



# The work it took to get a nation connected



# The work it took to get a nation connected

– *Annual Report 2015*

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# INTRODUCTION

Why is it so vital to get a nation connected?

Connectivity is critical in order for Malaysia to remain competitive in a global digital economy. Fuelled by the communications and multimedia industry, connected sectors will generate growth to meet the economic and social needs of Malaysia.

In 2015, our strategy was implemented by working with communities through service provision and advocacy. We have helped to provide broadband access in underserved areas to bridge the digital divide. We have also upgraded the existing connectivity through better speed and added bandwidth. We have intensified our focus towards educating the nation, particularly our young generation, on online and social media safety, and the wider risks and responsibilities of using the internet.

Our work last year began with a focus on the people. 2015 saw the expansion of cellular coverage, the building of more internet centres in rural areas and an increase in the expanse of the fibre optic network in the states of Kedah, Kelantan, Negeri Sembilan and Pahang.

A truly connected society is inclusive. To strengthen community connections at the roots, MCMC has implemented various development and regulatory initiatives throughout 2015 for the postal and courier industry in Malaysia. The 'Address for All' project that started in Kemaman and Hulu Terengganu, a great example of our inclusivity, ensures that every house has a full address and postal code.

Our focus then shifted to developing industry where we developed and nurtured talents, strengthened business capabilities, and enhanced Malaysia's ICT and media infrastructure as well as international relations.

Knowing that compelling local content is the key to sustaining broadband growth, MCMC continues to stimulate talent by developing programmes and providing financial assistance to individuals and organisations. The League of Creative Teens video competition, for example, has emerged as a platform to develop and nurture young talents who produce creative and competitive contents.

In international relations, the work that we do are based on the provisions of the Communications and Multimedia Act 1998 to position Malaysia as a global centre and hub for communications and multimedia industry through collaborations with various international organisations.

As the regulator for the communications and multimedia industry in Malaysia, we have put in place frameworks that bring clarity to the industry, as well as provide more informed choices for consumers and provide a safe cyber environment.

Creating a fair market for the various industry players, we enforce regulatory requirements on companies operating in the industry and prevent unfair business practices that reduce competition.

Providing protection to the public from cyber threats is a priority at MCMC, and we are constantly strengthening our monitoring and incident response capabilities.

MCMC is committed to be an enabler of connectivity. With our roadmap laid down, and reaching key milestones in 2015, we have moved closer to becoming a Smart Nation.

Under the mandate of the Malaysian government, we work with industry and aim to create a conducive and vibrant digital environment. Our policies enable the growth of industry while protecting consumers' interests and providing them with access to more innovative, affordable services and media options.

This here, is the work we have done to connect Malaysia in 2015.



# 10 NATIONAL POLICY OBJECTIVES FOR COMMUNICATIONS AND MULTIMEDIA IN MALAYSIA

1

Establish Malaysia as a major global centre and hub for communications and multimedia information and content services.

2

Promote a civil society where information-based services will provide the basis of continuing enhancements to quality of work and life.

3

Grow and nurture local information resources and cultural representation that facilitate the national identity and global diversity.

4

Regulate for the long-term benefit of the end user.

5

Promote a high level of consumer confidence in service delivery from the industry.

6

Ensure an equitable provision of affordable services over ubiquitous national infrastructure.

7

Create a robust applications environment for end users.

8

Facilitate the efficient allocation of resources such as skilled labour, capital, knowledge and national assets.

9

Promote the development of capabilities and skills within Malaysia's convergence industries.

10

Ensure information security and network reliability and integrity.





## VISION

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.

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## MISSION

We are committed to:

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







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and Multimedia Commission  
Annual Report 2015*

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## MINISTER'S FOREWORD

You are probably aware that Malaysia is one of the countries in the world with impressive internet access, particularly in terms of broadband penetration, the use of social media, and the use of the Internet as a whole.

This is evident when statistics show that the number of Internet users in Malaysia in 2016 had reached 21.1 million, or 68.6%, which is equivalent to more than half of the total population of the country.

To a further extent, the number of social media users, particularly Facebook, had reached 18 million in late 2015 and Malaysia has emerged as a country with one of the highest numbers of Facebook users. I am no exception to this global phenomenon.

This is clearly a medium that is the simplest, effective and influential in delivering messages to the public. Personally, it facilitates my interaction with people. Similarly, the penetration rate of broadband and mobile each had reached 143.8% and 77.3%.

All of these impressive achievements reflect the drive and commitment of the government through the Malaysian Communications and Multimedia Commission (MCMC) to plan an agenda for the prosperity of the people, while ensuring that people are always connected.

The government's initiatives to further strengthen Internet penetration and telecommunications infrastructure in the country are in line with the government's desire to achieve internet access for at least 95% of Malaysians, with broadband speeds of up to 100Mbps for 50% of the population in cities and 20% in rural areas.

# “INITIATIVES TO FURTHER STRENGTHEN INTERNET PENETRATION AND TELECOMMUNICATIONS INFRASTRUCTURE IN THE COUNTRY ARE IN LINE WITH THE GOVERNMENT’S DESIRE TO ACHIEVE INTERNET ACCESS FOR AT LEAST 95% OF MALAYSIANS”

Our excellent internet penetration rate has indirectly spurred economic growth and changed the lifestyles of our communities. For instance, people can now use broadband services for a wide range of economic activities such as online shopping, e-commerce, e-payment and also to communicate. The move is also in line with the Smart Community agenda implemented by MCMC in several locations in the country such as Kemaman, Lundu and Kota Belud.

Used appropriately, the Internet can provide plenty of benefits to everyone. Success stories of several individuals honoured by MCMC in the ANT and BEE awards are proof that the Internet is a game-changer, facilitating living and mobility for the community.

Not only have their lives have changed, their products marketed online have garnered international demand.

Coinciding with the theme of the 2015 MCMC Annual Report, “Positively Connected”, the public is urged to continue to take advantage of the existing Internet services for personal and national development. The Internet is a platform and it is up to us as consumers to use the platform judiciously.

DATUK SERI DR. SALLEH SAID KERUAK  
Minister of Communications and Multimedia



## CHAIRMAN'S MESSAGE

### RESULTS AT A GLANCE

The year 2015 witnessed the communications and multimedia industry growing at a favorable rate as industry revenues rose to 4% at RM62.04 billion, compared to RM59.44 billion in the previous year.

The excellent growth rate of the industry is driven by the telecommunications sector, which contributed 77% of the total revenue of the entire industry, 10% from the broadcasting sector and the remaining 13% from the postal sector and others including the ACE (Access, Certainty, Efficiency) market, digital signature and non-public listed licensees.

In terms of services and access, the number of broadband subscriptions reached 30.8 million, pushing the country's broadband penetration rate

to 77.3% at the end of 2015. Similarly, the 4G LTE population coverage already stands at 53.6% against a target of 50% set by the government for 2017.

In addition, the mobile penetration rate country has surged to 143.8% while fibre optic broadband subscriptions reached 1.02 million, an increase of 18.6% compared to only 0.86 million in 2014, driven by the successful implementation of the High Speed Broadband (HSBB) project.

All of these developments are a catalyst for the government's efforts to achieve broadband access by 95% by 2020 with speeds of up to 100Mbps for urban residents and at least 50% of the rural population with the speed of 20Mbps.

Throughout 2015, MCMC has implemented various initiatives to ensure that the communications and multimedia industry remains competitive. Highlights include a programme to expand high-speed broadband infrastructure, affordable broadband packages, the Smart Community programme, promoting new strategic areas such as digital services and data enablement platforms, and the development of the national content industry.

2015 also saw a number of notable achievements attained by the country's communications and multimedia industry. Malaysia was ranked 4th out of 51 countries in the Alliance for Affordable Internet (A4AI) and placed 3rd in the World Cyber Security Index 2015. For our IPv6 performance, Malaysia is ranked first in Southeast Asia and second in Asia.

## INITIATIVES IMPLEMENTED

### MCMC Strategic Plan 2016-2020

To promote the growth of the communications and multimedia industry in the country, MCMC has developed a Strategic Plan for 2016-2020. The five-year strategic plan outlines seven key policy thrusts to drive the development and regulation of the industry, especially in areas such as Networking and Infrastructure, Human Capital Development, Community and Customer, Network Security, Content and Applications, ASEAN Harmonisation and Enabling Platforms.

Under the strategic plan, MCMC will work closely with industry to realise its strategic goals and improve industry's growth. The Strategic Plan also involves the role of the Commission as a facilitator in developing and deploying enablement platforms for digital national ID, open data and mobile payments. Seven core thrusts were then divided into 17 initiatives and supported by 127 programmes, each with a specific goal.

#### i. Digital Services and Enablement Platforms

In digital services, MCMC expects to play a role in three main enablement platforms: Digital ID, open data and mobile payments. Under this initiative, MCMC employs an integrated approach through cooperation with other agencies from various sectors. This service is expected to add value to all areas of the digital economy and reduce national spending by at least RM2.3 billion.

#### ii. Smart Community Initiative

MCMC has also introduced the Smart Community initiative in 2015, starting in Kemaman with the aim of exposing local residents to information and communication technology (ICT) and to improve their living and business standards.

Aimed at local ICT leaders, this initiative started at the grassroots level, promoting the use of ICT in digital services to meet the needs of the people. This move indirectly creates social inclusivity, ultimately enabling and empowering communities to improve their socio-economic status.

The close cooperation forged between MCMC and industry in the Smart Community initiative resulted in the upgrade of service coverage in Kemaman. In addition, the town of Chukai in Kemaman also enjoys 4G LTE service and high speed broadband. Meanwhile, Kemaman enjoys 85% 3G access.

The implementation of the Smart Community in Kemaman has encouraged innovation and improved the lifestyle of the community through ICT applications. The initiative has indirectly raised the people of Kemaman to be on the same level as urban and international communities.

The locals have warmly welcomed the Smart Community initiative in Kemaman. This is evident in the holistic and proactive participation from the community.

Under Smart Community Kemaman, six (6) core programmes were implemented: Flood Management System, Kemaman Innovation Centre, Malaysia's Flood Warriors, Mobile Applications Development Competition - Appster Boss, 1Malaysia Internet Centre and Lifelong Learning.

Aside from Kemaman, other locations which have become Smart Communities include Kota Belud, Sabah; Lundu, Sarawak; Langkawi, Kedah and Putrajaya. The Smart Communities initiative is also in line with the development programme at the regional Smart ASEAN programme raised by ASEAN Ministers in 2015.

### iii. Review of the Communications and Multimedia Act (CMA 1998)

One of our main focuses in 2015 is the focus on the Communications and Multimedia Act 1998 (CMA 1998) review.

Generally, the CMA 1998 placed an emphasis on three main thrusts including to enhance the development of the communications and multimedia industry, to create a safer online environment when using multimedia applications and to inculcate prudent and positive use of the Internet culture among Malaysians.

The review was conducted with full awareness that online environment has changed considerably since the Act was legislated in 1998, coupled with a rapidly evolving communications industry. However, a review of the CMA 1998 cannot be seen as a move to control the Internet. Although the principle of no restrictions on the Internet have been outlined in Point 7, Multimedia Super Corridor Bill of Guarantees, this does not mean that the Internet can be misused with impunity.

In addition to aspects of social media content, a review of the CMA 1998 also outlined the separation of the roles of Chief Executive and Chairman of MCMC. This step was taken to strengthen governance aspects of MCMC to ensure continuity and the balance of responsibilities.

On our part, MCMC will continue to implement a progressive regulatory framework for industry development in the face of destructive elements.

### iv. Misuse of Social Media

As in the previous year, misuse of social media still occurs, with some individuals using the platform for defamation and spreading false news. Due to consistent investigation and enforcement with the Police, those involved have been brought to justice.

In 2015, a total of 1,974 cases have been classified under the content complaints category. Of the total, 57% of content issues are related to social media, such as fake profiles, offensive, obscene and indecent contents.

In terms of enforcement, a total of 125 investigation papers relating to social media abuse under Section 233 of the Communications and Multimedia Act 1998 have been referred to the Deputy Public Prosecutor for further action. As of now, 67 investigation papers have obtained permission for prosecution and of the total, 34 cases have resulted in fines.

MCMC advocacy programme, *Klik Dengan Bijak* (KDB) launched in 2012, was intensified nationwide. In addition, MCMC also emphasized the need for self regulation when using social media. While there is no content control or censorship laws on social media, users should practice self-regulation and refrain from sharing negative content and information.

### v. Spectrum distribution

MCMC will continue to carefully manage key resources to ensure that spectrum allocation can be carried out effectively. To date, the spectrum allocation of 900 MHz and 1800 MHz have been completed. However, the full implementation of spectrum allocation will take place in July 2017.

**“BROADBAND PENETRATION  
REACHED 77.3% AT THE END OF 2015.  
SIMILARLY, THE 4G LTE  
COVERAGE STANDS AT 53.6%  
EXCEEDING A TARGET SET BY THE  
GOVERNMENT FOR 2017”**

#### Communications & Multimedia Industry Outlook

The policy approach currently taken by MCMC is based on comprehensive strategies under the 11<sup>th</sup> Malaysia Plan, to see how the communications and multimedia industry adapts to the current challenges and prepare us to emerge as a Smart Nation.

In the move towards becoming a smart nation, various aspects must be considered in depth. These include improving digital infrastructure, promoting digital transformation in key services, improvement in the development of local content, addressing social media challenges, creating new mobile applications and strengthening the role of consumers. Ultimately, collaboration between public and private sectors is essential to the success of the initiative.

All of these elements will determine the direction of the communications and multimedia industry in this country. As for industry, they need to be more strategic and coordinated in their actions.

#### A WORD OF APPRECIATION

Finally, I would like to express our appreciation to all our stakeholders such as the Ministry, industry and members of the Commission for their support over the years. To all the staff of MCMC thank you for your support and dedication over the years, in making 2015 a year that is not only meaningful but also productive.

DATO' SRI DR. HALIM SHAFIE  
Chairman  
Malaysian Communications and  
Multimedia Commission (MCMC)



## MEMBERS OF THE COMMISSION



**TAN SRI DR. MADINAH  
MOHAMAD**

*Secretary General,  
Ministry of Education Malaysia*

Tan Sri Dr Madinah Mohamad was appointed to the Commission for a period of 2 years with effect from 21 March 2014.



**DATO' SRI DR. SHARIFAH ZARAH SYED AHMAD**  
*Secretary General,  
Ministry of Communications and Multimedia Malaysia*

Dato' Sri Dr. Sharifah Zarah Syed Ahmad was appointed to the Commission for a period of 2 years with effect from 22 December 2014.



**DATO' MOHID MOHAMED**  
*Deputy Secretary General (Policy),  
Ministry of Communications and Multimedia Malaysia*

Dato' Mohid Mohamed was appointed to the Commission for a period of 2 years with effect from 1 January 2015.



**MR. CHEW LIONG KIM**

*Non-Governmental Commission Member*

Mr. Chew Liong Kim was appointed to the Commission for a period of 2 years with effect from 1 May 2013.



**DATUK IDRIS ABDULLAH**

*Non-Governmental Commission Member*

Datuk Idris Abdullah was appointed to the Commission for a period of 2 years with effect from 7 November 2013.



**DATUK WATSON PETERS**  
*Non-Governmental Commission Member*

Datuk Watson Peters was appointed to the Commission for a period of 2 years with effect from 16 January 2015.



**MR. MOHAMED HASNAN CHE HUSSIN**  
*Non-Governmental Commission Member*

Mr. Mohamed Hasnan Che Hussin was appointed to the Commission for a period of 2 years with effect from 24 July 2015.



**DATUK MD AFENDI HAJI HAMDAN**  
*Non-Governmental Commission Member*

Datuk Md Afendi Haji Hamdan was appointed to the Commission for a period of 2 years with effect from 1 November 2015.



**DR. ABANG AZHARI ABANG HADARI**  
*Non-Governmental Commission Member*

Dr. Abang Azhari Abang Hadari was appointed to the Commission for a period of 2 years with effect from 7 November 2015.

MCMC TOP  
MANAGEMENT



**DR. MAZLAN ISMAIL**  
*Chief Officer,  
Network Operations, Security and  
New Media Management*



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



**TENGGU ZAIB  
RAJA AHMAD**  
*Chief Officer,  
Corporate Services*



**NORIZAN BAHARIN**  
*Chief Officer,  
Communications, Spectrum  
Management and Economic  
Regulation*



**NUR SULYNA  
ABDULLAH**  
*Chief Officer,  
Corporate Strategy*



**ZULKARNAIN MOHD  
YASIN**  
*Chief Officer,  
Network Security, Enforcement  
and Advocacy*





FOR THE PEOPLE



## UNIVERSAL SERVICE PROVISION

The Universal Service Provision (USP) is a Government initiative through the Malaysian Communications and Multimedia Commission to achieve the following key objectives:

- Provide collective and individual access to groups and individuals in underserved areas.
- Encourage the use of ICT to build a knowledge-based society.
- Contribute towards the socio-economic development of local communities.
- Bridge the digital divide.

For the year 2015, initiatives that have been implemented for this purpose include:

### 1Malaysia Internet Centre (PI1M)

PI1M is among the earliest USP programmes which has been implemented since 2007. Starting in 2013, the PI1M focus has been extended to include the poor and underserved urban groups. 31 PI1Ms were built in low-cost housing areas such as the People's Housing Project (PPR) and the Government Support Staff housing areas across the country. As at 31 December 2015, a total of 657 PI1Ms have been implemented with 549,000 registered members.

### Community WiFi (WK)

The WK initiative (formerly known as 1Malaysia Wireless Village - KTW1M) has been implemented since 2010 to provide collective wireless internet access (WiFi) to villages communities in rural areas, particularly to recipients of the 1Malaysia Netbook. As at 31 December 2015, 2,978 WK provide WiFi access to communities across the country.



### CELLULAR COVERAGE EXPANSION

This initiative on tower construction aimed to widen the geographical cellular reach all over the country to encompass villages in remote areas, low populated areas and areas with no commercial value such as farms, Orang Asli settlements, new tourism sites and federal highways. As at 31 December 2015, 1,000 new telecommunication towers were built.

### 3G MOBILE BROADBAND COVERAGE EXPANSION

An initiative to expand the coverage of 3G mobile broadband in underserved areas. As at 31 December 2015, a total of 1,409 locations have been upgraded to 3G service nationwide.

### FIBRE OPTIC NETWORK EXPANSION

An initiative where the existing core networks are upgraded to fibre optics. Up to 31 December 2015, 336km of fibre optic network has been installed in the states of Kedah, Kelantan, Negeri Sembilan and Pahang.

### SMART DEVICE WITH INTERNET PACKAGE

Yet another initiative undertaken in collaboration with major USP Fund contributors by offering subsidies on smart devices such as smartphones and tablets with preloaded applications, along with internet subscription. The initiative aimed to encourage those in underserved areas to upgrade the use of mobile phones to smart devices and subscribe to the internet. Until 31 December 2015, a total of 1,243,889 packages have been activated.



### *Sistem Kabel Rakyat 1Malaysia (SKR1M)*

An initiative that involves the installation of submarine fibre optic cable to improve broadband connection with capacity of up to 4 Tbps between the Peninsula, Sabah and Sarawak with a total distance of approximately 3,500 kilometres. A work in progress, SKR1M is expected to be completed in 2017.

### **HIGH SPEED BROADBAND (HSBB)**

#### **a. High Speed Broadband (HSBB) and High Speed Broadband Phase 2 (HSBB Phase 2)**

HSBB is an initiative to carry out high-speed broadband network up to 10 Mbps in the Klang Valley, industrial areas and Iskandar Malaysia by the upgrading of 103 exchanges with the initial target of 1.3 million ports. As at 31 December 2015, 1,792,176 ports were completed.

HSBB Phase 2 is the HSBB extension which seeks to widen the high-speed broadband networks in each state capital and major cities up to 100 Mbps. As at 31 December 2015, 111,302 ports have been implemented and 282,524 ports are still in progress.

#### **b. Suburban Broadband (SUBB)**

First implemented in 2015 to provide broadband capacity with speeds of up to 20 Mbps in suburban areas by upgrading 421 exchanges involving 420,000 ports across the country. As at 31 December 2015, a total of 90,172 have been implemented and 331,604 ports are still in progress.

Figure 1: Implementation of media campaigns for MCMC advocacy programmes in 2015

| Short Video   | Print Media  | KDB Social Sites  |
|---|--|---|
| <ul style="list-style-type: none"> <li>Produced in Bahasa Melayu and English</li> <li>Published and promoted in the KDB social site and other social media platforms</li> <li>Local celebrities became the medium to promote and deliver the message to fans via their social media accounts</li> </ul> | <ul style="list-style-type: none"> <li>Published in English and vernacular newspapers</li> <li>20 billboards to convey the message on False Information and Internet Banking Fraud in urban and rural areas</li> </ul> | <ul style="list-style-type: none"> <li>Short videos uploaded on the KDB YouTube channel gained nearly 1 million views</li> <li>KDB Facebook 'Likes' increased 478% in 2015 compared to 2014</li> <li>KDB Instagram account followers increased by 767 people to 4,303 by the end of 2015</li> </ul> |

## ADVOCACY

As more Malaysians surf online, their exposure to online risks will also increase.

To address the various issues faced by the public when using communications and multimedia applications, services and networks, MCMC has taken on the vital advocacy role.

Advocacy efforts have been implemented since 2012 to educate the public on safe and responsible use of online services, promote the benefits of communication technology and introduce applications that improve living standards and provide life-long learning. Through advocacy initiatives, MCMC hopes to create 'digital citizens' who are able to make positive contributions in the digital environment.

### MEDIA CAMPAIGNS

In 2015, MCMC continued to promote public awareness about internet safety and ethics through the programme 'Klik Dengan Bijak<sup>®</sup> or Click Wisely (KDB)' programme.

Phase two of the campaign began in early January 2015 to deliver four key messages: False Information, Cyberbullying, Oversharing and Internet Banking Fraud.

A series of workshops involving Regional Offices' staff were held to plan new events and activities which aimed to ensure all ground events are carried out with consistency and integration, and communicates the four key messages.

The media supported our advocacy efforts. More than 260 articles on advocacy topics were published, obtained through more than 30 exclusive interviews, aired on TV, radio, and in print and online media; visits to media organisations, media briefings and coverage of 10 advocacy events.



01



02

### OUTREACH AND ADVOCACY IN STRATEGIC PARTNERSHIP

MCMC has continued its strategic partnership with various agencies, ministries, non-governmental organisations (NGOs) as well as industry players. A collaboration with the Ministry of Women, Family and Community Development and UNICEF Malaysia led to the successful organisation of the Regional Conference on Child Online Protection which took place in Kuala Lumpur from 24 - 25 March 2015. This year also saw the *Klik Dengan Bijak* annual camp in Perak held on 21 - 26 November 2015, which was jointly organised by The Scouts Association of Malaysia. Continuing the collaboration with Kidzania for the second year, 86 schools have participated in the Kidzaniago! programme, where activities carried out included MCMC Cyber Crime Lab where school children participated in a game that simulated the cybercrime investigation process.

#### Activities & Events

Events and activities such as carnivals, workshops, and seminars provide an opportunity for MCMC to interact directly with the public to ensure advocacy messages are successfully delivered. With the joint efforts of MCMC Regional Offices, over 430 events and activities were organised throughout 2015, successfully reaching a target audience of 200,000. The 1Malaysia Internet Centres also played a role in conveying messages and advocacy during that period, with more than 15,500 training sessions held across the country. These exercises, combined with various efforts by MCMC, managed to reach 600,000 people.



03

#### ITU-IIV Programme 2015

Malaysia, through MCMC has been honored to host 100 participants from ICT International Volunteer Programme (IIV) in a boot camp that took place in Kota Kinabalu from 9 - 11 July 2015.

Jointly organised by the International Telecommunication Union (ITU) and the Korean National Information Society Agency (NIA), the programme is an open platform for various stakeholders including government, NGOs, the private sector and international organisations in an effort to mobilise human resources and other resources to empower people at all levels.

Two teams of four volunteers have been mobilised to Tenom, Sabah and Kemaman, Terengganu for two months where they provided ICT training in 1Malaysia Internet Centres besides promoting cultural exchanges with the villagers. This experience and exposure has been beneficial, with efforts now underway to develop the Malaysian ICT Volunteers programme, set to commence in 2016.



04

Going into 2016, advocacy initiatives will be focused on promoting digital and media literacy, legal awareness on rights and responsibilities, as well as efforts to promote digital inclusion. The KDB programme will continue to be expanded to include a broader target groups and issues, particularly social media ethics.

