</sup> |  |         |          |                      |            |
| - ESOS <sup>3</sup>                    | 3,154,800  | -       | -        | -                    | 3,154,800  |
| - RSA <sup>4</sup>                     | 867,900  | 351,900 | -        | -                    | 1,219,800  |
| - RSA : special grant                  | -  | 158,400 | -        | -                    | 158,400    |

<sup>2</sup> At the EGM held on 24 March 2009, the shareholders of the Company approved the grant of options to Tan Sri Jamaludin Ibrahim to subscribe up to 5.5 million new ordinary shares of RM1 each in the Company to be issued under the Performance-Based ESOS for the Executive Directors and eligible employees of the Group.

Further to the above, the shareholders of the Company had at the Nineteenth (19<sup>th</sup>) AGM held on 1 June 2011, approved the grant of entitlement, allotment and issuance of the remaining 1,198,300 new Axiata Shares to Tan Sri Jamaludin Ibrahim, under the new Axiata Share Scheme as approved at the said EGM.

Subsequently, the shareholders of the Company at the Twenty-first (21<sup>st</sup>) AGM held on 23 May 2013, approved the grant entitlements, allotment and issuance of up to 3.6 million new Axiata Shares to Tan Sri Jamaludin Ibrahim under the Axiata Share Scheme.

<sup>3</sup> 3,154,800 (2015: 3,154,800) options of Axiata Shares pursuant to Performance-Based ESOS.

<sup>4</sup> The number of Axiata RSP shares that may vest is 1,219,800 provided that the performance targets for vesting are met. If not met, the amount could be nil or a portion of the amount. However, if the super stretched individual performance targets and Axiata Group meeting superior company performance targets at the point of vesting are met, up to 6,757,000 Axiata Shares may be vested.

Other than as disclosed above, in accordance with the Register of Directors' Shareholdings, none of the other Directors in office at the end of the financial year have any direct or indirect interest in any shares and options over ordinary shares in the Company or its related corporations during the financial year.



## DIRECTORS' BENEFITS

Since the end of the previous financial year, none of the Director has received or become entitled to receive any benefit (except for the Directors' fees, remuneration and other emoluments as disclosed in Note 7(d) to the financial statements) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which he/she is a member, or with a company in which he/she has a substantial financial interest.

During and at the end of the financial year, no arrangement subsisted to which the Company or any of its related corporations, was a party, being arrangements with the object(s) of enabling the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of the Company or any other body corporate other than the Axiata Share Scheme of the Company, details as disclosed in Note 14(a) to the financial statements.

## STATUTORY INFORMATION ON THE FINANCIAL STATEMENTS

Before the statements of comprehensive income and financial position of the Group and the Company were made out, the Directors took reasonable steps:

- (a) 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 have satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for doubtful debts; and
- (b) to ensure that any current assets, other than debts, which were unlikely to realise in the ordinary course of business, their values as shown in the accounting records of the Group and of the Company had been written down to an amount which they might be expected so to realise.

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

- (a) which would render the amounts written off for bad debts or the amount of the allowance for doubtful debts in the financial statements of the Group and the Company inadequate to any substantial extent; or
- (b) which would render the values attributed to current assets in the financial statements of the Group and the Company misleading; or
- (c) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and the Company misleading or inappropriate.

No contingent or other liability of the Group and Company has become enforceable or is likely to become enforceable within the period of twelve (12) months after the end of the financial year which, in the opinion of the Directors, will or may affect the ability of the Group and the Company to meet its obligations when they fall due.

At the date of this report, there does not exist:

- (a) any charge on the assets of the Group and the Company which has arisen since the end of the year which secures the liability of any other person; or
- (b) any contingent liability of the Group and the Company which has arisen since the end of the year.

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

In the opinion of the Directors:

- (a) the results of the Group's and the Company's operations during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature other than as disclosed in the financial statements; and
- (b) there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely to affect substantially the results of the operations of the Group and the Company for the financial year in which this report is made.

## DIRECTORS' REPORT

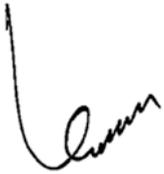
### EVENTS AFTER THE REPORTING PERIOD

The events after the reporting period are disclosed in Note 46 to the financial statements.

### AUDITORS

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

Signed on behalf of the Board of Directors in accordance with their resolution dated 22 February 2017.



**TAN SRI DATO' AZMAN HJ. MOKHTAR**  
DIRECTOR



**TAN SRI JAMALUDIN IBRAHIM**  
DIRECTOR

Kuala Lumpur  
22 February 2017

# STATEMENTS OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

|  | Note | Group              |                | Company          |                |
|--|------|--------------------|----------------|------------------|----------------|
|  |      | 2016<br>RM'000     | 2015<br>RM'000 | 2016<br>RM'000   | 2015<br>RM'000 |
| Operating revenue  | 6    | <b>21,565,392</b>  | 19,883,460     | <b>1,049,838</b> | 1,149,548      |
| Operating costs  |      |                    |                |                  |                |
| - depreciation, impairment and amortisation                                | 7(a) | <b>(5,666,505)</b> | (4,198,547)    | <b>(8,431)</b>   | (7,049)        |
| - foreign exchange (losses)/gains  |      | <b>(85,342)</b>    | 252,791        | <b>889,149</b>   | 2,071,791      |
| - domestic interconnect and international outpayment                       |      | <b>(2,096,123)</b> | (2,158,415)    | -                | -              |
| - marketing, advertising and promotion                                     |      | <b>(1,817,599)</b> | (1,471,792)    | <b>(26,554)</b>  | (8,147)        |
| - other operating costs  | 7(b) | <b>(8,074,312)</b> | (7,649,816)    | <b>(146,398)</b> | (73,940)       |
| - staff costs  | 7(c) | <b>(1,564,710)</b> | (1,319,383)    | <b>(113,131)</b> | (93,621)       |
| - other (losses)/gains - net   | 8    | <b>(68,161)</b>    | 98,083         | -                | -              |
| Other operating income - net   | 9    | <b>534,566</b>     | 666,257        | <b>2,184</b>     | 1,828          |
| Operating profit before finance cost                                       |      | <b>2,727,206</b>   | 4,102,638      | <b>1,646,657</b> | 3,040,410      |
| Finance income   | 10   | <b>183,394</b>     | 173,421        | <b>25,143</b>    | 55,833         |
| Finance cost excluding net foreign exchange losses on financing activities | 10   | <b>(1,201,184)</b> | (831,138)      | <b>(57,000)</b>  | (24,819)       |
| Net foreign exchange losses on financing activities                        |      | <b>(599,720)</b>   | (547,342)      | <b>(392,372)</b> | -              |
|  |      | <b>(1,800,904)</b> | (1,378,480)    | <b>(449,372)</b> | (24,819)       |
| Joint ventures   |      |                    |                |                  |                |
| - share of results (net of tax)  | 28   | <b>(95,842)</b>    | (38,587)       | -                | -              |
| Associates   |      |                    |                |                  |                |
| - share of results (net of tax)  |      | <b>131,124</b>     | 489,506        | -                | -              |
| - loss on dilution of equity interests                                     | 5(a) | <b>(5,398)</b>     | (17,356)       | -                | -              |
| Profit before taxation   |      | <b>1,139,580</b>   | 3,331,142      | <b>1,222,428</b> | 3,071,424      |
| Taxation and zakat   | 11   | <b>(482,422)</b>   | (695,074)      | <b>(19,126)</b>  | (503)          |
| Profit for the financial year  |      | <b>657,158</b>     | 2,636,068      | <b>1,203,302</b> | 3,070,921      |

# STATEMENTS OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

|  | Note  | Group            |                | Company          |                |
|--|-------|------------------|----------------|------------------|----------------|
|  |       | 2016<br>RM'000   | 2015<br>RM'000 | 2016<br>RM'000   | 2015<br>RM'000 |
| Other comprehensive income:  |       |                  |                |                  |                |
| Items that will not be reclassified to profit or loss:             |       |                  |                |                  |                |
| - actuarial gains on defined benefits plan, net of tax             |       | <b>14,867</b>    | 13,906         | -                | -              |
| Items that may be reclassified subsequently to profit or loss:     |       |                  |                |                  |                |
| - currency translation differences                                 |       | <b>1,708,339</b> | 1,622,510      | -                | -              |
| - net cash flow hedge  |       | <b>(2,196)</b>   | 936            | -                | -              |
| - net investment hedge   |       | <b>(67,555)</b>  | (125,254)      | -                | -              |
| - available-for-sale reserve                                       |       | <b>32,631</b>    | 3,367          | -                | -              |
| Other comprehensive income for the financial year, net of tax      |       | <b>1,686,086</b> | 1,515,465      | -                | -              |
| <b>Total comprehensive income for the financial year</b>           |       | <b>2,343,244</b> | 4,151,533      | <b>1,203,302</b> | 3,070,921      |
| Profit for the financial year attributable to:                     |       |                  |                |                  |                |
| - owners of the Company  |       | <b>504,254</b>   | 2,554,220      | <b>1,203,302</b> | 3,070,921      |
| - non-controlling interests  |       | <b>152,904</b>   | 81,848         | -                | -              |
|  |       | <b>657,158</b>   | 2,636,068      | <b>1,203,302</b> | 3,070,921      |
| Total comprehensive income for the financial year attributable to: |       |                  |                |                  |                |
| - owners of the Company  |       | <b>1,836,063</b> | 3,840,260      | <b>1,203,302</b> | 3,070,921      |
| - non-controlling interests  |       | <b>507,181</b>   | 311,273        | -                | -              |
|  |       | <b>2,343,244</b> | 4,151,533      | <b>1,203,302</b> | 3,070,921      |
| Earnings per share (sen)   |       |                  |                |                  |                |
| - basic  | 12(a) | <b>5.7</b>       | 29.5           | -                | -              |
| - diluted  | 12(b) | <b>5.7</b>       | 29.3           | -                | -              |

The above Statements of Comprehensive Income are to be read in conjunction with the notes to the financial statements on pages 129 to 248.

# STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2016

|   | Note | Group             |                | Company           |                |
|---|------|-------------------|----------------|-------------------|----------------|
|   |      | 2016<br>RM'000    | 2015<br>RM'000 | 2016<br>RM'000    | 2015<br>RM'000 |
| <b>CAPITAL AND RESERVES ATTRIBUTABLE TO OWNERS OF THE COMPANY</b> |      |                   |                |                   |                |
| Share capital   | 13   | <b>8,971,415</b>  | 8,816,858      | <b>8,971,415</b>  | 8,816,858      |
| Share premium   |      | <b>4,081,106</b>  | 3,485,891      | <b>4,081,106</b>  | 3,485,891      |
| Reserves  | 15   | <b>10,528,131</b> | 11,222,520     | <b>7,556,634</b>  | 7,853,030      |
| Total equity attributable to owners of the Company                |      | <b>23,580,652</b> | 23,525,269     | <b>20,609,155</b> | 20,155,779     |
| Non-controlling interests   |      | <b>5,039,552</b>  | 2,199,075      | -                 | -              |
| Total equity  |      | <b>28,620,204</b> | 25,724,344     | <b>20,609,155</b> | 20,155,779     |
| <b>NON-CURRENT LIABILITIES</b>                                    |      |                   |                |                   |                |
| Borrowings  | 16   | <b>15,135,472</b> | 14,044,656     | -                 | -              |
| Derivative financial instruments                                  | 19   | <b>1,165,857</b>  | 743            | -                 | -              |
| Deferred income   | 20   | <b>245,894</b>    | 223,414        | -                 | -              |
| Deferred gain on sale and lease back assets                       | 21   | <b>1,053,855</b>  | 643,830        | -                 | -              |
| Other payables  | 22   | <b>1,581,353</b>  | 764,667        | <b>5,157</b>      | 1,513          |
| Provision for liabilities   | 23   | <b>499,720</b>    | 417,574        | -                 | -              |
| Deferred tax liabilities  | 24   | <b>2,241,506</b>  | 1,809,316      | -                 | -              |
| Total non-current liabilities                                     |      | <b>21,923,657</b> | 17,904,200     | <b>5,157</b>      | 1,513          |
|   |      | <b>50,543,861</b> | 43,628,544     | <b>20,614,312</b> | 20,157,292     |
| <b>NON-CURRENT ASSETS</b>   |      |                   |                |                   |                |
| Intangible assets   | 25   | <b>23,153,033</b> | 14,206,485     | -                 | -              |
| Property, plant and equipment                                     | 26   | <b>27,466,131</b> | 23,133,644     | <b>17,948</b>     | 22,089         |
| Subsidiaries  | 27   | -                 | -              | <b>24,863,295</b> | 18,637,633     |
| Joint ventures  | 28   | <b>109,254</b>    | 102,974        | -                 | -              |
| Associates  | 29   | <b>8,400,152</b>  | 8,208,486      | -                 | -              |
| Available-for-sale financial assets                               |      | <b>63,925</b>     | 31,286         | -                 | -              |
| Derivative financial instruments                                  | 19   | <b>398,318</b>    | 229,231        | -                 | -              |
| Long term receivables   | 30   | <b>117,684</b>    | 101,203        | <b>2,000</b>      | 2,000          |
| Amounts due from subsidiaries                                     | 32   | -                 | -              | <b>95,982</b>     | 2,233,856      |
| Deferred tax assets   | 24   | <b>291,633</b>    | 248,156        | -                 | -              |
| Total non-current assets  |      | <b>60,000,130</b> | 46,261,465     | <b>24,979,225</b> | 20,895,578     |

# STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2016

|   | Note | Group              |                | Company            |                |
|---|------|--------------------|----------------|--------------------|----------------|
|   |      | 2016<br>RM'000     | 2015<br>RM'000 | 2016<br>RM'000     | 2015<br>RM'000 |
| <b>CURRENT ASSETS</b>                                 |      |                    |                |                    |                |
| Inventories   | 31   | <b>174,747</b>     | 155,125        | -                  | -              |
| Amounts due from subsidiaries                         | 32   | -                  | -              | <b>49,311</b>      | 394,153        |
| Trade and other receivables                           | 33   | <b>4,779,575</b>   | 3,954,716      | <b>8,231</b>       | 8,769          |
| Derivative financial instruments                      | 19   | <b>2,735</b>       | 113,251        | -                  | -              |
| Financial assets at fair value through profit or loss |      | <b>18</b>          | 28             | -                  | -              |
| Tax recoverable                                       |      | <b>199,111</b>     | 122,994        | -                  | -              |
| Deposits, cash and bank balances                      | 34   | <b>5,332,414</b>   | 5,510,692      | <b>732,801</b>     | 321,314        |
|   |      | <b>10,488,600</b>  | 9,856,806      | <b>790,343</b>     | 724,236        |
| <b>LESS: CURRENT LIABILITIES</b>                      |      |                    |                |                    |                |
| Trade and other payables                              | 22   | <b>12,027,136</b>  | 9,500,528      | <b>130,309</b>     | 66,173         |
| Deferred gain on sale and lease back assets           | 21   | <b>140,817</b>     | 142,253        | -                  | -              |
| Borrowings  | 16   | <b>7,124,409</b>   | 2,347,730      | <b>2,968,244</b>   | -              |
| Derivative financial instruments                      | 19   | <b>162,650</b>     | 173,112        | -                  | -              |
| Amounts due to subsidiaries                           | 32   | -                  | -              | <b>2,056,703</b>   | 1,396,349      |
| Current tax liabilities                               |      | <b>489,857</b>     | 326,104        | -                  | -              |
| Total current liabilities                             |      | <b>19,944,869</b>  | 12,489,727     | <b>5,155,256</b>   | 1,462,522      |
| Net current liabilities                               |      | <b>(9,456,269)</b> | (2,632,921)    | <b>(4,364,913)</b> | (738,286)      |
|   |      | <b>50,543,861</b>  | 43,628,544     | <b>20,614,312</b>  | 20,157,292     |

The above Statements of Financial Position are to be read in conjunction with the notes to the financial statements on pages 129 to 248.

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

| Note   | Attributable to owners of the Company |                      |   |                             |               |                |   |                  |              |            | Total equity RM'000 |                          |              |
|--|---------------------------------------|----------------------|---|-----------------------------|---------------|----------------|---|------------------|--------------|------------|---------------------|--------------------------|--------------|
|  | Share capital* RM'000                 | Share premium RM'000 | Currency translation differences RM'000 | Capital contribution RM'000 | Merger RM'000 | Hedging RM'000 | ESOS <sup>^</sup> & RSA <sup>#</sup> RM'000 | Actuarial RM'000 | Other RM'000 | AFS RM'000 |                     | Retained earnings RM'000 | Total RM'000 |
| At 1 January 2016  | 8,816,858                             | 3,485,891            | 931,111                                 | 16,598                      | 346,774       | (255,992)      | 130,229                                     | (92)             | (172,753)    | 3,367      | 10,223,278          | 2,199,075                | 25,724,344   |
| Profit for the financial year  | -                                     | -                    | -                                       | -                           | -             | -              | -   | -                | -            | -          | 504,254             | 152,904                  | 657,158      |
| Other comprehensive income (OCI):  | -                                     | -                    | -                                       | -                           | -             | -              | -   | -                | -            | -          | -                   | -                        | -            |
| - Currency translation differences arising during the financial year                     | -                                     | -                    | 1,287,217                               | -                           | -             | -              | -   | -                | -            | -          | 1,287,217           | 350,650                  | 1,637,867    |
| - subsidiaries   | -                                     | -                    | 604                                     | -                           | -             | -              | -   | -                | -            | -          | 604                 | -                        | 604          |
| - joint ventures   | -                                     | -                    | 69,868                                  | -                           | -             | -              | -   | -                | -            | -          | 69,868              | -                        | 69,868       |
| - associates   | -                                     | -                    | 1,357,689                               | -                           | -             | -              | -   | -                | -            | -          | 1,357,689           | 350,650                  | 1,708,339    |
| - Net investment hedge   | -                                     | -                    | -                                       | -                           | -             | (67,555)       | -   | -                | -            | -          | (67,555)            | -                        | (67,555)     |
| - Net cash flow hedge  | -                                     | -                    | -                                       | -                           | -             | (2,155)        | -   | -                | -            | -          | (2,155)             | (41)                     | (2,196)      |
| - Actuarial gain, net of tax   | -                                     | -                    | -                                       | -                           | -             | -              | 11,199                                      | -                | -            | -          | 11,199              | 3,668                    | 14,867       |
| - Revaluation of AFS   | -                                     | -                    | -                                       | -                           | -             | -              | -   | -                | 32,631       | -          | 32,631              | -                        | 32,631       |
| Total comprehensive income for the financial year  | -                                     | -                    | 1,357,689                               | -                           | -             | (69,710)       | -   | 11,199           | -            | 32,631     | 504,254             | 507,181                  | 2,343,244    |
| Transactions with owners:  | -                                     | -                    | -                                       | -                           | -             | -              | -   | -                | -            | -          | -                   | -                        | -            |
| - Issuance of new ordinary shares  | 2,668                                 | 7,809                | -                                       | -                           | -             | -              | -   | -                | -            | -          | 10,477              | -                        | 10,477       |
| - Share issue expenses   | -                                     | (171)                | -                                       | -                           | -             | -              | -   | -                | -            | -          | (171)               | -                        | (171)        |
| - Put options over shares held by NCI  | -                                     | -                    | -                                       | -                           | -             | -              | -   | -                | (1,316,116)  | -          | (1,316,116)         | -                        | (1,316,116)  |
| - Extinguishment of put option   | -                                     | -                    | -                                       | -                           | -             | -              | -   | -                | 172,753      | -          | 172,753             | -                        | 172,753      |
| - Acquisition of subsidiaries  | -                                     | -                    | -                                       | -                           | -             | -              | -   | -                | -            | -          | 100,147             | -                        | 100,147      |
| - Additional investment in a subsidiary  | -                                     | -                    | -                                       | -                           | -             | -              | -   | -                | -            | -          | 118,113             | -                        | 118,113      |
| - Right issue by a subsidiary  | -                                     | -                    | -                                       | -                           | -             | -              | -   | -                | -            | -          | (83,338)            | (73,375)                 | (156,713)    |
| - Dilution of equity interests in subsidiaries   | -                                     | -                    | -                                       | -                           | -             | -              | -   | -                | -            | -          | (16,492)            | (678,151)                | (694,643)    |
| - Dividends paid to shareholders via:  | -                                     | -                    | -                                       | -                           | -             | -              | -   | -                | -            | -          | (5,821)             | (33,951)                 | (39,772)     |
| - DRS  | 146,927                               | 567,712              | -                                       | -                           | -             | -              | -   | -                | -            | -          | (714,639)           | -                        | (167,712)    |
| - Cash   | -                                     | -                    | -                                       | -                           | -             | -              | -   | -                | -            | -          | (790,477)           | -                        | (790,477)    |
| - Axiata Share Scheme:   | -                                     | -                    | -                                       | -                           | -             | -              | -   | -                | -            | -          | -                   | -                        | -            |
| - value of employees' services transferred from ESOS and RSA reserve upon exercise/ vest | -                                     | -                    | -                                       | -                           | -             | -              | 30,245                                      | -                | -            | -          | 30,245              | -                        | 30,245       |
| - Dividends paid to NCI  | 4,962                                 | 19,865               | -                                       | -                           | -             | -              | (24,827)                                    | -                | -            | -          | -                   | -                        | (10,000)     |
| Total transactions with owners   | 154,557                               | 595,215              | -                                       | -                           | -             | -              | 5,418                                       | -                | (1,143,363)  | -          | (1,392,507)         | 2,333,296                | 552,616      |
| At 31 December 2016  | 8,971,415                             | 4,081,106            | 2,289,800                               | 16,598                      | 346,774       | (325,702)      | 135,647                                     | 11,107           | (1,316,116)  | 35,998     | 9,335,025           | 5,039,552                | 28,620,204   |

\* Issued and fully paid-up ordinary shares of RM1 each, ^ Employee Share Option Scheme ("ESOS"), # Restricted Share Awards ("RSA"), Available-for-sale ("AFS"), Non-controlling interests ("NCI"), Dividend Reinvestment Scheme ("DRS")

# CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

| Note  | Attributable to owners of the Company |                      |   |                                     |               |                |                   |                  |              |             | Total equity RM'000 |                          |
|---|---------------------------------------|----------------------|---|-------------------------------------|---------------|----------------|-------------------|------------------|--------------|-------------|---------------------|--------------------------|
|   | Share capital* RM'000                 | Share premium RM'000 | Currency translation differences RM'000 | Capital contribution reserve RM'000 | Merger RM'000 | Hedging RM'000 | ESOS & RSA RM'000 | Actuarial RM'000 | Other RM'000 | AFS RM'000  |                     | Retained earnings RM'000 |
| At 1 January 2015   | 8,592,017                             | 2,398,794            | (466,194)                               | 16,598                              | 346,774       | (131,518)      | 176,628           | (9,934)          | -            | -           | 9,847,684           | 20,760,849               |
| Profit for the financial year   | -                                     | -                    | -                                       | -                                   | -             | -              | -                 | -                | -            | -           | 2,554,220           | 22,592,332               |
| Other comprehensive income:   |                                       |                      |   |                                     |               |                |                   |                  |              |             |                     |                          |
| - Currency translation differences arising during the financial year: |                                       |                      |   |                                     |               |                |                   |                  |              |             |                     |                          |
| - subsidiaries  | -                                     | -                    | 1,015,655                               | -                                   | -             | -              | -                 | -                | -            | -           | 1,015,655           | 225,205                  |
| - joint ventures  | -                                     | -                    | 3,598                                   | -                                   | -             | -              | -                 | -                | -            | -           | 3,598               | 3,598                    |
| - associates  | -                                     | -                    | 378,052                                 | -                                   | -             | -              | -                 | -                | -            | -           | 378,052             | 378,052                  |
| - Net investment hedge  | 19(f)                                 | -                    | 1,397,305                               | -                                   | -             | -              | -                 | -                | -            | -           | 1,397,305           | 225,205                  |
| - Net cash flow hedge   | 19(h)                                 | -                    | -                                       | -                                   | -             | (125,254)      | -                 | -                | -            | -           | (125,254)           | (125,254)                |
| - Actuarial gain, net of tax  | -                                     | -                    | -                                       | -                                   | -             | 780            | -                 | -                | -            | -           | 780                 | 156                      |
| - Revaluation of AFS  | -                                     | -                    | -                                       | -                                   | -             | -              | 9,842             | -                | -            | -           | 9,842               | 4,064                    |
| - Revaluation of AFS  | -                                     | -                    | -                                       | -                                   | -             | -              | -                 | -                | 3,367        | -           | 3,367               | 3,367                    |
| Total comprehensive income for the financial year                     | -                                     | -                    | 1,397,305                               | -                                   | -             | (124,474)      | -                 | 9,842            | -            | 3,367       | 2,554,220           | 3,840,260                |
| Transactions with owners:   |                                       |                      |   |                                     |               |                |                   |                  |              |             |                     |                          |
| - Issuance of new ordinary shares                                     | 11,025                                | 31,753               | -                                       | -                                   | -             | -              | -                 | -                | -            | -           | 42,778              | 42,778                   |
| - Share issue expenses  | -                                     | (81)                 | -                                       | -                                   | -             | -              | -                 | -                | -            | -           | (81)                | (81)                     |
| - Put option over shares held by NCI                                  | -                                     | -                    | -                                       | -                                   | -             | -              | -                 | (172,753)        | -            | -           | (172,753)           | (172,753)                |
| - Additional investment in a subsidiary                               | -                                     | -                    | -                                       | -                                   | -             | -              | -                 | -                | -            | -           | -                   | -                        |
| - Investment in a subsidiary  | -                                     | -                    | -                                       | -                                   | -             | -              | -                 | -                | -            | -           | (281,053)           | (281,053)                |
| - Axiata Share Scheme:  | -                                     | -                    | -                                       | -                                   | -             | -              | -                 | -                | -            | -           | -                   | -                        |
| - value of employees' services transferred from ESOS and RSA          | -                                     | -                    | -                                       | -                                   | -             | -              | 53,508            | -                | -            | -           | 53,508              | 53,508                   |
| - reserve upon exercise   | 20,361                                | 79,546               | -                                       | -                                   | -             | -              | (99,907)          | -                | -            | -           | -                   | -                        |
| - Dividends paid to non-controlling interests                         | -                                     | -                    | -                                       | -                                   | -             | -              | -                 | -                | -            | -           | -                   | -                        |
| - Dividends paid to shareholders via:                                 |                                       |                      |   |                                     |               |                |                   |                  |              |             |                     |                          |
| - DRS   | 44                                    | 203,455              | 975,879                                 | -                                   | -             | -              | -                 | -                | -            | (1,179,334) | -                   | -                        |
| - Cash settlement   | 44                                    | -                    | -                                       | -                                   | -             | -              | -                 | -                | -            | (722,152)   | (722,152)           | (722,152)                |
| - Dilution of equity interest in subsidiaries                         | -                                     | -                    | -                                       | -                                   | -             | -              | -                 | -                | -            | 3,913       | 3,913               | 21,804                   |
| Total transactions with owners  | 234,841                               | 1,087,097            | -                                       | -                                   | -             | -              | (46,399)          | (172,753)        | -            | (2,178,626) | (1,075,840)         | 66,319                   |
| At 31 December 2015   | 8,816,858                             | 3,485,891            | 931,111                                 | 16,598                              | 346,774       | (255,992)      | 130,229           | (92)             | 3,367        | 10,223,278  | 23,525,269          | 25,724,344               |

The above Consolidated Statement of Changes in Equity is to be read with the notes to the financial statements on page 129 to 248.

# COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

|  | Note  | Issued and fully paid-up ordinary shares of RM1 each |                      |                      | Non-Distributable                   |                             | Distributable            | Total<br>RM'000   |
|--|-------|--|----------------------|----------------------|-------------------------------------|-----------------------------|--------------------------|-------------------|
|  |       | Number of shares '000                                | Nominal value RM'000 | Share premium RM'000 | Capital contribution reserve RM'000 | ESOS and RSA reserve RM'000 | Retained earnings RM'000 |                   |
| At 1 January 2016  |       | <b>8,816,858</b>                                     | <b>8,816,858</b>     | <b>3,485,891</b>     | <b>16,598</b>                       | <b>130,229</b>              | <b>7,706,203</b>         | <b>20,155,779</b> |
| Profit/Total comprehensive income for the financial year |       | -  | -                    | -                    | -                                   | -                           | <b>1,203,302</b>         | <b>1,203,302</b>  |
| Transactions with owners:                                |       |  |                      |                      |                                     |                             |                          |                   |
| - Issuance of new ordinary shares                        |       | <b>2,668</b>   | <b>2,668</b>         | <b>7,809</b>         | -                                   | -                           | -                        | <b>10,477</b>     |
| - Share issue expenses                                   |       | -  | -                    | <b>(171)</b>         | -                                   | -                           | -                        | <b>(171)</b>      |
| - Dividends paid to shareholders via:                    |       |  |                      |                      |                                     |                             |                          |                   |
| - DRS  | 44    | <b>146,927</b>                                       | <b>146,927</b>       | <b>567,712</b>       | -                                   | -                           | <b>(714,639)</b>         | -                 |
| - Cash settlement  | 44    | -  | -                    | -                    | -                                   | -                           | <b>(790,477)</b>         | <b>(790,477)</b>  |
| - Axiata Share Scheme:                                   |       |  |                      |                      |                                     |                             |                          |                   |
| - value of employees' services                           | 14(a) | -  | -                    | -                    | -                                   | <b>30,245</b>               | -                        | <b>30,245</b>     |
| - transferred from ESOS reserve upon exercise/ vest      |       | <b>4,962</b>   | <b>4,962</b>         | <b>19,865</b>        | -                                   | <b>(24,827)</b>             | -                        | -                 |
| Total transactions with owners                           |       | <b>154,557</b>                                       | <b>154,557</b>       | <b>595,215</b>       | -                                   | <b>5,418</b>                | <b>(1,505,116)</b>       | <b>(749,926)</b>  |
| At 31 December 2016                                      |       | <b>8,971,415</b>                                     | <b>8,971,415</b>     | <b>4,081,106</b>     | <b>16,598</b>                       | <b>135,647</b>              | <b>7,404,389</b>         | <b>20,609,155</b> |
| At 1 January 2015  |       | 8,582,017  | 8,582,017            | 2,398,794            | 16,598                              | 176,628                     | 6,536,768                | 17,710,805        |
| Profit/Total comprehensive income for the financial year |       | -  | -                    | -                    | -                                   | -                           | 3,070,921                | 3,070,921         |
| Transactions with owners:                                |       |  |                      |                      |                                     |                             |                          |                   |
| - Issuance of new ordinary shares                        |       | 11,025   | 11,025               | 31,753               | -                                   | -                           | -                        | 42,778            |
| - Share issue expenses                                   |       | -  | -                    | (81)                 | -                                   | -                           | -                        | (81)              |
| - Dividends paid to shareholders via:                    |       |  |                      |                      |                                     |                             |                          |                   |
| - DRS  | 44    | 203,455  | 203,455              | 975,879              | -                                   | -                           | (1,179,334)              | -                 |
| - Cash settlement  | 44    | -  | -                    | -                    | -                                   | -                           | (722,152)                | (722,152)         |
| - Axiata Share Scheme:                                   |       |  |                      |                      |                                     |                             |                          |                   |
| - value of employees' services                           | 14(a) | -  | -                    | -                    | -                                   | 53,508                      | -                        | 53,508            |
| - transferred from ESOS reserve upon exercise            |       | 20,361   | 20,361               | 79,546               | -                                   | (99,907)                    | -                        | -                 |
| Total transactions with owners                           |       | 234,841  | 234,841              | 1,087,097            | -                                   | (46,399)                    | (1,901,486)              | (625,947)         |
| At 31 December 2015                                      |       | 8,816,858  | 8,816,858            | 3,485,891            | 16,598                              | 130,229                     | 7,706,203                | 20,155,779        |

The above Company Statement of Changes in Equity is to be read in conjunction with the notes to the financial statements on page 129 to 248.

# STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

|  | Note | Group               |                | Company            |                |
|--|------|---------------------|----------------|--------------------|----------------|
|  |      | 2016<br>RM'000      | 2015<br>RM'000 | 2016<br>RM'000     | 2015<br>RM'000 |
| Cash flows from operating activities                             | 35   | <b>6,775,101</b>    | 6,290,720      | <b>728,881</b>     | 873,113        |
| Cash flows used in investing activities                          | 35   | <b>(10,835,217)</b> | (6,339,833)    | <b>(2,385,574)</b> | (47,934)       |
| Cash flows from/(used in) financing activities                   | 35   | <b>4,290,912</b>    | (475,934)      | <b>1,796,562</b>   | (679,455)      |
| Net increase/(decrease) in cash and cash equivalents             |      | <b>230,796</b>      | (525,047)      | <b>139,869</b>     | 145,724        |
| Effect of exchange gains on cash and cash equivalents            |      | <b>98,104</b>       | 313,879        | <b>2,458</b>       | 3,027          |
| Net increase in restricted cash and cash equivalents             |      | <b>(240,143)</b>    | (95,406)       | -                  | -              |
| Cash and cash equivalents at the beginning of the financial year |      | <b>4,560,665</b>    | 4,867,239      | <b>321,314</b>     | 172,563        |
| Cash and cash equivalents at the end of the financial year       | 34   | <b>4,649,422</b>    | 4,560,665      | <b>463,641</b>     | 321,314        |

The above Statements of Cash Flows are to be read in conjunction with the notes to the financial statements on pages 129 to 248.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

## 1. GENERAL INFORMATION

The principal activities of the Group are the provision of mobile communication services and network transmission related services.

The principal activities of the Company are investment holding and provision of technical and management services on an international scale, where it has investments in subsidiaries, joint ventures and associates.

The principal activities of the subsidiaries are set out in Note 40 to the financial statements. There has been no significant change in the nature of the activities of the Group and the Company during the financial year.

The address of the registered office of the Company is Level 5, Corporate Headquarters, Axiata Tower, 9 Jalan Stesen Sentral 5, Kuala Lumpur Sentral, 50470 Kuala Lumpur.

The address of the principal place of business of the Company is Corporate Headquarters, Axiata Tower, 9 Jalan Stesen Sentral 5, Kuala Lumpur Sentral, 50470 Kuala Lumpur.

The financial statements have been approved for issuance in accordance with a resolution of the Board of Directors on 22 February 2017.

## 2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

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

The financial statements have been prepared under the historical cost convention except as disclosed in the summary of significant accounting policies.

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

The preparation of financial statements in conformity with MFRS requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of the revenues and expenses during the reported period. It also requires Directors to exercise their judgement in the process of applying the Group's and the Company's accounting policies. Although these estimates and judgement are based on the Directors' best knowledge of current events and actions, actual results may differ.

The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Group's and the Company's financial statements are disclosed in Note 4 to the financial statements.

### (a) Standards and amendments to published standards that are applicable to the Group and the Company that are effective

#### New and amendments to published standards

The following standards and amendments to published standards have been adopted by the Group and the Company for the first time for the financial year beginning on or after 1 January 2016:

- Amendments to MFRS 101 "Presentation of Financial Statements" on Disclosure Initiative aim to improve the effectiveness of disclosures and are designed to encourage companies to apply professional judgment in determining the information to be disclosed in the financial statements.
- Amendment to MFRS 11 "Joint Arrangements" requires an investor to apply the principles of MFRS 3 "Business Combinations" when it acquires an interest in a joint operation that constitutes a business. The amendments are applicable to both the acquisition of the initial interest in a joint operation and the acquisition of additional interest in the same joint operation. However, a previously held interest is not re-measured when the acquisition of an additional interest in the same joint operation results in retaining joint control.



## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

### 2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (CONTINUED)

#### (a) Standards and amendments to published standards that are applicable to the Group and the Company that are effective (continued)

- Amendments to MFRS 10 “Consolidated Financial Statements”, MFRS 12 “Disclosure of Interests in Other Entities” and MFRS 128 “Investments in Associates and Joint Ventures” on Investment Entities: Applying the Consolidation Exception addresses issues that have arisen in the context of applying the consolidation exception for investment entities. The amendments also provide relief in particular circumstances, which will reduce the costs of applying the Standards, clarifying the exemption from preparing consolidated financial statements for an intermediate parent entity, a subsidiary providing services that relate to the parent’s investment activities, application of the equity method by a non-investment entity investor to an investment entity investee and the disclosures required.
- Amendment to MFRS 127 “Separate Financial Statements” allows entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements.
- Annual Improvements 2012–2014 Cycle
  - MFRS 5 “Non-current Assets Held for Sale and Discontinued Operations” clarifies that, when an asset (or disposal group) is reclassified from ‘held for sale’ to ‘held for distribution’, or vice versa, this does not constitute a change to a plan of sale or distribution, and does not have to be accounted for as such. This means that the asset (or disposal group) does not need to be reinstated in the financial statements as if it had never been classified as ‘held for sale’ or ‘held for distribution’ simply because the manner of disposal has changed. The amendment also rectifies an omission in the standard by explaining that the guidance on changes in a plan of sale should be applied to an asset (or disposal group) which ceases to be held for distribution but is not reclassified as ‘held for sale’.
  - MFRS 7 “Financial Instruments: Disclosures” adds specific guidance to help management determine whether the terms of an arrangement to service a financial asset which has been transferred constitute continuing involvement. The amendment clarifies that the additional disclosure on Offsetting financial assets and financial liabilities’ is not specifically required for all interim periods, unless required by MFRS 134 “Interim Financial Reporting”.
  - MFRS 119 “Employee Benefits” clarifies that, when determining the discount rate for post-employment benefit obligations, it is currency that the liabilities are denominated in that is important, not the country where they arise. The assessment whether there is a deep market in high-quality corporate bonds is based on corporate bonds in that currency, not corporate bonds in a particular country. Similarly, where there is no deep market in high-quality corporate bonds in that currency, government bonds denominated in the relevant currency should be used.
  - MFRS 134 “Interim Financial Reporting” requires a cross-reference from the interim financial statements to the location of that information.

The adoption of new, amendments to published standards did not have any material impact to the financial statements of the Group and the Company.

#### (b) Standards and amendments to published standards those are applicable to the Group and the Company but not yet effective

The Group and the Company will apply the new standards and amendments to standards in the following period.

##### (i) Financial year beginning on/after 1 January 2017

- Amendments to MFRS 107 “Statement of Cash Flows” on disclosure initiative introduce an additional disclosure on changes in liabilities arising from financing activities.
- Amendments to MFRS 112 “Income Taxes” on recognition of deferred tax assets for unrealised losses clarify the requirements for recognising deferred tax assets on unrealised losses arising from deductible temporary difference on asset carried at fair value. In addition, in evaluating whether an entity will have sufficient taxable profits in future periods against which deductible temporary differences can be utilised, the amendments require an entity to compare the deductible temporary differences with future taxable profits that excludes tax deductions resulting from the reversal of those temporary differences. The amendments shall be applied retrospectively.



## 2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (CONTINUED)

### (b) Standards and amendments to published standards that are applicable to the Group and the Company but not yet effective (continued)

The Group and the Company will apply the new standards and amendments to standards in the following periods: (continued)

#### (ii) Financial year beginning on/after 1 January 2018

- MFRS 9 “Financial Instruments” will replace MFRS 139 “Financial Instruments: Recognition and Measurement”.

MFRS 9 retains but simplifies the mixed measurement model in MFRS 139 and establishes three primary measurement categories for financial assets: amortised cost, fair value through profit or loss and fair value through OCI. The basis of classification depends on the entity's business model and the cash flow characteristics of the financial asset. Investments in equity instruments are always measured at fair value through profit or loss with an irrevocable option at inception to present changes in fair value in OCI (provided the instrument is not held for trading). A debt instrument is measured at amortised cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest.

For liabilities, the standard retains most of the MFRS 139 requirements. These include amortised cost accounting for most financial liabilities, with bifurcation of embedded derivatives. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in OCI rather than to profit or loss, unless this creates an accounting mismatch.

MFRS 9 introduces an expected credit loss model on impairment for all financial assets that replaces the incurred loss impairment model used in MFRS 139. The expected credit loss model is forward-looking and eliminates the need for a trigger event to have occurred before credit losses are recognised.

- MFRS 15 “Revenue from Contracts with Customers” will replace MFRS 118 “Revenue” and MFRS 111 “Construction Contracts” and related interpretations. The standard deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers.

Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The core principle in MFRS 15 is that an entity recognises revenue to depict 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.

A new five-step process is applied before revenue can be recognised:

- Identify contracts with customers;
- Identify the separate performance obligations;
- Determine the transaction price of the contract;
- Allocate the transaction price to each of the separate performance obligations; and
- Recognise the revenue as each performance obligation is satisfied.

Key provisions of the new standard are as follows:

- Any bundled goods or services that are distinct must be separately recognised, and any discounts or rebates on the contract price must generally be allocated to the separate elements.
- If the consideration varies (such as for incentives, rebates, performance fees, royalties, success of an outcome etc), minimum amounts of revenue must be recognised if they are not at significant risk of reversal.
- The point at which revenue is able to be recognised may shift: some revenue which is currently recognised at a point in time at the end of a contract may have to be recognised over the contract term and vice versa.
- There are new specific rules on licenses, warranties, non-refundable upfront fees, and consignment arrangements, to name a few.
- As with any new standard, there are also increased disclosures.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

### 2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (CONTINUED)

#### (b) Standards and amendments to published standards that are applicable to the Group and the Company but not yet effective (continued)

The Group and the Company will apply the new standards and amendments to standards in the following periods: (continued)

##### (ii) Financial year beginning on/after 1 January 2018 (continued)

- IC Interpretation 22 “Foreign Currency Transactions and Advance Consideration” applies when an entity recognises a non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration. MFRS 121 requires an entity to use the exchange rate at the ‘date of the transaction’ to record foreign currency transactions.

IC Interpretation 22 provides guidance how to determine ‘the date of transaction’ when a single payment/receipt is made, as well as for situations where multiple payments/receipts are made.

The date of transaction is the date when the payment or receipt of advance consideration gives rise to the non-monetary asset or non-monetary liability when the entity is no longer exposed to foreign exchange risk.

If there are multiple payments or receipts in advance, the entity should determine the date of the transaction for each payment or receipt.

- Amendment to MFRS 2 “Share-based Payment” on Classification and Measurement of Share-based Payment Transactions. The amendments provide guidance on how to account for the following situations:
  - o The effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments;
  - o The classification of a share-based payment transaction with net settlement features for withholding tax obligations; and
  - o A modification to the terms and conditions of a share-based payment transaction that changes the classification of the transaction from cash-settled to equity-settled.
- Amendments to MFRS 128 to allow:
  - o Venture capital organisations, mutual funds, unit trusts and similar entities to elect, on an individual basis, measuring their investments in associates and joint ventures at fair value through profit or loss.
  - o An entity that is not an investment entity to retain the fair value measurement applied by its associates or joint ventures (that are investment entities) when applying equity method.

##### (iii) Financial year beginning on/after 1 January 2019

MFRS 16 “Leases” supersedes MFRS 117 “Leases” and the related interpretations.

Under MFRS 16, a lease is a contract (or part of a contract) that conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

MFRS 16 eliminates the classification of leases by the lessee as either finance leases (on balance sheet) or operating leases (off balance sheet). MFRS 16 requires a lessee to recognise a “right-of-use” of the underlying asset and a lease liability reflecting future lease payments for most leases.

The right-of-use asset is depreciated in accordance with the principle in MFRS 116 ‘Property, Plant and Equipment’ and the lease liability is accreted over time with interest expense recognised in the income statement.

For lessors, MFRS 16 retains most of the requirements in MFRS 117. Lessors continue to classify all leases as either operating leases or finance leases and account for them differently.

The impact of MFRS 9, MFRS 15 and MFRS 16 are still being assessed. Aside from MFRS 9 and MFRS 15 and MFRS 16, the adoptions of amendments to published standards and IC Interpretation are not expected to have a material impact to the financial statements of the Group and the Company.

### 3. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies in the preparation of these financial statements are set out below:

#### (a) Economic entities in the Group

##### (i) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The existence and effect of potential voting rights that are currently exercisable or convertible are considered only if the rights are substantive when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement and fair value of any pre-existing equity interest in the subsidiary. Identifiable assets acquired, liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any NCI in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the NCI's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the carrying amount of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date, any gains or losses arising from such re-measurement are recognised in profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with MFRS 139 either in profit or loss or as a change to OCI. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred by the Group, the amount of any NCI in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recognised as goodwill. If the total of consideration transferred, NCI recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the profit or loss. The accounting policy of goodwill is stated in Note 3(b)(i) to the financial statements. Goodwill is carried at cost less accumulated impairment losses, if any.

Under the predecessor method of merger accounting, the results of subsidiaries are presented as if the merger had been effected throughout the current and previous years. The assets and liabilities combined are accounted for based on the carrying amounts from the perspective of the common control shareholder at the date of transfer. On consolidation, the cost of the merger is cancelled with the values of the shares received. Any resulting credit difference is classified as equity and regarded as a non-distributable reserve. Any resulting debit difference is adjusted against any suitable reserve. Any share premium, capital redemption reserve and any other reserves which are attributable to share capital of the merged enterprises, to the extent that they have not been capitalised by a debit difference, are reclassified and presented as movement in other capital reserves.

Inter-company transactions, balances and unrealised gains on transactions between the Group's companies are eliminated. Profits and losses resulting from inter-company transactions that are recognised in assets are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

##### (ii) Changes in ownership interests in subsidiaries without change of control

Transactions with NCIs that do not result in loss of control are accounted for as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests ("NCI") to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to NCI and any consideration paid or received is recognised in equity attributable to owners of the Company.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

### 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (a) Economic entities in the Group (continued)

##### (ii) Changes in ownership interests in subsidiaries without change of control (continued)

The potential cash payments related to put options issued by the Group over the equity of subsidiaries are accounted for as financial liabilities. The amount of financial liabilities is recognised initially at the present value of the estimated redemption amount within derivative financial instruments with a corresponding charge directly to equity. The charge to equity is recognised separately as written put options over non-controlling interest, adjacent to NCI in the net assets of consolidated subsidiaries.

The Group recognises the cost of writing such put options, determined as the excess of the fair value of the option over any consideration received, as a financing cost. Such options are subsequently measured at amortised cost, using the effective interest rate method, in order to accrete the liability up to the amount payable under the option at the date at which is first becomes exercisable. The charge arising is recorded as a financing cost. In the event that the option expires unexercised, the liability is derecognised with a corresponding adjustment to equity.

##### (iii) Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, a joint venture or financial asset. In addition, any amounts previously recognised in OCI in respect of that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in consolidated OCI are reclassified to profit or loss.

Gains or losses on the disposal of subsidiaries include the carrying amount of goodwill relating to the subsidiaries sold.

##### (iv) Joint arrangements

A joint arrangement is an arrangement of which there is contractually agreed sharing of control by the Group with one or more parties, where decisions about the relevant activities relating to the joint arrangement require unanimous consent of the parties sharing control. The classification of a joint arrangement as a joint operation or a joint venture depends upon the rights and obligations of the parties to the arrangement. A joint venture is a joint arrangement whereby the joint ventures have rights to the net assets of the arrangement. A joint operation is a joint arrangement whereby the joint operators have rights to the assets and obligations for the liabilities, relating to the arrangement.

The Group's interest in joint ventures are accounted for in the consolidated financial statements using the equity method as stated in Note 3(a)(v) to the financial statements. Where necessary, in applying the equity method, adjustments are made to the financial statements of joint venture to ensure consistency of the accounting policies with those of the Group.

Interests in joint ventures are accounted for using the equity method, after initially being recognised at cost in the consolidated statement of financial position. Under the equity method, the investment in a joint venture is initially recognised at cost, and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the joint venture in profit or loss, and the Group's share of movements in OCI of the joint venture in OCI. Dividends received or receivable from a joint venture are recognised as a reduction in the carrying amount of the investment. When the Group's share of losses in a joint venture equals or exceeds its interests in the joint venture, including any long-term interests that, in substance, form part of the Group's net investment in the joint venture, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the joint venture.

The Group determines at each reporting date whether there is any objective evidence that the investment in the joint venture is impaired. An impairment loss is recognised for the amount by which the carrying amount of the joint venture exceeds its recoverable amount.

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

When the Group ceases to equity account its joint venture because of a loss of joint control, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate or financial asset. In addition, any amount previously recognised in OCI in respect of the entity is accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in OCI are reclassified to profit or loss.

If the ownership interest in a joint venture is reduced but joint control is retained, only a proportionate share of the amounts previously recognised in OCI is reclassified to profit or loss where appropriate.

### 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (a) Economic entities in the Group (continued)

##### (v) Associates

Associates are all entities over which the Group has significant influence, but no control or joint control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Significant influence is power to participate in the financial and operating policy decisions of the associates but not power to exercise control or jointly control over those policies.

Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment in an associate is initially recognised at cost, and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the associate in profit or loss, and the Group's share of movements in OCI of the associate in OCI. Dividends received or receivable from an associate are recognised as a reduction in the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interests in the associate, including any long-term interests that, in substance, form part of the Group's net investment in the associate, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate. The Group's investment in associates includes goodwill identified on acquisition.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. An impairment loss is recognised for the amount by which the carrying amount of the associate exceeds its recoverable amount.

Profits and losses resulting from upstream and downstream transactions between the Group and its associate are recognised in the Group's consolidated financial statements only to the extent of unrelated investor's interests in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

When the Group ceases to equity account its associate because of a loss of significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as a financial asset. In addition, any amount previously recognised in OCI in respect of the entity is accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in OCI are reclassified to profit or loss.

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

Dilution gains and losses arising in investments in associates are recognised in profit or loss.

The cost of an associate acquired in stages is measured as the sum of the fair value of the interest previously held plus the fair value of any additional consideration transferred as of the date when the investment became an associate. Any gain or loss on re-measurement of the previously held stake is taken to profit or loss and any OCI recognised in prior periods in relation to the previously held stake in the acquired associate is also recognised in profit or loss.

The cost of acquiring an additional stake in an associate is added to the carrying amount of associate and equity accounted. Goodwill arising on the purchase of additional stake is computed using fair value information at the date the additional interest is purchased. The previously held interest is not re-measured.

Any acquisition-related costs are expensed in the periods in which the costs are incurred.

#### (b) Intangible assets

##### (i) Goodwill

The Group recognised goodwill based on partial goodwill method. Goodwill represents the excess of the cost of acquisition of subsidiaries over the Group's share of the fair value of the identifiable net assets including contingent liabilities of subsidiaries at the date of acquisition and fair value of any pre-existing equity interest in the subsidiaries. Any shortfall is recognised in profit or loss.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

### 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (b) Intangible assets (continued)

##### (i) Goodwill (continued)

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash generating units ("CGUs"), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill is not amortised but it is tested for impairment annually or more frequently if events or changes in circumstances indicate that it might be impaired, and carried at cost less accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the CGUs, or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

##### (ii) Licenses

The Group's licenses are mainly consisting acquired telecommunication licences with allocated spectrum rights and tower operating license. Acquired licenses are shown at cost. Licenses have finite useful lives and are carried at cost less accumulated amortisation. Amortisation is calculated using straight-line method, from the effective date of commercialisation of services, subject to impairment, to the end of the assignment period. Licenses are not revalued. The estimated useful lives of the acquired telecommunication licenses with allocated spectrum rights and tower operating license of the Group are as follows:

|            |               |
|------------|---------------|
| Malaysia   | 15 years      |
| Indonesia  | 5 - 10 years  |
| Sri Lanka  | 5 - 10 years  |
| Bangladesh | 15 - 18 years |
| Cambodia   | 25 - 30 years |
| Nepal      | 25 years      |

##### (iii) Subscriber acquisition costs

Subscriber acquisition costs incurred in providing the customer a free or subsidised handset, provided the customer signs a non-cancellable contract for a predetermined contractual period, are amortised over the contractual period on a straight line method.

Subscriber acquisition costs are assessed at each reporting date whether there is any indication that the subscriber acquisition cost may be impaired.

##### (iv) Customer contracts and the related relationship

Customer contracts and the related customer relationship arose from the acquisition of a subsidiary. The customer contracts and the related relationships are shown at fair value on acquisition of a subsidiary and subsequently subject to amortisation over the useful life. The customer contracts and the related customer relationships are tested for impairment whenever indication of impairment exists.

|            |           |
|------------|-----------|
| Indonesia  | 4 years   |
| Nepal      | 10 years  |
| Bangladesh | 2.5 years |
| Others     | 20 years  |

### 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (b) Intangible assets (continued)

##### (v) Brands

Separately acquired brands are shown at historical cost. Brands acquired in a business combination are recognised at fair value at the acquisition date. Brands have a finite useful life and are carried at cost less accumulated amortisation and accumulated losses, if any. Amortisation is calculated using the straight line method to allocate the cost of brands over their estimated useful lives as below:

|            |          |
|------------|----------|
| Indonesia  | 2 years  |
| Nepal      | 10 years |
| Bangladesh | 3 years  |

#### (c) Property, plant and equipment ("PPE")

PPE are stated at cost less accumulated depreciation and impairment losses. Cost includes its purchase price and any costs that are directly attributable to bringing to assets to the location and condition necessary for it to be capable of operating in the manner intended by management.

##### (i) Cost

The cost of telecommunication network includes cost of equipment, site surveys, contractors' charges, materials and related overhead. The cost of other PPE comprises their purchase cost and any incidental cost of acquisition. These costs include the costs of dismantling, removal and restoration, the obligation which was incurred as a consequence of installing the asset.

PPE also include telecommunication equipment and maintenance spares acquired for the purpose of replacing damaged or faulty plant or spares and supplies to be used in constructing and maintaining the network.

Borrowing costs directly incurred to finance the construction of PPE that takes more than twelve (12) months are capitalised as part of the cost of the assets during the period of time that is required to complete and prepare the qualified asset for its intended use.

Subsequent cost is included in the carrying amount of the asset or recognised as a separate asset, as appropriate, only when it is probable that the future economic benefit associated with the item will flow to the Group and the Company and the cost of the item can be measured reliably. The carrying value of the replaced part is derecognised. All other repairs and maintenance are recognised as expenses in profit or loss during the period in which they are incurred.

##### (ii) Depreciation and residual value

Freehold land is not depreciated as it has an infinite life. Other PPE are depreciated on the straight-line method to allocate the cost of the assets to their residual values over their estimated useful lives in years, as summarised below:

|                                     |              |
|-------------------------------------|--------------|
| Leasehold land                      | 3 - 99 years |
| Buildings                           | 2 - 50 years |
| Telecommunication network equipment | 2 - 20 years |
| Movable plant and equipment         | 1 - 10 years |
| Computer support systems            | 2 - 10 years |

Depreciation on assets under construction or capital work-in-progress commence when the assets are ready for their intended use. Depreciation on PPE ceases at the earlier of derecognition or classification as held-for-sale.

Residual values and useful lives of assets are reviewed, and adjusted if appropriate, at the end of each reporting period.

##### (iii) Impairment

At the end of the reporting period, the Group and the Company assess whether there is any indication of impairment. If such indication exists, an analysis is performed to assess whether the carrying value of the asset is fully recoverable. A write down is made if the carrying value exceeds the recoverable amount. See significant accounting policies Note 3(e) to the financial statements on impairment of non-financial assets.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

### 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (c) Property, plant and equipment ("PPE") (continued)

##### (iv) Gains or losses on disposals

Gains or losses on disposals are determined by comparing the proceeds with the carrying amount of the related asset and are included in "other operating income - net" in profit or loss.

##### (v) Asset exchange transaction

PPE may be acquired in exchange for a non-monetary asset or for a combination of monetary and non-monetary assets and is measured at fair value unless;

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

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

##### (vi) Repairs and maintenance

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

#### (d) Investments in subsidiaries and associates in separate financial statements

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

Where an indication of impairment exists, the carrying amount of the investment is assessed and written down immediately to its recoverable amount. See accounting policy Note 3(e) to the financial statements on impairment of non-financial assets.

On disposal of investments in subsidiaries and associates, the difference between the disposal proceed and its carrying amount of the investment is recognised in profit or loss. Disposal-related costs are expensed as incurred.

The amount due from subsidiaries of which the Company does not expect repayment in the foreseeable future are considered as part of the Company's investments in the subsidiaries.

#### (e) Impairment of non-financial assets (excluding goodwill)

Assets that have an indefinite useful life are not subject to amortisation and are tested for impairment annually, and as and when events or circumstances occur indicating that an impairment may exist.

Assets with definite useful life are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less cost to sell ("FVLCS") and value-in-use ("VIU"). For the purpose of assessing impairment, assets are grouped at the lowest level for which there are separately identifiable cash flows ("CGUs"). Assets that suffered an impairment are reviewed for possible reversal at the end of reporting period.

For investment in associates, when assessing FVLCS, the unit of account is the investment in associate as a whole. The Group uses the adjusted quoted price (as disclosed in Note 29 (c) to the financial statements) which reflects the management's estimate of block discounts on similar purchases of NCI as one of the impairment indicator.

