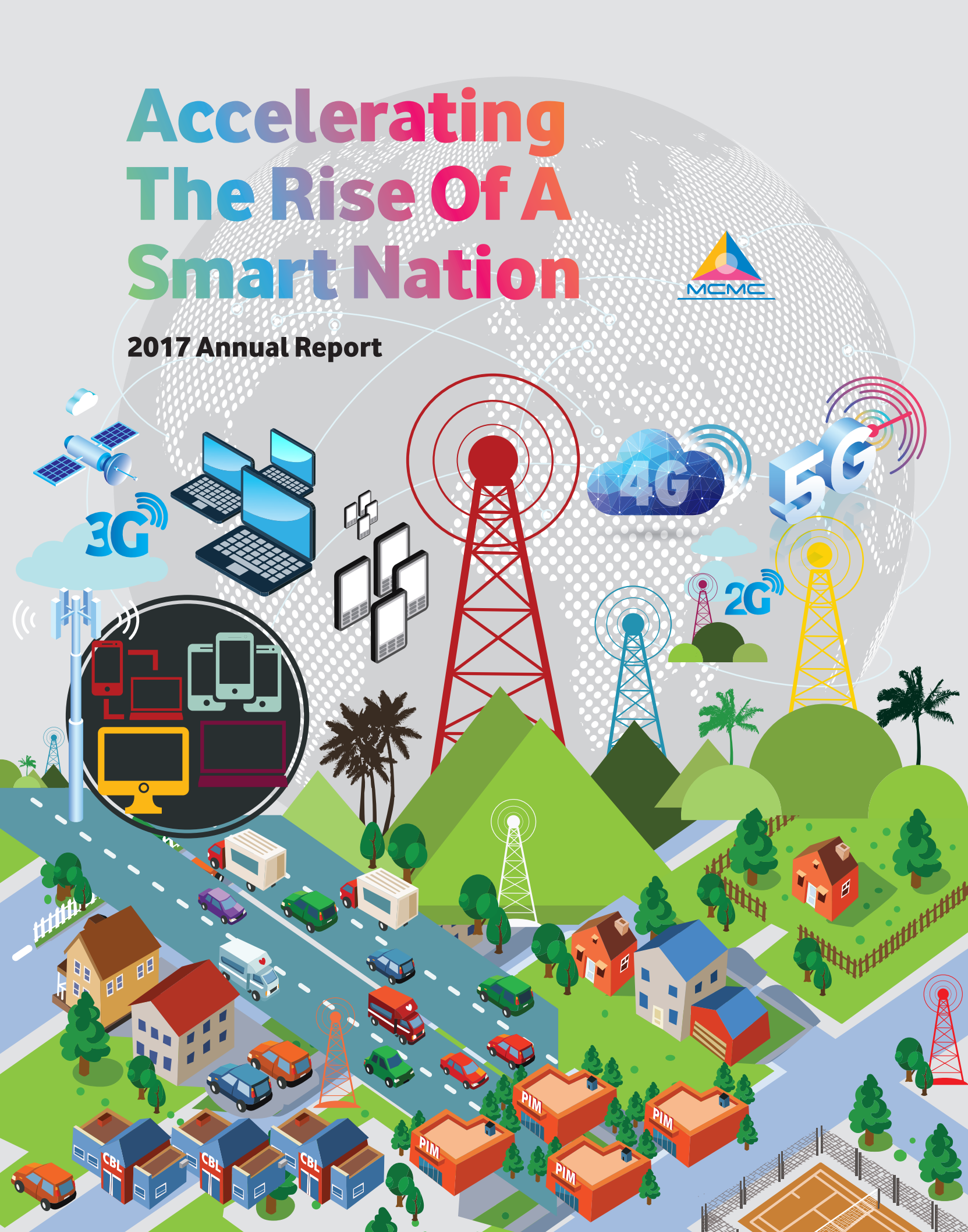


Accelerating The Rise Of A Smart Nation

2017 Annual Report



Infrastructure



HSBB2 HIGH SPEED BROADBAND
 OVERALL TOTAL
480,000
 PORT
 COMPLETED IN YEAR 2017
201,000
 PORT



CONSTRUCTION OF NEW
TOWER
 OVERALL TOTAL
1,664 LOCATIONS
 COMPLETED IN YEAR 2017
262 LOCATIONS

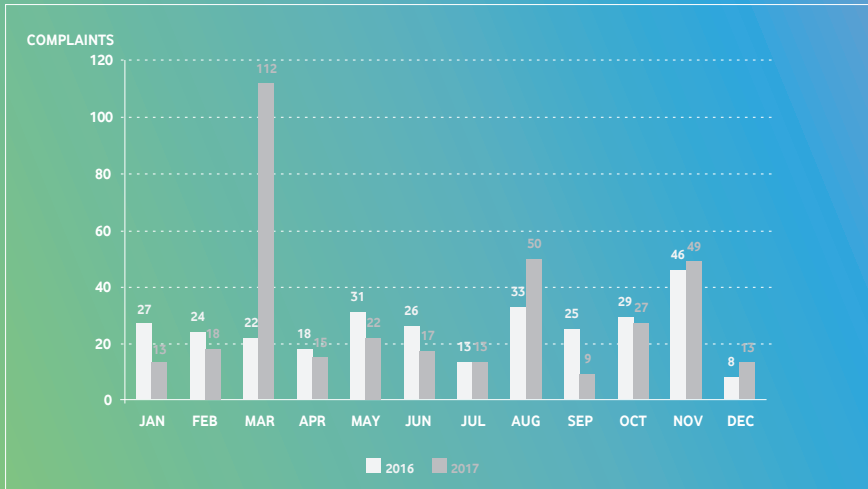


SUBB SUB-URBAN BROADBAND
 OVERALL TOTAL
366,000
 PORT
 COMPLETED IN YEAR 2017
160,000
 PORT



UPGRADE OF EXISTING
TOWER
 OVERALL TOTAL
3,978 LOCATIONS
 COMPLETED IN YEAR 2017
1,928 LOCATIONS

Complaints



OVERALL TOTAL
358 COMPLAINTS RECEIVED

354 COMPLAINTS

FROM MCMC INTERNAL DEPARTMENT

4 COMPLAINTS

FROM MALAYSIA ROYAL POLICE

Blocking of Telephone Numbers on Illegal Cases

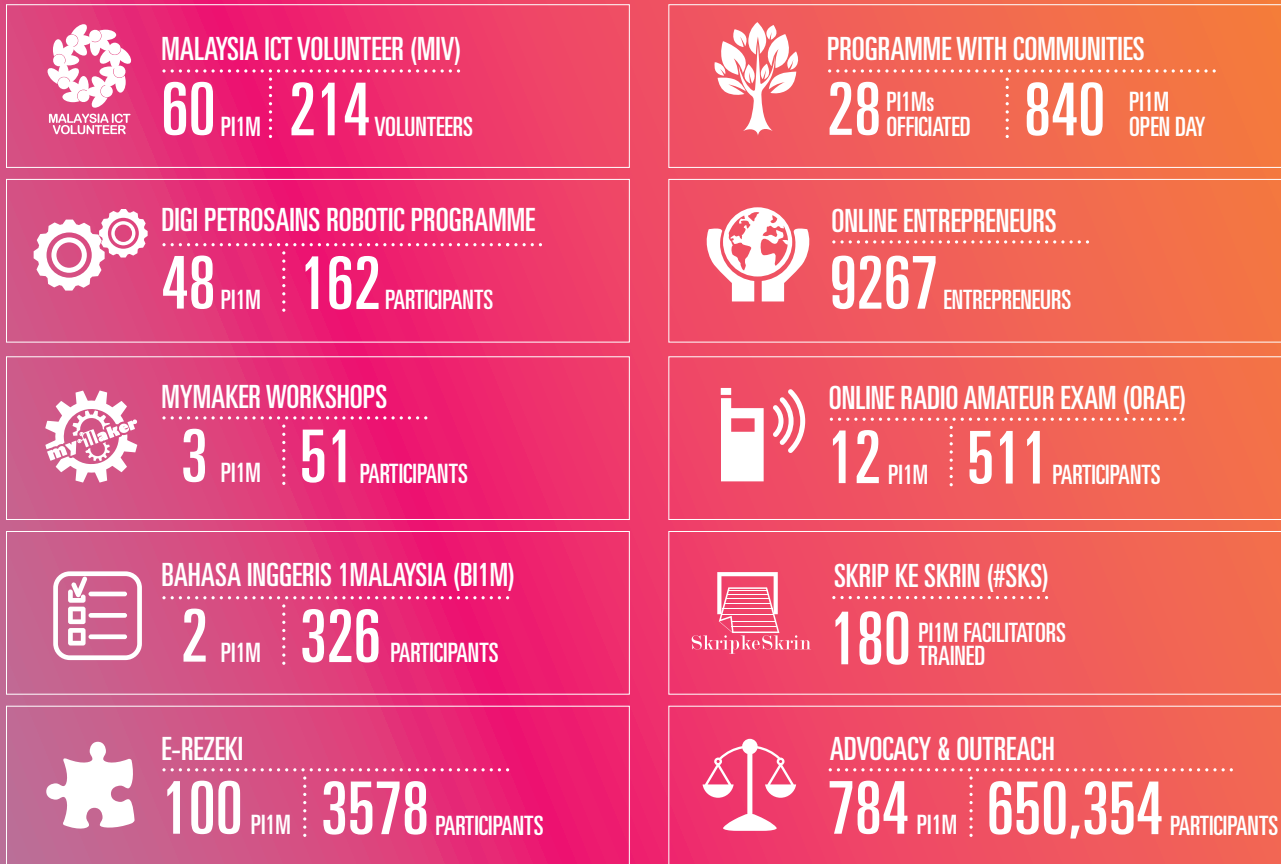
Agency	Number blocked
Majlis Bandaraya Shah Alam	80
Majlis Daerah Kuala Langat	23
Majlis Daerah Kubang Pasu	85
Majlis Daerah Yong Peng	16
Majlis Perbandaran Ampang Jaya	37
Majlis Perbandaran Klang	151
Majlis Perbandaran Selayang	32
Majlis Perbandaran Sg Petani	81
Jabatan Siasatan Jenayah Komersial	8
Majlis Daerah Kerian	4
Majlis Perbandaran Kajang	20
Majlis Perbandaran Subang Jaya	19
Majlis Daerah Padang Terap	5
Majlis Perbandaran Dungun	54
KPKT SABAH	15
Dewan Bandaraya Kota Kinabalu	30
Dewan Bandaraya Kuala Lumpur	1,145
Total	1,805

75.9%
 MALAYSIA'S POPULATION ARE
SMART PHONE USERS

88%
 MALAYSIA'S POPULATION ARE
TELEVISION VIEWERS

75%
 MALAYSIA'S POPULATION ARE
RADIO LISTENERS

Programme / Activities at 1Malaysia Internet Centres



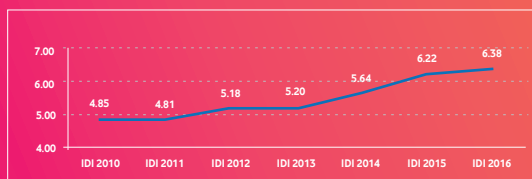

Television Broadcast Service Consumer Satisfaction Index in Malaysia



FREE-TO-AIR
3.97/4.0


PAY TV
3.65/4.0

ICT Development Value Index for Malaysia



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2017 Annual Report



Accelerating The Rise Of A Smart Nation



This Year's 12 Key Performance Results

As an organisation that is responsible for preparing the Nation to compete in a world of digital service, MCMC has worked tirelessly to achieve all of its targets in 2016. At the Town Hall session held on 9 January 2018, the Chairman of MCMC, Tan Sri Dr Halim Shafie, announced the 12 Key Performance Results achieved in 2017.

1 BROADBAND COVERAGE, SPEED AND ABILITY EXCEEDED TARGET

In the Budget 2017, the Prime Minister announced that the speed of fixed broadband service will be doubled, at the same price. Thus, service providers began the implementation of internet speed upgrade in stages in December 2016. All Unifi and Streamyx customers who were eligible have been upgraded as at 31 December 2017.

The MCMC also monitors that broadband packages are being offered at affordable prices to the public. In 2017, the basic package for fixed broadband is offered at as low as **RM38 for 1Mbps with a 1GB quota per month**. This package is 1.06% of Gross National Income (GNI) per capita. Under the 11th Malaysia Plan, the target is to have the basic package price of fixed broadband to drop to the level of 1% of GNI per capita by 2020.

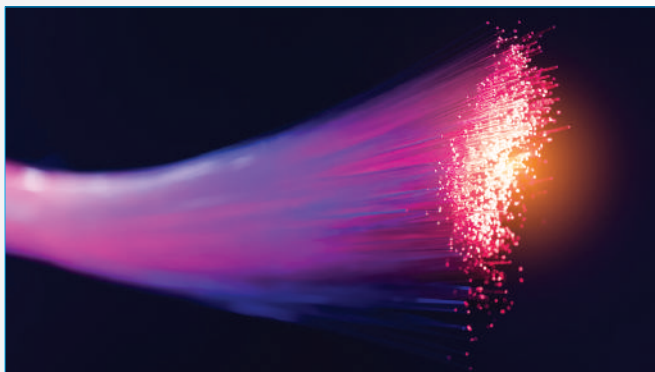
In addition, the National Broadband penetration rate has increased to 84.5% per 100 households at the end of 2017, compared to 81.5% in 2016.

2 INFRASTRUCTURE PROJECTS SUCCESSFULLY COMPLETED

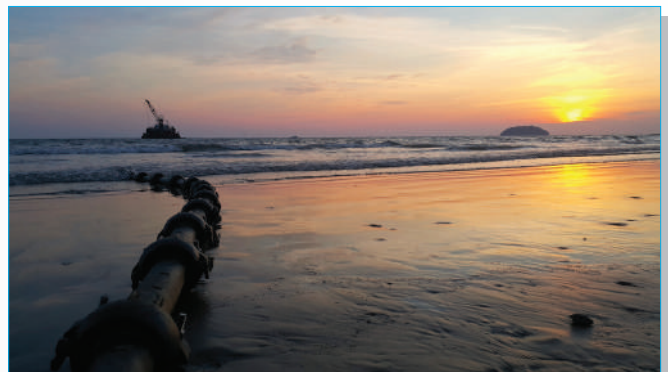
The **1Malaysia People's Cable System Initiative (SKR1M)** was initiated in 2015 through public-private partnership between MCMC and Telekom Malaysia Berhad (TM) and was fully completed in May 2017, ahead of the target set in June 2017. The submarine cables covered a distance of 3,819 kilometers including 6 submarine cable landing stations which link the Peninsula to Sarawak and Sabah.

The **High Speed Broadband 2 (HSBB 2)** project which provides 480 thousand connections throughout the country has exceeded the target of 390 thousand connections. This achievement has boosted the rate of expansion of high speed broadband coverage for up to 100Mbps across the country.

With the two projects completed, the provision for high speed broadband access will have improved and indirectly helped to stimulate the growth of the Nation's digital economy. SKR1M is also part of the National Transformation Programme through the National Key Economic Areas in under the Content and Communication Infrastructure sector (NKEA CCI).



Fiber Optics.



SKR1M Pantai Tanjung Aru, Sabah.

3 SPECTRUM COORDINATION AND REALLOCATION EXERCISE COMPLETED

The coordination and reallocation of the 900MHz and 1800MHz spectrum bands proceeded smoothly and was successfully enforced on 1 July 2017 in accordance to the predetermined timeline. This activity involved service providers, namely Celcom, Digi and Maxis.

The use of frequency bands will be more efficient with the completion of these activities. It will also enable new technologies to be introduced that will improve competition in mobile broadband services, which in turn, will benefit telecommunications consumers in the country.



SAIFON command center in operation.



E-magazine sparks creativity and innovation among students and teachers.

4 SMART COMMUNITY: SAIFON AND E-MAGAZINE SHORT-LISTED BY WSIS 2017

As a member of the ITU, MCMC annually submits its initiatives to the annual competition organised by the world body. In 2017, two initiatives were submitted, namely the Monitoring System Safety and Water Level (SAIFON) and e-Magazine. Both have been successfully short-listed in the World Summit on the Information Society (WSIS) competition.

SAIFON

The Safety and Water Level Monitoring System (SAIFON) is one of the smart systems developed under the Kota Belud Smart Community. MCMC worked with industry partners to develop an automated flood warning system that uses applications to convey early flood warnings to the community in Kota Belud whenever heavy rain occurs. The system contains basic IoT components such as hardware, software and analytics data as a solution to issues arising from flood. Most of Kota Belud residents have downloaded the SAIFON flood warning app.

Sensors are installed at three main rivers; Kadamaian River, Tempasuk River and the Abai River to monitor water levels. There are also 12 closed circuit TV (CCTV) installed at strategic locations in the Town of Kota Belud to assist local agencies such as the District Office and The Malaysian Civil Defense Force (APM) to monitor, plan and take immediate action in ensuring community safety during the floods.

E-MAGAZINE

The program leveraged on digital platforms called the e-studio software to develop school magazines in digital format. The objectives are to spark creativity and innovation amongst teachers and students in developing digital content, promote cost savings and promoting green technology.

The MCMC collaborated with the Ministry of Education Malaysia through Malaysia National Book Council, Regional Education Offices (Lundu and Kota Belud), Department of Education of Putrajaya (JPWP) and Xentral Methods Sdn Bhd for this programme.



SAIFON

Please scan the QR code to view video

5 LAUNCH OF DIGITAL LANGKAWI BY THE PRIME MINISTER

Langkawi Island is a famous tourist destination known throughout the region. The island will be developed by MCMC with the Kedah Government to become a connected and digitally integrated island with the implementation of the Digital Langkawi project.

The Digital Langkawi project was launched by the Prime Minister on 19th August 2017 at the Mahsuri International Exhibition Center in Padang Matsirat, Langkawi. It focuses on telecommunication infrastructure upgrades and quality improvements.

The target is to achieve 100% LTE coverage in Kuah town, major tourist areas and increase 3G coverage in all areas in the district of Langkawi to support and retain Langkawi Island as one of the world's top tourism destination.



Digital Langkawi launch by the Prime Minister.

6 LAUNCH OF SEBENARNYA.MY PORTAL

Among the MCMC's efforts to combat the worsening spread of fake news, MCMC developed a portal called Sebenar.my. This portal that authenticates news reports was launched by the Minister of Communications and Multimedia on 14 March 2017.

The launch ceremony was attended by MCMC Chairman Tan Sri Dr Halim Shafie; Director of Strategic Planning Division in the Prime Department Minister, Datuk Haji Shahlan Ismail; Director General of the Security Council Country, Tan Sri Dato' Sri (Dr) Haji Zulkifeli Mohd Zin; and Datuk Dr Mazlan Ismail, Chief Operating Officer of MCMC.



Launch of sebenar.my portal in MCMC headquarters in Cyberjaya.



DIGITAL LANGKAWI
Please scan the QR code to view video



SEBENARNYA.MY
Please scan the QR code to view video

7 IMPLEMENTATION OF THE ACCESS MANDATORY STANDARDS REDUCE WHOLESALe PRICES

In early 2017, MCMC initiated a review of Mandatory Standard on Access Pricing where data was collected and negotiations with the licensees were conducted on the methods used to calculate access prices. Talks with the licensees on cost models were also held.

Based on the feedback, MCMC made some changes to the cost model. On 6th October, 2017, MCMC issued a public inquiry paper to review the Mandatory Standard on Access Price document. A Public Investigation report was published on 20th December, 2017 and shortly thereafter, MCMC issued the Mandatory Standards on Access Price that set access rates for the period of 2018 to 2020.

Following the Commission's determination on the Mandatory Standard Access (Determination No.3 for 2016) on 8th December 2016, which was in force from 1st January 2017, MCMC held periodic meetings with several Individual License holders, identified as new access providers, guiding them on the publication of the Reference Access Offer (RAO).

Every Access Provider was required to publish the RAO on their respective websites by 31st July 2017 for MCMC's evaluation and review. The MCMC received a total of 60 RAOs and found that most of the referenced documents did not comply with the terms and conditions set out under the Mandatory Standard on Access Price. The MCMC continues to conduct evaluations and reviews to improve RAO content and ensure compliance to the Commission's Determination



Mandatory Standards on Access Price.

8 MALAYSIA 23rd ON THE INTEGRATED INDEX FOR POSTAL DEVELOPMENT REPORT 2016 BY IPU

As a body entrusted to enforce the Postal Act, MCMC remains active in improving the country's mail and courier services. Under MCMC stewardship, Malaysia has received various international level recognitions. This year, the country was ranked 23rd out of 170 countries in the 2016 Integrated Index for Postal Development (2IPD) which includes four dimensions of balanced development namely reliability, reach, relevance and resilience.

This index not only reveals the relative performance of postal administrations worldwide, but also serves as a guide to excellence in the postal infrastructure. It is a guideline for policymakers, regulators, postal administrations and any interested party from other sectors in understanding the role which can be played by postal services in e-commerce or digital economy.

The number of postal outlets exceeds the minimum number of 1,000 outlets as provided by law. As of December 2017, there are 693 post offices, 227 mini postage and 32 mobile post offices (Post on Wheels) where each one provides postal service at over 5 the location makes 160 additional locations.



Integrated Index for Postal Development (2IPD).

9 STAR RATING AWARDS INTRODUCED TO EMPOWER CONSUMERS

An initiative to empower consumers called The Star Rating programme employs merit and de-merit mechanisms on the performance of the service provider based on categories identified by MCMC. Supplier services are segmented into two groups: Operator Mobile Network (MNO) and Mobile Virtual Network Operator (MVNO).

The MNOs involved were evaluated in four main parameters namely customer satisfaction, service quality, network investment and compliance with the Communications and Multimedia Act 1998 (CMA 98). The one with the highest overall score was crowned as "The Best Cellular Service Provider". MVNOs were also rated similarly but with different scoring and excluding network investments.

To ensure this award really empowers consumers, the highest scoring is on the User Satisfaction.

10 APEC AND AIDER

The Asia Pacific Economic Cooperation (APEC) Internet and Digital Economy Roadmap (AIDER) which was created by the Ad-Hoc Steering Group on the Internet Economy (AHSGIE) was accepted by Leaders and APEC Ministers in November 2017 in Da Nang, Vietnam. AIDER has identified 11 Key Focus Areas as a consideration for APEC to advance the internet and digital economy in Asia-Pacific region.

Puan Nur Sulyna Abdullah, Chief Corporate Strategy Officer in MCMC, was elected by Malaysia to hold office as AHSGIE chairman for 2 years beginning in 2015 until 2017. Her appointment was confirmed by APEC Senior Officers in July 2015.