### CREATING THE DIGITAL FUTURE

In addition to ethical issues and Internet security, a new advocacy module titled 'Future Digital Citizen' has been developed to promote media and digital literacy among Malaysians. The module is expected to create a better understanding on communication and multimedia technology, digital leadership and introduce the concept of Internet of Things (IoT) to the public. Among new content being added include MCMC initiatives such as the Check Your Label and Mobile e-Waste Programme. These modules have been successfully delivered to all Regional Offices through 'Train the Trainer' workshops held in September 2015.



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- 01 Participants and Officials in International ICT Volunteer Boot Camp 2015
- 02 Scouts participating in the KDB camp in Perak
- 03 KDB activities at the 1Malaysia Internet Centre, Kota Samarahan, Sarawak
- 04 The Prime Minister of Malaysia, YAB Dato' Sri Mohd Najib Tun Abdul Razak officiating MyMaker
- 05 MCMC officer describing the application of IoT technology to the Chief Secretary of the Government in exhibition held during the Digital Government Service Forum 2015

### Digital Lifestyle Malaysia (DLM) Initiative

The main focus of this initiative is to facilitate coordination between industry and the public regarding the use of the Internet of Things (IoT) towards an efficient and productive smart digital nation. This initiative focuses on five ecosystems: Transportation, Agriculture, Retail and Payment, Health Care and Track and Trace.

#### myMaker

myMaker is a community that creates science and technology-based products. Their ultimate goal is to build a foundation of science and technology, inspiring the community and industry through their inventions.

#### Community Awareness

MCMC also partnered with various organisations and all segments of society including the disabled, women and children to create awareness regarding the Internet of Things (IoT).



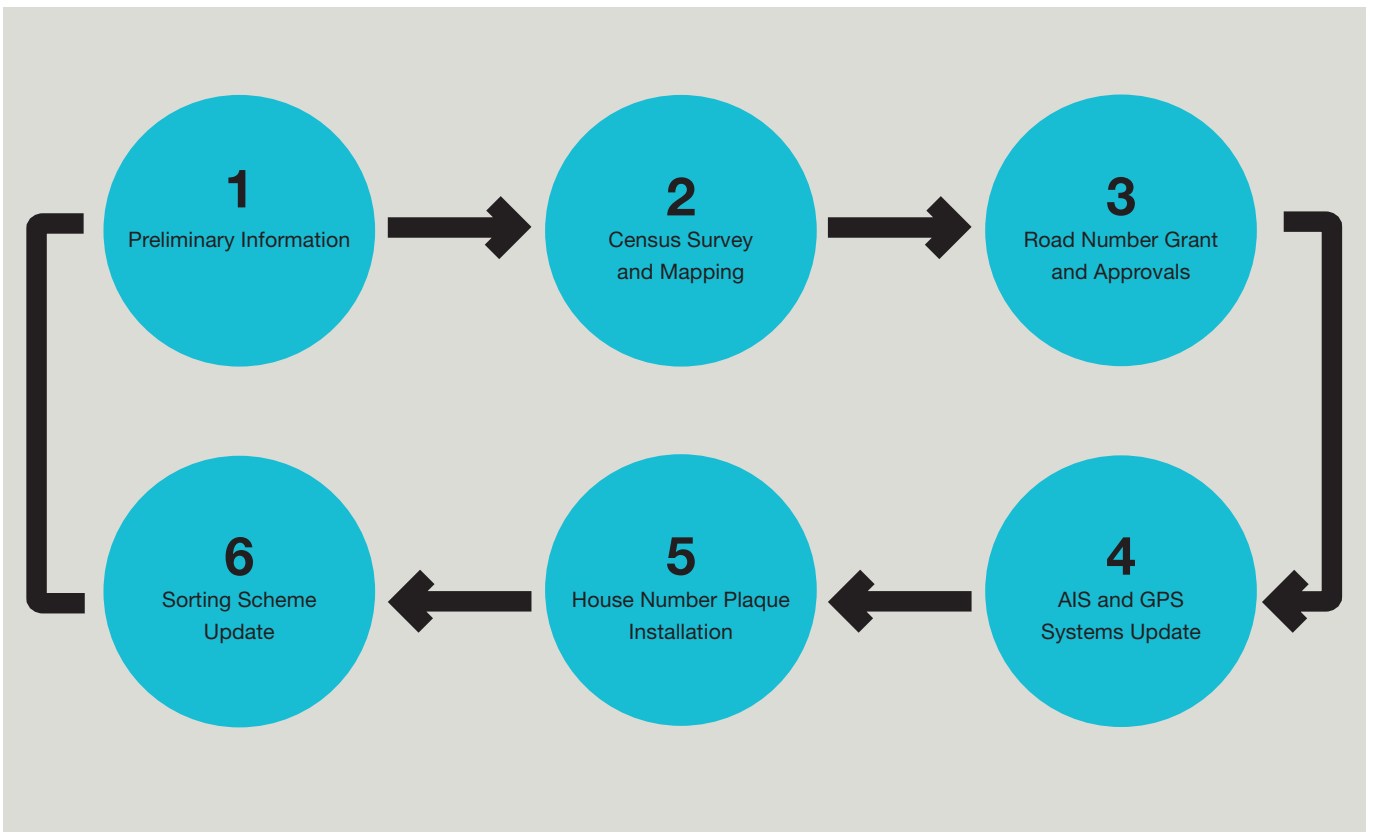
### DLM Activities Throughout 2015

Various awareness programmes, seminars and workshops, as well as a technology showcase to promote the digital lifestyle were carried out in 2015. These include introducing and promoting myMaker, Proof of Concept (PoC) project for DLM and myMaker, and building 'Makers Space'. A summary of the activities carried out are as follows:

Table 1: Activities promoting digital lifestyle and IoT technologies for 2015

| Programme   | Description  |
|---|--|
| 1. Asia Pacific Broadcasting Union (ABU) Digital Symposium 2015                               | MCMC in collaboration with RTM and MyNIC Berhad hosted an exhibition in conjunction with the symposium, as well as provided data and information on Digital Lifestyle and Community Development to the participants.   |
| 2. Digital Empowerment: 360° of Retail Transformation with the Internet of Things and Payment | This programme aimed to create awareness among entrepreneurs to adopt payments using smart phone through Near Field Communication (NFC), bluetooth and sensor beacons.   |
| 3. Empowering A Smart Digital Nation Symposium and Digital Lifestyle Malaysia Exhibition      | Held in collaboration with the Multimedia University (MMU) in conjunction with KL Converge! 2015 at the Kuala Lumpur Convention Centre. It provided a platform for experts, professionals and decision makers from government, industry and academia to share knowledge, ideas and views towards a smart digital nation. |
| 4. Kuala Lumpur Engineering and Science Fair (KLESF) 2015                                     | Exhibition to promote myMaker, eWaste and <i>Klik Dengan Bijak</i> (KDB) among visitors ranging from primary and secondary school students to educators. It aimed to provide exposure and cultivate the interest of students in science, technology, engineering and mathematics (STEM).                                 |
| 5. Digital Government Service Forum 2015 by MAMPU   | MCMC collaborated with industry to create a digital smart nation with emphasis on the aspects of IoT. Among the technologies highlighted in the exhibit hall was 3D printing and flood alarm systems. The exhibition was attended by Chief Secretary to the Government, Tan Sri Dr. Ali Hamsa.                           |
| 6. Malaysia Cybergames 2015   | MCMC booths featuring a number of innovations and inventions by children such as 3D printing machines, gaming animation and drones were visited by the Prime Minister, Dato' Sri Mohd Najib Tun Abdul Razak.   |

Figure 1: Procedure for implementation of the 'Address For All' project



## POSTAL AND COURIER

Throughout 2015, MCMC has implemented various development and regulatory initiatives to empower the postal and courier industry in Malaysia.

### POSTAL DEVELOPMENT IN RURAL COMMUNITIES

#### Address For All Project

Pos Malaysia has estimated that 1 million premises nationwide currently exist without complete street addresses. The amount is relatively large and must be handled in stages to allow national postal and courier services to be provided effectively. The Address For All programme aims for every house to have a full address and postcode, and an efficient system to produce a national postcode database accessible to all.

Kemaman and Hulu Terengganu were chosen to be the first constituencies for this project. If successful, the project implementation at national level will be continued in 2016. Each premise will be given a house plaque along with a QR code.

Table 1: Breakdown of the project 'Address For All' in Kemaman and Hulu Terengganu

| Parliament      | Affected Villages | Affected Premises |
|-----------------|-------------------|-------------------|
| Kemaman         | 128               | 18,900            |
| Hulu Terengganu | 78                | 14,605            |

Figure 2: Example of QR code installed in each premise



### Postal Transformation Plan for Sabah and Sarawak (PTPSS) Phase 3 (2015-2016)

Postal services in rural Sabah and Sarawak have been successfully upgraded under PTPSS through the implementation of community postmen project and the provision of mobile post offices since 2010. The major focus in the implementation of PTPSS Phase 3 is the establishment of a joint network of postal and courier services in rural communities for packages below 2kg. Priority is given to PosLaju before it is opened to other courier companies.



01



02

### Smart Postman Pilot Project

A framework is currently in the pipelines for this project involving 4,700 postal workers and 2,000 PosLaju couriers throughout Malaysia. This project aims for daily deliveries, an unprecedented move for any courier company.

### Postal Tourism

#### a. Post Box at the Highest Altitude (Mount Kinabalu)

Located at Pendant Hut, Laban Rata 3,289 meters above sea level, this has been recognised by the Malaysia Book of Records (MBoR) as the post box at the highest altitude in Malaysia. The post box was launched by the Deputy Minister of Communications and Multimedia, Dato' Jailani Johari on 14 February 2015 at the foot of Mount Kinabalu.

A special postmark featuring paintings of Mount Kinabalu showing its altitude is available for climbers who want to commemorate their ascent by sending letters and postcards from a height of 3,289 meters.

#### b. Underwater Post Box at Layang-Layang Island

Launched by the Deputy Minister of Communications and Multimedia on 7 August 2015, Dato' Jailani Johari at Layang-Layang Island, the post

box has been named by the Malaysia Book of Records as the deepest in the country at a depth of 40 metres below sea level.

It also broke the world record held by Susami, Wakayama in Japan at a depth of 10 meters. The post box has become a new tourism product, attracting the diving community from around the world. Waterproof postcards with a special postmark and the Malaysia Book of Records logo are also available. Also launched is the special postcode 88005, assigned to Layang-Layang Island in an effort to improve postal facilities to tourists and staff who live on the island.

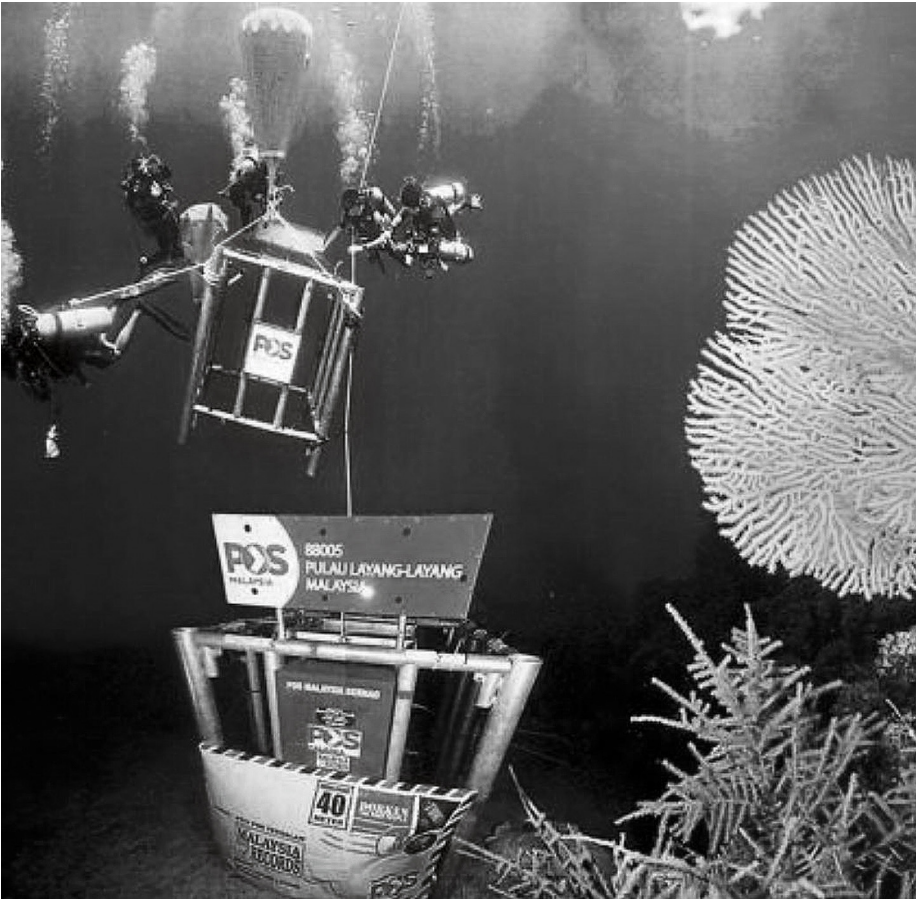
### PHILATELY DEVELOPMENT

#### Theme Stamps and First Day Covers

MCMC has approved 20 theme stamps and first day covers in the year 2015 to be issued by Pos Malaysia.

#### 175th Anniversary Celebration of the First World Stamp

On 30 April 2015, MCMC in collaboration with Pos Malaysia, the Philatelic Society of Malaysia and Melaka Museums Corporation celebrated the 175th anniversary of the first stamp in the world, the Penny Black.



- 01 The Mount Kinabalu Post Box
  - 02 The climb to Laban Rata, Mount Kinabalu
  - 03 Underwater Post Box at Layang- Layang Island
- Photo Courtesy:  
Pos Malaysia Berhad

03

### Four Nation Stamp Exhibition

A stamp exhibition involving Thailand, Malaysia, Singapore and Indonesia was held on 4-6 December 2015 at Dataran Pahlawan Megamall, Melaka.

## INDUSTRY REGULATION

### Minimum Price Policy

On 1 January 2015, MCMC implemented the minimum price policy of RM5.00 for each letter weighing less than 500 grams for courier companies. This regulatory intervention is intended to spur economic growth, improve industry standards and curb unhealthy competition among industry players.

### Gazetting Postal Services Regulations

Two postal service regulations have been gazetted under the Postal Services Act 2012 on 15 April 2015 of the Postal Services (Licensing) Regulations 2015 and the Postal Services (Universal Service) Regulations 2015.

### Customer Satisfaction

Throughout 2015, MCMC and the industry received 143 complaints related to postal and courier services. This amount represents an increase of 26.5% compared to 113 cases in 2014. The increase in complaints

reflects the e-commerce boom that has spurred an increase in traffic for parcels and small packages.

### Establishment of Postal Forum

MCMC also held discussions with stakeholders on the establishment of a Postal Forum, expected to be appointed in 2016 to strengthen the rights of consumers in matters related to postal and courier services.

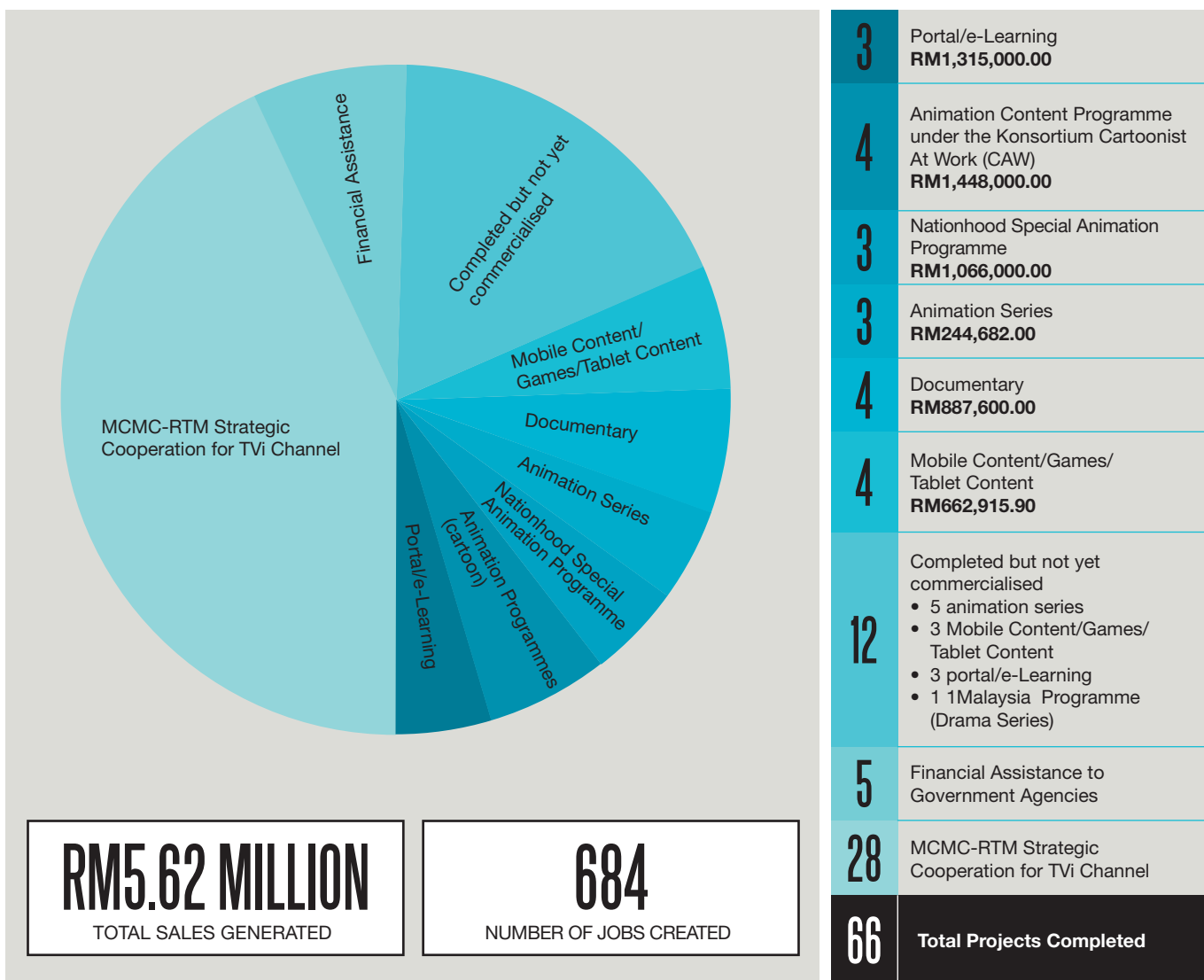
### PLANNING FOR 2016

Various programmes and projects have been planned to continue to drive e-commerce and the postal industry in 2016 such as a programme to help small, medium and micro (SMM) entrepreneurs. There is a need to focus and improve on postal security to prevent the abuse within the postal network.



INDUSTRY  
DEVELOPMENT

Figure 1: Projects completed under CIDF-MCMC for the year 2011-2015



## CONTENT DEVELOPMENT

MCMC continues to play an important and proactive role in making Malaysia a hub for creative content in the Asian region. To ensure that this objective is achieved, various initiatives have been outlined through five main focus areas as follows:

- i. Incentive
- ii. Capacity Development
- iii. Strategic Initiatives
- iv. Competency Development
- v. Smart Community

### INCENTIVES

For the period between 1 January – 31 December 2015, RM10.89 million was disbursed to recipients of the Creative Industry Development Fund-MCMC (CIDF-MCMC) based on agreed milestones. The total amount distributed from January 2011 to 31 December 2015 is RM49.4 million.

As at 31 December 2015, 586 applications were received under CIDF-MCMC; where as many as 142 projects were approved and of these, 66 projects have been completed. Meanwhile, the remaining 76 projects are works in progress and currently monitored by MCMC.

### CAPACITY DEVELOPMENT

#### League of Creative Teens 2015 (LRK 2015)

The theme of LRK for the year 2015 is ‘Broadband Innovation - Malaysian Digital Lifestyle’. A new category was introduced: Raspberry Pi and Arduino. MCMC received more than 4,000 entries nationwide. 1,368 videos were shortlisted and winners were selected at state and national levels.



01

- 01 Winners MYDD 2015
- 02 Appster Boss Winner  
Group: Sining  
Application: Mamashroom
- 03 Appster Boss Runner-up  
Group: Penyu Nelang  
Application: Help2Go



02

**Creative Teens Development Camp 2015 (#KAMERA2015)**

Held over five days to focus on improving students' skills in developing creative content, the Creative Teens Development Camp 2015 is a follow-up programme to the League of Creative Teens. Five public service announcement videos have been successfully produced by students on the theme of independence.

**Malaysia Developers' Day 2015 - ASEAN EDITION**

MCMC and AT&T once again collaborated to organise Malaysia Developers' Day 2015 - ASEAN edition at the Kuala Lumpur Convention Centre on 27 - 28 August 2015 in conjunction with KL Converge! 2015. The event attracted more than 128 participants throughout Asia competing to develop the best applications in categories such as Community Involvement, Smart City and Commercialisation.



03

**Appster Boss 2015!**

This competition was held at the National Youth Skills Institute (IKBN) Kemasik, Terengganu on 8 - 9 May 2015. Participants had to develop applications in group under the theme of Mobile Government Application, Smart Community and Flood Management to win prizes totaling RM21,000.00.

This competition attracted 83 participants aged 18 and above. 26 applications were presented to a panel of judges.

The first and second place winners were selected to present their applications during the visit of the ASEAN delegation to Kemaman in conjunction with KL Converge! 2015 on 28 August 2015.

As of December 2015, the two winning applications have registered to participate in StartupMalaysia.org for the ASEAN Accelerator Programme and the opportunity to receive funding of RM25,000.00 for the full development of their application. Both applications will be uploaded to the AppStore in January 2016.





04

### Game Jam 2015

A collaboration between MCMC and the Ministry of Education (MoE), this programme aimed at discovering young talent to produce local content through the development of mobile game applications. It involved the participation of 12 primary and secondary schools in collaboration with Tracdisk Technogreen Sdn Bhd (TTSB). To guide students in developing the applications, counseling sessions were conducted during two days on the weekend (Saturday and Sunday) in every school from March to June 2015.

The applications entries were evaluated through pitching sessions and first prize winners from each school were invited to KL Converge! 2015 to compete at the national level. The applications were developed according to the themes of Culture, Smart Community and Green Technology. The first prize winner for primary school category was SK Merpati Jepang, Sarawak while the first prize winner in the secondary school category was SM Sains Muzaffar Syah, Melaka.

Through the Game Jam programme, students were exposed to the concept of 'education gamification' which not only allows students to produce mobile games applications, but also to expose them to a learning environment that can inspire them to think creatively.

### LEGO Education Workshop in Conjunction with KL Converge! 2015

A collaboration between MCMC and Sasbadi Learning Solution Sdn Bhd, this programme aimed to expose the participants in building a strong foundation in Mathematics, Science, Technology, Design and Information and Communication Technology (ICT) through hands-on experience and research.

Students were given exposure through a robotics development workshop and mini games in groups to test their work. The first winner of the robotics design competition was a group of students from SK (P) Sultan Ibrahim, Johor; SM Sains Sabah and SK Merpati Jepang, Sarawak.

- 04 Creative Teens Development Camp  
2015 participants (#KAMERA2015)
- 05 Malaysia Documentary Pitch  
Trailer Competition Trailer  
(DocsTrailer) organised by MCMC in  
collaboration with the History  
Channel and Documentary  
Association Malaysia (MyDocs)



05

## STRATEGIC INITIATIVES

### Malaysia Documentary Pitch Trailer

In 2014, MCMC started a collaboration with the History Channel and Documentary Association Malaysia (MyDocs) to organise a competition called the Malaysia Documentary Pitch Trailer (DocsTrailer), aimed to improve local productions and bring Malaysian filmmakers to the international market. The selected 18 have successfully completed their research and respective trailers in March 2015. Their work was presented to a panel of judges consisting of representatives from international and local broadcasters on 8 - 9 April 2015 at the Pitching Center in Kuala Lumpur.

Five (5) best trailers have been selected to receive funding amounting RM200,000.00 for the full production of their documentary under CIDF-MCMC for commercial purposes with four of the documentaries to be aired on the History Channel in April 2016 and one other programme for a local broadcaster.

### Bursary to Students for

#### Creating Intellectual Property (IP)

A collaboration between MCMC with two academic institutions, namely KRU Academy and Point College, aimed to provide partial financial assistance to deserving students pursuing a diploma in multimedia. Each institution is given an allocation of RM1 million, or RM20,000.00 for each student with an overall target of 50 students from each institution.

A total of 93 students were selected under MCMC bursary programme as at 31 December 2015 in which a total of RM810,000.00 was allocated to the two institutions.

#### Overseas Market Access Programme

MCMC continues its cooperation with government agencies such as FINAS, MDeC and local companies to promote local content through the exploration of global markets.