The impairment loss is charged to profit or loss. Any subsequent increase in recoverable amount is recognised in the profit or loss.

### 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (f) Financial assets

##### (i) Classification

The Group and the Company classify its financial assets in the following categories: at FVTPL, loans and receivables, available-for-sale (“AFS”) and held-to-maturity (“HTM”). The classification depends on the purpose for which the financial assets were acquired. Management determines the classification at initial recognition.

##### (a) Financial assets at FVTPL

The Group classifies financial assets at FVTPL if they are acquired principally for the purpose of selling in the short term, i.e. are held for trading. Derivatives are also categorised as held for trading unless they are designated as hedges. See Note 19 to the financial statements on derivative financial instruments and hedging activities.

The assets are presented as current assets if they are expected to be sold within twelve (12) months after the end of the reporting period; otherwise they are presented as non-current assets.

##### (b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. If collection of the amounts is expected in one year or less they are classified as current assets. If not, they are presented as non-current assets.

##### (c) AFS financial assets

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

##### (d) HTM financial assets

HTM financial assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's and Company's management have the positive intention and ability to hold to maturity. If the Group and the Company were to sell other than an insignificant amount of HTM financial assets, the whole category would be tainted and reclassified as AFS. HTM financial assets are included in non-current assets, except for those with maturities less than twelve (12) months from the end of the reporting period, which are classified as current assets.

##### (ii) Recognition and initial measurement

Regular purchases and sales of financial assets are recognised on the trade-date, the date on which the Group and the Company commit to purchase or sell the asset.

Financial assets are initially recognised at fair value plus transaction costs for all financial assets not carried at FVTPL. Financial assets carried at FVTPL are initially recognised at fair value and transaction costs are expensed in profit or loss.

##### (iii) Subsequent measurement – gains and losses

AFS financial assets and financial assets at FVTPL are subsequently carried at fair value. Loans and receivables and HTM financial assets are subsequently carried at amortised cost using the effective interest method.

Changes in the fair values of financial assets at FVTPL, including the effects of currency translation are recognised in profit or loss in the period in which the changes arise.

Changes in the fair value of AFS financial assets are recognised in OCI, except for impairment losses (see accounting policy Note 3(f)(iv) (b)) and foreign exchange gains and losses on monetary assets. The exchange differences on monetary assets are recognised in profit or loss, whereas exchange differences on non-monetary assets are recognised in OCI as part of fair value change.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

### 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (f) Financial assets (continued)

##### (iv) Subsequent measurement – Impairment of financial assets

###### (a) Assets carried at amortised cost

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

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

- Significant financial difficulty of the issuer or obligor;
- A breach of contract, such as a default or delinquency in interest or principal payments;
- The Group, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;
- It becomes probable that the borrower will enter bankruptcy or other financial reorganisation;
- Disappearance of an active market for that financial asset because of financial difficulties; or
- Observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:
  - (i) adverse changes in the payment status of borrowers in the portfolio; and
  - (ii) national or local economic conditions that correlate with defaults on the assets in the portfolio.

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

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in profit or loss.

When an asset is uncollectible, it is written off against the related accumulated impairment losses account. Such assets are written off after all the necessary procedures have been completed and the amount of the loss has been determined.

###### (b) Assets classified as AFS

The Group and the Company assess at the end of the reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired.

For debt securities, the Group and the Company uses criteria and measurement of impairment loss applicable for 'assets carried at amortised cost' above. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through the profit or loss.

In the case of equity securities classified as AFS, in addition to the criteria for 'assets carried at amortised cost' above, a significant or prolonged decline in the fair value of the security below its cost is also considered as an indicator that the assets are impaired. If any such evidence exists for AFS financial assets, the cumulative loss that had been recognised directly in equity is removed from equity and recognised in profit or loss. The amount of cumulative loss that is reclassified to profit or loss is the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss. Impairment losses recognised in profit or loss on equity instruments classified as AFS are not reversed through profit or loss in subsequent period.

### 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (f) Financial assets (continued)

##### (v) De-recognition

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

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

When available-for-sale financial assets are sold, the accumulated fair value adjustments recognised in OCI are reclassified to profit or loss.

#### (g) Offsetting financial instruments

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

#### (h) Derivative financial instruments and hedging activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value at the end of each reporting period.

The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. Derivatives that do not qualify for hedge accounting are classified as held for trading and accounted for in accordance with the accounting policy set out in Note 3(f) to the financial statements. Derivatives that qualify for hedge accounting are designated as either:

- Hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedge);
- Hedges of a particular risk associated with a recognised asset or liability or a highly probable forecast transaction (cash flow hedge); or
- Hedges of a net investment in a foreign operation (net investment hedge).

The Group and the Company document at the inception of the transaction, the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Group and the Company also document its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

The fair values of various derivative instruments used for hedging purposes are disclosed in Note 19 to the financial statements. Movements on the hedging reserve in OCI are shown in the statement of changes in equity of the financial statements. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining hedged item is more than twelve (12) months and as a current asset or liability when the remaining maturity of the hedged item is less than twelve (12) months. Trading derivatives are classified as a current asset or liability.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

### 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (h) Derivative financial instruments and hedging activities (continued)

##### (i) Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the profit or loss, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The Group and the Company only apply fair value hedge accounting for hedging fixed interest risk on borrowings. The gain or loss relating to the effective portion of cross currency interest rate swaps ("CCIRS") hedging fixed rate borrowings is recognised in the profit or loss within 'finance costs'. The gain or loss relating to the ineffective portion is recognised in the profit or loss within 'other gains/(losses) - net'. Changes in the fair value of the hedge fixed rate borrowings attributable to interest rate risk are recognised in the profit or loss within 'finance cost'.

If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest method is used and is amortised to profit or loss over the period to maturity using a recalculated effective interest rate.

##### (ii) Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in OCI. The gain or loss relating to the ineffective portion is recognised immediately in the profit or loss within 'other gains/(losses) - net'.

Amounts accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss (for example, when the forecast sale that is hedged takes place). The gain or loss relating to the effective portion of interest rate swaps hedging variable rate borrowings is recognised in the profit or loss within 'finance costs'. The gain or loss relating to the ineffective portion is recognised in the profit or loss within 'other gains/(losses) - net'. However, when the forecast transaction that is hedged, results in the recognition of a non-financial asset, the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset. The deferred amounts are ultimately recognised in cost of goods sold in the case of inventory or in depreciation in the case of PPE.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the profit or loss within 'other gains/(losses) - net'.

##### (iii) Net investment hedge

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges.

Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in OCI. The gain or loss relating to the ineffective portion is recognised immediately in the profit or loss within 'other gains/(losses) - net'.

Gains and losses accumulated in equity are included in the profit or loss when the foreign operation is partially disposed of or sold.

##### (iv) Derivatives that do not qualify for hedge accounting

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognised immediately in profit or loss and are included in 'other gains/(losses) - net'.

##### (i) Inventories

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

Certain items such as spare parts, stand-by equipment and servicing equipment shall be recognised as PPE when they meet the definition of PPE under MFRS 116. Otherwise, the items are classified as inventory.

Cost is determined on a weighted average basis and comprises all cost of purchase and other cost incurred in bringing the inventories to their present location.

### 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (i) Inventories (continued)

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

#### (j) Trade receivables and other receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. Other receivables generally arise from transactions outside the usual operating activities of the Group and the Company. If collection is expected in one (1) year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. Otherwise, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less accumulated impairment losses.

#### (k) Cash and cash equivalents

For the purpose of the statement of cash flows, cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes. Cash and cash equivalents comprise cash on hand, deposits held at call with financial institutions, other short term, highly liquid investments with original maturities of three (3) months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Bank overdrafts which are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents in the statement of cash flows. Bank overdrafts are included within borrowings in current liabilities in the statements of financial position.

#### (l) Trade payables

Trade payables represent liabilities for goods or services provided to the Group prior to the end of financial year which are unpaid. Trade payables are classified as current liabilities unless payment is not due within twelve (12) months after the reporting period. If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

#### (m) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost using the effective interest method; any difference between proceeds (net of transaction costs) and the redemption value is recognised in the profit or loss over the period of the borrowings.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Group and the Company have an unconditional right to defer settlement of the liability for at least twelve (12) months after the end of the reporting period.

#### (n) Current and deferred tax

Tax expense for the period comprises current and deferred income tax. The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in OCI or directly in equity. In this case the tax is also recognised in OCI or directly in equity, respectively.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

### 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (n) Current and deferred tax (continued)

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

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

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

Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses or unused tax credits can be utilised.

Deferred tax is provided on temporary differences arising on investments in subsidiaries and associates, except for deferred tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not be reversed in the foreseeable future. Generally the Group is unable to control the reversal of the temporary difference for associates. Only where there is an agreement in place that gives the Group the ability to control the reversal of the temporary difference not recognised.

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

Tax benefit from investment tax incentive is recognised when the tax credit is utilised and no deferred tax asset is recognised when the tax credit is claimed.

#### (o) Provisions

Provisions are recognised when the Group and the Company have a present legal or constructive obligation as a result of past events, when it is probable that an outflow of resources will be required to settle the obligation, and when a reliable estimate of the amount can be made. Where the Group and the Company expect a provision to be reimbursed (for example, under an insurance contract), the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. Provisions are not recognised for future operating losses.

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

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as finance cost.

Provision for liabilities is mainly provisions for dismantling, removal or restoration on identified sites. Provisions are reviewed at the end of the reporting period and adjusted to PPE to reflect the current best estimation. Where the time value of money is material, the amount of a provision is the present value of the future period expenditure expected to be required to settle the obligation.

#### (p) Contingent liabilities and contingent assets

The Group does not recognise a contingent liability but discloses its existence in the financial statements. A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by uncertain future events beyond the control of the Group or a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in the extremely rare circumstance where there is a liability that cannot be recognised because it cannot be measured reliably.

### 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (p) Contingent liabilities and contingent assets (continued)

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

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

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

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

#### (q) Share capital

##### (i) Classification

Ordinary shares and non-redeemable preference shares with discretionary dividends are classified as equity. Other shares are classified as equity and/or liability according to the economic substance of the particular instrument.

##### (ii) Share issue expenses

Incremental costs directly attributable to the issuance of new shares or options are deducted against share premium account.

##### (iii) Dividends to shareholders of the Company

Liability is recognised for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the Group, on or before the end of the reporting period but not distributed at the end of the reporting period.

Distributions to holders of an equity instrument is recognised directly in equity.

#### (r) Leases

A lease is an agreement whereby the lessor conveys to the lessee in return for a payment, or series of payments, the right to use an asset for an agreed period of time.

##### **Accounting by lessee**

##### (i) Finance leases

Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short-term and long-term payables.

Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate of interest on the remaining balance of the liability. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The PPE acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term if there is no reasonable certainty that the Group will obtain ownership at the end of the lease term.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

### 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (r) Leases (continued)

##### *Accounting by lessee (continued)*

##### (i) Finance leases (continued)

Deferred gain from sale and finance lease back transaction is amortised using straight line method over the lease period.

Initial direct costs incurred by the Group in negotiating and arranging finance leases are added to the carrying amount of the leased assets and recognised as an expense in profit or loss over the lease term on the same basis as the lease expense.

##### (ii) Operating leases

Leases of assets where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the profit or loss on a straight-line basis over the lease period.

Gain from sale and operating lease back transaction is directly recognised when the transaction occurs.

Initial direct costs incurred by the Group in negotiating and arranging operating leases are recognised in profit or loss when incurred.

##### *Accounting by lessor*

##### (i) Finance leases

When assets are leased out under a finance lease, the present value of the lease payments is recognised as a receivable. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income. Lease income is recognised over the term of the lease using the net investment method so as to reflect a constant periodic rate of return.

##### (ii) Operating leases

When assets are leased out under an operating lease, the asset is included in the statements of financial position based on the nature of the asset.

Initial direct costs incurred by the Group in negotiating and arranging operating leases are recognised in profit or loss when incurred.

#### (s) Revenue recognition

The Group's operating revenue comprises the fair value of the consideration received or receivable for the sale of products and rendering of services net of returns, duties, sales discounts and sales taxes paid, after eliminating sales within the Group. The Group's and the Company's operating revenues are recognised or accrued at the time of the provision of the products or services.

##### (i) Mobile and interconnect services revenue

Revenue from mobile telephony services are recognised based on actual traffic volume, net of rebates or discounts.

Revenue from sales of prepaid starter packs and prepaid phone cards are deferred (as disclosed as deferred revenue in trade and other payables) and recognised as revenue based on the actual use of the cards, net of taxes and discounts. Any amounts not recognised are deferred, after which such amounts will be recognised as revenue.

Revenue from interconnection with other operators is recognised on the basis of actual recorded call traffic.

##### (ii) Lease and services of passive infrastructure

Lease revenue is generated from the leasing of space on the Group's telecommunication towers, where the customers install and maintain their individual communication network equipment. Lease revenue from operating lease is recognised on a straight-line basis over the fixed and non-cancellable term of the lease agreement, irrespective of when the payments are due.

### 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (s) Revenue recognition (continued)

##### (ii) Lease and services of passive infrastructure (continued)

Revenue from provision of passive infrastructure services to customers is recognised on an accrual basis based on prices agreed with customers through lease agreements.

##### (iii) Interest income

Interest income is recognised on a time-proportion basis using the effective interest method. When a receivable is impaired, the Group and the Company reduce the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognised using original effective interest rate.

##### (iv) Dividend income

Dividend income from investment in subsidiaries, joint ventures, associates and other investments is recognised when a right to receive payment is established. This applies even if they are paid out of pre-acquisition profits. However, the investment may need to be tested for impairment as a consequence.

##### (v) Technical and management services fees

Technical and management services fees comprise of fees for provision of support services to certain subsidiaries, which are recognised on an accrual basis.

##### (vi) Other revenues

All other revenues are recognised net of rebates or discounts upon the rendering of services or sale of products, when the transfers of risks and rewards have been completed.

#### (t) Employee benefits

##### (i) Short term employee benefits

Wages, salaries, paid annual leave and sick leave, bonuses, and non-monetary benefits that are expected to be settled wholly within twelve (12) months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as "Trade and other payables - payroll liabilities" in the statement of financial position.

##### (ii) Contribution to Employees Provident Fund ("EPF")

The Group's and the Company's contributions to EPF are charged to the profit or loss in the period to which they relate. Once the contributions have been paid, the Group and the Company have no further payment obligations. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

##### (iii) Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits at the earlier of the following dates: (a) when the Group can no longer withdraw the offer of those benefits; and (b) when the entity recognises costs for a restructuring that is within the scope of MFRS 137 and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than twelve (12) months after the end of the reporting period are discounted to their present value.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

### 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (t) Employee benefits (continued)

##### (iv) Share-based compensation

The Group operates a number of equity-settled and cash-settled share-based compensation plans by the Company and certain subsidiaries under which the entity receives services from employees as consideration for equity instruments (options) of the Group/certain subsidiaries. The fair value of the options granted in exchange for the services of the employees are recognised as employee benefit expense with a corresponding increase to share option reserve within equity. The total amount to be expensed is determined by reference to the fair value of the options granted:

- including any market performance conditions;
- excluding the impact of any service and non-market performance vesting conditions; and
- excluding the impact of any non-vesting conditions.

Non-market vesting conditions and service conditions are included in assumptions about the number of options that are expected to vest.

The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of the reporting period, the Group and the Company revise its estimates of the number of options that are expected to vest based on the non-market vesting conditions and service conditions. It recognises the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to share option reserve in equity.

When the options are exercised, the Company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised. When options are not exercised and lapsed, the share option reserve is transferred to retained earnings.

In its separate financial statements of the Company, the grant by the Company of options over its equity instruments to the employees of subsidiaries in the Group is treated as services provided to the subsidiaries. The fair value of options granted to employees of the subsidiaries in exchange for the services of the employees to the subsidiaries are recognised as payables from subsidiaries, with a corresponding credit to equity of the Company.

##### (v) Post-employment benefit obligations

The Group operates various defined benefit plans in accordance with local conditions and practices in the countries in which it operates. The plans are generally funded through payments to insurance companies or trustee-administrated funds, determined by periodic actuarial calculations. A defined benefit plan is a pension plan that is not a defined contribution plan. Defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The Group determines the present value of the defined benefit obligation and the fair value of any plan assets with sufficient regularity such that the amounts recognised in the financial statements do not differ materially from the amounts that would be determined at the end of the reporting period. The liability recognised in the statement of financial position in respect of defined benefit pension plans is the present value of the defined obligation at the end of the reporting period less the fair value of plan assets, together with adjustments for actuarial gains/losses and unrecognised past-service costs.

The defined benefit obligation is calculated annually by independent actuaries using projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash flows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximately to the terms of related pension obligation. In countries where there is no deep market in such bonds, the market rates on government bonds are used.

Remeasurement, comprising actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions, are charged or credited to equity in OCI in the period in which they arise and will not be reclassified to profit or loss.

Past-service costs are recognised immediately in profit or loss.

### 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (t) Employee benefits (continued)

##### (vi) Cash-Based Long Term Incentive (“LTI”) compensation

The Group and the Company recognise a liability and an expense for cash-based long term incentive compensation and over the vesting period, based on a formula that takes into consideration the number of employees, a performance multiplier and discount rate. Provision is recognised when the Group and the Company have a present legal or constructive obligation as a result of past events.

#### (u) Deferred revenue

Deferred revenue comprises:

- (i) The unutilised balance of airtime, data and access fee in respect of prepaid cards sold to customers. Such revenue amounts are recognised as revenue upon utilisation of airtime and activation of access right by the customer.
- (ii) The value of advance billings made to customers in respect of the rental of fibre optic network. Such amounts are recognised as revenue systematically over the period covered by the advance billings.

#### (v) Indefeasible right of use (“IRU”)

The Group has entered into certain IRU agreements with its customers. An IRU is a right to use a specified amount of capacity for a specific time period that cannot be revoked or voided. Such agreements are accounted for either as lease or service transactions.

Those IRU agreements that provide the lessee with exclusive right to the purchased capacity and limit the purchased capacity to a specified fibre are accounted as lease transactions. Other IRUs are accounted for as service contracts.

IRU agreements that transfer substantially all the risks and rewards of ownership to the lessee are classified as sale-type leases. All other IRU leases are classified as operating leases.

#### (w) Foreign currencies

##### (i) Functional and presentation currency

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

##### (ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities (inclusive of advances to subsidiaries treated as quasi-investments) denominated in foreign currencies are recognised in profit or loss. However, exchange differences are deferred in OCI when they arose from qualifying cash flow or net investment hedges or are attributable to items that form part of the net investment in a foreign operation.

Foreign exchange gains and losses that relate to borrowings are presented in the profit or loss within ‘finance cost’. All other foreign exchange gains and losses are presented in profit or loss within ‘foreign exchange gains/(losses)’.

Changes in the fair value of monetary securities denominated in foreign currency classified as AFS are analysed between translation differences resulting from changes in the amortised cost of the securities and other changes in the carrying amount of the securities. Translation differences related to changes in amortised cost are recognised in the profit or loss for the financial year, and other changes in carrying amount are recognised in OCI.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

### 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (w) Foreign currencies (continued)

##### (iii) Group companies (Consolidated financial statements)

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

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statements of financial position;
- income and expenses for each statements of comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- all resulting exchange differences are recognised as a separate component of OCI.

Goodwill and fair value adjustments arising on the acquisitions of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Exchange differences arising are recognised in OCI.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in OCI.

On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a joint venture that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the exchange differences relating to that foreign operation recognised in consolidated OCI and accumulated in the separate component of equity are reclassified to consolidated profit or loss. In the case of a partial disposal that does not result in the Group losing control over a subsidiary that includes a foreign operation, the proportionate share of accumulated exchange differences are re-attributed to NCIs and are not recognised in consolidated profit or loss. For all other partial disposals (that is, reductions in the Group's ownership interest in associates or joint ventures that do not result in the Group losing significant influence or joint control) the proportionate share of the accumulated exchange difference is reclassified to profit or loss.

#### (x) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Operating Decision maker. The Chief Operating Decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors that makes strategic decisions.

#### (y) Government grants

As a Universal Service Provider ("USP"), the Group is entitled to claim certain qualified expenses from the relevant authorities in relation to USP projects. The claim qualifies as a government grant and is recognised at fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are recognised in the profit of loss over the period necessary to match them with the costs they are intended to compensate.

Government grants relating to the purchase of assets are included in non-current liabilities as deferred income and are credited to the profit or loss on the straight line basis over the expected life of the related assets.

#### 4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated by the Directors and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

##### (a) Critical judgements in applying the Group's and Company's accounting policies

In determining and applying accounting policies, judgement is often required in respect of items where the choice of specific policy could materially affect the reported results and financial position of the Group and the Company. The following accounting policies require subjective judgements, often as a result of the need to make estimates about the effect of matters that are inherently uncertain.

###### *Intangible assets – Acquired telecommunication licenses with allocated spectrum rights*

The Group has applied judgement in determining the treatment of the annual fees payable over ten (10) years in respect of a 3G spectrum license granted to a foreign subsidiary. The annual fee is charged to the profit or loss when incurred based on management's judgement that future annual fees will no longer be payable upon the decision by the subsidiary to return the license. The Group considers the prepaid annual payment to be usage fees based on interpretation of the license conditions, written confirmation from the Directorate General of Post and Telecommunication, Indonesia and current financial year assessment of 3G operations. The prepaid annual fees are therefore not considered part of the acquisition cost of the license.

Should the regulations and conditions with regards to the payment of the annual fees be amended in the future with the consequence that payment of the remaining outstanding annual fees cannot be avoided upon the subsidiary surrendering the license, the Group will recognise an intangible asset and a corresponding liability at the present value of the remaining annual fees at that point in time.

###### *Intangible assets – Estimated useful life of telecommunication licenses with allocated spectrum rights*

The telecommunication licenses with allocated spectrum rights acquired by a subsidiary via business combination are not subject to amortisation and are tested annually for impairment as the Group in the opinion that the licenses can be renewed in perpetuity at negligible cost and the associated spectrum rights, similar to land, have an indefinite economic useful life. The estimated indefinite economic useful life reflects the Group's expectation of the period over which the Group will continuously recover the benefits from the licenses.

##### (b) Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, rarely equal the related actual results. The Group, and to a large extent the activities, are governed by the legal, regulatory and business environment in the countries which the Group operates in and which the Group has investments in. The business of the Group is subject to a number of risks, many of which are beyond the Group's control.

The main risks relating to the Group's business are as follows:

- Increasing competition in the countries the Group operates in
- Challenges in expanding business in certain emerging markets
- Political, regulatory and social developments in the region the Group operates in
- Significant expansion of capital investments required
- Increasing substitution for traditional voice and data market

To enhance the information content of the estimates, certain key variables that are anticipated to have material impact to the Group's results and financial position are tested for sensitivity to changes in the underlying parameters. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next year are mentioned below.

##### (i) Impairment assessment of goodwill

The Group tests goodwill for impairment annually in accordance with its accounting policy and whenever events or change in circumstances indicate that this is necessary within the financial year. Recoverable amount is measured at the higher of the FVLCs for that asset and its VIU.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

### 4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

#### (b) Critical accounting estimates and assumptions (continued)

##### (i) Impairment assessment of goodwill (continued)

These calculations require the use of estimates. The calculations are inherently judgemental and susceptible to change from period to period because they require the Group to make assumptions about revenue growth, exchange rates, an appropriate discount rate and terminal growth rate.

The assumptions used, results and sensitivities of the impairment assessment of goodwill are disclosed in Note 25 to the financial statements.

##### (ii) Impairment assessment on non-financial assets (excluding goodwill)

The Group and the Company assess impairment of the assets or CGUs mentioned above whenever the events or changes in circumstances indicate that the carrying amount of an asset or CGU may not be recoverable i.e. the carrying amount of the asset is more than the recoverable amount. Recoverable amount is measured at the higher of the FVLCS for that asset or CGU and its VIU.

Projected future cash flows used in impairment testing of the assets or CGUs mentioned above are based on Group's and Company's estimates calculated based on historical, sector and industry trends, general market and economic conditions, changes in technology and other available information.

The recoverable amounts of the asset or CGUs have been determined based on VIU or FVLCS calculations. These calculations require the use of estimates. The calculations are inherently judgemental and susceptible to change from period to period because they require the Group and the Company to make assumptions about revenue growth, exchange rates, an appropriate discount rate and terminal growth rate.

The assumptions used and results of the impairment assessment of investment in an associate are disclosed in Note 29 to the financial statements.

##### (iii) Estimated useful lives of PPE

The Group reviews the estimated useful lives of PPE based on network and information technology ("IT") modernisation being planned by the Group. The network and IT modernisation involves estimating when the assets will be upgraded based on the approved modernisation plans and the useful lives of the network and IT assets are revised accordingly. Future results of operations could be materially affected by changes in these estimates brought about by changes in the factors mentioned. A reduction in the estimated useful lives of PPE would increase the recorded depreciation charge and decrease the PPE balance.

##### (iv) Taxation

###### Income taxes

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

###### Deferred tax assets

Deferred tax asset is recognised to the extent that it is probable that future taxable profit will be available against which temporary differences can be utilised. This involves judgement regarding future financial performance of a particular entity in which the deferred tax asset has been recognised.

#### 4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

##### (b) Critical accounting estimates and assumptions (continued)

###### (v) Contingent liabilities

Determination of the treatment of contingent liabilities is based on the Group's view of the expected outcome of contingencies after consulting legal counsel for litigation cases and internal and external experts of the Group for matters in the ordinary course of business. Please refer to Note 29 and Note 36(d) to the financial statements for legal proceedings that the Group is involved in as at the end of each reporting period.

###### (vi) Fair value of derivatives and other financial instruments

Certain financial instruments such as investments and derivative financial instruments are carried on the statement of financial position at fair value, with changes in fair value reflected in the profit or loss.

Fair values are estimated by reference in part to published price quotations and in part by using valuation techniques. The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. The Group uses its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each financial reporting period.

###### (vii) Provision for dismantling, removal or restoration

Fair value estimates of provision for dismantling, removal or restoration generally involve discounted future cash flows, and periodic accretion of such liabilities due to the passage of time is recorded as finance cost. The significant assumptions used in estimating the provision are: timing of assets removals; cost of assets removals; expected inflation rates; and the discount rates. There can be no assurances that actual costs and the probability of incurring obligations will not differ from these estimates.

#### 5. INCORPORATIONS, ACQUISITIONS, DISSOLUTIONS AND DILUTIONS OF INTERESTS

##### (a) Incorporations, acquisitions, dissolutions and dilutions of interests during the financial year

###### (i) Dilution of equity interest and additional investment in Axiata (Cambodia) Holdings Limited [formerly known as Glasswool Holdings Limited] ("Glasswool")

On 13 December 2013, Axiata Investments (Cambodia) Limited ("AIC"), a wholly-owned subsidiary of the Company entered into a Co-operation Agreement with Glasswool (holding company of Smart Axiata Ltd.) and Southern Coast Ventures Inc. ("SCV"). In accordance with the Co-operation Agreement, Glasswool shall issue to SCV the following additional ordinary shares in Glasswool subject to no material adverse event as defined in the Co-operation Agreement having occurred prior to the First, Second and Third anniversary from 19 February 2013 as below:

- i) 58 Ordinary Shares following the First Completion Date;
- ii) 60 Ordinary Shares following the Second Completion Date; and
- iii) 64 Ordinary Shares following the Third Completion Date.

On 8 December 2015, AIC acquired 218 ordinary shares from SCV for a total consideration of RM379.4 million (USD90.0 million). Effectively, the Group's equity interest in Glasswool increased from 84.99% to 95.28%. The Group recorded a decrease in consolidated retained earnings of RM281.1 million and NCI amounting to RM98.3 million in the previous financial year.

On 22 February 2016 (2015: 26 February 2015), Glasswool issued 64 (2015: 60) ordinary shares to SCV resulting in the Group's equity interest in Glasswool decreased from 95.28% to 92.48% (2015: 87.46% to 84.99%). As the result, the Group recorded a decrease in consolidated retained earnings of RM8.9 million (2015: RM0.4 million) and an increase in NCI amounting to RM28.0 million (2015: RM16.9 million) during the financial year.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

### 5. INCORPORATIONS, ACQUISITIONS, DISSOLUTIONS AND DILUTIONS OF INTERESTS (CONTINUED)

#### (a) Incorporations, acquisitions, dissolutions and dilutions of interests during the financial year (continued)

##### (ii) Incorporation of AD Video Sdn Bhd (“ADV”)

Axiata Digital Services Sdn Bhd (“ADS”), had on 25 February 2016 completed the incorporation of ADV, a private company limited by shares, under the Companies Act, 1965.

ADV was incorporated with an authorised share capital of RM400,000 divided into 400,000 ordinary shares of RM1 each. The issued and paid-up share capital of ADV is RM4 and its intended principal activity is to establish, maintain and operate an internet-based multimedia services.

The incorporation above did not have any significant impact to the Group during the financial year.

##### (iii) Incorporation of WSO2.Telco (Private) Limited (“WSO2.Telco SL”)

WSO2.Telco Inc., a subsidiary of ADS, had on 17 March 2016 completed the incorporation of WSO2.Telco SL, a private company limited by shares, in Sri Lanka, under the Companies Act No.7 of 2007.

WSO2.Telco SL was incorporated with issued and paid-up capital of 1 ordinary share at value of SLR10 each. The nature of business to be carried by WSO2.Telco SL is to develop and provide support services for software technologies, products and solutions.

The above incorporation did not have any significant impact to the Group during the financial year.

##### (iv) Acquisition of edotco Pakistan (Private) Limited (“edotco PK”)

Axiata Investments (Labuan) Limited, a wholly-owned subsidiary of the Company, had on 19 December 2014 entered into a SPA with Arif Hussain and Joozer Jiwakhan for the acquisition of the issued share capital of edotco PK at a cash consideration of PKR3,100 or RM118. The acquisition was completed on 24 March 2016 and effectively, edotco PK became a subsidiary of the Group.

The acquisition of edotco PK did not have any significant impact to the Group during the financial year.

##### (v) Dilution of equity interest in PT XL Axiata Tbk (“XL”)

On 10 March 2016 (2015: 1 April), the Extraordinary General Meeting of Shareholders of XL approved the Share-based Compensation Program Grant Date V. On 6 April 2016 (2015: 21 April), XL issued 8,986,668 (2015: 6,891,003) ordinary shares at par value of IDR100 each without pre-emptive rights to its eligible employees. Accordingly, the Group's effective equity interest in XL diluted from 66.43% to 66.36% (2015: 66.48% to 66.43%). The Group recorded an increase in consolidated retained earnings of RM3.1 million (2015: RM4.3 million) and NCI of RM6.0 million (2015: RM4.9 million) respectively during the financial year.

##### (vi) Acquisition in Localcube Commerce Private Limited (“Localcube”)

On 7 April 2016, the Group via Axiata Investments (Mauritius) Limited, a wholly-owned subsidiary of ADS entered into a Share Subscription Agreement with Localcube and the promoters, namely Sridhar Gundaiah and Govardhan Krishnappa Kadaliah for the issuance of 6,236 Compulsorily Convertible Preference Shares of Localcube at par value of INR10 per share representing 25.22% of issued and paid up capital of Localcube for a total consideration of RM 51.6 million (USD 12.8 million).

The above acquisition did not have any significant impact to the Group during the financial year.

##### (vii) Acquisition of Reynolds Holdings Limited (“Reynolds”) by Axiata Investments (UK) Limited (“Axiata UK”)

On 21 December 2015, the Company and its wholly-owned subsidiary, Axiata UK entered into a Sale and Purchase Agreement (“SPA”) and other ancillary agreements for the acquisition of the entire ordinary shares in issue of Reynolds, which owns 80.00% ordinary shares in issue of Ncell Private Limited (“Ncell”). On 11 April 2016, the Group completed the acquisition of Reynolds and effectively became a subsidiary of the Group.

## 5. INCORPORATIONS, ACQUISITIONS, DISSOLUTIONS AND DILUTIONS OF INTERESTS (CONTINUED)

### (a) Incorporations, acquisitions, dissolutions and dilutions of interests during the financial year (continued)

#### (vii) Acquisition of Reynolds Holdings Limited (“Reynolds”) by Axiata Investments (UK) Limited (“Axiata UK”) (continued)

The following summarises the consideration paid on the acquisition of Reynolds at consolidated basis, the fair value of the identifiable assets acquired, liabilities assumed and NCI at the acquisition date.

|  | RM'000      |
|--|-------------|
| Purchase consideration as per the SPA in cash  | 5,327,469   |
| Details of the net identifiable assets acquired are as follows:  |             |
| PPE  | 1,404,320   |
| Intangible assets  | 3,559,641   |
| Inventories  | 4,526       |
| Trade and other receivables  | 853,141     |
| Cash and bank balances   | 1,626,407   |
| Deferred tax liabilities   | (754,266)   |
| Provision for liabilities  | (35,822)    |
| Trade and other payables   | (1,595,788) |
| Tax liabilities  | (194,159)   |
| Total net identifiable assets  | 4,868,000   |
| Less: NCI  | (911,746)   |
| Total net identifiable assets acquired, net of NCI's shares  | 3,956,254   |
| Closing statement adjustments of RM980.6 million and liability incurred of RM608.4 million which were part of the total purchase consideration for goodwill computation purpose. | 1,589,037   |
| Goodwill on acquisition  | 2,960,252   |

The Group has assessed the fair value of the identified assets acquired and liabilities assumed on the date of acquisition via purchase price allocation (“PPA”) exercise. However MFRS 3 allows any adjustments to PPA up to twelve (12) months period from the date of acquisition.

The goodwill arising from acquisition is attributable to the expansion of regional footprint in Nepal.

Acquisition related costs of RM25.4 million have been charged to other operating costs in the consolidated profit or loss during the financial year.

Had Reynolds and its subsidiary been consolidated from 1 January 2016 until 10 April 2016, consolidated revenue and profit after tax of the Group would have been increased by RM628.4 million and RM218.4 million respectively.

Since the acquisition date, revenue amounting to RM1,629.5 million and profit after tax of RM568.4 million of Ncell respectively have been included in the consolidated statement of comprehensive income during the financial year.

#### (viii) Incorporation of VM Digital (Thailand) Co., Ltd. (“VM Digital”)

Axiata Digital Services Sdn Bhd (“ADS”), had on 3 May 2016 completed the incorporation of VM Digital (Registration No. 0105559069905), a private company limited by shares, in Thailand, under the Thailand Civil and Commercial Code.

VM Digital was incorporated with a registered share capital of THB1.0 million. The nature of business to be carried by VM Digital is to operate telecommunications and all types of communications businesses.

The above incorporation did not have any significant impact to the Group during the financial year.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

### 5. INCORPORATIONS, ACQUISITIONS, DISSOLUTIONS AND DILUTIONS OF INTERESTS (CONTINUED)

#### (a) Incorporations, acquisitions, dissolutions and dilutions of interests during the financial year (continued)

##### (ix) Entry by XL into a Deed of Establishment with PT Indosat Tbk

XL, a subsidiary of the Company, had on 9 May entered into a Deed of Establishment (“Deed”) with PT Indosat Tbk (“Indosat Ooredoo”) for the establishment of a joint venture; PT One Indonesia Synergy Tbk (“JVCo”).

Under the terms of the Deed, XL subscribed 1,251 ordinary shares of IDR1.0 million totalling IDR1,251.0 million (RM0.4 million) representing 50.0% of the total issued and paid-up share capital of the JVCo with the remaining held by Indosat Ooredoo.

The above establishment did not have any significant impact to the Group during the financial year.

##### (x) Dissolution of Advantage Maximum Network Co. Ltd (“AMN”)

AMN, subsidiary of ADS had, on 16 May 2016 received the dissolution certificate from Business Registration Office, Ho Chi Minh City. Effectively, AMN ceased to be a subsidiary of the Group.

The above dissolution has no material impact to the Group during the financial year.

##### (xi) Dissolution of GSM One (L) Limited (“GSM One”) and GSM Two (L) Limited (“GSM Two”)

GSM One and GSM Two, wholly-owned subsidiaries of XL had on 15 June 2016 received the “Dissolution Certificate” from Labuan Financial Services Authority. Effectively, GSM One and GSM Two ceased to be a subsidiary of the Group.

The above dissolution had no significant impact to the Group during the financial year.

##### (xii) Incorporation of Axiata Business Services Sdn Bhd (“ABS”)

On 29 July 2016, the Company incorporated its wholly-owned subsidiary, ABS (Company No. 1196307-H), a private company limited by shares, under the Companies Act, 1965.

ABS was incorporated with an authorised share capital of RM400,000 divided into 400,000 ordinary shares of RM1 each. The issued and paid-up share capital of ABS is RM2 and its intended principal activity is to provide international carrier services, global communications products, managed information, communications and technology and internet of things.

The above incorporation did not have any significant impact to the Group during the financial year.

##### (xiii) Amalgamation/Merger of Robi Axiata Limited (“Robi”) and Airtel Bangladesh Limited (“Airtel”)

Robi, had on 28 January 2016 entered into an agreement with, inter-alia, Bharti Airtel Holdings (Singapore) Pte. Ltd. for the amalgamation of Airtel with Robi on the terms set in the agreement and Companies Act, 1994 of Bangladesh.

On 16 November 2016 (date of acquisition), Robi and Airtel registered the Merger Filing with the Registrar of Joint Stock Companies and Firms of Bangladesh. Pursuant to the above and in accordance with the agreement, the Proposed Amalgamation/Merger was completed and the parties are in process to obtain the Merged License and completion of other procedural and/or administrative formalities.

## 5. INCORPORATIONS, ACQUISITIONS, DISSOLUTIONS AND DILUTIONS OF INTERESTS (CONTINUED)

### (a) Incorporations, acquisitions, dissolutions and dilutions of interests during the financial year (continued)

#### (xiii) Amalgamation/Merger of Robi Axiata Limited (“Robi”) and Airtel Bangladesh Limited (“Airtel”) (continued)

The following summarises the non-cash consideration on the acquisition of Airtel, the fair value of the identifiable assets acquired, liabilities assumed and NCI on the date of acquisition.

|  | RM'000           |
|--|------------------|
| Purchase consideration issued in ordinary shares of Robi based on estimated enterprise value of Airtel | 1,020,640        |
| Contingent consideration   | 106,865          |
|  | <b>1,127,505</b> |
| Details of the net identifiable net assets acquired are as follows:                                    |                  |
| PPE  | 735,823          |
| Intangible assets  | 568,084          |
| Indemnification assets*  | 162,352          |
| Trade and other receivables  | 151,699          |
| Advance tax  | 12,927           |
| Cash and bank balances   | 43,906           |
| Deferred tax assets  | 374,513          |
| Borrowings   | (479,552)        |
| Trade and other payables   | (441,897)        |
| Provision for liabilities  | (20,991)         |
| Total net identifiable assets  | <b>1,106,864</b> |
| Goodwill on acquisition  | <b>20,641</b>    |

\* To indemnify certain corporate tax of previous tax assessment years and trade payables related to value added taxes.

The Group has assessed the fair value of the identified assets acquired and liabilities assumed on the date of acquisition via purchase price allocation (“PPA”) exercise. However MFRS 3 allows any adjustments to PPA up to twelve (12) months period from the date of acquisition.

The goodwill arising from acquisition is attributable to the expected synergies from the amalgamation/merger.

Acquisition related costs of RM59.9 million have been charged to other operating costs in the consolidated profit or loss during the financial year.

Had Airtel been consolidated from 1 January 2016 until 15 November 2016, consolidated revenue and profit after tax of the Group would have been increased by RM668.5 million and decreased by RM390.2 million respectively.

Since the acquisition date, revenue amounting to RM79.7 million and loss after tax of RM57.7 million of Airtel respectively have been included in the consolidated statement of comprehensive income during the financial year.

With the completion of the acquisition, the Group’s effective equity interest in Robi decreased from 91.59% to 68.69%. Accordingly the Group recorded an increase in consolidated retained earnings of RM118.1 million and non-controlling interests of RM902.5 million respectively.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

### 5. INCORPORATIONS, ACQUISITIONS, DISSOLUTIONS AND DILUTIONS OF INTERESTS (CONTINUED)

#### (a) Incorporations, acquisitions, dissolutions and dilutions of interests during the financial year (continued)

##### (xiv) Incorporation of Dialog Business Services (Private) Limited ("DBS")

On 21 November 2016, Dialog Axiata PLC incorporated DBS (Company No.PV 118079), a private company limited by shares, under the Companies Act, No. 7 of 2007.

DBS was incorporated with a stated capital of SLR10. The nature of business to be carried by DBS is to carry out the business of providing Business Process Outsourcing services including call centre services.

The above incorporation did not have any significant impact to the Group during the financial year.

##### (xv) Incorporation of edotco Towers (Bangladesh) Limited ("edotco Towers BD")

edotco Investments (Labuan) Limited ("edotco Labuan"), a subsidiary of the Group, had on 17 November 2016 incorporated a new subsidiary, edotco Towers BD (Company No. C-134238), a public company limited by shares.

The incorporation of edotco Towers BD was completed following the receipt by edotco Labuan on 29 November 2016 of the Certificate of Incorporation from the Registrar of Joint Stock Companies and Firms, Republic of Bangladesh.

edotco Towers BD, a company duly incorporated under the Companies Act, 1994 of the Republic of Bangladesh has an authorised share capital of BDT10.0 million represented by 1.0 million ordinary shares of BDT10 each of which BDT0.95 million has been paid-up. The business objective of edotco Towers BD is to undertake telecommunications infrastructure and services.

The above incorporation did not have any significant impact to the Group during the financial year.

##### (xvi) Acquisition of additional 12.50% equity interest in edotco Investments Singapore Pte Ltd [formerly known as Digicel Asian Holdings Pte Ltd] ("edotco SG")

On 7 November 2016, edotco Investments (Labuan) Limited ("edotco Labuan") entered into a SPA with YSH Finance Limited ("Yoma") for the acquisition of 250,000 ordinary shares in the share capital of edotco SG for a cash consideration of RM156.7 million or USD35.0 million. As the result, the equity interest in edotco SG increased from 75.00% to 87.50%.

The Group recognised a decrease in consolidated retained earnings of RM83.4 million and non-controlling interests of RM73.3 million respectively during the financial year.

##### (xvii) Accretion/dilution on equity interest in M1 Limited ("M1")

From 19 February 2016 until 22 March 2016, M1 had bought back its 7.5 million ordinary shares by way of market acquisition and all the shares purchased back are held as treasury shares. As the result, the Group's equity interest in M1, held through Axiata Investments (Singapore) Limited, a wholly-owned subsidiary of the Company increased from 28.32% to 28.55%.

Subsequently after 22 March 2016 until 26 September 2016, M1 has resold its treasury shares to its existing employees via its ESOS's scheme. The Group's equity interest in M1 diluted from 28.55% to 28.54%.

In the previous financial year, the Group's equity interest in M1, held through Axiata Investments (Singapore) Limited, a wholly-owned subsidiary of the Company, decreased from 28.50% to 28.32% following the issuance of new ordinary shares under M1's ESOS.

The Group recognised a loss on dilution of equity interest amounting to RM2.3 million (2015: RM11.5 million) in the financial year.

##### (xviii) Dilution on equity interest in Idea Cellular Limited ("Idea")

During the financial year, the Group's equity interest in Idea, decreased from 19.78% to 19.77% (2015: from 19.79% to 19.78%) following the issuance of new ordinary shares under Idea's ESOS.

The Group recognised a loss on dilution of equity interest amounting to RM3.1 million (2015: RM5.9 million) during the financial year.

## 5. INCORPORATIONS, ACQUISITIONS, DISSOLUTIONS AND DILUTIONS OF INTERESTS (CONTINUED)

### (b) Incorporations, acquisitions and dilutions of interests in the previous financial year

#### (i) Acquisition of Adknowledge Asia Pacific Pte Ltd (“AAP”)

On 3 December 2014, Axiata Digital Advertising Sdn Bhd (“ADA”), a wholly-owned subsidiary of Axiata Digital Services Sdn Bhd (“ADS”) entered into a Subscription and Shareholders’ Agreement with Adknowledge International, Inc and AAP for the acquisition of 80.00% equity interest in AAP for a total cash consideration of RM19.6 million (USD5.5 million). The acquisition was completed on 19 January 2015.

The above acquisition did not have any significant impact to the Group in the previous financial year.

#### (ii) Incorporation of Axiata SPV4 Sdn Bhd (“Axiata SPV4”)

The Company, had on 30 January 2015 completed the incorporation of Axiata SPV4, a private company limited by shares, under Companies Act, 1965. Axiata SPV4 was incorporated with an authorised share capital of RM400,000 divided into 400,000 ordinary shares of which its issued and paid-up capital is RM2. The nature of business to be carried by Axiata SPV4 is an investment holding company.

The above incorporation did not have significant impact to the Group in the previous financial year.

#### (iii) Incorporation of Axiata Digital Innovation Fund Sdn Bhd (“ADIF”)

The Group, had on 26 March 2015 completed the incorporation of ADIF, a private company limited by shares, under Companies Act, 1965. ADIF was incorporated with an authorised share capital of RM400,000 divided into 400,000 ordinary shares of which its issued and paid-up capital is RM2. The nature of business to be carried by ADIF is as venture capital company.

The above incorporation did not have significant impact to the Group in the previous financial year.

#### (iv) Additional investment in Digital Commerce Lanka (Private) Limited (“DCL”)

On 15 May 2015 (2014: 26 August 2014), Dialog Axiata Plc (“Dialog”) further increased its equity interest in DCL from 42.48% to 45.71% (2014: from 28.32% to 42.48%) which DCL was classified as an associate of the Group.

On 15 September 2015, Dialog Holdings Lanka (Private) Limited (“DHL”), a wholly-owned subsidiary of Dialog acquired 740,000 ordinary shares in issue of DCL for a total consideration of RM7.7 million (SLR247.9 million) which representing 54.29% equity interest in DCL. Accordingly, the Group derecognised its investment as associate and consolidated DCL as investment in a subsidiary by the Group.

The above additional investment did not have significant impact to the Group in the previous financial year.

#### (v) Incorporation of Adknowledge Asia Pacific (India) Private Limited (“AAP India”)

ADS through its 80.00% subsidiary, AAP had, on 1 June 2015, completed the incorporation of AAP India, a private company limited by shares, under the Companies Act, 2013.

The above incorporation did not have significant impact to the Group in the previous financial year.

#### (vi) Incorporation of edotco Holdings (Labuan) Limited (“edotco Holdings Labuan”)

On 20 July 2015, the Group announced the incorporation of edotco Holdings Labuan, a private company limited by shares, under the Labuan Companies Act, 1990. edotco Holdings Labuan was incorporated with an issued paid-up share capital of USD2,000 divided into 2,000 ordinary shares of USD1 each. The nature of business to be carried by edotco Holdings Labuan is as an investment holding company.

The above incorporation did not have significant impact to the Group in the previous financial year.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

### 5. INCORPORATIONS, ACQUISITIONS, DISSOLUTIONS AND DILUTIONS OF INTERESTS (CONTINUED)

#### (b) Incorporations, acquisitions and dilutions of interests in the previous financial year (continued)

##### (vii) Acquisition of equity interest in Yonder Music Inc (“Yonder”)

ADS, had on 14 July 2015 entered into a Stock Purchase Agreement with Yonder, Yonder Music Partners LLC, Adam Kidron and Jim Heindlmeyer for the proposed acquisition by ADS of 12,210,400 Series A Convertible Preference Shares with a par value of USD0.001 per share in Yonder at the purchase price of USD0.819 per share amounting to RM39.3 million (USD10.0 million).

The acquisition was completed on 24 July 2015. The above acquisition did not have significant impact to the Group in the financial year.

##### (viii) Acquisition of equity interest in WSO2. Telco Inc. (“WSO2. Telco”)

On 24 July 2015, ADS entered into a Subscription and Stockholders’ agreement with WSO2. Inc and WSO2. Telco for the initial subscription by ADS of the following shares in WSO2. Telco for the total consideration as below:

- i) 5,000,000 ordinary shares at USD0.0001 per share satisfied via provision of contracts and assets by ADS; and
- ii) 4,615,385 preference shares at USD0.39 per share satisfied via cash settlement of RM7.6 million (USD1.8 million).

Further to the initial subscription and WSO2. Telco having achieved its pre-determined key performance indicators, ADS had, on 27 October 2016 further subscribed an additional 2,051,282 WSO2. Telco-Preferred Stocks at USD0.39 per share in cash, amounting to RM3,330,000.

On 4 September 2015, ADS completed the initial subscription in WSO2. Telco and effectively WSO2. Telco became a 65.80% owned subsidiary of the Group. The acquisition did not have significant impact to the Group in the financial year.

##### (ix) Incorporation of edotco Services Lanka (Private) Limited (“edotco SL”)

On 7 August 2015, the Group completed the incorporation of edotco SL, a private company limited by shares in Sri Lanka, under the Companies Act No. 7 of 2007. edotco SL was incorporated with share capital of SLR67,500,000 divided into 1,350,000 ordinary shares of SLR50 each. The nature of business to be carried by edotco SL is the provision of end to end Integrated Infrastructure Services.

The above incorporation did not have significant impact to the Group in the previous financial year.

##### (x) Acquisition of Komli Media, Inc (“Komli”)

On 7 August 2015, AAP had entered into a Sale and Purchase Agreement (“SPA”) with Komli for the acquisition of the entire issued and paid-up share capital of Komli Asia Holding Pte. Ltd. (“Komli Asia”) for a cash consideration of RM39.3 million (USD11.3 million).

The above acquisition was completed on 2 September 2015 and effectively Komli became an 80.00% owned subsidiary of the Group. The acquisition had no significant impact to the Group in the previous financial year.

##### (xi) Incorporation of Digital Health (Private) Limited (“Digital Health”)

DHL, a wholly-owned subsidiary Dialog and Asiri Hospital Holdings PLC (“Asiri Hospital”) entered into a Memorandum of Understanding to incorporate Digital Health with the objective of developing and operating a state-of-the-art electronic commerce infrastructure for the healthcare sector in Sri Lanka.

Digital Health was incorporated on 14 August 2015 under the Companies Act. No.-7 of 2007 with a stated capital of SLR1,000 which consist of 100 ordinary shares. DHL and Asiri Hospital are holding 70.00% and 30.00% stake of the initial shareholding of Digital Health respectively.

The above incorporation did not have significant impact to the Group in the previous financial year.

## 5. INCORPORATIONS, ACQUISITIONS, DISSOLUTIONS AND DILUTIONS OF INTERESTS (CONTINUED)

### (b) Incorporations, acquisitions and dilutions of interests in the previous financial year (continued)

#### (xii) Acquisition of 75.00% equity interest in edotco SG

On 2 October 2015, EIL, a wholly-owned subsidiary of edotco Group Sdn Bhd (“edotco Group”) entered into a SPA with edotco SG to acquire a 75.00% equity interest in edotco SG, the parent of edotco Myanmar Limited.

On 4 December 2015, EIL completed the acquisition for a total cash consideration of RM528.5 million (USD125.0 million).

The following summarises the consideration paid, the fair value of the identifiable assets acquired and liabilities assumed at the acquisition date.

|   | RM'000    |
|---|-----------|
| Net purchase consideration in cash                              | 528,500   |
| Details of the net identifiable assets acquired are as follows: |           |
| PPE   | 497,007   |
| Intangible assets   | 358,534   |
| Trade and other receivables                                     | 25,228    |
| Cash and bank balances  | 52,520    |
| Provision for liabilities                                       | (66,221)  |
| Trade and other payables  | (47,745)  |
| Tax liabilities   | (2,938)   |
| Borrowings  | (249,410) |
| Total net identifiable assets                                   | 566,975   |
| Less: NCI   | (141,744) |
| Total net identifiable assets acquired, net of NCI's shares     | 425,231   |
| Goodwill on acquisition   | 103,269   |
|   | 528,500   |

The Group has assessed the fair value of the identified assets acquired and liabilities assumed on the date of acquisition via purchase price allocation (“PPA”) exercise. However MFRS 3 allows any adjustments to PPA up to twelve (12) months period from the date of acquisition.

The goodwill arising from acquisition is attributable to the expansion of regional footprint in Myanmar.

Acquisition related costs of RM4.4 million have been charged to other operating costs in the consolidated profit or loss in the previous financial year.

The impact of acquisition of edotco SG and its subsidiary had it occurred on 1 January 2015 and from the date of acquisition, was not material to the consolidated financial statements.

In addition to the SPA, EIL also entered into a Put & Call Option Agreement with Yoma which is the NCI of edotco SG for the acquisition of 25.00% interest in edotco SG together with shareholder's loan, owned by Yoma as disclosed in Note 19(d) to the financial statements.

#### (xiii) Incorporation of Axiata Investments (UK) Limited (“Axiata UK”)

On 14 December 2015, Axiata UK was incorporated with an issued and paid-up share capital of GBP1 divided into 1 ordinary share. The nature of business to be carried by Axiata UK is as an investment holding company.

The above incorporation did not have significant impact to the Group in the previous financial year.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

### 5. INCORPORATIONS, ACQUISITIONS, DISSOLUTIONS AND DILUTIONS OF INTERESTS (CONTINUED)

#### (b) Incorporations, acquisitions and dilutions of interests in the previous financial year (continued)

##### (xiv) Investment in Headstart (Private) Limited (“Headstart”)

On 4 September 2014, Dialog entered into an investment agreement with Headstart to purchase its redeemable convertible bonds which will mature on 31 December 2021, at a nominal value of SLR85.0 million.

On 27 November 2015, Dialog transferred its investment in redeemable convertible bonds amounting to SLR60.0 million to DHL by way of a deed of assignment. On 31 December 2015, DHL converted SLR20.0 million of its investment in redeemable convertible bonds into equity shares of Headstart which is representing 26.00% of the issued and paid up capital of Headstart. Accordingly, Headstart became an associate of the Group.

The above investment had no significant impact to the Group in the financial year.

### 6. OPERATING REVENUE

|  | Group             |                   | Company          |                  |
|--|-------------------|-------------------|------------------|------------------|
|  | 2016<br>RM'000    | 2015<br>RM'000    | 2016<br>RM'000   | 2015<br>RM'000   |
| Mobile services                              | 16,938,170        | 16,418,299        | -                | -                |
| Interconnect services                        | 1,627,048         | 1,221,636         | -                | -                |
| Dividend income                              | -                 | -                 | 1,002,403        | 1,101,406        |
| Lease and services of passive infrastructure | 372,141           | 199,456           | -                | -                |
| Technical and management services fees       | -                 | -                 | 47,435           | 48,142           |
| Others*                                      | 2,628,033         | 2,044,069         | -                | -                |
| <b>Total</b>                                 | <b>21,565,392</b> | <b>19,883,460</b> | <b>1,049,838</b> | <b>1,149,548</b> |

\* Others include revenue from pay television transmission, sale of devices and other data services.