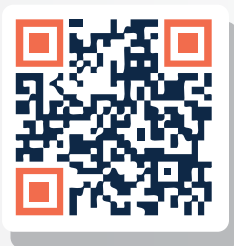
While in Da Nang, the Prime Minister gave recognition to the leadership Puan Nur Sulyna in leading AIDER. As a former Chairman of AHSGIE, her expertise in areas under AIDER are valuable reference for the Ministry International Trade and Industry (MITI) and the Advisory Council APEC Business (ABAC) Malaysia. The Prime Minister also urged for the permanent establishment of the Working Group on Economy Internet and Digital in APEC while speaking at the Summit of APEC Leaders.



Star Rating Award Ceremony.



The Asia Pacific Economic Cooperation (APEC) Internet and Digital Economy Roadmap (AIDER).



STAR RATING AWARD
Please scan the QR code to view video

11 MALAYSIA ICT VOLUNTEER PROGRAMME RECOGNIZED BY ITU

The ITU Regional Office for Asia and the Pacific region has invited MCMC to showcase its Malaysia ICT Volunteer (MIV) programme and activities at the ITU Telecom World and Young ICT Leaders Forum, held from 25 to 28 September 2017 at the ITU Pavilion, Bexco Busan, Korea for its successful implementation of the MIV and International ICT Volunteer (IIV) in Malaysia.

The IIV is an open international platform to promote ICT development in the Asia Pacific. The programme sends Korean youths to countries in the region to collaborate with various organizations for one or two months. Four Korean volunteers were in Malaysia from 10th July to 23rd August 2017 and were welcomed in three Internet Centres on 11th July, 2017.

"IIV Annyeong Haseyo Day" was held in Pengerang (Johor), Yan (Kedah), and Bagan Datuk (Perak) to provide opportunities for the IIVs to share their impactful knowledge in terms of digital literacy and skills with the locals. It was also an opportunity for MCMC to emphasise advocacy initiatives and messages including introducing the latest interactive app to communities involved.

Youths in the country can participate in MIV. Through the programme, they may gain knowledge and experience on ICT volunteerism and help improve human capital development for the nation.

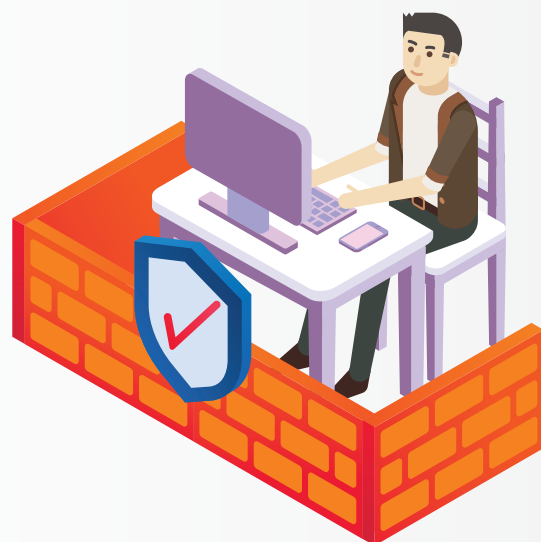
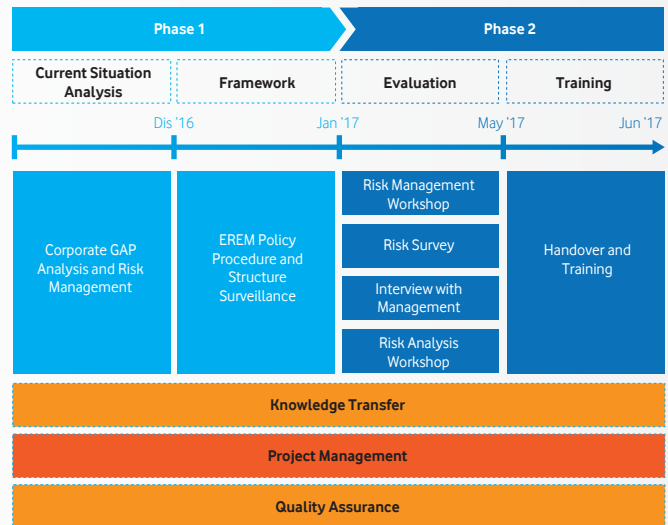


Some of the South Korean volunteers who participated.

12 DEVELOPMENT AND IMPLEMENTATION OF ORGANIZATION RISK MANAGEMENT

As a measure to ensure the responsibilities and roles of MCMC are carried out efficiently and effectively, the management of MCMC formed the Risk Management Department. The new department was established in October 2016 with the aim to enable the Management to measure, analyse the level of risk and consequently take action to plan and control risks that may be detrimental to the organisation.

In implementing the Enterprise Risk Management (ERM), the scope of work is divided into two phases comprising Phase 1 and Phase 2. Phase 1 covers ERM Corporate Gap Analysis and Risk Management Framework. While Phase 2 covers implementation that focuses on ERM awareness and development of risk profile and risk register for all MCMC. The ERM journey is illustrated in the diagram below:



Vision & Mission

We are committed to :

- Promoting access to communications and multimedia services;
- Ensuring consumers enjoy choice and a satisfactory level of services at affordable prices;
- Providing transparent regulatory processes to facilitate fair competition and efficiency in the industry;
- Ensuring best use of spectrum and number resources; and
- Consulting regularly with consumers and service providers and facilitating industry collaboration.

Establishing a communications and multimedia industry that is competitive, efficient and increasingly self-regulating, generating growth to meet the economic and social needs of Malaysia.



Preface

2017 is the year in which the MCMC has achieved 12 key performance results that should be shared with the public.

Among them, the successful completion of an important infrastructure project - the 1Malaysia Cable System (SKR1M); implementation of the Mandatory Access Pricing that reduced wholesale prices; launch of Sebenarnya.my portal to address fake news and the rest which has been listed in this year's report.

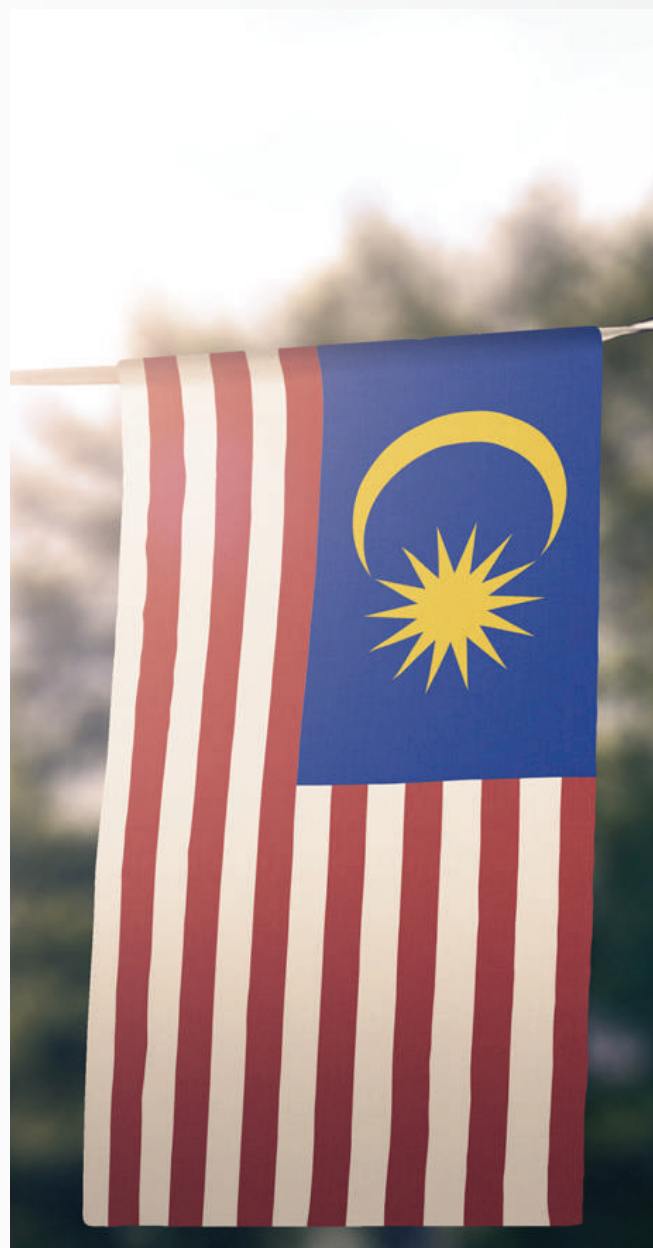
This year MCMC has enhanced the General Consumer Code (GCC) through the Communications and Multimedia Consumer Forum (CFM). Among the key functions of CFM is to develop Codes that can be followed by service providers in their service delivery. The updated GCC is expected to continue to protect the interests of consumers in the country.

As the regulator of this industry, the MCMC also continues to keep abreast with international developments in the communications and multimedia industry and match them to domestic market trends. Economic and financial indicators are also monitored and analysed to evaluate the performance of licensees listed on Bursa Malaysia. The market reaction to the announcement of the marketing plan for the 700MHz spectrum band, for example, gives confidence that the telecommunications industry in the country will remain stable.

Therefore, we expect the communications and multimedia industry, including postal and courier services to intensify investments to upgrade, expand infrastructure and networks to meet increasing demand for digital services. In this convergence era, the collaboration between service providers, suppliers and stakeholders is critical for the country's economic growth.

OPERATIONS REPORT

The MCMC is an organisation that is often criticized by various parties especially those with little information about the scale of duties and responsibilities that MCMC holds. As such, the MCMC has made strategic initiatives to convince the public, especially its stakeholders, that it will perform its duties and responsibilities brilliantly. This year, efforts were made to continuously improve work processes, enhance the quality of human capital and increase technological capabilities.





ISO 9001: 2008 QUALITY OF MULTIMEDIA AND TELECOMMUNICATION SERVICES STANDARDS

The initial implementation of the ISO 9001:2008 Quality of Multimedia and Telecommunication Services standards was to demonstrate improvements in implementing and maintaining quality management systems in MCMC. The objective of this standard is to improve management efficiency and delivery quality to meet the needs of MCMC's stakeholders.

Internal audits of relevant departments were completed in August 2017 that included the Network Media Management Department and Network Monitoring Department. In September 2017, the Network Security Sector, New Media Monitoring, Compliance and Advocacy, and the Digital Surveillance Division all passed their first Surveillance Audit. This audit was to ensure continuity of the implementation of quality management system with ISO 9001:2008 standards by MCMC.

Success in defending the MS ISO 9001:2008 Quality Management for Multimedia and Telecommunication Services certification reflects the understanding, commitment and compliance of the management and staff involved in Quality Management System requirements in accordance with set standards.

HUMAN CAPITAL

MCMC's scope of work is vast and covers all aspects of the communications and multimedia industry locally and abroad. Although there are about 850 personnel from various backgrounds and expertise, the number is much smaller compared to other regulators, including Singapore's Infocomm Media Development Authority (IMDA).

Throughout 2017, training programmes were held, locally and abroad. In 2017, there were 5,500 days of training which outperformed the key performance indicators which was targeted at 4,600 training days.

Overall, the number of internal training programmes conducted either by the Training Center or via internal and external collaboration has increased. Internal training programmes have increased by 28 programmes or at 40%, of which 98 programmes have been successfully organized in 2017 compared to 70 programmes in 2016.

BEST TECHNOLOGY CAPABILITIES

MCMC has taken the appropriate measures to continuously improve or update the existing frequency monitoring system it has so that it can be in line with the ever-changing telecommunications technology development of this era.

Frequency monitoring and signaling systems known as the Mobile Monitoring System-B (MMS-B) was installed in a monitoring vehicle. Installation of the system in the vehicle requires extensive modifications to the chassis of the vehicle and the proper electrical wiring was needed to ensure the effectiveness of the system's function. The mast can be controlled from within the vehicle where it can be raised up to a maximum height of 4.5 meters during operation. The monitoring antenna will be positioned at the top of the mast and it can also be completely rotated automatically to cover the entire 360-degree angle of the environment.

NEW CAPABILITIES: MONITORING OF SUPER HIGH FREQUENCY AND SATELLITES ON C AND KU FREQUENCY

The built-in satellite monitoring system consists of two major subsystems: antenna systems and satellite spectrum monitoring systems. The antenna system has a diameter of 7.3 meters and is equipped with a cabin located at the old MCMC Building in Cyberjaya, Selangor.

In addition, the antenna system is able to monitor and track satellites operating on C and Ku frequency bands. The satellite spectrum monitoring system is equipped with digital signal processing capabilities where it can conduct satellite signal monitoring automatically and detect the signal interruption. In fact, this system can measure and analyse signals that are detected more thoroughly over specific frequency frequencies.

APPRECIATION

Despite a challenging year, MCMC has managed to close 2017 with distinction and we are looking forward to 2018. Without continued enthusiasm and endeavor, MCMC is unlikely to be able to achieve the goals set out at earlier this year.





Corporate Review



About MCMC

Since its inception, MCMC's main role is regulating industry regulations based on the powers embodied in the Malaysian Communications and Multimedia Commission (1998) Act and the Communications and Multimedia Act (1998). In addition, MCMC also serves to implement and promote the government's national policy objectives for the communications and multimedia sectors.



MCMC'S MAIN ROLE

- Advise the Minister on all matters relating to the objectives of national policy specifically for communication and multimedia activities;
- Implement and enforce the provision of communications and multimedia law;
- Regulate all matters relating to communications and multimedia activities not covered in the communications and multimedia law;
- Consider and advocate for reforms in communications and multimedia law;
- To supervise and monitor communications and multimedia activities;
- To encourage and promote the development of the communications and multimedia industry;
- To encourage and promote self-regulation in the communications and multimedia industry;
- To encourage and maintain the integrity of all licensees and be authorized under the communications and multimedia industry;
- Providing assistance in any form and promoting co-operation and coordination among people engaging in communication and multimedia activities;
- To exercise every function as written in the law as may be determined by the Minister as published in the periodical brochure;
- To regulate the postal industry and accredited bodies as envisaged in the Digital Certification Act (1997).

Our Roles



Economic regulation

Includes competition promotion and prohibitions on anti-competitive conduct, as well as the development and enforcement of access codes and standards. It also includes licensing, enforcement of licence conditions for network and applications provider and ensuring compliance with regulatory and performance or service quality.



Technical regulation

Includes efficient frequency spectrum assignment, development and enforcement of technical and standard codes, and the administration of numbering and electronic addressing.



Consumer protection

Emphasises consumer rights and at the same time to ensure adequate protection such as resolution of disputes, able to subscribe to their services and service readiness.



Social regulation

Includes content development and content regulation, including content restrictions and public education on related content issues.



Postal regulation

To appoint a qualified Agency pursuant to the Digital Certification Act (1997).

Our Activities Throughout 2017

In 2017, every department and division within MCMC carried out various activities and tasks based on the mission and vision of the organisation. Below are brief reports of MCMC's activities and tasks during the year.

ENFORCEMENT AND INVESTIGATION

As in previous years, social media regulation became one (1) of the key tasks of MCMC. Complaints regarding misuse of social media such as making and transmitting indecent materials, obscene, false, menacing or offensive communications through social networking services have recorded the highest number at 204 or 43% of the total complaints received for offences under Section 233 of the Communications Act and Multimedia 1998 (CMA 98).

A total of 310 Investigation Papers were opened in 2017, which included complaints received in previous years. The month of March records the highest number, which was 104 or 33.5% of the investigation papers, due to prepaid audit cases conducted during the month.

Meanwhile, a total of 364 Investigation Papers were referred to the Deputy Public Prosecutor. Among the reasons for the increase in the number of Investigation Papers is the establishment of the Special Committee on Combating Social Media Abuse.

92 cases were brought to Court and 62 cases were charged and fines were issued amounting to RM183,500.00. The fines imposed by the Court ranged from RM500.00 to RM10,000.00 per case. Meanwhile, 30 cases are still on trial.

The number of compounds issued in 2017 was 112 with a total value of RM3,755,000.00. The amount increased by 16% compared to 2016 which is a total of 94 compounds were issued for various offenses in violation of the provisions of CMA 98 and subsidiary legislation made under it. 28 compounds have been issued to 20 individuals who committed offences under Section 233 (1) (a) of the 1998 CMA for transmitting content that is offensive, obscene and false through the improper use of network facilities.

Offences/ Year	2016		2017	
	No of Compound	Compound Offer (RM)	No of Compound	Compound Offer (RM)
Broadcasting	4	80,000.00	6	130,000.00
Prepaid Registration	64	3,170,000.00	67	3,350,000.00
Mandatory Standard	13	160,000.00	7	200,000.00
Consumer Protection	1	5,000.00	0	0
Content Regulation	4	37,000.00	28	63,000.00
Technical Regulation	0	0.00	4	12,000.00
TOTAL	94	3,452,000.00	112	3,755,000.00

Table 7: Comparison of compound offers issued in 2016 and 2017

There are also cases classified as No Further Action (NFA).

FACTOR	MCMC EP	INVESTIGATION PAPERS
Failed to detect a suspect	9	0
Offence under a different act	4	120
Does not meet elements under CMA 1998	6	1
Failure in detecting the suspect	21	84
Failure in identifying the suspect	8	4
Investigation by PDRM	5	1
Complainant refused to cooperate	20	20
Negative forensic report	0	4
Others	0	3
TOTAL	79	117



RAID

Year 2017

131 cases

Year 2016

90 cases



The increase in raids was due to an 18.5% increase in complaints compared to 2016.

PEMANTAUAN

Year 2017

280 cases

Year 2016

175 cases



The increase was due to officers from the regional offices being empowered to carry out enforcement activities.

RAKAMAN PERCAKAPAN

Year 2017

1,720 cases

Year 2016

830 cases



The increase in raids was due to an increase in complaints.

KEHADIRAN SEBAGAI SAKSI DI MAHKAMAH

Year 2017

84 cases

Year 2016

108 cases



The decrease in the amount was contributed by the increase of confessions by the accused and the increase of the compounds offered by the Deputy Public Prosecutor.



CONSUMER PROTECTION: RATE REGULATION

MCMC has monitored all retail packages offered by licensees to assess the level of competition in the marketplace and to identify anti-competitive pricing practices. In 2017, MCMC found that the level of competition was healthy among telephony and mobile broadband providers, while competition among telephony, fixed broadband providers and pay TV was limited.

In the mobile market, improvements in data-based packages are significant. This increase is in line with the increased in the use of Over The Top or OTT. MCMC also found that most packages offer free voice and short messaging services and increase allocation of data (GB). Rates for voice and short messaging services offered through its own on-net and off-net links are geared towards the same rate and are indistinguishable.

Fixed broadband services do not show significant price changes. However, MCMC found that lower speeds broadband service packages were no longer offered. This suggest that there is a shift in usage where consumer demand is for higher speeds broadband.

MCMC also monitors to ensure that basic broadband packages are offered at reasonable prices to the public. In 2017, basic broadband packages are offered as low as RM38 for 1Mbps with a 1GB quota per month. This package represents 1.06% of Gross National Income (GNI) per capita. Under the 11 MP, by 2020, Malaysia is aiming for fixed broadband package prices as low as 1% of GNI per capita.

CONSUMER PROTECTION: IMEI BLOCKING

Public Cellular Blocking Service (PCBS) which is capable of blocking lost or stolen handphones has been developed by MCMC in 2014. Blocking is done by using the International Mobile Equipment Identity (IMEI).

If a mobile phone is lost or stolen, the consumer can report directly to their mobile operator to use the services provided by PCBS. The service is also capable of blocking stolen IMEI devices that has not been registered to any network operator.

Consumers can also request to unblock IMEI number after lost or stolen phones are recovered. This service is proven to enhance the safety of mobile consumers in Malaysia.

In 2017, the number of blocked and unblocked IMEI numbers received by the mobile operator are shown in Figure 4:

Year	2017
Blocked	44,441
Unblocked	7,487
TOTAL	51,928

Figure 4: The IMEI numbers blocked and unblocked in 2017.



CONSUMER PROTECTION: ELECTROMAGNETIC FIELD EMISSION (EMF) MANDATORY STANDARD

To ensure the safety of the public, MCMC has issued a Mandatory Standard for Electromagnetic Field Emission (MS EMF) - Commission Determination on Mandatory Standard for Electromagnetic Field Emission (EMF) from Radiocommunications Infrastructure (Determination No.1 of 2010) - on 24 December 2010. The Mandatory Standard ensures that the Network Facilities Providers (NFP) and Network Service Providers (NSP) are compliant with the EMF emission standards outlined by MCMC.

In line with the rapid development of current communication technologies and the advancement of cellular infrastructure design, MCMC took steps to develop Guidelines on the Mandatory Standard for Electromagnetic Field Emission from Radiocommunications Infrastructure (Compliance Towards Determination No. 1 Of 2010) which provides a complete and updated reference source for Mandatory Standards enforcement.

Among the highlights in the Guidelines are: -

- Detailed compliance methods using EIRP calculations for single transmitting sites;
- Detailed compliance methods using simulation software;
- Detailed information on the process of submission of the report and report submission period;
- Compliance verification method; and
- Detailed information on the design and use of warning signs.

This Guideline came into effect on 29 December 2017 and is available on the official MCMC website.



EMF

Please scan the QR Code to view video

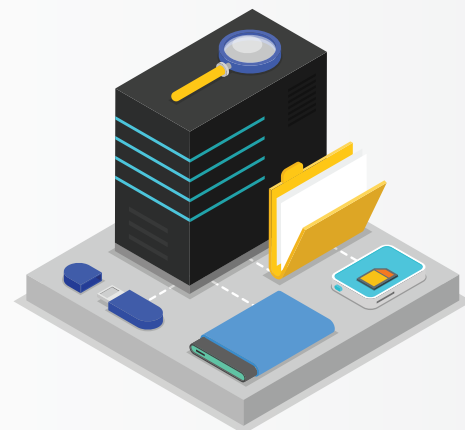


CONSUMER PROTECTION: MALAYSIAN COMMUNICATIONS AND MULTIMEDIA CONSUMER FORUM (CFM)

The implementation of the Integrated Complaint Management System (ICMS) by MCMC which combines and streamlines complaints management has affected the number of complaints received by CFM. In 2017, CFM received 4,587 complaints against 7,556 in 2016 and successfully resolved 84% of complaints within 15 working days.