MCMC's participation in the international market included the MIPTV 2015, MIPCOM 2015, MyContent Dubai 2015 and the Asian Television Forum 2015.

## COMPETENCY ENHANCEMENT PROGRAMME

MCMC in collaboration with the Multimedia University (MMU) has organised two workshops; *Story and the Art of Scriptwriting* and *Advanced Storytelling for a Global Audience* in an effort to produce higher quality creative content and globally competitive.

These two workshops held for six days and attended by 50 screenwriters and local filmmakers, aimed at improving their scriptwriting and storytelling skills and generate local creative content that has a global market.

This initiative is an effort to produce well-trained and professional screenwriters and address the shortage of skills in script writing and development faced by the local creative industry.

**SMART COMMUNITY**

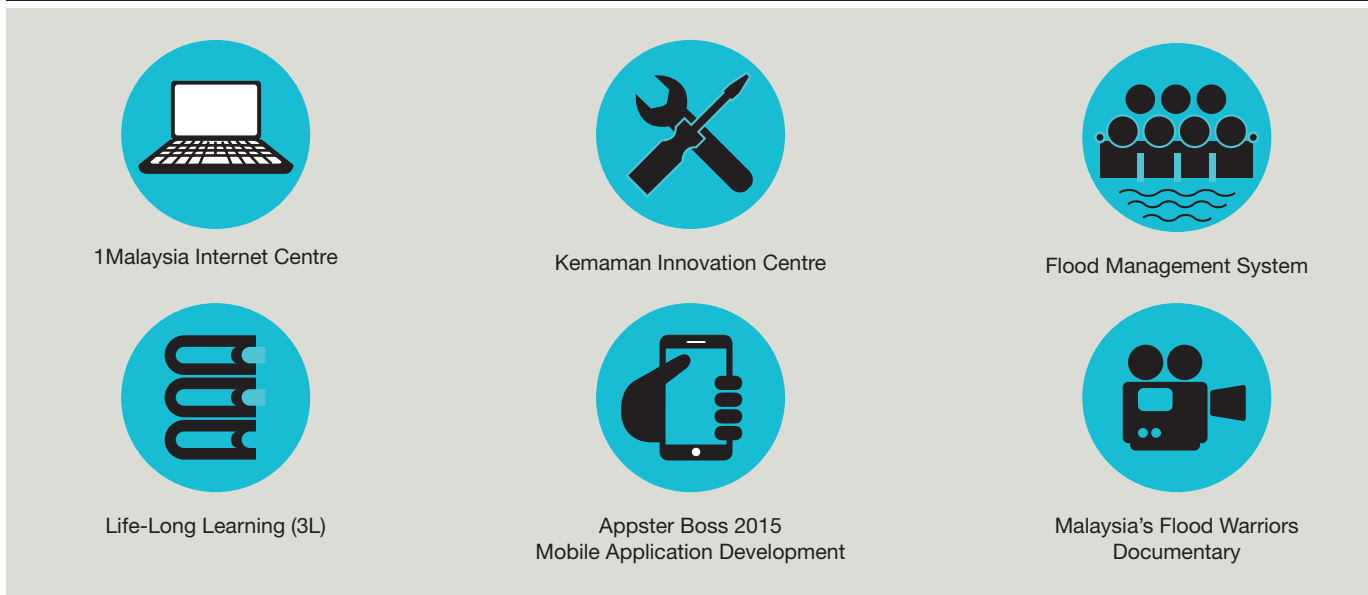
MCMC has implemented a pilot project, the Smart Community initiative in Kemaman, Terengganu to expose local residents to ICT technology and how it can help in with daily life. It is also a key objective under the smart nation vision, led by MCMC, that emphasises the use of ICT to improve quality of life.

The smart community initiative is built upon seven main principles and implementation of the six main programmes as follows:

**Table 1: Seven (7) major principles for the Smart Community initiative**

| Principle  | Description  |
|--|--|
| 1. Bottom Up   | Through the involvement of various parties, the formation of smart community is determined by the needs and commitment of local community.   |
| 2. Infrastructure Improvement                                | Unified communication infrastructure for the establishment of competitive innovation and involvement to support the development of a digital ecosystem.  |
| 3. Local Content and Application Development                 | Creating a healthy and prosperous society across all key sectors and social relationship.  |
| 4. The Role of Local Authorities                             | Develop policies to produce more efficient processes and cost-effective infrastructure for the development of communication and other services.  |
| 5. Collaboration with Institutions                           | Creating partnership between local organisations to provide access to technology and service.  |
| 6. Role of Local Champions                                   | Drive initiatives, and help provide exposure to technology in society.   |
| 7. Replicability, Scalability, Reachability & Sustainability | Ensure a strong ecosystem for innovation to promote the development of local communities that need access to digital technology; potential solutions to be developed to meet the needs and future development. |

**Figure 2: Six (6) main programmes carried out during 2015 for the Kemaman Smart Community project**





## DIGITAL DEVELOPMENT

### DIGITAL CREATION AND DISTRIBUTION PLATFORM

This function aims to ensure the successful transition of free broadcast terrestrial television from analogue to digital technology, targeted for completion in 2018. Also known as the National Broadcast Digitisation project, it involves the transition of the transmission system and network from analogue to digital for TV stations such as RTM, Media Prima, AlHijrah TV and Bernama TV.

### FOCUS 2015

The construction of digital TV broadcasting infrastructure is targeted to provide broadcast coverage to 85% of populated areas in 2015. The coverage of digital TV transmission will be available from 14 TV transmission stations throughout the country.

The certification of digital TV and set top box programme is necessary to ensure that such equipment has been approved by SIRIM before the Digital Terrestrial Television (DTT) service is launched. Promotion and publicity campaigns have been planned through various media platforms including TV and radio, as well as roadshows to educate the public on the transition to digital TV.

### ACHIEVEMENTS IN 2015

#### Digital TV service broadcast tests in the East Coast Region and Sabah

Digital TV service broadcast tests have been conducted in the east coast states of Kelantan, Terengganu and Pahang in early May 2015. Three TV transmission stations in Bukit Besar, Bukit Pelindung and Bukit Bakar carried out the digital TV transmission. A total of 5,000 units of Customer Premise Equipment (CPE) consisting of a decoder or Set Top Box (STB), Remote Control Unit (RCU) and Indoor Antenna Mobile (PI) or Fixed Roof Antenna (FRT) have been distributed to trial participants.



As for the state of Sabah, the Digital TV service broadcast test was conducted in August 2015. The delivery of 30 sets of CPE to trial participants was officiated by the new Minister of Communications and Multimedia Malaysia, Datuk Seri Dr. Salleh Said Keruak at Kampung Likas, Kota Kinabalu.

#### Consumer Label Seminar

Organised on 27 October 2015 in collaboration between MCMC, MYTV, SIRIM QAS International and Malaysian Technical Standards Forum Berhad (MTSFB). The seminar on digital TV and STB equipment aimed to promote and encourage TV manufacturers and retailers to adopt the label 'DTTV Malaysia'. Raising user awareness, the label reassures consumers that the STB decoder or Integrated Digital TV (iDTV) digital TV service have been certified and are standards compliant to enjoy free digital TV broadcasts. Seminar participants included digital TV producers and broadcasters.

#### Expansion of Digital TV Service Test Broadcast

In early December 2015, two more TV transmitters in the KL Tower and Gunung Ulu Kali started broadcasting digital TV tests in the Federal Territory and Selangor. Meanwhile, three more TV transmitters in the north and

Sabah began test broadcasts in late December 2015. By the end of 2015, digital TV test broadcasts were conducted at nine transmitter sites nationwide. Full implementation is expected to be completed in the first quarter of 2016. A list of households to receive subsidised set top boxes is drafted, while a promotional and publicity campaign for BR1M has been planned.

#### PLANNING FOR 2016

An awareness campaign will begin in early 2016 involving multiple media platforms across the country to educate people on the process of transition to digital TV broadcasting. To ensure the success of the campaign, a total of RM100 million has been jointly allocated by MCMC, MYTV and free TV broadcasters (FTA), under the group Broadcasters Alliance (BA) .

As early as the second quarter of 2016, digital TV service can be enjoyed for free with a STB or iDTV equipment with internal and external antennas. Free digital TV service is expected to spur the development of content and applications sector in the country as the digital TV platform is capable of delivering up to 100 channels of digital TV.



## TECHNOLOGY DEVELOPMENT

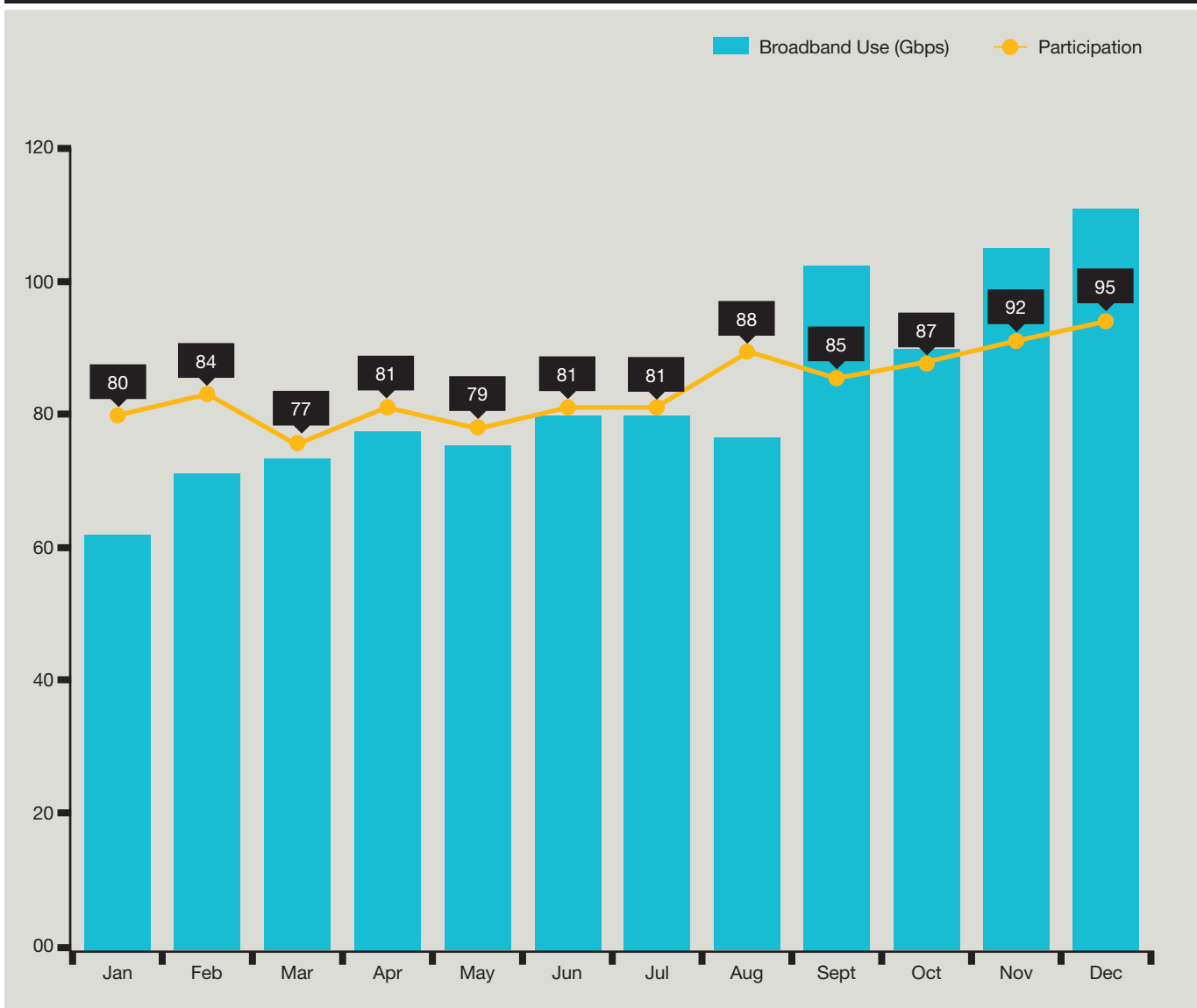
MCMC as a developer of the communications and multimedia industry also focuses on driving the growth of green communications industry to reduce the intensity of greenhouse gas emissions up to 40% compared with the level in 2005. This includes the establishment of mobile e-waste management platform and stimulate the implementation of green technologies in ICT facilities.

### E-WASTE MANAGEMENT

MCMC in collaboration with the Malaysian Technical Standards Forum Berhad (MTSFB) and six local telecommunications companies, namely Altel Communications, Celcom, DiGi, Maxis, TM and U Mobile has launched an initiative on the management of e-waste based SIM in a safe and environmentally friendly 'urban mining' approach.

The 'Mobile e-Waste: Old Phone, New Life' programme was officiated by the Deputy Minister of Communications and Multimedia, Dato' Jailani Johari on 18 August 2015 aimed at creating awareness on the adverse health and environmental effects brought on by the imprudent disposal of mobile devices. The implementation of Mobile e-Waste is executed in stages, starting with the premises of telecommunications companies and now carried through to several institutions of higher learning and secondary schools, especially in the Klang Valley. A total of 1 million mobile device e-waste is targeted to be collected within one year after the nationwide launch of the programme.

Figure 1: MyIX Growth Trend 2015



### GREEN ICT

MCMC has also allocated RM1 million for MTSFB to stimulate the development and use of Green ICT in infrastructure and communication networks. Focus areas include network deployment of energy-efficient, low-carbon structural design and the use of renewable energy. This year, three green projects are currently underway and expected to be completed in early 2016:

- i. Baseline Assessment of Low Carbon ICT in communication facilities to evaluate the size of the energy consumption and carbon emissions of ICT;
- ii. Green Friends' mobile application development that uses information from the public to report on green issues such as open burning to the relevant agencies for further action; and
- iii. Hybrid Hydrogen Fuel Cells and Solar PV Off-Grid Proof of Concept System as alternative energy sources at the rural communication base stations without electricity.

### ELECTROMAGNETIC FIELDS (EMF) EMISSION FROM RADIO COMMUNICATION INFRASTRUCTURE

There are two ongoing research collaboration with Universiti Malaysia Perlis (UniMAP) to investigate the short-term effects of LTE exposure to children and adults. This research takes a year and is expected to end in late 2015.

### MALAYSIA INTERNET EXCHANGE (MyIX)

MyIX or Malaysia Internet Exchange was established on 15 December 2006 aims to ensure local Internet traffic remains in the country to promote the exchange of local Internet traffic within the country.

During 2015, 95 entities have made traffic exchange in MyIX and recorded the highest reading of 109.720 Gbps maximum traffic in December 2015.



## STANDARDS DEVELOPMENT

MCMC is responsible for developing standards or technical codes which cover aspects of interoperability and security of network facilities through Technical Standards Forum. MCMC also conducts a certification programme for communications equipment and competence as required under the Communications and Multimedia (Technical Standards) Regulations 2000.

### TECHNICAL CODE REGISTRATION

In accordance with the provisions of the Communications and Multimedia Act 1998 (CMA 1998), MCMC has registered the Malaysian Technical Standards Forum Berhad (MTSFB) as an Industry Forum starting on 27 October 2004 to develop Voluntary Industry Codes. In 2015, MTSFB submitted three technical codes to be registered and all documents have been approved for registration on 17 December 2015. As of December 2015, 36 technical codes were registered as a Voluntary Industry Code under Section 95 of the CMA 1998.

Technical Code list registered in 2015:

- MCMC MTSFB TC G003: 2015 - International Mobile Telecommunications - Advanced (IMT-Advanced) System and Specifications
- MCMC MTSFB TC G004: 2015 - Specification for Green Data Centres
- MCMC MTSFB TC T012: 2015 - Specification for Land Mobile Radio Equipment, First Revision



## CERTIFICATION PROGRAMME

As at 31 December 2014, four organisations have been appointed as Registered Certifying Agencies. For 2015, the same four organisations are still maintaining their registration status as listed in Table 1.

## MARKET SUPERVISION

MCMC has appointed SIRIM QAS International Sdn Bhd (SQASI) to carry out a Market Surveillance programme for communications equipment. Phase 1 ran from 15 October 2014 until 31 December 2014, and followed by Phase 2 from 1 January 2015 until 20 March 2015. A total of 145 samples were collected nationwide consisting of 17 categories of communications equipment. The samples were submitted for evaluation and tests detailed in its oversight programme (see Figure 1).

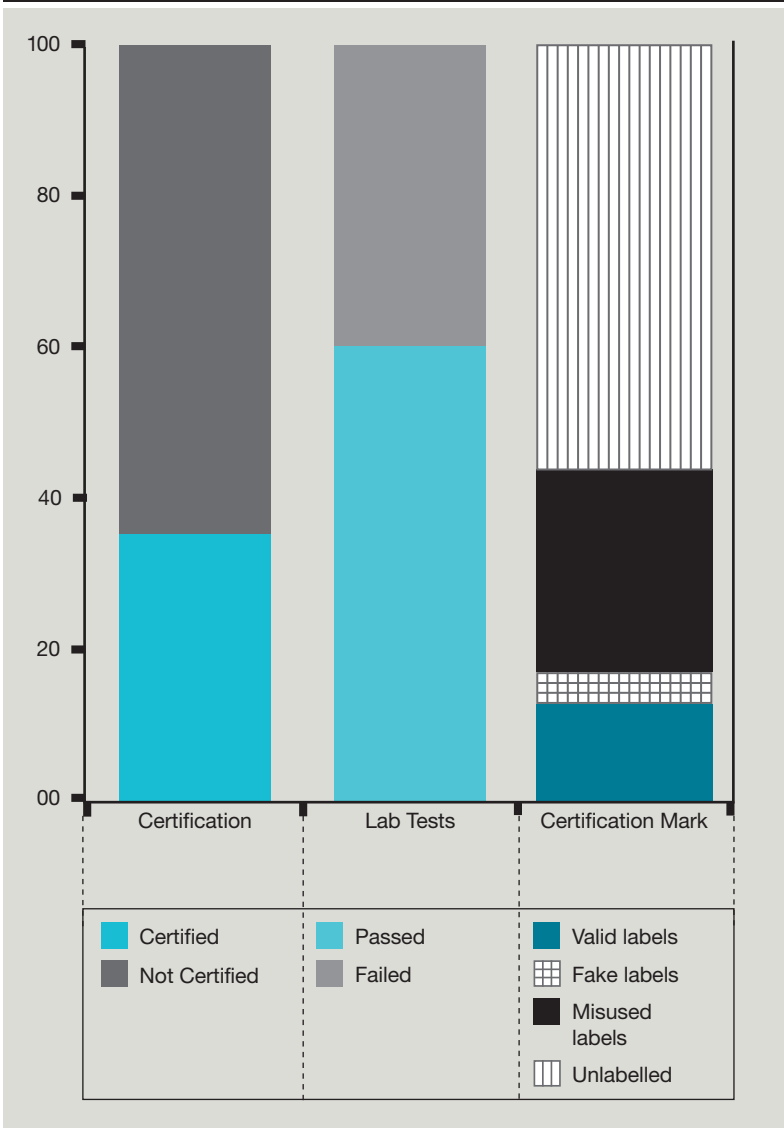
Table 1: List of MCMC Certifying Agencies

| Organisation  | Registration Category   | Date of Appointment |
|---|---|---------------------|
| SIRIM QAS International Sdn Bhd (SQASI)             | Certification of communications equipment   | 3 September 2003    |
| Akademi Laut Malaysia (ALAM)                        | Certification of competence in skill areas for maritime radio operators                       | 3 September 2003    |
| Technical Academy, Telekom Malaysia Berhad (TA, TM) | Certification of competence in skill areas for other than radio operators (cabling providers) | 15 July 2002        |
| Universiti Malaysia Terengganu (UMT)                | Certification of competence in skill areas for maritime radio operators.                      | 1 March 2011        |

Table 2: Number of Certifications issued in 2015

| Certifying Agency                                   | Category                                   | Amount Issued | Total         |
|---|--|---------------|---------------|
| MCMC  | a) Amateur Radio Operator (Class A)        | 20            | <b>1,408</b>  |
|   | b) Amateur Radio Operator (Class B)        | 1,388         |               |
| SIRIM QAS International Sdn Bhd (SQASI)             | a) Communications Equipment (Telephony)    | 303           | <b>4,505</b>  |
|   | b) Communications Equipment (Radio)        | 4,202         |               |
| Akademi Laut Malaysia (ALAM)                        | a) General Operator Certification (GOC)    | 643           | <b>797</b>    |
|   | b) Restricted Operator's Certificate (ROC) | 154           |               |
| Technical Academy, Telekom Malaysia Berhad (TA, TM) | a) Cabling Supplier (New Production)       | 3,415         | <b>3,415</b>  |
| <b>TOTAL</b>  |  |               | <b>10,125</b> |

Figure 1: Statistical Overview of Market Surveillance Programme 2014-2015



**NEW INITIATIVES**

Throughout 2015, MCMC has introduced three (3) new initiatives for standards development programme:

- i. Self Labelling Programme;
- ii. CheckYour label campaign; and
- iii. Customs (Prohibition of Imports) (Amendment) (No. 4) Order 2015.

**Self Labelling Programme** implemented on 1 June 2015 to facilitate the labelling of communications equipment with a valid certificate by manufacturers and suppliers (see Figure 2).

**CheckYour Label** campaign was conducted through mass media, electronic media and social media to create awareness among consumers to buy certified communications equipment.

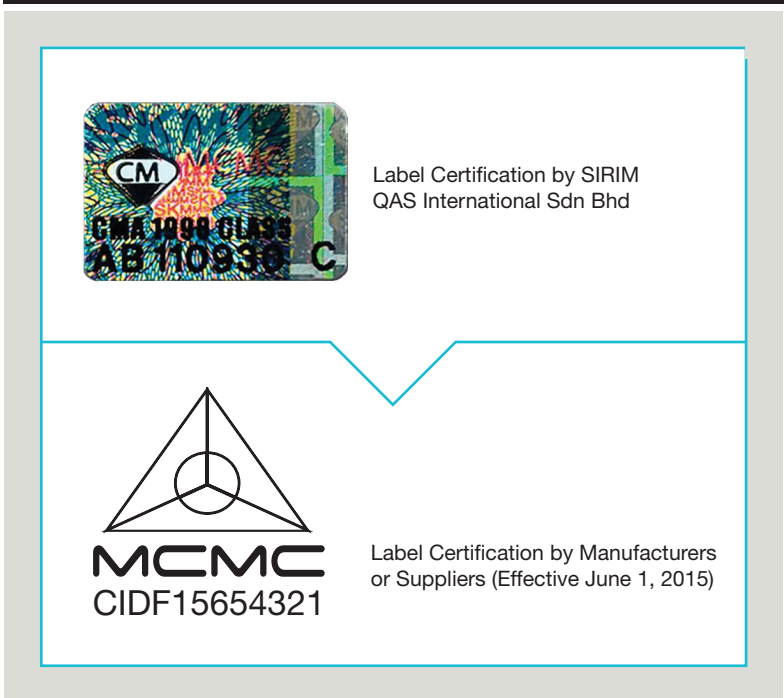
**Customs (Prohibition of Imports) (Amendment) (No. 4) Order 2015**

came into force on 1 October 2015 and is aimed at controlling the importation of hybrid products. These are products whose primary function is not to communicate but is integrated with communication modules such as WiFi, Bluetooth, NFC, GSM, 3G and 4G to connect to a public communications network, or for radio communication using a frequency up to 420 THz. Products subject to this amendment include electrical equipment, personal computers, medical devices, remote control toys and video games that are integrated with the communication module.

**PLANNING FOR 2016**

MCMC in collaboration with MTSFB will place greater focus to the development of new standards in the field in 2016. The certification programme will also be intensified to ensure compliance with the standard and level of competence as specified.

Figure 2: Implementation of Self Labelling Programme





## SPECTRUM PLANNING AND ASSIGNMENT

### SPECTRUM PLANNING

Spectrum resources are national assets managed by MCMC under the provision of the Communications and Multimedia Act 1998 and the Communications and Multimedia (Spectrum) Regulations 2000.

Spectrum management activities include:

- i. Spectrum allocation, divided into three main categories: spectrum, apparatus and class;
- ii. Technical coordination with neighboring countries and internationally;
- iii. Bilateral coordination at the domestic level between government agencies and MCMC; and
- iv. Spectrum allocation and utilisation policies such as spectrum plans and Standard Radio System Plan (SRSP).