### 7(a). DEPRECIATION, IMPAIRMENT AND AMORTISATION

|                                   | Note | Group            |                  | Company        |                |
|-----------------------------------|------|------------------|------------------|----------------|----------------|
|                                   |      | 2016<br>RM'000   | 2015<br>RM'000   | 2016<br>RM'000 | 2015<br>RM'000 |
| Depreciation of PPE               | 26   | 4,964,247        | 3,878,057        | 8,431          | 6,623          |
| Reversal of impairment of PPE     | 26   | -                | (5,089)          | -              | -              |
| Impairment of PPE                 | 26   | 62,366           | 10,934           | -              | -              |
| Write off of PPE                  | 26   | 8,916            | 22,653           | -              | 426            |
| Amortisation of intangible assets | 25   | 630,661          | 291,698          | -              | -              |
| Others                            |      | 315              | 294              | -              | -              |
| <b>Total</b>                      |      | <b>5,666,505</b> | <b>4,198,547</b> | <b>8,431</b>   | <b>7,049</b>   |

**7(b). OTHER OPERATING COSTS**

|   | Group            |                | Company        |                |
|---|------------------|----------------|----------------|----------------|
|   | 2016<br>RM'000   | 2015<br>RM'000 | 2016<br>RM'000 | 2015<br>RM'000 |
| Impairment of trade and other receivables | <b>97,829</b>    | 78,659         | -              | -              |
| Business license fees                     | <b>1,075,734</b> | 999,783        | -              | -              |
| Charges and commissions                   | <b>99,423</b>    | 56,635         | <b>53</b>      | 51             |
| Cost of SIM and recharge cards            | <b>148,643</b>   | 184,673        | -              | -              |
| Revenue sharing outpayment                | <b>560,215</b>   | 749,328        | -              | -              |
| Leased circuit charges                    | <b>236,275</b>   | 221,969        | -              | -              |
| Maintenance                               | <b>1,293,709</b> | 1,331,917      | <b>12,252</b>  | 8,458          |
| Professional fees                         | <b>298,265</b>   | 219,015        | <b>51,430</b>  | 22,976         |
| Rental-land and buildings                 | <b>1,472,323</b> | 1,282,266      | <b>5,493</b>   | 4,792          |
| Rental-equipment                          | <b>186,055</b>   | 181,257        | <b>253</b>     | 345            |
| Rental-others                             | <b>102,365</b>   | 84,797         | -              | -              |
| Roaming costs                             | <b>185,737</b>   | 225,539        | -              | -              |
| Supplies and inventories                  | <b>567,828</b>   | 610,189        | <b>127</b>     | 546            |
| Transportation and travelling             | <b>107,583</b>   | 88,211         | <b>8,505</b>   | 6,714          |
| USP/ Obligation contribution              | <b>551,732</b>   | 469,135        | -              | -              |
| Utilities                                 | <b>329,164</b>   | 277,289        | <b>507</b>     | 434            |
| Others <sup>1</sup>                       | <b>761,432</b>   | 589,154        | <b>67,778</b>  | 29,624         |
| <b>Total</b>                              | <b>8,074,312</b> | 7,649,816      | <b>146,398</b> | 73,940         |

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

### 7(b). OTHER OPERATING COSTS (CONTINUED)

|  | Group          |                | Company        |                |
|--|----------------|----------------|----------------|----------------|
|  | 2016<br>RM'000 | 2015<br>RM'000 | 2016<br>RM'000 | 2015<br>RM'000 |
| †Others include:                                     |                |                |                |                |
| Audit fees:  |                |                |                |                |
| - PricewaterhouseCoopers Malaysia ("PwCM")           | 3,742          | 2,525          | 2,113          | 1,175          |
| - Member firm of PwC International Limited ("PwCI")* | 4,667          | 3,656          | -              | -              |
| - Others   | 147            | 60             | -              | -              |
| Audit related fees <sup>(i)</sup> :                  |                |                |                |                |
| - PwCM and PwCI                                      | 3,914          | 6,438          | 2,651          | 1,866          |
|  | <b>12,470</b>  | 12,679         | <b>4,764</b>   | 3,041          |
| Other fees paid to PwCM and PwCI:                    |                |                |                |                |
| - Tax and tax related services <sup>(ii)</sup>       | 581            | 1,065          | 101            | 332            |
| - Other non-audit services <sup>(iii)</sup>          | 12,354         | 4,265          | 884            | 1,750          |
| <b>Total</b>   | <b>25,405</b>  | 18,009         | <b>5,749</b>   | 5,123          |

\* Separate and independent legal entity from PwCM.

<sup>(i)</sup> Fees incurred in connection with performance of quarterly reviews, review of purchase price allocation, agreed-upon procedures and regulatory compliance.

<sup>(ii)</sup> Fees incurred for assisting the Group in connection with tax compliance and advisory services.

<sup>(iii)</sup> Fees incurred primarily in relation to due diligences on potential acquisitions, project management and other advisory services mainly incurred by a foreign subsidiary

In order to maintain the independence of the external auditors, the Audit Committee has determined policies as to what non-audit services can be provided by external auditors of the Group and the approval processes related to them. Under these policies and guidelines, non-audit services can be offered by external auditors of the Group if there are clear efficiencies and value-added benefits to the Group.

### 7(c). STAFF COSTS (including remuneration of Executive Directors of the Company)

|  | Note  | Group            |                | Company        |                |
|--|-------|------------------|----------------|----------------|----------------|
|  |       | 2016<br>RM'000   | 2015<br>RM'000 | 2016<br>RM'000 | 2015<br>RM'000 |
| Staff costs excluding Directors:                   |       |                  |                |                |                |
| - salaries, allowances, overtime and bonus         |       | 1,140,643        | 888,338        | 66,290         | 59,752         |
| - termination benefits                             |       | 47,992           | 106,977        | -              | -              |
| - contribution to EPF                              |       | 93,077           | 86,587         | 11,778         | 10,969         |
| - other staff benefits                             |       | 220,662          | 156,512        | 15,400         | 10,646         |
| - ESOS and RSA expenses                            | 14(a) | 28,345           | 52,502         | 11,218         | 5,298          |
| - Share based compensation expense of a subsidiary | 14(b) | 15,650           | 9,787          | -              | -              |
| - Pioneer Grant of a subsidiary                    | 14(c) | 9,896            | 11,724         | -              | -              |
| Remuneration of Executive Directors of the Company | 7(d)  | 8,445            | 6,956          | 8,445          | 6,956          |
| <b>Total</b>                                       |       | <b>1,564,710</b> | 1,319,383      | <b>113,131</b> | 93,621         |

**7(d). DIRECTORS' REMUNERATION**

|   | Note  | Group          |                | Company        |                |
|---|-------|----------------|----------------|----------------|----------------|
|   |       | 2016<br>RM'000 | 2015<br>RM'000 | 2016<br>RM'000 | 2015<br>RM'000 |
| Remuneration of Executive Directors of the Company:     |       |                |                |                |                |
| - salaries, allowances and bonus                        |       | <b>5,500</b>   | 5,000          | <b>5,500</b>   | 5,000          |
| - contribution to EPF                                   |       | <b>1,045</b>   | 950            | <b>1,045</b>   | 950            |
| - ESOS and RSA expenses                                 | 14(a) | <b>1,900</b>   | 1,006          | <b>1,900</b>   | 1,006          |
|   |       | <b>8,445</b>   | 6,956          | <b>8,445</b>   | 6,956          |
| Remuneration of Non-Executive Directors of the Company: |       |                |                |                |                |
| - fees and allowances                                   |       | <b>3,744</b>   | 3,374          | <b>2,666</b>   | 2,679          |
| Total   |       | <b>12,189</b>  | 10,330         | <b>11,111</b>  | 9,635          |

Estimated money value of benefits of Directors amounting to RM501,028 (2015: RM545,238) for the Group and the Company.

**8. OTHER (LOSSES)/GAINS - NET**

|   | Group           |                |
|---|-----------------|----------------|
|   | 2016<br>RM'000  | 2015<br>RM'000 |
| Finance assets at fair value through profit or loss | <b>(10)</b>     | 14             |
| Derivative financial instruments:                   |                 |                |
| - Forward foreign currency contracts ("FFC")        | -               | (15,609)       |
| - CCIRS   | <b>(27,201)</b> | 88,724         |
| - Interest rate swap contracts ("IRS")              | -               | (14,282)       |
| - Put option over share held by NCI                 | <b>(94,940)</b> | -              |
| - Call spread options                               | <b>53,990</b>   | 39,236         |
| Total   | <b>(68,161)</b> | 98,083         |

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

### 9. OTHER OPERATING INCOME - NET

|   | Note     | Group           |                | Company        |                |
|---|----------|-----------------|----------------|----------------|----------------|
|   |          | 2016<br>RM'000  | 2015<br>RM'000 | 2016<br>RM'000 | 2015<br>RM'000 |
| Loss on disposal of PPE   |          | <b>(31,240)</b> | (10,410)       | -              | 2              |
| Gain on tower sale and lease back*  |          | <b>275,032</b>  | 511,182        | -              | -              |
| Fair value gain arose from derecognition of an investment in an associate | 5(b)(iv) | -               | 226            | -              | -              |
| Bad debts recovered   |          | <b>13,938</b>   | 11,426         | -              | -              |
| Others  |          | <b>276,836</b>  | 153,833        | <b>2,184</b>   | 1,826          |
| <b>Total</b>  |          | <b>534,566</b>  | 666,257        | <b>2,184</b>   | 1,828          |

\* On 30 June 2016 (2015: 23 December 2014), XL disposed of certain towers which were subject to the fulfillment of certain survival period clauses as set out in the agreement. In December 2016 (2015: September), the gain amounting to RM275.0 million (2015: RM511.2 million) or IDR 0.9 trillion (2015: IDR1.8 trillion) was recognised upon the fulfillment of these clauses.

### 10. FINANCE INCOME/(COST)

|  | Group              |                | Company         |                |
|--|--------------------|----------------|-----------------|----------------|
|  | 2016<br>RM'000     | 2015<br>RM'000 | 2016<br>RM'000  | 2015<br>RM'000 |
| <b>Finance income</b>                  |                    |                |                 |                |
| Islamic Financial Instruments          | <b>49,299</b>      | 64,733         | <b>14,392</b>   | 8,824          |
| Other deposits, cash and bank balances | <b>134,095</b>     | 108,688        | <b>10,751</b>   | 47,009         |
| <b>Total</b>                           | <b>183,394</b>     | 173,421        | <b>25,143</b>   | 55,833         |
| <b>Finance cost</b>                    |                    |                |                 |                |
| Other borrowings                       | <b>(831,657)</b>   | (637,976)      | <b>(57,000)</b> | (24,819)       |
| Profit on Sukuks                       | <b>(373,128)</b>   | (204,879)      | -               | -              |
| Finance expense on CCIRS:              |                    |                |                 |                |
| - cash flow hedge                      | <b>(4,515)</b>     | -              | -               | -              |
| - net investment hedge                 | <b>8,116</b>       | 11,717         | -               | -              |
| <b>Total</b>                           | <b>(1,201,184)</b> | (831,138)      | <b>(57,000)</b> | (24,819)       |

**11. TAXATION AND ZAKAT**

|                          | Note | Group           |                | Company        |                |
|--------------------------|------|-----------------|----------------|----------------|----------------|
|                          |      | 2016<br>RM'000  | 2015<br>RM'000 | 2016<br>RM'000 | 2015<br>RM'000 |
| Current taxation:        |      |                 |                |                |                |
| - Malaysian income tax   |      | <b>119,926</b>  | 461,949        | -              | -              |
| - Overseas taxation      |      | <b>437,163</b>  | 269,817        | <b>19,126</b>  | 503            |
|                          |      | <b>557,089</b>  | 731,766        | <b>19,126</b>  | 503            |
| Deferred taxation        | 24   | <b>(76,477)</b> | (36,955)       | -              | -              |
| Total taxation           |      | <b>480,612</b>  | 694,811        | <b>19,126</b>  | 503            |
| Zakat                    |      | <b>1,810</b>    | 263            | -              | -              |
| Total taxation and zakat |      | <b>482,422</b>  | 695,074        | <b>19,126</b>  | 503            |

Current taxation:

**Malaysia**

Income tax:

|                |  |                 |         |   |   |
|----------------|--|-----------------|---------|---|---|
| - Current year |  | <b>155,848</b>  | 460,090 | - | - |
| - Prior year   |  | <b>(35,922)</b> | 1,859   | - | - |
|                |  | <b>119,926</b>  | 461,949 | - | - |

**Overseas**

Income tax:

|                |  |                |         |               |     |
|----------------|--|----------------|---------|---------------|-----|
| - Current year |  | <b>421,055</b> | 218,308 | <b>3,018</b>  | 503 |
| - Prior year   |  | <b>16,108</b>  | 51,509  | <b>16,108</b> | -   |
|                |  | <b>437,163</b> | 269,817 | <b>19,126</b> | 503 |

Deferred taxation:

|  |    |                 |          |               |     |
|--|----|-----------------|----------|---------------|-----|
| - Net origination of temporary differences | 24 | <b>(76,477)</b> | (36,955) | -             | -   |
| Total taxation                             |    | <b>480,612</b>  | 694,811  | <b>19,126</b> | 503 |
| Zakat                                      |    | <b>1,810</b>    | 263      | -             | -   |
| Total taxation and zakat                   |    | <b>482,422</b>  | 695,074  | <b>19,126</b> | 503 |

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

### 11. TAXATION AND ZAKAT (CONTINUED)

Numerical reconciliation between taxation and the product of accounting profit multiplied by the Malaysian tax rate:

|  | Group            |                | Company          |                |
|--|------------------|----------------|------------------|----------------|
|  | 2016<br>RM'000   | 2015<br>RM'000 | 2016<br>RM'000   | 2015<br>RM'000 |
| Profit before taxation   | <b>1,139,580</b> | 3,331,142      | <b>1,222,428</b> | 3,071,424      |
| Taxation calculated at the applicable Malaysian tax rate of 24%<br>(2015: 25%) | <b>273,499</b>   | 832,786        | <b>293,383</b>   | 767,856        |
| Tax effects of:  |                  |                |                  |                |
| - income not subject to tax  | <b>(150,671)</b> | (336,521)      | <b>(362,361)</b> | (805,073)      |
| - share of results of associates   | <b>(31,470)</b>  | (122,377)      | -                | -              |
| - share of results of joint ventures   | <b>23,002</b>    | 9,647          | -                | -              |
| - different tax rates in other countries                                       | <b>(48,541)</b>  | 83,803         | -                | -              |
| - utilisation of previously unrecognised tax losses                            | <b>(3,444)</b>   | (14)           | <b>(3,421)</b>   | -              |
| - unrecognised tax losses  | <b>27,697</b>    | 34,440         | <b>5,328</b>     | 7,625          |
| - expenses not deductible for tax purposes                                     | <b>410,354</b>   | 139,679        | <b>54,489</b>    | 15,095         |
| - group relief   | -                | -              | <b>15,600</b>    | 15,000         |
| - prior year income tax  | <b>(19,814)</b>  | 53,368         | <b>16,108</b>    | -              |
| - zakat  | <b>1,810</b>     | 263            | -                | -              |
| Total taxation and zakat   | <b>482,422</b>   | 695,074        | <b>19,126</b>    | 503            |

Included in the taxation of the Group are tax savings amounting to RM20.4 million (2015:RM15.0 million) due to Group Relief which allows companies with tax losses to surrender those losses to profit-making companies within the Group in the same year of assessment as provided under the taxation law of Malaysia.

### 12. EARNINGS PER SHARE

#### (a) Basic earnings per share ("EPS")

Basic EPS of the Group is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares of the Company in issue during the financial year.

|   | Group            |           |
|---|------------------|-----------|
|   | 2016             | 2015      |
| Profit attributable to owners of the Company (RM'000) | <b>504,254</b>   | 2,554,220 |
| Weighted average number of shares in issue ('000)     | <b>8,877,928</b> | 8,668,700 |
| Basic EPS (sen)                                       | <b>5.7</b>       | 29.5      |

**12. EARNINGS PER SHARE (CONTINUED)****(b) Diluted earnings per share**

For the diluted EPS calculation, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all dilutive potential ordinary shares. The Company has share options and RSA granted to employees under the Axiata Share Scheme as disclosed in Note 14(a) to the financial statements which are dilutive potential ordinary shares and is assumed to have been converted into ordinary shares.

In respect of share options over the ordinary shares and RSA of the Company, a calculation is performed to determine the number of shares that could have been acquired at fair value based on the monetary value of the subscription rights attached to outstanding share options. The calculation serves to determine the unexercised share options and RSA outstanding for the purpose of computing the dilution. No adjustment is made to profit attributable to owners of the Company for the share options and RSA calculation.

|  | Group     |           |
|--|-----------|-----------|
|  | 2016      | 2015      |
| Profit attributable to owners of the Company (RM'000)                                      | 504,254   | 2,554,220 |
| Weighted average number of ordinary shares in issue ('000)                                 | 8,877,928 | 8,668,700 |
| Adjusted for ESOS and RSA ('000)   | 36,642    | 51,931    |
| Weighted average number of ordinary shares for the purpose of computing diluted EPS ('000) | 8,914,570 | 8,720,631 |
| Diluted EPS (sen)  | 5.7       | 29.3      |

**13. SHARE CAPITAL**

|   | Note  | Group and Company     |                         |                       |                         |
|---|-------|-----------------------|-------------------------|-----------------------|-------------------------|
|   |       | 2016                  |                         | 2015                  |                         |
|   |       | No. of shares<br>'000 | Nominal value<br>RM'000 | No. of shares<br>'000 | Nominal value<br>RM'000 |
| Ordinary shares of RM1 each:                    |       |                       |                         |                       |                         |
| Authorised:                                     |       |                       |                         |                       |                         |
| At the beginning/end of the financial year      |       | 12,000,000            | 12,000,000              | 12,000,000            | 12,000,000              |
| Issued and paid-up:                             |       |                       |                         |                       |                         |
| At the beginning of the financial year          |       | 8,816,858             | 8,816,858               | 8,582,017             | 8,582,017               |
| Performance-Based ESOS at an exercise price of: | 14(a) |                       |                         |                       |                         |
| - RM1.81  |       | 525                   | 525                     | 2,842                 | 2,842                   |
| - RM3.15  |       | 12                    | 12                      | 90                    | 90                      |
| - RM3.45  |       | 813                   | 813                     | 2,273                 | 2,273                   |
| - RM5.07  |       | 1,318                 | 1,318                   | 5,820                 | 5,820                   |
|   |       | 2,668                 | 2,668                   | 11,025                | 11,025                  |
| Restricted Share Awards                         | 14(a) | 4,962                 | 4,962                   | 20,361                | 20,361                  |
| Dividend Reinvestment Scheme                    | (a)   | 146,927               | 146,927                 | 203,455               | 203,455                 |
| At the end of the financial year                |       | 8,971,415             | 8,971,415               | 8,816,858             | 8,816,858               |

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

### 13. SHARE CAPITAL (CONTINUED)

#### (a) Dividend Reinvestment Scheme

The shareholder of the Company via AGM approved the renewal of the authority for the Directors of the Company to allot and issue new ordinary shares of RM1 each of the Company in relation to the DRS that provided the shareholders of the Company the option to elect to reinvest their full or partial of the cash dividend entitlement in new ordinary shares of the Company. In the event that only part of the electable portion is reinvested, the shareholders shall receive the remaining portion of the dividend in cash.

The Company has issued the new ordinary shares pursuant to DRS at the conversion price disclosed in Note 44 to the financial statements.

The above mentioned ordinary shares rank pari-passu in all respects with the existing ordinary shares of the Company.

### 14. EMPLOYEE SHARE OPTION AND SHARE SCHEME

#### (a) Performance-Based Employee Share Option Scheme and Restricted Share Plan ["Axiata Share Scheme"]

The Performance-Based Employee Share Option Scheme ("ESOS") of the Company was approved by its shareholders at an Extraordinary General Meeting ("EGM") held on 24 March 2009 and implemented on 16 April 2009.

On 1 June 2011, the Company's shareholders had, at the Nineteenth (19<sup>th</sup>) AGM of the Company, approved the amendments to the Bye-Laws of the ESOS to include a RSP. Accordingly, the existing Performance-Based ESOS was renamed as Axiata Share Scheme.

Effective from 15 July 2011, the Company implemented the Axiata Share Scheme and started to offer eligible employees the entitlement to receive Restricted Share Awards ("RSA") under the Restricted Share Plan in the Company on 18 July 2011 instead of ESOS.

The total number of the Performance-Based ESOS granted, percentage exercisable and the vesting period is as follows:

| ESOS                                | Options over the Company's shares |                  |                                       |                           |                   |
|-------------------------------------|-----------------------------------|------------------|---------------------------------------|---------------------------|-------------------|
|                                     | Grant date                        | Vesting date     | % of options exercisable <sup>1</sup> | Number of options granted | Exercise price RM |
| <b>Grant 1(a), 2009</b>             |                                   |                  |                                       |                           |                   |
| Tranche 1                           | 16 April 2009                     | 15 April 2011    | 50                                    | 34,555,750                | 1.81              |
| Tranche 2                           | 16 April 2009                     | 15 April 2012    | 50                                    | 34,555,750                | 1.81              |
| <b>Grant 1(b), 2010<sup>2</sup></b> |                                   |                  |                                       |                           |                   |
| Tranche 1                           | 18 January 2010                   | 17 January 2012  | 50                                    | 2,088,050                 | 3.15              |
| Tranche 2                           | 18 January 2010                   | 17 January 2013  | 50                                    | 2,088,050                 | 3.15              |
| <b>Grant 2, 2010</b>                |                                   |                  |                                       |                           |                   |
| Tranche 1                           | 24 February 2010                  | 23 February 2012 | 50                                    | 24,688,750                | 3.45              |
| Tranche 2                           | 24 February 2010                  | 23 February 2013 | 50                                    | 24,688,750                | 3.45              |
| <b>Grant 3(a), 2011</b>             |                                   |                  |                                       |                           |                   |
| Tranche 1                           | 23 February 2011                  | 22 February 2013 | 50                                    | 32,121,450                | 5.07              |
| Tranche 2                           | 23 February 2011                  | 22 February 2014 | 50                                    | 32,121,450                | 5.07              |

<sup>1</sup> The Performance-Based ESOS/RSA granted shall become exercisable/vested only upon the fulfilment of certain performance criteria for the Company and individuals.

<sup>2</sup> The grant was made to newly hired employees who did not receive the main cycle grants and have been confirmed as at reporting date.



#### 14. EMPLOYEE SHARE OPTION AND SHARE SCHEME (CONTINUED)

##### (a) Performance-Based Employee Share Option Scheme and Restricted Share Plan ["Axiata Share Scheme"] (continued)

The total number of RSA granted, percentage of shares to be vested and the vesting period is as follows:

| RSA                                       | Reference date | Vesting date | Entitlement over the Company's shares |                                       |                                 |
|---|----------------|--------------|---------------------------------------|---------------------------------------|---------------------------------|
|   |                |              | % of shares to be vested <sup>1</sup> | Number of shares granted <sup>3</sup> | Reference price <sup>5</sup> RM |
| <b>Grant 3(b), 2011<sup>4</sup></b>       |                |              |                                       |                                       |                                 |
| Tranche 1                                 | 18 July 2011   | 18 July 2013 | 50                                    | 243,350                               | 5.03                            |
| Tranche 2                                 | 18 July 2011   | 18 July 2014 | 50 - 100                              | 526,450                               | 5.03                            |
| <b>Grant 3(c), 2011<sup>4</sup></b>       |                |              |                                       |                                       |                                 |
| Tranche 1                                 | 30 Nov 2011    | 30 Nov 2013  | 50                                    | 23,700                                | 5.10                            |
| Tranche 2                                 | 30 Nov 2011    | 30 Nov 2014  | 50 - 100                              | 183,600                               | 5.10                            |
| <b>Grant 4(a), 2012</b>                   |                |              |                                       |                                       |                                 |
| Tranche 1                                 | 30 Mar 2012    | 30 Mar 2014  | 50                                    | 6,890,050                             | 5.20                            |
| Tranche 2                                 | 30 Mar 2012    | 30 Mar 2015  | 50 - 100                              | 10,603,550                            | 5.20                            |
| <b>Grant 4(b), 2012<sup>4</sup></b>       |                |              |                                       |                                       |                                 |
| Tranche 1                                 | 31 July 2012   | 31 July 2014 | 50                                    | 122,150                               | 5.86                            |
| Tranche 2                                 | 31 July 2012   | 31 July 2015 | 50 - 100                              | 444,350                               | 5.86                            |
| <b>Grant 4(c), 2012<sup>4</sup></b>       |                |              |                                       |                                       |                                 |
| Tranche 1                                 | 30 Nov 2012    | 30 Nov 2014  | 50                                    | 131,400                               | 5.92                            |
| Tranche 2                                 | 30 Nov 2012    | 30 Nov 2015  | 50 - 100                              | 252,500                               | 5.92                            |
| <b>Grant 5(a), 2013</b>                   |                |              |                                       |                                       |                                 |
| Tranche 1                                 | 20 Feb 2013    | 20 Feb 2015  | 50                                    | 6,585,950                             | 6.27                            |
| Tranche 2                                 | 20 Feb 2013    | 20 Feb 2016  | 50 - 100                              | 10,374,750                            | 6.27                            |
| <b>Grant 5(b), 2013<sup>4</sup></b>       |                |              |                                       |                                       |                                 |
| Tranche 1                                 | 15 Aug 2013    | 15 Aug 2015  | 50                                    | 268,100                               | 6.90                            |
| Tranche 2                                 | 15 Aug 2013    | 15 Aug 2016  | 50 - 100                              | 440,500                               | 6.90                            |
| <b>Grant 6(a), 2014</b>                   |                |              |                                       |                                       |                                 |
| Tranche 1                                 | 15 Feb 2014    | 15 Feb 2016  | 50                                    | 6,790,450                             | 6.55                            |
| Tranche 2                                 | 15 Feb 2014    | 15 Feb 2017  | 50 - 100                              | 10,466,650                            | 6.55                            |
| <b>Grant 6(b), 2014<sup>4</sup></b>       |                |              |                                       |                                       |                                 |
| Tranche 1                                 | 15 Aug 2014    | 15 Aug 2016  | 50                                    | 121,950                               | 6.95                            |
| Tranche 2                                 | 15 Aug 2014    | 15 Aug 2017  | 50 - 100                              | 406,650                               | 6.95                            |
| <b>Grant 7(a), 2015<sup>6</sup></b>       |                |              |                                       |                                       |                                 |
|   | 15 Feb 2015    | 15 Feb 2018  | 100                                   | 3,617,000                             | 7.11                            |
| <b>Grant 7(b), 2015<sup>4&amp;6</sup></b> |                |              |                                       |                                       |                                 |
|   | 15 Aug 2015    | 15 Aug 2018  | 100                                   | 317,200                               | 5.92                            |
| <b>Grant 8, 2016<sup>4&amp;6</sup></b>    |                |              |                                       |                                       |                                 |
|   | 15 Feb 2016    | 15 Feb 2019  | 100                                   | 5,338,000                             | 5.68                            |

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

### 14. EMPLOYEE SHARE OPTION AND SHARE SCHEME (CONTINUED)

#### (a) Performance-Based Employee Share Option Scheme and Restricted Share Plan ["Axiata Share Scheme"] (continued)

- <sup>3</sup> Senior and top management can only vest the RSA at the end of the third (3<sup>rd</sup>) year or contract period whichever is earlier. Number of shares originally granted are excluding the multiplier effects to be offered to management upon fulfilment of certain performance conditions on the day of vesting.
- <sup>4</sup> The grant was made to newly hired employees who did not receive the main cycle grant and have been confirmed as at reporting dates.
- <sup>5</sup> Refers to the price at reference date for the purpose of granting the number of shares to the employees.
- <sup>6</sup> Effective from financial year 2015, general employees of the Group were awarded a new cash based long term incentive plan instead of Axiata Share Scheme.

The salient terms and conditions of the Axiata Share Scheme are as follows:

#### (i) Maximum number of new ordinary shares of the Company available under the Axiata Share Scheme

The maximum amount of shares which may be:

- (a) Offered for subscription and allotted on the exercise of the total amount of Share Options under this Axiata Share Scheme; and
- (b) Allotted upon the vesting of RSA under a RSP, (collectively referred to as "Aggregate") shall not be more than 7% of the issued and paid-up ordinary share capital of the Company at any point of time during the duration of this Axiata Share Scheme.

If the Company undertakes a share buy-back exercise or any other corporate proposal resulting in the total number of the Company's shares issued and/or to be issued under the Axiata Share Scheme exceeding 7% of the Company's issued and fully paid-up ordinary share capital, all shares under the Axiata Share Scheme offered and/or granted prior to the said variation of the issued and paid-up ordinary share capital of the Company shall remain valid and exercisable in accordance with the provisions of this Axiata Share Scheme as if that reduction had not occurred.

#### (ii) Basis of allocation and maximum allowable allotment

The total number of new ordinary shares of the Company that can be offered and allotted to any Eligible Employees (as defined in the Bye-Laws in relation to the Axiata Share Scheme shall be at the absolute discretion of the Board (or the Axiata Share Scheme Committee which was folded under the Board Remuneration Committee effective from financial year 2014) that has been established to administer the Axiata Share Scheme from time to time) after taking into consideration such criteria as may be determined by the Board or the Axiata Share Scheme Committee in its/their absolute discretion.

Further, not more than 50% of the Company's new ordinary shares made available under the Axiata Share Scheme shall be allocated, in aggregate, to Eligible Employees who are Executive Directors of the Company or any corporation within the Group or who are in senior management. In addition, not more than 10% of the Company's new ordinary shares available under the Axiata Share Scheme will be allocated to any individual Eligible Employee who, either singly or collectively through persons connected with the Eligible Employees, holds 20% or more of the Company's issued and fully paid-up share capital.

#### (iii) Eligibility

Any employee of the Group (other than subsidiaries which are dormant) shall be eligible to participate in the Axiata Share Scheme if the employee, as at the dates of the respective offers of options:

- (a) has attained the age of eighteen (18) years;
- (b) has entered into a full-term contract of employment with, and is on the payroll of, a corporation within the Group and whose service has been confirmed;
- (c) is not a non-executive or independent Director of the Company; and
- (d) fulfils any other criteria as may be set by the Board or the Axiata Share Scheme Committee in its absolute discretion.

**14. EMPLOYEE SHARE OPTION AND SHARE SCHEME (CONTINUED)****(a) Performance-Based Employee Share Option Scheme and Restricted Share Plan ["Axiata Share Scheme"] (continued)**

The salient terms and conditions of the Axiata Share Scheme are as follows: (continued)

**(iii) Eligibility (continued)**

Eligibility under the Axiata Share Scheme does not confer on any Eligible Employee any claim, right to participate in, or any other right whatsoever under the Axiata Share Scheme, and an Eligible Employee does not acquire or have any right over, or in connection with, any Performance-Based ESOS or the RSA under this Axiata Share Scheme unless an Offer has been made by the Board to that Eligible Employee and that Eligible Employee has accepted the Offer in accordance with the terms of the Offer and the Bye-Laws governing the Axiata Share Scheme.

**(iv) Option price and RSA reference price**

The subscription price payable for each of the Company's shares upon exercise of options is the five (5) day volume weighted average market price of the Company's shares immediately preceding the date of the Offer and is not lower than the nominal value of the Company's shares.

The reference price at which the Grantees shall be allotted new Shares pursuant to a RSA will be based on the fair value of the shares on the date of offer, but shall not in any event be lower than the nominal value of the ordinary shares.

**(v) Duration of the Axiata Share Scheme**

The Axiata Share Scheme shall be in force for a period of eight (8) years from the effective date of implementation of the Performance-Based ESOS and RSP, being a date of full compliance with the relevant requirements of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") in relation to the initial Long Term Performance-Based ESOS. All Share Options, whether or not exercisable, shall forthwith lapse upon the expiry of the Scheme. All unvested Shares under the RSA which are not vested shall forthwith lapse upon the expiry of the Scheme on 15 April 2017. On 20 May 2014, the shareholders of the Company via AGM approved the extension of the scheme from eight (8) years to ten (10) years until 15 April 2019.

**(vi) Retention period**

The new ordinary shares of the Company allotted and issued pursuant to the exercise of any Performance-Based ESOS or upon the vesting of RSA under the Axiata Share Scheme will not be subject to any retention period.

**(vii) Ranking of the new shares to be issued under the Axiata Share Scheme**

The Company's new shares to be issued pursuant to Axiata Share Scheme shall, upon allotment and issuance, rank pari-passu in all respects with the existing issued shares of the Company except that they shall not be entitled to any dividend, right, allotment and/or other distribution in respect of which the entitlement date is before the date of allotment of such new ordinary shares.

Eligible Employees who are residents in Malaysia and who have been granted share options have the option to elect whether to exercise the options by way of:

- (i) Selling Flexibility; or
- (ii) To directly subscribe for shares.

Whichever option once selected shall be applicable to the exercise of the Share Options for the full duration of the Axiata Share Scheme unless otherwise determined by the Board in their sole discretion but subject always to the provisions of the Bye-Laws and the terms of the Selling Flexibility.

Eligible Employees who are not residents in Malaysia and who have been granted Share Options shall exercise their Share Options by way of Selling Flexibility for the full duration of the Axiata Share Scheme but subject always to the provisions of the Bye-Laws and the terms of the Selling Flexibility for Foreign Guarantees.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

### 14. EMPLOYEE SHARE OPTION AND SHARE SCHEME (CONTINUED)

#### (a) Performance-Based Employee Share Option Scheme and Restricted Share Plan ["Axiata Share Scheme"] (continued)

The movement during the financial year and its comparative in the number of options over the new ordinary shares of RM1 each of the Company, in which the employees of the Group and the Company are entitled to, is as follows:

#### Performance-Based ESOS

|                         | Exercise price<br>RM | At 1 January<br>2016 | Exercised   | Lapsed/<br>forfeited/<br>adjusted* | At 31 December<br>2016 | Fair value at grant date<br>RM |
|-------------------------|----------------------|----------------------|-------------|------------------------------------|------------------------|--------------------------------|
| <b>Group</b>            |                      |                      |             |                                    |                        |                                |
| <b>Grant 1(a), 2009</b> |                      |                      |             |                                    |                        |                                |
| Tranche 1               | 1.81                 | -                    | (113,950)   | 1,072,211                          | 958,261                | 0.54                           |
| Tranche 2               | 1.81                 | 2,431,955            | (411,200)   | 288,158                            | 2,308,913              | 0.57                           |
|                         |                      | 2,431,955            | (525,150)   | 1,360,369                          | 3,267,174              |                                |
| <b>Grant 1(b), 2010</b> |                      |                      |             |                                    |                        |                                |
| Tranche 1               | 3.15                 | 54,350               | (100)       | (50,750)                           | 3,500                  | 0.93                           |
| Tranche 2               | 3.15                 | 145,650              | (11,600)    | (29,350)                           | 104,700                | 0.98                           |
|                         |                      | 200,000              | (11,700)    | (80,100)                           | 108,200                |                                |
| <b>Grant 2, 2010</b>    |                      |                      |             |                                    |                        |                                |
| Tranche 1               | 3.45                 | 2,874,232            | (276,650)   | (26,232)                           | 2,571,350              | 1.09                           |
| Tranche 2               | 3.45                 | 3,870,816            | (536,100)   | 245,422                            | 3,580,138              | 1.15                           |
|                         |                      | 6,745,048            | (812,750)   | 219,190                            | 6,151,488              |                                |
| <b>Grant 3(a), 2011</b> |                      |                      |             |                                    |                        |                                |
| Tranche 1               | 5.07                 | 7,364,240            | (611,400)   | (727,040)                          | 6,025,800              | 1.05                           |
| Tranche 2               | 5.07                 | 8,124,000            | (707,300)   | 475,300                            | 7,892,000              | 1.10                           |
|                         |                      | 15,488,240           | (1,318,700) | (251,740)                          | 13,917,800             |                                |
| Grand total             |                      | 24,865,243           | (2,668,300) | 1,247,719                          | 23,444,662             |                                |

\* Refer to adjustments related to grant, vesting, lapse and forfeited for the previous financial years.

The related weighted average share price at the time of exercise was RM3.93 (2015: RM3.88).

**14. EMPLOYEE SHARE OPTION AND SHARE SCHEME (CONTINUED)****(a) Performance-Based Employee Share Option Scheme and Restricted Share Plan ["Axiata Share Scheme"] (continued)**

The movement during the financial year and its comparative in the number of options over the new ordinary shares of RM1 each of the Company, in which the employees of the Group and the Company are entitled to, is as follows: (continued)

**Performance-Based ESOS**

|                         | Exercise price<br>RM | At 1<br>January<br>2015 | Exercised    | Lapsed/<br>forfeited/<br>adjusted | At 31<br>December<br>2015 | Fair<br>value at<br>grant date<br>RM |
|-------------------------|----------------------|-------------------------|--------------|-----------------------------------|---------------------------|--------------------------------------|
| <b>Group</b>            |                      |                         |              |                                   |                           |                                      |
| <b>Grant 1(a), 2009</b> |                      |                         |              |                                   |                           |                                      |
| Tranche 1               | 1.81                 | 1,016,600               | (1,016,600)  | -                                 | -                         | 0.54                                 |
| Tranche 2               | 1.81                 | 4,257,405               | (1,825,450)  | -                                 | 2,431,955                 | 0.57                                 |
|                         |                      | 5,274,005               | (2,842,050)  | -                                 | 2,431,955                 |                                      |
| <b>Grant 1(b), 2010</b> |                      |                         |              |                                   |                           |                                      |
| Tranche 1               | 3.15                 | 80,400                  | (26,050)     | -                                 | 54,350                    | 0.93                                 |
| Tranche 2               | 3.15                 | 209,500                 | (63,850)     | -                                 | 145,650                   | 0.98                                 |
|                         |                      | 289,900                 | (89,900)     | -                                 | 200,000                   |                                      |
| <b>Grant 2, 2010</b>    |                      |                         |              |                                   |                           |                                      |
| Tranche 1               | 3.45                 | 3,612,282               | (738,050)    | -                                 | 2,874,232                 | 1.09                                 |
| Tranche 2               | 3.45                 | 5,406,366               | (1,535,550)  | -                                 | 3,870,816                 | 1.15                                 |
|                         |                      | 9,018,648               | (2,273,600)  | -                                 | 6,745,048                 |                                      |
| <b>Grant 3(a), 2011</b> |                      |                         |              |                                   |                           |                                      |
| Tranche 1               | 5.07                 | 9,711,290               | (2,347,050)  | -                                 | 7,364,240                 | 1.05                                 |
| Tranche 2               | 5.07                 | 11,596,850              | (3,472,850)  | -                                 | 8,124,000                 | 1.10                                 |
|                         |                      | 21,308,140              | (5,819,900)  | -                                 | 15,488,240                |                                      |
| Grand total             |                      | 35,890,693              | (11,025,450) | -                                 | 24,865,243                |                                      |

The related weighted average share price at the time of exercise was RM3.88 (2014: RM4.48).

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

### 14. EMPLOYEE SHARE OPTION AND SHARE SCHEME (CONTINUED)

#### (a) Performance-Based Employee Share Option Scheme and Restricted Share Plan ["Axiata Share Scheme"] (continued)

The movement during the financial year and its comparative in the number of options over the new ordinary shares of RM1 each of the Company, in which the employees of the Group and the Company are entitled to, is as follows: (continued)

#### Performance-Based ESOS

|                         | Exercise price<br>RM | At 1 January<br>2016 | Adjusted | Exercised | Lapsed/<br>forfeited | At 31 December<br>2016 | Fair value at grant date<br>RM |
|-------------------------|----------------------|----------------------|----------|-----------|----------------------|------------------------|--------------------------------|
| <b>Company</b>          |                      |                      |          |           |                      |                        |                                |
| <b>Grant 1(a), 2009</b> |                      |                      |          |           |                      |                        |                                |
| Tranche 1               | 1.81                 | 271,600              | -        | -         | (48,650)             | 222,950                | 0.54                           |
| Tranche 2               | 1.81                 | 640,900              | -        | -         | (303,450)            | 337,450                | 0.57                           |
|                         |                      | 912,500              | -        | -         | (352,100)            | 560,400                |                                |
| <b>Grant 1(b), 2010</b> |                      |                      |          |           |                      |                        |                                |
| Tranche 1               | 3.15                 | 16,150               | -        | -         | (16,150)             | -                      | 0.93                           |
| Tranche 2               | 3.15                 | 124,950              | -        | -         | (79,150)             | 45,800                 | 0.98                           |
|                         |                      | 141,100              | -        | -         | (95,300)             | 45,800                 |                                |
| <b>Grant 2, 2010</b>    |                      |                      |          |           |                      |                        |                                |
| Tranche 1               | 3.45                 | 1,257,675            | -        | -         | (81,675)             | 1,176,000              | 1.09                           |
| Tranche 2               | 3.45                 | 1,898,475            | -        | -         | (650,375)            | 1,248,100              | 1.15                           |
|                         |                      | 3,156,150            | -        | -         | (732,050)            | 2,424,100              |                                |
| <b>Grant 3(a), 2011</b> |                      |                      |          |           |                      |                        |                                |
| Tranche 1               | 5.07                 | 2,217,650            | -        | (87,000)  | (338,750)            | 1,791,900              | 1.05                           |
| Tranche 2               | 5.07                 | 2,473,350            | -        | (87,000)  | (492,650)            | 1,893,700              | 1.10                           |
|                         |                      | 4,691,000            | -        | (174,000) | (831,400)            | 3,685,600              |                                |
| Grand total             |                      | 8,900,750            | -        | (174,000) | (2,010,850)          | 6,715,900              |                                |

**14. EMPLOYEE SHARE OPTION AND SHARE SCHEME (CONTINUED)****(a) Performance-Based Employee Share Option Scheme and Restricted Share Plan ["Axiata Share Scheme"] (continued)**

The movement during the financial year and its comparative in the number of options over the new ordinary shares of RM1 each of the Company, in which the employees of the Group and the Company are entitled to, is as follows: (continued)

**Performance-Based ESOS**

|                         | Exercise price<br>RM | At 1<br>January<br>2015 | Adjusted | Exercised   | Lapsed/<br>forfeited | At 31<br>December<br>2015 | Fair<br>value at<br>grant date<br>RM |
|-------------------------|----------------------|-------------------------|----------|-------------|----------------------|---------------------------|--------------------------------------|
| <b>Company</b>          |                      |                         |          |             |                      |                           |                                      |
| <b>Grant 1(a), 2009</b> |                      |                         |          |             |                      |                           |                                      |
| Tranche 1               | 1.81                 | 857,350                 | -        | (585,750)   | -                    | 271,600                   | 0.54                                 |
| Tranche 2               | 1.81                 | 1,375,650               | -        | (734,750)   | -                    | 640,900                   | 0.57                                 |
|                         |                      | 2,233,000               | -        | (1,320,500) | -                    | 912,500                   |                                      |
| <b>Grant 1(b), 2010</b> |                      |                         |          |             |                      |                           |                                      |
| Tranche 1               | 3.15                 | 16,150                  | -        | -           | -                    | 16,150                    | 0.93                                 |
| Tranche 2               | 3.15                 | 131,750                 | -        | (6,800)     | -                    | 124,950                   | 0.98                                 |
|                         |                      | 147,900                 | -        | (6,800)     | -                    | 141,100                   |                                      |
| <b>Grant 2, 2010</b>    |                      |                         |          |             |                      |                           |                                      |
| Tranche 1               | 3.45                 | 1,413,525               | -        | (155,850)   | -                    | 1,257,675                 | 1.09                                 |
| Tranche 2               | 3.45                 | 2,147,925               | -        | (249,450)   | -                    | 1,898,475                 | 1.15                                 |
|                         |                      | 3,561,450               | -        | (405,300)   | -                    | 3,156,150                 |                                      |
| <b>Grant 3(a), 2011</b> |                      |                         |          |             |                      |                           |                                      |
| Tranche 1               | 5.07                 | 2,313,850               | -        | (96,200)    | -                    | 2,217,650                 | 1.05                                 |
| Tranche 2               | 5.07                 | 2,675,250               | -        | (201,900)   | -                    | 2,473,350                 | 1.10                                 |
|                         |                      | 4,989,100               | -        | (298,100)   | -                    | 4,691,000                 |                                      |
| Grand total             |                      | 10,931,450              | -        | (2,030,700) | -                    | 8,900,750                 |                                      |

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

### 14. EMPLOYEE SHARE OPTION AND SHARE SCHEME (CONTINUED)

#### (a) Performance-Based Employee Share Option Scheme and Restricted Share Plan ["Axiata Share Scheme"] (continued)

The movement during the financial year in the number of RSA shares of RM1 each of the Company, in which the employees of the Group are entitled to, is as follows:

#### RSP

|                         | Closing price at grant date<br>RM | At 1 January 2016 | Granted | Adjusted | Vested      | Lapsed/<br>forfeited | At 31 December 2016 | Fair value at grant date<br>RM |
|-------------------------|-----------------------------------|-------------------|---------|----------|-------------|----------------------|---------------------|--------------------------------|
| <b>Group</b>            |                                   |                   |         |          |             |                      |                     |                                |
| <b>Grant 3(b), 2011</b> |                                   |                   |         |          |             |                      |                     |                                |
| Tranche 2               | 5.03                              | 20,000            | -       | -        | -           | -                    | 20,000              | 3.90                           |
|                         |                                   | 20,000            | -       | -        | -           | -                    | 20,000              |                                |
| <b>Grant 4(a), 2012</b> |                                   |                   |         |          |             |                      |                     |                                |
| Tranche 1               | 5.39                              | 62,050            | -       | -        | -           | -                    | 62,050              | 4.39                           |
| Tranche 2               | 5.39                              | 283,850           | -       | -        | (67,700)    | -                    | 216,150             | 4.26                           |
|                         |                                   | 345,900           | -       | -        | (67,700)    | -                    | 278,200             |                                |
| <b>Grant 4(b), 2012</b> |                                   |                   |         |          |             |                      |                     |                                |
| Tranche 1               | 6.00                              | 24,350            | -       | -        | -           | -                    | 24,350              | 4.93                           |
| Tranche 2               | 6.00                              | 52,050            | -       | -        | -           | -                    | 52,050              | 4.69                           |
|                         |                                   | 76,400            | -       | -        | -           | -                    | 76,400              |                                |
| <b>Grant 4(c), 2012</b> |                                   |                   |         |          |             |                      |                     |                                |
| Tranche 1               | 6.19                              | 2,300             | -       | -        | -           | -                    | 2,300               | 4.46                           |
| Tranche 2               | 6.19                              | 145,200           | -       | -        | (10,600)    | -                    | 134,600             | 4.11                           |
|                         |                                   | 147,500           | -       | -        | (10,600)    | -                    | 136,900             |                                |
| <b>Grant 5(a), 2013</b> |                                   |                   |         |          |             |                      |                     |                                |
| Tranche 1               | 6.60                              | 250,300           | -       | -        | -           | -                    | 250,300             | 4.76                           |
| Tranche 2               | 6.60                              | 9,695,700         | -       | -        | (4,881,200) | (1,474,850)          | 3,339,650           | 4.28                           |
|                         |                                   | 9,946,000         | -       | -        | (4,881,200) | (1,474,850)          | 3,589,950           |                                |
| <b>Grant 5(b), 2013</b> |                                   |                   |         |          |             |                      |                     |                                |
| Tranche 1               | 6.90                              | 56,050            | -       | -        | (2,250)     | -                    | 53,800              | 4.88                           |
| Tranche 2               | 6.90                              | 272,700           | -       | -        | -           | (37,450)             | 235,250             | 4.10                           |
|                         |                                   | 328,750           | -       | -        | (2,250)     | (37,450)             | 289,050             |                                |

#### 14. EMPLOYEE SHARE OPTION AND SHARE SCHEME (CONTINUED)

##### (a) Performance-Based Employee Share Option Scheme and Restricted Share Plan ["Axiata Share Scheme"] (continued)

The movement during the financial year in the number of RSA shares of RM1 each of the Company, in which the employees of the Group are entitled to, is as follows: (continued)

##### RSP

|                         | Closing price at grant date<br>RM | At 1 January<br>2016 | Granted          | Adjusted | Vested             | Lapsed/<br>forfeited | At 31 December<br>2016 | Fair value at grant date<br>RM |
|-------------------------|-----------------------------------|----------------------|------------------|----------|--------------------|----------------------|------------------------|--------------------------------|
| <b>Group</b>            |                                   |                      |                  |          |                    |                      |                        |                                |
| <b>Grant 6(a), 2014</b> |                                   |                      |                  |          |                    |                      |                        |                                |
| Tranche 1               | 6.69                              | 6,434,700            | -                | -        | -                  | (29,500)             | 6,405,200              | 4.77                           |
| Tranche 2               | 6.69                              | 9,826,300            | -                | -        | -                  | (3,097,600)          | 6,728,700              | 4.20                           |
|                         |                                   | 16,261,000           | -                | -        | -                  | (3,127,100)          | 13,133,900             |                                |
| <b>Grant 6(b), 2014</b> |                                   |                      |                  |          |                    |                      |                        |                                |
| Tranche 1               | 6.94                              | 112,950              | -                | -        | -                  | (7,850)              | 105,100                | 4.72                           |
| Tranche 2               | 6.94                              | 397,650              | -                | -        | -                  | (24,450)             | 373,200                | 3.97                           |
|                         |                                   | 510,600              | -                | -        | -                  | (32,300)             | 478,300                |                                |
| <b>Grant 7(a), 2015</b> | <b>7.06</b>                       | <b>3,591,800</b>     | <b>-</b>         | <b>-</b> | <b>-</b>           | <b>(201,300)</b>     | <b>3,390,500</b>       | <b>4.46</b>                    |
| <b>Grant 7(b), 2015</b> | <b>6.29</b>                       | <b>317,200</b>       | <b>-</b>         | <b>-</b> | <b>-</b>           | <b>-</b>             | <b>317,200</b>         | <b>4.35</b>                    |
| <b>Grant 8, 2016</b>    | <b>5.88</b>                       | <b>-</b>             | <b>5,338,000</b> | <b>-</b> | <b>-</b>           | <b>-</b>             | <b>5,338,000</b>       | <b>3.79</b>                    |
| <b>Grand total</b>      |                                   | <b>31,545,150</b>    | <b>5,338,000</b> | <b>-</b> | <b>(4,961,750)</b> | <b>(4,873,000)</b>   | <b>27,048,400</b>      |                                |

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

## 14. EMPLOYEE SHARE OPTION AND SHARE SCHEME (CONTINUED)

### (a) Performance-Based Employee Share Option Scheme and Restricted Share Plan ["Axiata Share Scheme"] (continued)

The movement during the previous financial year in the number of RSA shares of RM1 each of the Company, in which the employees of the Group are entitled to, is as follows:

#### RSP

|                         | Closing price at grant date<br>RM | At 1 January 2015 | Granted | Adjusted <sup>7</sup> | Vested       | Lapsed/<br>forfeited | At 31 December 2015 | Fair value at grant date<br>RM |
|-------------------------|-----------------------------------|-------------------|---------|-----------------------|--------------|----------------------|---------------------|--------------------------------|
| <b>Group</b>            |                                   |                   |         |                       |              |                      |                     |                                |
| <b>Grant 3(b), 2011</b> |                                   |                   |         |                       |              |                      |                     |                                |
| Tranche 2               | 5.03                              | 20,000            | -       | -                     | -            | -                    | 20,000              | 3.90                           |
|                         |                                   | 20,000            | -       | -                     | -            | -                    | 20,000              |                                |
| <b>Grant 3(c), 2011</b> |                                   |                   |         |                       |              |                      |                     |                                |
| Tranche 2               | 5.10                              | 3,950             | -       | 9,500                 | (13,450)     | -                    | -                   | 3.74                           |
|                         |                                   | 3,950             | -       | 9,500                 | (13,450)     | -                    | -                   |                                |
| <b>Grant 4(a), 2012</b> |                                   |                   |         |                       |              |                      |                     |                                |
| Tranche 1               | 5.39                              | 94,600            | -       | -                     | (32,550)     | -                    | 62,050              | 4.39                           |
| Tranche 2               | 5.39                              | 9,791,900         | -       | 4,424,400             | (13,520,800) | (411,650)            | 283,850             | 4.26                           |
|                         |                                   | 9,886,500         | -       | 4,424,400             | (13,553,350) | (411,650)            | 345,900             |                                |
| <b>Grant 4(b), 2012</b> |                                   |                   |         |                       |              |                      |                     |                                |
| Tranche 1               | 6.00                              | 24,350            | -       | -                     | -            | -                    | 24,350              | 4.93                           |
| Tranche 2               | 6.00                              | 403,000           | -       | 55,700                | (401,700)    | (4,950)              | 52,050              | 4.69                           |
|                         |                                   | 427,350           | -       | 55,700                | (401,700)    | (4,950)              | 76,400              |                                |
| <b>Grant 4(c), 2012</b> |                                   |                   |         |                       |              |                      |                     |                                |
| Tranche 1               | 6.19                              | 16,200            | -       | -                     | (13,900)     | -                    | 2,300               | 4.46                           |
| Tranche 2               | 6.19                              | 234,900           | -       | -                     | (87,900)     | (1,800)              | 145,200             | 4.11                           |
|                         |                                   | 251,100           | -       | -                     | (101,800)    | (1,800)              | 147,500             |                                |
| <b>Grant 5(a), 2013</b> |                                   |                   |         |                       |              |                      |                     |                                |
| Tranche 1               | 6.60                              | 6,327,550         | -       | 13,700                | (6,041,150)  | (49,800)             | 250,300             | 4.76                           |
| Tranche 2               | 6.60                              | 9,818,050         | -       | 4,700                 | (57,900)     | (69,150)             | 9,695,700           | 4.28                           |
|                         |                                   | 16,145,600        | -       | 18,400                | (6,099,050)  | (118,950)            | 9,946,000           |                                |
| <b>Grant 5(b), 2013</b> |                                   |                   |         |                       |              |                      |                     |                                |
| Tranche 1               | 6.90                              | 232,450           | -       | -                     | (174,150)    | (2,250)              | 56,050              | 4.88                           |
| Tranche 2               | 6.90                              | 301,250           | -       | -                     | -            | (28,550)             | 272,700             | 4.10                           |
|                         |                                   | 533,700           | -       | -                     | (174,150)    | (30,800)             | 328,750             |                                |

<sup>7</sup> Adjusted refer to the additional number of shares vested to the senior management due to multiplier effects or pro-rated shares offered at the time of vesting.