2017 is also the year in which CFM has deployed three comprehensive proposals that have been submitted to MCMC to improve the industry's way of addressing consumer issues such as Debt Collection Management, Mobile Data (Pay Per Use - PPU) and Call Charges to Customer Service Line. CFM also submitted another proposal paper on the implementation of Critical Information Summaries (CIS) to ensure that users are equipped with sufficient information before subscribing to any services. In addition, CFM has conducted 46 monitoring activities including advertising monitoring, websites and marketing materials to protect the public from misinformation or misleading information about the services provided.

In order to strengthen cooperation between CFM and the NGOs, the CFM Membership Grant was introduced. This effort makes CFM and NGOs a local champion to reach target audiences in their respective areas. CFM also welcomed five new members in which four representatives are from the demand side and one representative from the associate.



ELAK DITIPU!!

SEBELUM MEMBELI PASTIKAN PERALATAN KOMUNIKASI ANDA BERLABEL

Gunakan aplikasi "CHECK YOUR LABEL"

Pastikan label anda sah. Gunakan aplikasi "CHECK YOUR LABEL"

atau MCMC CIDF12345678

Available on the App Store
Available on the Android Market

CONSUMER PROTECTION: CHECK YOUR LABEL

In 2017, the Check Your Label (CYL) awareness campaign was intensified with the establishment of a joint venture with Courts Sdn Bhd on 13 March 2017. The company agreed to help promote this CYL programme at 67 Courts retail network throughout Malaysia. Similar collaborations have also been undertaken with the Motorola Solutions Company on 11 October 2017.

Almost 1,700 managers and assistant managers of the Pusat Internet 1Malaysia (PI1M) throughout the country have also been briefed on this CYL in the Train the Trainer programme. Awareness of the importance of CYL was also carried out through electronic media in the form of community service messages beginning in May 2017. A total of 28 radio and television stations has aired the public service announcement.

The website www.cyl.mcmc.gov.my for reference and further information has been officially aired on October 11, 2017.



CHECK YOUR LABEL
Please scan QR Code to view video

CONSUMER PROTECTION: POSTAL AFFAIRS

MCMC has a role to ensure the provision of universal service to all users in Malaysia. As of December 2017, there are 693 post offices, 227 mini post and 32 post office (Post on Wheels) which each provide postal service in over 5 locations making 160 additional locations. The number of postal outlets exceeds the minimum number of 1,000 outlets as provided by law.

STATE	POST OFFICE	MINI POST	POST ON WHEEL
Perlis	9	1	-
Kedah	47	15	2
Penang	39	11	1
Perak	87	16	1
Selangor	100	39	1
Negeri Sembilan	38	4	1
Melaka	28	7	1
Johor	79	22	1
Pahang	43	35	2
Terengganu	28	18	1
Kelantan	29	20	1
Sarawak	61	28	9
Sabah	45	8	9
Federal Territory of KL	60	3	2
TOTAL	693	227	32

Source: Pos Malaysia Berhad.



CONSUMER PROTECTION: e-COMMERCE

The launch of the first Digital Free Trade Zone (DFTZ) in Malaysia and in the region in collaboration with the Alibaba Group and MDEC is expected to be a new driver for the postal and courier industry landscape creating a great opportunity for e-commerce beyond our borders, SME development and employment opportunities as well as capital investment.

In order to ensure the success of the DFTZ, MCMC performs an important function within the National e-Commerce Strategic Roadmap (NeSR) to monitor and make the last mile delivery network to Malaysian consumers the best.

As of December 2017 there are 128 (41 Class A, 50 Class B and 37 Class C) courier service companies licenced by MCMC. The total number of new courier service licences issued up to December 2017 are 22 licences; 8 Class A, 11 Class B and 3 Class C. Based on the business plan and five-year cumulative growth forecast by the applicant, it is estimated that more than 8,000 new jobs and company revenues of more than RM2 billion can be generated through the grant of this new licence.

The performance of 2016 courier services is at an impressive level with 89% of parcels (9 out of 10 parcels) received within 3 days of delivery within major cities in Malaysia based on a courier service delivery report by a consultant appointed by MCMC.

MCMC also focuses on rural post development by continuing the Sabah and Sarawak Post Phased Transformation Plan Phase 4 (PTPSS) and Address for All Project for the second year. Community Post programme services under PTPSS (225 in Sabah and 225 in Sarawak) have been improved by packaging packages to expand e-commerce in rural areas. 18 mobile post offices created under PTPSS continue to serve the rural population.

The AFA project has reached 70,000 houses that have received house numbers to address residential issues without complete address since 2016. A total of 32,949 houses have been given a complete address in 2017 as follows:

1. Kota Belud, Sabah - 17,722 premises.
2. Lundu, Sarawak - 4,353 premises.
3. Pulau Pangkor, Perak - 3,400 premises.
4. Pulau Dayang Bunting and Pulau Tuba, Langkawi - 786 premises.
5. Mulu, Sarawak - 346 premises.
6. Keningau, Sabah - 4,342 premises.
7. Padawan, Sarawak - 2,000 premises.

BROADCASTING CONTENT REGULATION

In 2017, there was a 38% increase in the number of complaints received by MCMC compared to the previous year. The increase was due to proactive internal monitoring conducted by MCMC in which 30 of the 47 complaints were the result of internal monitoring. The rest was channeled through various government agencies such as the Ministry of Communications and Multimedia, Film Censorship Board.

Broadcast Content Complaint Category 2017				
Category	FTA TV	Subscription TV	Radio	Total
Commercial Advertisement	7	2	1	10
Programme Content	23	8	6	37
Number by Platform	30	10	7	47

For approval for Live and Delayed Telecast (e-LDTA), a total of 190 applications received from CASP-I License holders include free-to-air television, subscription and radio.

Approximately 11% (21 applications) of the applications were received from paid television stations, 53% (100 applications) from FTATV-free television stations and the rest from 36% radio (69 applications). Of the 190 applications received, only one application was not approved due to the continued non-compliance of the programmes requested for live broadcast.

In addition, the Communications and Multimedia Content Forum (CMCF), hosted by MCMC, is developing a new guideline entitled Industrial Guidelines for Any Communication Marketing by Gambling Companies which is expected to be completed in the first quarter of 2018. Requirements for this new guidelines emerges when cases of gambling company advertisements were submitted to CMCF by various parties.



INTERNET REGULATION: ELECTRONIC ADDRESSING

Domain name registration until October 2017 is 327,371. This figure shows a slight increase compared to 324,130 in December 2016. Here are statistics on the number of domain names from 2008 to October 2017.

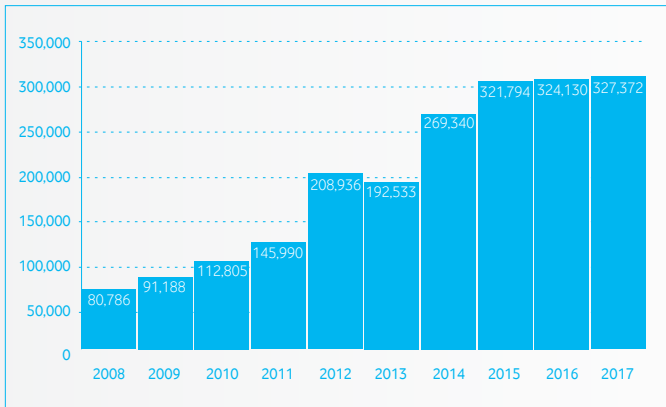


Figure 5: Number of domain names from 2008 to 2017.

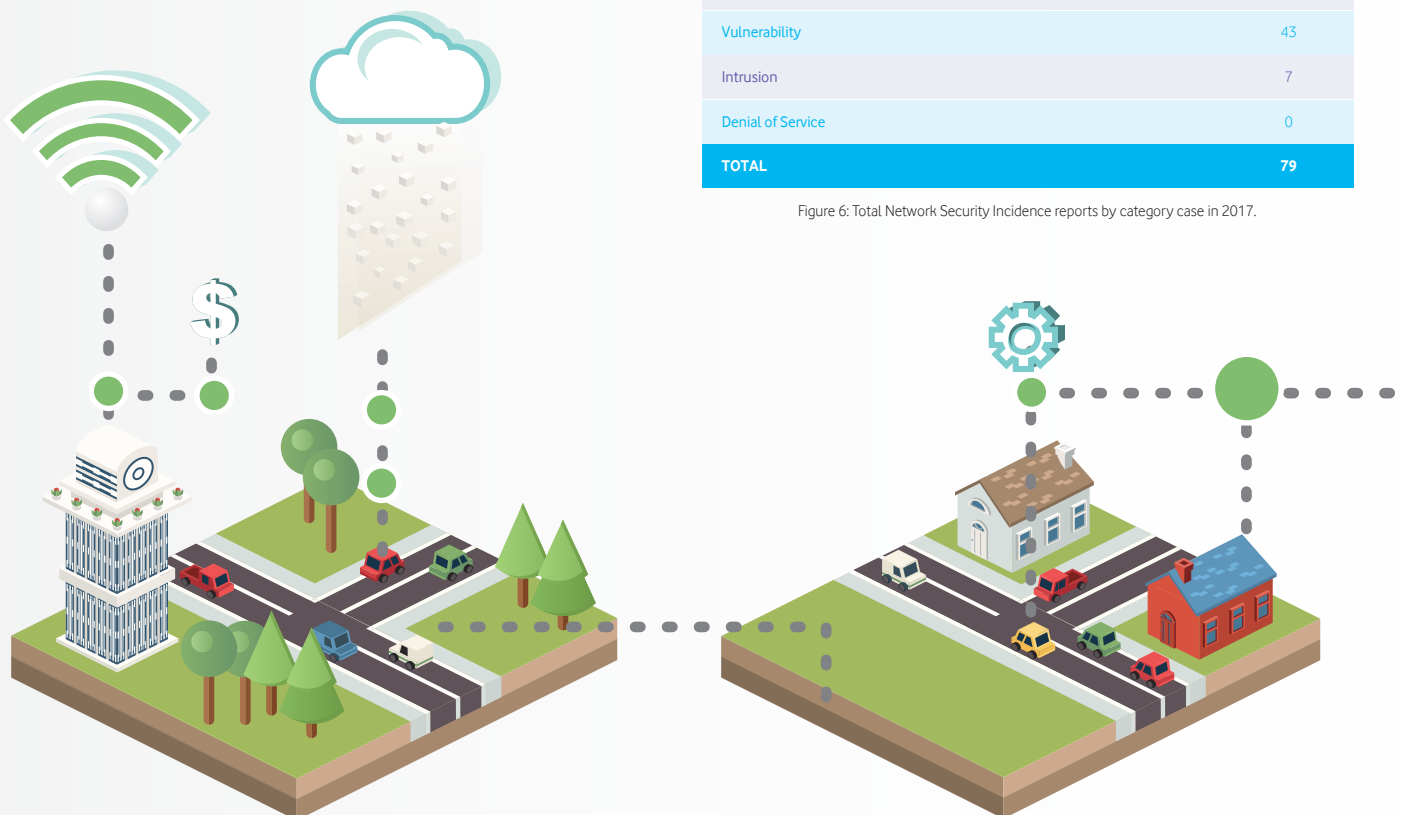


INTERNET REGULATION: NETWORK MONITORING

The total number of incidents involving cyber security monitored and reported to MCMC throughout 2017 until October was 2,475 cases, compared with 5,788 cases in 2016. Based on the monitoring, the number of incident reports received could be divided into several categories of cases as follows:

CATEGORY CASE	TOTAL
Defacement	1,092
Fraud/Phishing	544
Malware	490
Network Security Attempts	299
Vulnerability	43
Intrusion	7
Denial of Service	0
TOTAL	79

Figure 6: Total Network Security Incidence reports by category case in 2017.



INTERNET REGULATION: MADUNET

MCMC collects and analyzes cyber attack activities that potentially threaten and distort the network system in Malaysia through the Malaysia Network Attack Tracking System Using HoneyNet (MADUNET) since 2010. In 2017, MADUNET has successfully tracked about 77,992,919 attack activity and 296,903 unique malwares.

The ability to monitor network security in Malaysia has been enhanced by the growing number of existing sensors. A total of 71 units of MADUNET sensors have been added in 2017, bringing the total sensors owned by 101 units compared to 30 units in 2016.

SPECTRUM REGULATION: RADIO FREQUENCY IDENTIFICATION (RFID) EQUIPMENT

MCMC found that in 2017 the non-standard Radio Frequency Identification (RFID) equipment has disturbed 3G service providers in the 900MHz spectrum band. The use of RFID is very widespread especially for the use of safety bars and book management in libraries. The standard RFID equipment operates from 919MHz frequency range up to 923MHz with maximum emission power not exceeding 2Watt.

As of October 2017, a total of 161 out of 277 complaints disbanded to MCMC were from the 900MHz spectrum band. Non-standard RFID usage on the same path indirectly disrupts 3G services. However, there are also non-standard wireless equipment used besides RFIDs such as mobile cellphone booster and jammer.

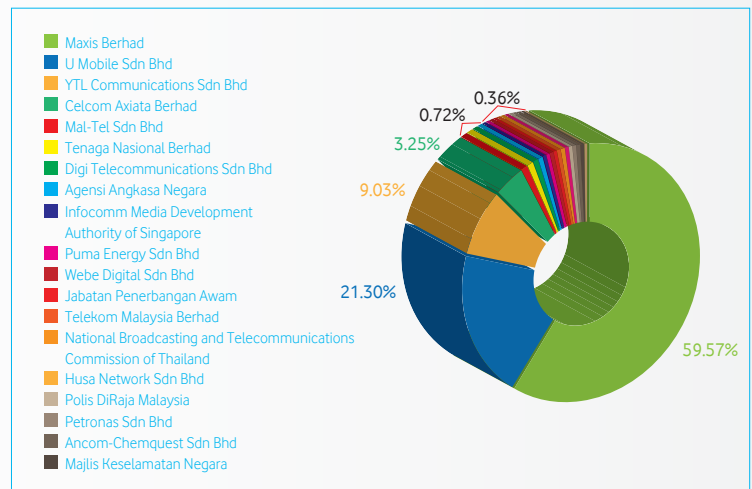


Figure 1: The breakdown of spectrum disorder complaints complained by the complainant until October 2017.

MCMC has received 277 radio frequency interruption complaints until October 2017. Maxis Berhad's service provider reported the highest complaints complaints of 165 (59.57%) complaints and followed by U Mobile Sdn Bhd with 59 (21.30%) complaints. Meanwhile, other interruption complaints involving trunked radio services as received from Mal-Tel Sdn Bhd and Puma Energy Sdn Bhd are minimal.

SPECTRUM REGULATION: SPECTRUM MANAGEMENT SYSTEM

The new Spectrum Management System (SpMS) migration project has been completed within 3 years as scheduled and has commenced operations on 5 June 2017. This system has been accessed and is being used by MCMC officers to process and analyse AA applications.

Among the new functions introduced in this SpMS system is the automated border coordination management to ensure that the use of frequencies in international boundaries is in compliance with agreed and sealed parameters among the relevant countries. In addition, the system also introduces the workflow function to ensure that every received application will be processed and analysed through the established procedures.

NUMBERING AND ADDRESSING MANAGEMENT REGULATION: GEOGRAPHICAL NUMBER

In 2017, a total of 30,000 geographic numbers have been allocated to four service providers. A geographic number is a landline phone number that relies on a geographic area or location in Malaysia. For example, the area code "03" is a service area in Selangor/Kuala Lumpur, the area code "07" in Johor and so on. As of December 2017, a total of 36,592,000 geographic numbers have been allocated by MCMC.

SERVICE PROVIDER	BLOCK ASSIGNMENT NUMBERS	TOTAL
Redtone Engineering & Network Services Sdn Bhd	17,000	30,000
TT dotCom Sdn Bhd	10,000	
YTL Communications Sdn Bhd	2,000	
Maxis Broadband Sdn Bhd	1,000	

Figure : Total of Geographic Block Assignment Numbers in 2017.

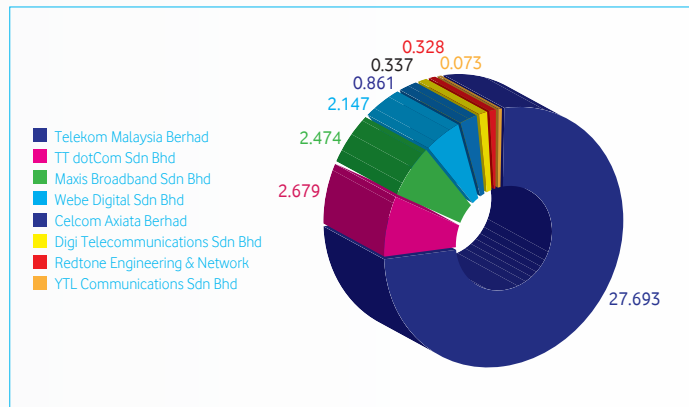


Figure : Holder assignment and number of numbers held.



NUMBERING AND ADDRESSING MANAGEMENT REGULATIONS: MOBILE NUMBER

As of December 2017, a total of 106,410,000 mobile numbers have been allocated to the assignment holders.

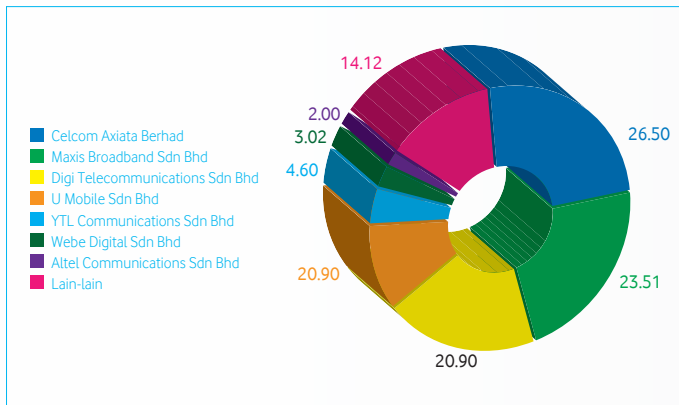


Figure: Mobile number assignment until December 2017 (in million).

NUMBERING AND ADDRESSING MANAGEMENT REGULATIONS: AREA CODE "02"

Effective 1 July 2017, consumers can no longer dial "02" code to make calls to Singapore. MCMC in collaboration with all relevant service providers has reclaimed the "02" area code.

Now, all phone calls to Singapore must use the international prefix "00" and Singapore country code "65", followed by the number. The new usage for the "02" number that has been taken will be determined.



NUMBERING AND ADDRESSING MANAGEMENT REGULATIONS: FEES

The Communications and Multimedia Regulations (Numbering) which was gazetted on 9 September 2016, has provided jurisdiction to MCMC to charge fees for each numbering assignment. Accordingly, from January 2017, MCMC has charged a fee (application and assignment) to 20 numbering holders. Payment of application fee is payment that is settled on a one-time payment according to the number of applications. While the allocation fee is the amount of payment that needs to be explained annually. As a result, MCMC has collected a total of RM18 million in fees for the period January to December 2017.

Notice of Payment of Assignment Fees for 2018 was also issued on 14 November 2017 to all 20 assignment holders. The assignment holders were given a 30-day period to settle the payment.

NUMBERING AND ADDRESSING MANAGEMENT REGULATIONS: MOBILE NUMBER PORTABILITY

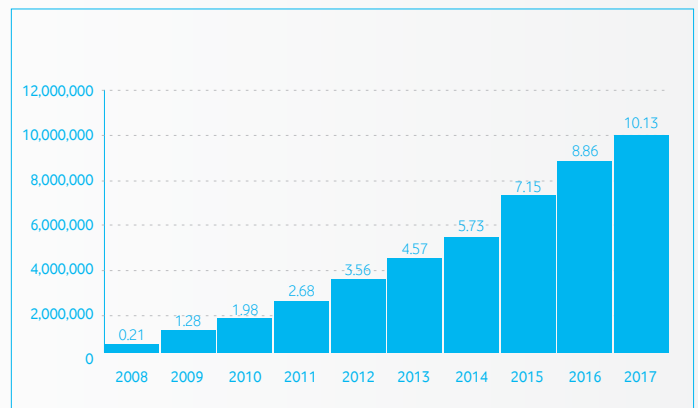


Figure: Cumulative mobile portability transaction.

LICENCING: INDIVIDUAL LICENCE

As at 31 December 2017, 162 individual licence-related applications have been approved by the Minister and 463 applications related to class licenses have been registered under CMA 98.

The breakdown of individual licence application categories is shown in Table 1 below:

CATEGORY OF INDIVIDUAL LICENCE / TYPE OF APPLICATION	TOTAL OF APPLICATION
New License	67
Renewal License	33
Customise License Terms	62
TOTAL	162

Table 1: Type of individual licence application received by MCMC.

As at 31 December 2017, the Minister approved a total of 67 new applications for licences covering 39 applications for NFP licences (I), 24 applications for NSP licences (I) and 4 applications for CASP licences (I).

In general, applications for individual licences NFP (I) and NSP (I) for 2017 are applications to provide infrastructure and network infrastructure for high speed and cellular broadband services especially 4G networks in Malaysia. For the application of CASP (I), the Minister has approved 3 applications, namely 1 application for subscription broadcasting services using satellite platforms and 2 applications for digital terrestrial broadcasting service activities using digital broadcasting platform ('DTTB') provided by MyTV Broadcasting Sdn Bhd.

For the renewal of Individual licences, up to 31 December 2017, a total of 33 individual licence renewal applications, 16 applications for NFP licences (I), 13 applications for NSP licences (I) and 4 applications for CASP (I) licences were approved by the Minister.

For 2017, a total of 62 applications for modification of individual licence conditions were approved by the Minister comprising 4 modifications for NFP licences (I), 2 for NSP (I) licences and 56 for CASP (I).

For CASP (I) licences, a total of 48 modifications to the licence were made to issue restrictions on broadcast via satellite in the special condition of the CASP (I) licensee. This is in line with the expiration of Measat Broadcast Network Systems Sdn Bhd (ASTRO) 's proprietary legacy exclusive rights and satellite broadcast privileges on 28 February 2017.

In 2017, one (1) licensee reassigned its individual licence, Argus Intan Solution Sdn Bhd for NSP license (1) while 1 licence holder transferred its individual licence, Binast Sdn Bhd to Satellite NOC Sdn Bhd - NFP (I) & NSP (I).

LICENCING: CLASS LICENCE

As at 31 December 2017, 463 applications were registered under the class licence.

The breakdown of class licence registration categories is shown in Table 2 below:

TYPE OF CLASS LICENCE	TOTAL OF REGISTERED LICENSEES
NFP	9
NSP	11
CASP	10
ASP	433
TOTAL	463

Table 2: Total of licence class application.