### ACTIVITIES DURING THE YEAR 2015

MCMC's role in spectrum management involves coordination with the foreign administrations and international bodies, the International Telecommunication Union (ITU), including coordination of the space satellite and terrestrial systems. These activities are in accordance with the terms of the ITU Radio Regulations (RR) that stipulate the use of frequencies in the world. Activities in 2015 include:

#### Coordination of Space Satellite System

Throughout 2015, meetings on satellite coordination have been held with relevant countries to address frequency interference. Bilateral coordination between countries resulted in an agreement to ensure that satellite networks can share the use of frequencies and coverage areas without causing interference to each other.

To date, Malaysia has priority over fifteen orbital positions in which three have been developed with communications satellites for broadband and direct-to-home (DTH) broadcasting services.

### Registration of Maritime

#### Mobile Service Identity (MMSI)

MMSI is a number consisting of nine digits with a specific meaning to uniquely identify each vessel in the maritime mobile service. The first three digits or more commonly known as the Maritime Identification Digits (MID) is to identify the vessel's licence-issuing country.

ITU has allocated Malaysia with MID 533, followed by the next six numbers that identify the ship. Throughout 2015, a total of 1,584 MMSI numbers have been registered with ITU.

#### World Radiocommunication Conference 2015 (WRC 2015)

The WRC 2015 was held from 2 - 27 November 2015 in Geneva, Switzerland. At this conference, Malaysia was represented by the Ministry of Communications and Multimedia (KKMM), MCMC, the Civil Aviation Department, the National Metrology Laboratory (NML-SIRIM) and licensees of the communications and multimedia sector.

MCMC is responsible for coordinating Malaysia's views and stand on every WRC agenda. The consensus reached on WRC 2015 include the provisions for the use of frequency bands for global flight tracking. This is an initiative taken following the disappearance of the Malaysian aircraft MH370.

#### Technical Coordination Between State Borders

Technical coordination in border areas is essential to ensure a more efficient use of frequencies and address the problem of interference. Coordination is handled according to domestic and international regulations.

Four (4) coordination platforms were established:

- i. Frequency Allocation and Assignment coordination between Singapore, Malaysia, Defence Agency and Brunei (FACSMAB);
- ii. Joint Technical Committee between Malaysia-Thailand (JTC);
- iii. Joint Committee on Communications between Malaysia-Indonesia (JCC); and
- iv. Three-Way Coordination Meeting between Indonesia, Malaysia and Singapore.

Activities discussed by the committees include determining the distance of coordination zones, radio spectrum planning coordination, registration for the use of frequencies in border areas and providing solutions for frequency interference.

The registration of radio frequencies with ITU is also implemented to protect the use of frequencies in Malaysia, especially in the international border areas.

#### Standard Radio System Plan (SRSP)

Technical specifications and technical limitations on the use of certain frequency bands for wireless system or service are detailed in the Standard Radio System Plan (SRSP). SRSP discusses radio system standards through the establishment of a working group staffed by MCMC, government agencies related to communications and multimedia, broadcasters, radio system consumer associations and also higher education institutions. These documents will be reviewed and updated to ensure that the plan meets the current needs of frequency band usage.

In 2015, MCMC has published two SRSP documents for the use of mobile telecommunications systems and equipment services. Frequency bands involved in SRSP documents are as follows:

- i. SRSP 504 details the requirements for the use of mobile cellular system and International Mobile Telecommunications (IMT) system operating in the frequency band 824MHz to 834MHz, paired with 869MHz up to 879MHz and 880MHz to 915MHz frequency band paired with 925MHz up to 960MHz; and
- ii. MCMC SRSP 12.75 FS provides requirements for Fixed Wireless Services, which operates in the frequency band 12.75GHz to 13.25GHz to replace SRSP 525.

The SRSP 518 document outlining the requirements for Fixed Service Line of Sight Radio-Relay System operating in the frequency bands 10.70GHz to 11.70GHz has been cancelled with effect from 29 October 2015.

## CLASS ASSIGNMENT

Technical specifications for the use of certain spectrum for wireless systems or equipment through class assignments are described in the Class Assignment document. This document is also reviewed and revised to ensure that the requirements of the use of spectrum in accordance with the latest development of the global and domestic industry.

In 2015, MCMC published three versions of Class Assignment, namely Class Assignment No.1, No.2 and No.3.

## FREQUENCY OF USE FOR UNMANNED AIRCRAFT SYSTEMS

On 2 December 2015, MCMC issued a public notice containing technical requirements to be observed by the unmanned aircraft system (UAS) as shown in Table 1.

| Radio Frequency           | Equivalent Isotropically Radiated Power (EIRP) Maximum Limit |
|---------------------------|--|
| 433.00 MHz – 435.00 MHz   | 100 mW   |
| 2400.00 MHz – 2500.00 MHz | 500 mW   |
| 5725.00 MHz – 5875.00 MHz | 1 W  |

## SPECTRUM AND APPARATUS ASSIGNMENT

MCMC is responsible for issuing the assignment permission to use radio frequencies. It includes the use of radio frequencies under category Spectrum Assignment (SA) and Apparatus Assignment (AA).

Throughout 2015, 21,426 base stations for IMT2000 SA were installed and 144,321 AA applications processed, including new and renewal applications. MCMC also collected fees totaling RM563,638,308.00 for the issued spectrum and apparatus assignments. Details of the above activities are shown in the tables below.

| Territory      | Operator     |              |              |              | Total         |
|----------------|--------------|--------------|--------------|--------------|---------------|
|                | Celcom       | UMTS         | U Mobile     | DIGI         |               |
| <b>Central</b> | 1,917        | 1,922        | 1,780        | 2,238        | 7,857         |
| <b>North</b>   | 873          | 905          | 916          | 1,141        | 3,835         |
| <b>South</b>   | 857          | 895          | 914          | 1,027        | 3,693         |
| <b>East</b>    | 763          | 746          | 549          | 759          | 2,817         |
| <b>Sarawak</b> | 545          | 324          | 180          | 521          | 1,570         |
| <b>Sabah</b>   | 448          | 405          | 146          | 655          | 1,654         |
| <b>TOTAL</b>   | <b>5,403</b> | <b>5,197</b> | <b>4,485</b> | <b>6,341</b> | <b>21,426</b> |

| Fee Category              | Total Fee Collection (RM) |
|---------------------------|---------------------------|
| Spectrum Assignment (SA)  | 212,388,080.00            |
| Apparatus Assignment (AA) | 351,250,228.00            |
| <b>TOTAL</b>              | <b>563,638,308.00</b>     |

MCMC is also responsible for monitoring telecommunications operators to ensure that any radiocommunications equipment has a valid AA licence and comply with the provisions of the Communications and Multimedia (Spectrum) Regulations 2000. 34 inspections, verification of compliance and AA trial transmissions were carried out in 2015 nationwide, involving the following activities:

- i. Integrated site inspection;
- ii. Agency or government department AA inspection;
- iii. WCDMA900 trial transmission verification using the band P-GSM;
- iv. Aoptix Intellimax MB2000 trial transmission verification;
- v. FM radio services trial transmission verification; and
- vi. Digital Terrestrial Television (DTT) broadcasting service trial transmission verification.

### Migration of Spectrum Management System (SpMS)

The current development of the SpMS Migration Project in 2015 began with finalising the design of the system's document and specification for the first, second and third phase.

Provision of equipment and hardware infrastructure was undertaken by local suppliers in July 2015. Further, the configuration of existing software has been done by the supplier LS telcom AG in August 2015.

Data mapping and the migration of the existing database to a new one for Phase 1 was conducted for the first time in August 2015. The examination and verification of the data mapping is ongoing to ensure no leakage of data. The project will undergo further development for Phase 1 and 2 based on the designs and specifications according to schedule.

Table 3: Number of AA applications by type of service

| Service Type                              | New Application | Renewal        | Total          |
|---|-----------------|----------------|----------------|
| <b>Microwave Station</b>                  | 7,830           | 55,354         | 63,184         |
| <b>Cellular Radio Base Stations</b>       | 4,056           | 36,705         | 40,761         |
| <b>Ground Station Equipment</b>           | 7,246           | 12,927         | 20,173         |
| <b>Earth Stations</b>                     | 802             | 6,599          | 7,401          |
| <b>Amateur Stations</b>                   | 2,192           | 2,746          | 4,938          |
| <b>Mobile Land Stations</b>               | 1,628           | 3,380          | 5,008          |
| <b>Ship Stations</b>                      | 220             | 788            | 1,008          |
| <b>Broadcasting Transmission Stations</b> | 130             | 819            | 949            |
| <b>Aircraft Stations</b>                  | 153             | 348            | 501            |
| <b>Flight Service Stations</b>            | 66              | 327            | 393            |
| <b>Space Stations</b>                     | 1               | 4              | 5              |
| <b>TOTAL</b>                              | <b>24,324</b>   | <b>119,997</b> | <b>144,321</b> |



## INTERNATIONAL COORDINATION

### INTERNATIONAL AFFAIRS

MCMC international activities have been carried out with reference to Foreign Policy in Malaysia and in accordance with the Communications and Multimedia Act 1998 (CMA 1998), particularly the National Policy Objectives to help Malaysia's transformation into a global industrial hub.

MCMC also fosters cooperation with various international organisations, as stipulated in the Directive of the Minister under Section 269 of the CMA 1998.

### ORGANISING EVENTS AT THE INTERNATIONAL LEVEL

A close collaboration between MCMC and the Ministry of Communications and Multimedia Malaysia (KKMM) opens the door for MCMC as the regulatory body for communications and multimedia industry to organise important events

on international level to promote Malaysia's interest in the development of communications and multimedia industry and to maintain the visibility of Malaysia in the international arena.

2015 witnessed MCMC actively organising international events in ASEAN, Asia Pacific and Asia.

### KL Converge! 2015

In its second year, KL Converge! 2015 was held for three days from 27 - 29 August 2015 at the Kuala Lumpur Convention Centre. Officiated by the Minister of Communications and Multimedia, the theme of KL Converge! 2015 was 'Convergence and Digital Inclusion'.

KL Converge! 2015 attracted the participation of nine countries and four members of ASEAN dialogue partners, namely China, India, Korea and Japan. Seven representatives for ministers in charge of communication and creative content industry from those countries were present and participated in KL Converge! 2015 programmes. Also present was the Secretary General of the International Telecommunication Union (ITU).



01 Ministers of the Asia Pacific Economic Cooperation Telecommunications and Information Technology at the APEC TELMIN 10 Meeting

01

Various activities were held during the three-day KL Converge! 2015 including the communications industry and creative content industry exhibition, TV expositions and conferences, film workshops, digital theater, music and short video competitions, and business matching sessions for the creative content industry.

Among the programmes organised for the heads of delegation was a visit the Kemaman Smart Community in Kemaman, Terengganu. The programme was also attended by senior officials of participating countries, heads of telecommunication companies, as well as local content industry players. Participants were given exposure to the Malaysian government's initiative in developing the telecommunications infrastructure and its efforts to educate rural communities on smart and practical uses of telecommunications and ICT. More than 50 online entrepreneurs participated in Kemaman Smart Community Carnival, held on 28 August 2015 in conjunction with the KL Converge! 2015.

#### 10<sup>th</sup> Asia Pacific Economic Cooperation of Telecommunications and Information Ministerial Meeting (APEC TELMIN 10)

The Malaysian Government, through KKMM and MCMC, the chairing country for APEC TEL in 2015 hosted the 10<sup>th</sup> Asia Pacific Economic Cooperation of Telecommunications and Information Ministerial Meeting in Kuala Lumpur on 26 - 31 March 2015. A total of 141 delegates from 19 APEC economies except Canada and Chile

attended the APEC TELMIN 10. Also present were the Executive Director of the APEC Secretariat and representatives of the Asia Pacific Network Information Centre (APNIC).

The APEC TELMIN 10 meeting was officiated and chaired by the Minister of Communications and Multimedia Malaysia, where he stressed the important role of ICT infrastructure and services to facilitate and accelerate the implementation of various economic activities in the region. In addition, he also touched on the need for appropriate legislation, ICT infrastructure and network security as well as a dynamic culture of innovation to enable ICT to contribute to the socio-economic growth of the Asia Pacific region.

In the APEC TELMIN 10 meeting, the following areas were covered:

- i. A report on the achievements of APEC TEL activities after TELMIN 9;
- ii. Statement by the minister or deputy minister on the theme of 'The Future of APEC TEL';
- iii. Dialogue with representatives from the industry and academia on the vision and the future of APEC TEL;
- iv. Presentation of the Strategic Action Plan for APEC TEL 2016 - 2020 by the representatives of the APEC TELSOM and APEC TEL; and
- v. Endorsement of APEC TEL Strategic Action Plan 2016 - 2020.





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### 21<sup>st</sup> ASEAN Telecommunication Regulators Council Meeting (ATRC) and Related Meetings

The ATRC annual meeting and related meetings are held annually and alternately hosted by the member states. The 21<sup>st</sup> ATRC Meeting and Related Meetings hosted by Malaysia was held on 27-28 October 2015 at the Shangri-La Hotel, Kuala Lumpur. The MCMC Chairman, Dato' Sri Dr. Halim Shafie was appointed to represent Malaysia to chair the meeting.

The meeting was attended by the ministry top management and senior officials, and the regulatory body responsible in telecommunications from 10 ASEAN member countries, including ASEAN dialogue partners; China and Japan. This meeting successfully finalised the draft of the ASEAN ICT Masterplan 2020 (AIM 2020). Malaysia will hold the chairmanship of ATRC for one year until the end of 2016 when it is handed over to Myanmar.

### 5<sup>th</sup> International Telecommunication Union Asia Pacific Regulators' Roundtable (5<sup>th</sup> ITU AP-RR), Asia Pacific Regional Forum for Telecommunication/ICT and Financial Regulators on Digital Financial Inclusion (ITU AP DFI) and International Telecommunication Union International Training Programme 2015 (ITU ITP 2015)

As a member of the International Telecommunication Union (ITU), Malaysia actively participates in meetings, discussions and workshops organised by ITU and is a member of the council for the session 2010-2014, representing countries in Region E (Asia and Australia).

Malaysia hosted the 5<sup>th</sup> ITU AP-RR, ITU AP DFI, and ITU ITP meetings that were held from the 24 - 28 August 2015 at the Grand Hyatt Hotel, Kuala Lumpur. 50-80 participants attended each programme, including communications and multimedia industry and financial experts and representatives of ITU member states.

Throughout these three events, various issues related to communications and multimedia industry including regulatory aspects, financial access and digital economy were discussed through the sharing of experiences, presentation of ideas and an interactive session with the participants and invited panellists.



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- 02 MCMC Chairman, Dato' Sri Dr. Halim Shafie chairing ATRC 21 and Related Meetings in Kuala Lumpur
- 03 Participants and the Guest Panel to 5<sup>th</sup> ITU AP-RR, held on 24-25 August 2015 in Kuala Lumpur

### INTERNATIONAL PARTICIPATION BY MCMC

MCMC as the regulatory body for the communications and multimedia industry in Malaysia has played an important role through involvement and participation in international activities, particularly in bilateral or multilateral policy development meetings, forums and roundtables. It can spur the country's profile and establish close cooperation in the international arena, and to ensure the efficient and effective implementation of national policies in communications, information technology and multimedia.

MCMC's efforts have also received international recognition when MCMC officials were honoured to hold important positions in the working group of large organisations such as APEC, ASEAN, the International Telecommunication Union (ITU), Universal Postal Union (UPU) and the United Nations Educational, Scientific and Cultural Organization (UNESCO), the Asia Pacific Telecommunity (APT) involving economic cooperation at the regional level such as ASEAN, Asia and Asia Pacific.

Among the events, meetings, forums and conferences in 2015, MCMC focused on the following:

#### GSMA Mobile World Congress 2015

The Malaysian delegation led by the Secretary General of the Ministry of Communications and Multimedia and accompanied by several MCMC senior officials had a working visit to Barcelona to

attend the Ministerial Conference of the GSMA Mobile World Congress on 2 - 5 March 2015.

This GSMA conference saw the participation of 93,000 mobile industry professionals from 200 countries, while the ministerial conference was attended by 350 government officials and regulatory bodies from 131 countries.

The Ministerial Conference on the GSMA this year focused on current issues and challenges relevant to the mobile services sector. Among the issues discussed relevant to Malaysia are:

- i. The establishment and allocation of spectrum bands for mobile services;
- ii. The latest technological innovations offered in mobile services;
- iii. Internet of Things (IoT) ecosystem, which became the catalyst for the digital lifestyle through innovation;
- iv. Issues related to the development of mobile applications; and
- v. The future of the mobile industry and the role of policy makers and regulators in an effort to drive the development of the industry.

On the whole, the GSMA conference this year provided the opportunity for Malaysia to highlight and focus on issues related to spectrum requirements, particularly the allocation of 700 MHz spectrum band for mobile services.



04 Nur Sulyna Abdullah, MCMC Chief Corporate Strategy chairing APEC TEL Senior Official Meeting at APEC TELMIN 10 in Kuala Lumpur

04

### The Asia Pacific Economic Cooperation Telecommunications and Information Working Group (APEC TEL)

The Asia Pacific Economic Cooperation for Telecommunications and Information (APEC TEL) established in 1990 is one of the working groups under the APEC forum, which aims to enhance cooperation in the field of information and communication technology (ICT) in the Asia Pacific region by collectively developing and implementing appropriate ICT policies including human resources and the development of strategies. It meets twice a year.

APEC TEL implements its programme through three Steering Group Committees: Liberalisation Steering Group (LSG), ICT Development Steering Group (DSG) and the Security and Prosperity Steering Group (SPSG). While the Mutual Recognition Arrangement Task Force (MRATF) under LSG was established to implement the Mutual Recognition Arrangement for Conformity Assessment of Telecommunications Equipment.

The function of the Steering Committee and Special Force team is to propose and implement priority projects set by the Heads of State and ICT Ministers in the Asia Pacific region. Malaysia's involvement in APEC TEL is very prominent and Malaysia had previously been entrusted to chair the APEC TEL for a period of two years starting from April 2013 to

April 2015. Ms. Nur Sulyna Abdullah, MCMC Head of Corporate Strategy Sector representing Malaysia, chaired the working group and led key decision making to set the direction for the APEC TEL 2016-2020. The plan was then presented, discussed and approved at the 10<sup>th</sup> Asia Pacific Economic Cooperation of Telecommunications and Information Ministerial Meeting (APEC TELMIN 10) organised by MCMC and KKMM on 26 - 31 March 2015 in Kuala Lumpur.

### 1<sup>st</sup> APEC Ad Hoc Steering Group for Internet Economy Meeting (AHSGIE 1)

Having stepped down as chair of the APEC TEL, Malaysia was once again honoured to chair a working group of APEC TEL. Malaysia has been entrusted by Senior Officials of APEC TEL (SOM) to chair the APEC Ad Hoc Steering Group for Internet Economy (AHSGIE). Ms. Nur Sulyna Abdullah, MCMC Head of Corporate Strategy has been appointed to represent Malaysia and unanimously adopted by APEC economies on 28 July 2015 to spearhead AHSGIE.

AHSGIE was established as a platform for APEC economies to discuss and decide on issues that arise in relation to the internet economy. The Working Group will be mandated for two years to carry out its function and this period may be renewed thereafter upon approval by the senior officials of APEC (APEC TELSOM).

AHSGIE's first meeting was held in Cebu, Philippines on 2 September 2015 and was attended by representatives from 16 APEC economies and representatives of the TEL Working Group. The meeting established AHSGIE as a platform for exchanging views and ideas, as well as reaching an agreement on the following five principles to guide the work of the group in the next two years:

- i. Avoid duplication of existing work in various work flows in APEC;
- ii. Review, analyse and execute existing work in various work flows in APEC;
- iii. Identify gaps in existing work;
- iv. Add value to existing work; and
- v. Address 'difficult' issues, including regulatory issues that cannot be solved within existing workflows.

#### 15<sup>th</sup> ASEAN Telecommunications and Information Technology Ministers Meeting (ASEAN TELMIN)

An important platform for ASEAN member countries, this meeting provided an opportunity for ministers in charge of information and communication technology (ICT) to discuss and voice their opinions and positions of their respective countries on matters related to ICT development in the ASEAN region.

The 15<sup>th</sup> ASEAN TELMIN meeting was held from 23 - 27 November 2015 in Da Nang, Viet Nam. The Malaysian delegation was led by the Ambassador to Viet Nam, Dato' Azmil Mohd Zabidi, representing the Minister of Communications and Multimedia. The ICT Masterplan 2020 (AIM 2020) is an important avenue for ASEAN TELMIN to discuss, plan and shape the direction of ICT cooperation in the region, which was officially launched at this meeting.

The vision of AIM 2020 is to focus on ICT development in the ASEAN region and will strive to achieve the digitisation of ASEAN as a whole. It also aims to ensure a safe, secure and sustainable ICT ecosystem in the ASEAN region. AIM 2020 includes 8 main strategic thrusts that will be the driver and the driving force of the ASEAN ICT strategic plan in 2020 for the development of the ASEAN Community:

- i. Economic Development and Transformation;
- ii. Community Integration and Empowerment through ICT;
- iii. Innovation;
- iv. ICT Infrastructure Development;
- v. Human Capital Development;
- vi. ICT in ASEAN Single Market;
- vii. New Media and Content; and
- viii. Information Security and Assurance.

#### CommunicAsia 2015

This year once again Malaysia participated in CommunicAsia in Singapore. This event is an exhibition platform on ICT technology, telecommunications equipment and innovation from telecommunications and ICT companies from all over the world, particularly Asia. MCMC as in previous years was once again given the trust to take the lead in the Malaysian Pavilion at CommunicAsia 2015.

11 Malaysian agencies and telecommunications companies participated in displaying their products at the Malaysian Pavilion in conjunction with CommunicAsia 2015 include MCMC, TM, Celcom, Maxis, DiGi, MEASAT, REDtone, TIME dotCom, U Mobile, Altel and Premium Radius Sdn Bhd.

The Malaysia Pavilion opening ceremony was officiated by Dato' Sri Ahmad Shabery Cheek, Minister of Communications and Multimedia Malaysia on 2 June 2015 shortly after a bilateral meeting with the Minister of Communication and Information of Singapore.

Also present during the Opening Ceremony of the Malaysian Pavilion is the ITU Secretary General, Communications Ministers from Singapore, Brunei Darussalam and the Republic of Indonesia, and ASEAN senior officials in charge of telecommunications and ICT.

Overall, MCMC has joined 197 international meetings and activities, in addition to receiving several working visits of academic several foreign delegations throughout 2015.



REGULATORY



## POLICY DEVELOPMENT

MCMC is responsible for ensuring that the policies driving communications and multimedia industry remain relevant and updated, in line with global trends. In accordance with the roles and functions of the Commission as the regulatory body for communications and multimedia industry in Malaysia, several review initiatives have been initiated by MCMC since 2014.

### ADDRESSING ISSUES OF TELECOMMUNICATIONS SERVICES

Among the first steps taken include public consultation sessions with industry players and stakeholders in order to identify regulatory issues. This includes the issue of dropped calls and mobile content services and short code text message. MCMC is also actively involved in the preparation of the Eleventh Malaysia Plan (RMK-11), particularly on the issue of communication infrastructure and broadband services in Malaysia.

Following the initial consultation sessions conducted by MCMC in 2014, MCMC has identified the need to revise the existing quality of service standards for public cellular services. This new standard has been set by the Mandatory Standards for Quality of Public Cellular Service which was released on 1 July 2015 and will come into force on 1 January 2016.

Existing policies that encourage optimal use of spectrum for certain services have contributed to an increased number of Mobile Virtual Network Operators (MVNO) in Malaysia. Until the fourth quarter of 2015, the number of MVNOs doubled from the year 2013. With this increase, MCMC felt the need to create a new regulatory framework that serves to ensure the interests and rights of MVN service consumers are protected.

Based on the result of this study and consultation, a Mandatory Standards that includes the minimum responsibility of MVNOs was released on 13 October 2015 and effective on 15 January 2016.

## IMPROVEMENTS ON ACTS RELATED TO COMMUNICATIONS AND MULTIMEDIA

2015 also saw the largest review undertaken by MCMC to two major acts under its jurisdiction which are the Communications and Multimedia Act 1998 (CMA 1998) and the Malaysian Communications and Multimedia Commission Act 1998 (MCMCA 1998).

Since the establishment of the Malaysian Communications and Multimedia Commission and the enforcement of both the CMA and MCMCA in 1998, no holistic revision has been performed on these legal frameworks.

A series of consultations have been held by MCMC from April 2015 until October 2015 with 300 stakeholders to develop a comprehensive and holistic framework review.

Based on the feedback received, taking into account the evolution of the communications and multimedia industry, some of the holistic amendments to core policies in CMA 1998 and MCMCA 1998 that have been identified by MCMC include:

- i. Improving the existing regulatory framework and governance structures of MCMC as a whole;
- ii. Facilitating future communication infrastructure to support the provision of digital services; and
- iii. Improving network security and ensuring prudent use of cyberspace.