#### 14. EMPLOYEE SHARE OPTION AND SHARE SCHEME (CONTINUED)

##### (a) Performance-Based Employee Share Option Scheme and Restricted Share Plan ["Axiata Share Scheme"] (continued)

The movement during the previous financial year in the number of RSA shares of RM1 each of the Company, in which the employees of the Group are entitled to, is as follows: (continued)

##### RSP

|                         | Closing<br>price at<br>grant date<br>RM | At 1<br>January<br>2015 | Granted   | Adjusted <sup>7</sup> | Vested       | Lapsed/<br>forfeited | At 31<br>December<br>2015 | Fair<br>value at<br>grant date<br>RM |
|-------------------------|---|-------------------------|-----------|-----------------------|--------------|----------------------|---------------------------|--------------------------------------|
| <b>Group</b>            |   |                         |           |                       |              |                      |                           |                                      |
| <b>Grant 6(a), 2014</b> |   |                         |           |                       |              |                      |                           |                                      |
| Tranche 1               | 6.69                                    | 6,538,950               | -         | -                     | (17,400)     | (86,850)             | 6,434,700                 | 4.77                                 |
| Tranche 2               | 6.69                                    | 9,925,950               | -         | -                     | -            | (99,650)             | 9,826,300                 | 4.20                                 |
|                         |   | 16,464,900              | -         | -                     | (17,400)     | (186,500)            | 16,261,000                |                                      |
| <b>Grant 6(b), 2014</b> |   |                         |           |                       |              |                      |                           |                                      |
| Tranche 1               | 6.94                                    | 121,200                 | -         | -                     | -            | (8,250)              | 112,950                   | 4.72                                 |
| Tranche 2               | 6.94                                    | 405,900                 | -         | -                     | -            | (8,250)              | 397,650                   | 3.97                                 |
|                         |   | 527,100                 | -         | -                     | -            | (16,500)             | 510,600                   |                                      |
| <b>Grant 7(a), 2015</b> | 7.06                                    | -                       | 3,617,000 | -                     | -            | (25,200)             | 3,591,800                 | 4.46                                 |
| <b>Grant 7(b), 2015</b> | 6.29                                    | -                       | 317,200   | -                     | -            | -                    | 317,200                   | 4.35                                 |
| <b>Grand total</b>      |   | 44,260,200              | 3,934,200 | 4,508,000             | (20,360,900) | (796,350)            | 31,545,150                |                                      |

<sup>7</sup> Adjusted refer to the additional number of shares vested to the senior management due to multiplier effects or pro-rated shares offered at the time of vesting.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

### 14. EMPLOYEE SHARE OPTION AND SHARE SCHEME (CONTINUED)

#### (a) Performance-Based Employee Share Option Scheme and Restricted Share Plan ["Axiata Share Scheme"] (continued)

The movement during the financial year in the number of RSA shares of RM1 each of the Company, in which the employees of the Company are entitled to, is as follows: (continued)

#### RSP

|                         | Closing price at grant date<br>RM | At 1 January 2016 | Granted | Adjusted | Vested    | Lapsed/<br>forfeited | At 31 December 2016 | Fair value at grant date<br>RM |
|-------------------------|-----------------------------------|-------------------|---------|----------|-----------|----------------------|---------------------|--------------------------------|
| <b>Company</b>          |                                   |                   |         |          |           |                      |                     |                                |
| <b>Grant 4(a), 2012</b> |                                   |                   |         |          |           |                      |                     |                                |
| Tranche 2               | 5.39                              | 132,800           | -       | -        | -         | -                    | 132,800             | 4.26                           |
|                         |                                   | 132,800           | -       | -        | -         | -                    | 132,800             |                                |
| <b>Grant 4(b), 2012</b> |                                   |                   |         |          |           |                      |                     |                                |
| Tranche 2               | 6.00                              | 22,600            | -       | -        | -         | -                    | 22,600              | 4.69                           |
|                         |                                   | 22,600            | -       | -        | -         | -                    | 22,600              |                                |
| <b>Grant 4(c), 2012</b> |                                   |                   |         |          |           |                      |                     |                                |
| Tranche 2               | 6.19                              | 103,600           | -       | -        | -         | -                    | 103,600             | 4.11                           |
|                         |                                   | 103,600           | -       | -        | -         | -                    | 103,600             |                                |
| <b>Grant 5(a), 2013</b> |                                   |                   |         |          |           |                      |                     |                                |
| Tranche 1               | 6.60                              | 15,000            | -       | -        | -         | -                    | 15,000              | 4.76                           |
| Tranche 2               | 6.60                              | 1,914,500         | -       | -        | (286,650) | (44,700)             | 1,583,150           | 4.28                           |
|                         |                                   | 1,929,500         | -       | -        | (286,650) | (44,700)             | 1,598,150           |                                |
| <b>Grant 5(b), 2013</b> |                                   |                   |         |          |           |                      |                     |                                |
| Tranche 1               | 6.90                              | 41,250            | -       | -        | -         | -                    | 41,250              | 4.88                           |
| Tranche 2               | 6.90                              | 58,350            | -       | -        | -         | -                    | 58,350              | 4.10                           |
|                         |                                   | 99,600            | -       | -        | -         | -                    | 99,600              |                                |
| <b>Grant 6(a), 2014</b> |                                   |                   |         |          |           |                      |                     |                                |
| Tranche 1               | 6.69                              | 564,600           | -       | -        | -         | (22,750)             | 541,850             | 4.77                           |
| Tranche 2               | 6.69                              | 2,540,800         | -       | -        | -         | (107,550)            | 2,433,250           | 4.20                           |
|                         |                                   | 3,105,400         | -       | -        | -         | (130,300)            | 2,975,100           |                                |

#### 14. EMPLOYEE SHARE OPTION AND SHARE SCHEME (CONTINUED)

##### (a) Performance-Based Employee Share Option Scheme and Restricted Share Plan ["Axiata Share Scheme"] (continued)

The movement during the financial year in the number of RSA shares of RM1 each of the Company, in which the employees of the Company are entitled to, is as follows: (continued)

##### RSP

|                         | Closing price at grant date<br>RM | At 1 January<br>2016 | Granted          | Adjusted <sup>7</sup> | Vested           | Lapsed/<br>forfeited | At 31 December<br>2016 | Fair value at grant date<br>RM |
|-------------------------|-----------------------------------|----------------------|------------------|-----------------------|------------------|----------------------|------------------------|--------------------------------|
| <b>Company</b>          |                                   |                      |                  |                       |                  |                      |                        |                                |
| <b>Grant 6(b), 2014</b> |                                   |                      |                  |                       |                  |                      |                        |                                |
| Tranche 1               | 6.94                              | 71,300               | -                | -                     | -                | (7,850)              | 63,450                 | 4.72                           |
| Tranche 2               | 6.94                              | 290,500              | -                | -                     | -                | (7,850)              | 282,650                | 3.97                           |
|                         |                                   | 361,800              | -                | -                     | -                | (15,700)             | 346,100                |                                |
| <b>Grant 7(a), 2015</b> | <b>7.06</b>                       | <b>1,840,900</b>     | <b>-</b>         | <b>-</b>              | <b>-</b>         | <b>(39,100)</b>      | <b>1,801,800</b>       | <b>4.46</b>                    |
| <b>Grant 7(b), 2015</b> | <b>6.29</b>                       | <b>109,000</b>       | <b>-</b>         | <b>-</b>              | <b>-</b>         | <b>-</b>             | <b>109,000</b>         | <b>4.35</b>                    |
| <b>Grant 8, 2016</b>    | <b>5.88</b>                       | <b>-</b>             | <b>3,033,900</b> | <b>-</b>              | <b>-</b>         | <b>-</b>             | <b>3,033,900</b>       | <b>3.79</b>                    |
| <b>Grand total</b>      |                                   | <b>7,705,200</b>     | <b>3,033,900</b> | <b>-</b>              | <b>(286,650)</b> | <b>(229,800)</b>     | <b>10,222,650</b>      |                                |

The movement during the previous financial year in the number of RSA shares of RM1 each of the Company, in which the employees of the Company are entitled to, is as follows:

##### RSP

|                         | Closing price at grant date<br>RM | At 1 January<br>2015 | Granted | Adjusted <sup>7</sup> | Vested      | Lapsed/<br>forfeited | At 31 December<br>2015 | Fair value at grant date<br>RM |
|-------------------------|-----------------------------------|----------------------|---------|-----------------------|-------------|----------------------|------------------------|--------------------------------|
| <b>Company</b>          |                                   |                      |         |                       |             |                      |                        |                                |
| <b>Grant 4(a), 2012</b> |                                   |                      |         |                       |             |                      |                        |                                |
| Tranche 2               | 5.39                              | 2,085,750            | -       | 2,224,000             | (4,039,000) | (137,950)            | 132,800                | 4.26                           |
|                         |                                   | 2,085,750            | -       | 2,224,000             | (4,039,000) | (137,950)            | 132,800                |                                |
| <b>Grant 4(b), 2012</b> |                                   |                      |         |                       |             |                      |                        |                                |
| Tranche 2               | 6.00                              | 243,600              | -       | 8,800                 | (229,800)   | -                    | 22,600                 | 4.69                           |
|                         |                                   | 243,600              | -       | 8,800                 | (229,800)   | -                    | 22,600                 |                                |
| <b>Grant 4(c), 2012</b> |                                   |                      |         |                       |             |                      |                        |                                |
| Tranche 2               | 6.19                              | 118,450              | -       | -                     | (14,850)    | -                    | 103,600                | 4.11                           |
|                         |                                   | 118,450              | -       | -                     | (14,850)    | -                    | 103,600                |                                |

<sup>7</sup> Adjusted refer to the additional number of shares vested to the senior management due to multiplier effects or pro-rated shares offered at the time of vesting.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

### 14. EMPLOYEE SHARE OPTION AND SHARE SCHEME (CONTINUED)

#### (a) Performance-Based Employee Share Option Scheme and Restricted Share Plan ["Axiata Share Scheme"] (continued)

The movement during the previous financial year in the number of RSA shares of RM1 each of the Company, in which the employees of the Company are entitled to, is as follows: (continued)

#### RSP

|                         | Closing price at grant date<br>RM | At 1 January 2015 | Granted   | Adjusted <sup>7</sup> | Vested      | Lapsed/<br>forfeited | At 31 December 2015 | Fair value at grant date<br>RM |
|-------------------------|-----------------------------------|-------------------|-----------|-----------------------|-------------|----------------------|---------------------|--------------------------------|
| <b>Company</b>          |                                   |                   |           |                       |             |                      |                     |                                |
| <b>Grant 5(a), 2013</b> |                                   |                   |           |                       |             |                      |                     |                                |
| Tranche 1               | 6.60                              | 279,850           | -         | -                     | (220,500)   | (44,350)             | 15,000              | 4.76                           |
| Tranche 2               | 6.60                              | 2,036,850         | -         | 4,700                 | (57,900)    | (69,150)             | 1,914,500           | 4.28                           |
|                         |                                   | 2,316,700         | -         | 4,700                 | (278,400)   | (113,500)            | 1,929,500           |                                |
| <b>Grant 5(b), 2013</b> |                                   |                   |           |                       |             |                      |                     |                                |
| Tranche 1               | 6.90                              | 49,700            | -         | -                     | (6,200)     | (2,250)              | 41,250              | 4.88                           |
| Tranche 2               | 6.90                              | 86,900            | -         | -                     | -           | (28,550)             | 58,350              | 4.10                           |
|                         |                                   | 136,600           | -         | -                     | (6,200)     | (30,800)             | 99,600              |                                |
| <b>Grant 6(a), 2014</b> |                                   |                   |           |                       |             |                      |                     |                                |
| Tranche 1               | 6.69                              | 668,850           | -         | -                     | (17,400)    | (86,850)             | 564,600             | 4.77                           |
| Tranche 2               | 6.69                              | 2,640,450         | -         | -                     | -           | (99,650)             | 2,540,800           | 4.20                           |
|                         |                                   | 3,309,300         | -         | -                     | (17,400)    | (186,500)            | 3,105,400           |                                |
| <b>Grant 6(b), 2014</b> |                                   |                   |           |                       |             |                      |                     |                                |
| Tranche 1               | 6.94                              | 79,550            | -         | -                     | -           | (8,250)              | 71,300              | 4.72                           |
| Tranche 2               | 6.94                              | 298,750           | -         | -                     | -           | (8,250)              | 290,500             | 3.97                           |
|                         |                                   | 378,300           | -         | -                     | -           | (16,500)             | 361,800             |                                |
| <b>Grant 7(a), 2015</b> |                                   |                   |           |                       |             |                      |                     |                                |
|                         | 7.06                              | -                 | 1,866,100 | -                     | -           | (25,200)             | 1,840,900           | 4.46                           |
| <b>Grant 7(b), 2015</b> |                                   |                   |           |                       |             |                      |                     |                                |
|                         | 6.29                              | -                 | 109,000   | -                     | -           | -                    | 109,000             | 4.35                           |
| <b>Grand total</b>      |                                   | 8,588,700         | 1,975,100 | 2,237,500             | (4,585,650) | (510,450)            | 7,705,200           |                                |

<sup>7</sup> Adjusted refer to the additional number of shares vested to the senior management due to multiplier effects or pro-rated shares offered at the time of vesting.

**14. EMPLOYEE SHARE OPTION AND SHARE SCHEME (CONTINUED)****(a) Performance-Based Employee Share Option Scheme and Restricted Share Plan ["Axiata Share Scheme"] (continued)**

The fair value of the Performance-based ESOS granted in which MFRS 2 applies, were determined using the Black-Scholes valuation model. The significant inputs in the model are as follows:

|  | Options over the Company's shares |                    |             |             |
|--|-----------------------------------|--------------------|-------------|-------------|
|  | Grant 1(a)                        | Grant 1(b)         | Grant 2     | Grant 3(a)  |
| Exercise price   | RM1.81                            | RM3.15             | RM3.45      | RM5.07      |
| Option expected term:  |                                   |                    |             |             |
| - Tranche 1  | 5.0 years                         | 4.5 years          | 4.5 years   | 4.0 years   |
| - Tranche 2  | 5.5 years                         | 5.0 years          | 5.0 years   | 4.5 years   |
| Weighted average share price at grant date                             | RM1.81                            | RM3.15             | RM3.45      | RM5.07      |
| Expected dividend yield  | 1%                                | 1%                 | 1%          | 2%          |
| Risk free interest rates<br>(Yield of Malaysian Government securities) | 3.0% - 3.7%                       | 3.0% - 3.7%        | 3.0% - 3.9% | 3.3% - 3.6% |
| Expected volatility  | 31.3% <sup>8</sup>                | 31.1% <sup>8</sup> | 34.4%       | 24.7%       |

<sup>8</sup> The expected volatility rate of the Company's options was derived after considering the pattern and level of historical volatility of entities in the same industry since the Company did not have sufficient information on historical volatility as it was only listed on the Bursa Securities on 28 April 2008.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

### 14. EMPLOYEE SHARE OPTION AND SHARE SCHEME (CONTINUED)

#### (a) Performance-Based Employee Share Option Scheme and Restricted Share Plan ["Axiata Share Scheme"] (continued)

The fair value of the RSA granted in which MFRS 2 applies, were determined using the Monte Carlo valuation model. The significant inputs in the model are as follows:

|  | Entitlement over the Company's shares |               |               |               |               |
|--|---------------------------------------|---------------|---------------|---------------|---------------|
|  | Grant 3(b)                            | Grant 3(c)    | Grant 4(a)    | Grant 4(b)    | Grant 4(c)    |
| Reference price  | RM5.03                                | RM5.10        | RM5.20        | RM5.86        | RM5.92        |
| Valuation at grant date*   | 18 Jul 2011                           | 30 Nov 2011   | 16 Apr 2012   | 17 Aug 2012   | 10 Dec 2012   |
| Vesting date:  |                                       |               |               |               |               |
| - Tranche 1  | 18 Jul 2013                           | 30 Nov 2013   | 30 Mar 2014   | 31 Jul 2014   | 30 Nov 2014   |
| - Tranche 2  | 18 Jul 2014                           | 30 Nov 2014   | 30 Mar 2015   | 31 Jul 2015   | 30 Nov 2015   |
| Closing share price at grant date*                                     | RM5.03                                | RM5.10        | RM5.39        | RM6.00        | RM6.19        |
| Expected dividend yield  | 2.54%                                 | 3.12%         | 4.23%         | 4.06%         | 4.15%         |
| Risk free interest rates<br>(Yield of Malaysian Government Securities) | 3.19% - 3.32%                         | 2.92% - 3.23% | 3.09% - 3.18% | 2.97% - 3.04% | 3.00% - 3.08% |
| Expected volatility#   | 19.9%                                 | 18.7%         | 27.5%         | 19.2%         | 18.6%         |

# The expected volatility rate of the Company's RSA was derived using three (3) years historical volatility due to availability of data with more data points to increase the credibility of assumptions.

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

#### 14. EMPLOYEE SHARE OPTION AND SHARE SCHEME (CONTINUED)

##### (a) Performance-Based Employee Share Option Scheme and Restricted Share Plan ["Axiata Share Scheme"] (continued)

The fair value of the RSA granted in which MFRS 2 applies, were determined using the Monte Carlo valuation model. The significant inputs in the model are as follows: (continued)

|  | Entitlement over the Company's shares |               |               |             |             |             |             |
|--|---------------------------------------|---------------|---------------|-------------|-------------|-------------|-------------|
|  | Grant 5(a)                            | Grant 5(b)    | Grant 6(a)    | Grant 6(b)  | Grant 7(a)  | Grant 7(b)  | Grant 8     |
| Reference price  | RM6.27                                | RM6.90        | RM6.55        | RM6.95      | RM7.11      | RM5.92      | RM5.68      |
| Valuation at grant date*   | 29 Mar 2013                           | 15 Aug 2013   | 07 Apr 2014   | 02 Sep 2014 | 09 Apr 2015 | 17 Sep 2015 | 14 Apr 2016 |
| Vesting date:  |                                       |               |               |             |             |             |             |
| - Tranche 1  | 20 Feb 2015                           | 15 Aug 2015   | 15 Feb 2016   | 15 Aug 2016 | -           | -           | -           |
| - Tranche 2  | 20 Feb 2016                           | 15 Aug 2016   | 15 Feb 2017   | 15 Aug 2017 | 15 Feb 2018 | 15 Aug 2018 | 15 Feb 2019 |
| Closing share price at grant date*                                     | RM6.60                                | RM6.90        | RM6.69        | RM6.94      | RM7.06      | RM6.29      | RM5.88      |
| Expected dividend yield  | 4.58%                                 | 4.20%         | 3.79%         | 3.89%       | 3.96%       | 3.96%       | 4.08%       |
| Risk free interest rates<br>(Yield of Malaysian Government Securities) | 2.88% - 3.09%                         | 3.17% - 3.36% | 3.00% - 3.38% | 3.46%       | 3.57%       | 3.76%       | 3.22%       |
| Expected volatility#   | 18.7%                                 | 17.4%         | 16.5%         | 15.8%       | 14.26%      | 15.20%      | 16.1%       |

# The expected volatility rate of the Company's RSA was derived using three (3) years period on daily basis historical volatility due to availability of data with more data points to increase the credibility of assumptions.

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

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

### 14. EMPLOYEE SHARE OPTION AND SHARE SCHEME (CONTINUED)

#### (a) Performance-Based Employee Share Option Scheme and Restricted Share Plan ["Axiata Share Scheme"] (continued)

The amounts recognised in the financial statements as disclosed in Note 7(c) and 7(d) to the financial statements for all employees (including Directors) arising from the Performance-Based ESOS and RSA are summarised as below:

|  | Group          |                | Company        |                |
|--|----------------|----------------|----------------|----------------|
|  | 2016<br>RM'000 | 2015<br>RM'000 | 2016<br>RM'000 | 2015<br>RM'000 |
| Equity settlement arrangement:                       |                |                |                |                |
| - ESOS and RSA granted to employees under the Scheme | <b>30,245</b>  | 53,508         | <b>13,118</b>  | 6,304          |

#### (b) Share-based compensation plan of XL

In April 2010, the Nomination and Remuneration Committee of XL approved a share-based compensation plan for certain employees under which XL's shares are to be given as a compensation for services provided by the employees with no cash consideration. Members of the Board of Directors and certain employees of XL who have been employed during the performance year and met certain criteria are eligible to participate in the program.

Under the program, on each end of fourth (4<sup>th</sup>) month subsequent to completion of the performance year, XL issues shares to the eligible employees upon XL achieving specific performance target and the employees satisfying certain performance conditions and remain in the employment at the share issuance date. Shares issued by XL vest in two (2) equal proportions and will become employees' rights if the employees remain in employment for two (2) years and three (3) years as of respective share issuance date.

The program was approved in the EGM of Shareholders on 14 April 2011. The execution of the program covers performance year 2011 up to 2015 with grant cycles divided into six (6) periods.

On 10 December 2015, Board of Commissioners of XL approved a long term incentive programme 2016-2020 under which XL's shares without pre-emptive rights or cash consideration are to be awarded. This programme was approved by the EGM on 10 March 2016.

Total share-based compensation expense recognised in the consolidated profit or loss for the financial year ended 31 December 2016 was RM15.7 million (2015: RM9.8 million) as disclosed in Note 7(c) to the financial statements.

#### (c) Pioneer Grant of edotco Group

On 8 December 2014, edotco Group approved edotco Pioneer Grant to the eligible employees of edotco Group, its subsidiary and national tower companies which are currently held by the Group in Bangladesh, Cambodia, Sri Lanka and Pakistan. The plan is to motivate the employees to drive value creation for edotco Group.

On 31 March 2015, edotco issued grant letters to eligible employees. The movement in the number of shares over the new ordinary shares of RM1 each of edotco Group, in which the employees are entitled to are as follows:

| Group         | At<br>1 January   | Grant      | Adjustments <sup>9</sup> | Lapsed/<br>forfeited | At<br>31 December |
|---------------|-------------------|------------|--------------------------|----------------------|-------------------|
| 2016          |                   |            |                          |                      |                   |
| Pioneer Grant | <b>13,183,700</b> | -          | <b>747,000</b>           | <b>(747,400)</b>     | <b>13,183,300</b> |
| 2015          |                   |            |                          |                      |                   |
| Pioneer Grant | -                 | 14,037,400 | -                        | (853,700)            | 13,183,700        |

<sup>9</sup> Adjusted refers to re-allocation of grant which was lapsed/forfeited previously to certain new/existing employees under similar terms and conditions.

The total share-based compensation expense recognised in the consolidated profit or loss for the financial year ended 31 December 2016 was RM9.9 million (2015:RM11.7 million).

## 15. RESERVES

|   | Note | Group              |                | Company          |                |
|---|------|--------------------|----------------|------------------|----------------|
|   |      | 2016<br>RM'000     | 2015<br>RM'000 | 2016<br>RM'000   | 2015<br>RM'000 |
| <b>Distributable</b>  |      |                    |                |                  |                |
| Retained earnings   | (a)  | <b>9,335,025</b>   | 10,223,278     | <b>7,404,389</b> | 7,706,203      |
| <b>Non-distributable</b>                                      |      |                    |                |                  |                |
| Capital contribution reserve                                  | (b)  | <b>16,598</b>      | 16,598         | <b>16,598</b>    | 16,598         |
| Merger reserve  | (c)  | <b>346,774</b>     | 346,774        | -                | -              |
| Hedging reserve   | (d)  | <b>(325,702)</b>   | (255,992)      | -                | -              |
| ESOS and RSA reserve  | (e)  | <b>135,647</b>     | 130,229        | <b>135,647</b>   | 130,229        |
| Actuarial reserve   |      | <b>11,107</b>      | (92)           | -                | -              |
| Other reserve   | (f)  | <b>(1,316,116)</b> | (172,753)      | -                | -              |
| AFS reserve   |      | <b>35,998</b>      | 3,367          | -                | -              |
| Currency translation differences arising from translation of: |      |                    |                |                  |                |
| - subsidiaries  |      | <b>1,989,249</b>   | 702,032        | -                | -              |
| - joint venture   |      | <b>4,202</b>       | 3,598          | -                | -              |
| - associates  |      | <b>295,349</b>     | 225,481        | -                | -              |
|   |      | <b>2,288,800</b>   | 931,111        | -                | -              |
| <b>Total</b>  |      | <b>10,528,131</b>  | 11,222,520     | <b>7,556,634</b> | 7,853,030      |

- (a) The Company can also distribute tax exempt dividends from its tax exempt income account. The Company has tax exempt income accounts as at 31 December 2016 amounting to approximately RM260.1 million (2015: RM249.9 million) available for distribution as tax exempt dividends to shareholders subject to the availability of retained profits. The tax exempt income accounts are subject to agreement by the Inland Revenue Board.
- (b) The Group's and the Company's capital contribution reserve relates to the ESOS of Telekom Malaysia Berhad, former holding company, which were made available to the employees of the Group and the Company.
- (c) The Group's merger reserve relates to the credit difference arising from the business combination accounted under the predecessor method of accounting upon completion of a Group's restructuring exercise on 25 April 2008.
- (d) The Group's hedging reserve consists of net investment hedge and cash flow hedge arising from effective hedges as disclosed in Note 19(f, g & h) to the financial statements.
- (e) The Group's and the Company's ESOS and RSA reserve relates to the Axiata Share Scheme of the Company, which were made available to the employees of the Group and the Company as disclosed in Note 14(a) to the financial statements.
- (f) The Group's other reserve relates to the put option liabilities over shares held by NCI as disclosed in Note 19(d & e) to the financial statements.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

### 16. BORROWINGS

|  | Note        | 2016         |                           |                   |                 | 2015         |                           |                   |                 |
|--|-------------|--------------|---------------------------|-------------------|-----------------|--------------|---------------------------|-------------------|-----------------|
|  |             | W.A.R.F<br>% | Non-<br>current<br>RM'000 | Current<br>RM'000 | Total<br>RM'000 | W.A.R.F<br>% | Non-<br>current<br>RM'000 | Current<br>RM'000 | Total<br>RM'000 |
| <b>Group</b>                             |             |              |                           |                   |                 |              |                           |                   |                 |
| Overseas                                 |             |              |                           |                   |                 |              |                           |                   |                 |
| Secured:                                 |             |              |                           |                   |                 |              |                           |                   |                 |
| - Borrowings from financial institutions | (a)         | 4.00         | 633,166                   | 177,082           | 810,248         | 5.46         | 490,008                   | 175,068           | 665,076         |
| Unsecured:                               |             |              |                           |                   |                 |              |                           |                   |                 |
| - Borrowings from financial institutions |             | 6.15         | 4,139,369                 | 2,646,475         | 6,785,844       | 6.69         | 5,359,759                 | 1,849,538         | 7,209,297       |
| - Sukuk Ijarah                           | (c)(iii)    | 10.55        | 334,998                   | 2,972             | 337,970         | 10.02        | 312,866                   | 153,634           | 466,500         |
| - Bank overdrafts                        | 34          | 4.19         | -                         | 62,067            | 62,067          | 4.47         | -                         | 89,908            | 89,908          |
|  |             | 5.66         | 5,107,533                 | 2,888,596         | 7,996,129       | 6.20         | 6,162,633                 | 2,268,148         | 8,430,781       |
| Malaysia                                 |             |              |                           |                   |                 |              |                           |                   |                 |
| Secured:                                 |             |              |                           |                   |                 |              |                           |                   |                 |
| - Borrowings from financial institutions | (e)         | 2.54         | 247,038                   | 156,706           | 403,744         | -            | -                         | -                 | -               |
| Unsecured:                               |             |              |                           |                   |                 |              |                           |                   |                 |
| - Notes                                  | (b)         | 5.36         | 1,337,866                 | 12,719            | 1,350,585       | 5.36         | 1,277,922                 | 12,102            | 1,290,024       |
| - Borrowing from financial institution   | (d)         | 3.47         | -                         | 2,968,244         | 2,968,244       | -            | -                         | -                 | -               |
| - Sukuk                                  | (c)(i),(ii) | 3.91         | 8,443,035                 | 1,098,144         | 9,541,179       | 3.69         | 6,604,101                 | 67,480            | 6,671,581       |
|  |             | 3.92         | 10,027,939                | 4,235,813         | 14,263,752      | 3.96         | 7,882,023                 | 79,582            | 7,961,605       |
| Total                                    |             | 4.54         | 15,135,472                | 7,124,409         | 22,259,881      | 5.12         | 14,044,656                | 2,347,730         | 16,392,386      |
| <b>Company</b>                           |             |              |                           |                   |                 |              |                           |                   |                 |
| Unsecured:                               |             |              |                           |                   |                 |              |                           |                   |                 |
| - Borrowing from financial institution   | (d)         | 3.47         | -                         | 2,968,244         | 2,968,244       | -            | -                         | -                 | -               |



## 16. BORROWINGS (CONTINUED)

- (a) Secured by way of fixed charge on certain PPE and deposits with financial institutions of certain subsidiaries, as disclosed in Note 26(a) and Note 34 to the financial statements respectively.
- (b) The USD300.0 million Guaranteed Notes (“Notes”) will mature on 28 April 2020, and is guaranteed by the Company. The Notes, which were issued at 99.94%, carry a coupon rate of 5.375% per annum (“p.a.”) (payable semi-annually in arrears) and have a tenure of 10 years from the date of issuance.
- (c) Sukuk of the Group consist of a Multi-Currency Sukuk Programme, a Sukuk Murabahah Programme and a Sukuk Ijarah issued as follows:

(i) Multi-currency Sukuk

The Group established a Multi-Currency Sukuk Programme involving the issuance of up to USD1.5 billion (or its equivalent in other currencies based on Islamic Principle). On 12 November 2015, the Group successfully priced the issuance USD denominated 500 million Sukuk pursuant to the Sukuk Programme. The Sukuk, which was issued at par, carries a coupon rate of 3.466% p.a. (payable semiannually in arrears) and has tenure of five (5) years from the date of issuance.

On 19 November 2015, the Sukuk was listed and quoted on Bursa Malaysia (under the Exempt Regime) and on the Singapore Exchange Securities Trading Limited.

On 24 March 2016, the Group successfully priced the issuance USD denominated 500 million Sukuk pursuant to the Sukuk Programme. The Sukuk, which was issued at par, carries a coupon rate of 4.357% p.a. (payable semiannually in arrears) and has tenure of ten (10) years from the date of issuance.

Subsequently 25 March 2016, the Sukuk was listed and quoted on Bursa Malaysia (under the Exempt Regime) and on the Singapore Exchange Securities Trading Limited.

(ii) Sukuk Murabahah

On 14 August 2012, the Group established a Sukuk Murabahah Programme of up to RM5.0 billion in nominal value. RM3.0 billion of the Sukuk Murabahah was successfully priced via a book building process with the remaining RM2.0 billion privately allocated to strategic investors.

On 28 October 2016, the Group completed the issuance of RM500.0 million nominal value of rated Sukuks under a private offering.

The details of the Sukuk Murabahah are as follow:

|          | Contractual<br>profit rate <sup>1</sup><br>% | Maturity<br>date | Amount<br>RM'million |
|----------|--|------------------|----------------------|
| Series 2 | 3.60   | 29 Aug 2017      | 1,000                |
| Series 3 | 3.75   | 29 Aug 2019      | 1,500                |
| Series 4 | 3.90   | 28 Aug 2020      | 1,200                |
| Series 5 | 4.05   | 27 Aug 2021      | 400                  |
| Series 6 | 4.20   | 29 Aug 2022      | 400                  |
| Series 7 | 4.85   | 28 Oct 2021      | 150                  |
| Series 8 | 5.27   | 28 Oct 2026      | 350                  |
|          |  |                  | 5,000                |

<sup>1</sup> payable semiannually

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

### 16. BORROWINGS (CONTINUED)

- (c) Sukuk of the Group consist of a Multi-Currency Sukuk Programme, a Sukuk Murabahah Programme, and a Sukuk Ijarah issued as follows: (continued)

- (iii) Sukuk Ijarah

On 28 October 2015, XL established a Sukuk Ijarah Programme of up to IDR5.0 trillion in nominal value. The Sukuk Programme was established under a 2-year shelf registration programme. The issuance of Shelf Sukuk Ijarah 1 XL Axiata Tranche I Year 2015 (“Tranche I Sukuk”) amounting up to IDR1.5 trillion was based on the Shariah principle of Ijarah with the payment of Ujarah to be made quarterly in arrears. On 2 December 2015, Tranche I Sukuk was listed and quoted on Indonesian Stock Exchange (“IDX”). The detail of Tranche I Sukuk as below:

|          | Annual fixed<br>Ijarah return | Maturity date | Nominal value<br>(IDR million) |
|----------|-------------------------------|---------------|--------------------------------|
| Series B | 26,445                        | 2 Dec 2018    | 258,000                        |
| Series C | 33,915                        | 2 Dec 2020    | 323,000                        |
| Series D | 46,750                        | 2 Dec 2022    | 425,000                        |
|          |                               |               | <b>1,006,000</b>               |

Revenue sharing of Sukuk Ijarah is paid on quarterly basis with the first payment is due on 2 March 2016 and the last payment is paid simultaneously with payment of principal of each series of the Sukuk Ijarah.

- (d) On 31 March 2016, the Company undertook a total of RM3,587.2 million (or USD910.0 million) loan from Bank of Tokyo Mitsubishi UFJ, Labuan. The loan has tenure of twelve (12) months from the date of the Facility Agreement and carries a contractual interest rate of LIBOR + applicable interest margin payable at the option of the Company either on one (1), two (2) or three (3) months basis. On 29 July 2016 and 30 September 2016, the Company had early settled a total amount of RM689.0 million (USD170.0 million) and RM321.5 million (USD78.0 million) respectively.
- (e) The borrowings are secured by charges over shares of edotco SG.
- (f) The borrowings of the Group are subject to certain covenants. The covenants require that certain ratios (Debts over Assets, Earnings before interest, tax, depreciation and amortisation (“EBITDA”) to Borrowing/Finance Costs and Debts to EBITDA) to be met, limitation to certain assets sales or transferred and maintaining majority ownerships in certain subsidiary by the Group. The Group is in compliance with the covenants of its borrowings at each reporting date.
- (g) The total floating interest rate borrowings of the Group are RM9,715.1 million (2015: RM7,766.4 million) as at the reporting date.

## 16. BORROWINGS (CONTINUED)

The currency profile of the borrowings of the Group is as follows:

|                | 2016                |                  |                  |                  |                  |                   | 2015                |                  |                |                |                  |                   |
|----------------|---------------------|------------------|------------------|------------------|------------------|-------------------|---------------------|------------------|----------------|----------------|------------------|-------------------|
|                | Functional currency |                  |                  |                  |                  |                   | Functional currency |                  |                |                |                  |                   |
|                | RM<br>RM'000        | IDR<br>RM'000    | SLR<br>RM'000    | BDT<br>RM'000    | Others<br>RM'000 | Total<br>RM'000   | RM<br>RM'000        | IDR<br>RM'000    | SLR<br>RM'000  | BDT<br>RM'000  | Others<br>RM'000 | Total<br>RM'000   |
| <b>Group</b>   |                     |                  |                  |                  |                  |                   |                     |                  |                |                |                  |                   |
| RM             | 5,035,432           | -                | -                | -                | -                | 5,035,432         | 4,526,427           | -                | -              | -              | -                | 4,526,427         |
| USD            | 9,228,322           | 1,608,958        | 675,140          | 672,168          | 67,194           | 12,251,782        | 3,689,447           | 1,942,656        | 637,810        | 384,545        | 231,806          | 6,886,264         |
| IDR            | -                   | 3,372,189        | -                | -                | -                | 3,372,189         | -                   | 4,411,853        | -              | -              | -                | 4,411,853         |
| SLR            | -                   | -                | 353,555          | -                | -                | 353,555           | -                   | -                | 78,349         | -              | -                | 78,349            |
| BDT            | -                   | -                | -                | 1,193,680        | -                | 1,193,680         | -                   | -                | -              | 439,888        | -                | 439,888           |
| PKR            | -                   | -                | -                | -                | 53,243           | 53,243            | -                   | -                | -              | -              | 49,605           | 49,605            |
| <b>Total</b>   | <b>14,263,754</b>   | <b>4,981,147</b> | <b>1,028,695</b> | <b>1,865,848</b> | <b>120,437</b>   | <b>22,259,881</b> | <b>8,215,874</b>    | <b>6,354,509</b> | <b>716,159</b> | <b>824,433</b> | <b>281,411</b>   | <b>16,392,386</b> |
| <b>Company</b> |                     |                  |                  |                  |                  |                   |                     |                  |                |                |                  |                   |
| USD            | 2,968,244           | -                | -                | -                | -                | 2,968,244         | -                   | -                | -              | -              | -                | -                 |

USD: United State Dollars

IDR: Indonesian Rupiah

SLR: Sri Lankan Rupee

BDT: Bangladeshi Taka

PKR: Pakistani Rupee

The carrying amounts and fair value of the Group's non-current borrowings are as follows:

|                                     | 2016              |                   | 2015              |                   |
|-------------------------------------|-------------------|-------------------|-------------------|-------------------|
|                                     | Carrying amount   | Fair value        | Carrying amount   | Fair value        |
|                                     | RM'000            | RM'000            | RM'000            | RM'000            |
| <b>Group</b>                        |                   |                   |                   |                   |
| Overseas:                           |                   |                   |                   |                   |
| - Borrowings <sup>2</sup>           | 4,772,535         | 4,772,535         | 5,849,767         | 5,849,767         |
| - Sukuk Ijarah <sup>3</sup>         | 334,998           | 371,148           | 312,866           | 494,372           |
|                                     | <b>5,107,533</b>  | <b>5,143,683</b>  | <b>6,162,633</b>  | <b>6,344,139</b>  |
| Malaysia:                           |                   |                   |                   |                   |
| - Notes <sup>3</sup>                | 1,337,866         | 1,444,407         | 1,277,922         | 1,411,956         |
| - Multi-currency Sukuk <sup>3</sup> | 4,470,565         | 4,534,516         | 2,104,101         | 2,146,236         |
| - Sukuk Murabahah <sup>2</sup>      | 3,972,470         | 3,949,362         | 4,500,000         | 4,434,946         |
| - Borrowings <sup>2</sup>           | 247,038           | 247,038           | -                 | -                 |
|                                     | <b>10,027,939</b> | <b>10,175,323</b> | <b>7,882,023</b>  | <b>7,993,138</b>  |
|                                     | <b>15,135,472</b> | <b>15,319,006</b> | <b>14,044,656</b> | <b>14,337,277</b> |

<sup>2</sup> The fair values are calculated based on cash flows discounted using a rate based on the borrowing rate which ranges from 1.10% to 12.10% (2015: 1.10% to 11.25%) p.a. and are within level 2 of the fair value hierarchy.

<sup>3</sup> The fair value is based on quoted price in an active market and is within level 1 of the fair value hierarchy.

The fair value of current borrowings approximates their carrying amount, as the impact of discounting is not significant.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

### 17. FINANCIAL INSTRUMENTS BY CATEGORIES

|                                    | Note | 2016                        |                        |               |                  | 2015                        |                        |               |                  |
|------------------------------------|------|-----------------------------|------------------------|---------------|------------------|-----------------------------|------------------------|---------------|------------------|
|                                    |      | Loan and receivables RM'000 | Assets at FVTPL RM'000 | AFS RM'000    | Total RM'000     | Loan and receivables RM'000 | Assets at FVTPL RM'000 | AFS RM'000    | Total RM'000     |
| <b>Group</b>                       |      |                             |                        |               |                  |                             |                        |               |                  |
| <b>Financial assets</b>            |      |                             |                        |               |                  |                             |                        |               |                  |
| Derivative financial instruments   | 19   | -                           | 401,053                | -             | 401,053          | -                           | 342,482                | -             | 342,482          |
| Long term receivables              | 30   | 3,469                       | -                      | -             | 3,469            | 3,586                       | -                      | -             | 3,586            |
| Available-for-sale financial asset |      | -                           | -                      | 63,925        | 63,925           | -                           | -                      | 31,286        | 31,286           |
| Trade and other receivables        |      | 2,488,126                   | -                      | -             | 2,488,126        | 1,998,642                   | -                      | -             | 1,998,642        |
| Financial assets at FVTPL          |      | -                           | 18                     | -             | 18               | -                           | 28                     | -             | 28               |
| Deposits, cash and bank balances   | 34   | 5,332,414                   | -                      | -             | 5,332,414        | 5,510,692                   | -                      | -             | 5,510,692        |
| <b>Total</b>                       |      | <b>7,824,009</b>            | <b>401,071</b>         | <b>63,925</b> | <b>8,289,005</b> | <b>7,512,920</b>            | <b>342,510</b>         | <b>31,286</b> | <b>7,886,716</b> |

|  | Note | 2016                        |                                    |                   | 2015                        |                                    |                   |
|--|------|-----------------------------|------------------------------------|-------------------|-----------------------------|------------------------------------|-------------------|
|  |      | Liabilities at FVTPL RM'000 | Other financial liabilities RM'000 | Total RM'000      | Liabilities at FVTPL RM'000 | Other financial liabilities RM'000 | Total RM'000      |
| <b>Group</b>   |      |                             |                                    |                   |                             |                                    |                   |
| <b>Financial liabilities</b>                             |      |                             |                                    |                   |                             |                                    |                   |
| Borrowings   | 16   | -                           | 22,259,881                         | 22,259,881        | -                           | 16,392,386                         | 16,392,386        |
| Derivative financial instruments                         | 19   | 1,328,507                   | -                                  | 1,328,507         | 173,855                     | -                                  | 173,855           |
| Trade and other payables excluding statutory liabilities |      | -                           | 9,911,830                          | 9,911,830         | -                           | 7,086,448                          | 7,086,448         |
| <b>Total</b>   |      | <b>1,328,507</b>            | <b>32,171,711</b>                  | <b>33,500,218</b> | <b>173,855</b>              | <b>23,478,834</b>                  | <b>23,652,689</b> |

## 17. FINANCIAL INSTRUMENTS BY CATEGORIES (CONTINUED)

|                                  | Note | 2016                            |                  | 2015                            |                  |
|----------------------------------|------|---------------------------------|------------------|---------------------------------|------------------|
|                                  |      | Loans and receivables<br>RM'000 | Total<br>RM'000  | Loans and receivables<br>RM'000 | Total<br>RM'000  |
| <b>Company</b>                   |      |                                 |                  |                                 |                  |
| <b>Financial assets</b>          |      |                                 |                  |                                 |                  |
| Amounts due from subsidiaries    | 32   | 145,293                         | 145,293          | 2,628,009                       | 2,628,009        |
| Long term receivables            | 30   | 2,000                           | 2,000            | 2,000                           | 2,000            |
| Other receivables                | 33   | 7,333                           | 7,333            | 7,964                           | 7,964            |
| Deposits, cash and bank balances | 34   | 732,801                         | 732,801          | 321,314                         | 321,314          |
| <b>Total</b>                     |      | <b>887,427</b>                  | <b>887,427</b>   | <b>2,959,287</b>                | <b>2,959,287</b> |
| <b>Financial liabilities</b>     |      |                                 |                  |                                 |                  |
| Other payables                   |      | 127,245                         | 127,245          | 50,757                          | 50,757           |
| Borrowings                       | 16   | 2,968,244                       | 2,968,244        | -                               | -                |
| Amounts due to subsidiaries      | 32   | 2,056,703                       | 2,056,703        | 1,396,349                       | 1,396,349        |
| <b>Total</b>                     |      | <b>5,152,192</b>                | <b>5,152,192</b> | <b>1,447,106</b>                | <b>1,447,106</b> |



## NOTES TO THE FINANCIAL STATEMENTS

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## 18. CREDIT QUALITY OF FINANCIAL ASSETS

|  | Note | Group            |                |
|--|------|------------------|----------------|
|  |      | 2016<br>RM'000   | 2015<br>RM'000 |
| <b>Trade receivables</b>                       |      |                  |                |
| Counterparties with external credit ratings*   |      |                  |                |
| A+   |      | 91               | 5,867          |
| A-   |      | 21,822           | 13,035         |
| A-2  |      | 17               | 8,351          |
| A-1  |      | 370              | 4,315          |
| A-1+   |      | 545              | 4,874          |
| BB+  |      | 25,921           | 18,725         |
| BBB-   |      | 1,976            | 8,091          |
| DRSK   |      | 22,116           | 45,956         |
| NR   |      | 13,220           | 33,708         |
| P1   |      | 9,220            | 4,602          |
| Others   |      | 4,412            | 7,703          |
|  |      | <b>99,710</b>    | 155,227        |
| Counterparties without external credit ratings |      |                  |                |
| Group 1  |      | 899,032          | 547,837        |
| Group 2  |      | 240,710          | 306,034        |
| Group 3  |      | 156,708          | 104,812        |
|  |      | <b>1,296,450</b> | 958,683        |
| Total  | 33   | <b>1,396,160</b> | 1,113,910      |

\* Credit rating by Standard & Poor's, Moody's, Fitch, Bloomberg and other local credit rating agencies.

## 18. CREDIT QUALITY OF FINANCIAL ASSETS (CONTINUED)

|   | Note | Group          |                | Company        |                |
|---|------|----------------|----------------|----------------|----------------|
|   |      | 2016<br>RM'000 | 2015<br>RM'000 | 2016<br>RM'000 | 2015<br>RM'000 |
| <b>Deposits, cash and bank balances</b>       |      |                |                |                |                |
| A-1   |      | 67,821         | 162,789        | -              | -              |
| A-1+  |      | 119,333        | 135,361        | -              | -              |
| A3  |      | 260,017        | 1,204,998      | -              | -              |
| A-2   |      | 1,562,185      | 1,964,496      | 9,448          | 401            |
| AA  |      | 480,677        | -              | -              | -              |
| AA-   |      | 587,900        | -              | -              | -              |
| B   |      | 68,663         | 84,597         | -              | -              |
| NR  |      | 223,479        | 312,690        | 192            | -              |
| P1  |      | 269,857        | 484,456        | 169,591        | 173,693        |
| P-2   |      | 287,788        | 224,526        | 284,245        | 121,842        |
| WR  |      | 20,100         | 71,963         | -              | -              |
| idAA  |      | 186,686        | 124,781        | -              | -              |
| Others  |      | 321,717        | 337,596        | -              | -              |
| Without external credit ratings               |      | 876,191        | 402,439        | 269,325        | 25,378         |
| Total   | 34   | 5,332,414      | 5,510,692      | 732,801        | 321,314        |
| <b>AFS financial asset</b>                    |      |                |                |                |                |
| Without external credit ratings               |      | 63,925         | 31,286         | -              | -              |
| <b>Derivative financial instrument assets</b> |      |                |                |                |                |
| A-1   |      | -              | 129,909        | -              | -              |
| A-1+  |      | 71,510         | 30,093         | -              | -              |
| A+  |      | 36,357         | -              | -              | -              |
| A-2   |      | 154,326        | 174,137        | -              | -              |
| P-1   |      | 24,156         | -              | -              | -              |
| NR  |      | 106,361        | -              | -              | -              |
| Without external credit ratings               |      | 8,343          | 8,343          | -              | -              |
| Total   | 19   | 401,053        | 342,482        | -              | -              |
| <b>Amounts due from subsidiaries</b>          |      |                |                |                |                |
| Group 2                                       |      |                | 32             | 145,293        | 2,628,009      |

Group 1 - new customers/related parties [less than six (6) months]

Group 2 - existing customers/related parties [more than six (6) months] with no defaults in the past

Group 3 - existing customers/related parties [more than six (6) months] with some defaults in the past. All defaults were fully recovered.

None of the loans to related parties is past due but not impaired.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

### 19. DERIVATIVE FINANCIAL INSTRUMENTS

|   | Note    | Group            |                       |                  |                       |
|---|---------|------------------|-----------------------|------------------|-----------------------|
|   |         | 2016             |                       | 2015             |                       |
|   |         | Assets<br>RM'000 | Liabilities<br>RM'000 | Assets<br>RM'000 | Liabilities<br>RM'000 |
| <b>Non-current</b>                            |         |                  |                       |                  |                       |
| Non-hedging derivative financial instruments: |         |                  |                       |                  |                       |
| - CCIRS                                       | (a)     | 61,567           | -                     | 72,330           | -                     |
| - Call spread options                         | (b)     | 107,867          | -                     | 46,751           | -                     |
| - Convertible warrants in an associate        | (c)     | 8,343            | -                     | 8,343            | -                     |
| - Put option over shares held by NCI          | (d)     | -                | (1,165,420)           | -                | -                     |
|   |         | 177,777          | (1,165,420)           | 127,424          | -                     |
| Derivative designated as hedging instruments: |         |                  |                       |                  |                       |
| - CCIRS                                       | (f),(g) | 220,541          | -                     | 101,807          | -                     |
| - IRS   | (h)     | -                | (437)                 | -                | (743)                 |
| Total non-current                             |         | 398,318          | (1,165,857)           | 229,231          | (743)                 |
| <b>Current</b>                                |         |                  |                       |                  |                       |
| Non-hedging derivative financial instruments: |         |                  |                       |                  |                       |
| - CCIRS                                       | (a)     | -                | -                     | 113,251          | -                     |
| - Put option over shares held by NCI          | (e)     | -                | (157,010)             | -                | (172,753)             |
|   |         | -                | (157,010)             | 113,251          | (172,753)             |
| Derivative designated as hedging instruments: |         |                  |                       |                  |                       |
| - IRS   | (h)     | -                | (465)                 | -                | (359)                 |
| - CCIRS                                       | (f)     | 2,735            | (5,175)               | -                | -                     |
| Total current                                 |         | 2,735            | (162,650)             | 113,251          | (173,112)             |
| Total   |         | 401,053          | (1,328,507)           | 342,482          | (173,855)             |

Non-hedging derivatives are classified as current/non-current assets or liabilities. The full fair value of a hedging derivative is classified as a non-current asset or liability if the remaining maturity of the hedged item is more than twelve (12) months and, as a current asset or liability, if the maturity of the hedged items is less than twelve (12) months.

#### Non-hedging derivatives financial instruments

##### (a) Cross currency interest rate swaps

The information relating to the derivative financial instruments of a subsidiary of the Group as at 31 December 2016 is as follows:

| Counterparties          | Notional amount<br>USD' million | Period                         | Swap amount<br>IDR' billion | Exchange period | Fixed interest rate paid | Exchange rate per 1USD: | Interest rate received |
|-------------------------|---------------------------------|--------------------------------|-----------------------------|-----------------|--------------------------|-------------------------|------------------------|
| Standard Chartered Bank | 50.0                            | 13 June 2013 -<br>13 June 2018 | 495.9                       | Quarterly       | 7.60%                    | IDR9,918                | Fixed rate<br>2.3%     |

**19. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)**Non-hedging derivatives financial instruments (continued)**(b) Call spread options**

The information relating to the derivative financial instruments of a subsidiary of the Group as at 31 December 2016 is as follows:

| Counterparties                            | Notional amount<br>USD' million | Period                         | Strike/<br>cap rate<br>1USD: | Premium<br>per annum | Start of<br>optional<br>termination<br>date |
|---|---------------------------------|--------------------------------|------------------------------|----------------------|---|
| Bank of America Merrill Lynch - Singapore | 100.0                           | 29 May 2014 -<br>9 Jan 2019    | IDR11,580-<br>IDR14,580      | 3.33%                | 9 Oct 2015                                  |
| DBS Bank Ltd. Singapore                   | 200.0                           | 30 May 2014 -<br>14 March 2019 | IDR11,600-<br>IDR14,600      | 3.22%                | 17 March 2015                               |

**(c) Convertible warrants in an associate**

Sacofa Sdn Bhd ("Sacofa"), an associate company of the Group undertook a refinancing exercise which entails amongst others, the issuance of up to RM400.0 million Islamic Medium Term Notes, the issuance of up to RM50.0 million Islamic Commercial Paper and the 64.2 million bonus issue of warrants on the entitlement basis of one (1) free warrant for every one (1) existing Sacofa ordinary share held.

| Counterparty | Underlying<br>number<br>of shares | Period                       | Strike price                         |
|--------------|-----------------------------------|------------------------------|--------------------------------------|
| Sacofa       | 12,834,327                        | 28 Jan 2009 -<br>25 Jan 2019 | RM1.50/share<br>+ any<br>adjustments |

**(d) Put option over shares held by NCI in Robi**

In conjunction with the amalgamation/merger of Airtel with Robi as disclosed in Note 5(a)(xiii) to the financial statements, the Group granted a non-controlling shareholder, a put option which requires the Group to purchase all shares held by this non-controlling shareholder, at a price determined to be the lower of EBITDA with a fixed multiple or EBITDA with comparable companies' multiple. The put option is exercisable four (4) years from 16 November 2016, for a period of two (2) years.

The Group recognised a derivative liability and other reserve of RM1,159.4 million on initial recognition.

**(e) Put option over shares held by NCI in edotco SG**

(i) In conjunction with the acquisition of edotco SG as disclosed in Note 5(b)(xii) to the financial statements, EIL has granted Yoma an option to sell, which would require EIL to buy all the shares of Yoma together with shareholders loan at a price higher of fixed price of USD40.3 million or price determined based on EBITDA multiple. Accordingly, the Group recognised a total of RM172.8 million in other reserve on date of the agreement entered.

The put option was to be exercised at any time by Yoma during the option period which is five (5) years from 4 December 2015. In addition to that, Yoma had also granted EIL an option to buy all the shares of Yoma together with the shareholder loan at a price higher of fixed price or price determined based on EBITDA multiple.

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### 19. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

#### Non-hedging derivatives financial instruments (continued)

##### (e) Put option over shares held by NCI in edotco SG (continued)

- (i) On 19 December 2016, the Put Option and Call Option Agreement was terminated upon the completion of the acquisition of 12.50% stake in edotco SG as disclosed in Note 5(a)(xvi) to the financial statements. Accordingly, the Group extinguished the put option amounting to RM272.9 million from other reserve of RM172.8 million and RM100.1 million from retained earnings respectively.
- (ii) On 19 December 2016, a revised shareholder's agreement was entered with Yoma of edotco SG comprising, amongst others, the following:
- a right of first offer over the remaining edotco SG shares in the event of a proposed sale of the remaining shares held by Yoma;
  - grants of a put option by the Group to Yoma to require the Group to purchase the remaining shares held by Yoma together with shareholder's loan for a purchase price equivalent of USD35.0 million, or such other price as both parties may agree; and
  - grants of a call option by Yoma to the Group to require Yoma to sell to the Group, the remaining shares held by Yoma together with shareholder's loan for a purchase price at higher of USD35.0 million and fair market value of the shares.

The Group recognised a derivative liability and other reserve of RM156.7 million on initial recognition.

#### Derivative designated as hedging instrument

##### (f) Net investment hedge – Cross currency interest rate swaps

The underlying debt instrument for the CCIRS is the Group's Notes as disclosed in Note 16(b) to the financial statements. The hedge is designed to hedge against foreign currency and interest rate risks.

The information relating to the derivatives of a subsidiary of the Group as at 31 December 2016 is as follows:

| Notional amount<br>USD' million | Notional amount<br>SGD' million | Period                       | Exchange period | Fixed interest rate paid                | Fixed interest rate received | Fair value assets |                |
|---------------------------------|---------------------------------|------------------------------|-----------------|---|------------------------------|-------------------|----------------|
|                                 |                                 |                              |                 |   |                              | 2016<br>RM'000    | 2015<br>RM'000 |
| 300.0                           | 421.3                           | 28 Oct 2010 -<br>28 Apr 2020 | Semi-annually   | 4.315% and<br>4.350% on<br>SGD notional | 5.375%<br>on USD<br>notional | <b>92,759</b>     | 101,807        |

The payment of the Group's SGD notional amounts of USD300.0 million is designated as a hedge of net investment in the Group's investment in its associate. The hedge has been fully effective from inception and for the financial year.

The Group recognised a loss of RM67.6 million (2015: RM125.3 million) in OCI after reclassification of an unrealised foreign exchange loss of RM58.2 million (2015: RM238.1 million) on the underlying Notes from the profit or loss to OCI.

The fair value changes of the derivative are attributable to future exchange rates and interest rate movements.

**19. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)****(g) Cash flow hedge – Cross currency interest rate swaps**

The underlying debt instrument for the CCIRS is the Group's Notes as disclosed in Note 16(c) to the financial statements. The hedge is designed to hedge against foreign currency and interest rate risks.

| Notional amount<br>USD' million | Notional amount<br>RM' million | Period                       | Exchange period | Fixed interest rate paid on RM<br>Notional | Fixed interest rate received on<br>USD Notional | Fair value assets 2016<br>RM'000 |
|---------------------------------|--------------------------------|------------------------------|-----------------|--|---|----------------------------------|
| 255.0                           | 1,025.3                        | 30 Sep 2016 -<br>19 Nov 2020 | Semi-annually   | 5.440%                                     | 3.466%  | <b>99,789</b>                    |
| 30.0                            | 122.5                          | 8 Sep 2016 -<br>19 Nov 2020  | Semi-annually   | 5.350%                                     | 3.466%  | <b>10,090</b>                    |
| 130.0                           | 545.1                          | 20 Dec 2016 -<br>24 Mar 2026 | Semi-annually   | 6.656%                                     | 4.357%  | <b>2,027</b>                     |
| 20.0                            | 83.2                           | 28 Oct 2016 -<br>24 Mar 2026 | Semi-annually   | 6.730%                                     | 4.357%  | <b>799</b>                       |
| 154.0                           | 640.7                          | 27 Dec 2016 -<br>24 Mac 2026 | Semi-annually   | 6.641%                                     | 4.357%  | <b>12,638</b>                    |

The borrowing is designated as cash flow hedge to hedge the currency risk of the borrowings denominated in USD. The hedge has been fully effective from inception and during the financial year.

The Group recognised a gain of RM1.9 million in other comprehensive income after reclassification of an unrealised foreign exchange loss of RM113.8 million on the underlying Multi-Currency Sukuk Programme from the profit or loss to other comprehensive income.

The fair value changes of the derivative are attributable to future exchange rates and interest rate movements.

**(h) Cash flow hedge – Interest rate swap**

The IRS is used to hedge cash flow risk arising from a floating rate borrowing of a subsidiary. The hedge is designed to hedge against interest rate risks.

The information relating to the derivative as at 31 December 2016 is as follows:

| Notional amount<br>USD' million | Period                        | Exchange period | Floating interest rate paid | Floating interest rate received   | Fair value liabilities |                |
|---------------------------------|-------------------------------|-----------------|-----------------------------|-----------------------------------|------------------------|----------------|
|                                 |                               |                 |                             |                                   | 2016<br>RM'000         | 2015<br>RM'000 |
| 70.0                            | 13 Jan 2014<br>- 29 July 2018 | Quarterly       | 2.6075% p.a.                | 3 months'<br>LIBOR +1.45%<br>p.a. | <b>902</b>             | 1,102          |

The fair value changes of the derivative are attributable to interest rate movements.



## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

**20. DEFERRED INCOME**

|                                    | Group          |                |
|------------------------------------|----------------|----------------|
|                                    | 2016<br>RM'000 | 2015<br>RM'000 |
| At 1 January                       | 223,414        | 254,304        |
| Received during the financial year | 65,409         | -              |
| Released to profit or loss         | (42,147)       | (37,150)       |
| Currency translation differences   | (782)          | 6,260          |
| At 31 December                     | <b>245,894</b> | 223,414        |

The deferred income relates to the government grants received by subsidiaries for the purchase of certain qualifying assets.

**21. DEFERRED GAIN ON SALE AND LEASE BACK ASSETS**

Deferred gain arising from tower sale and finance lease back transaction where the gain is deferred and amortised over lease back period of ten (10) years.