LICENCING: FEE

For 2017, MCMC has received RM85,442,721 in annual fees for individual licences, RM570,000 for individual licence application fee and RM769,576 for class licence registration fee.

The breakdown of individual licence fees and class licence fees is as per Table 3 below:

Fees	TOTAL (RM)
Individual licence fee per year	85,442,721
Application fees licence individual	570,000
Application fees licence class	769,576
TOTAL	86,782,297

Table 3: Total of cumulative fees in 2017.



DIGITAL SIGNATURE REGULATION

The number of digital certificate products issued has increased from 8.4 million in 2015 to 10.6 million in the third quarter of 2017. The major contributor to the use of Public Key Infrastructure (PKI) in Malaysia is from the public sector where it is 96 percent of the total number of digital certificates issued. Most government agency online application services are supported by the use of digital certificates to preserve online data transmission through an open internet network. The 4% balance of digital certificates has been issued to individuals and corporate sectors such as banking, health and other industries.

On September 1, 2017, Raffcomm Technologies Sdn Bhd was appointed by MCMC as a new licensed PBP (Establishment Stage) under DSA 1997.

ESTABLISHMENT OF INDICATOR DATES TIME SERVICE (IDTS)

Indicator Date Time Service (IDTS) is a PKI-based digital service regulated by MCMC under Under the Digital Signature Act 1997 (DSA 1997) and Digital Signature Regulations 1998 (DSR 1998). Through recognised PPTMs, the date and time of a digital record or transaction can be determined in a credible manner. This service is expected to further boost the use of PKI to a higher level and become an important component in the digital ecosystem in Malaysia.

In this regard, MCMC has appointed PricewaterhouseCoopers Risk Services Sdn Bhd as a consultant to develop guidelines for recognised IDTS, covering principles and security requirements relating to the operations of recognised IDTS providers. The guidelines for IDTS are based on the international standards, the European Telecommunications Standard Institute and RFC 3161 (Internet X.509 Public Key Infrastructure: Time Stamp Protocol). Through this guideline, the National Metrology Laboratory SIRIM as National Time Keeper is responsible for generating timely and recognised timeframe for IDTS providers who will then be integrated with the digital signature service.

The MCMC through allocation under DSA 1997 may give recognition certificates to any IDTS provider who has met the specified technical and operating specifications.

STRATEGIC TRADE ACT 2010 REGULATION

In 2017, a total of 848 online permit applications via e-Permit system was processed for export of strategic items under the control of MCMC. Of the 848 applications, 846 permits have been issued under STA 2010 while 2 (two) applications were rejected due to inaccurate information and lack of information.

In 2017, the Department of Strategic Trade conducted a compliance assessment on 6 premises of permit holders located in Muar, Melaka, Johor Bahru and Pulau Pinang. The aim of the visit is to ensure that their compliance with STA 2010 as set out in the Act. In addition, this visit provides an opportunity for them to interact with the MCMC directly and obtain all the latest information on compliance with its laws and regulations.



IMPLEMENTATION OF IPV6

MCMC concluded a physical audit session on NSP (I) licencees who provided mobile (internet) services, local services (Internet) and data center services. The physical audit conducted in the 4th quarter of 2017 is to ensure IPV6 readiness for all NSP (I) licence holders.

Based on the audit conducted, 22 NSP (I) licencees have complied with the rules and regulations set out below, as shown below:



Figure 5: NSP (I) Licencees compliant IPv6.

*** Note:**

1. Celcom Axiata Berhad, Digi Telecommunications Sdn Bhd and Maxis Broadband Sdn Bhd provide mobile (Internet) services and local services (Internet).
2. HeiTech Padu Berhad and NTT MSC Sdn Bhd provide local services (Internet) and data center services.

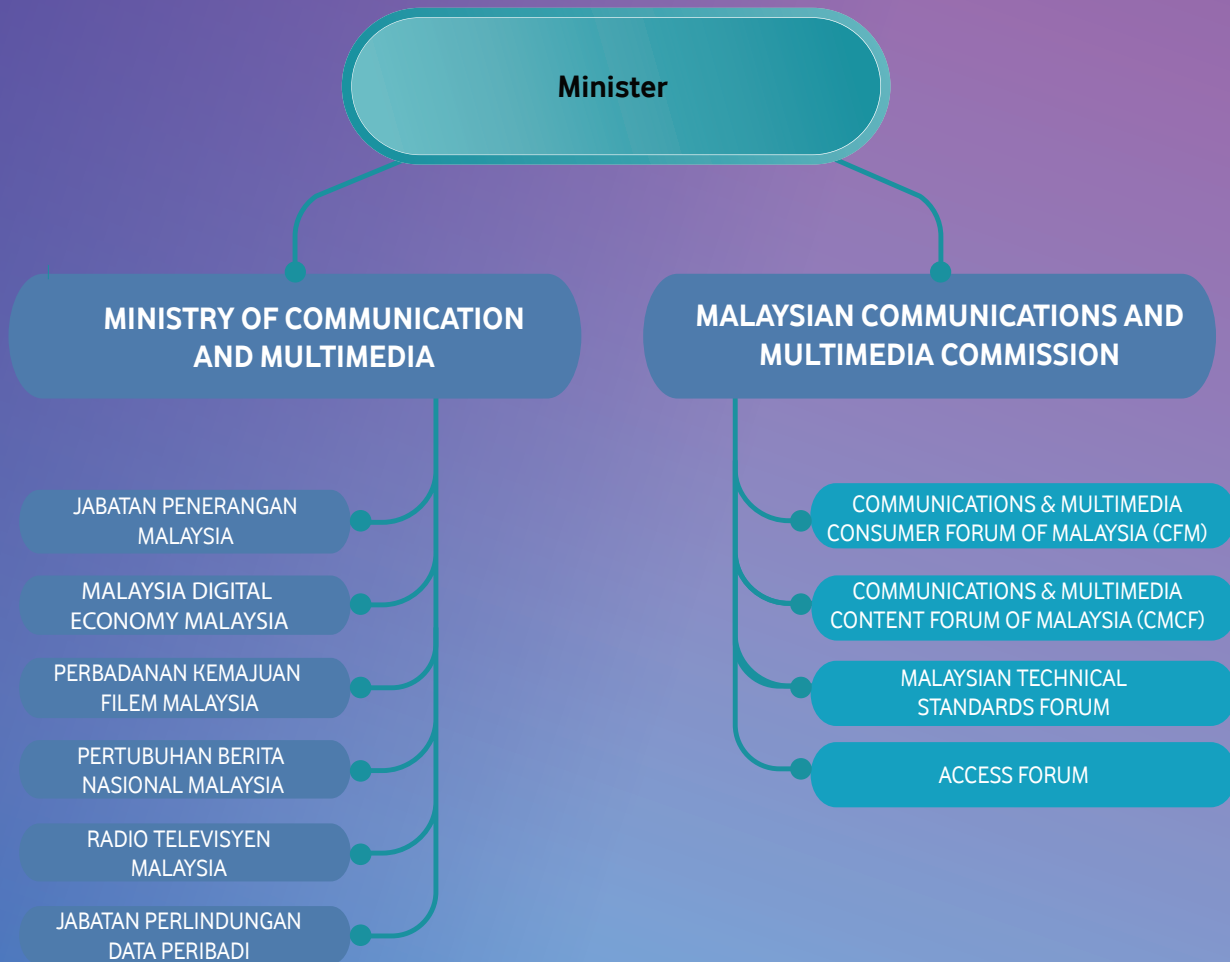
The continuation of the programme, which was held in the 4th quarter of 2016, the IPv6 Outreach and Certification Programme designed to enhance the skills of government agencies under the State Secretary's Office has been resumed in Penang, Perak, Sabah, Melaka, Johor, Negeri Sembilan and Selangor. The objective is to help improve human capital capability and provide a comprehensive understanding of IPv6's planning, design, protocol, and implementation in their respective information technology networks.

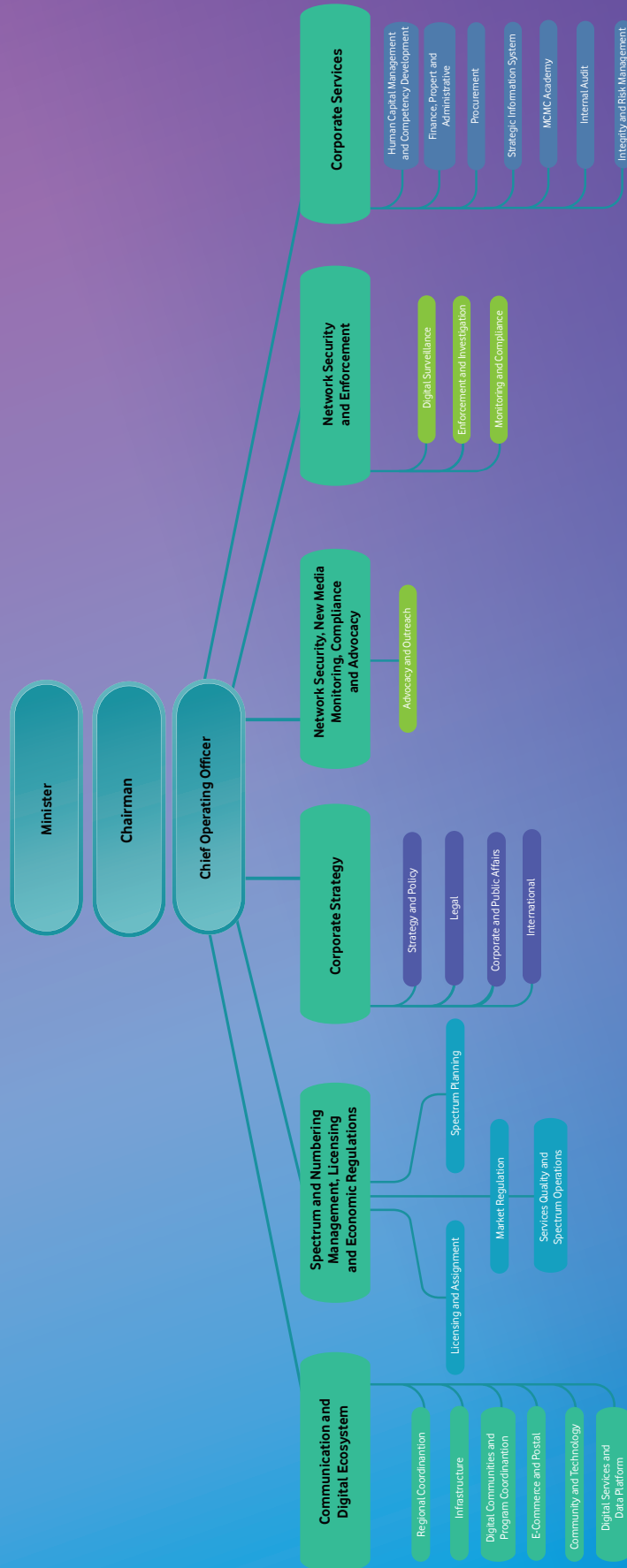
As of 31 December 2017, a total of 485 professionals in information technology have been accredited in the programme.



MCMC Organisation Structure













Strategy Review



Strategy Review

MCMC has a specific strategy for every initiative undertaken. Each initiative is carefully planned and implemented in accordance with agreed plans. In 2017, the implementation of these strategies has been well implemented and achieved the goals set.

INFRASTRUCTURE DEVELOPMENT

The MCMC is involved in several initiatives that were setup to ensure that the Government's goals under the 11th Malaysia Plan (RMK-11) are achieved. Among them are:

- Provision of high-speed broadband access through High Speed Broadband Phase 2 (HSBB 2) and Sub-Urban Broadband (SUBB) projects; and
- Extension of broadband coverage through the Universal Service Provision (USP) programme and commercial implementation by Service Providers.

Achievements for Key Performance Indicators (KPIs) that was established through the RMK-11 are as follows:

NO.	KPI	2017 TARGET	2017 ACHIEVEMENT
1	The availability of broadband access up to 100Mbps in the capital and selected high impact growth areas	73%	74.8%
2	Availability of broadband access up to 20Mbps in 50% suburban and rural areas	34%	37.7%
3	Providing broadband coverage at 95% of populated areas by 2020	93%	93.6%

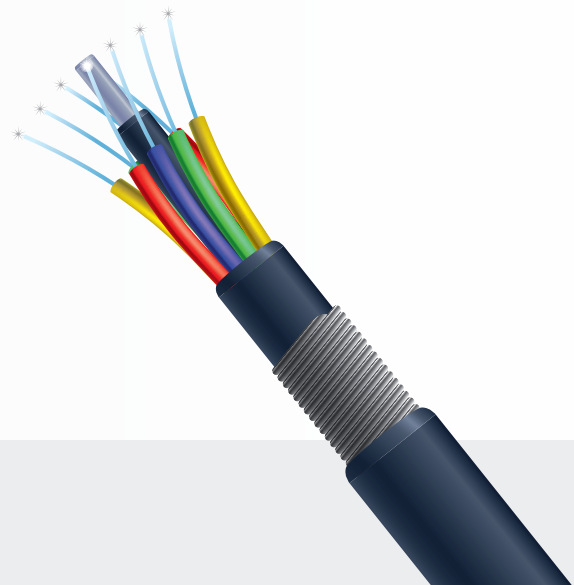
11th Malaysia Plan (RMK-11) Target and Achievement.

NATIONAL FIBERISATION PLAN (NFP)

The National Fiberisation Plan (NFP) is a national initiative to support the Digital Economy by ensuring wider digital connectivity. The plan, approved by Prime Minister Datuk Seri Najib Tun Razak in March 2017, is conceptualised to realise the goal of reducing broadband speeds and lowering retail bandwidth prices by 2019. MCMC has been tasked with overseeing the implementation of the NFP and ensuring that its targets are met.

The NFP will be able to complement the HSBB, HSBB2 and SUBB initiatives by utilising the existing fiber optic infrastructure in the grid. This will allow the use of more fiber optics, especially in rural areas at lower costs.

MCMC has started meeting with stakeholders such as Tenaga Nasional Berhad (TNB), Energy Commission (ST) and other infrastructure providers since 2017 onwards to discuss the appropriate implementation approach and set a detailed target for the NFP, which is expected to commence early next year.



COMPETITION AND ACCESS

In mid-2017, MCMC has drafted the Mergers and Acquisitions Guidelines and on 17 November 2017, the draft guidelines was circulated to industry to obtain feedback. The industry is given time to view and comment on the draft guidelines until 1 February 2018. The guidelines are intended to establish the process that MCMC will take into evaluating any merger or transfer made by the licensee voluntarily.

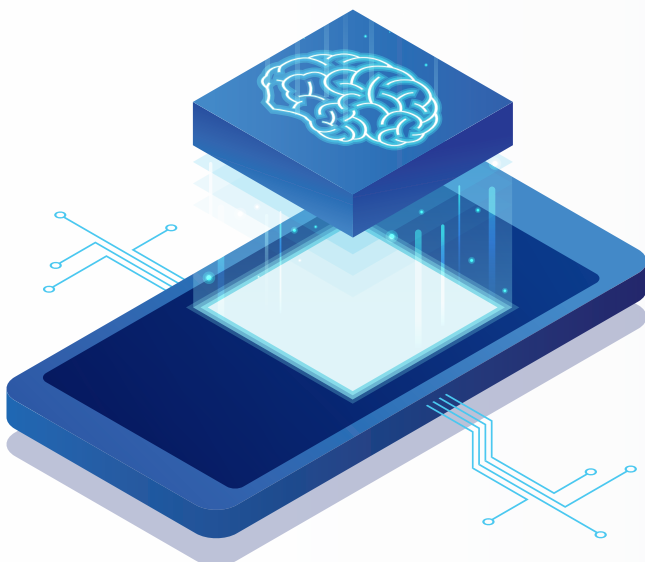
MCMC will apply the process within the guidelines to assess whether the licensee has reduced competition substantially in the communications market if the licensee undergo any mergers and acquisitions. This assessment process is in line with the process set out in the Substantially Lessening of Competition in a Communication Market guidelines issued by the MCMC in 2014.

On 30 September 2017, MCMC received an accounting isolation report from seven (7) licensees and this report was reviewed by MCMC to determine anti-competitive behavior.

Review of Mandatory Standard on Access Pricing

In addition, at the beginning of the year, MCMC initiated a Review of Mandatory Standard on Access Pricing. In February, MCMC has collected data and conducted consultations with licensees on the methods to be used to calculate the access price. Then, in July, the MCMC held talks with the licensee on the cost model. Based on feedback received, MCMC has made some changes to the cost model.

On October 6, 2017, MCMC has issued a public investigation paper on the review of Mandatory Standards on Access Price. The public investigation report was issued on 20 December 2017 and shortly thereafter, MCMC has issued Review of Mandatory Standard on Access Pricing which sets the access price for the period of 2018 to 2020.



Innovation

In line with the role of MCMC, various forms of assistance have been provided to encourage cooperation and coordination with those involved in innovation in the field of communications and multimedia.

POS LAJU EZIBOX

Pos Laju EziBox is the latest innovation from Pos Malaysia which enables customers to receive and deliver Post Laju packages for free. The EziBox Pos Laju Service makes it easy for customers who are busy or not at home to receive packages.

Available 24 hours, 7 days a week in 110 strategic locations, such as post offices and selected Pos Laju Centre, Petronas, Shell and BHP petrol stations, LRT stations, shopping complexes and selected universities. EziBox Pos Laju allows customers to collect or ship Pos Laju packages at any time in a safe environment.

The main purpose for this facility is to meet the demands and need of customers for e-commerce trader. Traders who has contract with Pos Laju or use Pos Laju Prepaid boxes or envelopes can use EziBox Pos Laju as a dropbox to post packages. This gives e-commerce traders more options by helping them run their business 24 hours 7 days a week.



EziBox by Pos Malaysia.

SMART CITY: INTELLIGENT CITY STANDARDISATION FRAMEWORK ON COMMUNICATIONS AND MULTIMEDIA ASPECTS

Within the 11-MP, 2016-2020 is a five-year development plan towards the realisation of the Vision 2020. In the "5th Strategic Thrust of the 11-MP: Strengthening Infrastructure to Support Economic Growth" emphasis on improving coverage, quality including affordable subscription to digital infrastructure in creating a Smart City.

Hence, there is a need for the development of the Smart City framework in relation to ICT as the basis and reference for the ICT industry as well as other industries.

MCMC in collaboration with the Focus Group on Smart City under Malaysian Technical Standards Forum Bhd (MTSFB) has published a framework known as Framework on Smart Cities Standardisation in Relation to Information and Communications Aspect on 3 February 2017. Through this framework, the complexity of smart city implementation can be addressed separately by stakeholders. The collective efforts of interested parties are able to solve the challenges and issues related to the development of Smart Cities in Malaysia.

The framework has been a multi-party referral in Smart City development strategies, among others the Iskandar Regional Development Authority, and the Sepang Municipal Council. This framework is available on the official MCMC website.



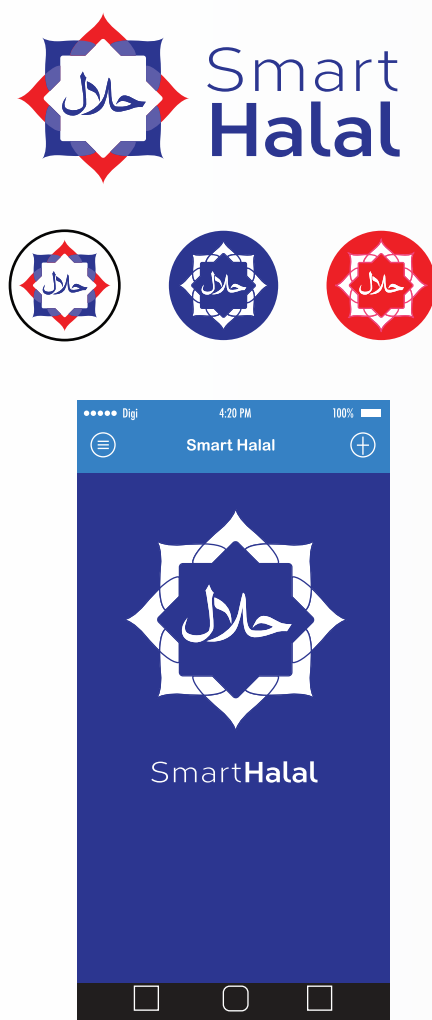
SMART CITY

Scan QR Code to view video

SMART QURAN AND SMART HALAL APPLICATION DEVELOPMENT

MCMC has established strategic cooperation with the Department of Islamic Advancement of Malaysia (JAKIM) to develop two dedicated mobile applications for the benefit and convenience of Muslims and Malaysians. The mobile application is the Smart Quran application which is a digital version of the Quran based on Tafsir Pimpinan Ar-Rahman JAKIM by the Ministry of Home Affairs and the Smart Halal application for the verification and validation of halal products, halal premises and halal abattoirs in Malaysia.

Smart Halal application was launched on 17 October 2017 by Deputy Prime Minister, while the Smart Quran application is expected to be launched in early 2018.



The Smart Halal Play Application can be downloaded from the App Store platform and Google.

DIGITAL MOBILE WALLET

MCMC also took steps to support the country's digital economy to grow more rapidly by facilitating the industry in terms of catalysing the development of the digital economy ecosystem itself which included various aspects including encouraging people to utilise the available digital infrastructure and services by encouraging digital lifestyles for example through use of cashless payments through e-payment or mobile payments.

For that purpose, MCMC has implemented the pilot project of digital mobile wallet using the following regulatory sandbox approach:

Smart Putrajaya Smart Cashless Initiative

MCMC has partnered with the Putrajaya Corporation and Primekeeper technology partners to run a cashless sandbox under the Putrajaya Smart project. Primekeeper provides mobile payment aggregator platform services to local mobile wallet providers. By downloading the app, the public can make a QR code retail transaction by choosing whether to do so from the digital mobile wallet or bank account that will be listed on the Primekeeper platform. While the system integration process with digital mobile wallet providers and banks are being finalised, the public can experience using the QR Code for their retail transactions with selected retailers in Putrajaya area using RM10 e-voucher incentives provided by MCMC.

Initial exposure using digital mobile wallets from e-vouchers distributed across several events such as Light Festival in Putrajaya, residents and visitors have shown high interest in using QR Code for cashless based on data collected from the sandbox in 2017.

Go Cashless Gombak Vocational College.