The proposed revisions to CMA 1998 and MCMCA 1998 are expected to be presented at the First Meeting of the Fourth Session at the Thirteenth Parliament in March 2016 for approval.

## DEVELOPMENT OF COMMUNICATION AND MULTIMEDIA ACTION PLAN 2020

The basic core policies have been identified following a review of CMA 1998 and MCMCA 1998 is also a starting point for the development of the Communications and Multimedia Action Plan 2020. Several negotiating sessions in the form of a task force involving industry players and other stakeholders were held during the development of the Communication and Multimedia Action Plan 2020.

The development of this Action Plan also takes into account the targets set under the national plan, including the Eleventh Malaysia Plan (RMK-11) and the ASEAN ICT Masterplan 2020. This plan is expected to be finalised in the first quarter of 2016 and will be published for reference for all parties.

The Communications and Multimedia Action Plan 2020 that has been finalised will determine the direction of the communications and multimedia industry in the coming 5 years. It considers the importance of the consumers, bridges the digital divide and ensures the country achieves Digital Economy Nation status by the year 2020.

## DIGITAL SIGNATURE ACT

Malaysia is the leading nation in the area of Public Key Infrastructure (PKI) in the ASEAN region and is also first in ASEAN to enact the Digital Signature Act 1997, in line with the national cyber development policy.

With extensive use of PKI digital applications in public and private sectors resulting in a production of more than 7.2 million digital certificates, Malaysia became the first country in the ASEAN region where every Certifying Authority (CA) is recognised by WebTrust, an international accreditation agency.

MCMC has been appointed as the Controller for the certification of the certifying authorities on 1 November 2011 and is an agency that serves mainly to oversee and supervise the activities of CA under the Digital Signature Act 1997. MCMC is responsible for matters of administration, licensing, enforcement, implementation and the execution of provisions to the certifying authority, as conferred under the Act.

MCMC's role in developing Public Key Infrastructure (PKI) for the country also needs to be intensified to successfully create a reliable digital ecosystem for the government, business and society. To increase safety and confidence in cyberspace or online users, the PKI monitored by MCMC can help retail consumers and organisations to prevent identity theft and other online fraud incidents.



**Asia Public Key Infrastructure (PKI) Conference 2015**

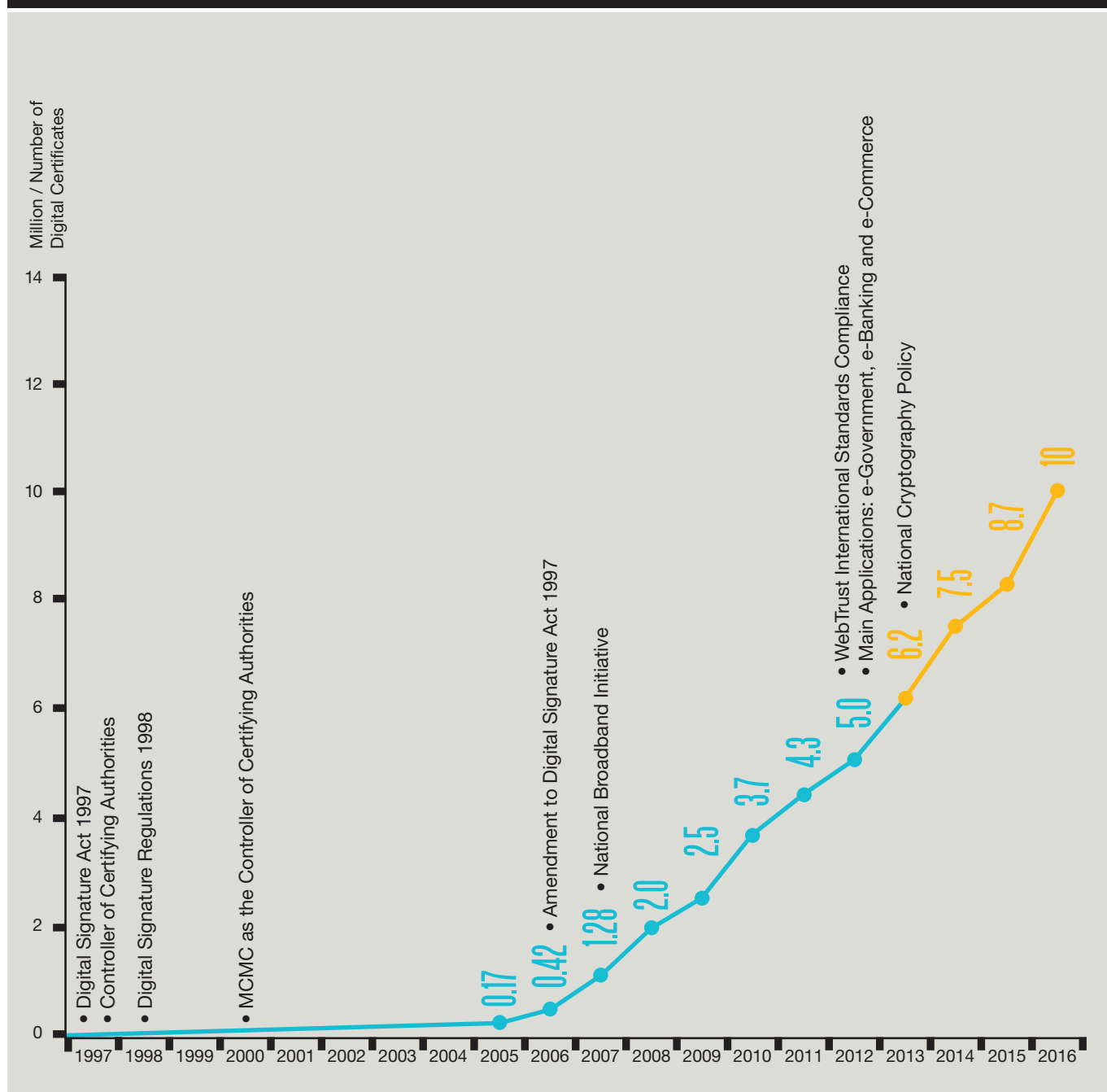
The Asia PKI Conference 2015 held on 9-10 June 2015 at the Royale Chulan Hotel, Kuala Lumpur was the first organised in Asia. It was also organised in conjunction with the selection of Malaysia as Chairman of ASEAN, and relevant to the role of the Commission as the national PKI controller under the Digital Signature Act 1997.

The conference strengthened MCMC’s position in creating a reliable digital infrastructure, and

concurrently developing the capacity of PKI in Malaysia. The conference also strengthened the regional cooperation network in PKI, particularly on standards and interoperability between the regional countries of Asia.

The Asia PKI Conference was attended by 200 participants from the PKI regulators, Certifying Authorities, cryptography experts, PKI suppliers (e-government, e-banking and e-commerce), systems integration experts, PKI users and safety certifying bodies.

Figure 1: Development of Public Key Infrastructure (PKI) in Malaysia





## LICENSING

MCMC is responsible for issuing licences under the Communications and Multimedia Act 1998 (CMA 1998), the Postal Services Act 1991 (PSA 1991) and Digital Signature Act 1997 (DSA 1997).

### LICENCES UNDER THE COMMUNICATIONS AND MULTIMEDIA ACT 1998

There are four categories of activities to be considered:

- i. Network Facilities Provider (NFP)
- ii. Network Service Provider (NSP)
- iii. Applications Service Provider (ASP)
- iv. Content Applications Service Provider (CASP)

Two types of licences are issued for each category: Individual and Class Licence. The Individual Licence is issued for activities that require a higher level of regulation, while the Class Licence only requires registration and a lower regulatory level. The list of licensees is maintained by MCMC.

Specifically, there are three categories of individual licences:

#### Network Facilities Provider Individual Licence [NFP (I)]

Ownership and/or provision of network facilities such as earth stations, fixed links and cable, transmitters and radiocommunication, satellite control stations, satellite hubs, space stations, submarine cables landing centres and towers, poles, ducts and holes used together with other network facilities.

#### Network Service Provider Individual Licence [NSP (I)]

Services covered under this category include bandwidth services, broadcasting distribution services, cellular mobile services, mobile application services space services, switching services and gateway services.

#### Content Applications Service Provider Individual Licence [CASP (I)]

Covers content application services such as satellite broadcasting, subscription broadcasting, free-to-air terrestrial TV and terrestrial radio broadcasting.

### INDIVIDUAL LICENCE APPLICATIONS

Throughout 2015, MCMC has assessed 110 applications for individual licences for a variety of purposes, which saw a 45% increase over the previous year.

#### New Applications

The Minister has approved a total of 23 licences including 12 NFP (I) licences, 9 NSP (I) licences and 2 CASP (I) licences until 30 November 2015. However, only 3 NFP (I) and 1 NSP (I) licence were not approved by the minister. The number of new applications for individual licences with their Ministerial approval status, is shown in Figure 1.

For the year 2015, collectively, applications for individual licences NFP (I) and NSP (I) are to provide facilities or broadband infrastructure in Malaysia. For CASP (I), the Minister has approved an application for terrestrial radio broadcasting activities in Sabah and Sarawak to Cense Media Sdn Bhd, while Pr1ma Communications Sdn Bhd has been granted approval for providing subscription broadcasting services covering every PR1MA housing area in Malaysia.

#### Applications for Renewal of Licence

MCMC has assessed all 57 applications for the renewal of NFP (I), NSP (I) and CASP (I) licences throughout the year 2015. The statistics for the application renewals are shown in Table 2.

#### Variation of Individual Licence Applications

A total of 13 applications to modify the conditions of an individual licence has been approved by the Minister including six modifications to NFP (I), two for NSP (I) and five of CASP (I).

Table 1: Types of individual licence applications received by MCMC for 2015

| Individual Licence Category             | Total      |
|---|------------|
| New Licence                             | 27         |
| Licence Renewal                         | 57         |
| Variation of Licence Terms              | 13         |
| Surrender of Licence                    | 8          |
| Transfer of Licence                     | 4          |
| Nominated Facilities Provider           | 1          |
| <b>NUMBER OF APPLICATIONS PROCESSED</b> | <b>110</b> |

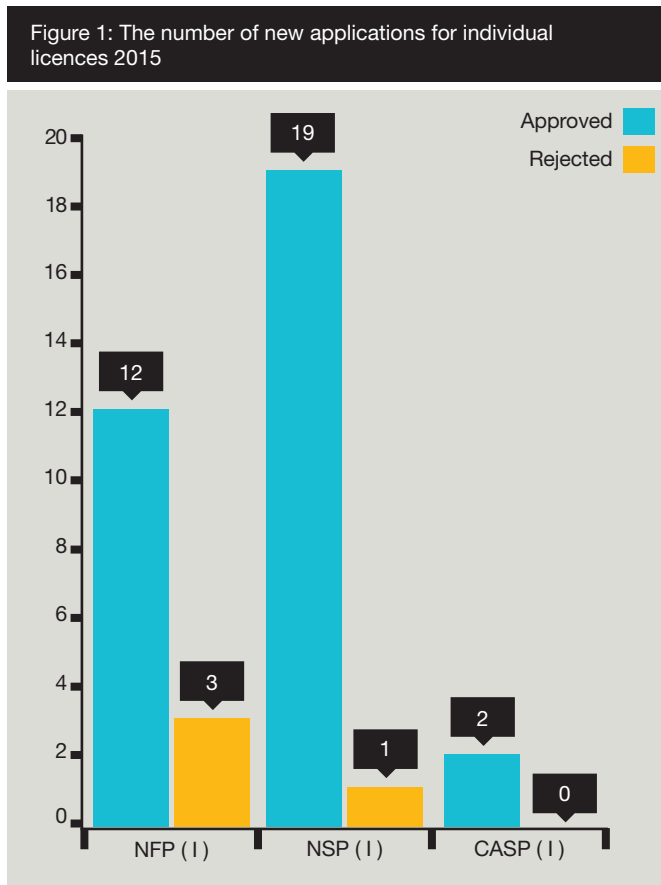


Table 2: Number of individual licence renewals which have been approved by the Minister

| Individual Licence Type                      | Total     |
|--|-----------|
| Content Applications Service Provider (CASP) | 14        |
| Network Service Provider (NSP)               | 17        |
| Network Facilities Provider (NFP)            | 26        |
| <b>GRAND TOTAL</b>                           | <b>57</b> |

Table 3: Number of class licence applications registered by MCMC for 2015

| Individual Licence Type                      | Total      |
|--|------------|
| Content Applications Service Provider (CASP) | 20         |
| Network Service Provider (NSP)               | 16         |
| Network Facilities Provider (NFP)            | 16         |
| Applications Service Provider (ASP)          | 452        |
| <b>GRAND TOTAL</b>                           | <b>504</b> |

### Surrender and Transfer of Individual Licence Application

In 2015, six licensees have surrendered their individual licences:

- i. U-Print Sdn Bhd [CASP (I)];
- ii. VTEL Malaysia Sdn Bhd [CASP (I)];
- iii. Jaring Communications Sdn Bhd [NFP (I) and NSP (I)];
- iv. Teliti Computers Sdn Bhd [NFP (I) and NSP (I)];
- v. Threesixty Technologies Sdn Bhd [NSP (I)]; and
- vi. Jalur Dimensi Sdn Bhd [NSP (I)].

Three licensees have requested to transfer the ownership of their individual licences. The Minister has approved the transfer of NFP (I) and NSP (I) licence ownership from Komasi Communications Sdn Bhd to Speedlink Communications Sdn Bhd, the licence ownership of CASP (I) from ISY Holdings Sdn Bhd to Capital FM Sdn Bhd and licence ownership of NSP (I) from Technology Park Malaysia Corporation Sdn Bhd to TPM IT Sdn Bhd.

### Nominated Facilities Provider

In 2015, the application of Asian Broadcasting Network (M) Sdn Bhd to be a nominated facilities provider was assessed by MCMC and approved by the Minister.

### ISSUANCE OF CLASS LICENCES UNDER THE COMMUNICATIONS AND MULTIMEDIA ACT 1998

MCMC issued 504 class licences registered by the approval of the Minister throughout 2015. 16 licence registration for Network Facilities Provider Class [NFP (C)], 16 licence registration for Network Service Provider Class [NSP (C)], 20 registration for Content Applications Service Provider Class [CASP (C)] and 452 licence registration for Application Service Provider Class [ASP (C)] have been issued. Statistics for this application are shown in Table 3.

MCMC officers conducting monitoring activities at the site of telecommunication service provider



### IMPLEMENTATION MONITORING OF LICENSEES UNDER THE COMMUNICATIONS AND MULTIMEDIA ACT 1998

For the year 2015, MCMC processed five applications to extend the implementation period by licensees who failed in the implementation of the service within 12 months from the date of licence issuance, which is a requirement in individual licences. Eight applications for extension have also been processed for licence holders who revised Detailed Business Plan (DBP) after failing to achieve their original targets.

Table 4: Number of site monitoring locations nationwide for 2015

| Location     | Number    |
|--------------|-----------|
| North        | 1         |
| East         | 2         |
| Central      | 24        |
| South        | 2         |
| Sarawak      | 3         |
| Sabah        | 5         |
| <b>TOTAL</b> | <b>37</b> |

In 2015, 37 site monitoring activities were carried out on 21 individual licensees. Table 4 shows the number of locations visited.

Site monitoring is critical for MCMC to perform an audit of service performance by the individual licence holders and to ensure compliance with conditions of service licence, such as the DBP target.

2015 is the third year of the 4G LTE 2600MHz service implementation for eight licensees, namely Maxis, DiGi, Celcom, U Mobile, Redtone, Altel, P1 and YTL. Figure 2 shows the performance of execution as at 31 December 2015 (the third year) against original targets set in their respective Detailed Business Plan (DBP).

The year 2015 also saw the beginning of the implementation of Digital Terrestrial Television Broadcasting (DTTB) throughout the country where the provision of infrastructure by MYTV Broadcasting Sdn Bhd will be monitored. Phase 1 of DTTB implementation is to provide 85% coverage of the network before 16 January 2016. A total of 14 transmitter locations should be provided to achieve the targeted coverage. The locations are shown in Figure 3.

Figure 2: Percentage of actual 4G LTE 2600MHz coverage as of 31 December 2015

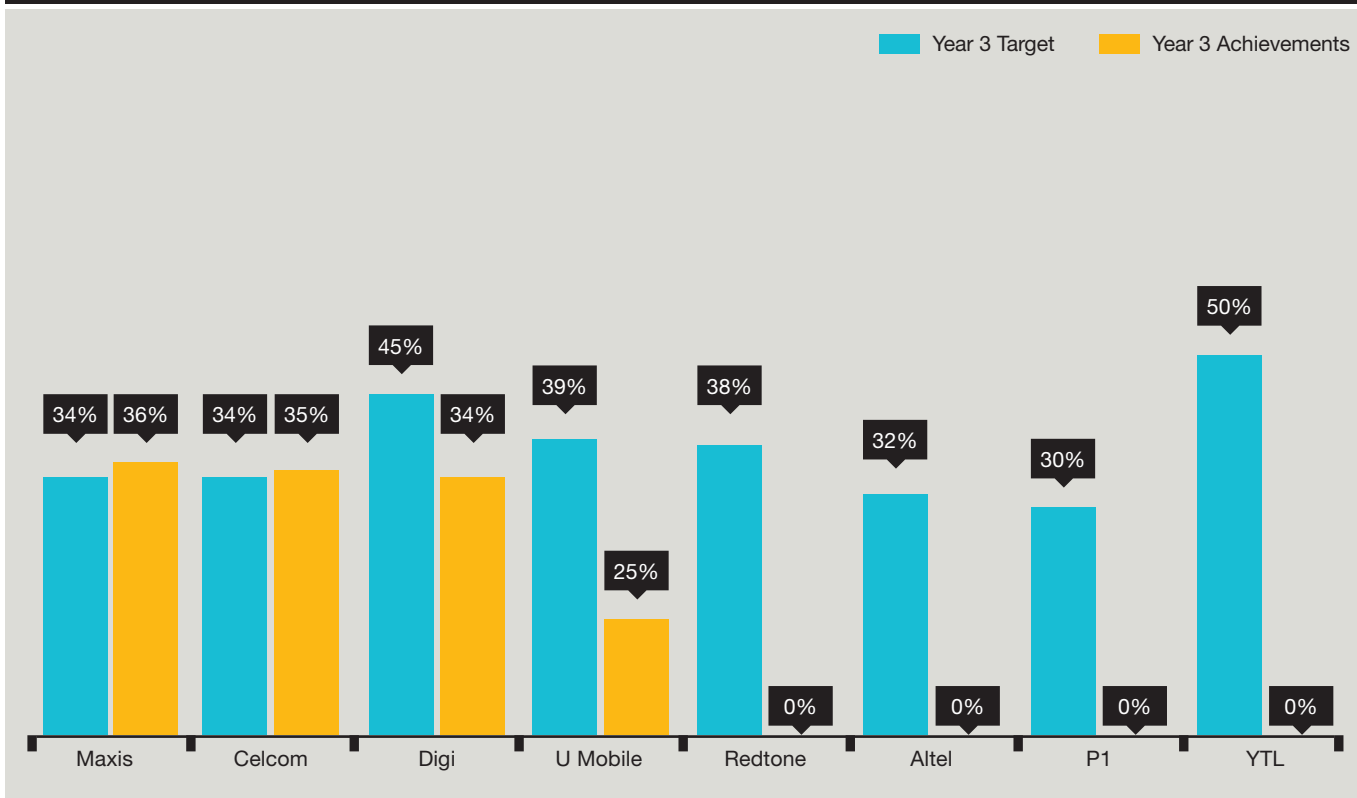


Figure 3: Monitored DTTB transmitter locations throughout 2015





## COMPETITION AND ACCESS

MCMC's function in relation to competition and access is to formulate, revise and implement policy and regulatory instruments, including monitoring the licensee's compliance with the relevant provisions under the Communications and Multimedia Act 1998 (CMA 1998), as well as investigating and resolving complaints about anti-competitive behaviour and matters relating to access.

### COMPETITION

#### Accounting Separation

Starting 2015, the Regulatory Financial Statements (RFS) are audited and prepared with the 'Properly Prepared in accordance with' accounting method. Starting in 2018, the RFS will be provided based on current costs. MCMC has taken to implement accounting separation in stages to make room for the licensees to modify their existing systems and related processes.

Based on the reports received so far, MCMC found that the retail segment in the mobile market experienced a decline in revenue for voice and short messaging services due to the wide use of Over-The-Top (OTT) applications. The data service used for OTT showed an increase in revenue in 2014, but the increase was not enough to offset the decrease in revenues for voice and short messaging services.

### Anti-Competition Complaints

In 2015, MCMC received two anti-competitive complaints from Mobile Virtual Network Operator (MVNO). First complaint is against a mobile service provider who allegedly gave orders to distributors in certain locations to remove the complainant's signboards and logo. MCMC initiated an inquiry into this complaint and has taken appropriate action.

The second complaint is against a mobile service provider who allegedly engaged in the anti-competitive behaviour of 'predatory pricing', 'margin squeeze' and other strategies to eliminate competitors in the market. Investigations are ongoing.

## ACCESS TO SERVICES

### Review of Access List

In 2015, MCMC conducted a review of the Access List and the study is a follow-up to the public inquiry into the definition and assessment of market dominant position in the communication market in 2014.

MCMC has conducted a public inquiry into the Access List from 15 May - 10 July, 2015 focusing on the following areas:

- i. Improving access regulation;
- ii. Incentive-based regulation;
- iii. Improving regulation of transmission services;
- iv. Improving access to next-generation networks;
- and
- v. Promoting investments in the access network infrastructure.

As an extension of public inquiry, MCMC has published the Report on Public Inquiry on the Commission Determination for the Access List. Generally, several services have been restructured and four new ones have been listed in the Access List:

- i. High Speed Broadband Network Service (Layer 3);
- ii. Manhole and Duct access;
- iii. End-to-End Transmission Services; and
- iv. Mobile Virtual Network Operators (MVNO) Access.

### Access List Implementation

After publishing the Access List, MCMC organised a briefing session on 5 October 2015 to inform service providers on amendments made to the Access List. MCMC also held separate sessions with several service providers to describe in more detail the requirements set in the Access Reference Document (ARD).

### Review of the Mandatory Standards on Access

MCMC is also preparing to review the Mandatory Standards on Access to conform to the Access List 2015. MCMC has received feedback from service providers and the public inquiry is set for implementation in early 2016.

## REGULATION OF RATES

### Retail Rate Monitoring

In 2015, MCMC found that the level of competition in mobile telephony and mobile broadband markets is highly competitive, while the level of competition in the market for fixed telephony, fixed broadband and IPTV services is quite limited.

In mobile market, there is an increase in packages that focus on data services, and this suggests that users have replaced voice and short messaging services with OTT. Generally, there is also a decrease in the price of mobile services and the increase in the provision of free data (GB) in mobile packages.

Service providers have gradually been offering the same retail rates for short messaging and voice services for their network service, compared to calls between different networks. However, there are also service providers that charge different rates.

Generally, there is no significant difference in the retail rate of broadband services. However, MCMC found that low speed broadband packages are no longer offered due to lack of demand. This suggests consumer demand to be more focused on high-speed broadband packages.

Retail rates and packages for IPTV services are relatively stable and do not indicate sudden fluctuations.





### Review of Rates Rules

MCMC conducted a public inquiry on the Communications and Multimedia (Rates) Rules 2002 from 13 March - 30 April 2015. The review proposes an approach based on international best practices; namely regulatory convergence of wholesale services by the provisions of access and competition in the CMA 1998. Therefore, MCMC proposed that the retail rates for all services other than emergency services are not regulated. However, MCMC will continue to monitor the rates of retail services to be reasonable and consistent with the CMA 1998. If necessary, MCMC can take appropriate action based on other provisions of the CMA 1998 depending on the circumstances of the situation. MCMC will recommend the results of this review to the Minister for further consideration.

### Study on Affordable Broadband Packages

MCMC conducted a public inquiry on affordable broadband packages from 13 March - 27 March 2015. The study suggested two criteria for affordable mobile and fixed broadband packages. The industry supported the proposal by MCMC, and have submitted proposals for affordable broadband packages, including mobile broadband package with 1GB data quota at a price of RM25.00 per month, and a fixed broadband package with a speed of 1Mbps with 1GB data quota at a price of RM38.00 per month.

### PLANNING FOR 2016

Going into 2016, the revision of the Mandatory Standards on Access and Mandatory Standards on access pricing will be implemented. Following the revision of the CMA, the framework for competition also needs to be reviewed and new guidelines on Mergers and Acquisitions will be issued.