**22. TRADE AND OTHER PAYABLES**

|                                | Note | Group             |                | Company        |                |
|--------------------------------|------|-------------------|----------------|----------------|----------------|
|                                |      | 2016<br>RM'000    | 2015<br>RM'000 | 2016<br>RM'000 | 2015<br>RM'000 |
| <b>Non-current:</b>            |      |                   |                |                |                |
| Defined benefits plans         | (a)  | 107,937           | 110,785        | -              | -              |
| Finance lease payables         | (b)  | 1,121,659         | 629,179        | -              | -              |
| Other payables                 |      | 351,757           | 24,703         | 5,157          | 1,513          |
| Total non-current              |      | <b>1,581,353</b>  | 764,667        | <b>5,157</b>   | 1,513          |
| <b>Current:</b>                |      |                   |                |                |                |
| Trade payable                  |      | 2,315,013         | 1,934,145      | -              | -              |
| Accrued expenses               |      | 3,416,849         | 2,481,950      | 35,849         | 15,865         |
| Customer deposits              |      | 92,332            | 85,135         | -              | -              |
| Business license payable       |      | 95,341            | 87,847         | -              | -              |
| Payroll liabilities            |      | 302,147           | 241,408        | 15,367         | 18,270         |
| Other accruals                 |      | 784,137           | 241,210        | -              | -              |
| Other payables                 |      | 3,743,111         | 3,302,531      | 79,093         | 32,038         |
| Finance lease payables         | (b)  | 109,044           | 114,356        | -              | -              |
| Deferred revenue               |      | 1,169,162         | 1,011,946      | -              | -              |
| Total current                  |      | <b>12,027,136</b> | 9,500,528      | <b>130,309</b> | 66,173         |
| Total trade and other payables |      | <b>13,608,489</b> | 10,265,195     | <b>135,466</b> | 67,686         |



## 22. TRADE AND OTHER PAYABLES (CONTINUED)

### (a) Defined benefits plans

The Group operates defined benefits plans in Indonesia and Sri Lanka respectively. The defined benefit plans of the Group recognised in the consolidated statements of financial position is as follows:

The movement in present value of obligations of the defined benefit plans is as follows:

|                                  | Group          |                |
|----------------------------------|----------------|----------------|
|                                  | 2016<br>RM'000 | 2015<br>RM'000 |
| At 1 January                     | 110,785        | 95,982         |
| Acquisition of a subsidiary      | -              | 174            |
| Charge to profit or loss:        |                |                |
| - current service cost           | 13,179         | 12,171         |
| - interest costs                 | 10,098         | 9,183          |
| - past service cost              | (10,845)       | (206)          |
|                                  | 12,432         | 21,148         |
| Benefit paid                     | (19,045)       | (5,297)        |
| Settlement loss                  | 15,193         | 3,604          |
| Charge to OCI:                   |                |                |
| - actuarial gains                | (17,202)       | (17,351)       |
| Currency translation differences | 5,774          | 12,525         |
| At 31 December                   | 107,937        | 110,785        |

Present value of the defined benefits obligation of the Group is calculated annually by independent actuaries using the projected unit credit method. The principal actuarial valuation assumption used was as follows:

|                              | Group        |               |
|------------------------------|--------------|---------------|
|                              | 2016         | 2015          |
| Discount rate (p.a.)         | 8.5% - 12.8% | 9.0% - 10.8%  |
| Salary increment rate (p.a.) | 9.0% - 12.0% | 10.0% - 12.0% |

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

### 22. TRADE AND OTHER PAYABLES (CONTINUED)

(b) Finance lease payables are payables related to the sale and lease back of tower assets of a subsidiary.

Details of the lease payables according to the maturity schedule are as follows:

|                                    | Group            |                |
|------------------------------------|------------------|----------------|
|                                    | 2016<br>RM'000   | 2015<br>RM'000 |
| Within one (1) year                | <b>109,044</b>   | 114,356        |
| Between one (1) and five (5) years | <b>508,571</b>   | 306,135        |
| More than five (5) years           | <b>613,088</b>   | 323,044        |
| <b>Finance lease payables</b>      | <b>1,230,703</b> | 743,535        |

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

|                | 2016                |                  |                  |                  |                  |                  |                   | 2015                |               |               |               |                  |                 |  |
|----------------|---------------------|------------------|------------------|------------------|------------------|------------------|-------------------|---------------------|---------------|---------------|---------------|------------------|-----------------|--|
|                | Functional currency |                  |                  |                  |                  |                  |                   | Functional currency |               |               |               |                  |                 |  |
|                | RM<br>RM'000        | IDR<br>RM'000    | SLR<br>RM'000    | BDT<br>RM'000    | NPR<br>RM'000    | Others<br>RM'000 | Total<br>RM'000   | RM<br>RM'000        | IDR<br>RM'000 | SLR<br>RM'000 | BDT<br>RM'000 | Others<br>RM'000 | Total<br>RM'000 |  |
| <b>Group</b>   |                     |                  |                  |                  |                  |                  |                   |                     |               |               |               |                  |                 |  |
| RM             | <b>3,863,884</b>    | <b>16</b>        | -                | -                | -                | -                | <b>3,863,900</b>  | 3,195,899           | 499           | -             | -             | -                | 3,196,398       |  |
| USD            | <b>138,532</b>      | <b>210,165</b>   | <b>53,830</b>    | -                | <b>151,011</b>   | <b>512,816</b>   | <b>1,066,354</b>  | 206,444             | 552,329       | 50,380        | -             | 362,935          | 1,172,088       |  |
| IDR            | <b>359</b>          | <b>4,336,754</b> | -                | -                | -                | -                | <b>4,337,113</b>  | 324                 | 3,516,957     | -             | -             | -                | 3,517,281       |  |
| SLR            | -                   | -                | <b>983,909</b>   | -                | -                | -                | <b>983,909</b>    | -                   | -             | 994,542       | -             | -                | 994,542         |  |
| BDT            | -                   | -                | -                | <b>1,868,651</b> | -                | -                | <b>1,868,651</b>  | -                   | -             | -             | 1,182,383     | -                | 1,182,383       |  |
| NPR            | -                   | -                | -                | -                | <b>1,260,461</b> | -                | <b>1,260,461</b>  | -                   | -             | -             | -             | -                | -               |  |
| SDR*           | <b>29,525</b>       | -                | -                | -                | -                | -                | <b>29,525</b>     | 37,097              | -             | -             | -             | -                | 37,097          |  |
| Others         | <b>1,319</b>        | <b>319</b>       | -                | -                | <b>3,593</b>     | <b>193,345</b>   | <b>198,576</b>    | 554                 | 362           | -             | -             | 164,490          | 165,406         |  |
| <b>Total</b>   | <b>4,033,619</b>    | <b>4,547,254</b> | <b>1,037,739</b> | <b>1,868,651</b> | <b>1,415,065</b> | <b>706,161</b>   | <b>13,608,489</b> | 3,440,318           | 4,070,147     | 1,044,922     | 1,182,383     | 527,425          | 10,265,195      |  |
| <b>Company</b> |                     |                  |                  |                  |                  |                  |                   |                     |               |               |               |                  |                 |  |
| RM             | <b>44,419</b>       | -                | -                | -                | -                | -                | <b>44,419</b>     | 26,058              | -             | -             | -             | -                | 26,058          |  |
| USD            | <b>89,370</b>       | -                | -                | -                | -                | -                | <b>89,370</b>     | 40,750              | -             | -             | -             | -                | 40,750          |  |
| IDR            | <b>359</b>          | -                | -                | -                | -                | -                | <b>359</b>        | 324                 | -             | -             | -             | -                | 324             |  |
| Others         | <b>1,318</b>        | -                | -                | -                | -                | -                | <b>1,318</b>      | 554                 | -             | -             | -             | -                | 554             |  |
| <b>Total</b>   | <b>135,466</b>      | -                | -                | -                | -                | -                | <b>135,466</b>    | 67,686              | -             | -             | -             | -                | 67,686          |  |

\* SDR: Special Drawing Rights

NPR: Nepalese Rupee

Credit terms of trade and other payables for the Group and the Company vary from 30 to 90 days (2015: 30 to 90 days) depending on the terms of the contracts respectively.

**23. PROVISION FOR LIABILITIES**

|                                    | Group           |                |
|------------------------------------|-----------------|----------------|
|                                    | 2016<br>RM'000  | 2015<br>RM'000 |
| At 1 January                       | 417,574         | 295,005        |
| Provision for the financial year   | 28,432          | 45,548         |
| Acquisition of subsidiaries        | 56,813          | 66,221         |
| Accretion of interest              | 10,114          | 7,512          |
| Currency translation differences   | 24,024          | 24,557         |
|                                    | <b>536,957</b>  | 438,843        |
| Utilised during the financial year | <b>(37,237)</b> | (21,269)       |
| At 31 December                     | <b>499,720</b>  | 417,574        |

The provision for liabilities relates to provision for dismantling costs of existing telecommunication network and equipment as disclosed in the significant accounting policies in Note 3(o) to the financial statements.

**24. DEFERRED TAXATION**

Deferred tax assets and liabilities of the Group are offsetted when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes related to the same tax authority. The following amounts, determined after appropriate offsetting, are shown in the statements of financial position:

|                              | Group            |                |
|------------------------------|------------------|----------------|
|                              | 2016<br>RM'000   | 2015<br>RM'000 |
| Deferred tax assets          | (291,633)        | (248,156)      |
| Deferred tax liabilities     | 2,241,506        | 1,809,316      |
| Net deferred tax liabilities | <b>1,949,873</b> | 1,561,160      |

The movement in net deferred tax liabilities of the Group during the financial year is as follows:

|                                    | Note | Group            |                |
|------------------------------------|------|------------------|----------------|
|                                    |      | 2016<br>RM'000   | 2015<br>RM'000 |
| At 1 January                       |      | 1,561,160        | 1,379,073      |
| Charge/(credit) to profit or loss: |      |                  |                |
| - PPE                              |      | 180,082          | 107,338        |
| - tax losses                       |      | (162,092)        | (208,936)      |
| - provision and others             |      | (94,467)         | 64,643         |
|                                    | 11   | <b>(76,477)</b>  | (36,955)       |
| Acquisition of subsidiaries        |      | 432,209          | (799)          |
| Debit to OCI:                      |      |                  |                |
| - actuarial reserve                |      | 2,335            | 3,445          |
| Currency translation differences   |      | 30,646           | 216,396        |
| At 31 December                     |      | <b>1,949,873</b> | 1,561,160      |

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

### 24. DEFERRED TAXATION (CONTINUED)

Breakdown of cumulative balances by each type of temporary differences of the Group:

|                             | Group              |                |
|-----------------------------|--------------------|----------------|
|                             | 2016<br>RM'000     | 2015<br>RM'000 |
| Deferred tax assets:        |                    |                |
| - PPE and intangible assets | <b>594,515</b>     | 15,839         |
| - Tax losses                | <b>475,948</b>     | 368,163        |
| - Provision and others      | <b>388,384</b>     | 577,764        |
| Before offsetting           | <b>1,458,847</b>   | 961,766        |
| Offsetting                  | <b>(1,167,214)</b> | (713,610)      |
| After offsetting            | <b>291,633</b>     | 248,156        |
| Deferred tax liabilities:   |                    |                |
| - PPE and intangible assets | <b>3,369,004</b>   | 2,464,733      |
| - Others                    | <b>39,716</b>      | 58,193         |
| Before offsetting           | <b>3,408,720</b>   | 2,522,926      |
| Offsetting                  | <b>(1,167,214)</b> | (713,610)      |
| After offsetting            | <b>2,241,506</b>   | 1,809,316      |

The amounts of deductible temporary differences and unutilised tax losses for which no deferred tax asset is recognised in the statements of financial position are as follow:

|                                  | Group          |                | Company        |                |
|----------------------------------|----------------|----------------|----------------|----------------|
|                                  | 2016<br>RM'000 | 2015<br>RM'000 | 2016<br>RM'000 | 2015<br>RM'000 |
| Deductible temporary differences | <b>170,056</b> | 145,887        | <b>47,229</b>  | 48,959         |
| Unutilised tax losses            | <b>506,216</b> | 405,161        | <b>133,032</b> | 125,086        |
|                                  | <b>676,272</b> | 551,048        | <b>180,261</b> | 174,045        |
| Tax effect                       | <b>162,305</b> | 137,762        | <b>43,263</b>  | 43,511         |

The benefits of these tax losses and credit will only be obtained if the Company or the relevant subsidiaries derive future assessable income of a nature and amount sufficient for the benefits to be utilised. The unutilised tax losses have no expiry date.

## 25. INTANGIBLE ASSETS

|                                  | Note | Group              |                    |                   | Total<br>RM'000 |
|----------------------------------|------|--------------------|--------------------|-------------------|-----------------|
|                                  |      | Goodwill<br>RM'000 | Licenses<br>RM'000 | Others*<br>RM'000 |                 |
| <b>Net book value</b>            |      |                    |                    |                   |                 |
| At 1 January 2016                |      | 9,958,252          | 3,839,027          | 409,206           | 14,206,485      |
| Acquisition of subsidiaries      |      | 3,007,732          | 4,127,725          | 112,042           | 7,247,499       |
| Additions                        |      | -                  | 1,003,045          | 120,016           | 1,123,061       |
| Amortisation                     | 7(a) | -                  | (531,409)          | (99,252)          | (630,661)       |
| Currency translation differences |      | 537,866            | 642,852            | 25,931            | 1,206,649       |
| At 31 December 2016              |      | 13,503,850         | 9,081,240          | 567,943           | 23,153,033      |
| At 1 January 2015                |      | 9,533,874          | 3,393,601          | 50,146            | 12,977,621      |
| Acquisition of subsidiaries      |      | 168,891            | -                  | 358,875           | 527,766         |
| Reclassification                 |      | -                  | 180,421            | 52,634            | 233,055         |
| Amortisation                     | 7(a) | -                  | (239,249)          | (52,449)          | (291,698)       |
| Currency translation differences |      | 255,487            | 504,254            | -                 | 759,741         |
| At 31 December 2015              |      | 9,958,252          | 3,839,027          | 409,206           | 14,206,485      |
| <b>At 31 December 2016</b>       |      |                    |                    |                   |                 |
| Cost                             |      | 13,581,347         | 11,365,681         | 971,854           | 25,918,882      |
| Accumulated amortisation         |      | -                  | (2,284,441)        | (403,911)         | (2,688,352)     |
| Accumulated impairment losses    |      | (77,497)           | -                  | -                 | (77,497)        |
| Net book value                   |      | 13,503,850         | 9,081,240          | 567,943           | 23,153,033      |
| <b>At 31 December 2015</b>       |      |                    |                    |                   |                 |
| Cost                             |      | 10,035,749         | 4,975,843          | 711,334           | 15,722,926      |
| Accumulated amortisation         |      | -                  | (1,136,816)        | (302,128)         | (1,438,944)     |
| Accumulated impairment losses    |      | (77,497)           | -                  | -                 | (77,497)        |
| Net book value                   |      | 9,958,252          | 3,839,027          | 409,206           | 14,206,485      |

\* Others mainly represent subscriber acquisition costs, brands and customer contracts and the related customer relationship.

During the financial year, Malaysian Communications and Multimedia Commission assigned to Celcom Mobile Sdn Bhd (a subsidiary of Celcom Axiata Berhad), spectrum of 2 x 10 MHz in 900 MHz and 2 x 20 MHz in 1800 MHz bands respectively amounting to RM816.8 million.

The remaining amortisation period of acquired telecommunication licenses with allocated spectrum rights range from two (2) years to twenty seven (27) years [2015:three (3) years to twenty eight (28) years].

The carrying amount of the telecommunication licenses of a subsidiary which have indefinite useful life is RM1,902.2 million (2015: RM1,776.5 million).

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

### 25. INTANGIBLE ASSETS (CONTINUED)

#### Impairment tests for goodwill

The Group undertakes an annual test for impairment of its goodwill allocated to the CGUs identified according to operating segment.

The following CGUs, being the lowest level of asset for which the management monitors the goodwill of the Group:

|              | 2016<br>RM'000    | 2015<br>RM'000   |
|--------------|-------------------|------------------|
| Malaysia     | 4,031,110         | 4,031,110        |
| Indonesia    | 5,439,695         | 5,292,704        |
| Sri Lanka    | 271,173           | 269,693          |
| Cambodia     | 225,415           | 215,667          |
| Nepal        | 3,338,045         | -                |
| Others       | 198,412           | 149,078          |
| <b>Total</b> | <b>13,503,850</b> | <b>9,958,252</b> |

#### Key assumptions used

The recoverable amount of the Malaysia's, Indonesia's, Sri Lanka's and Cambodia's CGU including goodwill in this test is determined based on VIU calculation and Nepal's CGU is based on FVLCS. Malaysia's, Indonesia's, Nepal's and Cambodia's CGU consist of mobile business meanwhile Sri Lanka's CGUs consist of fixed telecommunication business (consist of fixed telephone, data and infrastructure) and television business respectively.

The VIU and FVLCS calculations apply a discounted cash flow model using cash flow projections based on forecasts and projections approved by the management covering:

- a three (3) year period for the mobile business in Malaysia, Nepal and Cambodia;
- a five (5) year period for mobile business in Indonesia, and
- a ten (10) years period for the fixed telecommunication and television business in Sri Lanka due to the long term nature and intensive capital required in the initial phase of the business.

These forecasts and projections reflect the management's expectation of revenue growth, operating costs and margins based on past experience and future outlook of the CGUs.

Cash flows beyond third (3<sup>rd</sup>) year for the mobile business in Malaysia, Nepal and Cambodia, fifth (5<sup>th</sup>) year for the mobile business in Indonesia, meanwhile tenth (10<sup>th</sup>) for fixed telecommunication business and television business in Sri Lanka are extrapolated in perpetuity using estimated terminal growth rate which takes into consideration the current Gross Domestic Product, inflation and average growth rate for the telecommunication industry. These rates have been determined with regards to projected growth rates for the market in which the CGUs participates and are not expected to exceed the long term average growth rates for this market.

## 25. INTANGIBLE ASSETS (CONTINUED)

### Impairment tests for goodwill (continued)

#### Key assumptions used (continued)

Pre-tax discount rate applied to the cash flow forecasts are derived from the pre-tax CGU at the date of the assessment of the respective CGU that reflects the risk of the CGU.

The following assumptions have been applied in the VIU and FVLCS calculations:

|                                | FVLCS                     |                           | VIU                       |                           |                           |                             |                             |                           |                           |
|--------------------------------|---------------------------|---------------------------|---------------------------|---------------------------|---------------------------|-----------------------------|-----------------------------|---------------------------|---------------------------|
|                                | Nepal                     | Cambodia                  |                           | Malaysia                  |                           | Sri Lanka                   |                             | Indonesia                 |                           |
|                                | 2016                      | 2016                      | 2015                      | 2016                      | 2015                      | 2016                        | 2015                        | 2016                      | 2015                      |
| Pre-tax adjusted discount rate | 17.3%                     | 19.4%                     | 19.0%                     | 11.9%                     | 12.5%                     | 14.7%                       | 15.2%                       | 12.0%                     | 13.1%                     |
| Terminal growth rate           | 4.0%                      | 2.0%                      | 2.0%                      | 0%                        | 0%                        | 3.0%                        | 3.0%                        | 3.0%                      | 3.0%                      |
| Revenue growth rate            | 2.1% to 4.2% over 3 years | 5.3% to 5.6% over 5 years | 5.2% to 6.7% over 5 years | 2.0% to 3.9% over 3 years | 3.0% to 4.6% over 3 years | 7.0% to 25.3% over 10 years | 4.5% to 11.0% over 10 years | 6.7% to 7.1% over 5 years | 6.8% to 7.4% over 5 years |

Based on the above test, the Malaysia, Indonesia, Sri Lanka, Nepal and Cambodia CGUs' goodwill are not impaired as the recoverable amounts exceeds the carrying amounts included in the financial statements.

The Group's review includes an impact assessment of changes in key assumptions. Based on the sensitivity analysis performed, the Directors concluded that no reasonable change in the base case assumptions would cause the carrying amounts of the CGUs to exceed its recoverable amounts.

## 26. PROPERTY, PLANT AND EQUIPMENT

|                                  | Note | Land<br>RM'000 | Buildings<br>RM'000 | Telecom-<br>munication<br>network<br>equipment<br>RM'000 | Movable<br>plant and<br>equipment<br>RM'000 | Computer<br>support<br>systems<br>RM'000 | Capital<br>work-<br>in progress<br>RM'000 | Total<br>RM'000 |
|----------------------------------|------|----------------|---------------------|--|---|--|---|-----------------|
| <b>Group</b>                     |      |                |                     |  |   |  |   |                 |
| <b>Net book value</b>            |      |                |                     |  |   |  |   |                 |
| At 1 January 2016                |      | 533,917        | 206,828             | 18,941,971   | 548,635                                     | 690,716                                  | 2,211,577                                 | 23,133,644      |
| Addition                         |      | -              | 28,925              | 5,767,792  | 143,289                                     | 346,797                                  | (145,584)                                 | 6,141,219       |
| Acquisition of subsidiaries      |      | 36,742         | 19,813              | 1,761,716  | 5,047                                       | -  | 208,662                                   | 2,031,980       |
| Disposal                         |      | -              | (7)                 | (63,980)   | (28,437)                                    | 58                                       | (20,061)                                  | (112,427)       |
| Written off                      | 7(a) | -              | -                   | (772)  | (1,413)                                     | (9)                                      | (6,722)                                   | (8,916)         |
| Depreciation                     | 7(a) | (93,873)       | (31,479)            | (4,315,390)  | (134,797)                                   | (388,708)                                | -   | (4,964,247)     |
| Impairment                       | 7(a) | -              | -                   | (7,077)  | (2,474)                                     | (1,014)                                  | (51,801)                                  | (62,366)        |
| Sale and lease back assets       |      | -              | -                   | 336,488  | -   | -  | -   | 336,488         |
| Currency translation differences |      | 32,045         | 5,686               | 819,699  | 3,495                                       | 10,243                                   | 99,588                                    | 970,756         |
| At 31 December 2016              |      | 508,831        | 229,766             | 23,240,447   | 533,345                                     | 658,083                                  | 2,295,659                                 | 27,466,131      |

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

**26. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)**

|                                  | Note | Land<br>RM'000   | Building<br>RM'000 | Telecom-<br>munication<br>network<br>equipment<br>RM'000 | Movable<br>plant and<br>equipment<br>RM'000 | Computer<br>support<br>systems<br>RM'000 | Capital<br>work-<br>in progress<br>RM'000 | Total<br>RM'000     |
|----------------------------------|------|------------------|--------------------|--|---|--|---|---------------------|
| <b>Group</b>                     |      |                  |                    |  |   |  |   |                     |
| <b>Net book value</b>            |      |                  |                    |  |   |  |   |                     |
| At 1 January 2015                |      | 420,952          | 132,568            | 16,299,845   | 320,072                                     | 679,300                                  | 1,897,591                                 | 19,750,328          |
| Addition                         |      | 172,622          | 90,146             | 4,302,378  | 228,837                                     | 399,847                                  | 115,131                                   | 5,308,961           |
| Acquisition of subsidiaries      |      | -                | -                  | 395,304  | 102,504                                     | 813                                      | -   | 498,621             |
| Disposal                         |      | -                | (1,072)            | (454,986)  | (4,003)                                     | (49)                                     | -   | (460,110)           |
| Written off                      | 7(a) | -                | (41)               | (9,605)  | (624)                                       | (19)                                     | (12,364)                                  | (22,653)            |
| Depreciation                     | 7(a) | (96,759)         | (25,087)           | (3,218,354)  | (127,115)                                   | (410,742)                                | -   | (3,878,057)         |
| Impairment                       | 7(a) | -                | -                  | -  | -   | -  | (10,934)                                  | (10,934)            |
| Reversal of impairment           | 7(a) | -                | -                  | 4,848  | 241   | -  | -   | 5,089               |
| Currency translation differences |      | 37,102           | 10,314             | 1,622,541  | 28,723                                      | 21,566                                   | 222,153                                   | 1,942,399           |
| At 31 December 2015              |      | 533,917          | 206,828            | 18,941,971   | 548,635                                     | 690,716                                  | 2,211,577                                 | 23,133,644          |
| At 31 December 2016              |      |                  |                    |  |   |  |   |                     |
| Cost                             |      | <b>1,405,964</b> | <b>514,960</b>     | <b>51,008,596</b>  | <b>1,665,528</b>                            | <b>3,873,887</b>                         | <b>2,471,415</b>                          | <b>60,940,350</b>   |
| Accumulated depreciation         |      | <b>(890,068)</b> | <b>(257,853)</b>   | <b>(27,382,945)</b>                                      | <b>(1,123,266)</b>                          | <b>(3,203,493)</b>                       | -   | <b>(32,857,625)</b> |
| Accumulated impairment losses    |      | <b>(7,065)</b>   | <b>(27,341)</b>    | <b>(385,204)</b>   | <b>(8,917)</b>                              | <b>(12,311)</b>                          | <b>(175,756)</b>                          | <b>(616,594)</b>    |
| Net book value                   |      | <b>508,831</b>   | <b>229,766</b>     | <b>23,240,447</b>  | <b>533,345</b>                              | <b>658,083</b>                           | <b>2,295,659</b>                          | <b>27,466,131</b>   |
| At 31 December 2015              |      |                  |                    |  |   |  |   |                     |
| Cost                             |      | 1,277,945        | 451,481            | 39,264,832   | 1,360,029                                   | 3,436,960                                | 2,276,602                                 | 48,067,849          |
| Accumulated depreciation         |      | (736,963)        | (217,323)          | (19,944,903)   | (804,950)                                   | (2,734,950)                              | -   | (24,439,089)        |
| Accumulated impairment losses    |      | (7,065)          | (27,330)           | (377,958)  | (6,444)                                     | (11,294)                                 | (65,025)                                  | (495,116)           |
| Net book value                   |      | 533,917          | 206,828            | 18,941,971   | 548,635                                     | 690,716                                  | 2,211,577                                 | 23,133,644          |



## 26. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

- (a) Net book value of PPE of certain subsidiaries pledged as security for borrowings (Note 16(a) to the financial statements) are as follows:

|                             | Group            |                |
|-----------------------------|------------------|----------------|
|                             | 2016<br>RM'000   | 2015<br>RM'000 |
| Telecommunication network   | <b>5,311,014</b> | 4,137,730      |
| Movable plant and equipment | <b>237,467</b>   | 180,394        |
| Computer support system     | <b>6,643</b>     | 5,412          |
| Land                        | <b>22,572</b>    | 18,576         |
| Buildings                   | <b>12,773</b>    | 6,590          |
|                             | <b>5,590,469</b> | 4,348,702      |

- (b) XL owns land located throughout Indonesia with Building Use Rights (*Hak Guna Bangunan* or "HGB") for periods of 20-30 years (2015: 20-29 years) which will expire between 2017 and 2046 (2015: 2016 and 2045).

As at 31 December 2016, there are 83 locations (2015: 100 locations) with a total book value by RM14.3 million (2015: RM18.2 million) and for which HGB certificates are in the process.

- (c) There had been a change in the expected pattern of consumptions of future economic benefits embodied in certain telecommunication network equipment of subsidiaries within the Group due to assets replacement plans. The revision was accounted for as a change in accounting estimate and has increased the depreciation charge during the financial year of the Group by RM581.5 million.
- (d) The Group's carrying amount of land including:

|           | Group          |                |
|-----------|----------------|----------------|
|           | 2016<br>RM'000 | 2015<br>RM'000 |
| Freehold  | <b>85,007</b>  | 42,883         |
| Leasehold | <b>423,824</b> | 491,034        |
|           | <b>508,831</b> | 533,917        |

- (e) Included in the net book value of telecommunication network equipment of the Group are leased assets amounting to RM1,465.7 million (2015: RM860.2 million).

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

### 26. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

|                            | Note | Movable plant and equipment   |                                    |                               |                            | Total<br>RM'000 |
|----------------------------|------|-------------------------------|------------------------------------|-------------------------------|----------------------------|-----------------|
|                            |      | Office<br>equipment<br>RM'000 | Furniture<br>and fitting<br>RM'000 | Mobile<br>equipment<br>RM'000 | Motor<br>vehicle<br>RM'000 |                 |
| <b>Company</b>             |      |                               |                                    |                               |                            |                 |
| <b>Net book value</b>      |      |                               |                                    |                               |                            |                 |
| At 1 January 2016          |      | 16,950                        | 4,680                              | 99                            | 360                        | 22,089          |
| Addition                   |      | 3,857                         | 923                                | -                             | -                          | 4,780           |
| Written off                | 7(a) | -                             | -                                  | -                             | -                          | -               |
| Disposal                   |      | (35)                          | (455)                              | -                             | -                          | (490)           |
| Depreciation               | 7(a) | (7,058)                       | (1,187)                            | (52)                          | (134)                      | (8,431)         |
| At 31 December 2016        |      | 13,714                        | 3,961                              | 47                            | 226                        | 17,948          |
| At 1 January 2015          |      | 12,476                        | 3,989                              | 158                           | 494                        | 17,117          |
| Addition                   |      | 9,845                         | 2,266                              | -                             | -                          | 12,111          |
| Written off                | 7(a) | -                             | (426)                              | -                             | -                          | (426)           |
| Disposal                   |      | (80)                          | (10)                               | -                             | -                          | (90)            |
| Depreciation               | 7(a) | (5,291)                       | (1,139)                            | (59)                          | (134)                      | (6,623)         |
| At 31 December 2015        |      | 16,950                        | 4,680                              | 99                            | 360                        | 22,089          |
| <b>At 31 December 2016</b> |      |                               |                                    |                               |                            |                 |
| Cost                       |      | 38,070                        | 10,599                             | 558                           | 671                        | 49,898          |
| Accumulated depreciation   |      | (24,356)                      | (6,638)                            | (511)                         | (445)                      | (31,950)        |
| Net book value             |      | 13,714                        | 3,961                              | 47                            | 226                        | 17,948          |
| <b>At 31 December 2015</b> |      |                               |                                    |                               |                            |                 |
| Cost                       |      | 34,295                        | 10,191                             | 558                           | 671                        | 45,715          |
| Accumulated depreciation   |      | (17,345)                      | (5,511)                            | (459)                         | (311)                      | (23,626)        |
| Net book value             |      | 16,950                        | 4,680                              | 99                            | 360                        | 22,089          |

## 27. SUBSIDIARIES

|  | 2016               |                    |                   | 2015               |                    |                   |
|--|--------------------|--------------------|-------------------|--------------------|--------------------|-------------------|
|  | Malaysia<br>RM'000 | Overseas<br>RM'000 | Total<br>RM'000   | Malaysia<br>RM'000 | Overseas<br>RM'000 | Total<br>RM'000   |
| <b>Company</b>                                       |                    |                    |                   |                    |                    |                   |
| Unquoted shares, at cost                             | 6,757,283          | 182,925            | 6,940,208         | 6,756,283          | 182,925            | 6,939,208         |
| Accumulated impairment losses                        | (3,996)            | (181,851)          | (185,847)         | (3,996)            | (181,851)          | (185,847)         |
|  | 6,753,287          | 1,074              | 6,754,361         | 6,752,287          | 1,074              | 6,753,361         |
| Advances to subsidiaries treated as quasi-investment | 9,876,965          | 10,008,948         | 19,885,913        | 3,981,722          | 9,123,921          | 13,105,643        |
| Accumulated impairment losses                        | -                  | (1,776,979)        | (1,776,979)       | -                  | (1,221,371)        | (1,221,371)       |
|  | 9,876,965          | 8,231,969          | 18,108,934        | 3,981,722          | 7,902,550          | 11,884,272        |
| <b>Total</b>   | <b>16,630,252</b>  | <b>8,233,043</b>   | <b>24,863,295</b> | <b>10,734,009</b>  | <b>7,903,624</b>   | <b>18,637,633</b> |

The Group's and the Company's equity interests in subsidiaries, their respective principal activities and countries of incorporation are listed in Note 40 to the financial statements.

## (a) The currency profile of advances to subsidiaries treated as quasi-investment is as follows:

|     | Company        |                |
|-----|----------------|----------------|
|     | 2016<br>RM'000 | 2015<br>RM'000 |
| RM  | 5,053,392      | 3,292,837      |
| USD | 13,055,542     | 8,591,435      |
|     | 18,108,934     | 11,884,272     |

The advances are unsecured and are non-interest bearing with no fixed terms of repayment. The Company does not anticipate any repayment of the advances and are treated as an extension of its investments in subsidiaries.

## (b) Non-controlling interests

The total NCI of the Group as at reporting date is RM 5,039.6 million (2015: RM2,199.1 million), of which RM2,374.0 million (2015: RM1,462.0 million) is attributed to Indonesia, RM1,039.2 million is attributed to Nepal and RM1,106.7.0 million (2015: RM221.0 million) is attributable to Bangladesh. The remaining NCI of the Group are immaterial individually.

The information below is before inter-company eliminations.

## (i) The summarised statement of comprehensive income for the financial year ended 31 December are as follows:

|  | Note | Indonesia      |                | Bangladesh      |                | Nepal          |
|--|------|----------------|----------------|-----------------|----------------|----------------|
|  |      | 2016<br>RM'000 | 2015<br>RM'000 | 2016<br>RM'000  | 2015<br>RM'000 | 2016<br>RM'000 |
| Profit/(loss) for the financial year                     | 38   | 112,933        | (10,932)       | (205,630)       | 200,438        | 568,446        |
| OCI  |      | 530,867        | 430,145        | 127,043         | 455,932        | 322,907        |
| <b>Total comprehensive income</b>                        |      | <b>643,800</b> | <b>419,213</b> | <b>(78,587)</b> | <b>656,370</b> | <b>891,353</b> |
| Profit/(loss) for the financial year attributable to NCI |      | 48,445         | (3,584)        | (56,596)        | 186,884        | 113,689        |
| Dividend paid to NCI                                     |      | -              | -              | -               | -              | 79,512         |

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

### 27. SUBSIDIARIES (CONTINUED)

(b) Non-controlling interests (continued)

(ii) The summarised statement of financial position as at 31 December are as follows:

|                         | Indonesia          |                | Bangladesh         |                | Nepal              |
|-------------------------|--------------------|----------------|--------------------|----------------|--------------------|
|                         | 2016<br>RM'000     | 2015<br>RM'000 | 2016<br>RM'000     | 2015<br>RM'000 | 2016<br>RM'000     |
| Non-current assets      | <b>15,908,980</b>  | 15,064,170     | <b>7,506,954</b>   | 5,605,304      | <b>2,128,101</b>   |
| Current assets          | <b>2,300,888</b>   | 3,150,593      | <b>861,461</b>     | 536,894        | <b>2,605,428</b>   |
| Non-current liabilities | <b>(6,396,965)</b> | (6,875,268)    | <b>(901,762)</b>   | (993,948)      | <b>(338,416)</b>   |
| Current liabilities     | <b>(4,792,280)</b> | (6,990,497)    | <b>(3,506,777)</b> | (2,480,452)    | <b>(1,572,934)</b> |
| Net assets              | <b>7,020,623</b>   | 4,348,998      | <b>3,959,876</b>   | 2,667,798      | <b>2,822,179</b>   |

(iii) The summarised statement of cash flows for the financial year ended 31 December are as follows:

|  | Indonesia          |                | Bangladesh         |                | Nepal            |
|--|--------------------|----------------|--------------------|----------------|------------------|
|  | 2016<br>RM'000     | 2015<br>RM'000 | 2016<br>RM'000     | 2015<br>RM'000 | 2016<br>RM'000   |
| Net cash flow from operating activities                      | <b>2,434,893</b>   | 2,334,493      | <b>471,667</b>     | 882,920        | <b>394,199</b>   |
| Net cash flow used in investing activities                   | <b>(1,281,768)</b> | (1,432,306)    | <b>(1,295,753)</b> | (1,414,899)    | <b>(174,685)</b> |
| Net cash flow (used in)/from financing activities            | <b>(1,787,718)</b> | (2,038,980)    | <b>954,370</b>     | 488,063        | <b>(409,896)</b> |
| Net (decrease)/increase in cash and cash equivalent          | <b>(634,593)</b>   | (1,136,793)    | <b>130,284</b>     | (43,916)       | <b>(190,382)</b> |
| Effect of exchange rate changes on cash and cash equivalents | <b>70,773</b>      | 213,465        | <b>4,466</b>       | 123,487        | <b>203,125</b>   |
| Cash and cash equivalents at beginning of financial year     | <b>1,029,991</b>   | 1,953,319      | <b>106,343</b>     | 26,772         | <b>1,591,614</b> |
| Cash and cash equivalents at the end of financial year       | <b>466,171</b>     | 1,029,991      | <b>241,093</b>     | 106,343        | <b>1,604,357</b> |

### 28. JOINT VENTURES

|                                       | Group            |                |
|---------------------------------------|------------------|----------------|
|                                       | 2016<br>RM'000   | 2015<br>RM'000 |
| Unquoted investments                  | <b>274,079</b>   | 172,561        |
| Share of post-acquisition reserves    | <b>(169,027)</b> | (73,185)       |
|                                       | <b>105,052</b>   | 99,376         |
| Currency translation differences      | <b>4,202</b>     | 3,598          |
| Share of net assets of joint ventures | <b>109,254</b>   | 102,974        |

**28. JOINT VENTURES (CONTINUED)**

The summarised statement of comprehensive income for the financial year ended 31 December are as follows:

|  | Group            |                |
|--|------------------|----------------|
|  | 2016<br>RM'000   | 2015<br>RM'000 |
| Revenue                                      | <b>737,474</b>   | 785,724        |
| Loss for the financial year                  | <b>(213,035)</b> | (77,540)       |
| Group's share of loss for the financial year | <b>(95,842)</b>  | (38,587)       |

The Group's equity interests in the joint ventures, their respective principal activities and countries of incorporation are listed in Note 42 to the financial statements.

**29. ASSOCIATES**

|   | 2016               |                    |                    | 2015               |                    |                 |
|---|--------------------|--------------------|--------------------|--------------------|--------------------|-----------------|
|   | Malaysia<br>RM'000 | Overseas<br>RM'000 | Total<br>RM'000    | Malaysia<br>RM'000 | Overseas<br>RM'000 | Total<br>RM'000 |
| <b>Group</b>                                      |                    |                    |                    |                    |                    |                 |
| Quoted investments                                | -                  | <b>8,762,053</b>   | <b>8,762,053</b>   | -                  | 8,762,053          | 8,762,053       |
| Unquoted investments                              | <b>184,868</b>     | <b>58,773</b>      | <b>243,641</b>     | 101,397            | 1,353              | 102,750         |
| Share of post-acquisition<br>results and reserves | <b>(58,794)</b>    | <b>883,568</b>     | <b>824,774</b>     | 2,552              | 841,318            | 843,870         |
|   | <b>126,074</b>     | <b>9,704,394</b>   | <b>9,830,468</b>   | 103,949            | 9,604,724          | 9,708,673       |
| Accumulated impairment<br>losses                  | -                  | <b>(1,085,035)</b> | <b>(1,085,035)</b> | -                  | (1,085,035)        | (1,085,035)     |
| Currency translation<br>differences               | -                  | <b>(345,281)</b>   | <b>(345,281)</b>   | -                  | (415,152)          | (415,152)       |
| Share of net assets of<br>associates              | <b>126,074</b>     | <b>8,274,078</b>   | <b>8,400,152</b>   | 103,949            | 8,104,537          | 8,208,486       |

The Group's equity interest in the associates, their respective principal activities and countries of incorporation are listed in Note 41 to the financial statements.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

### 29. ASSOCIATES (CONTINUED)

The summarised financial information presented in the financial statements (after adjusted for differences in accounting policies between the Group and the associates) of material associates of the Group are as follows:

(a) The summarised statement of comprehensive income for the financial year ended 31 December are as follows:

|  | 2016              |                  | 2015           |              |
|--|-------------------|------------------|----------------|--------------|
|  | Idea<br>RM'000    | M1<br>RM'000     | Idea<br>RM'000 | M1<br>RM'000 |
| Revenue  | <b>22,772,636</b> | <b>3,183,225</b> | 21,217,853     | 3,139,939    |
| Profit for the financial year                  | <b>329,135</b>    | <b>451,254</b>   | 1,864,338      | 557,083      |
| Group's share of profit for the financial year | <b>65,070</b>     | <b>128,788</b>   | 368,766        | 157,766      |
| Dividend received from associates              | <b>26,592</b>     | <b>118,229</b>   | 28,336         | 136,755      |

The Group's share of loss of other immaterial associates is RM62.8 million (2015: RM37.0 million).

(b) The summarised statement of financial position of material associates of the Group as at 31 December are as follow:

|                         | 2016                |              | 2015                |              |
|-------------------------|---------------------|--------------|---------------------|--------------|
|                         | Idea<br>RM'000      | M1<br>RM'000 | Idea<br>RM'000      | M1<br>RM'000 |
| Non-current assets      | <b>62,267,152</b>   | 2,849,429    | <b>51,592,482</b>   | 2,504,244    |
| Current assets          | <b>2,510,000</b>    | 705,077      | <b>2,299,631</b>    | 791,137      |
| Current liabilities     | <b>(10,356,631)</b> | (1,163,346)  | <b>(6,736,229)</b>  | (1,706,490)  |
| Non-current liabilities | <b>(35,153,111)</b> | (1,141,020)  | <b>(28,504,752)</b> | (336,804)    |
|                         | <b>19,267,410</b>   | 1,250,140    | <b>18,651,132</b>   | 1,252,087    |

(c) The adjusted fair value of material associates of the Group as at 31 December are as follows:

|                     | 2016             |              | 2015             |              |
|---------------------|------------------|--------------|------------------|--------------|
|                     | Idea<br>RM'000   | M1<br>RM'000 | Idea<br>RM'000   | M1<br>RM'000 |
| Adjusted fair value | <b>3,173,885</b> | 1,467,779    | <b>6,012,567</b> | 1,995,137    |

The adjusted fair value of quoted investments are within Level 2 of the fair value hierarchy.

## 29. ASSOCIATES (CONTINUED)

The details of carrying amount of the associates of the Group are as follows:

|   | 2016               |                  |                  |                    | 2015           |              |                  |                 |
|---|--------------------|------------------|------------------|--------------------|----------------|--------------|------------------|-----------------|
|   | Idea<br>RM'000     | M1<br>RM'000     | Others<br>RM'000 | Total<br>RM'000    | Idea<br>RM'000 | M1<br>RM'000 | Others<br>RM'000 | Total<br>RM'000 |
| Group's share of net assets   | <b>3,809,167</b>   | <b>356,790</b>   | <b>148,735</b>   | <b>4,314,692</b>   | 3,689,194      | 354,591      | 105,656          | 4,149,441       |
| Goodwill  | <b>3,929,683</b>   | <b>1,142,521</b> | <b>40,511</b>    | <b>5,112,715</b>   | 3,929,181      | 1,134,190    | 688              | 5,064,059       |
| Accumulated impairment losses (net of currency translation differences) | <b>(1,027,255)</b> | -                | -                | <b>(1,027,255)</b> | (1,005,014)    | -            | -                | (1,005,014)     |
| At 31 December  | <b>6,711,595</b>   | <b>1,499,311</b> | <b>189,246</b>   | <b>8,400,152</b>   | 6,613,361      | 1,488,781    | 106,344          | 8,208,486       |

List of contingent liabilities of an associate, Idea as at 31 December are as follows:

| Description  | Potential exposure |                    |
|--|--------------------|--------------------|
|  | 2016<br>RM'million | 2015<br>RM'million |
| 1. <b>One-off excess spectrum charges</b>  | <b>1,396.2</b>     | 1,365.3            |
| <p>On 8 January 2013, the local regulator, the Department of Telecommunications (“DoT”) had issued demand notices towards one time spectrum charges:</p> <p>(a) for spectrum beyond 6.2 MHz in respective service areas for retrospective period from 1 July 2008 to 31 December 2012, amounting to INR3,691.3 million, and</p> <p>(b) for spectrum beyond 4.4 MHz in respective service areas effective 1 January 2013 till expiry of the period as per respective licenses amounting to INR17,443.7 million.</p> <p>In the opinion of the Directors, inter-alia, the above demand amounts to alteration of financial terms of the licenses issued in the past. The Directors believe, based on independent legal opinion and its evaluation, it is not probable that the claim will materialise and therefore, pending outcome of this matter, no provision has been recognised.</p>   |                    |                    |
| 2. <b>Tax notice</b>   | <b>990.9</b>       | 2,519.4            |
| <p>The Income Tax Department (“Tax Department”) had issued a INR15.0 billion and INR24.0 billion notice on an associate. The Tax Department alleged that the licenses, assets and liabilities transferred in between the companies in 2009 resulted in taxable capital gains which Idea and its subsidiary did not treat as taxable.</p> <p>On 19 October 2016, the Income Tax Appellate Tribunal has given its verdict in favour of ABTL which there is no INR24.0 billion capital gain tax arising from the transfer of licenses, assets and liabilities. The INR15.0 billion claim from the Tax Department remains outstanding as at year end.</p> <p>In the opinion of the Directors, based on independent legal opinion and its evaluation, it is not probable that the claim will materialise and therefore, pending outcome of this matter, no provision has been recognised.</p> |                    |                    |

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

## 29. ASSOCIATES (CONTINUED)

List of contingent liabilities of an associate, Idea as at 31 December are as follows: (continued)

| Description   | Potential exposure |                    |
|---|--------------------|--------------------|
|   | 2016<br>RM'million | 2015<br>RM'million |
| <p><b>3. Revenue share license fee assessment</b></p> <p>In 2014, the DoT has raised a demand notice to an associate for further payment of license fee in respect of years of assessment ("YA") 2011-2012 amounting to INR1.1 billion.</p> <p>In previous financial year, the DoT has raised a demand notice to an associate for further payment of license fee in respect of YA 2007-2008 amounting to INR1.5 billion and a demand cum show cause notice for YA 2009-2012 amounting to INR14.0 billion.</p> <p>In the opinion of the Directors, based on independent legal opinion and its evaluation, it is not probable that the claim will materialise and therefore, pending outcome of matters, no provision has been recognised.</p>  | <b>1,096.6</b>     | 1,072.4            |
| <p><b>4. Income tax demands</b></p> <p>In 2015, an associate of the Group received two demands from income tax authorities in respect of its income tax returns for the financial years 2008/09 and 2009/10 amounting to INR34,147.0 million and INR6,408.0 million respectively. The tax demands are mainly on the difference between fair value of investment made in Indus Towers Limited and net book value of the assets transferred to Idea Infrastructure Services Limited (a 100.0% subsidiary of the associate, which further through a scheme of merger got merged with Indus Towers Limited under High Court approved scheme). The associate has filed an appeal against these demands at the Commissioner of Income Tax appeals.</p> <p>During the financial year, the associate has received from income tax authorities in respect of its income tax returns for the financial year 2011/12, 2013/14 and 2014/15 amounting to INR580.0 million, INR9,900.0 million and INR18,900.0 million respectively. The tax demands are mainly on the account of the amortisation of spectrum and revenue share license fee disallowed for tax purpose and non-deduction of tax on distributors' margin.</p> | <b>4,620.1</b>     | 2,619.9            |
| <p><b>5. Other taxes, custom duties and demands under adjudication, appeal or disputes</b></p> <p>As at 31 December 2016, other taxes, custom duties and demands under adjudication, appeal or disputes amounted to approximately INR73.7 billion (2015: INR56.4 billion).</p> <p>In the opinion of the Directors, based on independent legal opinion and its evaluation, it is not probable that the claim will materialise and therefore, pending outcome of matters, no provision has been recognised.</p>   | <b>4,849.0</b>     | 3,641.3            |
| <b>Total exposure</b>   | <b>12,952.8</b>    | 11,218.3           |
| <b>Total exposure of the Group</b>  | <b>2,562.1</b>     | 2,219.0            |

**29. ASSOCIATES (CONTINUED)****Impairment test**

During the financial year, the Group had undertaken the test of impairment of its investment in Idea following an impairment indicator arising from the shortfall between the carrying value and adjusted fair value. No additional impairment loss was required for the carrying amount of Idea as at 31 December 2016 as its recoverable amount exceeded its carrying amount.

**Key assumptions used**

The recoverable amount was determined based on VIU calculation, which apply a discounted cash flow model based on the forecasts and projections approved by the management. These forecasts and projections reflect management's expectations based on the current assessment of market share, expectations of market growth and industry growth as benchmarked with external sources.

The key assumptions used in determining the VIU are:

| Assumptions  | Basis of determination  |
|--|---|
| Projection period  | 2017-2021 (2015: 2016-2020) years cash flow forecast is used.   |
| Cost of equity   | 13.40% (2015:16.40%) was used in line with market analysis.   |
| Terminal growth rate   | Long term terminal growth rate is estimated to be 4.50% (2015: 3.00%) applied beyond the fifth (5 <sup>th</sup> ) year cash flows to perpetuity.  |
| Blended Earnings Before Interest, Tax, Depreciation and Amortisation ("EBITDA") margin | Ranging from 27.00% in 2018 to 35.00% in 2021 (2015: ranging from 33.70% in 2017 to 36.86% in 2021).  |
| Effective tax rate   | 34.60% (2015: 34.00%).  |
| Capital expenditure  | The cash flow forecasts for capital expenditure are based on past experience and include the on-going capital expenditure required to continue to roll out networks in emerging markets to provide voice and data products and services and to meet the population coverage requirements of certain licenses of Idea. |

Based on the sensitivity analysis performed, the Directors concluded that no reasonable change in the base case assumptions would cause the carrying amount of the investment in Idea to exceed its recoverable amount.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

### 30. LONG TERM RECEIVABLES

|                            | Note | Group          |                | Company        |                |
|----------------------------|------|----------------|----------------|----------------|----------------|
|                            |      | 2016<br>RM'000 | 2015<br>RM'000 | 2016<br>RM'000 | 2015<br>RM'000 |
| Finance lease receivables  | (a)  | <b>83,620</b>  | 97,617         | -              | -              |
| Lease revenue equalisation | (b)  | <b>30,595</b>  | -              | -              | -              |
| Others                     |      | <b>3,469</b>   | 3,586          | <b>2,000</b>   | 2,000          |
|                            |      | <b>117,684</b> | 101,203        | <b>2,000</b>   | 2,000          |

(a) Finance lease receivables are receivables related to the lease of fiber optic cable of a subsidiary.

(b) Lease revenue equalisation is related to the effect of fixed escalation clauses that is spread on a straight-line basis over the lease term.

Details of the lease receivables according to the maturity schedule are as follows:

|                                    | Note | Group           |                |
|------------------------------------|------|-----------------|----------------|
|                                    |      | 2016<br>RM'000  | 2015<br>RM'000 |
| Within one (1) year                |      | <b>27,915</b>   | 26,496         |
| Between one (1) and five (5) years |      | <b>71,541</b>   | 78,089         |
| More than five (5) years           |      | <b>30,552</b>   | 43,943         |
|                                    |      | <b>130,008</b>  | 148,528        |
| Unearned finance lease income      |      | <b>(26,140)</b> | (33,210)       |
| Finance lease receivables          |      | <b>103,868</b>  | 115,318        |
| Classified as:                     |      |                 |                |
| - Current                          | 33   | <b>20,248</b>   | 17,701         |
| - Non-current                      |      | <b>83,620</b>   | 97,617         |
| Finance lease receivables          |      | <b>103,868</b>  | 115,318        |

### 31. INVENTORIES

|                     | Group          |                |
|---------------------|----------------|----------------|
|                     | 2016<br>RM'000 | 2015<br>RM'000 |
| Trading inventories | <b>174,747</b> | 155,125        |

Inventories mainly comprise of SIM cards, handsets and other consumables.

### 32. AMOUNTS DUE FROM/TO SUBSIDIARIES

The currency profiles of the amounts due from/to subsidiaries are as follows:

|                                | 2016             |                |                  |                  | 2015         |               |                  |                 |
|--------------------------------|------------------|----------------|------------------|------------------|--------------|---------------|------------------|-----------------|
|                                | RM<br>RM'000     | USD<br>RM'000  | Others<br>RM'000 | Total<br>RM'000  | RM<br>RM'000 | USD<br>RM'000 | Others<br>RM'000 | Total<br>RM'000 |
| Amounts due from subsidiaries: |                  |                |                  |                  |              |               |                  |                 |
| - Non-current <sup>1</sup>     | -                | 95,982         | -                | 95,982           | -            | 2,233,856     | -                | 2,233,856       |
| - Current                      | 6,206            | 43,105         | -                | 49,311           | 260,087      | 113,369       | 20,697           | 394,153         |
|                                | <b>6,206</b>     | <b>139,087</b> | <b>-</b>         | <b>145,293</b>   | 260,087      | 2,347,225     | 20,697           | 2,628,009       |
| Amounts due to subsidiaries:   |                  |                |                  |                  |              |               |                  |                 |
| - Current <sup>2</sup>         | <b>1,437,201</b> | <b>619,502</b> | <b>-</b>         | <b>2,056,703</b> | 1,330,718    | 65,631        | -                | 1,396,349       |

<sup>1</sup> W.A.R.F. as at 31 December 2015 was 2.41% p.a..

<sup>2</sup> Amounts due to subsidiaries include an amount of RM807.7 million (2015: RM807.7 million) which bears interest at 3.05% (2015: 3.05%) p.a..

Except as disclosed otherwise above, amounts due from/to subsidiaries are unsecured, interest free and have no fixed terms of repayment.

### 33. TRADE AND OTHER RECEIVABLES

|  | Note | Group            |                | Company        |                |
|--|------|------------------|----------------|----------------|----------------|
|  |      | 2016<br>RM'000   | 2015<br>RM'000 | 2016<br>RM'000 | 2015<br>RM'000 |
| Trade receivables  |      | 1,793,966        | 1,466,094      | -              | -              |
| Less: Provision for impairment                                   |      | (397,806)        | (352,184)      | -              | -              |
|  |      | <b>1,396,160</b> | 1,113,910      | -              | -              |
| Other receivables:   |      |                  |                |                |                |
| Deposits   |      | 253,110          | 188,355        | -              | -              |
| Less: Provision for impairment                                   |      | (27,030)         | (27,030)       | -              | -              |
|  |      | <b>226,080</b>   | 161,325        | -              | -              |
| Prepayments  |      | 2,025,869        | 1,749,383      | 898            | 805            |
| Staff loans  |      | 2,458            | 837            | -              | -              |
| Finance lease receivables  | 30   | 20,248           | 17,701         | -              | -              |
| Other receivables  |      | 1,109,365        | 915,477        | 7,333          | 7,964          |
| Less: Provision for impairment                                   |      | (605)            | (3,917)        | -              | -              |
|  |      | <b>1,108,760</b> | 911,560        | <b>7,333</b>   | 7,964          |
| Total other receivables after provision for impairment           |      | <b>3,383,415</b> | 2,840,806      | <b>8,231</b>   | 8,769          |
| Total trade and other receivables after provision for impairment |      | <b>4,779,575</b> | 3,954,716      | <b>8,231</b>   | 8,769          |

A total fair value of trade receivables of RM228.2 million, which were acquired via business combination during the financial year as disclosed in Note 5(a) to the financial statements. The gross contractual amount for those trade receivables is RM247.1 million, of which RM18.9 million is expected to be uncollectible.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

### 33. TRADE AND OTHER RECEIVABLES (CONTINUED)

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

|                | 2016                |                  |                |                |                |                  |                  | 2015                |                  |                |                |                  |                  |  |
|----------------|---------------------|------------------|----------------|----------------|----------------|------------------|------------------|---------------------|------------------|----------------|----------------|------------------|------------------|--|
|                | Functional currency |                  |                |                |                |                  |                  | Functional currency |                  |                |                |                  |                  |  |
|                | RM<br>RM'000        | IDR<br>RM'000    | SLR<br>RM'000  | BDT<br>RM'000  | NPR<br>RM'000  | Others<br>RM'000 | Total<br>RM'000  | RM<br>RM'000        | IDR<br>RM'000    | SLR<br>RM'000  | BDT<br>RM'000  | Others<br>RM'000 | Total<br>RM'000  |  |
| <b>Group</b>   |                     |                  |                |                |                |                  |                  |                     |                  |                |                |                  |                  |  |
| RM             | 1,580,922           | -                | -              | -              | -              | -                | 1,580,922        | 1,095,330           | -                | -              | -              | -                | 1,095,330        |  |
| USD            | 88,203              | 50,585           | 67,988         | 3,162          | 173,800        | 151,135          | 534,873          | 49,465              | 149,780          | 71,537         | 1,646          | 107,814          | 380,242          |  |
| IDR            | 31                  | 1,693,478        | -              | -              | -              | -                | 1,693,509        | -                   | 1,801,427        | -              | -              | -                | 1,801,427        |  |
| SLR            | -                   | -                | 275,126        | -              | -              | -                | 275,126          | -                   | -                | 201,804        | -              | -                | 201,804          |  |
| BDT            | -                   | -                | -              | 606,455        | -              | -                | 606,455          | -                   | -                | -              | 419,615        | -                | 419,615          |  |
| NPR            | -                   | -                | -              | -              | 43,298         | -                | 43,298           | -                   | -                | -              | -              | -                | -                |  |
| Others         | 717                 | 55               | -              | -              | -              | 44,620           | 45,392           | 436                 | 54               | -              | -              | 55,808           | 56,298           |  |
| <b>Total</b>   | <b>1,669,873</b>    | <b>1,744,118</b> | <b>343,114</b> | <b>609,617</b> | <b>217,098</b> | <b>195,755</b>   | <b>4,779,575</b> | <b>1,145,231</b>    | <b>1,951,261</b> | <b>273,341</b> | <b>421,261</b> | <b>163,622</b>   | <b>3,954,716</b> |  |
| <b>Company</b> |                     |                  |                |                |                |                  |                  |                     |                  |                |                |                  |                  |  |
| RM             | 790                 | -                | -              | -              | -              | -                | 790              | 5,441               | -                | -              | -              | -                | 5,441            |  |
| USD            | 6,693               | -                | -              | -              | -              | -                | 6,693            | 2,892               | -                | -              | -              | -                | 2,892            |  |
| Others         | 748                 | -                | -              | -              | -              | -                | 748              | 436                 | -                | -              | -              | -                | 436              |  |
| <b>Total</b>   | <b>8,231</b>        | <b>-</b>         | <b>-</b>       | <b>-</b>       | <b>-</b>       | <b>-</b>         | <b>8,231</b>     | <b>8,769</b>        | <b>-</b>         | <b>-</b>       | <b>-</b>       | <b>-</b>         | <b>8,769</b>     |  |

The movement of provision for impairment of trade and other receivables are as follows:

|                                  | Note | Group          |                |
|----------------------------------|------|----------------|----------------|
|                                  |      | 2016<br>RM'000 | 2015<br>RM'000 |
| <b>Trade receivables</b>         |      |                |                |
| At 1 January                     |      | 352,184        | 284,759        |
| Provision for impairment         | 7(b) | 97,829         | 75,992         |
| Written off                      |      | (66,308)       | (42,387)       |
| Currency translation differences |      | 14,101         | 33,820         |
| <b>At 31 December</b>            |      | <b>397,806</b> | <b>352,184</b> |
| <b>Other receivables</b>         |      |                |                |
| At 1 January                     |      | 30,947         | 28,280         |
| Provision for impairment         | 7(b) | -              | 2,667          |
| Currency translation differences |      | (3,312)        | -              |
| <b>At 31 December</b>            |      | <b>27,635</b>  | <b>30,947</b>  |

The carrying amounts of trade and other receivables approximate their fair value.