Students were positive towards the use of cashless payments and the following statistics are the findings:

- A total of 127 e-vouchers worth RM100 has been given to students through the Mobile Wallet app.
- The number of transactions recorded was 2,487 where 84% transactions were conducted in canteens, 12% in school co-ops and 4% in Business Centre.
- The highest number of individual transactions made during the contest was 67 transactions followed by 61, 48, 44 and 38 transactions.
- Total e-vouchers spent amounts to RM8,998.60 of the total e-voucher worth RM12,700 that has been issued. This means that 71% of e-vouchers have been redeemed by students involved in the Go Cashless KVG sandbox project.

In addition to promote digital lifestyle through the use of digital mobile wallets by millennial generation among students, KVG Go Cashless's sandboxes are also intended as a simulation test to look at the potential of providing payment platforms for Government-to-Citizen (G2C) payment platforms for Government subsidy payments.

Transformation

TOWARDS SMART MALAYSIA: DIGITAL TRANSFORMATION COMMITTEE

MCMC organised a Smart Towers Symposium on 25 to 26 September 2017 aimed at creating an information-sharing platform on the development of communication and broadband infrastructure as well as enhancing understanding of the concepts, Government initiatives and the role of stakeholders in making Malaysia a smart country.

The symposium proposed the establishment of a Digital Transformation Committee at the state level as a platform to discuss issues, challenges and matters relating to operations in the development of a smart nation. In order to implement the idea of setting up the Digital Transformation Committee, MCMC will embark on a roadshow in selected states beginning in 2018.



Moderator and Speaker of the Symposium Towards Smart Malaysia with MCMC Chairman, YBhg. Tan Sri Dr. Halim Shafie.

INTERNET OF THINGS (IOT): "WHITE PAPER ON INTERNET OF THINGS (IOT): REGULATORY ASPECTS AND KEY CHALLENGES"

MCMC has produced a "White Paper on Internet of Things (IoT): Regulatory Aspects and Key Challenges" to discuss some important aspects of IoT's regulatory requirements including spectrum requirements, IP addresses and network numbers, technical standards, roaming requirements and security and data privacy. This White Paper also touches the need for proof of concept to facilitate the smooth implementation of IoT in Malaysia.

Following the publication of the White paper, a Task Force headed by the Head of the Digital Communications and Ecosystems Sector and accompanied by relevant MCMC Divisions and external experts was set up to technically report challenges in the IOC regulatory and proposed improvements to assist the implementation of IoT in this country.

PROJECTS UNDER THE FULBRIGHT-MCMC GRANT PROGRAMME: "VISION OF A FUTURE NETWORK FOR SMART DIGITAL MALAYSIA"

In realising the government's initiative towards smart countries, MCMC has organised a project entitled "Vision of a Future Network for Smart Digital Malaysia" to analyse the current situation and the availability of multimedia and multimedia infrastructure platforms in Malaysia to support widespread digital and electronic services. The project under the Fulbright-MCMC Grant Program has selected, Prof Dr Javed Iqbal Khan, Head of Computer Science Department and researcher from Kent State University, Ohio, USA.

The main focus of the project also involves the following:

- Identify gaps, challenges and opportunities in mobilising new technologies
- Identify the network requirements needed to make Malaysia ready for a smart nation
- Identify improvements and suggestions on how MCMC can assist stakeholders in achieving communications and multimedia objectives in the 11-MP and National Policy Objective.

Various stakeholders including local universities, government agencies and industries are indirectly involved in this project to share knowledge on relevant initiatives and strategic plans.

IMPLEMENTATION OF COMMUNICATION INFRASTRUCTURE PERMIT MANAGEMENT SYSTEM

MCMC has partnered with the State Government and Local Authorities to implement and use the web-based Communications Infrastructure Permit Management (CIPM) system to facilitate renewal of permits and monitor the status of communication structures at the local and state levels.

Implementation of CIPM's nationwide application is carried out in stages. To date, Kedah, Perlis, Melaka, Selangor, Kelantan, Terengganu, Pahang and Kuala Lumpur have agreed to adopt CIPM. Workshops on Consumer Needs Studies were also held for those states and is currently in the process of updating and entering data into the systems.

In 2017, implementation of the Legalising Programme for Communication Structures was implemented in the state of Perlis and Kuala Lumpur, in line with the Implementation of the CIPM to ensure that the structures constructed by the owner of the communication structure were approved by the relevant local authorities. Implementation of the programme for other states will be held in stages.

PROOF OF DIGITAL LIFESTYLE CONCEPT PROJECT

Since the incorporation of the DLM initiative in 2011, it has successfully developed several projects in the field of IoT and Digital technology in collaboration with industry and government agencies. These projects are the catalyst for MCMC's contribution to the development of IoT and Digital technology to industry and society.



- **MyCribBooking Smart Travel Digital Platform**

Development of web portals and mobile apps for the Travel Industry on Android and iOS Platforms. A complete solution for "Truly Malaysia" travel experience for local tourist destinations, including places of interest in the MCMC Smart Community site. This digital platform gives priority to the homestays and the homestay owners industry, in collaboration with MyC Tech Sdn Bhd, Ministry of Tourism and Culture, Tourism Association, State Tourism and Local Municipal Agencies. The MyCribBooking Digital Platform was launched by YAB Prime Minister during the Langkawi Digital Carnival on August 19, 2017.

- **myMaker initiative**

myMaker is a MCMC initiative created to raise public awareness on science, technology, engineering and mathematics (STEM) as well as the IoT that catalyse the digital lifestyle. Throughout the year 2017, various activities were carried out to make this initiative successful. Through the myMaker Organization, several workshops and competition programmes have been carried out.

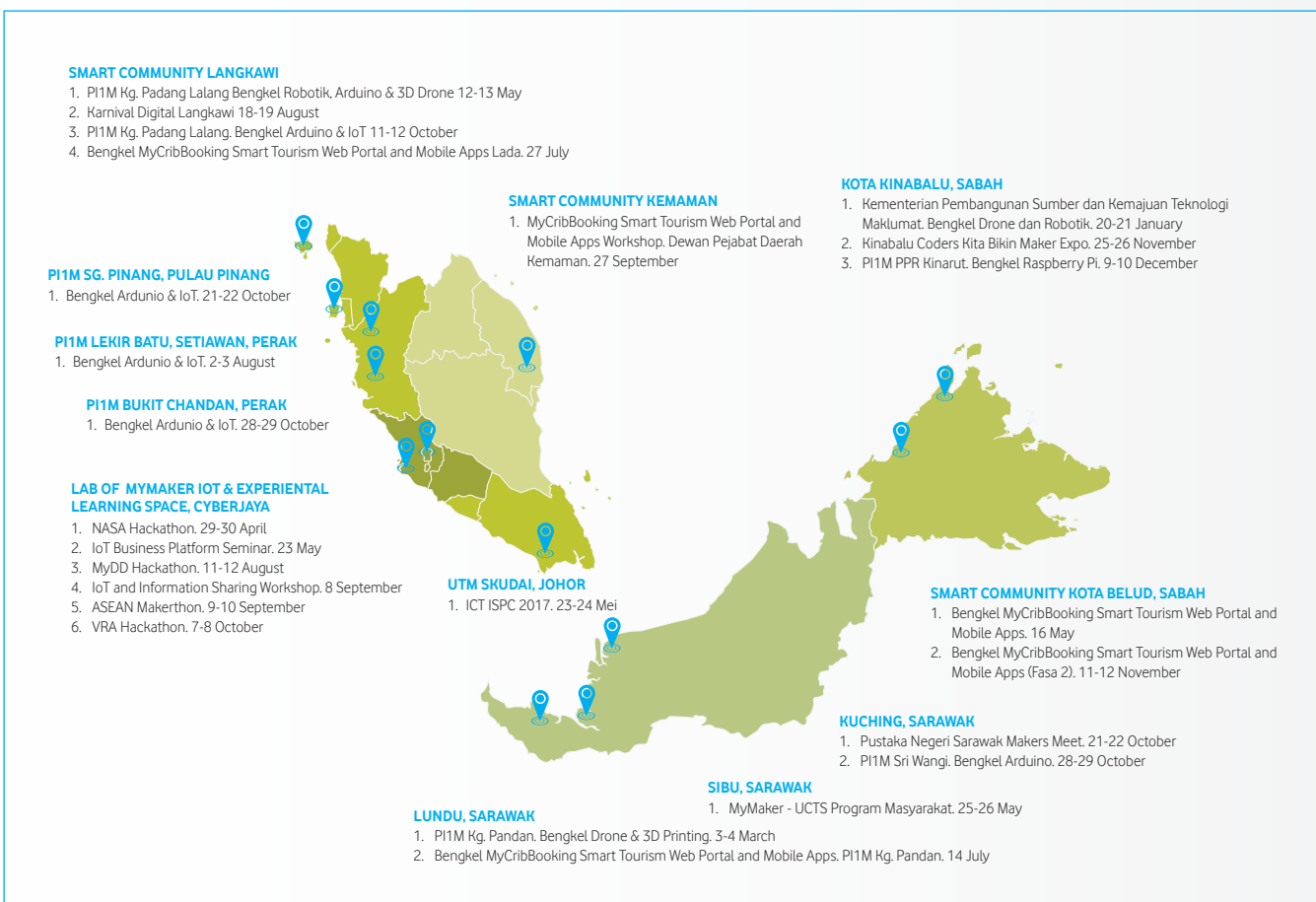


Figure: myMaker and DLM Activities in 2017.



Performance Review



Empowering Communities

MCMC's performance is not only measurable in terms of telecommunications infrastructure development and enforcement of the CMA 98 because MCMC's role is to also promote the development of the communications and multimedia industry among communities within the underserved areas.

SMART COMMUNITY IMPLEMENTATION

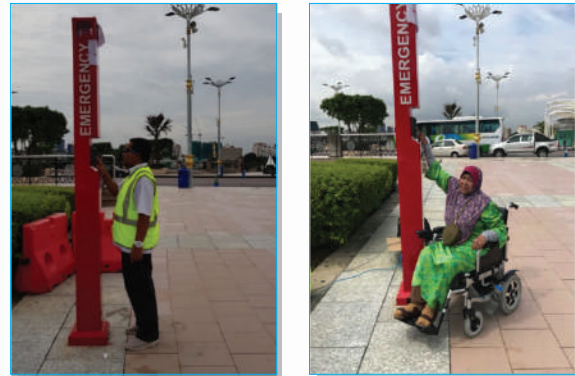
The smart community initiative led by MCMC began with the implementation of Kemaman (Terengganu) in early 2015 and followed by the districts of Kota Belud (Sabah), Lundu (Sarawak), Putrajaya in 2016 and Langkawi (Kedah) in 2017.

Among the key aspects of implementing smart community initiatives is to ensure a high level of fixed broadband coverage and quality of telecommunications services such as 2G, 3G and LTE networks and good networking within the Smart Community area. In addition, content development and application programmes, tourism, entrepreneurship and postal service enhancements have been developed based on the needs of the locals.

Smart community initiatives are also aimed at enhancing the living standards of local communities through the adoption of latest technologies such as the Internet of Things (IoT), closed-circuit CCTV sensors and CCTV systems as well as applying the innovation ecosystem among the people and the use of the latest technologies.

In addition to the launch of the Langkawi Smart Community, the successful e-Magazines nomination and successful SAIFON in Kota Belud this year, some of the other initiatives have been conducted by MCMC.

MCMC and Putrajaya Corporation are collaborating on upgrading the Putrajaya Control Centre which will serve as an integrated operation and control center that combines various agencies in Putrajaya such as Fire and Rescue Department, Hospital and Royal Police Malaysia (PDRM) which is the development of 74 High Definition Closed Circuit Camera TV (CCTV) around Putrajaya is capable of analysing video, parking information system notification, traffic management system and security system such as 'Panic Button', 'Horn Speaker' and intercom system. In addition, the Putrajaya Open Innovation Center (POINT) is also being developed as a space for the community to engage in activities by applying ICT usage primarily to the digital economy.



"Panic Button" testing at Putrajaya.

The "MyCommunity Heroes" initiative is an effort to nurture a culture of social entrepreneurship among the younger generation. Four high schools have been selected as a pilot school in Kemaman for cooperation programmes between MCMC, PPD Kemaman and the Institute Leadership Empowerment and Development (LEAD). This programme empowers participants by enhancing English literacy and entrepreneurship skills through project presentations to foster creativity and critical thinking in solving social problems. As the programme received good support and support from the schools involved, this initiative will be extended to other Smart Communities such as Kota Belud, Lundu, Putrajaya and Langkawi Island in 2018.

MCMC with The Asia Foundation through the International Institute of Policy and Public Management (INPUMA) of the University of Malaya and PPD Kemaman organized a "Books for Asia" programme aimed at exposing the community to quality reading materials and allowing them to study several writing techniques from various authors especially in English. Kemaman has been chosen as the pioneer area for this programme. A total of 3,092 books were distributed to 70 schools and 11 Malaysia Internet Centers (PI1M) (including Kemaman Open Innovation Lab) in Kemaman.

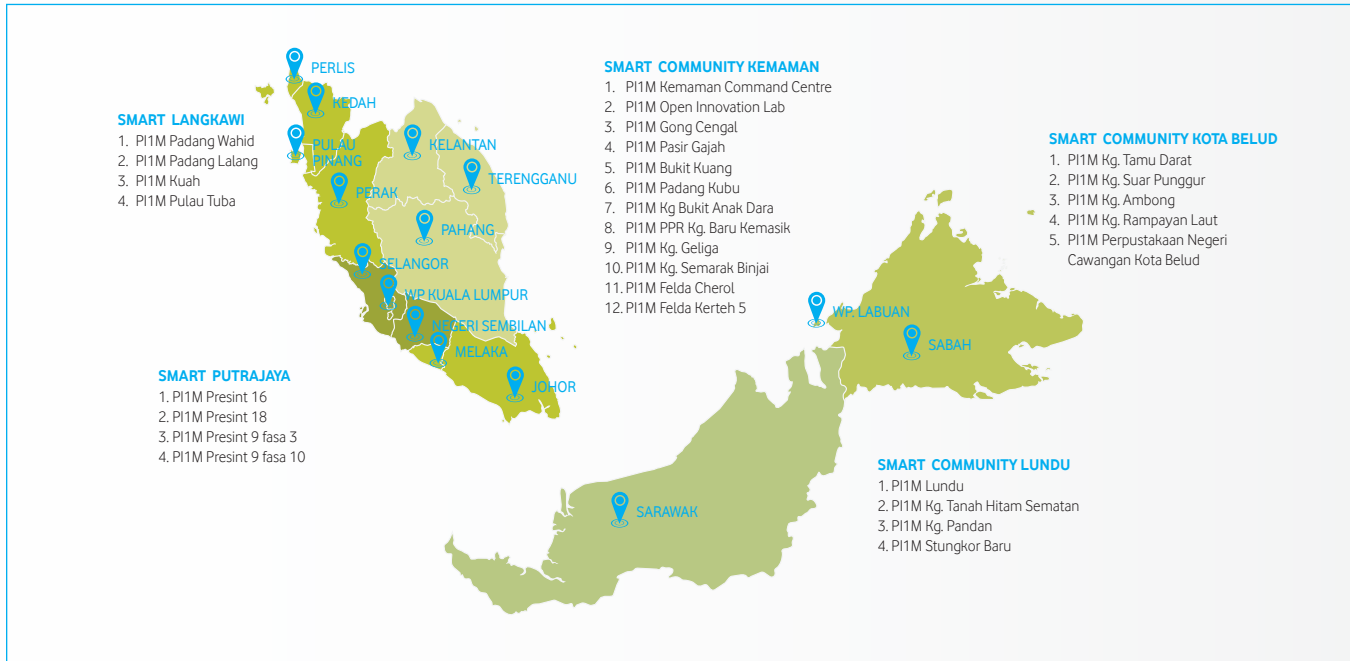
1MALAYSIA INTERNET CENTRE (PI1M)

PI1M has shifted its focus from providing basic Information Communications and Technology (ICT) skills to organising various programmes to improve the socio-economic status and social well-being of rural communities. The programmes include ICT, e-Learning, social media, entrepreneurship and e-Commerce, Engineering Technology and Mathematics, Internet of Things (IoT), community engagement applications and programmes.

Among other programmes include:

Script to Screen

This programme is a comprehensive plan that utilizes professional and quality short video production training modules so that local products can be promoted effectively and extensively through social media such as YouTube, e-Commerce and so on.



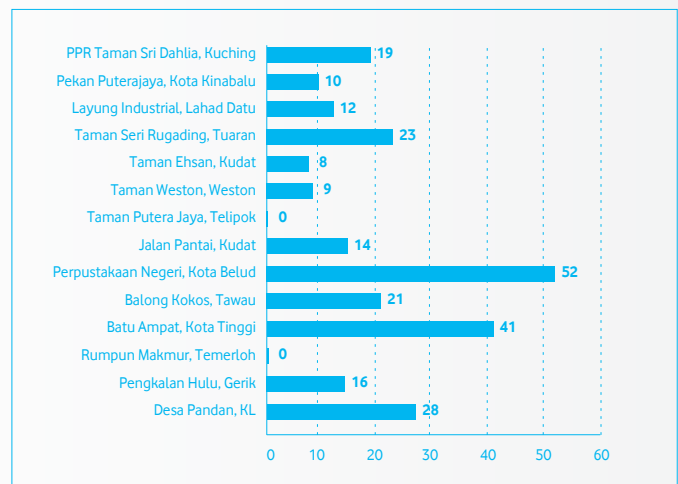
List of PI1M in Malaysia.

MCMC through PI1M has fostered the spirit of entrepreneurship in the community by utilising the Internet facilities provided. PI1M is now expanding its strategic partnership with stakeholders such as Majlis Amanah Rakyat (MARA), Federal Agriculture Marketing Authority (FAMA), National Strategy Unit (NSU), Department of Orang Asli Development (JAKOA), Telekom Malaysia Berhad, Kemaman District and Land Office, LAZADA, Lelong.my, Malaysia Digital Economic Development Corporation (MDEC), institutes of higher learning and more.

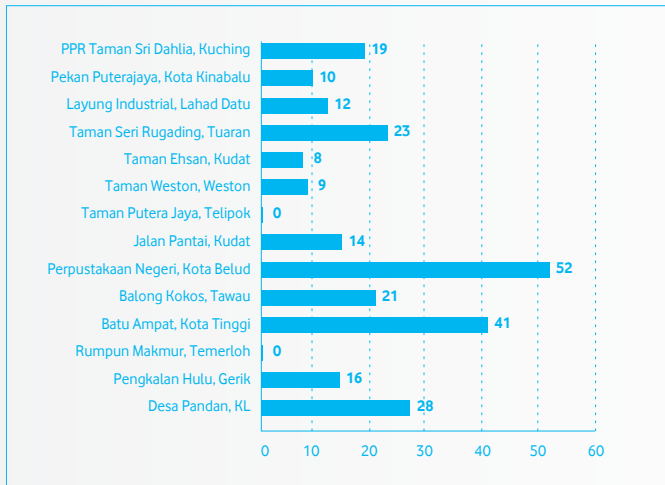
Various entrepreneurship programmes have been introduced in PI1M, including the Train the Trainer programme to PI1M supervisors so they can train local entrepreneurs and these benefits can be enjoyed by more entrepreneurs around PI1Ms.

Agrobazaar Online Entrepreneurship Training Programme

This programme is a joint venture between MCMC and FAMA for the first time to train entrepreneurs and PI1M supervisors to place and sell their products online through the Agrobazaar portal.



PI1M who are actively selling by Product.



Sales Revenues of P11M Entrepreneur and Active Product in Agrobazaar Portal.

Kemaman Open Innovation Challenge (KOIL2017)

The KOIL2017 Programme began on July 14, 2017 and ended on November 18, 2017 which included three (3) series of programmes and involved the following target groups:

- **Series 1: CAMBOH** – Introduce innovation to rural entrepreneurs to expand the market and improve online business automation.
- **Series 2: ABIHRENG** – Identify new ideas and facilitate the development of new business models through the creation of a beginner company.
- **Series 3: KEMAH** – Creating and unifying entrepreneurs and innovators in enhancing the social economy of local communities.

Selected entrepreneurs has the opportunity to develop their ideas and prototypes in 2018 and a total of six (6) selected projects will be provided with initial grant assistance by MCMC.

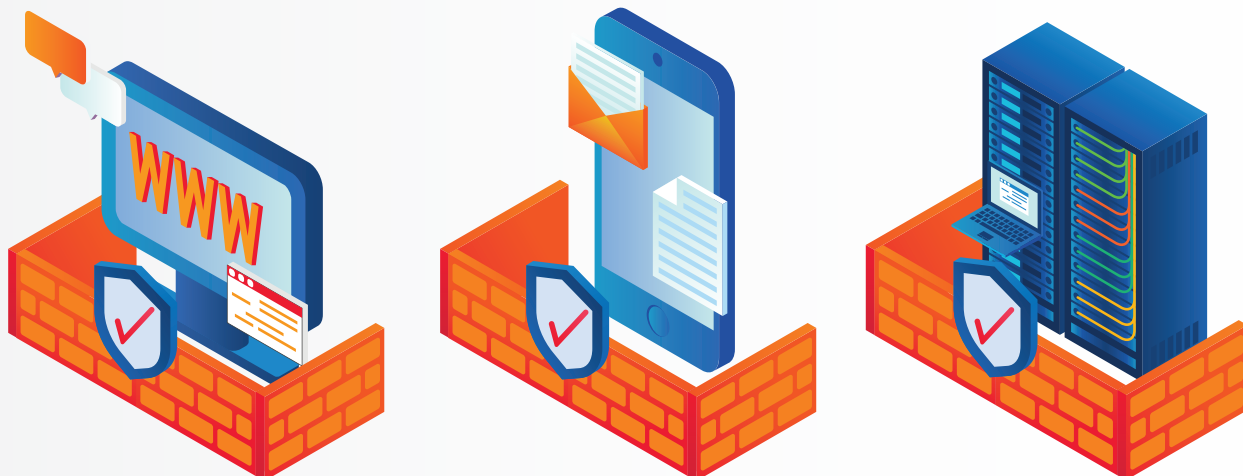
Online Entrepreneurship Development Training Programme for Orang Asli

The online entrepreneurship training programme for Orang Asli was conducted at P11M Kampung Orang Asli Sg Judah, Banting in collaboration with FAMA's strategic partnership.



Online Entrepreneurship Development Training Programme on Orang Asli on 13 December 2017.

The objective of the programme is to provide training to selected Orang Asli around P11Ms on the development of online business and e-Commerce mechanism through the Agrobazaar platform developed by FAMA to promote local products. The programme has received good support from NSU and JAKOA.