Figure 1: Blocked Website Cases in 2015



# CYBER SECURITY

## DIGITAL MONITORING Regulating New Media Content

Throughout 2015, MCMC has received 2,614 complaints from the public. Of these, a total of 1,776 online offences were reported on social media sites.

All complaints received by MCMC have been investigated and action has been taken. 60% of complaints were resolved within three working days or less. A statistical breakdown of complaints by Internet platform and type of offence is shown in Tables 1 and 2.

Website blocking is one of the enforcement measures to block access to websites or content, especially from abroad, that violates any written law in Malaysia. Restrictions under the Communications and Multimedia Act 1998 (CMA 1998) includes pornography sites.

Table 1: Breakdown of complaints by type of Internet platform

| Internet Platform      | Number of Complaints |
|------------------------|----------------------|
| Social Media Network   | 1,776                |
| Email                  | 104                  |
| Website / Blog / Forum | 734                  |
| <b>TOTAL</b>           | <b>2,614</b>         |

Table 2: Number of complaints by offence in 2015

| Offence                                 | Total        |
|---|--------------|
| Offensive / Threatening                 | 411          |
| Obscene / Indecent                      | 629          |
| False / Misleading                      | 639          |
| Cybercrime (Hacking / Fraud / Phishing) | 375          |
| Other                                   | 560          |
| <b>TOTAL</b>                            | <b>2,614</b> |

### Domain Name Management ‘.my’

In accordance with Section 181 (1) CMA 1998, MCMC has appointed MYNIC Berhad (MYNIC) as the administrator to manage and maintain an integrated electronic address database in Malaysia.

As of December 2015, a total of 321,794 domain names have been registered compared to 52,454 in 2014. This represents an increase of 269,340 in the registration of domain names, reflecting the rapid development of online content in Malaysia.

### Information Infrastructure Security Management

MCMC is responsible for implementing information security governance programmes through the implementation of Information Security Management System (ISMS) and Business Continuity Management System (BCMS). Thus, in 2015, MCMC has mobilised recertification initiative for organisations that have implemented ISMS certification to apply changes and improvements based on the latest standards.

### CNII Organisation Identification

In 2015, MCMC has shortlisted a number of organisations that could potentially be identified as Critical National Information Infrastructure (CNII) to implement information security programmes. Among the organisations that are intended for that purpose are Al-Hijrah Media Corporation, YTL Communications Sdn Bhd, AIMS Data Centre Sdn Bhd, MEASAT Satellite Systems Sdn Bhd and Sacofa Sdn Bhd.

### Information Security Standards Development

Throughout 2015, MCMC has been involved in the working group (WG) for the development of information security standards such as the following:

- i. Information Security Management Systems (WG/G/5-1)
- ii. Service and Security Control (WG/G/5-4)
- iii. Identity and Privacy Management Technology (WG/G/5-5)
- iv. Proof of Identity (WG/G/5-8)

MCMC in collaboration with the Malaysian Technical Standards Forum Bhd (MTSFB) has set up a Working Group on Information/Network Security (INS WG) responsible for evaluating and reviewing current requirements and will publish guidelines related to information security, network and service continuity for reference to the communications and multimedia sector.

### Memorandum of Understanding (MoU) between MCMC and Cybersecurity Malaysia

Kick-Off Meeting and MoU Exchange Ceremony between MCMC and Cybersecurity Malaysia (CSM) was held on 9 November 2015. The areas of cooperation agreed upon are:

- i. Cyber Security Technical Cooperation;
- ii. Competency Development and Advocacy Programme;
- iii. Safety Assurance;
- iv. Cyber Security Product Certification;
- v. Implementation of the Malaysia Trustmark; and
- vi. International Cooperation.

### NETWORK SURVEILLANCE

MCMC Network Security Centre (SNSC) was established in 2008 to supervise, monitor, prevent and provide early warning of threats to any network at national level. The number of network security incidents monitored and reported to the SNSC in 2015 is 8,421 cases compared to 23,405 cases in 2014.

Based on the monitoring, the number of incident reports received have been broken down into categories as below:

Table 3: Number of network security incidents reported by category of cases in 2015

| Case Category        | Total |
|----------------------|-------|
| Website Defacement   | 2,214 |
| Banking Fraud        | 987   |
| Malware              | 4,929 |
| Network Attempt      | 191   |
| System Vulnerability | 69    |
| System Intrusion     | 28    |
| Denial of Service    | 3     |

### MADUNET Project

Since 2010, the SNSC has been running the MADUNET or the *Malaysian Network Attack Detections Using Honeynet* project. Utilising the *Honeypot* technology, it collects and analyses cyber attacks activities that can potentially disrupt Malaysian networks. MADUNET has successfully detected 5,000,000 cyber attacks and 7,000 unique malware.

### DIGITAL FORENSICS

This function focuses on providing expert assistance on digital forensic, consultation in cybercrime investigation, matters related to the communications and multimedia sector, and cyber law enforcement to MCMC and other law enforcement agencies.

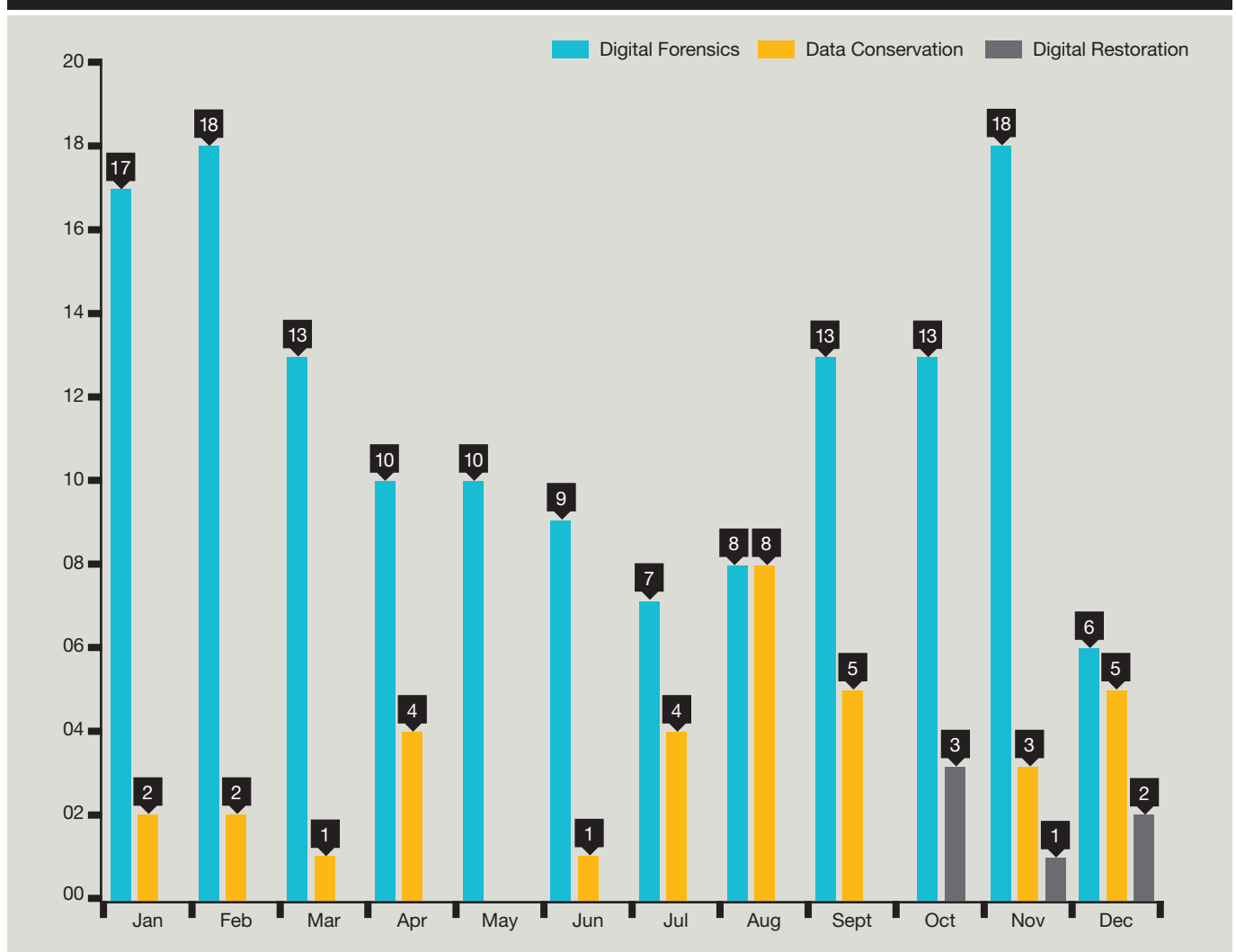
One of MCMC initiatives in addressing and handling cybercrime cases is to establish a Digital Forensic Laboratory. The services offered by this laboratory include computer forensics, mobile phone forensics, data conservation and digital data recovery.

Throughout its three year operation, this lab has received a total of 487 cases. In 2015, the department received a total of 209 cases. The number of cases received by month is shown in Figure 2.

Most cases received in 2015 is from MCMC Enforcement and Investigation Department, the Royal Malaysian Police and other law enforcement agencies.

In 2015, 659 exhibits in various electronic devices were compiled compared to 743 in 2014.

Figure 2: The number of cybercrime cases received during the year 2015



### Seminars and Lectures

Apart from courses and training, MCMC has also organised awareness and training programmes related to cyber security aimed to increase knowledge and awareness, and sharing experience and expertise on governance and cybercrime among law enforcement agencies and the general public. In 2015, 25 courses were organised in close collaboration with government agencies.

### Digital Forensics Laboratory Accreditation

In 2015, compliance activities to the Quality Management System in order to achieve digital forensic laboratory accreditation in accordance with Standard MS ISO 17025: 2005 have been initiated.

This standards document serves as a guideline for accreditation certification from the Department of Standards Malaysia (JSM). This accreditation is important as:

- i. Recognition of competent testing and analysis;
- ii. Laboratory performance benchmarks;
- iii. International recognition of the laboratory; and
- iv. Laboratory development strategy in the future.

### Digital Forensics Working Group

A Working Group on Digital Forensics was established on 25 August 2015, a collaboration with enforcement agencies equipped with digital forensics labs.

### PLANNING FOR 2016

With security challenges that are increasingly critical in the future, some initiatives have been developed MCMC for 2016 and beyond. Among the initiatives developed are as follows:

### Establishment of Network Security Forum

MCMC will coordinate and establish a Network Security Forum. The forum will develop codes, guidelines and best practices related to network and information security for the communications and multimedia sector.

### Strengthening Industry Capacity

In 2016 and beyond, MCMC will intensify efforts to develop an effective programme for the communications and multimedia industry including the development of instruments for the effective use of standards and programmes to increase the number of professionals in network security.

### MCMC Network Security Centre (SNSC)

For 2016, the SNSC plans to add as many as 50 sensors to collect and detect cyber attacks more effectively, particularly attacks targeting Malaysian networks.

### Skills and Training

With the increasing number of cybercrime cases, adequate training should be given to all digital forensic officers in conducting digital devices, systems and new equipment such as Memory Forensic, Network Forensic, JTAG Phone Extraction and Professional Certification.

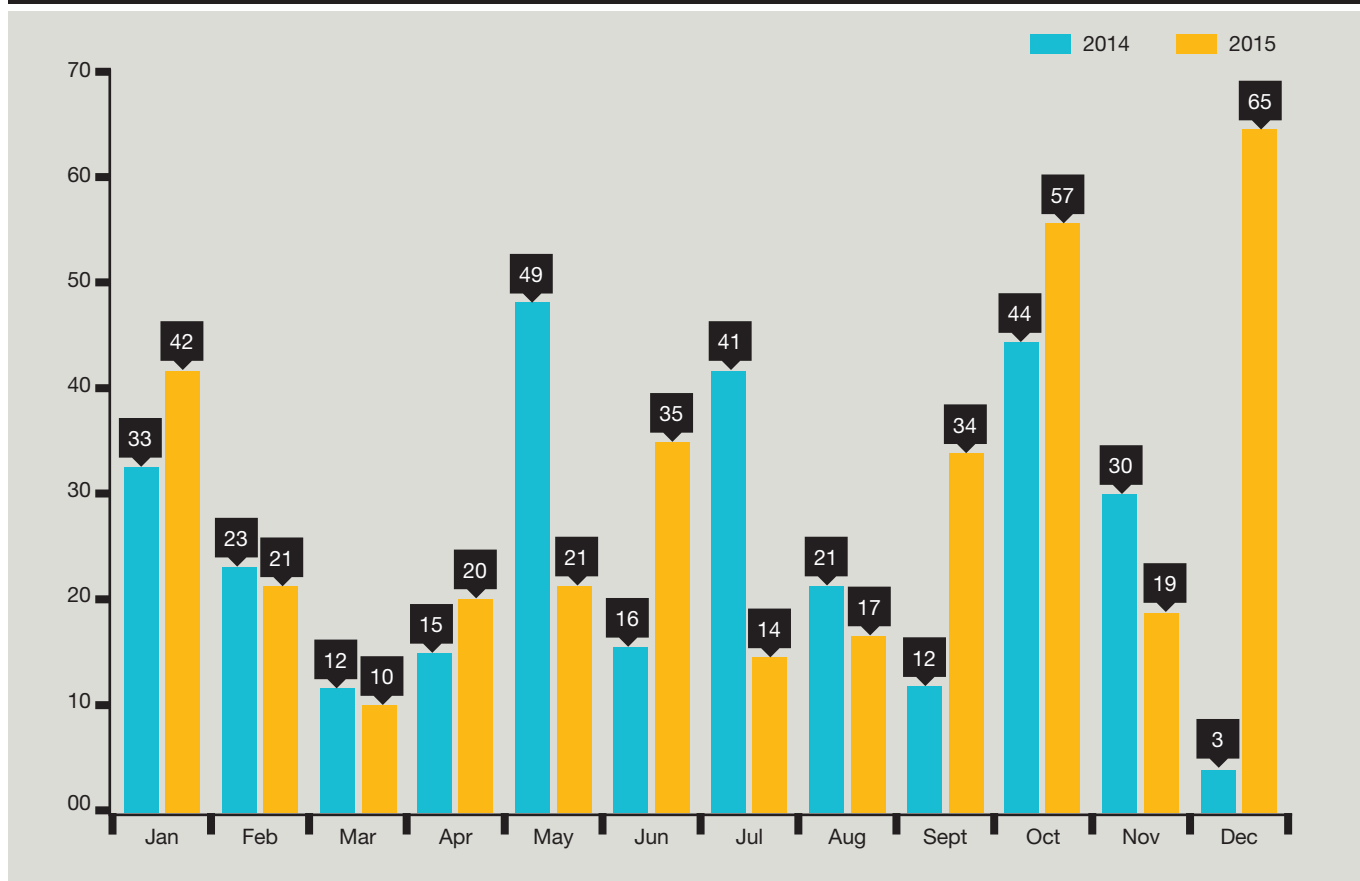
### Forensic-on-the-Go

An initiative to create a mobile laboratory to be used at the crime scene during a raid. The vehicle can accommodate a fully-equipped digital forensics work space with Internet access to enable immediate analysis.

### Network Forensic Laboratory

A Network Forensic Laboratory is being planned in addition to the existing computer forensics lab, mobile phones lab and digital restoration laboratory. The laboratory will be used to analyse cases involving cloud storage, servers, hacking and intrusion.

Figure 1: Blocked Websites in 2015



## MONITORING AND ENFORCEMENT

### COMPLAINT AND INVESTIGATION

A total of 299 complaints were received in 2015 by MCMC. This amount decreased by 16% compared to 2014. The complaints include 272 received from internal departments in MCMC and 27 complaints from other enforcement agencies and have been investigated in detail, whether in the form of MCMC Enquiry Paper (EP) or Investigation Paper (IP).

#### Complaint Categories

Complaints received are divided into three categories:

- Complaints on the misuse of network facilities or network services;
- Complaints on regulatory offences; and
- Complaints on technical standards offences.

Table 1: Statistics of complaints in 2015 by category.

| Offence Category  | Number of Cases |
|---|-----------------|
| <b>Category: Misuse of Network Facilities or Network Services</b> |                 |
| SMS/MMS/Crank calls   | 105             |
| Email   | 3               |
| Blog  | 5               |
| Website   | 11              |
| Social Network  | 18              |
| <b>Category: Regulatory</b>                                       |                 |
| S.105 CMA 1998  | 93              |
| S.126 CMA 1998  | 2               |
| S.127 CMA 1998  | 4               |
| S.143 CMA 1998  | 1               |
| S.157 CMA 1998  | 1               |
| S.188 CMA 1998  | 23              |
| S.206 CMA 1998  | 4               |
| S.238 CMA 1998  | 2               |
| <b>Category: Technical Standards</b>                              |                 |
| P 16 CMR (TS) 2000  | 20              |
| S.239 CMA 1998  | 7               |
| <b>TOTAL</b>  | <b>299</b>      |

### Complaints and Investigations under Section 233 CMA 1998

In 2015, MCMC focused on the investigation of offences under Section 233 CMA 1998. Offences include obscene, indecent, false, menacing or offensive content delivered via SMS/MMS and crank calls which recorded the highest number of complaints with 35% of the total complaints received for offences under Section 233 CMA 1998.

### Investigation Papers (IP)

144 Investigation Papers were opened from complaints received in 2015 and the previous years. June recorded the highest number of IPs opened, representing 31% of the total number of opened IPs in 2015.

IPs for offences related to misuse of new media, investigated under Section 233 of CMA 1998, is the foremost offence submitted for consideration and further instructions from the Deputy Public Prosecutor (DPP), namely 125 IPs, followed by 79 IPs for offences under Regulation 16 of the Communications and Multimedia (Technical Standards) Regulation 2000 and 60 IPs related to breach to licence conditions offences which were investigated under Section 242 of CMA 1998.

### Prosecution in Court

67 IP cases were prosecuted by the DPP. Of these, 34 cases were sentenced with fines amounting to RM278,000.00. The range of fines imposed by the Court is between RM2,000.00 to RM50,000.00 for each case. Court trials for 6 cases are still ongoing.

Table 2: Statistics of complaints received and investigated for offences under Section 233 of CMA 1998 throughout 2015 based on medium

| Type of Complaint           | Total      |
|-----------------------------|------------|
| SMS / MMS / Crank calls     | 105        |
| Email                       | 3          |
| Blog                        | 5          |
| Website                     | 11         |
| Social Network              | 18         |
| <b>NUMBER OF COMPLAINTS</b> | <b>142</b> |

Table 3: Statistics of Investigation Papers based on the number of complaints in 2015 and in previous years

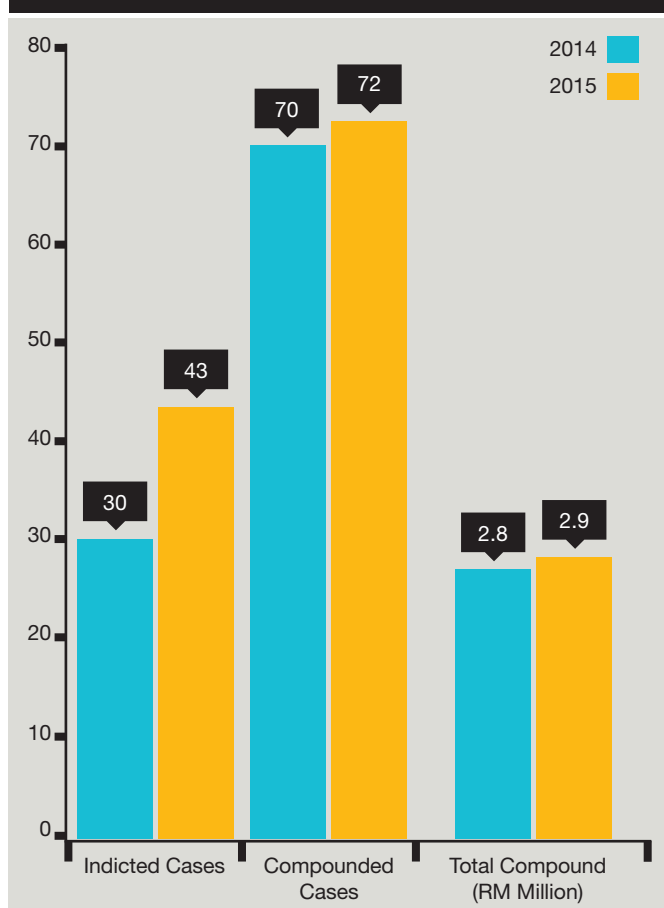
| Month            | Total IP   |
|------------------|------------|
| January          | 21         |
| February         | 3          |
| March            | 3          |
| April            | 5          |
| May              | 4          |
| June             | 44         |
| July             | 2          |
| August           | 2          |
| September        | 26         |
| October          | 15         |
| November         | 15         |
| December         | 4          |
| <b>TOTAL IPs</b> | <b>144</b> |

Table 4: Statistics of Investigation Papers that have obtained permission from the DPP to prosecute based on the provision of the offence

| Offence Based on Act | Total     |
|----------------------|-----------|
| P . 16 CMR (TS) 2000 | 49        |
| S . 211 CMA 1998     | 14        |
| S . 233 CMA 1998     | 4         |
| <b>TOTAL</b>         | <b>67</b> |

In 2015, 4 IP cases received Court sentences. Among the cases that attracted media attention was the case of Wan Fatul Bin Johari, accused for three offences under Section 233 (1) (a) of the CMA 1998 for intentionally abusing Internet application services to initiate and distribute three offensive comments to insult the Sultan of Kelantan, the Malay Rulers and HRH Agong on three different dates on social networking sites.

Figure 2: Performance enforcement and investigation in 2015



### No Further Action (NFA)

Upon further investigation on the complaints received, 48 out of the total 299 complaints have been classified as No Further Action (NFA).

In these cases, a more detailed analysis of information has shown that further investigation cannot be continued due to the following factors:

- i. The information registered is false;
- ii. No cooperation from the complainant;
- iii. The complainant withdrew the complaint;
- iv. The content of the complaint does not meet the elements or essence of the offence;
- v. There is no strong statement against the suspect; and
- vi. The complaint is outside the jurisdiction of CMA 1998.

### Overall Achievements

In general, MCMC's enforcement and investigation function shows significant improvements in achievement and performance and the outlook is encouraging for the year 2015. This can be seen by the percentage increase in enforcement and investigations activities as shown in Figure 2.





## MONITORING AND COMPLIANCE (BROADCASTING)

In 2015, monitoring and compliance for the broadcasting sector continues to focus on improving the compliance level of the licensees and strengthening monitoring and enforcement activities to safeguard consumer protection.

### MONITORING THE BROADCASTING CONTENT

In early 2015, MCMC started the Content Monitoring Centre (CMC) project to further solidify monitoring activities of private broadcasters or Content Applications Service Provider (CASP-I) individual licensees. CMC is able to capture, save and extract the contents of a recorded broadcast. A structured monitoring approach is being developed and the CMC is expected to be launched in January 2016.

### EFFORTS ON CASP-I COMPLIANCE IMPROVEMENT

Proactive steps have been taken to ensure that CASP-I licence holders abide by the rules and provisions in respect of broadcasting content, including:

#### Workshop on Content Compliance Report

Held in the first quarter of 2015 to review and improve the content compliance report template. This report is submitted every quarterly to ensure completeness, accuracy, consistency and timeliness of the data submitted by the CASP-I licence holders.

#### Site Compliance Visits

Periodic site compliance visits to CASP-I licence holder were done in 2015. The licensees were informed of the compliance status and advice was given to improve any non-compliance activities.

#### Approval for Broadcasting

All CASP-I licence holders are required to apply for MCMC approval to transmit all live and delayed broadcast. 255 live and delayed broadcast applications were received throughout 2015.

## DEVELOPMENT AND ENGAGEMENT

Throughout 2015, MCMC has been directly or indirectly involved in collaboration programmes, organised workshops and seminars, and academic visits relating supervision and broadcasting compliance in Malaysia. To ensure effective regulatory governance, MCMC has established cooperation with strategic partners from various ministries and government agencies such as the Ministry of Communications and Multimedia (KKMM), Ministry of Home Affairs (KDN), the Ministry of Health (KKM), Ministry of Domestic Trade, Cooperatives and Consumerism (KDPNKK), the Film Censorship Board (LPF), Department of Islamic Development Malaysia (JAKIM) and the Communications and Multimedia Content Forum (CMCF).

Three content compliance seminar and workshop has been organised in collaboration with strategic partners for all CASP-I licensees and related parties in 2015, namely Licence Conditions Compliance Seminar, *Bengkel Pemerkasaan Bahasa Melayu* MCMC-DBP and Advertisement Content Compliance Workshop.