**33. TRADE AND OTHER RECEIVABLES (CONTINUED)**

Trade receivables which are due as at the end of the reporting period are as follows:

|      | Not past due   |                                    | Past due                  |                         |                          |                             | Total<br>RM'000  |
|------|----------------|------------------------------------|---------------------------|-------------------------|--------------------------|-----------------------------|------------------|
|      | RM'000         | Specifically<br>impaired<br>RM'000 | Not specifically impaired |                         |                          |                             |                  |
|      |                |                                    | 0-3<br>months<br>RM'000   | 3-6<br>months<br>RM'000 | 6-12<br>months<br>RM'000 | Over 12<br>months<br>RM'000 |                  |
| 2016 | <b>568,931</b> | <b>12,262</b>                      | <b>491,306</b>            | <b>118,441</b>          | <b>37,870</b>            | <b>167,350</b>              | <b>1,396,160</b> |
| 2015 | 438,580        | 49,556                             | 354,129                   | 97,891                  | 56,555                   | 117,199                     | 1,113,910        |

The Group is not exposed to major concentration of credit risk due to the diverse customer base. In addition, credit risk is mitigated to a certain extent by cash deposits and bankers' guarantee obtained from customers. The Group considers the accumulated impairment losses of trade receivables at the end of the reporting period to be adequate to cover the potential financial loss.

Credit terms of trade receivables for the Group range from 5 to 90 days (2015: 5 to 90 days).

**34. DEPOSITS, CASH AND BANK BALANCES**

|  | Note  | Group            |                | Company          |                |
|--|-------|------------------|----------------|------------------|----------------|
|  |       | 2016<br>RM'000   | 2015<br>RM'000 | 2016<br>RM'000   | 2015<br>RM'000 |
| Deposits with licensed banks                                     |       | <b>2,469,770</b> | 2,564,105      | -                | -              |
| Deposits under Islamic principles                                |       | <b>431,086</b>   | 1,295,000      | <b>201,085</b>   | 245,000        |
| Total deposits   |       | <b>2,900,856</b> | 3,859,105      | <b>201,085</b>   | 245,000        |
| Cash and bank balances   |       | <b>2,431,558</b> | 1,651,587      | <b>531,716</b>   | 76,314         |
| Total deposits, cash and bank balances                           |       | <b>5,332,414</b> | 5,510,692      | <b>732,801</b>   | 321,314        |
| Less:  |       |                  |                |                  |                |
| Deposits pledged   | 16(a) | <b>(29,775)</b>  | (17,655)       | -                | -              |
| Deposit in Escrow Account  |       | <b>(63,721)</b>  | (92,033)       | -                | -              |
| Deposit on investment in a subsidiary of the Group               |       | <b>(320,717)</b> | (64,380)       | <b>(269,160)</b> | -              |
| Deposits maturing more than three (3) months                     |       | <b>(206,712)</b> | (686,051)      | -                | -              |
| Bank overdrafts  | 16    | <b>(62,067)</b>  | (89,908)       | -                | -              |
| Total cash and cash equivalents at the end of the financial year |       | <b>4,649,422</b> | 4,560,665      | <b>463,641</b>   | 321,314        |

The deposits are placed mainly with a number of creditworthy financial institutions. There is no major concentration of deposits in any single financial institution. Maturity range of deposits is as follows:

| (In days)                             | From             | Group<br>To | Company<br>To |
|---------------------------------------|------------------|-------------|---------------|
| Financial year ended 31 December 2016 | <b>Overnight</b> | <b>365</b>  | <b>91</b>     |
| Financial year ended 31 December 2015 | Overnight        | 366         | 92            |

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

### 34. DEPOSITS, CASH AND BANK BALANCES (CONTINUED)

The currency profile of deposits, cash and bank balances is as follows:

|                | 2016                |                |                |                |                  |                  |                  | 2015                |               |               |               |                  |                 |  |
|----------------|---------------------|----------------|----------------|----------------|------------------|------------------|------------------|---------------------|---------------|---------------|---------------|------------------|-----------------|--|
|                | Functional currency |                |                |                |                  |                  |                  | Functional currency |               |               |               |                  |                 |  |
|                | RM<br>RM'000        | IDR<br>RM'000  | SLR<br>RM'000  | BDT<br>RM'000  | NPR<br>RM'000    | Others<br>RM'000 | Total<br>RM'000  | RM<br>RM'000        | IDR<br>RM'000 | SLR<br>RM'000 | BDT<br>RM'000 | Others<br>RM'000 | Total<br>RM'000 |  |
| <b>Group</b>   |                     |                |                |                |                  |                  |                  |                     |               |               |               |                  |                 |  |
| RM             | <b>1,760,969</b>    | -              | -              | -              | -                | -                | <b>1,760,969</b> | 3,679,910           | -             | -             | -             | -                | 3,679,910       |  |
| USD            | <b>482,796</b>      | <b>78,284</b>  | <b>71,973</b>  | <b>9,434</b>   | <b>1,471,547</b> | <b>317,143</b>   | <b>2,431,177</b> | 68,612              | 512,808       | 13,759        | 9,054         | 373,840          | 978,073         |  |
| IDR            | -                   | <b>417,252</b> | -              | -              | -                | -                | <b>417,252</b>   | -                   | 534,696       | -             | -             | -                | 534,696         |  |
| SLR            | <b>1,321</b>        | -              | <b>169,373</b> | -              | -                | -                | <b>170,694</b>   | -                   | -             | 194,626       | -             | -                | 194,626         |  |
| BDT            | -                   | -              | -              | <b>231,659</b> | -                | -                | <b>231,659</b>   | -                   | -             | -             | 97,289        | -                | 97,289          |  |
| Others         | <b>71,895</b>       | -              | -              | -              | <b>222,422</b>   | <b>26,346</b>    | <b>320,663</b>   | -                   | -             | -             | -             | 26,098           | 26,098          |  |
| <b>Total</b>   | <b>2,316,981</b>    | <b>495,536</b> | <b>241,346</b> | <b>241,093</b> | <b>1,693,969</b> | <b>343,489</b>   | <b>5,332,414</b> | 3,748,522           | 1,047,504     | 208,385       | 106,343       | 399,938          | 5,510,692       |  |
| <b>Company</b> |                     |                |                |                |                  |                  |                  |                     |               |               |               |                  |                 |  |
| RM             | <b>250,723</b>      | -              | -              | -              | -                | -                | <b>250,723</b>   | 291,547             | -             | -             | -             | -                | 291,547         |  |
| USD            | <b>482,078</b>      | -              | -              | -              | -                | -                | <b>482,078</b>   | 29,767              | -             | -             | -             | -                | 29,767          |  |
| <b>Total</b>   | <b>732,801</b>      | -              | -              | -              | -                | -                | <b>732,801</b>   | 321,314             | -             | -             | -             | -                | 321,314         |  |

## 35. CASH FLOWS FROM/(USED IN) OPERATING, INVESTING AND FINANCING ACTIVITIES

|  | Note | Group               |                | Company            |                |
|--|------|---------------------|----------------|--------------------|----------------|
|  |      | 2016<br>RM'000      | 2015<br>RM'000 | 2016<br>RM'000     | 2015<br>RM'000 |
| Receipt from customers   |      | <b>21,480,090</b>   | 19,580,656     | -                  | -              |
| Payments to suppliers and employees  |      | <b>(12,804,218)</b> | (11,955,294)   | <b>(245,925)</b>   | (202,971)      |
| Dividends received   |      | -                   | -              | <b>1,002,403</b>   | 1,101,406      |
| Payment of finance costs   |      | <b>(1,153,868)</b>  | (525,032)      | <b>(27,583)</b>    | (24,819)       |
| Payment of zakat   |      | <b>(2,000)</b>      | (263)          | -                  | -              |
| Payment of income taxes (net of refunds)                                       |      | <b>(744,903)</b>    | (809,347)      | <b>(14)</b>        | (503)          |
| <b>Total cash flows from operating activities</b>                              |      | <b>6,775,101</b>    | 6,290,720      | <b>728,881</b>     | 873,113        |
| Proceeds from disposal of PPE  |      | <b>81,187</b>       | 21,140         | -                  | 92             |
| Purchase of PPE  |      | <b>(5,564,249)</b>  | (4,860,775)    | <b>(4,656)</b>     | (12,111)       |
| Acquisition of intangible assets   |      | <b>(1,003,074)</b>  | (232,984)      | -                  | -              |
| Investments in deposits maturing more than three (3) months                    |      | <b>479,338</b>      | (570,786)      | -                  | -              |
| Investment in subsidiaries (net of cash acquired)                              |      | <b>(5,247,127)</b>  | (521,464)      | -                  | -              |
| Proceed from sale and lease back transactions of a subsidiary                  |      | <b>564,141</b>      | -              | -                  | -              |
| Investment in an associate   |      | <b>(57,421)</b>     | (7,747)        | -                  | -              |
| Additional investment in associate   |      | <b>(83,471)</b>     | (16,871)       | -                  | -              |
| Investment in a joint venture  |      | <b>(384)</b>        | (39,324)       | -                  | -              |
| Additional investment in joint ventures  |      | <b>(96,162)</b>     | (43,178)       | -                  | -              |
| Interest received  |      | <b>186,804</b>      | 171,133        | <b>25,457</b>      | 54,939         |
| Settlement of deferred purchase consideration of an investment in a subsidiary |      | <b>(54,794)</b>     | -              | -                  | -              |
| Other investments  |      | -                   | (26,677)       | -                  | -              |
| Dividends received from associates   |      | <b>118,229</b>      | 165,091        | -                  | -              |
| Dividends received from a joint venture  |      | -                   | 1,800          | -                  | -              |
| (Advances to)/repayments from employees  |      | <b>(1,622)</b>      | 159            | -                  | -              |
| Additional investment in a subsidiary  | 5(b) | <b>(156,612)</b>    | (379,350)      | -                  | -              |
| Advances to subsidiaries   |      | -                   | -              | <b>(2,593,067)</b> | (175,430)      |
| Repayments from subsidiaries   |      | -                   | -              | <b>186,692</b>     | 86,576         |
| Investment in long term receivable   |      | -                   | -              | -                  | (2,000)        |
| <b>Total cash flow used in investing activities</b>                            |      | <b>(10,835,217)</b> | (6,339,833)    | <b>(2,385,574)</b> | (47,934)       |

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

### 35. CASH FLOWS FROM/(USED IN) OPERATING, INVESTING AND FINANCING ACTIVITIES (CONTINUED)

|   | Note | Group              |                | Company            |                |
|---|------|--------------------|----------------|--------------------|----------------|
|   |      | 2016<br>RM'000     | 2015<br>RM'000 | 2016<br>RM'000     | 2015<br>RM'000 |
| Proceeds from borrowings                                    |      | <b>6,532,538</b>   | 2,753,483      | <b>3,587,220</b>   | -              |
| Repayments of borrowings                                    |      | <b>(4,672,168)</b> | (4,696,143)    | <b>(1,010,487)</b> | -              |
| Repayment of Sukuk  |      | <b>(164,502)</b>   | (500,000)      | -                  | -              |
| Proceeds from Sukuk (net of transaction costs)              |      | <b>2,489,687</b>   | 2,649,714      | -                  | -              |
| Additional investment in a subsidiary by NCI                |      | <b>900</b>         | 8,380          | -                  | -              |
| Repayment of finance lease creditors                        |      | <b>(122,145)</b>   | -              | -                  | -              |
| Net proceed from sale and lease back assets                 |      | <b>531,235</b>     | -              | -                  | -              |
| Proceeds from issuance of shares under Axiata Share Scheme  |      | <b>10,477</b>      | 42,778         | <b>10,477</b>      | 42,778         |
| Share issue expenses  |      | <b>(171)</b>       | (81)           | <b>(171)</b>       | (81)           |
| Pre-acquisition dividend of a subsidiary paid to a NCI      |      | <b>(79,835)</b>    | -              | -                  | -              |
| Net proceed from right issue of a subsidiary                |      | <b>667,614</b>     | -              | -                  | -              |
| Dividends paid to NCI                                       |      | <b>(112,241)</b>   | (11,913)       | -                  | -              |
| Dividends paid to shareholders                              |      | <b>(790,477)</b>   | (722,152)      | <b>(790,477)</b>   | (722,152)      |
| <b>Total cash flows from/(used in) financing activities</b> |      | <b>4,290,912</b>   | (475,934)      | <b>1,796,562</b>   | (679,455)      |

### 36. CONTINGENCIES AND COMMITMENTS

#### (a) Capital commitments

|  | Group            |                |
|--|------------------|----------------|
|  | 2016<br>RM'000   | 2015<br>RM'000 |
| PPE                                    |                  |                |
| Commitments in respect of expenditure: |                  |                |
| - Approved and contracted for          | <b>2,144,717</b> | 1,702,994      |
| - Approved but not contracted for      | <b>730,275</b>   | 229,451        |
|  | <b>2,874,992</b> | 1,932,445      |

#### (b) Operating lease commitments

The Group entered into non-cancellable office and tower rental and lease of head office agreements with various terms and the total commitment are as follows:

|   | Group            |                |
|---|------------------|----------------|
|   | 2016<br>RM'000   | 2015<br>RM'000 |
| Payable with one (1) year                                       | <b>417,143</b>   | 301,030        |
| Payable more than one (1) year and no later than five (5) years | <b>741,222</b>   | 648,007        |
| Payable more than five (5) years                                | <b>346,142</b>   | 134,871        |
| <b>Total</b>  | <b>1,504,507</b> | 1,083,908      |

The rental expenses related to the commitment for the financial year ended 31 December 2016 and 2015 amounted to RM427.2 million and RM260.9 million respectively.

### 36. CONTINGENCIES AND COMMITMENTS (CONTINUED)

#### (c) 3G annual fees commitment

XL has committed to pay annual fees within ten (10) years, as long as XL holds the 3G license. The amount of annual payment is based on the scheme of payment set out in Regulation No. 07/PER/M.KOMINFO/2/2006 of the Minister of Communication & Information and Decree No.323/KEP/M.KOMINFO/09/2010 of the Minister of Communication & Information. No penalty will be imposed in the event that XL returns the license.

#### (d) List of contingent liabilities of subsidiaries of the Group as at 31 December are as follows:

| Description   | Potential exposure |                    |
|---|--------------------|--------------------|
|   | 2016<br>RM'million | 2015<br>RM'million |
| <p><b>1. Celcom Trading Sdn Bhd [formerly known as Rego Multi-Trades Sdn Bhd] ("Celcom Trading") vs Aras Capital Sdn Bhd ("Aras Capital") and Tan Sri Dato' Tajudin Ramli ("TSDTR")</b></p> <p>In 2005, Celcom Trading, a wholly-owned subsidiary of Celcom Resources Berhad [formerly known as Technology Resources Industries Berhad] ("Celcom Resources"), commenced proceedings against Aras Capital and TSDTR for amounts due to Celcom Trading pursuant to an investment agreement with Aras Capital and an indemnity letter given by TSDTR. TSDTR filed its defence and instituted a counterclaim against Celcom Trading, Celcom Resources and its directors to void or rescind the indemnity letter and claim damages.</p> <p>The Board of Directors, based on legal advice received, are of the view that it has good prospects of succeeding on the claim and successfully defending the counterclaim if both were to proceed to trial.</p>   | <b>100.0</b>       | 100.0              |
| <p><b>2. VIP Engineering and Marketing Limited ("VIPEM") vs Celcom Resources on TRI Telecommunications Tanzania ("Tritel")</b></p> <p>In December 2001, vide Civil Case No. 427 of 2001, VIPEM claimed a sum of USD18.6 million from Celcom Resources as its share of loss of profits for the mismanagement of Tritel, a joint venture company between Celcom Resources and VIPEM. In light of the winding-up order made against Tritel, Celcom Resources filed its claims of RM123.4 million with the liquidator of Tritel in July 2003.</p> <p>The Board of Directors, based on legal opinion received, are of the view that the allegations of mismanagement, are rhetorical and unsubstantiated. In view of the winding up proceedings, there is also a possibility that VIPEM will not pursue its claim.</p>   | <b>63.7</b>        | 63.7               |
| <p><b>3. Celcom (Malaysia) Berhad [now known as Celcom Axiata Berhad] ("Celcom") &amp; Technology Resources Industries Berhad [now known as Celcom Resources Berhad] ("Celcom Resources") vs TSDTR &amp; 6 others (Conspiracy Suit)</b></p> <p>In 2008, Celcom and Celcom Resources initiated a claim against five (5) of its former directors, DeTeAsia Holding GmbH, and Beringin Murni Sdn Bhd ("Defendants") for conspiring with each other to injure Celcom and Celcom Resources by causing and/or committing them to enter into various agreements in relation to certain rights issue shares in Celcom Resources. Celcom and Celcom Resources are seeking damages for conspiracy against the Defendants. Two of the Defendants, TSDTR and Dato' Bistamam Ramli ("DBR") filed a counterclaim against Celcom and Celcom Resources for damages for breach of an alleged global settlement involving, inter alia, the present action, and also for conspiracy and misrepresentation in inducing TSDTR to withdraw a counterclaim in another suit.</p> <p>The Directors, based on legal advice received, are of the view that it has good prospects of successfully defending the counterclaim.</p> | <b>7,215.0</b>     | -                  |

## NOTES TO THE FINANCIAL STATEMENTS

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### 36. CONTINGENCIES AND COMMITMENTS (CONTINUED)

(d) List of contingent liabilities of subsidiaries of the Group as at 31 December are as follows: (continued)

| Description   | Potential exposure |                    |
|---|--------------------|--------------------|
|   | 2016<br>RM'million | 2015<br>RM'million |
| <p><b>4. Celcom &amp; Celcom Resources vs TSDTR &amp; 8 others (Indemnity Suit)</b></p> <p>In 2006, Celcom and Celcom Resources initiated a claim against nine of its former directors ("Defendants") seeking inter alia, for indemnity in respect of the sums paid out to DeteAsia under the Award dated 2 August 2005 handed down by the Tribunal of the International Court of Arbitration of the International Chamber of Commerce in Paris and damages for breach of their fiduciary duties.</p> <p>Two of the Defendants, TSDTR and DBR filed a counterclaim against Celcom and Celcom Resources for damages for breach of an alleged global settlement involving, inter alia, the present action, and also for conspiracy and misrepresentation in inducing TSDTR to withdraw a counterclaim in another suit.</p> <p>The Directors, based on legal advice received, are of the view that it has good prospects of successfully defending the counterclaim.</p> | <b>7,215.0</b>     | -                  |
| <p><b>5. Claim on Robi by National Board of Revenue of Bangladesh ("NBR")</b></p> <p>The Large Tax Unit of NBR issued a show case letter dated 23 February 2012 to Robi demanding payment of supplementary duty and VAT levied on the issuance of a certain number of SIM cards to new customers of Robi on the pretext that the issuance was replacement purposes with regards to Robi's existing customers. The total demand amounted to BDT4,150.6 million.</p> <p>The Board of Directors, based on legal advice received, are of the view that it has good prospects of succeeding on the claim.</p>  | <b>236.7</b>       | 226.9              |
| <p><b>6. Robi's tax position</b></p> <p>Robi has claimed for SIM tax subsidy as a deductible expense in its tax provision computations for FY 2005 to 2016 (2015: FY 2005 to 2015). The National Board of Revenue has challenged this claim and regarded the SIM tax subsidy as non-deductible, on grounds that the subsidies are collectible from the customers and hence is not a 'business expense'. The case has been taken to the local court whereby the proceeding is still ongoing with no decision reached to-date.</p> <p>Based on legal opinion received, the Board of Directors are of the view that Robi has good prospects of succeeding on the claim.</p>  | <b>358.5</b>       | 339.5              |

**36. CONTINGENCIES AND COMMITMENTS (CONTINUED)****(d) List of contingent liabilities of subsidiaries of the Group as at 31 December are as follows: (continued)**

| Description   | Potential exposure |                    |
|---|--------------------|--------------------|
|   | 2016<br>RM'million | 2015<br>RM'million |
| <b>7. Access Promotion Contribution ("APC") of Multinet Pakistan (Private) Limited ("Multinet")</b>   | <b>180.8</b>       | 172.6              |
| <p>Multinet filed a suit during the financial year ended 31 December 2010 in the Honourable High Court of Sindh against the Federation of Pakistan, Pakistan Telecommunications Authority ("PTA"), Pakistan Telecommunication Company Limited ("PTCL") and the Universal Service Fund Company inter alia challenging the legality and enforcement of APC applicable on international incoming calls. Multinet has stopped paying APC to PTA from 30 September 2009. In the event a clawback is required, the estimated amount as per PTA monthly demand notice from January 2010 to December 2012 is PKR4.2 billion (2015: PKR4.2 billion).</p> <p>Based on legal opinion received, the Board of Directors are of the view that Multinet has good prospects of succeeding on the claim.</p> |                    |                    |
| Total exposure  | <b>15,369.7</b>    | 902.7              |

The Company does not have any contingent liability as at 31 December 2016 and 31 December 2015.

**(e) Fund commitment**

The Company has committed to invest in ADIF for a total amount of RM50.0 million over the period of eight (8) years. As of 31 December 2016, the amount yet to be invested amounted to RM31.2 million (2015:RM42.3 million).

**37. SIGNIFICANT NON-CASH TRANSACTIONS**

Significant non-cash transactions are as follows:

|                         | Group          |                |
|-------------------------|----------------|----------------|
|                         | 2016<br>RM'000 | 2015<br>RM'000 |
| Asset swap arrangements | -              | 428,560        |
| Vesting of RSA          | <b>22,262</b>  | 89,700         |
| DRS                     | <b>714,639</b> | 1,179,334      |

# NOTES TO THE FINANCIAL STATEMENTS

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## 38. SEGMENTAL REPORTING

### By key operating companies of the Group

Management has determined the operating segments based on the reports reviewed by the Board of Directors (Chief Operating decision maker).

The Board of Directors considers the business from a geographic perspective. The Group's operating companies operate in many countries as shown in Note 40 to the financial statements. Accordingly, the Group's operations by key operating companies are segmented into these main geographic segments: Malaysia, Indonesia, Bangladesh, Sri Lanka, Nepal, Cambodia and Others. Others comprise of investment holding entities and other operating companies in other countries that contributed less than 10% of consolidated revenue.

The reportable segments derive their revenue primarily from the provision of mobile services, lease and services of passive infrastructure, and others such as provision of interconnect services, pay television transmission services and provision of other data services. Revenue is based on the country in which the customers are located.

The Board of Directors assesses the performance of the operating segment, before its respective tax charge or tax credits, based on a measure of EBITDA. EBITDA is derived after operating revenue less other operating costs, domestic interconnect and international outpayment, marketing, advertising and promotion, and staff costs.

|  | Malaysia<br>RM'000 | Indonesia<br>RM'000 | Bangladesh<br>RM'000 | Sri Lanka<br>RM'000 | Nepal<br>RM'000 | Cambodia<br>RM'000 | Others <sup>#</sup><br>RM'000 | Consolidation<br>adjustments/<br>eliminations<br>RM'000 | Total<br>RM'000 |
|--|--------------------|---------------------|----------------------|---------------------|-----------------|--------------------|-------------------------------|---|-----------------|
| <b>Financial year ended<br/>31 December 2016</b> |                    |                     |                      |                     |                 |                    |                               |   |                 |
| Operating revenue:                               |                    |                     |                      |                     |                 |                    |                               |   |                 |
| Total operating revenue                          | 6,613,328          | 6,637,183           | 2,783,435            | 2,459,995           | 1,629,543       | 1,088,840          | 992,715                       | -   | 22,205,039      |
| Inter-segment*                                   | (8,636)            | (33,013)            | (41)                 | (37,562)            | (16,507)        | (10,442)           | (533,446)                     | -   | (639,647)       |
| External operating revenue                       | 6,604,692          | 6,604,170           | 2,783,394            | 2,422,433           | 1,613,036       | 1,078,398          | 459,269                       | -   | 21,565,392      |
| Results:   |                    |                     |                      |                     |                 |                    |                               |   |                 |
| EBITDA   | 2,304,248          | 2,612,231           | 758,352              | 828,420             | 1,021,197       | 538,012            | (31,641)                      | (18,171)  | 8,012,648       |
| Finance income                                   | 76,140             | 63,313              | 5,848                | 10,408              | 4,579           | 8,380              | 132,883                       | (118,157)   | 183,394         |
| Finance expense                                  | (189,153)          | (607,202)           | (53,721)             | (44,288)            | (18,988)        | (5,227)            | (395,704)                     | 113,099   | (1,201,184)     |
| Depreciation of PPE                              | (785,189)          | (2,527,400)         | (821,735)            | (432,202)           | (167,603)       | (149,244)          | (98,675)                      | 17,801  | (4,964,247)     |
| Amortisation of intangible<br>assets             | (78,130)           | (67,819)            | (141,557)            | (29,847)            | (77,655)        | (4,385)            | (24,869)                      | (206,399)   | (630,661)       |
| Joint ventures:                                  |                    |                     |                      |                     |                 |                    |                               |   |                 |
| - share of results (net of tax)                  | (2,775)            | (79,213)            | -                    | -                   | -               | -                  | (13,854)                      | -   | (95,842)        |
| Associates:                                      |                    |                     |                      |                     |                 |                    |                               |   |                 |
| - share of results (net of tax)                  | (61,318)           | -                   | -                    | (230)               | -               | -                  | 192,672                       | -   | 131,124         |
| - loss on dilution of equity<br>interests        | -                  | -                   | -                    | -                   | -               | -                  | (5,398)                       | -   | (5,398)         |
| Impairment of PPE, net of<br>reversal            | -                  | (19,965)            | (2,032)              | (1,338)             | (25,886)        | -                  | (13,145)                      | -   | (62,366)        |
| Other non-cash income/<br>(expenses)             | 25,303             | 679,918             | (13,729)             | (31,912)            | 24,793          | (34,821)           | (1,114,001)                   | 236,561   | (227,888)       |
| Taxation   | (312,858)          | 59,070              | 62,944               | (43,034)            | (191,991)       | (74,273)           | (58,737)                      | 76,457  | (482,422)       |
| Segment profit/(loss) for the<br>financial year  | 976,268            | 112,933             | (205,630)            | 255,977             | 568,446         | 278,442            | (1,430,469)                   | 101,191   | 657,158         |

<sup>#</sup> Share of associates' results contributed by Idea Cellular Limited (RM65.1 million) and M1 Limited (RM128.8 million).

\* Inter-segment operating revenue has been eliminated in arriving at respective segment operating revenue. The inter-segment operating revenue was entered into in the normal course of business and at prices negotiated and agreed between the parties.

**38. SEGMENTAL REPORTING (CONTINUED)**

|  | Malaysia<br>RM'000 | Indonesia<br>RM'000 | Bangladesh<br>RM'000 | Sri Lanka<br>RM'000 | Cambodia<br>RM'000 | Others#<br>RM'000 | Consolidation<br>adjustments/<br>eliminations<br>RM'000 | Total<br>RM'000 |
|--|--------------------|---------------------|----------------------|---------------------|--------------------|-------------------|---|-----------------|
| <b>Financial year ended</b>            |                    |                     |                      |                     |                    |                   |   |                 |
| <b>31 December 2015</b>                |                    |                     |                      |                     |                    |                   |   |                 |
| Operating revenue:                     |                    |                     |                      |                     |                    |                   |   |                 |
| Total operating revenue                | 7,337,574          | 6,656,969           | 2,622,987            | 2,120,731           | 907,419            | 848,953           | -   | 20,494,633      |
| Inter-segment*                         | (7,397)            | (37,003)            | (143)                | (38,896)            | (17)               | (527,717)         | -   | (611,173)       |
| External operating revenue             | 7,330,177          | 6,619,966           | 2,622,844            | 2,081,835           | 907,402            | 321,236           | -   | 19,883,460      |
| Results:                               |                    |                     |                      |                     |                    |                   |   |                 |
| EBITDA                                 | 2,719,163          | 2,512,587           | 944,179              | 684,315             | 450,746            | 2,085             | (29,021)  | 7,284,054       |
| Finance income                         | 98,666             | 55,645              | 7,343                | 13,920              | 6,932              | 147,575           | (156,660)   | 173,421         |
| Finance expense                        | (194,687)          | (540,526)           | (37,182)             | (23,886)            | (7,993)            | (175,902)         | 149,038   | (831,138)       |
| Depreciation of PPE                    | (758,748)          | (2,101,158)         | (433,521)            | (377,993)           | (160,244)          | (88,884)          | 42,491  | (3,878,057)     |
| Amortisation of intangible assets      | (56,492)           | (71,549)            | (116,667)            | (30,684)            | (4,287)            | (845)             | (11,174)  | (291,698)       |
| Joint ventures:                        |                    |                     |                      |                     |                    |                   |   |                 |
| - share of results (net of tax)        | 6,693              | (42,782)            | -                    | -                   | -                  | (2,498)           | -   | (38,587)        |
| Associates:                            |                    |                     |                      |                     |                    |                   |   |                 |
| - share of results (net of tax)        | (35,494)           | -                   | -                    | (943)               | -                  | 525,943           | -   | 489,506         |
| - loss on dilution of equity interests | -                  | -                   | -                    | -                   | -                  | -                 | (17,356)  | (17,356)        |
| Impairment of PPE (net of reversal)    | -                  | (14,604)            | 3,745                | 6,182               | -                  | (1,168)           | -   | (5,845)         |
| Other non-cash income/ (expenses)      | (3,109)            | 15,345              | (1,655)              | (77,318)            | (2,499)            | 508,461           | 7,617   | 446,842         |
| Taxation                               | (474,681)          | 176,110             | (165,804)            | (95,012)            | (62,205)           | (59,945)          | (13,537)  | (695,074)       |
| Segment profit for the financial year  | 1,301,311          | (10,932)            | 200,438              | 98,581              | 220,450            | 854,822           | (28,602)  | 2,636,068       |

# Share of associates' results contributed by Idea Cellular Limited (RM368.8 million) and M1 Limited (RM157.8 million).

**39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES**

## (a) Market risks consist of:

- (i) foreign currency exchange risk - risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.
- (ii) fair value interest rate risk - risk that the value of a financial instrument will fluctuate due to changes in market interest rates.
- (iii) cash flow interest rate risk - risk that future cash flows associated with a financial instrument will fluctuate. In the case of a floating rate debt instrument, such fluctuations result in a change in the effective interest rate of the financial instrument, usually without a corresponding change in its fair value.
- (iv) price risk - risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all instrument traded in the market.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

### 39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

- (b) credit risk – risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.
- (c) liquidity risk (funding risk) – risk that an entity will encounter difficulty in raising funds to meet commitments associated with financial instruments.

The Group's and the Company's overall financial risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group and the Company. Financial risk management is carried out through risk reviews, internal control systems, insurance programmes and adherence to the Group's and the Company's financial risk management policies. The Board of Directors regularly reviews these risks and approves the treasury policies, which covers the management of these risks. Hedging transactions are determined in the light of commercial commitments. Derivative financial instruments are mainly used to hedge underlying commercial exposures.

#### (a) Market risks

##### (i) Foreign currency exchange risk

###### Group

The foreign exchange risk of the Group predominately arises from borrowings denominated in foreign currencies. The main currency exposure from borrowings denominated in foreign currency is USD. The Group has cross currency swaps and call spread options that are primarily used to hedge selected foreign currency borrowings to reduce the foreign currency exposures on these borrowings.

The Group has certain investment in foreign operations, whose net assets are exposed to foreign currency translation risk. Currency exposure arising from the net assets of the Group's foreign operation is managed primarily through borrowings denominated in the relevant foreign currency and also the use of cross currency swap.

As at 31 December 2016, if USD has strengthen/weakened by 5% against IDR, BDT, SLR and RM with all other variables held constant, this will result in foreign exchange losses/gains to the profit or loss of RM328.5 million for the Group on translation of USD denominated non-hedged borrowings.

###### Company

The foreign exchange risk of the Company predominately arises from advances to subsidiaries treated as quasi investment and non-hedged borrowings denominated in USD.

As at 31 December 2016, if USD has strengthen/weakened by 5% against RM with all other variables held constant, this will result in foreign exchange gains/losses to the profit or loss of RM580.4 million for the Company, on translation of USD denominated advances to subsidiaries treated as quasi investment and non-hedged borrowings.

##### (ii) Cash flow and fair value interest rate risk

The Group and the Company have deposits, cash and bank balances including deposits placed with creditworthy licensed banks and financial institutions. The Group and the Company manage its interest rate risk by actively monitoring the yield curve trend and interest rate movement for the various deposits, cash and bank balances.

The Group's borrowings comprise borrowings from financial institutions, Sukuks and Notes. The Group's interest rate risk objective is to manage an acceptable level of rate fluctuation on the interest expense. In order to achieve this objective, the Group targets a composition of fixed and floating borrowings based on assessment of its existing exposure and desirable interest rate profile. To obtain this composition, the Group uses hedging instruments such as interest rate swap contracts and cross currency interest rate swaps.

###### Group

As at 31 December 2016, if interest rate on different foreign currencies denominated floating interest rates non-hedged borrowings had been lower/higher by 5% with all other variables held constant, this will result in a lower/higher interest expense of the Group amounting to RM22.9 million.

### 39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

#### (a) Market risks (continued)

##### (ii) Cash flow and fair value interest rate risk (continued)

###### Company

As at 31 December 2016, if interest rate on different foreign currencies denominated floating interest rates non-hedged borrowings had been lower/higher by 5% with all other variables held constant, this will result in a lower/higher interest expense of the Company amounting to RM5.1 million.

##### (iii) Price risk

The Group is exposed to equity securities price risk because of the investments held by the Group classified on the consolidated statement of financial position as AFS and FVTPL. The Group is not exposed to commodity price risk. No financial instruments or derivatives have been employed to hedge this risk, as the equity securities price risk is deemed as insignificant.

#### (b) Credit risk

Credit risk arises from trade receivables, cash and cash equivalents and financial instruments used in hedging activities.

The Group has no significant concentration of credit risk due to its diverse customer base. Credit risk is managed through the application of credit assessment and approval, credit limit and monitoring procedures. Where appropriate, the Group obtains deposits or bank guarantees from customers.

The Group and the Company place its cash and cash equivalents with a number of creditworthy financial institutions. The Group's and the Company's policy limit the concentration of financial exposure to any single financial institution.

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

The maximum credit risk exposure of the financial assets of the Group and the Company are approximately their carrying amounts as at the end of the reporting period.

The credit quality of the financial assets that are neither past due nor impaired is shown in Note 18 to the financial statements.

The carrying amount of trade receivables that are past due is shown in Note 33 to the financial statements.

#### (c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient liquid funds to meet its financial obligations.

In the management of liquidity risk, the Group and the Company monitor and maintain a level of cash and cash equivalents deemed adequate by the management to finance the Group's and the Company's operations and to mitigate the effects of fluctuations in cash flows. Due to the dynamic nature of the underlying business, the Group and the Company aims at maintaining flexibility in funding by keeping both committed and uncommitted credit lines available.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

### 39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

#### (c) Liquidity risk (continued)

The table below analyses the Group's and the Company's non-derivative financial liabilities and net settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the end of the reporting period to the contractual maturity date. As amounts included in the table are contractual undiscounted cash flows, these amounts may not be reconciled to the amounts disclosed on the statement of financial position for borrowings, trade and other payables and derivative financial instruments.

|   | 2016                               |                      |  |                 | 2015                               |                      |  |                 |
|---|------------------------------------|----------------------|--|-----------------|------------------------------------|----------------------|--|-----------------|
|   | Trade and other payables<br>RM'000 | Borrowings<br>RM'000 | Net settled derivative financial instruments<br>RM'000 | Total<br>RM'000 | Trade and other payables<br>RM'000 | Borrowings<br>RM'000 | Net settled derivative financial instruments<br>RM'000 | Total<br>RM'000 |
| <b>Group</b>                              |                                    |                      |  |                 |                                    |                      |  |                 |
| Below 1 year                              | 9,911,830                          | 7,251,151            | 918  | 17,163,899      | 7,086,448                          | 2,660,050            | 10,101   | 9,756,599       |
| 1-2 years                                 | -                                  | 1,309,129            | 513  | 1,309,642       | -                                  | 3,011,189            | 8,303  | 3,019,492       |
| 2-3 years                                 | -                                  | 3,570,170            | -  | 3,570,170       | -                                  | 1,413,299            | 4,972  | 1,418,271       |
| 3-4 years                                 | -                                  | 6,165,877            | -  | 6,165,877       | -                                  | 3,375,272            | -  | 3,375,272       |
| 4-5 years                                 | -                                  | 665,273              | -  | 665,273         | -                                  | 6,161,900            | -  | 6,161,900       |
| Over 5 years                              | -                                  | 2,875,624            | -  | 2,875,624       | -                                  | 1,036,194            | -  | 1,036,194       |
| Total contractual undiscounted cash flows | 9,911,830                          | 21,837,224           | 1,431  | 31,750,485      | 7,086,448                          | 17,657,904           | 23,376   | 24,767,728      |
| Total carrying amount                     | 9,911,830                          | 22,259,881           | 902  | 32,172,613      | 7,086,448                          | 16,392,386           | 1,102  | 23,479,936      |

|   | 2016                          |                      |                          |                                       |                 | 2015                          |                          |                                       |                 |
|---|-------------------------------|----------------------|--------------------------|---------------------------------------|-----------------|-------------------------------|--------------------------|---------------------------------------|-----------------|
|   | Financial guarantee<br>RM'000 | Borrowings<br>RM'000 | Other payables<br>RM'000 | Amounts due to subsidiaries<br>RM'000 | Total<br>RM'000 | Financial guarantee<br>RM'000 | Other payables<br>RM'000 | Amounts due to subsidiaries<br>RM'000 | Total<br>RM'000 |
| <b>Company</b>                            |                               |                      |                          |                                       |                 |                               |                          |                                       |                 |
| Below 1 year                              | 72,337                        | 2,995,465            | 122,088                  | 2,056,703                             | 5,246,593       | 69,142                        | 49,244                   | 1,396,349                             | 1,514,735       |
| 1-2 years                                 | 72,337                        | -                    | -                        | -                                     | 72,337          | 69,142                        | -                        | -                                     | 69,142          |
| 2-3 years                                 | 72,337                        | -                    | 5,157                    | -                                     | 77,494          | 69,142                        | 1,513                    | -                                     | 70,655          |
| 3-4 years                                 | 1,381,968                     | -                    | -                        | -                                     | 1,381,968       | 69,142                        | -                        | -                                     | 69,142          |
| 4-5 years                                 | -                             | -                    | -                        | -                                     | -               | 1,322,204                     | -                        | -                                     | 1,322,204       |
| Total contractual undiscounted cash flows | 1,598,979                     | 2,995,465            | 127,245                  | 2,056,703                             | 6,778,392       | 1,598,772                     | 50,757                   | 1,396,349                             | 3,045,878       |
| Total carrying amounts                    | -                             | 2,968,244            | 127,245                  | 2,056,703                             | 5,152,192       | -                             | 50,757                   | 1,396,349                             | 1,447,106       |

Financial guarantee represents the maximum amount of a guarantee provided by Company to its subsidiary as disclosed in Note 16(b) to the financial statements. It is based on the earliest period in which the guarantee could be called. No exposure from financial guarantee was recognised by the Group.



### 39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

#### (d) Capital risk management

The primary objective of the Group's capital risk management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder's value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may or may not make dividend payments to shareholders, return capital to shareholders or issue new shares or other instruments.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratios. This ratio is calculated as total borrowings over total equity. Total borrowings including non-current and current borrowings as shown in the consolidated statement of financial position. Total equity is calculated as 'equity' in the consolidated statement of financial position.

|               | Note | 2016<br>RM'000 | 2015<br>RM'000 |
|---------------|------|----------------|----------------|
| Borrowings    | 16   | 22,259,881     | 16,392,386     |
| Total equity  |      | 28,620,204     | 25,724,344     |
| Gearing ratio |      | 0.78           | 0.64           |

The Group's capital management strategy was to obtain and maintain an investment grade credit rating.

#### (e) Fair value estimation

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identified assets or liabilities (Level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly [that is, as prices] or indirectly [that is, derived from prices] (Level 2).
- Inputs for the asset or liability that are not based on observable market data [that is unobservable inputs] (Level 3).

The Group measured the financial instruments based on published price quotations (Level 1) and market approach valuation technique (Level 2) with inputs of valuation technique such as interest rates and yield curves observable at commonly quoted intervals; implied volatilities; and credit spreads that are observable direct or indirectly as at reporting date.

There were no transfers between Level 1 and Level 2 during the financial year.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

### 39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

#### (e) Fair value estimation (continued)

The following table represents the fair value level of the financial assets and liabilities that are measured at fair value as at reporting date.

|                                 | 2016              |                    |                   |                    | 2015              |                   |                   |                  |
|---------------------------------|-------------------|--------------------|-------------------|--------------------|-------------------|-------------------|-------------------|------------------|
|                                 | Level 1<br>RM'000 | Level 2<br>RM'000  | Level 3<br>RM'000 | Total<br>RM'000    | Level 1<br>RM'000 | Level 2<br>RM'000 | Level 3<br>RM'000 | Total<br>RM'000  |
| <b>Group</b>                    |                   |                    |                   |                    |                   |                   |                   |                  |
| <b>Assets</b>                   |                   |                    |                   |                    |                   |                   |                   |                  |
| Financial assets at FVTPL:      |                   |                    |                   |                    |                   |                   |                   |                  |
| - Trading securities            | 18                | -                  | -                 | 18                 | 28                | -                 | -                 | 28               |
| - Non-hedging derivatives       | -                 | 177,777            | -                 | 177,777            | -                 | 240,675           | -                 | 240,675          |
| - Derivatives used for hedging  | -                 | 223,276            | -                 | 223,276            | -                 | 101,807           | -                 | 101,807          |
| Financial assets at AFS:        |                   |                    |                   |                    |                   |                   |                   |                  |
| - Equity securities             | -                 | 62,675             | 1,250             | 63,925             | -                 | -                 | 31,286            | 31,286           |
| <b>Total assets</b>             | <b>18</b>         | <b>463,728</b>     | <b>1,250</b>      | <b>464,996</b>     | <b>28</b>         | <b>342,482</b>    | <b>31,286</b>     | <b>373,796</b>   |
| <b>Liabilities</b>              |                   |                    |                   |                    |                   |                   |                   |                  |
| Financial liabilities at FVTPL: |                   |                    |                   |                    |                   |                   |                   |                  |
| - Non-hedging derivatives       | -                 | (1,322,430)        | -                 | (1,322,430)        | -                 | (172,753)         | -                 | (172,753)        |
| - Derivatives used for hedging  | -                 | (6,077)            | -                 | (6,077)            | -                 | (1,102)           | -                 | (1,102)          |
| <b>Total liabilities</b>        | <b>-</b>          | <b>(1,328,507)</b> | <b>-</b>          | <b>(1,328,507)</b> | <b>-</b>          | <b>(173,855)</b>  | <b>-</b>          | <b>(173,855)</b> |

#### (i) Financial instruments in level 1

The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

#### (ii) Financial instruments in level 2

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3.

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments;
- The fair value of cross currency interest rate swaps and interest rate swaps is calculated as the present value of the estimated future cash flows based on observable market curves; and
- The fair value of forward foreign exchange contracts is determined using forward exchange rates at the reporting date, with the resulting value discounted back to present value.

#### (iii) Financial instruments in level 3

The movement of the financial instruments in level 3 has no material impact to the results of the consolidated financial statements.

**39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)****(f) Offsetting financial assets and financial liabilities**

The following financial assets and financial liabilities are subject to offsetting, enforceable master netting arrangements and similar agreements.

|                   | Gross amounts<br>RM'000 | Gross amounts of recognised<br>(financial liabilities)/<br>financial assets set off<br>RM'000 | Net<br>amounts<br>RM'000 |
|-------------------|-------------------------|---|--------------------------|
| <b>Group</b>      |                         |   |                          |
| <b>2016</b>       |                         |   |                          |
| Trade receivables | 971,725                 | (526,075)   | 445,650                  |
| Trade payables    | (2,770,398)             | 526,075   | (2,244,323)              |
| <b>2015</b>       |                         |   |                          |
| Trade receivables | 668,308                 | (361,286)   | 307,022                  |
| Trade payables    | (2,082,704)             | 361,286   | (1,721,418)              |

**40. LIST OF SUBSIDIARIES**

The Group had the following subsidiaries as at 31 December 2016:

| Name of company                                     | Ownership interest directly held by the parent (%) | Ownership interest held by the Group (%) | Ownership interest held by NCI (%) | Principal activities   | Country and place of incorporation  |
|---|--|--|------------------------------------|--|-------------------------------------|
| Axiata Investments (Labuan) Limited <sup>1</sup>    | 100.00   | 100.00                                   | -                                  | Investment holding   | Federal Territory, Labuan, Malaysia |
| Axiata Investments 1 (India) Limited <sup>2</sup>   | 100.00   | 100.00                                   | -                                  | Investment holding   | Mauritius                           |
| Axiata Management Services Sdn Bhd <sup>1</sup>     | 100.00   | 100.00                                   | -                                  | Provision of services under Axiata's Service Assurance Centre to telecommunication service providers | Malaysia                            |
| Celcom Axiata Berhad <sup>1</sup>                   | 100.00   | 100.00                                   | -                                  | Telecommunication network capacity, infrastructure and services                                      | Malaysia                            |
| Axiata Investments (Singapore) Limited <sup>1</sup> | 100.00   | 100.00                                   | -                                  | Investment holding   | Federal Territory, Labuan Malaysia  |
| Axiata SPV1 (Labuan) Limited <sup>1</sup>           | 100.00   | 100.00                                   | -                                  | Financing  | Federal Territory, Labuan, Malaysia |
| Axiata Foundation <sup>1 and 5</sup>                | -  | -  | -                                  | Develop and nurture talent pool and foster, develop and improve education                            | Malaysia                            |
| Axiata SPV2 Berhad <sup>1</sup>                     | 100.00   | 100.00                                   | -                                  | Financing  | Malaysia                            |

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

### 40. LIST OF SUBSIDIARIES (CONTINUED)

The Group had the following subsidiaries as at 31 December 2016: (continued)

| Name of company   | Ownership interest directly held by the parent (%) | Ownership interest held by the Group (%) | Ownership interest held by NCI (%) | Principal activities   | Country and place of incorporation  |
|---|--|--|------------------------------------|--|-------------------------------------|
| edotco Group Sdn Bhd <sup>1</sup>                                     | 100.00   | 100.00                                   | -                                  | Investment holding and provision of technical and operations support services in the telecommunications and related industries in local and/or international markets | Malaysia                            |
| Axiata Investments (Cambodia) Limited <sup>1</sup>                    | 100.00   | 100.00                                   | -                                  | Investment holding   | Federal Territory, Labuan, Malaysia |
| Axiata Digital Services Sdn Bhd <sup>1</sup>                          | 100.00   | 100.00                                   | -                                  | Investment holding   | Malaysia                            |
| Hello Axiata Company Limited <sup>2 and 5</sup>                       | 100.00   | 100.00                                   | -                                  | Dormant  | Cambodia                            |
| Axiata SPV4 Sdn Bhd <sup>1</sup>                                      | 100.00   | 100.00                                   | -                                  | Investment holding   | Malaysia                            |
| Axiata Investments (UK) Limited                                       | 100.00   | 100.00                                   | -                                  | Investment holding   | United Kingdom                      |
| Axiata Business Services Sdn Bhd                                      | 100.00   | 100.00                                   | -                                  | Provide international carrier services, global communications products, managed information, communications and technology and internet of things.                   | Malaysia                            |
| <b>Subsidiaries held through Axiata Investments (Labuan) Limited</b>  |  |  |                                    |  |                                     |
| Dialog Axiata PLC <sup>2</sup>  | -  | 83.32                                    | 16.68                              | Telecommunication services, infrastructure and e-commerce  | Sri Lanka                           |
| Robi Axiata Limited <sup>3</sup>                                      | -  | 68.69                                    | 31.31                              | Mobile telecommunication services  | Bangladesh                          |
| Axiata Lanka (Private) Limited <sup>2</sup>                           | -  | 100.00                                   | -                                  | Property development and letting of property for commercial purposes   | Sri Lanka                           |
| Multinet Pakistan (Private) Limited <sup>3</sup>                      | -  | 89.00                                    | 11.00                              | Cable television services, information technology and multimedia services  | Pakistan                            |
| edotco Pakistan (Private) Limited                                     | -  | 99.33                                    | 0.67                               | Telecommunication infrastructure and services  | Pakistan                            |
| Axiata Investments (Indonesia) Sdn Bhd <sup>1</sup>                   | -  | 100.00                                   | -                                  | Investment holding   | Malaysia                            |
| <b>Subsidiary held through Axiata Investments (Indonesia) Sdn Bhd</b> |  |  |                                    |  |                                     |
| PT XL Axiata Tbk <sup>2</sup>   | -  | 66.36                                    | 33.64                              | Mobile telecommunication services  | Indonesia                           |

#### 40. LIST OF SUBSIDIARIES (CONTINUED)

The Group had the following subsidiaries as at 31 December 2016: (continued)

| Name of company  | Ownership interest directly held by the parent (%) | Ownership interest held by the Group (%) | Ownership interest held by NCI (%) | Principal activities   | Country and place of incorporation |
|--|--|--|------------------------------------|--|------------------------------------|
| <b>Subsidiaries held through Dialog Axiata PLC</b>                         |  |  |                                    |  |                                    |
| Dialog Broadband Networks (Private) Limited <sup>2</sup>                   | -  | 83.32                                    | 16.68                              | Data and backbone, fixed wireless and transmission infrastructure  | Sri Lanka                          |
| Dialog Television (Private) Limited <sup>2</sup>                           | -  | 83.32                                    | 16.68                              | Television broadcasting generated services and direct - to -home satellite pay television services       | Sri Lanka                          |
| Digital Holdings Lanka (Private) Limited <sup>2</sup> ("DHL")              | -  | 83.32                                    | 16.68                              | Investment holding   | Sri Lanka                          |
| Dialog Business Services (Private) Limited                                 | -  | 83.32                                    | 16.68                              | Providing business process outsourcing services including call centre services                           | Sri Lanka                          |
| <b>Subsidiaries held through Dialog Television (Private) Limited</b>       |  |  |                                    |  |                                    |
| Communiq Broadband Network (Private) Limited <sup>2</sup>                  | -  | 83.32                                    | 16.68                              | Dormant  | Sri Lanka                          |
| Dialog Television Trading (Private) Limited <sup>2</sup>                   | -  | 83.32                                    | 16.68                              | Trading of electronic consumer products  | Sri Lanka                          |
| <b>Subsidiaries held through DHL</b>                                       |  |  |                                    |  |                                    |
| Digital Health (Private) Limited <sup>2</sup>                              | -  | 58.32                                    | 41.68                              | Developing and operating a state-of-the-art electronic commerce infrastructure for the healthcare sector | Sri Lanka                          |
| Digital Commerce Lanka (Private) Limited <sup>2</sup>                      | -  | 83.32                                    | 16.68                              | e-commerce and digital marketing services  | Sri Lanka                          |
| <b>Subsidiary held through Dialog Broadband Networks (Private) Limited</b> |  |  |                                    |  |                                    |
| Telecard (Private) Limited <sup>2</sup>                                    | -  | 83.32                                    | 16.68                              | Dormant  | Sri Lanka                          |
| <b>Subsidiary held through Robi Axiata Limited</b>                         |  |  |                                    |  |                                    |
| edotco Bangladesh Co. Ltd <sup>3</sup>                                     | -  | 84.03                                    | 15.97                              | Telecommunication infrastructure and services  | Bangladesh                         |
| <b>Subsidiary held through Axiata Investments 1 (India) Limited</b>        |  |  |                                    |  |                                    |
| Axiata Investments 2 (India) Limited <sup>2</sup>                          | -  | 100.00                                   | -                                  | Investment holding   | Mauritius                          |

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

## 40. LIST OF SUBSIDIARIES (CONTINUED)

The Group had the following subsidiaries as at 31 December 2016: (continued)

| Name of company   | Ownership interest directly held by the parent (%) | Ownership interest held by the Group (%) | Ownership interest held by NCI (%) | Principal activities  | Country and place of incorporation  |
|---|--|--|------------------------------------|---|-------------------------------------|
| <b>Subsidiary held through Axiata Investments (Cambodia) Limited</b>  |  |  |                                    |   |                                     |
| Axiata (Cambodia) holdings Limited [formerly known as Glasswool Holdings Limited] <sup>1</sup>                | -  | 92.48                                    | 7.52                               | Investment holding  | Federal Territory, Labuan, Malaysia |
| <b>Subsidiaries held through Celcom Axiata Berhad</b>   |  |  |                                    |   |                                     |
| Celcom Mobile Sdn Bhd <sup>1</sup>  | -  | 100.00                                   | -                                  | Mobile communication, network and application services and content                                      | Malaysia                            |
| Celcom Networks Sdn Bhd <sup>1</sup>  | -  | 100.00                                   | -                                  | Network telecommunication, capacity and services  | Malaysia                            |
| Celcom Properties Sdn Bhd <sup>1</sup>  | -  | 100.00                                   | -                                  | Property investment   | Malaysia                            |
| Escape Axiata Sdn Bhd <sup>1</sup>  | -  | 100.00                                   | -                                  | Over-The-Top and other on demand content services   | Malaysia                            |
| Celcom Retail Holding Sdn Bhd <sup>1</sup>  | -  | 100.00                                   | -                                  | Strategic and business development, management, administrative, support services and investment holding | Malaysia                            |
| Celcom Intelligence Sdn Bhd <sup>1 and 5</sup>  | -  | 100.00                                   | -                                  | Investment holding  | Malaysia                            |
| Celcom Timur (Sabah) Sdn Bhd <sup>1</sup>   | -  | 80.00                                    | 20.00                              | Fibre optic transmission network services   | Malaysia                            |
| Celcom eCommerce Sdn Bhd <sup>1</sup>   | -  | 100.00                                   | -                                  | Electronic wallet services  | Malaysia                            |
| Celcom Resources Berhad <sup>1</sup>  | -  | 100.00                                   | -                                  | Investment holding  | Malaysia                            |
| <b>Subsidiary held through Celcom Retail Holding Sdn Bhd</b>  |  |  |                                    |   |                                     |
| Celcom Retail Sdn Bhd <sup>1</sup>  | -  | 100.00                                   | -                                  | Trading and distribution of communication devices and related products and managing retail stores       | Malaysia                            |
| <b>Subsidiary held through Celcom Resources Berhad</b>  |  |  |                                    |   |                                     |
| Celcom Trading Sdn Bhd <sup>1 and 5</sup>   | -  | 100.00                                   | -                                  | Dealing in marketable securities  | Malaysia                            |
| <b>Subsidiary held through Axiata (Cambodia) Holdings Limited formerly known as Glasswool Holding Limited</b> |  |  |                                    |   |                                     |
| Smart Axiata Co., Ltd <sup>2</sup>  | -  | 92.48                                    | 7.52                               | Mobile telecommunication services   | Cambodia                            |

#### 40. LIST OF SUBSIDIARIES (CONTINUED)

The Group had the following subsidiaries as at 31 December 2016: (continued)

| Name of company   | Ownership interest directly held by the parent (%) | Ownership interest held by the Group (%) | Ownership interest held by NCI (%) | Principal activities  | Country and place of incorporation |
|---|--|--|------------------------------------|---|------------------------------------|
| <b>Subsidiary held through Smart Axiata Co., Ltd</b>              |  |  |                                    |   |                                    |
| edotco (Cambodia) Co., Ltd <sup>2</sup>                           | -  | 92.48                                    | 7.52                               | Telecommunication infrastructure and services   | Cambodia                           |
| <b>Subsidiaries held through Axiata Digital Services Sdn Bhd</b>  |  |  |                                    |   |                                    |
| Axiata Digital Advertising Sdn Bhd <sup>1</sup>                   | -  | 100.00                                   | -                                  | Investment holding  | Malaysia                           |
| WSO2 Telco Inc <sup>4</sup>                                       | -  | 70.00                                    | 30.00                              | Technology Enabler Service Provider   | United States of America           |
| Axiata Investments (Mauritius) Limited <sup>2</sup>               | -  | 100.00                                   | -                                  | Investment holding  | Mauritius                          |
| AD Video Sdn Bhd <sup>1</sup>                                     | -  | 100.00                                   | -                                  | Establish, maintain and operate an internet-based multimedia services                   | Malaysia                           |
| VM Digital (Thailand) Co Ltd                                      | -  | 100.00                                   | -                                  | Telecommunications and all types of communications businesses.                          | Thailand                           |
| <b>Subsidiary held through Axiata Digital Advertising Sdn Bhd</b> |  |  |                                    |   |                                    |
| Adknowledge Asia Pacific Pte Ltd <sup>2</sup>                     | -  | 80.00                                    | 20.00                              | Advertising service provider and investment holding                                     | Singapore                          |
| <b>Subsidiaries held through Adknowledge Asia Pacific Pte Ltd</b> |  |  |                                    |   |                                    |
| Komli Asia Holdings Pte Ltd <sup>2</sup>                          | -  | 80.00                                    | 20.00                              | Investment holding and provision of IT products and services for online media companies | Singapore                          |
| Adknowledge Asia Pacific (India) Private Limited                  | -  | 80.00                                    | 20.00                              | Dormant   | India                              |
| <b>Subsidiary held through Komli Asia Holdings Pte Ltd</b>        |  |  |                                    |   |                                    |
| Adknowledge Asia Hong Kong Limited ("AAP Hong Kong") <sup>2</sup> | -  | 80.00                                    | 20.00                              | Investment holding and provision of IT products and services for online media companies | Hong Kong                          |

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

### 40. LIST OF SUBSIDIARIES (CONTINUED)

The Group had the following subsidiaries as at 31 December 2016: (continued)

| Name of company   | Ownership interest directly held by the parent (%) | Ownership interest held by the Group (%) | Ownership interest held by NCI (%) | Principal activities   | Country and place of incorporation |
|---|--|--|------------------------------------|--|------------------------------------|
| <b>Subsidiaries held through AAP</b>  |  |  |                                    |  |                                    |
| <b>Hong Kong</b>  |  |  |                                    |  |                                    |
| Adknowledge Asia (Thailand) Co Ltd <sup>2 and 7</sup>                                   | -  | 79.88                                    | 20.12                              | Provision of IT products and services for online media companies   | Thailand                           |
| Komli Network Philippines, Inc <sup>2 and 8</sup>                                       | -  | 80.00                                    | 20.00                              | Being principal and agent to engage in marketing and sale of digital publication, advertising inventory both locally and abroad, using the internet or mobile technology | Philippines                        |
| <b>Subsidiaries held through AAP</b>  |  |  |                                    |  |                                    |
| <b>Hong Kong</b>  |  |  |                                    |  |                                    |
| PT Komli Indonesia <sup>2</sup>   | -  | 79.20                                    | 20.80                              | Provision of IT products and services for online media companies   | Indonesia                          |
| Adknowledge Asia Malaysia Sdn Bhd <sup>2</sup>  | -  | 80.00                                    | 20.00                              | Being consultants, specialists and agents in multimedia advertising and other related activities   | Malaysia                           |
| Adknowledge Asia Singapore Pte Ltd (formerly known as Komli Media Pte Ltd) <sup>2</sup> | -  | 80.00                                    | 20.00                              | Provision of IT products and services for online media companies   | Singapore                          |
| <b>Subsidiary held through WSO2</b>   |  |  |                                    |  |                                    |
| <b>Telco Inc</b>  |  |  |                                    |  |                                    |
| WSO2. Telco (Private) Limited   | -  | 70.00                                    | 30.00                              | Develop and provide support services for software technologies products and solutions  | Sri Lanka                          |
| <b>Subsidiaries held through edotco</b>   |  |  |                                    |  |                                    |
| <b>Group Sdn Bhd</b>  |  |  |                                    |  |                                    |
| edotco Malaysia Sdn Bhd <sup>1</sup>  | -  | 100.00                                   | -                                  | Telecommunication infrastructure and services  | Malaysia                           |
| edotco Investments (Labuan) Limited <sup>1</sup>  | -  | 100.00                                   | -                                  | Investment holding   | Federal Territory, Labuan Malaysia |
| edotco Holdings (Labuan) Limited <sup>1</sup>   | -  | 78.15                                    | 21.85                              | Investment holding   | Federal Territory, Labuan Malaysia |



#### 40. LIST OF SUBSIDIARIES (CONTINUED)

The Group had the following subsidiaries as at 31 December 2016: (continued)

| Name of company  | Ownership interest directly held by the parent (%) | Ownership interest held by the Group (%) | Ownership interest held by NCI (%) | Principal activities                                       | Country and place of incorporation |
|--|--|--|------------------------------------|--|------------------------------------|
| <b>Subsidiaries held through edotco Investments (Labuan) Limited</b>   |  |  |                                    |  |                                    |
| edotco Towers (Bangladesh) Limited   | -  | 100.00                                   | -                                  | Telecommunication infrastructure and services              | Bangladesh                         |
| edotco Services Lanka (Private) Limited <sup>2</sup>   | -  | 100.00                                   | -                                  | Provision of end to end Integrated Infrastructure Services | Sri Lanka                          |
| edotco Investments Singapore Pte Ltd ("edotco SG") (formerly known as Digicel Asian Holdings Pte Limited) <sup>2</sup> | -  | 87.50                                    | 12.50                              | Investment holding   | Singapore                          |
| <b>Subsidiaries held through edotco SG</b>   |  |  |                                    |  |                                    |
| Asian Towers Holdings Pte Limited <sup>2</sup>   | -  | 87.50                                    | 12.50                              | Investment holding   | Singapore                          |
| edotco Myanmar Limited <sup>2</sup>  | -  | 87.50                                    | 12.50                              | Telecommunication infrastructure and services              | Myanmar                            |
| <b>Subsidiary held through Axiata Investments (UK) Limited</b>   |  |  |                                    |  |                                    |
| Reynolds Holdings Limited  | -  | 100.00                                   | -                                  | Investment Holding   | St Kitts and Nevis                 |
| <b>Subsidiary held through Reynolds Holdings Limited</b>   |  |  |                                    |  |                                    |
| Ncell Private Limited <sup>3 and 9</sup>   | -  | 80.00                                    | 20.00                              | Telecommunication services                                 | Nepal                              |

<sup>1</sup> Audited by PricewaterhouseCoopers Malaysia.