WEBINAR SESSION "ONLINE SELLING WITH LAZADA"

The collaboration programme with LAZADA Malaysia is to train entrepreneurs at PI1Ms throughout the country on the basics of e-Commerce using the LAZADA platform. This webinar programme module provides information on how to expand their business online as well as the process of registering as a merchant on the LAZADA platform.

The programme conducted in this webinar method uses the GetGoTraining.com platform. Entrepreneurs who join this programme are selected by LAZADA based on criteria set by the company and have the potential to sell on their e-Commerce platform.

CLASS 101: NOW EVERYBODY CAN SELL ONLINE

The collaborative pilot programme with Lelong.my is a half-day training programme where selected entrepreneurs are taught the techniques of marketing effectively and the steps to becoming an online entrepreneur. In addition, the training also includes product photo tips, product packaging, customer service, promotion and product delivery tips.

The programme also provides an introduction on how to manage a business using the Lelong.my platform. A total of 90 participants comprising entrepreneurs as well as PI1M central region managers and assistant managers attended the programme on 26 September 2017.



Class 101 - Now Everybody Can Sell Online.

MCMC-MARA ENTREPRENEURSHIP BASIC TRAINING COURSE

MCMC collaborated with MARA to host Entrepreneurship Basic Training Course at PI1M. This two-day training programme covers the concept of entrepreneurship, Business Model Canvas (BMC), business plan determination, pricing, marketing plan, financial management and cash flow, transaction record keeping and communication and consultancy skills. The teaching methods provided by MARA are in collaboration with groups and lectures.

The participants target for this course was 20 people consisting of PI1M supervisors and entrepreneurs in smart community and adjacent areas. For 2017, MARA held two programmes in the Lundu and Kota Belud Smart Community districts. The programme was attended by 36 participants comprising local entrepreneurs from the district who had products or services such as catering, sewing, handicraft, cakes, homestay and cosmetic products.

1MALAYSIA ENGLISH PROGRAMME (BI1M) AT THE 1MALAYSIA INTERNET CENTER

BI1M is one of the initiatives under the National Blue Ocean Strategy (NBOS). MCMC in collaboration with NSU, an agency under the Ministry of Finance Malaysia has implemented the pilot project of BI1M at two selected PI1M.

The objective of the programme is to increase the level of English proficiency among locals and to improve their quality of life.



BI1M Graduation day at PI1M Kuah.



Significant Events



Significant Events

1MALAYSIA INTERNET CENTRE'S BEST ENTREPRENEUR COMPETITION 2017



The prize giving ceremony on 5 October 2017.

MCMC organised the 1Malaysia Internet Centres' (PI1M) Best Entrepreneur Competition. The objective of the competition was to show appreciation to local entrepreneurs who registered as PI1M members for their achievements in promoting their products by taking advantage of ICT technology.

The prize giving ceremony was held on 5 October 2017 at the MCMC Auditorium in Cyberjaya. Priority was given to entrepreneurs who successfully transformed their business from the conventional way to online, in line with the development of the digital economy.

The list of winners are as follows:

NO.	AWARDS	WINNER	PRODUCT
1	Best Entrepreneur (National Level and Northern Region)	Nur Isma Afifi Binti Md Aris	Kelulut Honey
2	Best Entrepreneur (Eastern Region)	Nor Mariani Binti Haron	Handycraft
3	Best Entrepreneur (Sabah Region)	Ery Binti Dusun	Tuhau-based Food
4	Best Entrepreneur (Sarawak Region)	Zulkipli Bin Ibrahim	Perfume
5	Best Entrepreneur (Southern Region)	Juniadah Binti Mohd Tahir	Mini Popia
6	Best Entrepreneur (Central Region)	Mazliana Binti Mohien	Bakery and Pastry
7	Best Video "Menarik Di..."	Padang Terap	Menarik Di Padang Terap
8	Best PI1M Cluster	Padang Terap	-

ASEAN MAKERTHON AND INTERNET OF THINGS (IOT) INFORMATION SHARING WORKSHOP

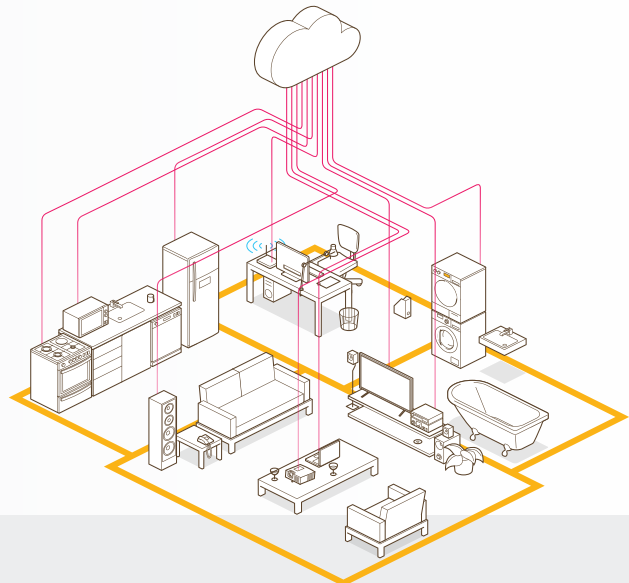


Asean Makerthon and Internet of Things (IoT) Programme.

Based on the theme "Smart Cities, Healthcare and Agriculture – Track, Trace, Improve, Reduce," the makerthon event was the first that involves university students from 10 ASEAN countries and two other nations from TELSOM Dialogue Partners namely China and South Korea.

The event was held in the MCMC Old Building from 8 to 10 September 2017. On the first day, a workshop titled "IoT Information Sharing Workshop" was held where both local and international speakers with backgrounds in IoT shared experiences and expertise. On the second and third day, the hackathon was with 20 groups (58 participants) taking part.

China's Hi Team group was declared as winners followed by UIT-ES group from Myanmar and AgentC group from Malaysia in third place. A total of 20 IoT prototypes were created. The programme was organised by MCMC and the MyMaker organisation.



MALAYSIA DEVELOPERS DAY 2017



Winners and participant of Malaysia Developers Day 2017.

The Malaysia Developers Day (MyDD) is a competition to develop apps in a period of 24 hours. It is a collaboration between MCMC and the US telecommunications company, AT&T. It was the fifth year of the annual competition which was held from 11 to 12 August 2017. The fifth edition in 2017 had a theme that combined four sectors which are Smart Cities, Healthcare, Sustainability and Home.

MyDD 2017 involved 33 groups consisting of 161 developers/hackers both local and overseas.



NMRCP RESEARCH SYMPOSIUM 2017 – “UNLOCKING THE SOCIO-ECONOMIC VALUE OF THE DIGITAL ECONOMY: COLLABORATING FOR GROWTH AND IMPACT”



NMRCP Research Symposium 2017.

The NMRCP Research Symposium 2017 was held on 28-29 November 2017 at the MCMC Auditorium attended by about 250 participants from groups of academicians, researchers, government servants and members of the public.

The seminar showcased the collaboration between MCMC and nine local universities funded by the Networked Media Research Collaboration Programme (NMRCP) as listed below:

- Universiti Sains Malaysia
- Universiti Putra Malaysia
- Universiti Teknologi Petronas
- Universiti Kebangsaan Malaysia
- Universiti Heriot-Watt Malaysia
- Universiti Islam Antarabangsa

The universities presented and discussed their overall research on such areas as objective, methodology, research findings and more. Among the more interesting issues presented was on media literacy, online safety, the impact of new media which touched on the awareness and identity of Netizens and how social media impacts the youths' attitude and behavior.

The symposium also discussed and focused on the Digital Economy where it was seen as having the potential to be a guideline for the NMRCP research's future agenda. The issues are:

- People's issues and the challenges that are related to the Digital Economy
- Policies and regulation of the Digital Economy
- Strategic proposals, initiatives and programmes to measure the impact in the Digital Economy

Overall, this symposium's theme has led to extensive discussions and opened up opportunities for new research in the Digital Economy to contribute to the realisation of the transformation of the Digital Economy on the aspects of community life, cultural experience, future society and the economy.



Our Governance



Commission Member

1



DATO' SRI DR. SHARIFAH ZARAH SYED AHMAD

Appointed: 14 August 2016

2



MOHAMED HASNAN BIN CHE HUSSIN

Appointed: 25 July 2017

3



DATUK H.J. MD AFENDI BIN DATUK H.J. HAMDAN

Appointed: 1 November 2015

4



DR. ABANG AZHARI ABANG HADARI

Appointed: 7 November 2015

5



PUAN SRI DATUK ROHANI BT ABDULLAH

Appointed: 11 April 2016

6



DR. FADHULLAH SUHAIMI ABDUL MALEK

Appointed: 1 January 2017

7



DR. CHIN YOONG KHEONG

Appointed: 22 March 2017

MCMC's Leadership

1



TAN SRI DR HALIM SHAFIE
Chairman

2



DR. MAZLAN ISMAIL
Chief Operating Officer

3



NORIZAN BAHARIN
Chief Officer,
Communications, Spectrum and
Numbering Management, Licensing and
Economic Regulation

4



NUR SULYNA ABDULLAH
Chief Officer,
Corporate Strategy

5



**DATO' MOHD ALI HANAFIAH MOHD
YUNUS**
Chief Officer,
Communications and Digital Ecosystem

6



ZULKARNAIN MOHD YASIN
Chief Officer,
Network Security and Enforcement

7



**DR. FADHLULLAH SUHAIMI ABDUL
MALEK**
Chief Officer,
Network Security, New Media Monitoring
and Advocacy

8



TENGGU ZAIB RAJA AHMAD
Chief Officer,
Corporate Services (until 28 April 2017)

Commission Meetings 2017

Commission Meetings 2017

Commission Member	Position	Total
Tan Sri Dr. Halim Shafie	Chairman	5/5
Tan Sri Dr. Sharifah Zarah Syed Ahmad	Member	3/5
Dato' Mohid Mohamed	Member	3/5
Datuk Hj. Mohamed Hasnan Che Hussin	Member	4/5
Datuk Hj Md Afendi Datuk Hj. Hamdan	Member	5/5
Dr. Abang Azhari Abang Hadari	Member	4/5
Puan Sri Datuk Rohani Abdullah	Member	3/5
Dr. Fadhlullah Suhaimi Abdul Malek	Member	5/5
Dr. Chin Yoong Kheong	Member	3/5

The Disciplinary Committee Meeting 2017

Ahli	Position	Total
Datuk Hj. Mohamed Hasnan Che Hussin	Chairman	3/3
Datuk Hj Md Afendi Datuk Hj. Hamdan	Member	3/3
Dato' Mohid Mohamed	Member	2/3
Dr. Abang Azhari Abang Hadari	Member	1/3

The Disciplinary Appeal Meetings 2017

Members Of The Committee	Position	Total
Tan Sri Dr. Halim Shafie	Chairman	2/2
Dr. Fadhlullah Suhaimi Abdul Malek	Member	2/2
Dr. Chin Yoong Kheong	Member	2/2

The Nomination And Remuneration Committee Meetings 2017

Members Of The Committee	Position	Total
Tan Sri Dr. Sharifah Zarah Syed Ahmad	Chairman	2/3
Datuk Hj. Mohamed Hasnan Che Hussin	Member	3/3
Dr. Abang Azhari Abang Hadari	Member	3/3
Hjh Norizan Baharin	Member	2/3

The Audit And Risk Management Committee Meetings 2017

Members Of The Committee	Position	Total
Datuk Watson Peters	Chairman	1/7
Dato' Mohid Mohamed	Member	4/7
Datuk Hj. Mohamed Hasnan Che Hussin	Member	7/7
Datuk Hj Md Afendi Datuk Hj. Hamdan	Member	6/7
Dr. Chin Yoong Kheong	Chairman / Advisor	7/7

The Tender Committee Meetings 2017

Members Of The Committee	Position	Total
Datuk Hj Md Afendi Datuk Hj. Hamdan	Chairman	8/8
Dato' Mohid Mohamed	Member	5/8
Dr. Abang Azhari Abang Hadari	Member	6/8
Datuk Hj. Mohamed Hasnan Che Hussin	Member	7/8
Dato' Mohd Ali Hanafiah	Member	5/8
Nor Azhar Hassan	Alternate	3/8

Note

- i. Datuk Watson Peter's appointment as Commission Member audit on 15 January 2017.
- ii. Dr. Chin Yoong Kheong was appointed Chairman of the Audit and Risk Management Committee Meeting on 7 April 2017.
- iii. Dato' Mohid Mohamed's appointment as Commission Member ended on 19 September 2017 following his retirement as Deputy Secretary General of the Ministry of Communications and Multimedia Malaysia.

In addition, the Chairman of the Commission, Heads of Sector and Head of Finance and Asset Management Division will met as the Executive Management Committee (ExComm) 30 times throughout 2017.

For approval papers that require more through discussion, it will be discussed at the Management Committee Meeting (MCM). Throughout the year 2017, MCM met 7 times.

Other matters relating to operational matters are discussed separately at Sector, Division and Department levels within the Commission.



Financial Statements



Statement by the Members of the Malaysian Communications and Multimedia Commission

We, Al-Ishsal Ishak and Chin Yoong Kheong, being two of the Members of the Malaysian Communications and Multimedia Commission, do hereby state that in the opinion of the Members of the Commission, the financial statements set out on pages 68 to 111 are drawn up in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards so as to give a true and fair view of the financial position of the Commission as of 31 December 2017 and of its income and expenditure and cash flows for the financial year then ended.

Signed in accordance with a resolution by the Members of the Malaysian Communications and Multimedia Commission:



Al-Ishsal Ishak



Chin Yoong Kheong

Selangor,
31 October 2018

Malaysian Communications and Multimedia Commission Statutory declaration

I, Cho Shi Chong, the officer primarily responsible for the financial management of Malaysian Communications and Multimedia Commission, do solemnly and sincerely declare that the financial statements set out on pages 68 to 111 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the above named at Putrajaya, Wilayah Persekutuan on 5 November 2018.



Cho Shi Chong

Before me:
Pesuruhjaya Sumpah Malaysia
No: A-W326
Rafliza binti Mamat @ Aziz
5 November 2018

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MALAYSIAN COMMUNICATIONS AND MULTIMEDIA COMMISSION

Report on the financial statements

Opinion

We have audited the financial statements of Malaysian Communications and Multimedia Commission (the "Commission"), which comprise the statement of financial position as at 31 December 2017 of the Commission, and statement of income and expenditure and recognised gains and losses and statement of cash flows of the Commission for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 68 to 111.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Commission as at 31 December 2017, and of its financial performance and cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards.

Basis of opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence and other ethical responsibilities

We are independent of the Commission 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.

Information other than the financial statements and auditors' report thereon

The members of the Commission are responsible for the other information. The other information comprises the annual report, but does not include the financial statements of the Commission and our auditors' report thereon. We expect the annual report to be made available to us after the date of the auditor's report.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MALAYSIAN COMMUNICATIONS AND MULTIMEDIA COMMISSION (contd.)

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

Our opinion on the financial statements of the Commission 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 Commission, 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 Commission or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the members of the Commission and take appropriate action.

Responsibilities of the members for the financial statements

The members of the Commission are responsible for the preparation of financial statements of the Commission that give a true and fair view in accordance with the Malaysian Financial Reporting Standards and International Financial Reporting Standards. The members are also responsible for such internal control as the members determine is necessary to enable the preparation of financial statements of the Commission that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Commission, the members are responsible for assessing the Commission'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 members either intend to liquidate the Commission or to cease operations, or have no realistic alternative but to do so.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MALAYSIAN COMMUNICATIONS AND MULTIMEDIA COMMISSION (contd.)

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Commission 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:

- Identify and assess the risks of material misstatement of the financial statements of the Commission, 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.
- 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 Commission's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the members.
- Conclude on the appropriateness of the members' 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 Commission'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 Commission 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 Commission to cease to continue as a going concern.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MALAYSIAN COMMUNICATIONS AND MULTIMEDIA COMMISSION (contd.)

- Evaluate the overall presentation, structure and content of the financial statements of the Commission, including the disclosures, and whether the financial statements of the Commission represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the activities within to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of audit. We remain solely responsible for our audit opinion.

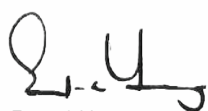
We communicate with the Commission regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on other legal and regulatory requirements

In accordance with the requirements of the Malaysian Communications and Multimedia Commission Act 1998, we also report that, in our opinion, the accounting and other records and the registers required by the Act to be kept by the Commission have been properly kept in accordance with the provisions of the Malaysian Communications and Multimedia Commission Act 1998.

Other matters

This report is made solely to the members of the Commission, as a body, in accordance with Section 47(2) of the Malaysian Communications and Multimedia Commission Act 1998 and for no other purpose. We do not assume responsibility to any other person for the content of this report.



Ernst & Young
AF: 0039
Chartered Accountants



Nik Rahmat Kamarulzaman bin Nik Ab. Rahman
No. 01759/02/2020 J
Chartered Accountant

Kuala Lumpur, Malaysia
31 October 2018

Malaysian Communications and Multimedia Commission

Statement of financial position
As at 31 December 2017

	Note	2017 RM'000	2016 RM'000 Restated	1 Januari 2016 RM'000 Restated
Assets				
Non-current assets				
Property, plant and equipment	3	373,290	410,470	573,012
Investment properties	4	344,198	356,000	285,411
Intangible assets	5	13,203	924	-
		<u>730,691</u>	<u>767,394</u>	<u>858,423</u>
Current assets				
Other investments	6	2,641,304	2,630,000	1,600,000
Fees and other receivables	7	68,163	37,320	48,661
Cash and cash equivalents	8	119,924	362,719	247,786
		<u>2,829,391</u>	<u>3,030,039</u>	<u>1,896,447</u>
Total assets				
		<u>3,560,082</u>	<u>3,797,433</u>	<u>2,754,870</u>
Represented by:				
Accumulated funds	9	<u>739,133</u>	<u>698,342</u>	<u>1,826,523</u>
Liabilities				
Non-current liability				
Deferred income	10	<u>2,103,139</u>	<u>2,261,275</u>	<u>71,838</u>
Current liabilities				
Deferred income	10	413,990	488,785	522,290
Other payables	11	298,128	347,517	332,418
Current tax payable		5,692	1,514	1,801
		<u>717,810</u>	<u>837,816</u>	<u>856,509</u>
Total liabilities				
		<u>2,820,949</u>	<u>3,099,091</u>	<u>928,347</u>
Total accumulated funds and liabilities				
		<u>3,560,082</u>	<u>3,797,433</u>	<u>2,754,870</u>

The notes form an integral part of these financial statements.

Malaysian Communications and Multimedia Commission

Statement of income and expenditure and recognised gains and losses For the year ended 31 December 2017

	Note	2017 RM'000	2016 RM'000 Restated
Income			
Operating licence fees	12	124,660	139,252
Spectrum fees	13	685,359	598,100
Numbering assignment fees	14	18,058	-
Interest income		104,425	71,379
Gain on disposal of property, plant and equipment		113	488
Reversal of impairment loss on fees receivables		-	83
Bad debts recovered		5	-
Rental income	4	16,735	15,726
Other income	15	19,084	8,040
		<u>968,439</u>	<u>833,068</u>
Expenditure			
Employee benefit expenses	16	119,056	106,394
Administrative expenses		119,398	130,997
Special projects expenses		81,376	326,745
Industry development grant expenses		1,683	5,783
Audit fee		130	125
Rental expenses		7,252	6,872
Depreciation of property, plant and equipment	3	58,821	65,123
Depreciation of investment properties	4	11,802	11,797
Amortisation of intangible assets	5	3,224	81
Impairment loss on fees receivables	7	850	400
Impairment loss on investment properties	4	-	98,222
Property, plant and equipment written off		1,839	5,698
Rebate entitlement expenses		12,419	19,540
Other expenses		8,794	6,824
		<u>426,644</u>	<u>784,601</u>
Net operating surplus		541,795	48,467

Malaysian Communications and Multimedia Commission

Statement of income and expenditure and recognised gains and losses
For the year ended 31 December 2017 (contd.)

	Note	2017 RM'000	2016 RM'000 Restated
Less: Payments made pursuant to Section 39(2) Malaysian Communications and Multimedia Commission Act 1998 (Act 589)	21	(273,979)	(159,131)
Surplus/(deficit) before tax		267,816	(110,664)
Tax expense	17	(27,025)	(17,517)
Surplus/(deficit) after tax representing total recognised gains/(losses)	9	240,791	(128,181)

The notes form an integral part of these financial statements.

Malaysian Communications and Multimedia Commission

Statement of cash flows For the year ended 31 December 2017

	Note	2017 RM'000	2016 RM'000 Restated
Cash flows from operating activities			
Surplus/(deficit) before tax		267,816	(110,664)
Adjustments for:			
Depreciation of property, plant and equipment		58,821	65,123
Depreciation of investment properties		11,802	11,797
Amortisation of intangible assets		3,224	81
Gain on disposal of equipment		(113)	(488)
Impairment loss on fees receivables		850	400
Reversal of impairment loss on fees receivables		-	(83)
Bad debts recovered		(5)	-
Impairment loss on investment properties		-	98,222
Property, plant and equipment written off		1,839	5,698
Interest income		(104,425)	(71,379)
Operating surplus/(deficit) before changes in working capital		239,809	(1,293)
Changes in working capital:			
Deferred income		(232,931)	2,155,932
Fees and other receivables		(10,535)	5,677
Other payables and accrued expenses		(64,095)	(16,682)
Cash (used in)/generated from operations		(67,752)	2,143,634
Payments made to Consolidated Fund pursuant to Section 38(3) of Malaysian Communications and Multimedia Commission Act 1998 (Act 589)		(200,000)	(1,000,000)
Tax paid		(22,847)	(17,804)
Net cash (used in)/generated from operating activities		(290,599)	1,125,830
Cash flows from investing activities			
Acquisition of property, plant and equipment	(i)	(24,277)	(57,690)
Acquisition of intangible assets		-	(380)
Acquisition of investment properties		-	(203)
Interest received		83,272	76,726
Proceeds from disposal of property, plant and equipment		113	650
Reinvestment in other investments		(11,304)	(1,030,000)
Net cash generated from/(used in) investing activities		47,804	(1,010,897)

Malaysian Communications and Multimedia Commission

Statement of cash flows For the year ended 31 December 2017 (contd.)