MCMC also organised an academic visit to Pinewood Iskandar Malaysia Studios as part of its outreach activities, in addition to receiving visits from international regulatory bodies such as AITI Brunei and Korea Communications Standards Commission (KCSC). In addition, other functions carried out include providing input and feedback to Parliament queries, and providing briefings and advice to all concerned parties about broadcast content regulation in Malaysia.

## COMPLAINTS HANDLING

In 2015, MCMC received 44 complaints regarding broadcast content including commercial advertising and content broadcast over television and radio. 77.5% of the complaints are related to programme

content, which is deemed indecent, false, offensive, threatening, violent, horrific, or disrespectful. Meanwhile, 22.5% of the complaints investigated are related to commercial advertisements. There are also complaints made by various government agencies.

Four First Information Report (FIR), seven warning letters, and two letters of advice were issued regarding broadcast content. Penalties were imposed on two CASP-I licence holders, namely MEASAT Broadcast Network Systems Sdn Bhd (ASTRO) and TM Net Sdn. Bhd (HyppTV) at RM30,000.00 and RM20,000.00 respectively.

## THE COMMUNICATIONS AND MULTIMEDIA CONTENT FORUM OF MALAYSIA (CMCF)

In 2015, CMCF has received 465 complaints, which is a 26.7% decrease compared to the number of complaints received in 2014. Of the complaints received, 431 were received from the public and 28 complaints were from other parties such as MCMC, KKMM and KKM.

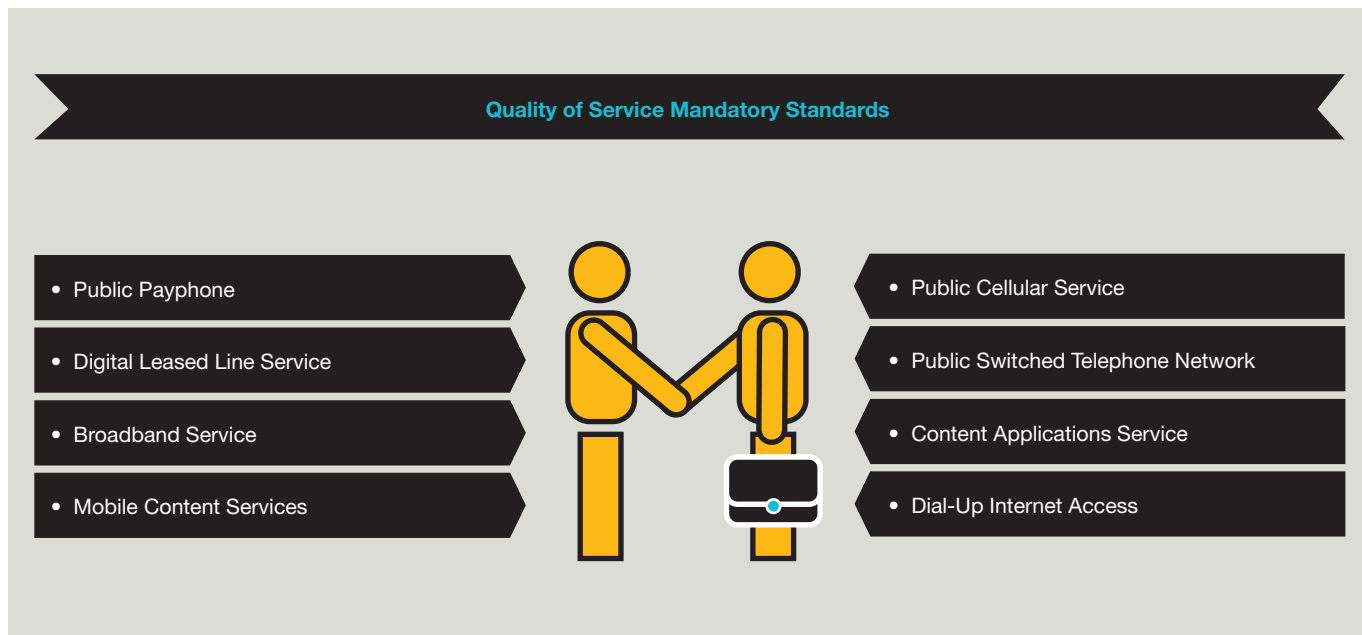
CMCF has also imposed a penalty of RM5,000.00 to Radio Lebuhraya Sdn Bhd (THR Raaga) for non-compliance with the Content Code.

## SUMMARY AND DIRECTION

In 2015, the Key Performance Index (KPI) for broadcasting compliance and monitoring and initiatives to improve compliance with existing regulations have been achieved. MCMC plans to create a structured framework for monitoring broadcast content with new approaches to improve the level of industry compliance and consumer satisfaction. MCMC will continue to identify issues and challenges regarding broadcast content to establish the practice of self-regulation, providing a direction for the content industry in Malaysia in 2016.

Figure 1: The Regulatory Approach to Consumer Protection

| Quality of Service  | Enforcement  | Mobile Content Services   | Tariff Regulation  |
|---|--|---|--|
| <ul style="list-style-type: none"> <li>• Mandatory Standards</li> <li>• Customer Satisfaction Survey</li> </ul> | <ul style="list-style-type: none"> <li>• Required Applications Services</li> <li>• Complaint Bureau</li> <li>• Others</li> </ul> | <ul style="list-style-type: none"> <li>• Monitoring (Mobile Content Services Effective July 1, 2010)</li> </ul> | <ul style="list-style-type: none"> <li>• Monitoring (For Fixed Telephony Services Only)</li> </ul> |



## MONITORING AND COMPLIANCE (COMMUNICATION)

MCMC through the Communications and Multimedia Act 1998 (CMA 1998) is responsible for maintaining and protecting the interests of consumers in matters of communication and multimedia services through various mechanisms in the development and enforcement of codes and consumer standards, the resolution of consumer disputes and effective regulatory measures.

### COMPLIANCE TO QUALITY OF SERVICE

Consumers in Malaysia are protected in terms of

service quality through the existence of Mandatory Standards enforced by MCMC to monitor and regulate the quality of services of all related service providers. The figure above shows the regulatory mechanisms to protect the rights of consumers.

Mandatory Standards are established to:

- i. Improve and protect the rights of consumers;
- ii. Give the consumer clear and specific criteria for measuring the quality of services received or applied; and
- iii. Improve international competitiveness by strengthening local industry.

Through Mandatory Standards for Quality of Service, each service provider is required to ensure the quality of service offered to customers comply with specific benchmarks.

Table 1: List of Non-Compliance Notice of Mandatory Standards

| Service Provider                       | Non-Compliance Case  |
|--|--|
| Celcom Axiata Berhad                   | Para 9(a) dan (b)<br>- Mandatory Standards for Public Cellular Service (PCS) |
| Husa Network Sdn Bhd (Manis FM)        | Para 8<br>- Mandatory Standards for Content Application Service (CAS)        |
| TTdotCom Sdn Bhd                       | Para 20 (a)<br>- Mandatory Standards for Broadband Access Service (BAS)      |
| DiGi Telecommunications Sdn Bhd        | Para 9 (a)<br>- Mandatory Standards for Digital Leased Line (DLL)            |
| Asian Broadcasting Network (M) Sdn Bhd | Para 30<br>- Mandatory Standards for Broadband Access Service (BAS)          |
|  | Para 19<br>- Mandatory Standards for Content Application Service (CAS)       |
| Net2One Sdn Bhd                        | Para 13, 19 dan 24<br>- Mandatory Standards for Digital Leased Line (DLL)    |

A total of seven Mandatory Standards for Quality of Service have been registered between 2003 and 2015:

- i. Public Switched Telephone Network (PSTN);
- ii. Public Cellular Service (PCS);
- iii. Dial-up Internet Access Service (DIAS);
- iv. Content Applications Service (CAS);
- v. Public Payphone Service (PPS);
- vi. Digital Leased Line (DLL); and
- vii. Broadband Access Service (BAS).

In 2015, MCMC has reviewed the Mandatory Standards for PCS and BAS which were last revised in 2002 and 2007 respectively. Mandatory Standards for BAS has been separated into wired and wireless broadband services. The purpose of having a Mandatory Standards review is to protect the rights of consumers and remain relevant in the face of rapid technological developments.

### The approach taken for compliance with the Mandatory Standards

#### i. Enforcement action for non-compliance to the Mandatory Standards

For any non-compliance to the Mandatory Standards, MCMC will open investigation papers (IP) to the service provider involved. For 2015, MCMC has imposed a compound of RM30,000.00 on service providers who did not comply with the Mandatory Standards.

#### ii. Administrative Action

Another approach that has been taken is by issuing a notice of non-compliance to offences that violate the provisions of the Mandatory Standards Section 105 (3) of the Communications and Multimedia Act 1998. In 2015, MCMC has issued six notices of non-compliance as per Table 1.

## CONSUMER PROTECTION IN MOBILE VIRTUAL NETWORK SERVICES

To improve consumer protection in mobile virtual network (MVN) service, MCMC has issued Mandatory Standards for the Provision of Services in Mobile Virtual Network that came into force on 15 January 2016.

The main objective of these Mandatory Standards is to allow MCMC to monitor MVN services more effectively and ensure consumer protection and continuity of service to consumers in the event of

MVN service termination. It includes four scopes of implementation, namely:

- i. Notice at the start of the service;
- ii. Notice at the termination of the service;
- iii. Reimbursement to the consumer; and
- iv. Continuity of services.

The provision of cellular services is also very competitive with the presence of 24 mobile virtual network operators (MVNO) services as shown in Table 2.

Table 2: List of MVNO in Malaysia

| Host                                   | MVNO   |
|--|--|
| <b>Celcom Axiata Berhad</b>            | <ol style="list-style-type: none"> <li>1. Aitel Communications Sdn Bhd</li> <li>2. Merchantrade Asia Sdn Bhd</li> <li>3. One XOX Sdn Bhd</li> <li>4. PLDT Malaysia Sdn Bhd</li> <li>5. Pure Spectrum Technologies Sdn Bhd</li> <li>6. Red One Network Sdn Bhd</li> <li>7. Senheng Mobile (M) Sdn Bhd</li> <li>8. Tune Talk Sdn Bhd</li> <li>9. XOX Com Sdn Bhd</li> </ol>  |
| <b>U Mobile Sdn Bhd</b>                | <ol style="list-style-type: none"> <li>1. Ameen Mobile Sdn Bhd</li> <li>2. Ceres Telecom Sdn Bhd</li> <li>3. Clixster Mobile Sdn Bhd</li> <li>4. ECI Communications Sdn Bhd</li> <li>5. Mobile 8 Telco Sdn Bhd</li> <li>6. MyAngkasa Holdings Sdn Bhd</li> <li>7. Optic Tech Sdn Bhd</li> <li>8. Prabhu Mobile Sdn Bhd</li> <li>9. Telekomunikasi Indonesia (Malaysia) Sdn Bhd</li> <li>10. Uni Comms International Sdn Bhd</li> <li>11. Wafy Group Bhd</li> </ol> |
| <b>Digi Telecommunications Sdn Bhd</b> | <ol style="list-style-type: none"> <li>1. Pavo Communications Sdn Bhd</li> <li>2. Talk Focus Sdn Bhd</li> <li>3. Xiddig Cellular Communications Sdn Bhd</li> </ol>   |
| <b>Maxis Berhad</b>                    | <ol style="list-style-type: none"> <li>1. I Tel Mobile Network Sdn Sdn</li> </ol>  |

## MOBILE CONTENT SERVICE COMPLIANCE

Based on census and surveys, a penetration rate of 143.8%<sup>1</sup> was recorded for cellular phone services in Malaysia for the year 2015. This is in line with the development of the communications and multimedia industry in Malaysia in terms of infrastructure, content development or quality of service.

The roles and responsibilities of MCMC have also become progressively challenging in order to ensure the development of mobile content services offers benefits Malaysian consumers, while protecting their interests. It can be evaluated and addressed through complaints received from consumers via provided channels.

Complaints often received from users and subscribers of mobile content services include SMS promotions, misleading marketing activities, and the validity of charges to users.

MCMC record shows that the number of complaints received in 2015 is 2,145, representing a 40.5% increase over 2014. The complaints received are shown in Table 3.

In search for the resolution of issues relating to the provision of mobile content services, MCMC

also organised a workshop together with NGOs and government agencies to gather feedback on the Mandatory Standards revision proposal and recommendations for improvement and more effective execution of regulatory aspects.

### Approach Taken in Handling Consumer Complaints i. Mandatory Standards for the Provision of Mobile Content Services

For any non-compliance to the Mandatory Standard, MCMC will issue a warning letter to the content provider involved. Throughout 2015, MCMC has issued four warning letters to non-compliant content providers.

For repeat offences, legal action will be taken for breaching Mandatory Standards. Violations to this Mandatory Standards could lead to a maximum fine of RM100,000.00 or imprisonment for two years or both.

### ii. Administrative Action

Another approach is to suspend the short code of the content provider in violation of the provisions of the Mandatory Standards. For 2015, MCMC has suspended six short codes from multiple service providers on a variety of non-compliance to the Mandatory Standards.

Table 3: Statistics of complaints received in 2015

| Type of Complaint            | 2014         | 2015         |
|------------------------------|--------------|--------------|
| Unsubscribed Services        | 1,476        | 2,034        |
| Failure to Terminate Service | 15           | 87           |
| Unsubscribed SMS Promotion   | 36           | 24           |
| <b>TOTAL</b>                 | <b>1,527</b> | <b>2,145</b> |

<sup>1</sup> Source: Communication and Multimedia: Book of Statistics, Q4 2015

## CONSUMER EMPOWERMENT PLAN

The number of complaints from consumers has been increasing every year. Three main issues are identified as major contributors to the complaints received by the Consumer Complaints Bureau (CCB) and the Communications and Multimedia Consumer Forum of Malaysia (CFM) as shown in Figure 2 below.

In 2014, MCMC issued the Consumer Empowerment Action Plan 2014-2016 which contains 13 initiatives, illustrated in Table 4.

The Consumer Empowerment Action Plan is still running until 2016 and expected to generate consumers who are more aware of the services offered, who can fight for their rights and who will create an environment of self-regulation.

## PREPAID MOBILE USER REGISTRATION

As at the end of 2015, 44,111,000<sup>2</sup> mobile phone users have been registered in the country. Of these, 35,371,000 is prepaid phone service registration, while the rest is for cellular postpaid service.

With 80% of the total mobile phone users in the country being prepaid phone users, monitoring and enforcement activities are carried out to ensure that registration of prepaid users is recorded accurately.

In addition to the verification process carried out by the service, MCMC also carried manual verification process of the data with cooperation from the National Registration Department (JPN).

By 2015, as many as 14 million prepaid phone user data has been confirmed by JPN, and of that total, 6% of the subscriber data was recorded as unmatched. Invalid data is returned to the service provider for reconfirmation process. If ownership of the data cannot be verified, this particular cellular number will be deactivated.

Figure 2: Main consumer issues and the number of complaints received in 2013-2015

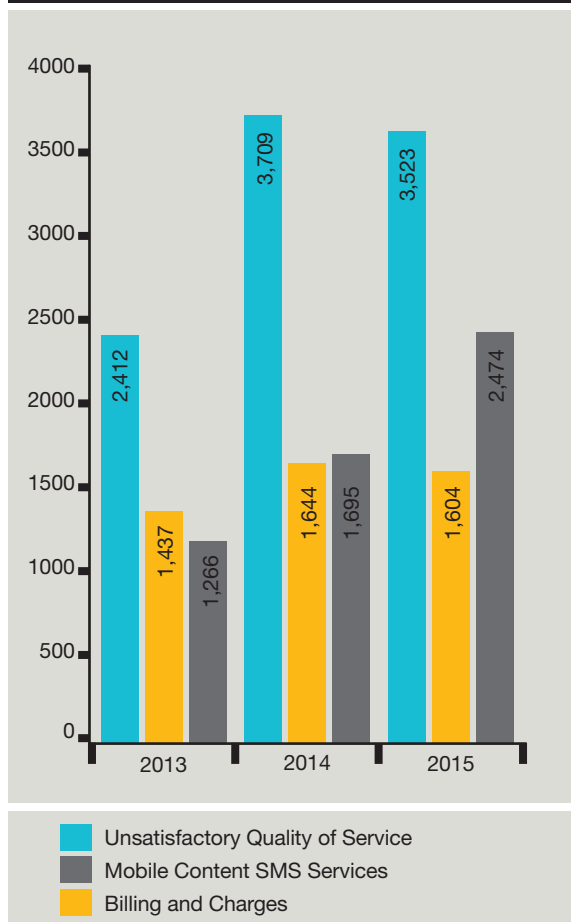


Table 4: List of Consumer Empowerment Action Plan

1. Self-Assessment and Reporting by Service Providers
2. Compensation Mechanism for Users
3. Street Coverage Map
4. Non-subscription Model - for Mobile Content Services
5. User Portal Enhancement (Mobile Applications)
6. Client Charter Enhancement by Service Provider
7. Integrated Complaint Handling System (Service Provider / Communications and Multimedia Consumer Forum of Malaysia (CFM) /MCMC)
8. Processing/Administrative Fee for MCMC Complaint Handling
9. Merit and Demerit Mechanism 'Star Rating' Mechanism for Cellular Service Providers
10. Availability of Critical Information Summary in the Terms and Conditions (T&C) by Service Providers
11. Guideline for Distributors and Agents
12. Annual Consumer Dialogue Forum
13. Action Campaign for Consumer Empowerment (ACE).

<sup>2</sup>Source: Communication and Multimedia: Book of Statistics, Q4 2015

### Monitoring and Enforcement

MCMC has conducted spot checks to ensure that the service providers and their authorised representatives follow the prescribed registration procedures.

In 2015, a series of inspections have been conducted across the country. A total of 274 dealers have been examined and the results are shown in Table 5 below.

Of these, 153 distributors failed to comply with the registration procedures and further action has been imposed on them by the related service providers.

### GOODS AND SERVICES TAX (GST) FOR PREPAID SERVICES IMPLEMENTATION MECHANISM

Since the implementation of the goods and services tax (GST) on 1 April 2015, there is confusion among consumers about tax imposed on subscribed prepaid services. Accordingly, on 23 October 2015, the

Prime Minister, Dato' Sri Mohd Najib Tun Razak announced that for the year 2016, all Malaysian prepaid users will enjoy a rebate equal to the tax paid.

The figure below shows the GST rebate crediting process that was announced in the press and MCMC website for consumer information.

### TERMINATION OF TELEPHONE LINES DISPLAYED ON ILLEGAL ADVERTISEMENTS

This is a commitment from MCMC in collaboration with service providers in helping Local Authorities to address the issue of illegal advertisements in public places or utility by unscrupulous individuals.

In 2015, as many as 11,148 phone lines have been terminated for violation of the by-laws under the Local Government Act 1976. This termination operation will continue in order to resolve the issue of illegal advertising, so as not to pose a threat to the economy, socio-politics, and national security.

Table 5: Level of compliance on prepaid user registration among distributors and service providers

| Region                      | North      | South      | East       | Sabah      | Sarawak    | Nationwide |
|-----------------------------|------------|------------|------------|------------|------------|------------|
| Number Distributors Checked | 40         | 100        | 71         | 37         | 26         | 274        |
| Non-compliant Distributors  | 23         | 34         | 51         | 27         | 18         | 153        |
| Compliant Distributors      | 17         | 66         | 20         | 10         | 8          | 121        |
| <b>% NON-COMPLIANCE</b>     | <b>58%</b> | <b>34%</b> | <b>72%</b> | <b>73%</b> | <b>69%</b> | <b>56%</b> |

Figure 3: Infographic on GST rebate advertised in major newspapers in Malaysia





Table 1: Allocation of geographic numbers for 2015

| Number Category   | Access Code | Number Assignment | Total   |
|-------------------|-------------|-------------------|---------|
| Geographic Number | 03          | 70,000            | 124,000 |
|                   | 04          | 10,000            |         |
|                   | 07          | 30,000            |         |
|                   | 084         | 3,000             |         |
|                   | 089         | 1,000             |         |
|                   | 09          | 10,000            |         |

Table 3: Allocation of other numbers for 2015

| Number Type                                | Number Assignment | Total |
|--|-------------------|-------|
| National Signalling Point Code (NSPC)      | 15017             | 5     |
|  | 15018             |       |
|  | 15019             |       |
|  | 15020             |       |
|  | 15021             |       |
| International Signalling Point Code (ISPC) | 5-002-6           | 2     |
|  | 5-002-7           |       |

Table 2: Assignment of broadband services (data only)

| Prefix | Number Assignment   | Total Number |
|--------|---------------------|--------------|
| 0159   | 100 0000 - 109 9999 | 100,000      |
|        | 110 0000 - 119 9999 | 100,000      |
|        | 120 0000 - 129 9999 | 100,000      |
|        | 130 0000 - 139 9999 | 100,000      |
|        | 140 0000 - 149 9999 | 100,000      |
|        | 150 0000 - 159 9999 | 100,000      |
|        | 160 0000 - 169 9999 | 100,000      |
|        | 170 0000 - 179 9999 | 100,000      |
|        | 180 0000 - 189 9999 | 100,000      |
|        | 190 0000 - 199 9999 | 100,000      |
|        | 200 0000 - 209 9999 | 100,000      |
|        | 210 0000 - 219 9999 | 100,000      |
|        | 220 0000 - 229 9999 | 100,000      |
|        | 230 0000 - 239 9999 | 100,000      |
|        | 240 0000 - 249 9999 | 100,000      |

## ELECTRONIC ADDRESSING AND NUMBERING

MCMC, under Sections 179 and 180 of the Communications and Multimedia Act 1998 (CMA 1998) is responsible for the control, planning, administration, management and assignment of numbers and electronic addressing.

### ASSIGNMENT OF NUMBERS

Following are categories of numbers for network and application services in Malaysia:

- i. Geographic Numbers;
- ii. Non-Geographic Numbers; and
- iii. Other numbers.

### Geographic Numbers

In 2015, 124,000 numbers for the Public Switched Telephone Network (PSTN) service were allocated to the service providers as described in Table 1.

### Non Geographic Number

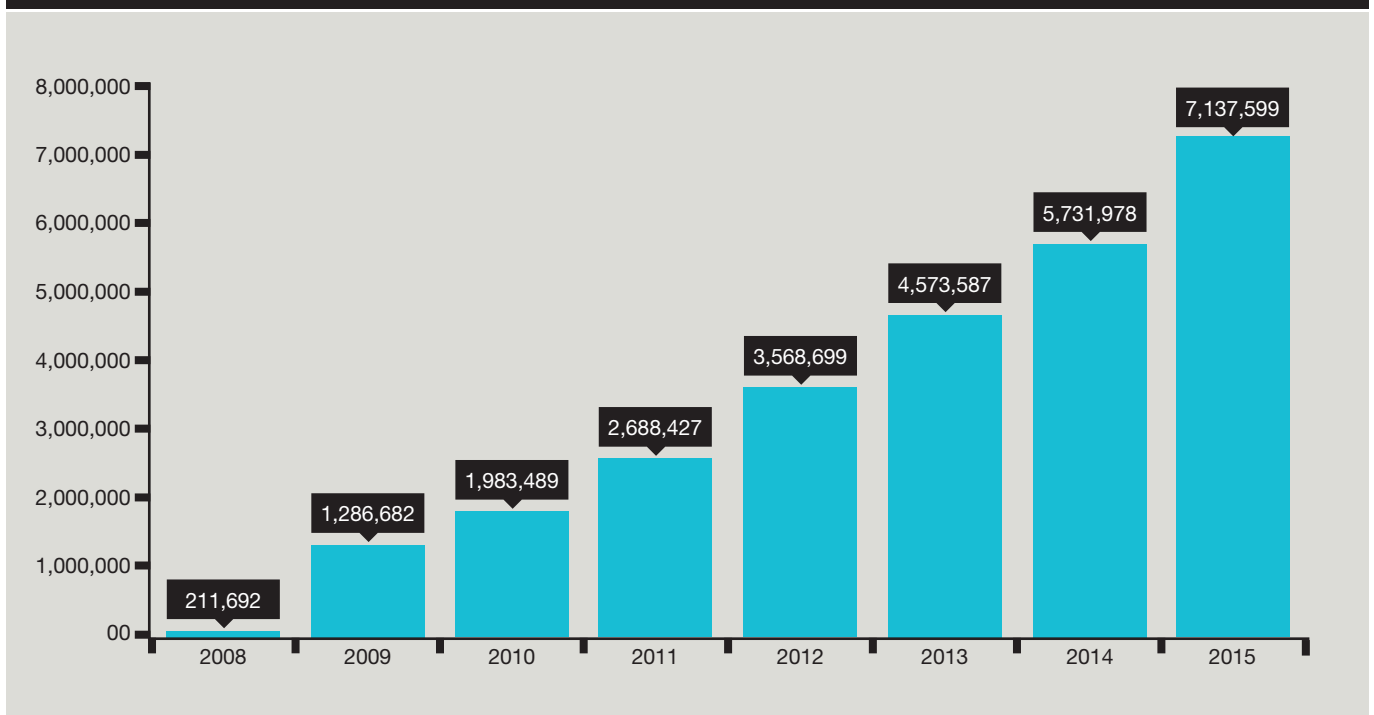
Five Independent Short Code (ISC) numbers were allocated: 13199, 13299, 13393, 13168 and 13169. In addition, a total of 34.5 million out of 100 million mobile numbers were allocated to the mobile network operators (MNO) and mobile virtual network operators (MVNO) in 2015.