<sup>2</sup> Audited by member firms of PricewaterhouseCoopers International Limited which are a separate and independent legal entity from PricewaterhouseCoopers Malaysia.

<sup>3</sup> Audited by a firm other than a member firm of PricewaterhouseCoopers International Limited.

<sup>4</sup> No audit is required as allowed by the laws of the perspective country in incorporation.

<sup>5</sup> Inactive as at 31 December 2016.

<sup>6</sup> In accordance with IC 112-Consolidation: "Special Purpose Vehicles", AF is consolidated in the Group as the substance of the relationship between the Company and the special purpose entity indicates that the entity is controlled by the Company.

<sup>7</sup> AAP Hong Kong and MGMG Venture Co Ltd hold 255,200 ordinary shares and 382,800 preference shares respectively in the entity. One (1) ordinary share is entitled to one (1) vote and one thousand (1,000) preference shares are entitled to one (1) vote. Accordingly AAP Hong Kong maintains its control over the entity.

<sup>8</sup> AAP Hong Kong is holding 3,125 ordinary shares in the entity and 9,375 ordinary shares via Trust Deed.

<sup>9</sup> Ncell Private Limited has a financial year end in accordance with the calendar year of Nepal in every mid of July.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

### 41. LIST OF ASSOCIATES

The investments in associates are as follows:

| Name of company   | Group's effective ownership interest |          | Principal activities  | Country and place of incorporation |
|---|--------------------------------------|----------|---|------------------------------------|
|   | 2016 (%)                             | 2015 (%) |   |                                    |
| <b>Associate held through Celcom Axiata Berhad</b>  |                                      |          |   |                                    |
| Sacofa Sdn Bhd  | 15.12                                | 15.12    | Telecommunication infrastructure and services   | Malaysia                           |
| <b>Associate held through Celcom Intelligence Sdn Bhd</b>   |                                      |          |   |                                    |
| Celcom Planet Sdn Bhd   | 49.00                                | 49.00    | e-commerce platform business  | Malaysia                           |
| <b>Associate held through Axiata Investments (Singapore) Limited</b>  |                                      |          |   |                                    |
| M1 Limited  | 28.54                                | 28.32    | Mobile telecommunication services, sales of telecommunication equipment and accessories | Singapore                          |
| <b>Associate held through Axiata Investments 1 (India) Limited and Axiata Investments 2 (India) Limited</b> |                                      |          |   |                                    |
| Idea Cellular Limited   | 19.77                                | 19.78    | Mobile telecommunication services   | India                              |
| <b>Associate held through Dialog Axiata PLC</b>   |                                      |          |   |                                    |
| Firstsource Dialog Solutions (Private) Limited  | 21.66                                | 21.66    | Information technology enabled services   | Sri Lanka                          |
| <b>Associate held through Dialog Holding Lanka (Private) Limited</b>  |                                      |          |   |                                    |
| Headstart (Private) Limited   | 21.66                                | 21.66    | Creating and providing e-learning content   | Sri Lanka                          |
| <b>Associate held through Axiata SPV4 Sdn Bhd</b>   |                                      |          |   |                                    |
| Axiata Digital Innovation Fund Sdn Bhd  | 71.07                                | 71.07    | Venture capital   | Malaysia                           |
| <b>Associate held through Axiata Digital Services Sdn Bhd</b>   |                                      |          |   |                                    |
| Localcube Commerce Private Limited ("Localcube")  | 25.22                                | -        | e-commerce  | India                              |

All associates have co-terminous financial year end with the Group except for Idea and Localcube with financial year ended on 31 March.



## 42. LIST OF JOINT VENTURES

The investments in joint ventures are as follows:

| Name of company   | Group's effective ownership interest |          | Principal activities   | Country and place of incorporation |
|---|--------------------------------------|----------|--|------------------------------------|
|   | 2016 (%)                             | 2015 (%) |  |                                    |
| <b>Joint ventures held through Celcom Axiata Berhad</b>           |                                      |          |  |                                    |
| PLDT Malaysia Sdn Bhd   | 49.00                                | 49.00    | Mobile virtual network operator  | Malaysia                           |
| Digital Milestone Sdn Bhd <sup>1</sup>                            | 51.00                                | 51.00    | Special purpose investment company   | Malaysia                           |
| Tune Talk Sdn Bhd   | 35.00                                | 35.00    | Mobile communication services  | Malaysia                           |
| Merchantrade Asia Sdn Bhd   | 20.00                                | 20.00    | Provision of money service business, i.e. remittance and money changing and operator of mobile virtual network | Malaysia                           |
| <b>Joint ventures held through PT XL Axiata Tbk</b>               |                                      |          |  |                                    |
| PT XL Planet Digital  | 33.18                                | 33.21    | e-commerce   | Indonesia                          |
| PT One Indonesia Synergy Tbk                                      | 33.18                                | -        | Consultancy services in future network collaboration   | Indonesia                          |
| <b>Joint venture held through Axiata Digital Services Sdn Bhd</b> |                                      |          |  |                                    |
| Yonder Music Inc  | 27.03                                | 27.03    | Mobile-only digital music download service   | United States Of America           |

<sup>1</sup> On 20 April 2015, Digital Milestone commenced members' voluntary winding-up pursuant to Section 254(1)(b) of the Companies Act, 1965. The Winding-Up of Digital Milestone is expected to be completed upon obtaining the tax clearance from Inland Revenue Board of Malaysia.

## 43. RELATED PARTY TRANSACTIONS

All related party transactions were entered into in the normal course of business and at prices available at negotiated terms. The names of these related parties, nature of these transactions and their total value have been set out in accordance with the provisions of MFRS 124: "Related Party Disclosure".

The Government of Malaysia and bodies controlled or jointly controlled by the Government of Malaysia are related parties of the Group. The Government of Malaysia has significant influence over the Group. The Group enters into transactions with many of these bodies, which includes but is not limited to:

- receiving telecommunications services, including interconnection revenue/charges
- purchasing of goods, including use of public utilities and amenities, and
- placing of bank deposits

The Group has established its procurement policies and approval processes for purchases of products and services, which do not depend on whether the counterparties are government-related entities or not.

The Group provides telecommunications services as part of its ordinary operations. The Group has collectively, but not individually significant transactions with Government-related entities. These telecommunication services are carried out on commercial terms that are negotiated and agreed upon between the parties.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

### 43. RELATED PARTY TRANSACTIONS (CONTINUED)

Key management personnel are the persons who have authority and responsibility for planning, directing and controlling the activities of the Group or the Company either directly or indirectly. Key management personnel of the Group and the Company include the Senior Leadership Team who report directly to the Group Chief Executive Officer.

Whenever exist, related party transactions also includes transaction with entities that are controlled, joint ventures or significantly influenced directly by any key management personnel or their close family members.

In addition to related party transactions and balances mentioned elsewhere in the financial statements, set out below are significant related party transactions and balances which were carried out on terms and conditions negotiated amongst the related parties.

|  | Group          |                | Company            |                |
|--|----------------|----------------|--------------------|----------------|
|  | 2016<br>RM'000 | 2015<br>RM'000 | 2016<br>RM'000     | 2015<br>RM'000 |
| (a) Sale of goods and services:                                  |                |                |                    |                |
| Associates:  |                |                |                    |                |
| - International roaming revenue                                  | <b>14,312</b>  | 13,635         | -                  | -              |
| - Telecommunication services                                     | <b>258,946</b> | 233,222        | -                  | -              |
|  | <b>273,258</b> | 246,857        | -                  | -              |
| Joint ventures:  |                |                |                    |                |
| - Telecommunication services                                     | <b>406,285</b> | 611,463        | -                  | -              |
| (b) Purchase of goods and services:                              |                |                |                    |                |
| Associates:  |                |                |                    |                |
| - Interconnection charges  | <b>11,751</b>  | 13,979         | -                  | -              |
| - Leaseline charges, maintenance and others                      | <b>69,220</b>  | 63,799         | -                  | -              |
|  | <b>80,971</b>  | 77,778         | -                  | -              |
| Joint ventures:  |                |                |                    |                |
| - Revenue sharing  | <b>96,815</b>  | 220,898        | -                  | -              |
| (c) Intercompany service agreement with subsidiaries:            |                |                |                    |                |
| - Technical and management services                              | -              | -              | <b>47,435</b>      | 48,142         |
| (d) Dividends received from subsidiaries/associates              | -              | -              | <b>1,002,403</b>   | 1,101,406      |
| (e) Repayments from/(advances to) subsidiaries                   |                |                |                    |                |
| - Advances   | -              | -              | <b>(2,593,067)</b> | (175,430)      |
| - Repayments   | -              | -              | <b>186,692</b>     | 86,576         |
| (f) Interest income/(expense) on advances (from)/to subsidiaries |                |                |                    |                |
| - Interest income  | -              | -              | <b>10,657</b>      | 47,006         |
| - Interest expense   | -              | -              | <b>(24,701)</b>    | (24,819)       |

The outstanding balances as at reporting date are disclosed in Note 27 and Note 32 to the financial statements.

**43. RELATED PARTY TRANSACTIONS (CONTINUED)**

|   | Group          |                | Company        |                |
|---|----------------|----------------|----------------|----------------|
|   | 2016<br>RM'000 | 2015<br>RM'000 | 2016<br>RM'000 | 2015<br>RM'000 |
| (g) Key management compensation short term employee benefits: |                |                |                |                |
| - Salaries, allowances and bonus                              | <b>23,525</b>  | 18,578         | <b>23,525</b>  | 18,578         |
| - Contribution to EPF   | <b>2,383</b>   | 2,132          | <b>2,383</b>   | 2,132          |
| - Estimated money value of benefits                           | <b>47</b>      | 44             | <b>47</b>      | 44             |
| - Other staff benefits  | <b>171</b>     | 285            | <b>171</b>     | 285            |
| Share-based compensation:                                     |                |                |                |                |
| - ESOS and RSA expenses                                       | <b>4,708</b>   | 1,797          | <b>4,708</b>   | 1,797          |

Included in key management compensation is the Executive Directors' remuneration of the Company as disclosed in Note 7(d) to the financial statements.

**44. DIVIDENDS**

|  | Tax exempt dividend under single tier system |   |                  |                      |   |                 |
|--|--|---|------------------|----------------------|---|-----------------|
|  | 2016   |   |                  | 2015                 |   |                 |
|  | Type   | Per ordinary<br>share of<br>RM1 each<br>Sen | Total<br>RM'000  | Type                 | Per ordinary<br>share of<br>RM1 each<br>Sen | Total<br>RM'000 |
| In respect of financial year<br>ended 31 December: |  |   |                  |                      |   |                 |
| - 2014   | -  | -   | -                | Final <sup>3</sup>   | 14  | 1,205,001       |
| - 2015 <sup>1</sup>                                | <b>Final</b>                                 | <b>12</b>                                   | <b>1,058,806</b> | Interim <sup>4</sup> | 8   | 696,485         |
| - 2016 <sup>2</sup>                                | <b>Interim</b>                               | <b>5</b>                                    | <b>446,310</b>   | -                    | -   | -               |
|  |  | <b>17</b>                                   | <b>1,505,116</b> |                      | 22  | 1,901,486       |

<sup>1</sup> Out of the total dividend distribution, a total RM496.9 million was converted into 102.0 million new ordinary shares of the Company at a conversion price of RM4.87 per ordinary share pursuant to DRS of the Company.

<sup>2</sup> Out of the total dividend distribution, a total RM217.7 million was converted into 44.9 million new ordinary shares of the Company at a conversion price of RM4.85 per ordinary share pursuant to DRS of the Company.

<sup>3</sup> Out of the total dividend distribution, a total RM575.4 million was converted into 94.6 million new ordinary shares of the Company at a conversion price of RM6.08 per ordinary share pursuant to DRS of the Company.

<sup>4</sup> Out of the total dividend distribution, a total RM603.9 million was converted into 108.8 million new ordinary shares of the Company at a conversion price of RM5.55 per ordinary share pursuant to DRS of the Company.

The Board of Directors has recommended a final tax exempt dividend under the single tier system of 3 sen per ordinary share of RM1 each of the Company in respect of financial year ended 31 December 2016 amounting to a total of RM269.1 million, based on the issued and paid-up capital of the Company as at 31 December 2016. The proposed dividend is subject to approval by the shareholders at the forthcoming AGM.

The Board of Directors also determined that the Company's DRS will apply to the Proposed Final Dividend. This will be subject to the approval of shareholders at the forthcoming AGM for the renewal of the authority for the Directors of the Company to allot and issue the new ordinary shares pursuant to the DRS and the approval of Bursa Securities Berhad.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

### 45. RE-PRESENTATION

The Group comparatives of the following components have been re-presented to better reflect the nature of the transaction:

|  | As previously<br>reported<br>RM'000 | Re-representation<br>RM'000 | As<br>re-presented<br>RM'000 |
|--|-------------------------------------|-----------------------------|------------------------------|
| Other comprehensive income:                                    |                                     |                             |                              |
| Items that may be reclassified subsequently to profit or loss: |                                     |                             |                              |
| - other reserve  | (172,753)                           | 172,753                     | -                            |
| Consolidated statement of changes in equity:                   |                                     |                             |                              |
| Other comprehensive income                                     | (172,753)                           | 172,753                     | -                            |
| Transaction with owners:                                       |                                     |                             |                              |
| - put option over NCI  | -                                   | (172,753)                   | (172,753)                    |

### 46. EVENTS AFTER REPORTING PERIOD

#### (a) Incorporation of Axiata Digital Ecode Sdn Bhd ("ADE")

Axiata Digital Services Sdn Bhd ("ADS"), a wholly-owned subsidiary of the Company, had on 9 January 2017 completed the incorporation of ADE (Company No. 1214970-T), a private company limited by shares, under the Companies Act, 1965.

ADE was incorporated with an authorised share capital of RM400,000 divided into 400,000 ordinary shares of RM1 each. The issued and paid-up share capital of ADE is RM2 and its intended principal activities are to carry out the business of researching and developing internet services and mobile applications.

#### (b) Acquisition of 31.01% additional interest in edotco Bangladesh Co. Ltd.

The Call Option exercise to acquire 31.01% of the issued and paid up capital of edotco Bangladesh Co Ltd ("edotco BD") pursuant to SPA dated 5 November 2014 was completed on 19 January 2017 by edotco Group. Accordingly, the Group's effective interest in edotco BD increased from 84.03% to 93.74% before the private exercise mentioned below.

#### (c) Proposed private placement of edotco Group and proposed share divestment on edotco Group

On 18 January 2017, the following agreements were signed:

- i. Share Subscription Agreement between edotco Group and Innovation Network Corporation of Japan ("INCJ") on the subscription by INCJ of up to 546,539,249 ordinary Shares of RM1 each in edotco Group for a total cash consideration of up to USD400.0 million (equivalent to RM1,778.2 million); and
- ii. Share Purchase Agreement between the Company and Mount Bintang Ventures Sdn. Bhd. ("MBVSB"), a wholly owned subsidiary of Khazanah Nasional Berhad for the purchase by MBVSB of 273,269,624 edotco's ordinary shares at a purchase consideration of USD200.0 million (equivalent to RM899.1 million).

The private placement and the divestment were completed on 27 January 2017 with 409,904,436 edotco Group's ordinary shares were issued to INCJ, at a cash consideration of USD300.0 million (equivalent to RM1,329.1 million) and 273,269,624 edotco Group's ordinary shares were disposed to MBVSB at a purchase consideration of USD200.0 million (equivalent to RM888.9 million). On the date of completion, each of the Company, INCJ and Khazanah holds 69.88%, 18.07% and 12.05% respectively in edotco Group.

**SUPPLEMENTARY INFORMATION DISCLOSED PURSUANT TO BURSA SECURITIES LISTING REQUIREMENTS**

The following analysis of realised and unrealised retained profits/(accumulated losses) is prepared in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to “Bursa Securities” Listing Requirements, as issued by the Malaysian Institute of Accountants whilst the disclosure is based on the prescribed format by the Bursa Securities.

|   | Group              |                | Company          |                |
|---|--------------------|----------------|------------------|----------------|
|   | 2016<br>RM'000     | 2015<br>RM'000 | 2016<br>RM'000   | 2015<br>RM'000 |
| Total retained profit/(accumulated losses):                     |                    |                |                  |                |
| - realised  | <b>12,804,667</b>  | 11,689,640     | <b>6,855,824</b> | 5,635,604      |
| - unrealised  | <b>(1,469,419)</b> | (1,627,354)    | <b>548,565</b>   | 2,070,599      |
|   | <b>11,335,248</b>  | 10,062,286     | <b>7,404,389</b> | 7,706,203      |
| Total retained profit/(accumulated losses) from joint ventures: |                    |                |                  |                |
| - realised  | <b>(155,668)</b>   | (59,827)       | -                | -              |
| Total retained profit/(accumulated losses) from associates:     |                    |                |                  |                |
| - realised  | <b>2,046,811</b>   | 2,037,753      | -                | -              |
| - unrealised  | <b>(193,887)</b>   | (310,555)      | -                | -              |
|   | <b>1,852,924</b>   | 1,727,198      | -                | -              |
|   | <b>13,032,504</b>  | 11,729,657     | <b>7,404,389</b> | 7,706,203      |
| Less: consolidation adjustments                                 | <b>(3,697,479)</b> | (1,506,379)    | -                | -              |
| Total consolidated retained profits                             | <b>9,335,025</b>   | 10,223,278     | <b>7,404,389</b> | 7,706,203      |

The disclosure above is solely for compliance with the directive issued by the Bursa Securities and should not be used for any other purpose.

# STATEMENT BY DIRECTORS

PURSUANT TO SECTION 169(15) OF THE COMPANIES ACT, 1965

We, Tan Sri Dato' Azman Hj. Mokhtar and Tan Sri Jamaludin Ibrahim, two of the Directors of Axiata Group Berhad, do hereby state that, in the opinion of the Directors, the financial statements set out on pages 121 to 248 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 31 December 2016 and of their financial performance and cash flows for the financial year then ended.

The supplementary information set out on page 249 have been prepared in accordance with the Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants.

Signed on behalf of the Board of Directors in accordance with their resolution dated 22 February 2017.

**TAN SRI DATO' AZMAN HJ. MOKHTAR**  
DIRECTOR

**TAN SRI JAMALUDIN IBRAHIM**  
DIRECTOR

# STATUTORY DECLARATION

PURSUANT TO SECTION 169(16) OF THE COMPANIES ACT, 1965

I, Yap Wai Yip, being the person primarily responsible for the financial management of Axiata Group Berhad, do solemnly and sincerely declare that the financial statements set out on pages 121 to 248 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.

**YAP WAI YIP**

Subscribed and solemnly declared by the above named Yap Wai Yip at Kuala Lumpur in Malaysia on 22 February 2017, before me.

COMMISSIONER FOR OATHS

# INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF AXIATA GROUP BERHAD  
(INCORPORATED IN MALAYSIA)  
(COMPANY NO. 242188-H)

## REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

### Our opinion

In our opinion, the financial statements of Axiata Group Berhad (“the Company”) and its subsidiaries (“the Group”) give a true and fair view of the financial position of the Group and of the Company as at 31 December 2016, and their financial performance and their cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

### What we have audited

We have audited the financial statements of the Group and of the Company, which comprise the statements of financial position as at 31 December 2016 of the Group and of the Company, and the statements of 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 121 to 248.

### Basis for opinion

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

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

### Independence and other ethical responsibilities

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

### Our audit approach

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

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

# INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF AXIATA GROUP BERHAD  
(INCORPORATED IN MALAYSIA)  
(COMPANY NO. 242188-H)

## REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

### Key audit matters

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

There are no key audit matters in relation to the Financial Statements of the Company.

| Key audit matter   | How our audit addressed the key audit matter   |
|--|--|
| <p><b>Significant acquisitions during the year</b></p> <p><i>Refer to Note 3(a)(i) - Significant Accounting Policies - Subsidiaries and Note 5(a) - Incorporations, acquisitions, dissolutions and dilutions of interests during the financial year</i></p> <p>The Group completed the acquisition of Reynolds Holdings Limited ("Reynolds") on 11 April 2016 and the acquisition of Airtel Bangladesh Limited's ("Airtel") business on 16 November 2016.</p> <p>Management performed a Purchase Price Allocation ("PPA") exercise for each of the acquisition to determine the fair values of identifiable assets acquired and liabilities assumed.</p> <p>Provisional goodwill of RM2,960.3 million for the acquisition of Reynolds and RM20.6 million for the acquisition of Airtel's business has been recognised in the financial statements on dates of acquisition.</p> <p>We focused on the PPA exercises performed because of the significant management judgement involved in the identification of intangible assets acquired and the valuation of the assets and liabilities acquired as it involved the use of estimated future cash flows.</p> | <p>We performed the following procedures:</p> <ul style="list-style-type: none"> <li>• Management's identification of intangible assets acquired was checked by way of understanding the rationale of the acquisitions and benchmarking to other telecommunication acquisition transactions.</li> <li>• We read Share Purchase Agreement for Reynolds acquisition, Merger Agreement for Airtel's business and board minutes to agree the purchase consideration and corroborate the identifiable assets acquired and liabilities assumed.</li> <li>• We used our valuation expert to independently check the valuations prepared by management.</li> <li>• We tested the valuation of the identifiable assets acquired and liabilities assumed as follows: <ul style="list-style-type: none"> <li>- Assessed the appropriateness of the methodology adopted by management for calculating the fair values in relation to the PPA in accordance with MFRS 13 "Fair Value Measurement";</li> <li>- Assessed the discount rate, Earnings Before Interest, Tax, Depreciation and Amortisation ("EBITDA") margin and revenue growth rate by reference to the comparable companies and the industries in the respective territories.</li> </ul> </li> </ul> <p>Based on the procedures performed, we found the methodology used to be acceptable and the assumptions not materially different from our expectations based on comparable industry data.</p> |


**REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)**

| Key audit matter   | How our audit addressed the key audit matter  |
|--|---|
| <p><b>Impairment assessment of goodwill in Indonesia</b></p> <p><i>Refer to Note 3(b)(i) - Significant Accounting Policies - Goodwill, Note 4(b)(i) Critical accounting estimates and assumptions - Impairment assessment of goodwill and Note 25 - Intangible assets</i></p> <p>As at 31 December 2016, the Group's goodwill arising from its acquisitions in Indonesia was RM5,439.7 million.</p> <p>The Group is required to at least annually, test goodwill for impairment.</p> <p>This area is important to our audit as the related CGU is experiencing continued losses. Additionally the carrying amount of net assets of the Indonesia subsidiary is higher than its market capitalisation.</p> <p>Management's assessment of the 'value-in-use' of this CGU involves significant judgement about the future cash flows of the CGU.</p>  | <p>We performed the following audit procedures:</p> <ul style="list-style-type: none"> <li>• We were assisted by our valuation expert in assessing the appropriateness of the methodology adopted by management for impairment assessment in accordance with MFRS 136 "Impairment of Assets". We found that the methodology used is acceptable;</li> <li>• We assessed discount rate, terminal growth rate and revenue growth rate by reference to the comparable companies and the industries in the same territory. We found that these assumptions used were not materially different from our expectations based on comparable industry data.</li> <li>• We compared the revenue growth rate to the historical performance of the CGU and found this assumption to be materially consistent with historical performance.</li> <li>• We re-performed on the sensitivity analysis performed by management by stress-testing the discount rate, terminal growth rate and revenue growth rate. We found no shortfall between the stress-tested value in use calculations and the carrying value of the CGU in the financial statements.</li> </ul> <p>As indicated in Note 25, the impairment assessment is not sensitive to a range of reasonable changes in assumptions which we found to be consistent with the results of our stress test.</p>              |
| <p><b>Impairment assessment of investment in an associate, Idea Cellular Limited ("Idea")</b></p> <p><i>Refer to Note 3(e) - Significant Accounting Policies - Impairment of non-financial assets (excluding goodwill), Note 4(b)(ii) Critical accounting estimates and assumptions - Impairment assessment on non-financial assets (excluding goodwill) and Note 29 - Associates</i></p> <p>The Group has an investment in Idea, a listed associate, with a carrying amount of RM6,711.6 million.</p> <p>As of 31 December 2016, the carrying amount of the investment in associate is higher than its fair value. The fair value was based on its share price adjusted for block discount in accordance with its accounting policy as stated in Note 3(e) to the financial statements. Accordingly, the Group had tested the carrying amount of the investment in associate for impairment.</p> <p>We focused on this area as management's assessment of the recoverable amount of the investment in associate involves significant judgement in estimating the future cash flows.</p> | <p>We performed the following audit procedures:</p> <ul style="list-style-type: none"> <li>• We were assisted by our valuation expert in assessing the appropriateness of the methodology adopted by management for impairment assessment in accordance with MFRS 136 "Impairment of Assets". We found that the methodology used is acceptable;</li> <li>• We assessed discount rate, terminal growth rate and EBITDA margin by reference to the comparable companies and the industries in the same territory. We found that these assumptions used were not materially different from our expectations based on comparable industry data.</li> <li>• We compared the EBITDA margin to the historical performance of the associate and found this assumption to be materially consistent with the historical performance.</li> <li>• We re-performed on the sensitivity analysis performed by management by stress-testing the discount rate, terminal growth rate and EBITDA margin. We found no shortfall between the stress-tested value in use calculations and the carrying amount of the investment in associate in the financial statements.</li> </ul> <p>As indicated in Note 29, the impairment assessment is not sensitive to a range of reasonable changes in assumptions which we found to be consistent with the results of our stress test.</p> |

# INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF AXIATA GROUP BERHAD  
(INCORPORATED IN MALAYSIA)  
(COMPANY NO. 242188-H)

## REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

| Key audit matter   | How our audit addressed the key audit matter   |
|--|--|
| <p><b>Accuracy of telecommunication service revenue recorded given the complexity of systems</b></p> <p><i>Refer to Note 3(s) - Significant Accounting Policies - Revenue recognition and Note 6 - Operating revenue</i></p> <p>Telecommunication service revenue amounting to RM18.6 billion represents a significant component of the Group's revenue.</p> <p>We focused on the accuracy of this area as telecommunication services revenue is an inherent risk because it involves multiple element arrangements, the revenue is processed by billing systems that are complex, it involves large volumes of data with a combination of different products sold and there were price changes during the financial year.</p>   | <p>We performed the following audit procedures:</p> <ul style="list-style-type: none"> <li>We evaluated the relevant IT systems and the design of controls, and tested the operating effectiveness of controls over the:                             <ul style="list-style-type: none"> <li>capture and recording of revenue transactions;</li> <li>authorisation of rate changes and the input of this information to the billing systems; and</li> <li>accuracy of calculation of amounts billed to customers;</li> </ul> </li> <li>We read and understood the key terms and conditions of significant new revenue agreements entered into during the financial year to check the accuracy of revenue recognition;</li> <li>We checked the accounting treatment for significant new products and promotions launched with multiple element arrangements and tested that they are appropriately incorporated in the billing system for new products and products changes; and</li> <li>We examined material non-standard journal entries and other adjustments posted to revenue accounts.</li> </ul> <p>Based on the procedures performed above, we did not find any material exceptions in the accuracy of telecommunication services revenue recorded during the year.</p> |
| <p><b>Capitalisation policy and useful lives of property, plant and equipment ("PPE")</b></p> <p><i>Refer to Note 3(c) - Significant Accounting Policies - Property, plant and equipment, Note 4(b)(iii) Critical accounting estimates and assumptions - Estimated useful lives of PPE and Note 26 - Property, plant and equipment</i></p> <p>As at 31 December 2016, the Group recorded PPE of RM27.5 billion which comprised mainly telecommunication equipment.</p> <p>We focused on this area due to the following:</p> <ul style="list-style-type: none"> <li>certain costs capitalised involve estimates and significant judgement in determining whether the capitalisation criteria under MFRS 116 - Property, Plant and Equipment are met; and</li> <li>the useful lives assigned to telecommunication equipment are areas of significant judgement by management, and management regularly reviews the useful lives due to the network and information technology ("IT") modernisation being undertaken by the Group. The network and IT modernisation involves estimating when the assets will be upgraded based on the approved modernisation plans and the useful lives of the network and IT assets are revised accordingly.</li> </ul> <p>The estimated useful lives of PPE are reviewed annually by management as disclosed in Note 3(c)(ii) and Note 4(b)(iii) to the financial statements.</p> | <p>We performed the following audit procedures:</p> <ul style="list-style-type: none"> <li>We evaluated the design and tested the operating effectiveness of controls around the property, plant and equipment cycle, including the controls over whether engineering (labour) activity is capital or operating in nature. We determined that the operation of the controls provided us with audit evidence in respect of the capitalisation practices.</li> <li>We assessed the nature of costs incurred in capital projects through testing of amounts recorded and assessing whether the nature of the expenditure met capitalisation criteria.</li> <li>We tested whether the Directors' decisions on asset lives are appropriate by considering our knowledge of the business and practice in the wider telecommunication industry. We also tested whether approved asset life changes were appropriately applied prospectively to the fixed asset register.</li> </ul> <p>Based on the procedures performed above, we did not find any material exceptions in the capitalisation policy and management's assessment of useful lives for PPE.</p>   |

### Information other than the financial statements and auditors' report thereon

The Directors of the Company are responsible for the other information. Other information comprising the Directors' Report and Statement of Risk Management and Internal Control were obtained by us prior to the date of this auditors' report. Other sections of the 2016 Annual Report are expected to be made available to us after that date. Other information does not include the financial statements of the Group and of the Company and our auditors' report thereon.

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

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

If, based on the work we have performed on the other information that we obtained prior to the date of this auditors' report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### Responsibilities of the Directors for the financial statements

The Directors of the Company are responsible for the preparation of the financial statements of the Group and of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

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

### Auditors' responsibilities for the audit of the financial statements

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

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional 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.
- (e) Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.
- (f) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

## INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF AXIATA GROUP BERHAD  
(INCORPORATED IN MALAYSIA)  
(COMPANY NO. 242188-H)

### REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

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

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

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

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

### REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report the following:

- (a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.
- (b) We have considered the financial statements and the auditors' reports of all the subsidiaries of which we have not acted as auditors, which are indicated in Note 40 to the financial statements.
- (c) We are satisfied that the financial statements of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.
- (d) The auditors' reports on the financial statements of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

### OTHER REPORTING RESPONSIBILITIES

The supplementary information set out on page 249 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The Directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

### OTHER MATTERS

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

**PRICEWATERHOUSECOOPERS**  
(No. AF: 1146)  
Chartered Accountants

**IRVIN GEORGE LUIS MENEZES**  
02932/06/2018 J  
Chartered Accountant

# SHAREHOLDING STATISTICS

AS AT 31 MARCH 2017

## ANALYSIS OF SHAREHOLDINGS

### Issued Shares:

- 8,973,545,058 Ordinary shares
- Voting Right : 1 vote per shareholder on a show of hands  
1 vote per ordinary share on a poll

### Total No. of Shareholders:

- 21,380

## DISTRIBUTION OF SHAREHOLDINGS

(without aggregating the securities from different securities accounts belonging to the same Depositor)

| Size of Shareholdings                                    | Shareholders  |            |            |            | Shares               |                   |                    |                   |
|--|---------------|------------|------------|------------|----------------------|-------------------|--------------------|-------------------|
|  | Malaysian     |            | Foreign    |            | Malaysian            |                   | Foreign            |                   |
|  | No.           | %          | No.        | %          | No.                  | %                 | No.                | %                 |
| Less than 100  | 1,836         | 8.99       | 19         | 1.97       | 31,940               | 0.00 <sup>1</sup> | 488                | 0.00 <sup>1</sup> |
| 100 - 1,000  | 4,871         | 23.86      | 64         | 6.63       | 3,587,925            | 0.04              | 41,560             | 0.00 <sup>1</sup> |
| 1,001 - 10,000   | 11,236        | 55.04      | 230        | 23.81      | 39,101,957           | 0.49              | 975,602            | 0.11              |
| 10,001 - 100,000   | 2,038         | 9.98       | 238        | 24.64      | 50,572,800           | 0.63              | 9,694,063          | 1.05              |
| 100,001 - 448,611,251<br>(less than 5% of issued shares) | 430           | 2.11       | 415        | 42.96      | 2,337,573,950        | 29.05             | 915,763,336        | 98.84             |
| 448,677,252 and above                                    | 3             | 0.01       | 0          | 0.00       | 5,616,201,437        | 69.79             | 0                  | 0.00              |
| <b>Total</b>   | <b>20,414</b> | <b>100</b> | <b>966</b> | <b>100</b> | <b>8,047,070,009</b> | <b>100</b>        | <b>926,475,049</b> | <b>100</b>        |

### Note:

<sup>1</sup> Less than 0.01%

## CATEGORY OF SHAREHOLDINGS

| Category of Shareholders                     | No. of Shareholders | % of Shareholders | No. of Shares Held   | % of Issued Shares |
|--|---------------------|-------------------|----------------------|--------------------|
| Individuals                                  | 17,713              | 82.85             | 82,453,540           | 0.92               |
| Bank / Finance Companies                     | 120                 | 0.56              | 2,520,065,712        | 28.08              |
| Investments Trusts / Foundations / Charities | 13                  | 0.06              | 222,311              | 0.00 <sup>1</sup>  |
| Other Types of Companies                     | 241                 | 1.13              | 40,369,424           | 0.45               |
| Government Agencies / Institutions           | 18                  | 0.08              | 3,388,254,380        | 37.76              |
| Nominees                                     | 3,273               | 15.31             | 2,942,172,633        | 32.79              |
| Others                                       | 2                   | 0.01              | 7,058                | 0.00 <sup>1</sup>  |
| <b>Total</b>                                 | <b>21,380</b>       | <b>100</b>        | <b>8,973,545,058</b> | <b>100</b>         |

### Note:

<sup>1</sup> Less than 0.01%



## SHAREHOLDING STATISTICS

AS AT 31 MARCH 2017

**SUBSTANTIAL SHAREHOLDERS (HOLDING 5% & ABOVE)**

(as per Register of Substantial Shareholders)

| No. | Name  | Direct Interest    |                    | Indirect/Deemed Interest |                    | Total Interest     |                    |
|-----|---|--------------------|--------------------|--------------------------|--------------------|--------------------|--------------------|
|     |   | No. of Shares Held | % of Issued Shares | No. of Shares Held       | % of Issued Shares | No. of Shares Held | % of Issued Shares |
| 1.  | Khazanah Nasional Berhad  | 3,285,606,277      | 36.61              | 85,632,340 <sup>#</sup>  | 1.0                | 3,371,238,617      | 37.57              |
| 2.  | Citigroup Nominees (Tempatan) Sdn Bhd<br>- Employees Provident Fund Board | 1,366,796,495      | 15.23              | -                        | -                  | 1,366,796,495      | 15.23              |
| 3.  | AmanahRaya Trustees Berhad<br>- Amanah Saham Bumiputera                   | 1,053,300,069      | 11.94              | -                        | -                  | 1,053,300,069      | 11.94              |

**Note:**

<sup>#</sup> Includes 58,100 Axiata Shares being the number outstanding shares to be returned to Khazanah under the Selling Flexibility Arrangement to facilitate the sale of Axiata Shares by Axiata Group's employees who have exercised their Axiata ESOS options. Khazanah is deemed to have an interest in the Axiata Shares pursuant to Section 8 of the Companies Act 2016

**DIRECTORS' DIRECT AND INDIRECT INTERESTS IN THE COMPANY AND ITS RELATED CORPORATIONS**

The Directors' direct and/or indirect interest in the Company based on the Register of Directors' Shareholdings are as follows:-

| Interest in the Company   | Number of Ordinary share |                    |                        |                    |                    |                    |
|---------------------------|--------------------------|--------------------|------------------------|--------------------|--------------------|--------------------|
|                           | Direct                   |                    | Indirect               |                    | Total              |                    |
|                           | No. of Shares Held       | % of Issued Shares | No. of Shares Held     | % of Issued Shares | No. of Shares Held | % of Issued Shares |
| Tan Sri Jamaludin Ibrahim | 118,800 <sup>*</sup>     | 0.00 <sup>1</sup>  | 2,577,025 <sup>#</sup> | 0.00               | 2,577,025          | 0.03               |

| Interest in the Company             | Number of options over Ordinary share/Restricted share |                    |          |                    |                            |                    |
|-------------------------------------|--|--------------------|----------|--------------------|----------------------------|--------------------|
|                                     | Direct   |                    | Indirect |                    | Total                      |                    |
|                                     | No. Held   | % of Issued Shares | No. Held | % of Issued Shares | No. Held                   | % of Issued Shares |
| Tan Sri Jamaludin Ibrahim - Options | 3,154,800 <sup>@</sup>                                 | 0.04               | -        | -                  | 3,154,800 <sup>@</sup>     | 0.04               |
| - Restricted Shares                 | 1,219,800 <sup>&amp;</sup>                             | 0.01               | -        | -                  | 1,219,800 <sup>&amp;</sup> | 0.01               |
|                                     | 39,600 <sup>&amp;</sup>                                | 0.00 <sup>1</sup>  | -        | -                  | 39,600 <sup>&amp;</sup>    | 0.00 <sup>1</sup>  |

**Notes:**

<sup>\*</sup> Held under CIMSEC Nominees (Tempatan) Sdn Bhd (CIMSEC Nominees)

<sup>#</sup> 2,577,025 Axiata shares held under CIMSEC Nominees for CIMB Commerce Trustee Berhad, a trustee of discretionary trust and the beneficiaries of which are members of the family of Tan Sri Jamaludin Ibrahim subject to the terms of such discretionary trust

<sup>@</sup> Options pursuant to Axiata ESOS for Eligible Employees and Executive Directors of Axiata Group

<sup>&</sup> Restricted Share Grant under Axiata Share Scheme

<sup>1</sup> Less than 0.00%

Save as disclosed above, none of the Directors of the Company has any interest direct or indirect in the Company and its related corporations.



### LIST OF TOP THIRTY LARGEST SHAREHOLDERS

(without aggregating the securities from different securities accounts belonging to the same Depositor)

| No.          | Name  | No. of Shares Held   | % of Issued Shares |
|--------------|---|----------------------|--------------------|
| 1.           | Khazanah Nasional Berhad  | 3,285,606,277        | 36.61              |
| 2.           | Citigroup Nominees (Tempatan) Sdn Bhd<br><i>Employees Provident Fund Board</i>  | 1,266,436,328        | 14.11              |
| 3.           | AmanahRaya Trustees Berhad<br><i>Amanah Saham Bumiputera</i>  | 1,064,158,832        | 11.86              |
| 4.           | Kumpulan Wang Persaraan (Diperbadankan)   | 312,424,761          | 3.48               |
| 5.           | Lembaga Tabung Haji   | 233,305,265          | 2.60               |
| 6.           | Permodalan Nasional Berhad  | 136,951,806          | 1.53               |
| 7.           | AmanahRaya Trustees Berhad<br><i>Amanah Saham Malaysia</i>  | 131,147,826          | 1.46               |
| 8.           | AmanahRaya Trustees Berhad<br><i>Amanah Saham Wawasan 2020</i>  | 110,138,354          | 1.23               |
| 9.           | AmanahRaya Trustees Berhad<br><i>AS 1Malaysia</i>   | 92,510,531           | 1.03               |
| 10.          | CIMSEC Nominees (Tempatan) Sdn Bhd<br><i>Exempt An for Khazanah Nasional Berhad (Axiata ESOS)</i>   | 85,432,340           | 0.95               |
| 11.          | HSBC Nominees (Asing) Sdn Bhd<br><i>BBH and Co Boston for Vanguard Emerging Markets Stock Index Fund</i>  | 72,967,194           | 0.81               |
| 12.          | Cartaban Nominees (Asing) Sdn Bhd<br><i>Exempt An for State Street Bank &amp; Trust Company (WEST CLT OD67)</i>   | 64,206,715           | 0.72               |
| 13.          | Cartaban Nominees (Tempatan) Sdn Bhd<br><i>PAMB for Prulink Equity Fund</i>   | 62,905,675           | 0.70               |
| 14.          | AmanahRaya Trustees Berhad<br><i>Amanah Saham Didik</i>   | 62,334,582           | 0.69               |
| 15.          | AMSEC Nominees (Tempatan) Sdn Bhd<br><i>MTrustee Berhad for CIMB Islamic Dali Equity Growth Fund (UT-CIMB-DALI)</i>   | 60,100,330           | 0.67               |
| 16.          | HSBC Nominees (Asing) Sdn Bhd<br><i>Exempt An for JPMorgan Chase Bank, National Association (U.S.A.)</i>  | 58,920,001           | 0.66               |
| 17.          | Malaysia Nominees (Tempatan) Sendirian Berhad<br><i>Great Eastern Life Assurance (Malaysia) Berhad (Par 1)</i>  | 57,002,881           | 0.64               |
| 18.          | Maybank Nominees (Tempatan) Sdn Bhd<br><i>Maybank Trustees Berhad for Public Ittikal Fund (N14011970240)</i>  | 56,936,217           | 0.63               |
| 19.          | AmanahRaya Trustees Berhad<br><i>Public Islamic Dividend Fund</i>   | 52,405,934           | 0.58               |
| 20.          | DB (Malaysia) Nominee (Asing) Sdn Bhd<br><i>State Street London Fund FSIH for First State Investments ICVC-Stewart Investors Global Emerging Markets Leaders Fund</i> | 51,088,113           | 0.57               |
| 21.          | Citigroup Nominees (Tempatan) Sdn Bhd<br><i>Exempt An for AIA Bhd.</i>  | 40,711,997           | 0.45               |
| 22.          | Cartaban Nominees (Asing) Sdn Bhd<br><i>GIC Private Limited for Government of Singapore (C)</i>   | 40,408,165           | 0.45               |
| 23.          | Maybank Nominees (Tempatan) Sdn Bhd<br><i>Maybank Trustees Berhad For Public Regular Savings Fund (N14011940100)</i>  | 39,267,568           | 0.44               |
| 24.          | Citigroup Nominees (Tempatan) Sdn Bhd<br><i>Employees Provident Fund Board (NOMURA)</i>   | 36,656,014           | 0.41               |
| 25.          | AmanahRaya Trustees Berhad<br><i>Public Islamic Select Enterprises Fund</i>   | 32,842,336           | 0.37               |
| 26.          | AmanahRaya Trustees Berhad<br><i>Public Ittikal Sequel Fund</i>   | 27,933,712           | 0.31               |
| 27.          | AmanahRaya Trustees Berhad<br><i>Public Islamic Sector Select Fund</i>  | 27,823,639           | 0.31               |
| 28.          | AmanahRaya Trustees Berhad<br><i>Public Islamic Equity Fund</i>   | 26,909,081           | 0.30               |
| 29.          | HSBC Nominees (Asing) Sdn Bhd<br><i>Exempt An for The Bank of New York Mellon (MELLON ACCT)</i>   | 23,691,235           | 0.26               |
| 30.          | Cartaban Nominees (Asing) Sdn Bhd<br><i>Exempt An for RBC Investor Services Trust (Clients Account)</i>   | 20,332,688           | 0.23               |
| <b>TOTAL</b> |   | <b>7,633,556,397</b> | <b>85.07</b>       |

# LIST OF TOP TEN PROPERTIES

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

| No | Address/Location   | Freehold/Leasehold - land and/or buildings | Current usage of land and buildings      | Approximate age of buildings (years) | Date of acquisition/ capitalisation                          | Remaining lease period (years) | Land area (sq. meter) | Built-up area (sq. meter) | Net book value as at 31 Dec 2016 (RM) |
|----|--|--|--|--------------------------------------|--|--------------------------------|-----------------------|---------------------------|---------------------------------------|
| 1  | New Office Building - 475, Union Place Colombo 02, Sri Lanka   | Freehold building                          | Office building                          | 2                                    | 31.08.2015   | n/a                            | n/a                   | 13,712.5                  | 43,305,290                            |
| 2  | Seksyen 13, Jalan Kemajuan, Petaling Jaya, Selangor, Malaysia  | Leasehold land and building                | Network office                           | 23                                   | 23.03.1998   | 50                             | 4,383.1               | 10,339.0                  | 35,201,880                            |
| 3  | Jl. Arengka II, Kecamatan Tampan, Kelurahan Simpang Baru, Kabupaten Pekanbaru, Indonesia                   | Leasehold land and freehold building       | Telecommunications and operations office | 4                                    | 17.12.2012 (land)<br>11.12.2013 (building)                   | 16                             | 4,883.0               | 5,152.0                   | 17,769,088                            |
| 4  | Jl. Raya Kali Rungkut No. 15A, Surabaya, Indonesia   | Leasehold land and freehold building       | Telecommunications and operations office | 7                                    | 17.04.2008 and<br>22.12.2008 (land)<br>08.10.2009 (building) | 12                             | 8,853.0               | 9,443.0                   | 16,536,262                            |
| 5  | Jl. Sumba B12-1 Mekarwangi, Cikarang Barat, Bekasi-Jawa Barat Kawasan MM2100, Indonesia                    | Leasehold land and freehold building       | Telecommunications and operations office | 6                                    | 24.11.2008 (land)<br>01.02.2011 (building)                   | 14                             | 19,549.5              | 10,683.0                  | 14,691,428                            |
| 6  | Jl. Raya Margorejo Indah D-206 Kel. Sidosemo, Kec. Wonocolo, Surabaya, Jawa Timur, Indonesia               | Leasehold land and freehold building       | Business centres                         | 3                                    | 08.03.2014   | 17                             | 3,100.0               | 1,919.0                   | 12,435,121                            |
| 7  | Foster Lane Car Park, Union Place, Sri Lanka   | Freehold building                          | Office building                          | 2                                    | 30.06.2015   | n/a                            | n/a                   | 5,691.8                   | 9,685,729                             |
| 8  | No. 2, Jalan 5/89 off Jalan Sekilau, Kompleks Batu 3 ½ Cheras, Kuala Lumpur, Wilayah Persekutuan, Malaysia | Leasehold land and building                | Exchange and training centre             | 22                                   | 23.05.1997   | 69                             | 522.0                 | 2,643.0                   | 7,143,432                             |
| 9  | Bandar Sri Manjalara, Mukim Batu, Kuala Lumpur, Wilayah Persekutuan, Malaysia                              | Leasehold land and building                | Telecommunications and operations office | 13                                   | 23.05.1997   | 61                             | 7,931.6               | 3,041.0                   | 7,036,844                             |
| 10 | Sishwa Ward No.1, Pokhara, Nepal   | Freehold land and building                 | Data center                              | 5                                    | 17.10.2012   | n/a                            | 2,169.3               | 549.1                     | 6,654,131                             |

# NET BOOK VALUE OF LAND & BUILDINGS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

| Location                             | Freehold    |                   | Leasehold     |                   | Net book value of land | Net book value of buildings |
|--------------------------------------|-------------|-------------------|---------------|-------------------|------------------------|-----------------------------|
|                                      | No. of Lots | Area ('000 sq ft) | No. of Lots   | Area ('000 sq ft) | RM'000                 | RM'000                      |
| <b>1 Malaysia</b>                    |             |                   |               |                   |                        |                             |
| (a) Federal Territory (Kuala Lumpur) | -           | -                 | 3             | 91.0              | 6,828.9                | 3,187.4                     |
| (b) Selangor                         | 1           | 53.9              | 2             | 48.7              | 7,399.5                | 21,452.6                    |
| (c) Perak                            | 1           | 43.5              | 4             | 63.0              | 1,060.5                | -                           |
| (d) Pulau Pinang                     | 7           | 15.3              | 3             | 64.1              | 1,611.1                | 1,438.6                     |
| (e) Kedah                            | -           | -                 | 1             | 15.9              | 149.1                  | 370.5                       |
| (f) Johor                            | 6           | 41.6              | 1             | 78.8              | 1,394.2                | 1,512.7                     |
| (g) Negeri Sembilan                  | 2           | 50.0              | -             | -                 | 1,160.0                | 216.6                       |
| (h) Terengganu                       | -           | -                 | 7             | 871.8             | 396.2                  | 10.3                        |
| (i) Kelantan                         | -           | -                 | 3             | 107.2             | 154.7                  | 319.5                       |
| (j) Pahang                           | 1           | 37.1              | 17            | 429.6             | 3,580.8                | 1,564.5                     |
| (k) Sabah                            | -           | -                 | 5             | 224.4             | 1,321.9                | 782.4                       |
| (l) Sarawak                          | 2           | 320.1             | 3             | 58.5              | 663.7                  | 710.8                       |
| <b>2 Indonesia</b>                   | -           | -                 | 7,796         | 25,342.0          | 404,278.8              | 43,497.6                    |
| <b>3 Sri Lanka</b>                   | 39          | 1,027.4           | -             | -                 | 18,252.4               | 117,191.2                   |
| <b>4 Bangladesh</b>                  | 259         | 2,032.7           | 5,907         | 4,755.0           | 14,642.1               | 10,820.5                    |
| <b>5 Cambodia</b>                    | -           | -                 | -             | -                 | -                      | 4,441.8                     |
| <b>6 Pakistan</b>                    | 46          | 1,366.4           | -             | -                 | 7,929.4                | 1,952.0                     |
| <b>7 Nepal</b>                       | 7           | 407.1             | -             | -                 | 38,008.0               | 20,297.0                    |
| <b>Total</b>                         | <b>371</b>  | <b>5,395.1</b>    | <b>13,752</b> | <b>32,150.0</b>   | <b>508,831.3</b>       | <b>229,766.0</b>            |

# GROUP DIRECTORY



**Axiata Group Berhad  
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Fax : +92 21 351 13645-46  
Website : www.multinet.com.pk