	Note	2017 RM'000	2016 RM'000
Net (decrease)/increase in cash and cash equivalents		(242,795)	114,933
Cash and cash equivalents at 1 January		<u>362,719</u>	<u>247,786</u>
Cash and cash equivalents at 31 December	8	<u>119,924</u>	<u>362,719</u>

(i) Acquisition of property, plant and equipment

During the year, the Commission acquired property, plant and equipment in the following manner:

	Nota	2017 RM'000	2016 RM'000 Restated
Property, plant and equipment			
Satisfied by cash payments		24,277	57,690
Payable to suppliers		<u>14,706</u>	<u>31,781</u>
		<u>38,983</u>	<u>89,471</u>

The notes form an integral part of these financial statements.

Malaysian Communications and Multimedia Commission

Notes to the financial statements For the year ended 31 December 2017

1. Corporate Information

The principal activities of the Malaysian Communications and Multimedia Commission ("Commission") are to implement and to enforce the provisions of the communications and multimedia laws as stipulated in the Communications and Multimedia Act 1998 (Act 588) ("CMA") and the Malaysian Communications and Multimedia Commission Act 1998 (Act 589) ("MCMCA").

The Commission is a statutory body established under the MCMCA. The registered office of the Commission is located at MCMC Tower 1, Jalan Impact Cyber 6, 63000 Cyberjaya, Selangor Darul Ehsan.

The financial statements were approved and authorised for issue by the Commission's Members on 31 October 2018.

2. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to the years presented unless otherwise stated.

2.1 Basis of preparation

The financial statements of the Commission have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRSs") and International Financial Reporting Standards.

The financial statements have been prepared on the historical cost basis except as disclosed in the accounting policies below.

The financial statements are presented in Ringgit Malaysia ("RM") which is also the functional currency of the Commission and all values are rounded to the nearest thousand ("RM000") except otherwise indicated.

Malaysian Communications and Multimedia Commission

2. Summary of significant accounting policies (contd.)

2.2 Standards and Interpretations issued and adopted

On 1 January 2017, the Commission adopted the following new and amended MFRS mandatory for annual financial periods beginning on or after the dates stated below:

Description	Effective for annual periods beginning on or after
Amendments to MFRS 12 Disclosure of Interests in Other Entities (Annual Improvements to MFRS Standards 2014 - 2016 Cycle)	1 January 2017
Amendments to MFRS 107 Statement of Cash Flows (Disclosure Initiative)	1 January 2017
Amendments to MFRS 112 Recognition of Deferred Tax Assets for Unrealised Losses	1 January 2017

The adoption of the standards above have no material impact on the financial statements in the period of initial application.

2.3 Standards issued but not yet effective

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

Description	Effective for annual periods beginning on or after
MFRS 9 Financial Instruments	1 January 2018
MFRS 15 Revenue from Contracts with Customers	1 January 2018
MFRS 16 Leases	1 January 2019
Amendments to MFRS 2 Share-based Payment (Classification and Measurement of Share-based Payment Transaction)	1 January 2018
Amendments to MFRS 2 Share-based Payment	1 January 2020
Amendments to MFRS 3 Business Combinations	1 January 2020
Amendments to MFRS 9 Prepayment Features With Negative Compensation	1 January 2019
Amendment to MFRS 14 Regulatory Deferral Accounts	1 January 2020
Amendments to MFRS 101 Presentation of Financial Statements	1 January 2020
Amendments to MFRS 108 Accounting Policies, Changes in Accounting Estimates and Errors	1 January 2020

The notes form an integral part of these financial statements.

Malaysian Communications and Multimedia Commission

2. Summary of significant accounting policies (contd.)

2.3 Standards issued but not yet effective (contd.)

<u>Description</u>	<u>Effective for annual periods beginning on or after</u>
Amendments to MFRS 119 Plan Amendment, Curtailment or Settlement	1 January 2019
Amendments to MFRS 128 Long-term Interests in Associates and Joint Ventures	1 January 2019
Amendments to MFRS 137 Provisions, Contingent Liabilities and Contingent Assets	1 January 2020
Amendments to MFRS 138 Intangible Assets	1 January 2020
Amendments to MFRS 140 Transfers of Investment Property	1 January 2018
Annual Improvements to MFRS Standards 2014 - 2016 Cycle	1 January 2018
Annual Improvements to MFRS Standards 2015 - 2017 Cycle	1 January 2019
Amendments to MFRS 10 and MFRS 128 Sale or Contribution of Assets between an Investor and Associate or Joint Venture	Deferred

The Members expect that the adoption of the above standards will have no material impact on the financial statements in the period of initial application except as stated below.

MFRS 9 Financial Instruments

MFRS 9 replaces the guidance in MFRS 139, Financial Instruments: Recognition and Measurement on the classification and measurement of financial assets and financial liabilities, impairment of financial assets, and on hedge accounting. MFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics. The new standard contains three principle classifications categories for financial assets: measured at amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL), and eliminates the existing MFRS 139 categories of held to maturity, loans and receivables and available for sale.

Malaysian Communications and Multimedia Commission

2.3 Standards issued but not yet effective (contd.)

The Commission is assessing the existing classification of its financial assets against the classification in MFRS 9. Apart from classification changes to financial assets, MFRS 9 replaces the incurred loss model in MFRS 139 with a forward-looking expected credit loss (ECL) model. This will have a significant impact to the Commission's processes and estimates used in assessing the impairment loss of receivables, which includes estimating future economic indicators and past credit trend of receivables to be factored into the ECL model. The Commission expects its impact assessment of MFRS 9 to be completed in time for the reporting of the next financial year ending 31 December 2018.

MFRS 15 Revenue from Contracts with Customers

The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under MFRS (including MFRS 111 Construction Contracts, MFRS 118 Revenue, IC Interpretation 13 Customer Loyalty Programmes, IC Interpretation 15 Agreements for the Construction of Real Estate, IC Interpretation 18 Transfers of Assets from Customers and IC Interpretation 131 Revenue – Barter Transactions Involving Advertising Services). Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after 1 January 2018. The Commission will adopt the standard on its effective date.

MFRS 15 establishes a new five-step model that will apply to revenue arising from contracts with customers. Under MFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in MFRS 15 provide a more structured approach, a five-step model to measure and recognise revenue. The five-step model that applies to revenue recognition under MFRS 15 is as follows:

- (1) Identify the contract(s) with a customer;
- (2) Identify the performance obligations in the contract;
- (3) Determine the transaction price;
- (4) Allocate the transaction price to the performance obligations in the contract; and
- (5) Recognise revenue when (or as) the entity satisfies a performance obligation.

The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies how to account for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. New disclosure requirements under MFRS 15 which include disaggregated information about revenue and information about the performance obligations remaining at the reporting date.

The notes form an integral part of these financial statements.

Malaysian Communications and Multimedia Commission

2. Summary of significant accounting policies (contd.)

2.3 Standards issued but not yet effective (contd.)

The Commission is in the process of developing additional quantitative and qualitative disclosures that will be required to be reported upon the adoption of the new revenue recognition standard.

As at the date of this report, the Commission is finalizing its assessment and processes in adopting MFRS 15 and will be completed before the next financial year. The full impact of the adoption will be disclosed in next financial statements for the financial year ending 31 December 2018.

MFRS 16 Leases

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

At the commencement date of a lease, a lessee will recognise a liability to make lease payments and an asset representing the right to use the underlying asset during the lease term. Lessees will be required to recognise interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessor accounting under MFRS 16 is substantially the same as the accounting under MFRS 117. Lessors will continue to classify all leases using the same classification principle as in MFRS 117 and distinguish between two types of leases: operating and finance leases.

The Commission is currently assessing the financial impact that may arise from the adoption of MFRS 16.

2.4 Financial assets

Financial assets are recognised in the statement of financial position when, and only when, the Commission becomes a party to the contractual provisions of the financial instrument.

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

Malaysian Communications and Multimedia Commission

2.4 Financial assets (contd.)

The Commission determines the classification of their financial assets at initial recognition, and the categories include financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets.

The Commission categorises its financial assets as follows:

Loans and receivables

Financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables.

Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process.

Loans and receivables are classified as current assets, except for those having maturity dates later than 12 months after the reporting date which are classified as non-current.

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

Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace concerned. All regular way purchases and sales of financial assets are recognised or derecognised on the trade date i.e. the date that the Commission commits to purchase or sell the asset.

2.5 Financial liabilities

Financial liabilities are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability.

Financial liabilities are recognised in the statement of financial position when, and only when, the Commission becomes a party to the contractual provisions of the financial instrument. Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities.

The notes form an integral part of these financial statements.

Malaysian Communications and Multimedia Commission

2. Summary of significant accounting policies (contd.)

2.5 Financial liabilities (contd.)

The Commission categorises its financial liabilities as follows:

Other financial liabilities

The Commission's other financial liabilities include trade and other payables.

Other payables are recognised initially at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method.

For other financial liabilities, gains and losses are recognised in statement of income and expenditure when the liabilities are derecognised, and through the amortisation process.

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

2.6 Property, plant and equipment

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

Subsequent to recognition, property, plant and equipment except for freehold land are measured at cost less accumulated depreciation and accumulated impairment losses. When significant parts of property, plant and equipment are required to be replaced in intervals, the Commission recognises such parts as individual assets with specific useful lives and depreciation, respectively. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the property, plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred.

The present value of the expected cost for the dismantling and decommissioning of the asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met and is depreciated over the lease term.

Malaysian Communications and Multimedia Commission

2. Summary of significant accounting policies (contd.)

2.6 Property, plant and equipment (contd.)

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets as follows:

• Office and communication equipment	6 - 7 years
• Computer equipment	3 years
• Furniture and fittings	6 - 7 years
• Motor vehicles	5 years
• Renovation	3 years
• Buildings	50 years

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

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on derecognition of the asset is included in the profit or loss in the year the asset is derecognised.

The residual value, useful life and depreciation method are reviewed at each reporting date, and adjusted prospectively, if appropriate.

2.7 Investment property

Investment properties are properties which are owned to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes.

Investment property is stated at cost less any accumulated depreciation and any accumulated impairment losses.

Depreciation is recognised in the statement of income and expenditure on a straight-line basis at 2.5% per annum.

An investment property is derecognised on its disposal, or when it is permanently withdrawn from use and no future economic benefits are expected from its disposal. The difference between the net disposal proceeds and the carrying amount is recognised in profit or loss in the period in which the item is derecognised.

The notes form an integral part of these financial statements.

Malaysian Communications and Multimedia Commission

2. Summary of significant accounting policies (contd.)

2.8 Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Following the initial recognition, intangible assets are carried at cost less accumulated amortisation and any accumulated impairment losses. Intangible assets with finite useful lives are amortised on a straight line basis over the estimated economic useful lives and assessed for impairment whenever there is an indication that the intangible assets may be impaired. The amortisation period and the amortisation method for an intangible asset are reviewed at each reporting date, and adjusted prospectively, if appropriate.

2.9 Operating lease

A lease is recognised as a finance lease if it transfers substantially to the Commission all the risks and rewards incident to ownership. All other leases are classified as operating leases.

Operating lease payments are recognised as an expense in the profit or loss on a straight-line basis over the term of the relevant lease.

2.10 Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, balances and deposits with banks and highly liquid investments which have an insignificant risk of changes in fair value with original maturities of three months or less, and are used by the Commission in the management of their short term commitments.

Malaysian Communications and Multimedia Commission**2. Summary of significant accounting policies (contd.)****2.11 Impairment of financial assets**

The Commission assesses at each reporting date whether there is any objective evidence that a financial asset is impaired.

Trade and other receivables and other financial assets carried at amortised cost

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Commission considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments. For certain categories of financial assets, such as fees receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis based on similar risk characteristics. Objective evidence of impairment for a portfolio of receivables could include the Commission's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period and observable changes in national or local economic conditions that correlate with default on receivables.

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

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

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

The notes form an integral part of these financial statements.

Malaysian Communications and Multimedia Commission

2. Summary of significant accounting policies (contd.)

2.12 Employee benefits

(i) Short-term employee benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the year in which the associated services are rendered by employees of the Commission. Short term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences. Short term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

(ii) Defined contribution plans

Defined contribution plans are post-employment benefit plans under which the Commission pays fixed contributions into separate entities or funds and will have no legal or constructive obligation to pay further contributions if any of the funds do not hold sufficient assets to pay all employee benefits relating to employee services in the current and preceding financial years. Such contributions are recognised as an expense in profit or loss as incurred. As required by law, entities in Malaysia make such contributions to the Employees Provident Fund ("EPF").

2.13 Fees and other income

(i) Operating licence fees

Operating licence fees are recognised on the following basis:

- (a) A minimum RM50,000 or a maximum licence fee of 0.50% of Gross Annual Turnover of the licensee is recognised on an accrual basis upon the anniversary of the license and annually thereafter.
- (b) The difference between the minimum and the maximum refers to maximum rebates of 0.35% given to licensees only upon meeting the criteria set and approved by the Commission.

(ii) Spectrum fees

Spectrum fees consist of apparatus and spectrum assignment fees. Renewal notifications are sent to the assignment holders before the expiry of the assignment. Upon receiving the notification, the assignment holders are required to make a fresh application for new assignment. Spectrum fees are recognised on an accrual basis over the licence periods granted.

Malaysian Communications and Multimedia Commission

2. Summary of significant accounting policies (contd.)

2.13 Fees and other income (contd.)

(iii) Numbering assignment fees

Numbering assignment fees consist of application and assignment fees. The assignment fees received are recognized over the assignment period.

(iv) Interest income

Interest income is recognised as it accrues using the effective interest method in the statement of income and expenditure.

2.14 Income tax

Income tax expense is in respect of tax on interest and rental income earned during the financial year. All other income is exempted from taxation as the Commission is tax exempt under Section 127(3)(b) of the Income Tax Act, 1967.

Income tax expense comprises current tax. Current tax is recognised in the statement of income and expenditure.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted by the end of the reporting period, and any adjustment to tax payable in respect of previous financial years.

The notes form an integral part of these financial statements.

Malaysian Communications and Multimedia Commission

2. Summary of significant accounting policies (contd.)

2.15 Fair value measurement

The Commission measures financial instruments and non-financial assets such as investment properties, at fair value at each reporting date.

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

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

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

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

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

Malaysian Communications and Multimedia Commission

2. Summary of significant accounting policies (contd.)

2.15 Fair value measurement (contd.)

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

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

- (i) Level 1 - the fair value is measured using quoted prices (unadjusted) in active markets for identical assets or liabilities.
- (ii) Level 2 - the fair value is measured using inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- (iii) Level 3 - the fair value is measured using inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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

Financial assets are recognised in the statements of financial position when, and only when, the Commission becomes a party to the contractual provisions of the financial instruments.

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

2.16 Provisions

Provisions are recognised when the Commission has a present obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as finance cost.

The notes form an integral part of these financial statements.

Malaysian Communications and Multimedia Commission

2. Summary of significant accounting policies (contd.)

2.17 Impairment of non-financial assets

The Commission assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Commission estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's ("CGU") fair value less costs to sell and its value in use. Recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. For the purpose of impairment assessment, assets are grouped at the lowest level for which there is separately identifiable cash flows.

Impairment losses of continuing operation are recognised in statement of income and expenditure in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Commission estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

2.18 Current and non-current classification

The Commission presents assets and liabilities in the statement of financial position based on current and non-current classification.

An asset is classified as current when it is:

- expected to be realised or intended to be sold or consumed in normal operating cycle;
- held primarily for the purpose of trading;
- expected to be realised within 12 months after the reporting period; or
- cash and cash equivalents unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

All other assets are classified as non-current.

Malaysian Communications and Multimedia Commission**2. Summary of significant accounting policies (contd.)****2.18 Current and non-current classification (contd.)**

A liability is classified as current when:

- it is expected to be settled in normal operating cycle;
- it is held primarily for the purpose of trading;
- it is due to be settled within 12 months after the reporting period; or
- there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period.

All other liabilities are classified as non-current.

2.19 Prior year adjustments

During the year, the Commission identified adjustments affecting the prior years as explained below. The Commission has reflected the adjustments retrospectively in accordance with MFRS 108 Accounting Policies, Changes in Accounting Estimates and Errors.

(a) Property, plant and equipment and Intangible assets

The Commission conducted an exercise to review its assets capitalised as capital work-in-progress ("CWIP") to ensure that assets that are ready for use in the manner intended as defined in MFRS 116 Property, Plant and Equipment has been transferred to the appropriate class of asset and depreciation of these assets commenced.

As a result, certain assets were identified by the Commission to be ready for use with depreciation commencing since prior years.

(b) Deferred income

The Commission, as part of its information systems review, noted that there were minor programming corrections resulting in cut-off adjustments for revenue from apparatus assignment fees.

The notes form an integral part of these financial statements.

Malaysian Communications and Multimedia Commission

2. Summary of significant accounting policies (contd.)

2.19 Prior year adjustments (contd.)

The impact arising from the above adjustments explained in (a) and (b) is as follows:

	31 December 2016		
	As previously reported RM'000	Adjustments RM'000	As restated RM'000
<u>Statement of financial position</u>			
Accumulated funds	(805,570)	107,228	(698,342)
Property, plant and equipment	521,167	(110,697)	410,470
Intangible assets	-	924	924
Deferred Income	(2,752,507)	2,447	(2,750,060)
Other payables	(347,615)	98	(347,517)
<u>Statement of income and expenditure and recognised gains and losses</u>			
Spectrum fees	(595,653)	(2,447)	(598,100)
Depreciation of property, plant and equipment	36,876	28,247	65,123
Depreciation of investment properties	-	11,797	11,797
Amortisation of intangible assets	-	81	81
Property, plant and equipment written off	17	5,681	5,698
Deficit after tax representing total recognised losses	(84,822)	(43,359)	(128,181)
<u>Statement of cash flows</u>			
Cash flows from operating activities			
Surplus/(deficit) before tax	(67,305)	(43,359)	(110,664)
Adjustments for:			
Depreciation of property, plant and equipment	36,876	28,247	65,123
Depreciation of investment properties	-	11,797	11,797
Amortisation of intangible assets	-	81	81
Property, plant and equipment written off	17	5,681	5,698
Changes in working capital:			
Deferred income	2,158,379	(2,447)	2,155,932
Other payables and accrued expenses	(16,584)	(98)	(16,682)

Malaysian Communications and Multimedia Commission

2. Summary of significant accounting policies (contd.)

2.19 Prior year adjustments (contd.)

	31 December 2016		
	As previously reported RM'000	Adjustments RM'000	As restated RM'000
Cash flows from investing activities			
Acquisition of property, plant and equipment	(58,168)	478	(57,690)
Acquisition of intangible assets	-	(380)	(380)

	1 January 2016		
	As previously reported RM'000	Adjustments RM'000	As restated RM'000
Statement of financial position			
Accumulated funds	(1,890,392)	63,869	(1,826,523)
Property, plant and equipment	636,881	(63,869)	573,012

The notes form an integral part of these financial statements.

Malaysian Communications and Multimedia Commission

2. Summary of significant accounting policies (contd.)

2.20 Significant accounting judgements and estimates

The preparation of the Commission's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

(i) Critical judgements made in applying accounting policies

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

(ii) Key sources of estimation uncertainty

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

(a) Impairment of loans and receivables

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

When there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics.

(b) Useful life of property, plant and equipment, investment properties and intangible assets

The Commission estimates the useful lives of property, plant and equipment, investment properties and intangible assets based on the period over which the assets are expected to be available for use. The estimated useful lives of property, plant and equipment, investment properties and intangible assets are reviewed periodically and are updated if expectations differ from previous estimate due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets. Changes in expected level of usage and economic development could impact the economic useful lives and the residual values of these assets, and hence future depreciation charges on such assets could be revised.

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3. Property, plant and equipment

	Office and communication equipment RM'000	Computer equipment RM'000	Furniture and fittings RM'000	Motor vehicles RM'000	Freehold land RM'000	Buildings RM'000	Renovation RM'000	Capital work-in progress RM'000	Total RM'000
Cost									
At 1 January 2017									
- As previously reported	20,673	228,160	7,435	12,095	10,873	260,229	5,781	213,855	759,101
- Prior year adjustments	-	73,127	-	-	-	-	-	(165,130)	(92,003)
- As restated	20,673	301,288	7,435	12,095	10,873	260,229	5,781	48,724	667,098
Additions	808	4,388	59	1,798	-	-	476	31,454	38,983
Disposals	-	-	-	(714)	-	-	-	-	(714)
Write-offs	(5,429)	-	(2,521)	-	-	-	-	-	(7,950)
Reclassification	257	36,019	-	450	-	-	-	(36,726)	-
Transfer to intangible assets (Note 5)	-	-	-	-	-	-	-	(15,503)	(15,503)
At 31 December 2017	16,309	341,695	4,973	13,629	10,873	260,229	6,257	27,949	681,914
Accumulated depreciation									
At 1 January 2017									
- As previously reported	11,014	197,962	2,756	8,450	-	17,575	177	-	237,934
- Prior year adjustments	-	18,694	-	-	-	-	-	-	18,694
- As restated	11,014	216,656	2,756	8,450	-	17,575	177	-	256,628
Charge for the year	2,173	47,341	760	1,402	-	5,205	1,940	-	58,821
Disposals	-	-	-	(714)	-	-	-	-	(714)
Write-offs	(5,386)	-	(725)	-	-	-	-	-	(6,111)
At 31 December 2017	7,801	263,997	2,791	9,138	-	22,780	2,117	-	308,624
Net carrying amount as at 31 December 2017	8,508	77,698	2,182	4,491	10,873	237,449	4,140	27,949	373,290

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3. Property, plant and equipment (contd.)

	Office and communication equipment RM'000	Computer equipment RM'000	Furniture and fittings RM'000	Motor vehicles RM'000	Freehold land RM'000	Buildings RM'000	Renovation RM'000	Capital work-in progress RM'000	Total RM'000
Cost									
At 1 January 2016									
- As previously reported	18,959	211,459	8,988	11,986	10,873	260,229	-	331,199	853,693
- Prior year adjustments	-	95,606	-	-	-	-	-	(95,606)	-
- As restated	18,959	307,065	8,988	11,986	10,873	260,229	-	235,593	853,693
Additions									
- As previously reported	539	6,063	47	1,779	-	-	5,781	75,740	89,949
- Prior year adjustments	-	(380)	-	-	-	-	-	(98)	(478)
- As restated	539	5,683	47	1,779	-	-	5,781	75,642	89,471
Disposals									
Write-offs									
- As previously reported	-	-	(2,466)	-	-	-	-	-	(2,466)
- Prior year adjustments	-	(90,900)	-	-	-	-	-	-	(90,900)
- As restated	-	(90,900)	(2,466)	-	-	-	-	-	(93,366)
Reclassification									
- As previously reported	1,175	10,638	866	-	-	180,405	-	(193,084)	-
- Prior year adjustments	-	68,802	-	-	-	(180,405)	-	111,603	-
- As restated	1,175	79,440	866	-	-	-	-	(81,481)	-
Transfer to investment properties (Note 4)									
- As previously reported	-	-	-	-	-	-	-	-	-
- Prior year adjustments	-	-	-	-	-	-	-	(180,405)	(180,405)
- As restated	-	-	-	-	-	-	-	(180,405)	(180,405)
Transfer to intangible assets (Note 5)									
- As previously reported	-	-	-	-	-	-	-	-	-
- Prior year adjustments	-	-	-	-	-	-	-	(625)	(625)
- As restated	-	-	-	-	-	-	-	(625)	(625)
At 31 December 2016	20,673	301,288	7,435	12,095	10,873	260,229	5,781	48,724	667,098

Malaysian Communications and Multimedia Commission

3. Property, plant and equipment (contd.)

	Office and communication equipment RM'000	Computer equipment RM'000	Furniture and fittings RM'000	Motor vehicles RM'000	Freehold land RM'000	Buildings RM'000	Renovation RM'000	Capital work-in progress RM'000	Total RM'000
Accumulated depreciation									
At 1 January 2016									
- As previously reported	8,932	182,506	4,371	8,634	-	12,369	-	-	216,812
- Prior year adjustments	-	63,869	-	-	-	-	-	-	63,869
- As restated	8,932	246,375	4,371	8,634	-	12,369	-	-	280,681
Charge for the year									
- As previously reported	2,082	15,456	834	1,324	-	17,003	177	-	36,876
- Prior year adjustments	-	40,044	-	-	-	(11,797)	-	-	28,247
- As restated	2,082	55,500	834	1,324	-	5,206	177	-	65,123
Disposals									
Write-offs									
- As previously reported	-	-	-	(1,508)	-	-	-	-	(1,508)
- Prior year adjustments	-	(85,219)	-	-	-	-	-	-	(85,219)
- As restated	-	(85,219)	(2,449)	-	-	-	-	-	(87,668)
Transfer to investment properties (Note 4)									
- As previously reported	-	-	-	-	-	(11,797)	-	-	(11,797)
- Prior year adjustments	-	-	-	-	-	11,797	-	-	11,797
- As restated	-	-	-	-	-	-	-	-	-
At 31 December 2016	11,014	216,656	2,756	8,450	-	17,575	177	-	256,628
Net carrying amount									
as at 31 December 2016	9,659	84,632	4,679	3,645	10,873	242,654	5,604	48,724	410,470

Malaysian Communications and Multimedia Commission

4. Investment properties

	Note	2017 RM'000	2016 RM'000 Restated
Cost			
At 1 January		472,092	291,484
Addition		-	203
Reclassified from property, plant and equipment	3	-	180,405
At 31 December		<u>472,092</u>	<u>472,092</u>
Accumulated depreciation			
At 1 January		17,870	6,073
Reclassified from property, plant and equipment	3	-	-
- As previously reported		-	11,797
- Prior year adjustments		-	(11,797)
- As restated		-	-
Charge for the year		-	-
- As previously reported		11,802	-
- Prior year adjustments		-	11,797
- As restated		11,802	11,797
At 31 December		<u>29,672</u>	<u>17,870</u>
Accumulated impairment loss			
At 1 January		98,222	-
Charge for the year		-	98,222
At 31 December		<u>98,222</u>	<u>98,222</u>
Net carrying amount			
At 31 December		<u>344,198</u>	<u>356,000</u>
Fair value of investment properties		<u>356,000</u>	<u>356,000</u>

Malaysian Communications and Multimedia Commission

4. Investment properties (contd.)

In the prior financial year, in accordance to MFRS 140 Investment Property, the Commission has reclassified a commercial property that is intended to be held for rental income and capital appreciation purposes, from property, plant and equipment to investment property.

The following is recognised in the statement of income and expenditure in respect of the investment property:

	2017 RM'000	2016 RM'000
Rental income	16,735	15,726
Rental related expenditure	(8,883)	(10,144)

4.1 Fair value information

Fair value of investment properties are categorised as follows:

	Level 3	
	2017 RM'000	2016 RM'000
Land and building	356,000	356,000

The fair values of the investment properties were valued by an independent valuer who holds recognised qualifications and has relevant experience in valuing these type of properties. The fair values were determined based on income approach method.

In assessing the fair values using the income approach, the independent valuer considered inputs such as monthly gross rental per square feet and monthly maintenance cost per square feet. These inputs are adjusted from its base value derived from existing rental agreements and historical information maintained by the Commission at rates ranging between +4% and +28%. The values are then discounted at a discount rate ranging between 6% to 6.25% to arrive at the fair value of the investment properties.

Sensitivity analysis

A significant increase or decrease in the unobservable inputs used in the valuation would result in a correspondingly higher or lower fair value of the investment property.

Malaysian Communications and Multimedia Commission

4. Investment properties (contd.)

4.2 Impairment loss of investment properties

In the prior financial year, the Commission performed an impairment assessment on its investment properties using the fair values derived by the independent valuers, as discussed above. The Commission noted that the carrying amounts of its investment properties are higher than the fair value, indicating potential impairment loss. The Commission considers the fair value derived by the independent valuer as the recoverable amount of the investment properties as the fair values are derived using data reflective of the current market condition.

As a result, the Commission recognised an impairment loss of RM98,222,000 in the statement of income and expenditure arising from the impairment review in prior year.

During the year, the Commission reviewed the investment properties for indication of impairment and concluded there was none. As such, no impairment loss was recognised during the year.

Malaysian Communications and Multimedia Commission

5. Intangible assets

	Note	2017 RM'000	2016 RM'000 Restated
Cost			
At 1 January			
- As previously reported		-	-
- Prior year adjustments		1,005	-
- As restated		1,005	-
Addition			
- As previously reported		-	-
- Prior year adjustments		-	380
- As restated		-	380
Reclassified from property, plant and equipment	3		
- As previously reported		15,503	-
- Prior year adjustments		-	625
- As restated		15,503	625
At 31 December		16,508	1,005
Accumulated amortisation			
At 1 January			
- As previously reported		-	-
- Prior year adjustments		81	-
- As restated		81	-
Charge for the year			
- As previously reported		3,224	-
- Prior year adjustments		-	81
- As restated		3,224	81
At 31 December		3,305	81
Net carrying amount			
At 31 December		13,203	924

Malaysian Communications and Multimedia Commission

6. Other investments

	2017 RM'000	2016 RM'000
Deposits placed with licensed banks	2,641,304	2,630,000

The weighted average effective interest rate and the average maturity of the deposits as at 31 December are as follows:

	Weighted average effective interest rate		Average maturity	
	2017 %	2016 %	2017 days	2016 days
Licensed banks	3.97	4.00	335	246

7. Fees and other receivables

	2017 RM'000	2016 RM'000
Fees receivables		
Fees receivables	16,255	8,296
Less: Allowance for impairment	(2,658)	(1,808)
	<u>13,597</u>	<u>6,488</u>
Other receivables		
Interest receivable	41,329	20,176
Deposits	1,989	1,866
Staff loans	604	555
Advances to staff	98	51
Others	10,546	8,184
	<u>54,566</u>	<u>30,832</u>
Fees and other receivables	<u>68,163</u>	<u>37,320</u>

Malaysian Communications and Multimedia Commission

7. Fees and other receivables (contd.)

Ageing analysis:

The ageing of fees receivables as at the end of the reporting period was as follows:

	2017 RM'000	2016 RM'000
Neither past due nor impaired	11,260	5,268
Past due but not impaired	2,337	1,220
Past due and impaired	2,658	1,808
	<u>16,255</u>	<u>8,296</u>

Fees receivables that are neither past due nor impaired

Fees receivables that are neither past due nor impaired are creditworthy licensees with good payment records.

Fees receivables that are past due but not impaired

Fees receivables amounting to RM2,337,000 (2016: RM1,220,000) that are past due but not impaired as there is no concern over the credit worthiness of these receivables and the recoverability of these debts.

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7. Fees and other receivables (contd.)

Fees receivables that are past due and impaired

Fees receivables that are impaired at the reporting date and the movement of the allowance accounts used to record the impairment are as follows:

	2017	2016
	RM'000	RM'000
<u>Individually impaired</u>		
Nominal amounts	2,658	1,808
Less: Allowance for impairment	(2,658)	(1,808)
	<u>-</u>	<u>-</u>
	2017	2016
	RM'000	RM'000
At 1 January	1,808	2,652
Charge for the year	850	400
Reversal	-	(83)
Written off	-	(1,161)
At 31 December	<u>2,658</u>	<u>1,808</u>

Fees receivables that are determined to be individually impaired at the reporting date relates to licensees that have defaulted in payment. These are not secured by any collateral or credit enhancements. There are no further factors that warrant the consideration of additional impairment on a collective basis.

8. Cash and cash equivalents

	2017	2016
	RM'000	RM'000
Cash and bank balances	61,317	77,889
Deposits placed with licensed banks	58,607	284,830
	<u>119,924</u>	<u>362,719</u>
Fees and other receivables	68,163	37,320
Other investments	2,641,304	2,630,000
Total loans and receivables	<u>2,829,391</u>	<u>3,030,039</u>

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8. Cash and cash equivalents (contd.)

The weighted average effective interest rate and the average maturity of the deposits as at 31 December are as follows:

	Weighted average effective interest rate		Average maturity	
	2017 %	2016 %	2017 days	2016 days
Licensed banks	2.90	3.00	3	14

9. Accumulated funds

	2017 RM'000	2016 RM'000 Restated
Initial fund		
Accumulated surplus brought forward	60,000	60,000
- As previously reported	1,745,570	1,830,392
- Prior year adjustments	(107,228)	(63,869)
- As restated	1,638,342	1,766,523
Accumulated payments made to the Consolidated Fund pursuant to Section 38(3) of the Malaysian Communications and Multimedia Act 1998 (Act 589)	(1,200,000)	(1,000,000)
Surplus/(deficit) after tax	240,791	(128,181)
	739,133	698,342

The initial fund has been utilised in the previous years to finance the working capital of the Commission.

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10. Deferred income

	2017 RM'000	2016 RM'000
Current		
Spectrum fees		
3G spectrum assignment fees	79,244	198,031
Apparatus assignment fees		
- As previously reported	120,798	186,245
- Prior year adjustments	-	(2,447)
- As restated	120,798	183,798
Operating licence fees		
Operating licence fees	189	77
Spectrum fees		
SA 900 fees	100,887	50,443
SA 1800 fees	112,872	56,436
	413,990	488,785
Non-current		
Spectrum fees		
3G spectrum assignment fees	61,115	70,489
Apparatus assignment fees	705	664
Spectrum fees		
SA 900 fees	995,999	1,068,734
SA 1800 fees	1,045,320	1,121,388
	2,103,139	2,261,275
Total deferred income		
- As previously reported	2,517,129	2,752,507
- Prior year adjustments	-	(2,447)
- As restated	2,517,129	2,750,060

Deferred income relates to the amount of unearned income from payments made by licensees that will be recognised in future financial periods.

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11. Other payables

	2017 RM'000	2016 RM'000 Restated
Sundry payables		
Accrued expenses	26,220	50,926
- As previously reported	271,908	296,689
- Prior year adjustments	-	(98)
- As restated	271,908	296,591
Total financial liabilities at amortised cost	<u>298,128</u>	<u>347,517</u>

12. Operating licence fees

This relates to licence fees such as individual licence fee, class licence fee and postal fee charged by the Commission to the licensees such as network services provider, network facilities provider and applications service provider.

13. Spectrum fees

This relates to spectrum assignment fees and apparatus assignment fees charged by the Commission to users to use one or more specified frequency bands to operate network facilities under specified conditions.

14. Numbering assignment fees

This relates to numbering assignment fees charged by the Commission to licensees who hold assignments of short numbers, special service numbers and mobile numbers.

15. Other income

	2017 RM'000	2016 RM'000
Licence application fees	4,692	4,667
Events sponsorship	-	3,000
Public cellular blocking service fees	5,294	-
Sundry income	9,098	373
	<u>19,084</u>	<u>8,040</u>

Malaysian Communications and Multimedia Commission

16. Employee benefit expenses

	2017	2016
	RM'000	RM'000
Wages, salaries and allowances	77,875	69,699
Social security costs and employee insurance	3,925	3,269
Bonus	15,848	13,136
Defined contributions plan	13,822	12,536
Other staff related expenses	7,586	7,754
	<u>119,056</u>	<u>106,394</u>

Included in the employee benefit expenses are the allowances, expenses and ex-gratia of the Commission Members amounting to RM738,045 (2016: RM833,382).

17. Tax expense

	2017	2016
	RM'000	RM'000
Current tax expense		
Current year	26,963	18,507
Under/(over) provision in prior years	62	(990)
Total income tax expense	<u>27,025</u>	<u>17,517</u>

Domestic income tax is calculated at the Malaysian statutory tax rate of 24% (2016: 24%) of the estimated assessable surplus/(deficit) for the year.

A reconciliation of income tax expense applicable to surplus/(deficit) before tax at the statutory income tax rate to income tax expense at the effective income tax rate of the Commission is as follows:

	2017	2016
	RM'000	RM'000
		Restated
Surplus/(deficit) before tax	<u>267,816</u>	<u>(110,664)</u>
Income tax calculated using Malaysian tax rate of 24% (2016: 24%)	64,276	(26,559)
Expenses not deductible for tax purposes	166,011	223,455
Income not subject to tax	(203,324)	(178,389)
Under/(over) provision of income tax expense in prior years	62	(990)
Total income tax expense	<u>27,025</u>	<u>17,517</u>

The Commission has been granted tax exemption from Year of Assessment 2000 onwards by the Ministry of Finance under Section 127(3)(b) of the Income Tax Act, 1967. The current tax expense is in respect of interest and rental income not exempted from tax.

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18. Audit fees

The Commission's audit fee of RM130,000 (2016: RM125,000) is recognised in the statement of income and expenditure and recognised gains and losses. The Commission also bears the audit fees of the Universal Service Provision Fund amounting to RM65,000 (2016: RM55,000), which is recognised in the said statement.

19. Capital commitment

	2017 RM'000	2016 RM'000
Property, plant and equipment		
Authorised but not contracted for	286,951	137,844
Contracted but not provided for	-	64,279
	286,951	202,123
Operating lease		
Contracted but not provided for	84	389

20. Financial risk management objectives and policies

The Commission is exposed to financial risks arising from their operations and the use of financial instruments. The key financial risks include interest rate risk (both fair value and cash flow), liquidity risk and credit risk.

The Members of the Commission review and agree policies and procedures for the management of these risks, which are executed by the Chairman. The audit committee provides independent oversight to the effectiveness of the risk management process.

(a) Credit risk

Credit risk is the risk of a financial loss to the Commission if a licensee or counterparty to a financial instrument fails to meet its contractual obligations. The Commission's exposure to credit risk arises principally from its fees and other receivables and deposits placed with licensed banks.

Fees and other receivables

Risk management objectives, policies and processes for managing the risk

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis.

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20. Financial risk management objectives and policies (contd.)

(a) Credit risk (contd.)

Fees and other receivables (contd.)

Exposure to credit risk, credit quality and collateral

As at the end of the reporting period, the maximum exposure to credit risk arising from fees and other receivables is represented by the carrying amounts in the statement of financial position.

Management has taken reasonable steps to ensure that receivables that are neither past due nor impaired are stated at their realisable values. A significant portion of these receivables are major licensees that have been transacting with the Commission. The Commission uses ageing analysis to monitor the credit quality of the fees receivables. Any receivables having significant balances past due more than 365 days, which are deemed to have higher credit risk, are monitored individually.

Information regarding fees and other receivables' credit risk and its ageing analysis are disclosed in Note 7.

Deposits placed with licensed banks

Risk management objectives, policies and processes for managing the risk

Deposits are allowed to be placed only with licensed banks or financial institutions.

Exposure to credit risk, credit quality and collateral

As at the end of the reporting period, the Commission has only placed deposits with domestic licensed banks. The maximum exposure to credit risk is represented by the carrying amounts in the statements of financial position. The Commission has no significant concentration of credit risk other than the placements with licensed banks.

(b) Liquidity risk

Liquidity risk is the risk that the Commission will not be able to meet its financial obligations as they fall due. The Commission's exposure to liquidity risk arises principally from its various payables.

The Commission maintains a level of cash and cash equivalents deemed adequate by the management to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they fall due.

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amount.

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20. Financial risk management objectives and policies (contd.)

(b) Liquidity risk (contd.)

Maturity analysis

The financial liabilities of the Commission are all due within the next 12 months from the reporting date.

(c) Interest rate risk

The Commission is exposed to interest rate risk on its fixed deposits placements. The Commission does not transact in any interest rate swaps.

Exposure to interest rate risk

The interest rate profile of the Commission's significant interest-bearing financial instruments, based on carrying amounts as at the end of the reporting period was:

	2017 RM'000	2016 RM'000
Fixed rate instruments		
Financial assets		
Deposits with licensed banks	2,669,911	2,914,830

Fair value sensitivity analysis for fixed rate instruments

The Commission does not account for any fixed rate financial assets and liabilities at fair value through statement of income and expenditure. Therefore, a change in interest rates at the end of the reporting period would not affect the statement of income and expenditure.

(d) Fair value information

The carrying amounts of other investments, cash and cash equivalents, fees and other receivables and other payables reasonably approximate their fair values due to the relatively short term nature of these financial instruments.

Information regarding the investment properties' fair values are disclosed in Note 4.

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21. Related parties

Identity of related parties

For the purposes of these financial statements, parties are considered to be related to the Commission if the Commission has the ability, directly or indirectly, to control or jointly control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Commission and the party are subject to common control. Related parties may be individuals or other entities.

Related parties also include key management personnel defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Commission either directly or indirectly. The key management personnel includes all the Members of the Commission, and senior management of the Commission.

The Government of Malaysia ("GOM") including those entities controlled, jointly controlled or under significant influence by the GOM are considered as related parties of the Commission. All the transactions processed by the Commission for the GOM-related entities are conducted in the ordinary course of business.

Significant related party transactions

Related party transactions have been entered into the normal course of business. The related party transactions of the Commission during the year are shown below:

	2017 RM'000	2016 RM'000
Payments made to Government bodies pursuant to Section 39(2) Malaysian Communications and Multimedia Commission Act 1998 (Act 589)	273,979	159,131
Payments made to Consolidated Fund pursuant to Section 38(3) Malaysian Communications and Multimedia Commission Act 1998 (Act 589)	200,000	1,000,000
Key management personnel's compensation	5,746	5,411

(a) Key management personnel compensation

	2017 RM'000	2016 RM'000
Wages, salaries and allowances	4,061	3,743
Bonus	890	963
Defined contributions plan	795	714
	<u>5,746</u>	<u>5,411</u>

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22. Fund management policy

The primary objective of the Commission's fund management is to ensure that it is able to meet its liabilities as and when it falls due and to achieve its operational objectives.

The Commission manages its accumulated funds by budgeting its funding needs ahead and adjust its expenditures as required. The Commission continuously monitors its budget against actual results and identifies efficiencies in its operations.

No changes were made in the objectives, policies or processes during the years ended 31 December 2017 and 2016.

23. Legal proceedings

(a) Channel Solution Provider Sdn Bhd

The Commission was served with a letter of demand dated 16 December 2016 ("Letter of Demand") from Channel Solution Provider Sdn Bhd ("CSP"), demanding the Commission to provide a list of sites for installation of devices and amounts due for the 8th milestone amounting to RM8,314,234.04, in accordance with the Agreement dated 14 May 2013 entered into between the Commission and CSP ("Agreement").

The total contract sum under the Agreement is RM151,500,000.00. As at the date of the Letter of Demand, the Commission has made payments totalling to RM90,900,000.00 to the vendor for the work performed. The outstanding amount based on the Agreement was RM60,600,000.00.

As the vendor was found to have not fulfilled certain terms and conditions in the Agreement, the Commission did not make the payment as demanded in the Letter of Demand. However, the vendor alleged that their non-fulfilment was because the Commission was not able to provide the list of sites to install the devices.

On the advice of the solicitors, on 3 July 2017, both parties agreed to enter into a settlement agreement of RM25,000,000.00, which was paid by the Commission on 12 July 2017 as full and final settlement. The amount was recognised as an expense in the financial statements during the year as full and final settlement of the matter.

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23. Legal proceedings (contd.)

(b) Nuemera (M) Sdn Bhd

Nuemera's solicitors has issued a letter of demand ("LOD") dated 19 January 2018 to the Commission demanding the settlement of the outstanding payments of RM57,128,700.00, under the Public Cellular Blocking Service ("PCBS") Agreement and Term Sheet. The Commission discovered an incident of the leakage of the subscribers' data of telecommunication companies which was made available at Lowyat.net.forum ("Data Breach") on 18 October 2017 and has withheld all payments to Nuemera under the PCBS Agreement and Term Sheet.

Noting the Data Breach which is said to be linked to the data in the PCBS System, the Commission responded to Nuemera via letter dated 26 January 2018 highlighting its concerns in respect of the Data Breach, and also the Commission's stance to suspend the arrangement in respect of the PCBS Agreement and Term Sheet, and the decision to withhold any payment to Nuemera pending the completion of the investigation by Polis Diraja Malaysia ("PDRM") and identification of the party responsible for the breach.

Nuemera highlighted its concern via its letter dated 8 February 2018 on the Commission's decision to suspend as no certificate was issued by the Yang di-Pertuan Agong to signify an emergency, as specified under section 266 of the Communications and Multimedia Act ("CMA") 1998.

The Commission responded via its letter dated 9 February 2018 stating that it does not accept Nuemera's position that the Commission is to make payment as demanded in the LOD due to Nuemera's failure to manage the PCBS Solution and the Data Breach, and the Commission is not relying on section 266 of the CMA 1998 but instead relying on the contractual provisions between the parties.

Nuemera filed an application at the High Court on 3 April 2018 for an interim injunction to be given in favour of Nuemera following the Commission's act of suspending the arrangement under the PCBS Agreement and Term Sheet, which was dismissed by the High Court on 3 May 2018 with costs of RM10,000.00.

Nuemera filed an appeal on 4 May 2018 on the Court of Appeal against the High Court's decision.

Nuemera has served to the Commission a Notice of Arbitration dated 27 February 2018 ("NOA") to resolve the dispute with regards to the outstanding payment. The Commission has responded to Nuemera's NOA by filing the response on 14 August 2018 to the Asian International Arbitration Centre (KL).

As of the reporting date, the Commission has accrued for the cost of services received, pending outcome of the NOA.