# GLOSSARY

|   |   |   |
|---|---|---|
| <b>2G</b><br>Second generation wireless telephone technology                                | <b>Axiata Indonesia</b><br>Axiata Investments (Indonesia) Sdn Bhd         | <b>CLM</b><br>Customer Lifecycle Management                                     |
| <b>3G</b><br>Third generation mobile phone technologies covered by the ITU IMT- 2000 family | <b>Axiata Share Scheme</b><br>Performance-Based ESOS and RSP              | <b>CR</b><br>Corporate Responsibility   |
| <b>3R</b><br>Revamp, Rise, Reinvent   | <b>Axiata SPV1</b><br>Axiata SPV1 (Labuan) Limited                        | <b>CSCO</b><br>Cyber Security Operation Centre                                  |
| <b>4G</b><br>Fourth generation mobile phone technology                                      | <b>Axiata SPV2</b><br>Axiata SPV2 Berhad                                  | <b>CSPA</b><br>Cyber Security Posture Assessment                                |
| <b>Advanced Data</b><br>Data, VAS & Broadband   | <b>Axis</b><br>PT Axis Telekom Indonesia                                  | <b>CSSC</b><br>Cyber Security Steering Committee                                |
| <b>AAP</b><br>Adknowledge Asia Pacific Pte Ltd  | <b>AYTP</b><br>Axiata Young Talent Programme                              | <b>CWI</b><br>Connected Women Initiative  |
| <b>ABS</b><br>Axiata Business Services  | <b>B2B</b><br>Business to Business  | <b>DBN</b><br>Dialog Broadband Networks (Private) Limited                       |
| <b>Axiata Digital</b><br>Axiata Digital Services Sdn Bhd                                    | <b>B2B2C</b><br>Business to Business to Consumer                          | <b>DCR</b><br>Directors' Circular Resolutions                                   |
| <b>ADIF</b><br>Axiata Digital Innovation Fund   | <b>BAC</b><br>Board Audit Committee                                       | <b>Dialog</b><br>Dialog Axiata PLC  |
| <b>AGIA</b><br>Axiata Group Internal Audit  | <b>BEE</b><br>Board Effectiveness Evaluation                              | <b>Digital</b><br>Digital Commerce Lanka (Private) Limited                      |
| <b>AGM</b><br>Annual General Meeting  | <b>BICL</b><br>Bangladesh Infrastructure Company Limited                  | <b>DiGi</b><br>DiGi.Com Berhad  |
| <b>AIC</b><br>Axiata Investments (Cambodia) Limited   | <b>BNC</b><br>Board Nomination Committee                                  | <b>DiGi Tel</b><br>DiGi Telecommunications Sdn Bhd                              |
| <b>AI1</b><br>Axiata Investments 1 (India) Limited  | <b>BOD</b><br>Board of Directors  | <b>DMSB</b><br>Digital Milestone Sdn Bhd  |
| <b>AI2</b><br>Axiata Investments 2 (India) Limited  | <b>BRC</b><br>Board Remuneration Committee                                | <b>DPR</b><br>Dividend Payout Ratio   |
| <b>AIL</b><br>Axiata Investments (Labuan) Limited   | <b>BTS</b><br>Base Transceiver Station                                    | <b>DPS</b><br>Dividend Per Share  |
| <b>Airtel</b><br>Airtel Bangladesh Limited  | <b>Bursa Securities</b><br>Bursa Malaysia Securities Berhad               | <b>DRS</b><br>Dividend Reinvestment Scheme                                      |
| <b>AIS</b><br>Axiata Investments (Singapore) Limited  | <b>CAMEL</b><br>Customised Applications for Mobile network Enhanced Logic | <b>DTH</b><br>Direct to Home  |
| <b>AMS</b><br>Axiata Management Services Sdn Bhd  | <b>CAPEX</b><br>Capital Expenditure                                       | <b>DTT</b><br>Dialog Television Trading (Private) Limited                       |
| <b>API</b><br>Application Programme Interface   | <b>CBN</b><br>Comuniq Broadband Network (Private) Limited                 | <b>DTV</b><br>Dialog Television (Private) Limited                               |
| <b>AOBDT</b><br>Annual Overseas Business Development Trip                                   | <b>CDMA</b><br>Code Division Multiple Access                              | <b>edotco Bangladesh</b><br>edotco Bangladesh Co Ltd                            |
| <b>ARPU</b><br>Average Monthly Revenue Per User   | <b>Celcom</b><br>Celcom Axiata Berhad                                     | <b>edotco Group</b><br>edotco Group Sdn Bhd                                     |
| <b>ASEAN</b><br>Association of Southeast Asian Nations                                      | <b>Celcom Group</b><br>Celcom and its subsidiaries                        | <b>edotco Cambodia</b><br>Edotco (Cambodia) Co., Ltd                            |
| <b>ATC</b><br>Axiata Towers (Cambodia) Company Limited                                      | <b>Celcom Networks</b><br>Celcom Networks Sdn Bhd                         | <b>e-money</b><br>electronic money  |
| <b>AUSAID</b><br>Australian Agency for International Development                            | <b>Celcom Planet</b><br>Celcom Planet Sdn Bhd                             | <b>EBIT</b><br>Earnings Before Interest and Taxes                               |
| <b>Axiata</b><br>Axiata Group Berhad  | <b>Celcom Resources</b><br>Celcom Resources Berhad                        | <b>EBITDA</b><br>Earnings Before Interest, Taxes, Depreciation and Amortisation |

# GLOSSARY

**EDGE**  
Enhanced Data rates for GSM Evolution

**ED**  
Executive Director

**EES**  
Economic, Environmental and Social

**EMDE**  
Emerging Market and Developing Economy

**ERM**  
Enterprise Wide Risk Management

**Escape**  
Escape Axiata Sdn Bhd

**ESG**  
Environmental, Social and Corporate Governance

**ESOS**  
Employee Share Option Scheme

**Etisalat Indonesia**  
Emirates Telecommunications Corporation (Etisalat) International Indonesia Limited

**EV**  
Enterprise Value

**EVP**  
Executive Vice President

**FCF**  
Free Cash Flow

**FDI**  
Foreign Direct Investment

**FSL**  
Firstsource Solutions Limited

**FY13**  
Financial year ended 31 December 2013

**FY14**  
Financial year ended 31 December 2014

**FY15**  
Financial year ended 31 December 2015

**GAAP**  
Generally Accepted Accounting Principles

**GCEO**  
Group Chief Executive Officer

**GCFO**  
Group Chief Financial Officer

**GCIA**  
Group Chief Internal Auditor

**GDP**  
Gross Domestic Product

**GLC**  
Government Linked Companies

**GLCT**  
Government Linked Company Transformation

**GMV**  
Gross Merchandise Value

**GPRS**  
General Packet Radio Service

**GRMD**  
Group Risk Management Department

**GSM**  
Global System for Mobile Communications

**GSMA**  
The GSM Association

**GADP**  
Group Accelerated Development Program

**Glasswool**  
Glasswool Holdings Limited

**Hello**  
Hello Axiata Company Limited

**HACL**  
Hello Axiata Company Limited

**HetNet**  
Heterogeneous Network

**HSDPA**  
High Speed Downlink Packet Access

**HSPA**  
High Speed Packet Access

**IA**  
Internal Audit

**ICT**  
Information and Communications Technology

**IDC**  
Internet Data Centre

**Idea**  
Idea Cellular Limited

**ILD**  
International Long Distance

**IMDA**  
Infocommunications Media Development Authority of Singapore

**INED**  
Independent Non-Executive Director

**IoT**  
Internet of Things

**IP**  
Internet Protocol

**IPVPN**  
Internet Protocol Virtual Private Network

**ISP**  
Internet Services Protocol

**Khazanah**  
Khazanah Nasional Berhad

**KLCI**  
Kuala Lumpur Composite Index

**KPI**  
Key Performance Indicator

**LOA**  
Limits of Authority

**LTE**  
Long Term Evolution

**M1**  
M1 Limited

**M2M**  
Machine to Machine

**M&A**  
Mergers & Acquisitions

**Main LR**  
Main Market Listing Requirements of Bursa Securities

**MBB**  
Mobile Broadband

**MCCG 2012**  
Malaysian Code on Corporate Governance 2012

**MCMC**  
Malaysian Communications and Multimedia Commission

**MDS**  
Mobile Data Services

**MFRS**  
Malaysian Financial Reporting Standards

**MIFE**  
Mobile Internet Fulfillment Exchange

**MNP**  
Mobile Number Portability

**MNVO**  
Mobile Virtual Network Operators

**MoU**  
Memorandum of Understanding

**MoU**  
Minutes of Use

**MPEG**  
Moving Picture Experts Group

**MSWG**  
Minority Shareholder Watchdog Group

**MTCE**  
Mobile Telecommunication Company of Esfahan

**Multinet**  
Multinet Pakistan (Private) Limited

**MVNO**  
Mobile Virtual Network Operator

**Ncell**  
Ncell Private Limited

**NEC**  
Non-Executive Chairman

**NED**  
Non-Executive Director

**NGIN**  
New Generation Intelligent Network

**NGNBN**  
Next Generation Nationwide Broadband

**NINED**

Non-Independent Non-Executive Director

**NLD**

National Long Distance

**NPAT**

Net PAT

**NPS**

Net Promoter Score

**OECD**

Organisation for Economic Co-operation and Development

**OpCo**

Operating Company

**OPEX**

Operating Expenditure

**OTT**

Over-The-Top

**President & GCEO**

Managing Director/President &amp; Group Chief Executive Officer

**PAT**

Profit after Tax

**PATAMI**

Profit after Tax and Minority Interest

**PBT**

Profit before Tax

**PLDT MY**

PLDT Malaysia Sdn Bhd

**PGC**

PLDT Global Corporation

**QoQ**

Quarter on Quarter

**RTC**

Regional TowerCo

**RSA**

Restricted Share Awards

**RSP**

Restricted Share Plan

**RMC**

Risk Management Committee

**Robi**

Robi Axiata Limited

**ROCE**

Return on Capital Employed

**ROE**

Return on Equity

**ROI**

Return on Investment

**ROIC**

Return on Invested Capital

**SIM**

Samart I-Mobile Public Company Limited

**SLT**

Senior Leadership Team

**SMART**

Smart Axiata Co., Ltd

**SMS**

Short Message Service

**SPA**

Sales and Purchase Agreement

**SSC**

Share Scheme Committee

**STC**

Saudi Telecom Company

**Suntel**

Suntel Limited

**Sky TV**

Sky Television and Radio Network (Private) Limited

**SME**

Small and Medium Size Enterprise

**SVOD**

Streaming Video on Demand

**TM**

Telekom Malaysia Berhad

**ToR**

Terms of Reference

**TMI**

TM International Berhad (now known as Axiata)

**TSR**

Total Shareholder Return

**UMTS900**

900 MHz Frequency

**UNCTAD**

United Nations Conference on Trade and Development

**USAID**

United States Agency for International Development

**USP**

Universal Service Provision

**VAS**

Value Added Services

**VoLTE**

Voice over LTE

**VWAMP**

Volume Weighted Average Market Price

**WCDMA**

Wideband CDMA

**WiFi**

Wireless Fidelity

**WIMAX**

Worldwide Interoperability for Microwave Access

**XL**

PT XL Axiata Tbk.

**YoY**

Year on Year

**UIEP**

Uncompromising Integrity and Exceptional Performance

**CURRENCIES****BDT**

Bangladeshi Taka, the lawful currency of Bangladesh

**CNY**

Chinese Yuan Renmimbi, the lawful currency of China

**IDR**

Indonesian Rupiah, the lawful currency of Indonesia

**INR**

Indian Rupee, the lawful currency of India

**PKR**

Pakistani Rupee, the lawful currency of Pakistan

**RM**

Ringgit Malaysia, the lawful currency of Malaysia

**SGD**

Singapore Dollars, the lawful currency of Singapore

**SLR/LKR**

Sri Lankan Rupee, the lawful currency of Sri Lanka

**SDR**

Special Drawing Rights, common currency in international roaming agreements

**THB**

Thai Baht, the lawful currency of Thailand

**USD**

United States Dollars, the lawful currency of the US

# NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT THE TWENTY-FIFTH ANNUAL GENERAL MEETING OF AXIATA GROUP BERHAD (“AXIATA” OR “COMPANY”) WILL BE HELD AT THE GRAND BALLROOM, 1ST FLOOR, SIME DARBY CONVENTION CENTRE, 1A JALAN BUKIT KIARA 1, 60000 KUALA LUMPUR, MALAYSIA ON FRIDAY, 26 MAY 2017 AT 3.00 P.M. FOR THE FOLLOWING PURPOSES:

## AS ORDINARY BUSINESS:-

1. To receive the Audited Financial Statements for the financial year ended 31 December 2016 together with the Report of the Directors and the Auditors thereon.
2. To approve a final tax exempt dividend under single tier system of 3 sen per ordinary share for the financial year ended 31 December 2016. **(Ordinary Resolution 1)**
3. To re-elect the following Directors, each of whom retires by rotation pursuant to Article 93 of the Articles of Association of the Company (“Articles”) and being eligible, offers himself for re-election:-
  - i) Dr Muhamad Chatib Basri **(Ordinary Resolution 2)**
  - ii) Kenneth Shen **(Ordinary Resolution 3)**
4. To re-elect the following Directors, each of whom retires pursuant to Article 99 (ii) of the Articles and being eligible, offers himself/herself for re-election:-
  - i) Dato’ Mohd Izzaddin Idris **(Ordinary Resolution 4)**
  - ii) Dato Dr Nik Ramlah Nik Mahmood **(Ordinary Resolution 5)**
5. To re-appoint the following Directors:-
  - i) Tan Sri Ghazzali Sheikh Abdul Khalid **(Ordinary Resolution 6)**
  - ii) Datuk Azzat Kamaludin **(Ordinary Resolution 7)**
6. To approve the following payment by the Company:-
  - a) Directors’ fees with effect from the 25th Annual General Meeting until the next Annual General Meeting:-

|   | Non-Executive Chairman<br>(“NEC”) / per month (RM) | Non-Executive Director<br>(“NED”) / per month (RM) |
|---|--|--|
| i) Directors’ fees                                      | 30,000.00  | 20,000.00  |
| ii) Directors’ fees of the Board Audit Committee        | 4,000.00   | 2,000.00   |
| iii) Directors’ fees of the Board Nomination Committee  | 1,200.00   | 800.00   |
| iv) Directors’ fees of the Board Remuneration Committee | 1,200.00   | 800.00   |

(each of the foregoing payments being exclusive of the others).

- b) Benefits payable to NEC and NEDs from 31 January 2017 until the next Annual General Meeting. **(Ordinary Resolution 8)**
7. To approve the payment of fees and benefits payable by the subsidiaries to the NEDs of the Company from 31 January 2017 until the next Annual General Meeting. **(Ordinary Resolution 9)**
8. To re-appoint Messrs PricewaterhouseCoopers having consented to act as the Auditors of the Company for the financial year ending 31 December 2017 and to authorise the Directors to fix their remuneration. **(Ordinary Resolution 10)**

**AS SPECIAL BUSINESS:-**

9. To consider and, if thought fit, to pass the following Ordinary Resolutions:-

a) To approve the following Directors, each of whom has served as an Independent Non-Executive Director for a cumulative term of more than nine years, to continue to act as Independent Non-Executive Directors:-

- i) Tan Sri Ghazzali Sheikh Abdul Khalid
- ii) Datuk Azzat Kamaludin
- iii) David Lau Nai Pek

**(Ordinary Resolution 11)**

**(Ordinary Resolution 12)**

**(Ordinary Resolution 13)**

10. **PROPOSED SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE**

**"THAT**, in accordance with paragraph 10.09 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (Bursa Securities) (Main LR), approval be and is hereby given for Axiata and/or its subsidiaries to enter into recurrent related party transactions of a revenue or trading nature, as set out in 'Appendix I' of the Circular to Shareholders dated 27 April 2017 (Circular) despatched together with the 2016 Annual Report, which are necessary for the day-to-day operations in the ordinary course of the business of Axiata and/or its subsidiaries on terms not more favourable to the related parties than those generally available to the public and are not detrimental to the minority shareholders of Axiata;

**THAT** such approval will continue to be in force and effect until:-

- i) The conclusion of the next Annual General Meeting at which time the authority will lapse, unless the authority is renewed by a resolution passed at such general meeting;
- ii) The expiration of the period within which the next Annual General Meeting is required to be held under Section 340(2) of the Companies Act 2016 (but must not extend to such extension as may be allowed pursuant to Section 340(4) of the Companies Act 2016); or
- iii) Revoked or varied by resolution passed by the shareholders in general meeting,

whichever is earlier;

**AND THAT** the Directors be and are hereby authorised to complete and do all such acts, deeds and things (including without limitation, to execute such documents under the common seal in accordance with the provisions of the Articles, as may be required) to give effect to the aforesaid shareholders' mandate and transactions contemplated under this resolution." **(Ordinary Resolution 14)**

11. **PROPOSED RENEWAL OF THE AUTHORITY FOR DIRECTORS TO ALLOT AND ISSUE NEW ORDINARY SHARES IN THE COMPANY (AXIATA SHARES) IN RELATION TO THE DIVIDEND REINVESTMENT SCHEME THAT PROVIDES THE SHAREHOLDERS OF THE COMPANY THE OPTION TO ELECT TO REINVEST THEIR CASH DIVIDEND ENTITLEMENTS IN NEW AXIATA SHARES (DRS)**

**"THAT** pursuant to the DRS approved by the shareholders at the Annual General Meeting held on 28 May 2014 and subject to the approval of the relevant authority (if any), approval be and is hereby given to the Company to allot and issue such number of new Axiata Shares pursuant to the DRS until the conclusion of the next Annual General Meeting, upon such terms and conditions and to such persons as the Directors may, in their absolute discretion, deem fit and in the interest of the Company **PROVIDED THAT** the issue price of the said new Axiata Shares shall be fixed by the Directors at not more than 10% discount to the adjusted 5-day volume weighted average market price (VWAMP) of Axiata Shares immediately prior to the price-fixing date, of which the VWAMP shall be adjusted ex-dividend before applying the aforementioned discount in fixing the issue price;

**AND THAT** the Directors and the Secretary be and are hereby authorised to do all such acts and enter into all such transactions, arrangements and documents as may be necessary or expedient in order to give full effect to the DRS with full power to assent to any conditions, modifications, variations and/or amendments (if any) as may be imposed or agreed to by any relevant authorities or consequent upon the implementation of the said conditions, modifications, variations and/or amendments, as they, in their absolute discretion, deem fit and in the best interest of the Company."

**(Ordinary Resolution 15)**



## NOTICE OF ANNUAL GENERAL MEETING

### 12. **AUTHORITY UNDER SECTIONS 75 AND 76 OF THE COMPANIES ACT 2016 FOR DIRECTORS TO ALLOT AND ISSUE SHARES**

“**THAT** pursuant to Sections 75 and 76 of the Companies Act 2016, full authority be and is hereby given to the Directors of the Company to allot and issue shares in the Company at any time until the conclusion of the next Annual General Meeting, and upon such terms and conditions, and for such purposes, as the Directors may, in their absolute discretion, deem fit including in pursuance of offers, agreements or options to be made or granted by the Directors while this approval is in force and the Directors be and are hereby further authorised to make or grant offers, agreements or options in respect of the shares of the Company including those which would or might require shares in the Company to be issued after the expiration of the approval hereof, provided that the aggregate number of shares to be issued does not exceed 10% of the issued shares of the Company for the time being and that the Directors be and are hereby empowered to obtain the approval for the listing and quotation for the additional shares so issued on Bursa Malaysia Securities Berhad, subject always to the Companies Act 2016, the Main LR and the approvals of all relevant regulatory authorities, if required, being obtained.”

**(Ordinary Resolution 16)**

13. To transact any other ordinary business for which due notice has been given in accordance with the Articles and the Companies Act 2016.

**FURTHER NOTICE IS HEREBY GIVEN THAT** for the purpose of determining a Member who shall be entitled to attend, speak and vote at this 25th Annual General Meeting, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd (Bursa Depository) in accordance with Article 66 of the Articles and Section 34(1) of the Securities Industry (Central Depositories) Act 1991 (SICDA) to issue a General Meeting Record of Depositors as at 17 May 2017. Only a depositor whose name appears in the General Meeting Record of Depositors as at 17 May 2017 shall be entitled to attend the said meeting or appoint proxies to attend, speak and vote on his/her behalf.

### **By Order of the Board**

**Suryani Hussein** (LS0009277)

Group Company Secretary  
Kuala Lumpur, Malaysia

27 April 2017

**NOTES:****Proxy and/or Authorised Representative**

1. A Member entitled to attend and vote at the above Meeting is entitled to appoint a proxy without any restriction to the qualification of the proxy to attend and vote in his/her stead.
2. The Company shall be entitled to reject any instrument of proxy lodged if the member is not shown to have any shares entered against his name in the Register and/or subject to Article 34A of the Articles in relation to the Record of Depositors made available to the Company.
3. A Member entitled to attend and vote at the Meeting is entitled to appoint not more than two proxies to attend and vote on his/her behalf. Where a Member appoints two proxies, the appointment shall be invalid unless the percentage of the shareholding to be represented by each proxy is specified.
4. Where a Member is an authorised nominee as defined under the SICDA, it may appoint at least one proxy but not more than two proxies in respect of each Securities Account it holds with ordinary shares of the Company standing to the credit of the said Securities Account.

Every appointment submitted by an authorised nominee as defined under the SICDA, must specify the CDS Account Number.

5. Where a member of the Company is an Exempt Authorised Nominee which holds ordinary shares in the Company for multiple beneficial owners in respect of each securities account (omnibus account), there is no limit to the number of proxies which the Exempt Authorised Nominee may appoint in respect of each omnibus account it holds.
6. The instrument appointing a proxy shall:-
  - a) in the case of an individual, be signed by the appointer or by his/her attorney; or
  - b) in the case of a corporation, be either under its common seal or signed by its attorney or an officer on behalf of the corporation.

If the instrument appointing a proxy is signed by an officer on behalf of the corporation, it should be accompanied by a statement reading "signed as authorised officer under an Authorisation Document, which is still in force, no notice of revocation has been received". If the instrument appointing a proxy is signed by the attorney duly appointed under a power of attorney, it should be accompanied by a statement reading "signed under a power of attorney, which is still in force, no notice of revocation has been received".

7. A corporation which is a Member, may by resolution of its Directors or other governing body authorise such person as it thinks fit to act as its representative at the Meeting, in accordance with Article 89 of the Articles. Pursuant to Section 333 (3) of the Companies Act 2016, if the corporation authorizes more than one person, every one of the representative is entitled to exercise the same powers on behalf of the corporation as the corporation could exercise if every one of the representative was an individual member of the Company. However, if more than one of the representatives do not purport to exercise the power in the same way, the power is treated as not exercised.
8. The instrument appointing the proxy together with the duly registered power of attorney referred to in Note 6 above, if any, must be deposited at the office of the Share Registrar, Tricor Investor & Issuing House Services Sdn Bhd, Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia or its Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia no later than 25 May 2017 at 3.00 p.m.
9. Pursuant to Paragraph 8.29 of the Main LR, all resolutions set out in the Notice of AGM will be put to vote on poll.

**Audited Financial Statements**

10. The Audited Financial Statements for financial year ended 31 December 2016 (FY16) under Agenda 1 are laid before the shareholders pursuant to the provisions of Section 340(1) of the Companies Act 2016 for discussion only and will not be put forward for voting.

**Final Dividend of 3 sen per Ordinary Share**

11. Axiata's existing dividend policy provides that the Company intends to pay dividends of at least 30% of its consolidated PATAMI and endeavours to progressively increase the payout ratio over a period of time, subject to a number of factors including business prospects, capital requirements and surplus, growth/expansion strategy, considerations for non-recurring items and other factors considered relevant by the Board.

As Axiata is a holding company, its income and therefore its ability to pay dividends, is dependent upon the dividends received from its subsidiaries, which in turn would depend on the subsidiaries' distributable profits, operating results, financial condition, capital expenditure plans and other factors that the respective subsidiary Board deems relevant.

On 22 February 2017, for both prudent and strategic reasons, the Board recommended a conservative Final Dividend of 3 sen, implying a total dividend payout ratio of 50% (based on FY16 normalised PATAMI of RM1,418.3 million (including the interim dividend of 5 sen per Axiata Share paid last year on 7 November 2016). The total dividend of 8 sen for the FY16 would tantamount to a total payout of approximately RM715.5 million with a dividend yield of 1.7% (based on a 3-month VWAP). The Final Dividend is subject to the approval of the shareholders at this Annual General

## NOTICE OF ANNUAL GENERAL MEETING

Meeting. In accordance with Section 131 of the Companies Act 2016, a company may only make a distribution to the shareholders out of profits of the company available, if it is solvent. In declaring the Final Dividend, the Board as required under Section 132(2) and (3) of the Companies Act 2016, had considered the amount of dividend and is satisfied that the Company will be solvent immediately after the distribution is made and within 12 months immediately after the distribution.

Pursuant to paragraph 8.26 of the of the Main LR, the Final Dividend, if approved, shall be paid no later than three months from the date of the shareholders' approval. The Book Closure Date will be announced after the AGM.

### Re-election of Directors who retire pursuant to Articles 93 and 99 (ii)

12. Article 93 provides that one-third of the Directors of the Company for the time being shall retire by rotation at an Annual General Meeting of the Company. All the Directors shall retire from office once at least in each three years but shall be eligible for re-election. Dr Muhamad Chatib Basri and Kenneth Shen are standing for re-election as Directors and being eligible, have offered themselves for re-election. Dr Muhamad Chatib Basri, who is Independent Non-Executive Director (INED), has reaffirmed his independence based on independence criteria applied by the Company which is also used in the yearly assessment of INEDs independence and fulfilled the independence definitions as prescribed under the Main LR.

Article 99 (ii) provides that any Director appointed during the year shall hold office only until the next following Annual General Meeting and shall then be eligible for re-election. Dato' Mohd Izzaddin Idris and Dato Dr Nik Ramlah Nik Mahmood who were appointed on 24 November 2016 and 21 March 2017 respectively are standing for re-election as Director and being eligible, have offered themselves for re-election.

### Re-appointment of Directors

13. Tan Sri Ghazzali Sheikh Abdul Khalid and Datuk Azzat Kamaludin, both of whom are above the age of 70, were re-appointed pursuant to Section 129 of the Companies Act 1965 at the 24th Annual General Meeting held on 25 May 2016 to hold office until the conclusion of the next Annual General Meeting. Their term of office, therefore will end at the conclusion of this Annual General Meeting.

With the coming into force of the Companies Act 2016 on 31 January 2017, which repealed Section 129 of the Companies Act 1965, there is no age limit for directors. These Ordinary Resolutions 6 and 7, if passed, will approve and authorise the continuation of the Directors in office from the date of this Annual General Meeting and they shall be thereafter subject to retirement by rotation.

The Board has recommended the re-election and re-appointment of the abovementioned Directors. Details of the assessment of the Directors seeking re-election and re-appointment, save for Dato' Mohd Izzaddin Idris and Dato Dr Nik Ramlah Nik Mahmood, are provided in the Statement on Corporate Governance on page 82 of the 2016 Annual Report. Their profiles are set out in the Profile of Directors' section of the 2016 Annual Report from pages 55 to 59.

### Directors' Fees and Benefits Payable by the Company

14. a) Article 106 (i) provides that the fees payable to the Directors shall from time to time be determined by an ordinary resolution of the Company in general meeting. Such fees cannot be increased except pursuant to an ordinary resolution passed at the Company's general meeting. Therefore, shareholders' approval is required for the payment of Directors' fees.

Shareholders' approval on the Directors' fees for Board and Board Committees was obtained at the 24th Annual General Meeting held on 25 May 2016 and there is no revision to any of the fees. Details of Directors' fees paid to NEDs are set-out on page 86 of the 2016 Annual Report.

- b) Approval of the shareholders is sought pursuant to Section 230(1) of the Companies Act 2016, which came into force on 31 January 2017, stipulating amongst others, that the fees and benefits payable to the directors of a listed company shall be approved at a general meeting. The benefits payable to the NEDs shall comprise the following:-

- i) Meeting Allowance

| Board/Board Committees       | Meeting Allowance (RM) |          |
|------------------------------|------------------------|----------|
|                              | NEC                    | NED      |
| Board of Directors           | 3,000.00               | 2,000.00 |
| Board Audit Committee        | 3,000.00               | 2,000.00 |
| Board Nomination Committee   | 1,500.00               | 1,000.00 |
| Board Remuneration Committee | 1,500.00               | 1,000.00 |
| Other Board Committees       | 1,500.00               | 1,000.00 |

For reference and estimate, the amount of Meeting Allowances paid to NEDs of Axiata for Board and Board Committee meetings held in FY16 are disclosed on page 86 of the 2016 Annual Report.

- ii) Benefits such as annual overseas business development trips, leave passage, travel allowance, travel allowance for non-resident NEDs, equipment, telecommunication facilities, insurance and medical.

#### Directors' Fees and Benefits Payable by the Subsidiaries

15. Approval of the shareholders is sought to comply with the provisions of Section 230(1) of the Companies Act 2016, which came into force on 31 January 2017, stipulating amongst others, that the fees and benefits payable to the directors of a listed company by the subsidiaries shall be approved at a general meeting. Ultimately, any decision in respect of the Directors' remuneration of the following subsidiaries will be made by the shareholders of these companies in accordance with the laws applicable in their respective jurisdiction.

- i) Fees and Meeting Allowance

| Company                          | Designation | Monthly Fees<br>(MYR unless<br>indicated<br>otherwise) | Meeting Attendance per Meeting (MYR unless indicated otherwise) |           |                          |                        |                           |
|----------------------------------|-------------|--|---|-----------|--------------------------|------------------------|---------------------------|
|                                  |             |  | Board of<br>Directors   | BAC       | BNC/BRC                  | Executive<br>Committee | Other Board<br>Committees |
| Celcom                           | NEC         | 12,000.00  | 2,000.00  | 2,000.00  | 1,000.00                 | -                      | 750.00                    |
|                                  | NED         | 8,000.00   | 1,500.00  | 1,500.00  | 750.00                   | -                      | 500.00                    |
| XL                               | President   | IDR100M  | IDR5M   | -         | -                        | -                      | -                         |
|                                  | BOC, Member | IDR70-100M   | IDR5M   | -         | -                        | -                      | -                         |
|                                  | BAC, Member | IDR60M   | -   | -         | -                        | -                      | -                         |
| Dialog                           | NEC         | USD975.00  | USD975.00<br>(AGM: USD650.00)                                   | USD975.00 | USD490.00<br>(BNC & BRC) | USD490.00              | USD390.00                 |
|                                  | NED         | USD750.00  | USD750.00<br>(AGM: USD500.00)                                   | USD750.00 | USD375.00<br>(BNC & BRC) | USD375.00              | USD300.00                 |
| Robi                             | NEC         | USD2,500.00  | USD300.00   | USD300.00 | USD150.00<br>(BRC Only)  | -                      | -                         |
|                                  | NED         | USD2,000.00  | USD200.00   | USD200.00 | USD100.00<br>(BRC Only)  | -                      | -                         |
| Ncell                            | NEC         | USD2,500.00  | USD300.00   | USD300.00 | USD150.00<br>(BRC Only)  | -                      | -                         |
|                                  | NED         | USD2,000.00  | USD200.00   | USD200.00 | USD100.00<br>(BRC Only)  | -                      | -                         |
| edotco                           | NED         | 8,000.00   | 1,000.00  | 1,000.00  | 750.00                   | -                      | 350.00                    |
|                                  | NEC         | 6,000.00   | 700.00  | 700.00    | 500.00                   | -                      | 250.00                    |
| Smart                            | NEC         | USD1,200.00  | USD300.00   | USD300.00 | USD150.00                | -                      | -                         |
|                                  | NED         | USD1,200.00  | USD300.00   | USD300.00 | USD150.00                | -                      | -                         |
| Axiata Digital<br>Advisory Board | NED         | -  | 5,000.00  | -         | -                        | -                      | -                         |

- ii) Other customary benefits not available and/or provided by Axiata prevalent in these respective jurisdiction.

Notes:-

For reference on the directorship of Axiata NEDs on the Board of subsidiaries and amount paid for the FY16 which provides an estimate, please refer to page 86 of the 2016 Annual Report. There has been no change in directorship of Axiata NEDs on these subsidiaries as at the date of this notice.

Payment of fees and benefits in note 14 and 15 will be made by the Company and the respective subsidiary on a monthly basis and/or as and when incurred.

#### Re-appointment of Auditors

16. The Board Audit Committee (BAC) and the Board had, at its meeting held on 22 February 2017 considered the re-appointment of Messrs PricewaterhouseCoopers (PWC) as Auditors of the Company and collectively agreed that PWC meets the criteria of the adequacy of experience and resources of the firm and the person assigned to the audit as prescribed under Paragraph 15.21 of the Main LR.

## NOTICE OF ANNUAL GENERAL MEETING

### EXPLANATORY NOTES - SPECIAL BUSINESS

#### **Approval for Directors to Continue as Independent Non-Executive Directors**

Tan Sri Ghazzali Sheikh Abdul Khalid, Datuk Azzat Kamaludin and David Lau Nai Pek have reached cumulative 9-year independence limit in 2017. In accordance with the Malaysian Code on Corporate Governance 2012, the Board through the BNC has undertaken an assessment on the abovementioned INEDs and has recommended for these Directors to continue to serve as Independent Directors. Details of their assessment are provided on page 82 of the 2016 Annual Report.

#### **Proposed Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature**

The proposed Ordinary Resolution 14, if approved, will enable the Company and/or its subsidiaries to enter into recurrent related party transactions with related parties in the ordinary course of business which are necessary for the Group's day-to-day operations and are on terms not more favourable to the related parties than those generally available to the public and shall lapse at the conclusion of the next Annual General Meeting unless authority for its renewal is obtained from shareholders of the Company at such general meeting. Detailed information on the Proposed Shareholders' Mandate is set out in the Circular which is despatched together with the 2016 Annual Report.

#### **Proposed Renewal of Authority for Directors to Allot and Issue New Axiata Shares In relation to DRS**

The shareholders had, at the 24th Annual General Meeting held on 25 May 2016, approved the renewal of the authority for the Directors to allot and issue new Axiata Shares in relation to DRS and such authority will expire at the conclusion of this Annual General Meeting. The DRS provided shareholders with the opportunity to reinvest the whole or part of cash dividends in new Axiata Shares in lieu of receiving cash subject to the determination by the Directors, shareholders may be offered an option to reinvest such dividends in new Axiata Shares and where applicable, the portion of such dividends to which the option to reinvest applies. Axiata had on 23 February 2017 announced to Bursa Securities on the decision of the Board for the shareholders to be given an option to elect to reinvest the whole or part of the proposed final dividend of 3 sen per Axiata Share for the FY16 (Final Dividend) into new Axiata Shares in accordance with the DRS. This proposed Ordinary Resolution 15, if approved, will renew the Directors' authority to issue new Axiata Shares in respect of the above Final Dividend and subsequent dividends to be declared, if any, under the DRS, until the conclusion of the next Annual General Meeting. A renewal of this authority will be sought at subsequent Annual General Meeting.

#### **Authority under Sections 75 and 76 of the Companies Act 2016 for Directors to Allot and Issue New Axiata Shares**

The Company has not issued any new shares under the general mandate for allotment and issuance of shares up to 10% of the issued shares of the Company, which was approved at the 24th Annual General Meeting held on 25 May 2016 and which shall lapse at the conclusion of the 25th Annual General Meeting to be held on 26 May 2017. The proposed Ordinary Resolution 16 is a general mandate pursuant to Sections 75 and 76 of the Companies Act 2016 obtained from the shareholders of the Company at the Annual General Meeting and this resolution, if approved, will give the Directors the mandate to allot and issue new shares in the Company or to make or grant offers, agreements or options in respect of such shares to such persons, in their absolute discretion including to make or grant offers, agreements or options which would or might require share in the Company to be issued after the expiration of the approval and flexibility to the Company in respect of any possible fund raising activities without having to seek shareholders' approval via a general meeting subsequent to this 25th Annual General Meeting, provided the aggregate number of shares issued does not exceed 10% of the total number of issued shares of the Company for the time being. The general mandate, unless revoked or varied by the Company at a general meeting, will be valid until the next Annual General Meeting of the Company. The rationale is to avoid delay in the capital raising initiatives including placement of shares for the purpose of funding current and/or future current and/or future investment project, working capital and/or acquisitions as well as in the event of any strategic opportunities involving equity deals which may require the Company to allot and issue new shares on urgent basis and thereby reducing administrative time and relevant cost associated with convening additional general meeting(s). In any event, the exercise of this mandate is only to be undertaken if the Board considers it to be in the best interest of the Company.

# STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

PURSUANT TO PARAGRAPH 8.27(2) MAIN LR

## **DIRECTORS STANDING FOR RE-ELECTION AND RE-APPOINTMENT AT THE TWENTY-FIFTH ANNUAL GENERAL MEETING**

The following are Directors retiring pursuant to Article 93 and Article 99 (i) of the Company's Articles of Association:-

Article 93: Retirement by rotation

1. Dr Muhamad Chatib Basri
2. Kenneth Shen

Article 99 (ii): Retirement after appointment to fill casual vacancy

1. Dato' Mohd Izzaddin Idris
2. Dato Dr Nik Ramlah Nik Mahmood

The following Directors are due for re-appointment:

1. Tan Sri Ghazzali Sheikh Abdul Khalid
2. Datuk Azzat Kamaludin

The profiles of the above Directors are set out in the Profile of Directors' section of 2016 Annual Report from pages 56 to 59.

None of the above Directors has any interest in the securities of the Company and its related corporation.

# ADMINISTRATIVE NOTES FOR 25TH ANNUAL GENERAL MEETING

Day & Date : Friday, 26 May 2017  
Time : 3.00 p.m.  
Venue : Grand Ballroom, 1st Floor, Sime Darby Convention Centre (SDCC), 1A Jalan Bukit Kiara 1, 60000 Kuala Lumpur, Malaysia  
GPS Coordinates & Position : N3 08.297 E101 38.916. A location map of SDCC is shown overleaf

## PARKING

Kindly park your vehicle at the SDCC car park. Parking is complimentary but limited due to ongoing construction at the previous open space parking area. We will provide on-site traffic control but please plan accordingly and allocate extra time.

## REGISTRATION

1. Registration will start at 12.00 noon. at the foyer of the meeting hall and will end at the time directed by the Chairman. There will be signages to the registration area and you will have to queue for registration.
2. Please produce your original Identity Card (IC) at the registration counter for verification. Please make sure your IC is returned to you thereafter.
3. Upon verification, you are required to write your name and sign the Attendance List placed on the registration counter.
4. You will be given 1) an identification wristband 2) a food redemption coupon and 3) a personalized passcode slip. You are only allowed to enter the meeting hall if you are wearing the identification wristband. Please retain the personalized passcode slip for voting. There will be no replacement in the event you lose or misplace any one of the aforesaid items (1) to (3).
5. If you are attending the Annual General Meeting as shareholder as well as proxy, you will be registered only once and will be given items (1) to (3) once.
6. No individual will be allowed to register on behalf of another individual even with the original IC of that other individual.
7. The registration counter will handle only verification of identity and registration.
8. After registration, please vacate the registration area immediately.

## FOOD AND BEVERAGE

1. With the food redemption coupon, please proceed to collect your food pack in the refreshment hall as indicated by signages.
2. Coffee and tea will be served in the refreshment hall before the commencement of the Annual General Meeting. Free flow of plain water will be provided at the foyer of the meeting hall throughout the Annual General Meeting.

## HELP DESK

1. Please proceed to the Help Desk located in the foyer of the meeting hall for any clarification or queries.
2. The Help Desk will also handle revocation of proxy's appointment.

## ENTITLEMENTS TO ATTEND, SPEAK AND VOTE

Only a Depositor registered in the Register of Members/Record of Depositors and whose name appears in the Register of Members/Record of Depositors as at 17 May 2017 shall be entitled to attend, speak and vote at the Annual General Meeting or appoint proxies to attend, speak and vote on his/her behalf in respect of the number of shares registered in his/her name at that time.

## PROXY

1. If you are a member of the Company, you are entitled to appoint not more than two (2) proxies to exercise all or any of your rights to attend and vote at the Annual General Meeting. If you are unable to attend the Annual General Meeting and wish to appoint a proxy to attend and vote on your behalf, please submit your Proxy Form in accordance with the notes and instructions printed therein.
2. If you wish to attend the Annual General Meeting yourself, please do not submit any Proxy Form. You will not be allowed to attend the Annual General Meeting together with a proxy appointed by you.
3. If you have submitted your Proxy Form prior to the Annual General Meeting and subsequently decided to attend the Annual General Meeting yourself, please proceed to the Help Desk to revoke the appointment of your proxy.
4. If you wish to submit your Proxy Form by facsimile, please fax to the office of the Share Registrar, Tricor Investor & Issuing House Services Sdn Bhd at Fax No. +603-2783 9222 no later than 25 May 2017 at 3.00 p.m. Please also ensure that the original Proxy Form is deposited at the office of the Share Registrar, Tricor Investor & Issuing House Services Sdn Bhd at Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia or its Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia no later than 25 May 2017 at 3.00 p.m.

## CORPORATE MEMBER

Any corporate member who wishes to appoint a representative instead of a proxy to attend the Annual General Meeting should submit the original certificate of appointment under the seal of the corporation to the office of the Share Registrar at any time before the time appointed for holding the Annual General Meeting or to the registration staff on the day of the Annual General Meeting.

**VOTING PROCEDURES**

1. The voting of the Annual General Meeting will be conducted on a poll in accordance with Paragraph 8.29A of Bursa Securities Main Market LR. The Company has appointed Tricor Investor & Issuing House Services Sdn Bhd as Poll Administrator to conduct the poll by way of electronic polling (“e-voting”) and Deloitte Enterprise Risk Services Sdn Bhd as Scrutineers to verify the poll results.
2. E-voting for each of the resolutions as set out in the Notice of the Annual General Meeting will take place only upon the conclusion of the deliberations of all the businesses transacted at the Annual General Meeting. The registration for attendance will be closed, to facilitate the commencement of the e-voting.

All attendees of the Annual General Meeting will be briefed and guided by the Poll Administrator before the commencement of the e-voting process.

**2016 ANNUAL REPORT**

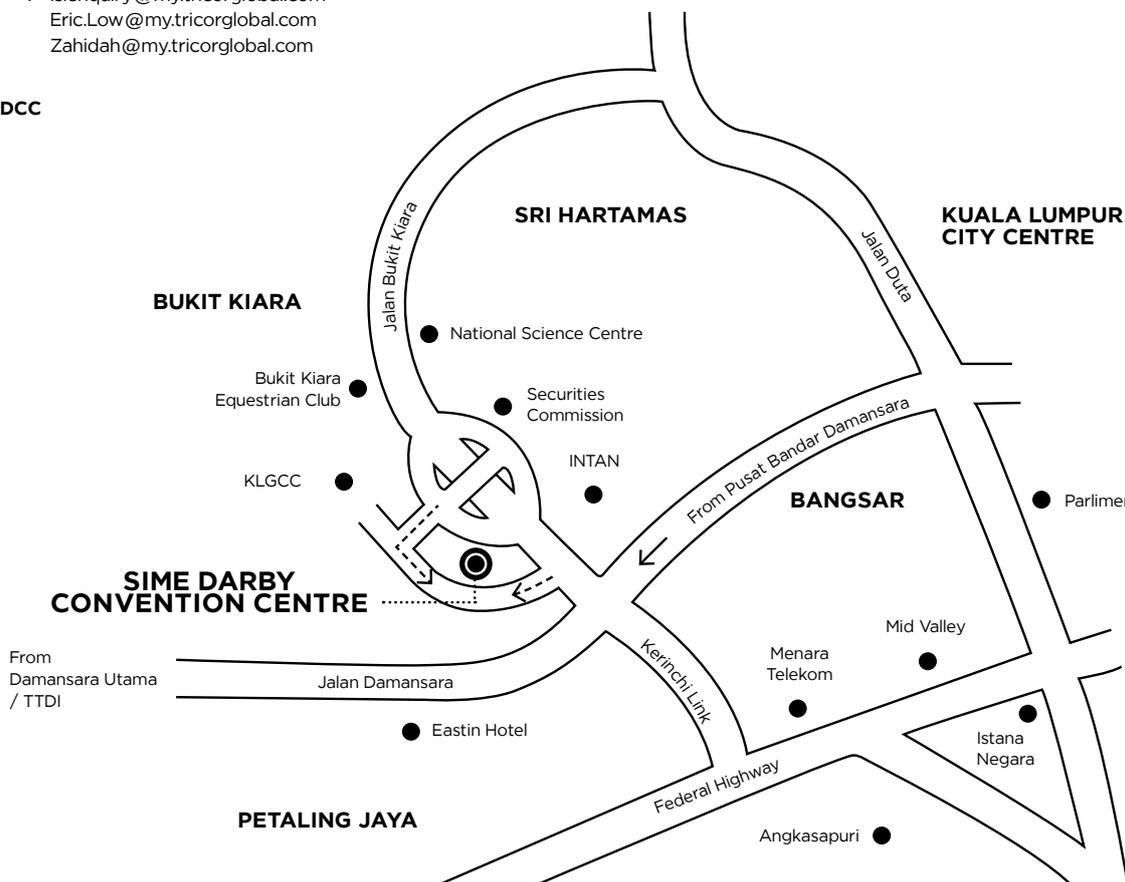
1. The 2016 Annual Report is available on Axiata’s website of [www.axiata.com](http://www.axiata.com) and Bursa Malaysia’s website at [www.bursamalaysia.com](http://www.bursamalaysia.com) under Company’s announcements. Printed copies are also available for collection on a first come first serve basis at the foyer of the meeting hall.

**ENQUIRY**

If you have general queries prior to the Annual General Meeting, please contact the Share Registrar during office hours i.e from 8.30 a.m. to 5.30 p.m. (Mondays to Fridays):-

|           |  |                |
|-----------|--|----------------|
| Telephone | : General  | +603-2783 9299 |
|           | : Eric Low   | +603-2783 9267 |
|           | : Zahidah Ismail   | +603-2783 9263 |
| Fax       | : General  | +603-2783 9222 |
| Email     | : <a href="mailto:is.enquiry@my.tricorglobal.com">is.enquiry@my.tricorglobal.com</a> |                |
|           | : <a href="mailto:Eric.Low@my.tricorglobal.com">Eric.Low@my.tricorglobal.com</a>     |                |
|           | : <a href="mailto:Zahidah@my.tricorglobal.com">Zahidah@my.tricorglobal.com</a>       |                |

**MAP OF SDCC**



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# PROXY FORM

(Before completing the form, please refer to the notes overleaf)



**“A”** I/We, \_\_\_\_\_  
(NAME AS PER NRIC/CERTIFICATE OF INCORPORATION IN CAPITAL LETTERS)  
 with (NEW NRIC NO.) \_\_\_\_\_ (OLD NRIC NO.) \_\_\_\_\_ (COMPANY NO.) \_\_\_\_\_  
 of \_\_\_\_\_  
(FULL ADDRESS)  
 \_\_\_\_\_ (TELEPHONE/MOBILE NO.) \_\_\_\_\_  
 being a Member/Members of **AXIATA GROUP BERHAD** hereby appoint \_\_\_\_\_  
(NAME AS PER NRIC IN CAPITAL LETTERS)  
 with (NEW NRIC NO.) \_\_\_\_\_ (OLD NRIC NO.) \_\_\_\_\_  
 of \_\_\_\_\_  
(FULL ADDRESS)  
 or failing him/her, \_\_\_\_\_  
(NAME AS PER NRIC IN CAPITAL LETTERS)  
 with (NEW NRIC NO.) \_\_\_\_\_ (OLD NRIC NO.) \_\_\_\_\_  
 of \_\_\_\_\_  
(FULL ADDRESS)  
 or failing him/her, the Chairman of the Meeting, as my/our **first** proxy to vote for me/us on my/our behalf at the 25th Annual General Meeting of **AXIATA GROUP BERHAD** to be held at the Grand Ballroom, 1st Floor, Sime Darby Convention Centre, 1A Jalan Bukit Kiara 1, 60000 Kuala Lumpur, Malaysia on Friday, 26 May 2017 at 3.00 p.m. or at any adjournment thereof.

**“B”** If you wish to appoint a second proxy, please complete this section.

I/We, \_\_\_\_\_  
(NAME AS PER NRIC/CERTIFICATE OF INCORPORATION IN CAPITAL LETTERS)  
 with (NEW NRIC NO.) \_\_\_\_\_ (OLD NRIC NO.) \_\_\_\_\_ (COMPANY NO.) \_\_\_\_\_  
 of \_\_\_\_\_  
(FULL ADDRESS)  
 \_\_\_\_\_ (TELEPHONE/MOBILE NO.) \_\_\_\_\_  
 being a Member/Members of **AXIATA GROUP BERHAD** hereby appoint \_\_\_\_\_  
(NAME AS PER NRIC IN CAPITAL LETTERS)  
 with (NEW NRIC NO.) \_\_\_\_\_ (OLD NRIC NO.) \_\_\_\_\_  
 of \_\_\_\_\_  
(FULL ADDRESS)  
 or failing him/her, \_\_\_\_\_  
(NAME AS PER NRIC IN CAPITAL LETTERS)  
 with (NEW NRIC NO.) \_\_\_\_\_ (OLD NRIC NO.) \_\_\_\_\_  
 of \_\_\_\_\_  
(FULL ADDRESS)  
 or failing him/her, the Chairman of the Meeting, as my/our **second** proxy to vote for me/us on my/our behalf at the 25th Annual General Meeting of **AXIATA GROUP BERHAD** to be held at the Grand Ballroom, 1st Floor, Sime Darby Convention Centre, 1A Jalan Bukit Kiara 1, 60000 Kuala Lumpur, Malaysia on Friday, 26 May 2017 at 3.00 p.m. or at any adjournment thereof.

| For appointment of two proxies, percentage of shareholdings to be represented by the proxies:- |                |
|--|----------------|
|  | Percentage (%) |
| Proxy* “A”   |                |
| Proxy* “B”   |                |
| <b>TOTAL</b>   | 100%           |

\* Please fill in the proportion of the holding to be presented by each proxy

My/Our proxy/proxies is/are to vote as indicated below:-

Please indicate with an ‘X’ in the appropriate box against each resolution how you wish your proxy to vote. If no instruction is given, this form will be taken to authorise the proxy to vote or abstain at his/her discretion.

| Resolutions  | Proxy “A” |         | Proxy “B” |         |
|--|-----------|---------|-----------|---------|
|  | For       | Against | For       | Against |
| <b>Ordinary Business</b>   |           |         |           |         |
| 1. Ordinary Resolution 1 - Final tax exempt dividend under single tier system of 3 sen per ordinary share  |           |         |           |         |
| 2. Ordinary Resolution 2 - Re-election of Dr Muhamad Chatib Basri  |           |         |           |         |
| 3. Ordinary Resolution 3 - Re-election of Kenneth Shen   |           |         |           |         |
| 4. Ordinary Resolution 4 - Re-election of Dato’ Mohd Izzaddin Idris  |           |         |           |         |
| 5. Ordinary Resolution 5 - Re-election of Dato Dr Nik Ramlah Nik Mahmood   |           |         |           |         |
| 6. Ordinary Resolution 6 - Re-appointment of Tan Sri Ghazzali Sheikh Abdul Khalid  |           |         |           |         |
| 7. Ordinary Resolution 7 - Re-appointment of Datuk Azzat Kamaludin   |           |         |           |         |
| 8. Ordinary Resolution 8 - Directors’ Fees and Benefits Payable by the Company   |           |         |           |         |
| 9. Ordinary Resolution 9 - Directors’ Fees and Benefits Payable by the Subsidiaries  |           |         |           |         |
| 10. Ordinary Resolution 10 - Re-appointment of Messrs. PricewaterhouseCoopers as Auditors  |           |         |           |         |
| <b>Special Business</b>  |           |         |           |         |
| 11. Ordinary Resolution 11 - Continuation of Tan Sri Ghazzali Sheikh Abdul Khalid to act as Independent Non-Executive Director (INED)                  |           |         |           |         |
| 12. Ordinary Resolution 12 - Continuation of Datuk Azzat Kamaludin to act as INED  |           |         |           |         |
| 13. Ordinary Resolution 13 - Continuation of David Lau Nai Pek to act as INED  |           |         |           |         |
| 14. Ordinary Resolution 14 - Proposed Shareholders’ Mandate  |           |         |           |         |
| 15. Ordinary Resolution 15 - Proposed Renewal of the Authority for Directors to Allot and Issue shares in relation to the Dividend Reinvestment Scheme |           |         |           |         |
| 16. Ordinary Resolution 16 - Authority to Allot and Issue shares under Section 75 and 76 of the Companies Act 2016                                     |           |         |           |         |

Signed this \_\_\_\_\_ day of \_\_\_\_\_ 2017

| No. of ordinary shares held | CDS Account No. of Authorised Nominee* |  |  |  |  |  |  |  |  |  |
|-----------------------------|--|--|--|--|--|--|--|--|--|--|
|                             |  |  |  |  |  |  |  |  |  |  |

\* Applicable to shares held through a nominee account

Signed this \_\_\_\_\_ day of \_\_\_\_\_ 2017

\_\_\_\_\_  
Signature(s)/Common Seal of Member(s)

2. Fold this flap to seal

AFFIX STAMP  
RM0.80  
HERE

The Share Registrar  
**Tricor Investor & Issuing House Services Sdn Bhd** (11324-H)  
Unit 32-01, Level 32, Tower A  
Vertical Business Suite, Avenue 3  
Bangsar South  
No. 8, Jalan Kerinchi  
59200 Kuala Lumpur, Malaysia

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**NOTES:**

**Proxy and/or Authorised Representative**

1. A Member entitled to attend and vote at the above Meeting is entitled to appoint a proxy without any restriction to the qualification of the proxy to attend and vote in his/her stead.
2. The Company shall be entitled to reject any instrument of proxy lodged if the member is not shown to have any shares entered against his name in the Register and/or subject to Article 34A of the Articles of Association of the Company (Articles) in relation to the Record of Depositors made available to the Company.
3. A Member entitled to attend and vote at the Meeting is entitled to appoint not more than two proxies to attend and vote on his/her behalf. Where a Member appoints two proxies, the appointment shall be invalid unless the percentage of the shareholding to be represented by each proxy is specified.
4. Where a Member is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991 (SICDA), it may appoint at least one proxy but not more than two proxies in respect of each Securities Account it holds with ordinary shares of the Company standing to the credit of the said Securities Account.

Every appointment submitted by an authorised nominee as defined under the SICDA, must specify the CDS Account Number.

5. Where a member of the Company is an Exempt Authorised Nominee which holds ordinary shares in the Company for multiple beneficial owners in respect of each securities account (omnibus account), there is no limit to the number of proxies which the Exempt Authorised Nominee may appoint in respect of each omnibus account it holds.
6. The instrument appointing a proxy shall:-
  - a) in the case of an individual, be signed by the appointer or by his/her attorney; or
  - b) in the case of a corporation, be either under its common seal or signed by its attorney or an officer on behalf of the corporation.

If the instrument appointing a proxy is signed by an officer on behalf of the corporation, it should be accompanied by a statement reading "signed as authorised officer under an Authorisation Document, which is still in force, no notice of revocation has been received". If the instrument appointing a proxy is signed by the attorney duly appointed under a power of attorney, it should be accompanied by a statement reading "signed under a power of attorney, which is still in force, no notice of revocation has been received".

7. A corporation which is a Member, may by resolution of its Directors or other governing body authorise such person as it thinks fit to act as its representative at the Meeting, in accordance with Article 89 of the Articles. Pursuant to Section 333 (3) of the Companies Act 2016, if the corporation authorizes more than one person, every one of the representative is entitled to exercise the same powers on behalf of the corporation as the corporation could exercise if every one of the representative was an individual member of the Company. However, if more than one of the representatives do not purport to exercise the power in the same way, the power is treated as not exercised.
8. The instrument appointing the proxy together with the duly registered power of attorney referred to in Note 6 above, if any, must be deposited at the office of the Share Registrar, Tricor Investor & Issuing House Services Sdn Bhd, Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia or its Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia no later than 25 May 2017 at 3.00 p.m.

Pursuant to Paragraph 8.29 of the Main LR, all resolutions set out in the Notice of AGM will be put to vote on poll.

**Members Entitled to Attend, Speak and Vote**

9. For purposes of determining a member who shall be entitled to attend, speak and vote at the Annual General Meeting, the Company shall be requesting Bursa Depository, in accordance with Article 66 of the Articles and Section 34(1) of the SICDA, to issue a General Meeting Record of Depositors as at 17 May 2017. Only a depositor whose name appears in the General Meeting Record of Depositors as at 17 May 2017 shall be entitled to attend, speak and vote at the said meeting or appoint a proxy(ies) on his/her behalf.



The background features a series of parallel diagonal lines crossing the page from the top-left to the bottom-right. Interspersed among these lines are several triangles: a small grey triangle pointing right in the upper right, a larger grey triangle pointing right in the lower center, a small grey triangle pointing right in the lower right, and a central graphic consisting of a white triangle pointing left and a dark grey triangle pointing right, meeting at their vertices.

**AXIATA GROUP BERHAD (242188-H)**  
**CORPORATE HEADQUARTERS**  
**AXIATA TOWER**  
**9 JALAN STESEN SENTRAL 5**  
**KUALA LUMPUR SENTRAL**  
**50470 KUALA LUMPUR**  
**MALAYSIA**

[www.axiata.com](http://www.axiata.com)

This Annual Report is printed on  
environmentally friendly paper