For broadband services (data only), a total of 1.5 million numbers were assigned as listed in Table 2.

### Other Numbers

In 2015, a total of five National Signalling Point Code (SPC) numbers and International Signalling Point Code (ISPC) numbers were assigned as shown in Table 3.

Figure 1: Mobile number portability from 2008 to 2015



### IPv6 INITIATIVES

MCMC is aware of the need to prepare the country for the transition of Internet Protocol version 4 (IPv4) to Internet Protocol version 6 (IPv6) as targeted by the Government. Several initiatives have been undertaken to ensure the acquisition of all new hardware or hardware upgrade meet the IPv6 requirements. This includes issuing commands through Commission Direction (CD) No.2 / 2015, dated March 2015 to the Network Service Provider Individual Licence [NSP (I)] holders to ensure that all public websites, e-mail and Domain Name System servers are IPv6-ready.

Various measures have also been taken to ensure that NSP (I) licensees support IPv6 technology, such as:

- i. Issuance of Amendment Notice to Section 10 of the Numbering and Electronic Addressing Plan (NEAP) to incorporate the requirements of IPv6 adoption;
- ii. Commission Directive to mandate the implementation of IPv6 in Malaysia;
- iii. Delivery of notice to the Application Service Provider Class [ASP (C)] licensees over the implementation of IPv6;
- iv. Provision of IPv6 consultancy services for small and medium industries to encourage the adoption of IPv6; and
- v. Monitoring and audit in the fourth quarter of 2015 and continued into the following year.

### Mobile Number Portability (MNP)

A total of 7.137 million mobile numbers have cumulatively moved to the other network service providers. Figure 1 shows the mobile numbers portability from 2008 to 2015.

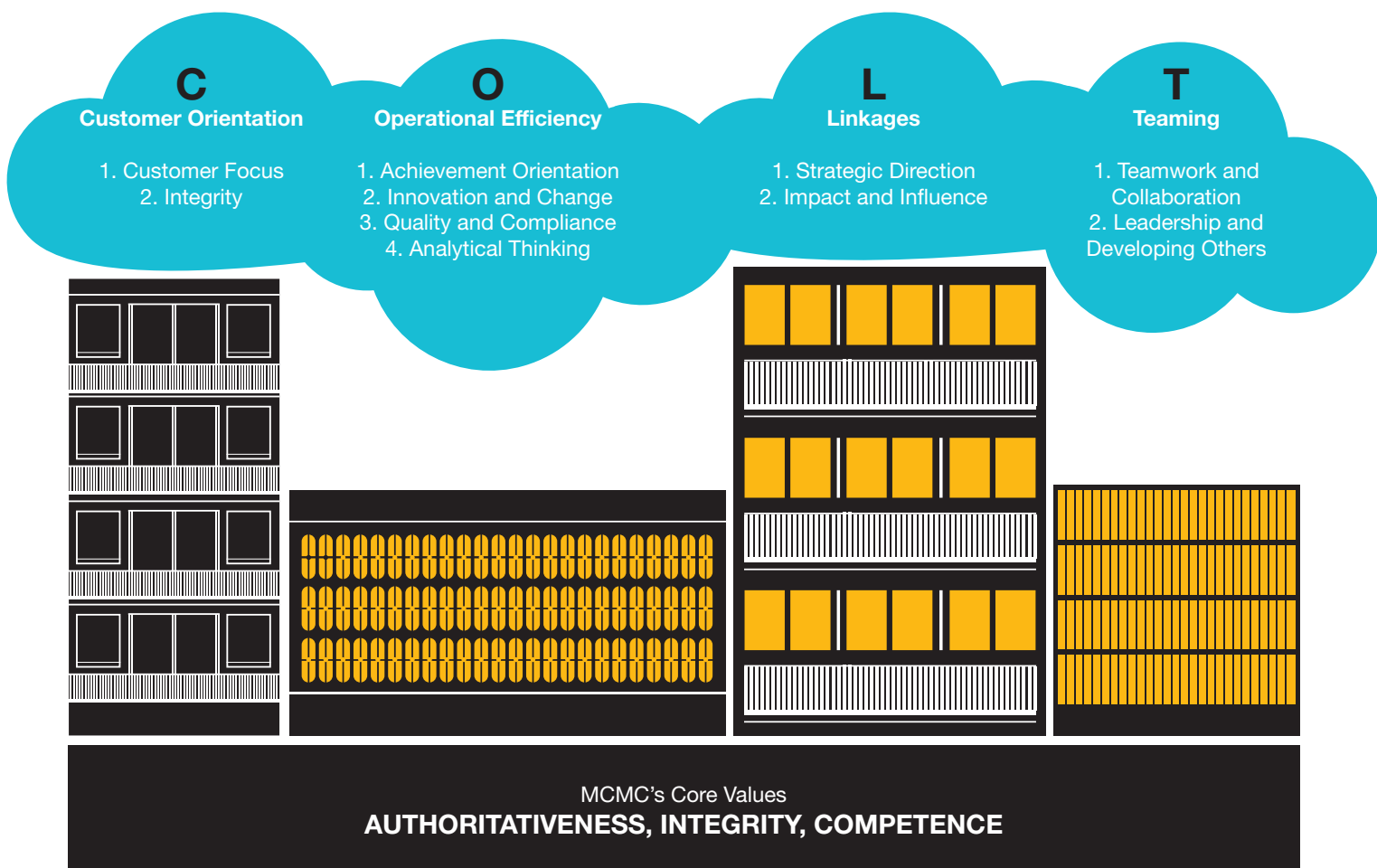
Since MNP was introduced, mobile prefix numbers can no longer be used to determine mobile network service providers. Number portability service packages often come with different charges when calls are made to other networks. Therefore, it is important for consumers to know the mobile network of the other number when placing a call. Network information about the number called can be obtained through MNP Check, which is updated daily.

As a whole for 2015, the goals of electronic addressing and numbering function have been achieved. For next year, MCMC plans to conduct an audit of the numbers that have been allocated to the respective service provider. In addition, MCMC also plans to improve the module and layout in the Numbering Management System (NUMSYS) as a measure to ensure that management of numbering in Malaysia can be regulated in an orderly and efficient manner.



CORPORATE  
GOVERNANCE

Figure 1: Behavioral Competency Model



## HUMAN CAPITAL MANAGEMENT AND COMPETENCY DEVELOPMENT

The Human Capital Management and Competency Development Division is responsible for ensuring that the needs and development of human capital in MCMC can support towards the successful execution of the Commission's core strategy. The focus this year is to strengthen the core values of the organisation and staff competence, especially in teamwork and cooperation to prepare the Commission for the present and future challenges.

### ORGANISATIONAL DEVELOPMENT Strengthening the Organisational Structure

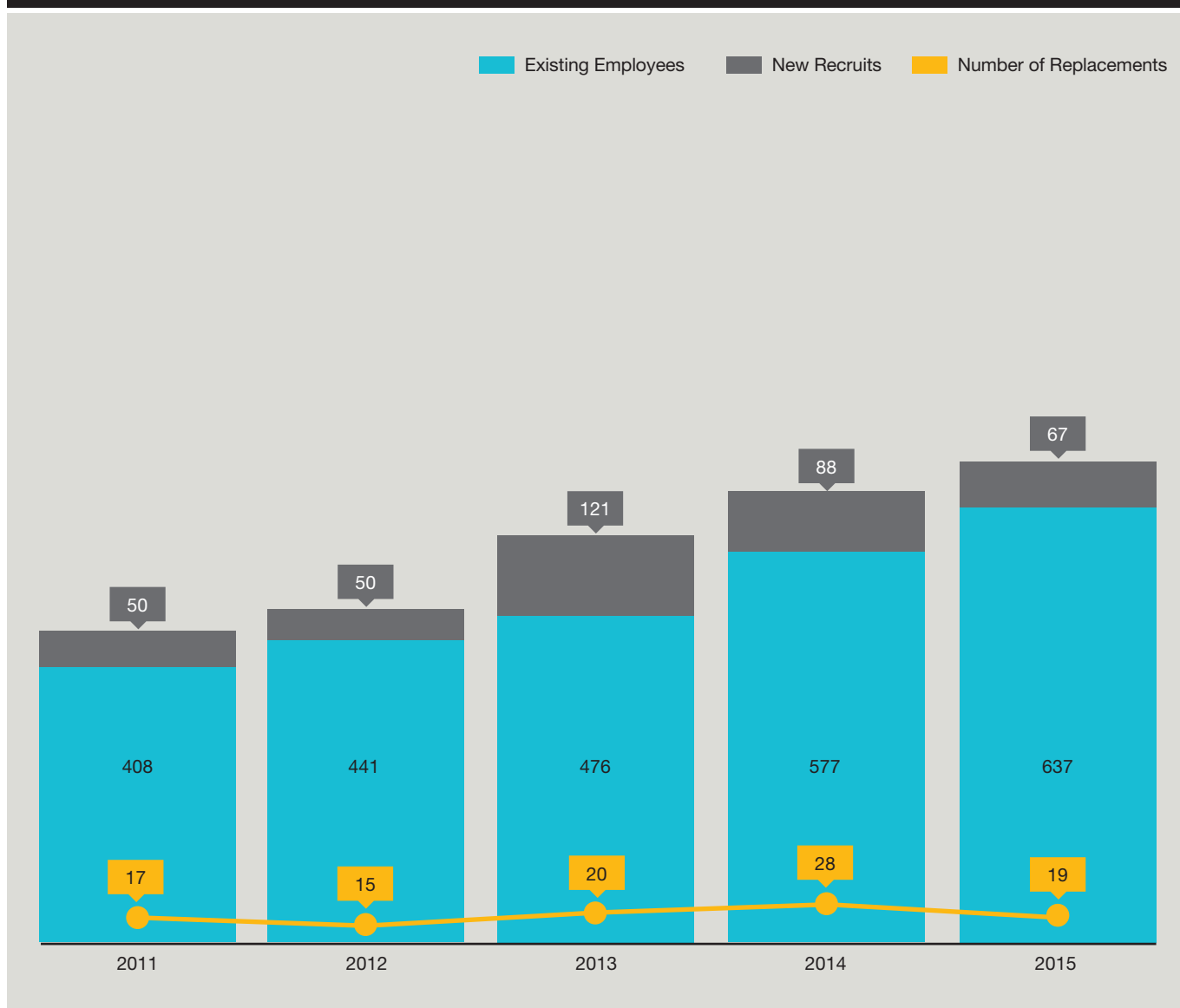
One of the main mandates of the Commission this year is to ensure that the MCMC organisational

structure is strong, effective and covers the functions and responsibilities of the organisation. A clearer role in strategic and tactical implementation was reviewed and solidified down to operational level. In 2015 extensive organisational restructuring was implemented gradually over a period of seven months, in which human capital development covers:

- i. Management of communication activities to explain the new organisational structure and the principles and purposes of its implementation;
- ii. Assessment of talented employees group based on the new structure and work role to determine employee match. A total of 109 employees involved have been assessed; and
- iii. Implementation of various placements and the appointment of staff to posts in the new organisational structure.

The organisational restructuring has led to an increase in the number of officials at strategic level from three to six officers, and involved nearly 60% of office staff at MCMC. The challenge now is to ensure the ongoing recruitment of staff in major and new areas.

Figure 2: The number of permanent staff from 2011 to 2015



### Talent Management

The talent development programme initiative in 2015 is aimed at identifying and developing employees with potential for succession planning in the future. This process involves evaluation of their readiness and suitability to the task. This is accomplished through the development of formal and informal intervention programmes. Consultancy services are used to ensure that a consistent, accurate and transparent platform prevails, especially in identifying and evaluating suitable candidates for critical positions in the Commission.

### Behavioral Competency Model (BCM - COLT)

This talent development model is equipped with COLT formulation of principles aimed at fostering culture, competence, skill upgrading and good work practices among Commission staff.

### HUMAN CAPITAL MANAGEMENT

In line with the changes in organisation structure implemented this year, Human Capital Management and Competency Development Division focused on recruitment in key growth areas. In 2015, MCMC staff numbers have risen to 685, 6.7% of whom are contract employees.

The Performance Assessment Centre (PAC), which aims to map the best job-fit candidates based on competency, continued in this year's recruitment process to ensure quality of recruitment. PAC was held from 28 - 29 March and from 22 - 23 August 2015. A total of 251 candidates attended for both programmes.



01

### EMPLOYER OF CHOICE BRANDING

To ensure to quality recruitment, especially among outstanding graduates, employer branding initiatives were undertaken in collaboration with TalentCorp and the Labour Department. In 2015, MCMC participated in seven career fairs held in premier universities in the country.

MCMC also partnered with TalentCorp in the Cross Fertilisation Programme (CFP) and JPA-Management Apprenticeship Programme (JPA-MAP). CFP aims to encourage potential employees in the public sector to gain knowledge and new skills by working in other organisations. Two Administrative and Diplomatic Officers joined the programme this year. JPA-MAP is intended to support the government's initiative to have JPA sponsored students abroad undergo industrial training programme in selected organisations in Malaysia.

Four students underwent a three-month programme in various departments in MCMC.

### EMPLOYEE ENGAGEMENT

In 2015, MCMC drafted plans and examined how the implementation of employee engagement can lead to the development of human capital. Among the initiatives introduced in 2015 are the COLT principles, participation in programmes organised by the government or accredited private entities and organising volunteer programmes with the community. Through these initiatives, MCMC hopes to raise the level of employee engagement and is committed to building a work environment that is vibrant and conducive towards achieving the objectives of MCMC.



02



03



04

- 01 MCMC staff in the 1MCMC CARE Programme in Kundasang, Sabah
- 02 Guest panel at MCMC Integrity Day, 10 December 2015
- 03 Participants at Integrity Programme: Business Ethics and Good Corporate Governance
- 04 MCMC Integrity Communications Session, 20 April 2015

### Programme Participation by Accredited Bodies

In line with national policies that encourage the participation of women in the employment sector, selected employees have joined the 'Women in Leadership Malaysia' programme, organised by The Institute of Chartered Accountants in England and Wales (ICAEW) and TalentCorp.

To support the succession plan for the Commission, selected staff based on performance evaluation participated in the Tun Razak Youth Leadership Award programme, organised by the Malaysian Institute of Management (MIM) and Outward Bound Malaysia.

### Organising Volunteer Programme

MCMC has organised 1MCMC CARE (Community Assistance, Relief and Education) aimed at giving exposure to selected staff to carry out social assistance programmes, sharing of knowledge and strengthening

leadership. To realise the COLT principles, employee engagement initiatives were undertaken as follows:

- i. *Teh Tarik* with the Chairman;
- ii. *Majlis Mesra Hari Raya MCMC*; and
- iii. Teaming to Drive A Smart Nation.

### INDUSTRIAL RELATIONS

This function is established with the objective to increase the level of excellence and professionalism in MCMC employees to empower their integrity through acculturation programmes throughout the year. These are:

- i. Business Ethics and Good Corporate Governance;
- ii. MCMC Integrity Communication sessions;
- iii. Integrity Workshop for Executive and Non-Executive Officers;
- iv. Integrity and Character Building Workshop for drivers and general staff; and
- v. MCMC Integrity Day.





## CORPORATE SOCIAL RESPONSIBILITY

Throughout 2015, MCMC carried out its corporate social responsibility (CSR) through various activities that include educational assistance, ICT equipment, sponsorships, donations and assistance to people with disabilities (PWDs). Some highlights:

- i. Provided ICT equipment assistance for educational purposes, such as desktops, laptops to primary and secondary schools, individuals, non-governmental organisations (NGOs) and others. A total of RM556,772.00 was allocated to assist target groups.
- ii. MCMC also contributed to and upgraded the VHF radio system for the Mount Kinabalu Guides Association totaling RM215,763.00, following the earthquake that hit Mount Kinabalu, Sabah.

- iii. Provided sponsorships, donations, aid for the disabled through NGOs, public and private universities for development, education and community activities. A total of RM747,140.00 was allocated to help these groups.

### CORPORATE SOCIAL RESPONSIBILITY ACTIVITIES Flood Relief Mission

A sum of RM161,000.00 was allocated to purchase equipment such as tents, blankets, food and school uniforms for distribution to flood victims in several states such as Kelantan, Terengganu, Pahang, Perak, Johor, Sabah and Sarawak which were hit by the floods at the end of 2014. In addition to financial assistance, MCMC also sent volunteers to distribute aid to flood victims in Kelantan.

In addition to equipment, MCMC also provided financial assistance to the states worst affected by the floods.

Figure 1: Percentage of MCMC CSR fund use for 2015

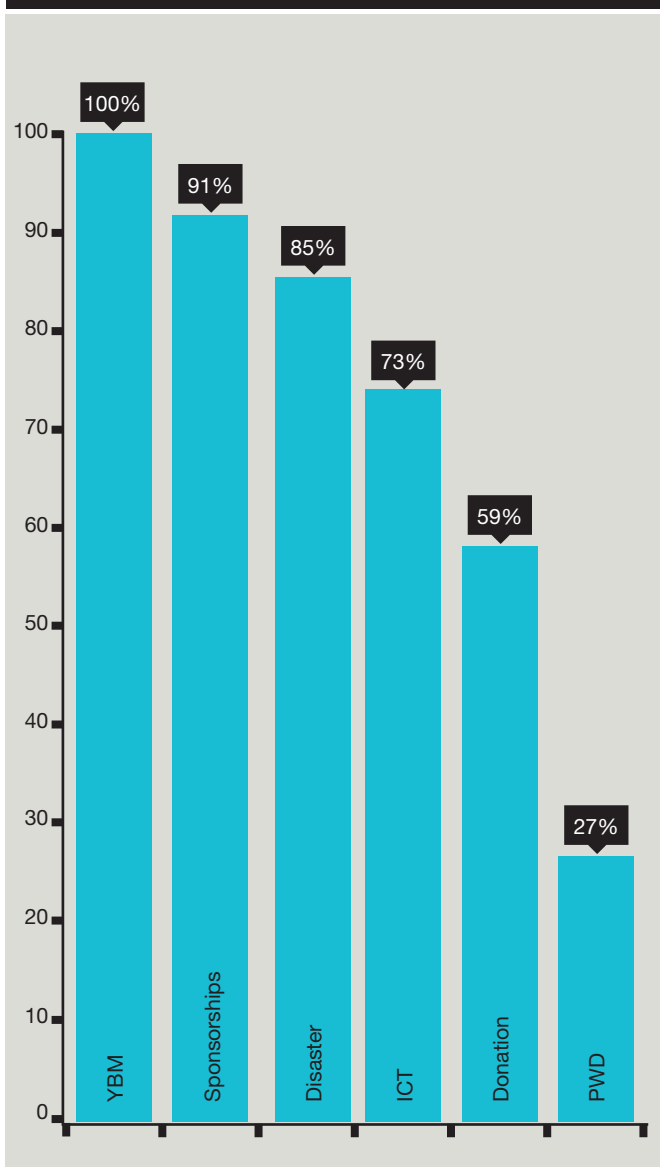


Table 1: Financial aid donation by state

| State        | Contributions    |
|--------------|------------------|
| Sarawak      | RM10,000         |
| Kelantan     | RM205,000        |
| Pahang       | RM100,000        |
| Terengganu   | RM70,000         |
| <b>TOTAL</b> | <b>RM385,000</b> |

Table 2: Breakdown of total contributions in 2015 TKKMM

| Disaster                  | Duration                | Contribution   | Recipient                                     |
|---------------------------|-------------------------|----------------|---|
| Major Flood 2014          | 27.11.2014 to 31.1.2015 | RM2,575,559.74 | National Trust Fund for Disaster Relief (MKN) |
| Major Flood 2015          | 1.2.2015 to 27.2.2015   | RM80,768.55    | National Trust Fund for Disaster Relief (MKN) |
| Earthquake - Ranau, Sabah | 8.6.2015 to 7.7.2015    | RM862,774.85   | Sabah State Disaster Management Committee     |

### *Jelajah Amal Multimedia 2015*

This is a charity programme held every year in the month of Ramadan aimed at helping the underserved such as orphans and the poor so they can join the Ramadan and Hari Raya Aidilfitri festivities. This 2-day tour began in Negeri Sembilan and ended in Melaka.

### **The Malaysian Communications and Multimedia Humanitarian Fund (TKKMM)**

TKKMM is a joint venture between MCMC and the telcos in Malaysia to provide a convenient platform for the public to donate through short message services (SMS) to help victims of natural disasters.

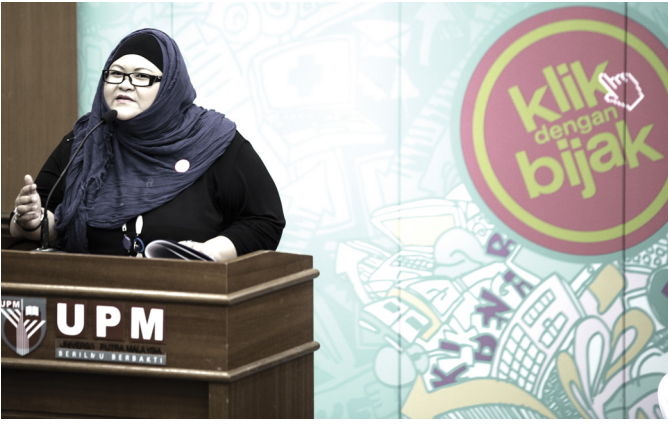
In 2015, TKKMM managed to collect donations from the public and various organisations totalling RM3,519,103.14.

### **PLANNING FOR 2016**

Since the start of the CSR programme in 2009, MCMC CSR programmes only focused on donations and sponsorship to individuals, associations and non-governmental organisations. To ensure that the CSR function continues to develop and support the mission and vision of the organisation, a roadmap has been formulated so that it has more impact on the use of MCMC CSR funds and the public. Among them:

- i. Employee engagement through the 'MCMC CSR Pool of Ideas';
- ii. Innovation and creativity;
- iii. Sustainability;
- iv. Nature;
- v. The involvement of local communities;
- vi. Partnership; and
- vii. 1Malaysia Internet Centre (PI1M).







FINANCIAL  
STATEMENTS

## STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2015

|   | Note | 2015<br>RM'000 | 2014<br>RM'000 | 2013<br>RM'000 |
|---|------|----------------|----------------|----------------|
|   |      |                | Restated       | Restated       |
| <b>Assets</b>                                 |      |                |                |                |
| <b>Non-current asset</b>                      |      |                |                |                |
| Property and equipment                        | 3    | 636,881        | 606,174        | 349,993        |
| Investment property                           | 4    | 285,411        | -              | -              |
|   |      | 922,292        | 606,174        | 349,993        |
| <b>Current assets</b>                         |      |                |                |                |
| Other investments                             | 5    | 1,600,000      | 1,950,000      | 1,550,000      |
| Fees and other receivables                    | 6    | 48,661         | 70,470         | 30,121         |
| Cash and cash equivalents                     | 7    | 247,786        | 364,150        | 470,432        |
| <b>Total current assets</b>                   |      | 1,896,447      | 2,384,620      | 2,050,553      |
| <b>Total assets</b>                           |      | 2,818,739      | 2,990,794      | 2,400,546      |
| <b>Represented by:</b>                        |      |                |                |                |
| Accumulated funds                             | 8    | 1,902,361      | 2,258,338      | 1,925,832      |
| <b>Liabilities</b>                            |      |                |                |                |
| <b>Non-current liability</b>                  |      |                |                |                |
| Deferred income                               | 9    | 71,838         | 80,059         | 89,308         |
| <b>Current liabilities</b>                    |      |                |                |                |
| Deferred income                               | 9    | 522,290        | 368,929        | 211,848        |
| Other payables and accrued expenses           | 10   | 320,449        | 282,159        | 172,441        |
| Current tax payable                           |      | 1,801          | 1,309          | 1,117          |
| <b>Total current liabilities</b>              |      | 844,540        | 652,397        | 385,406        |
| <b>Total liabilities</b>                      |      | 916,378        | 732,456        | 474,714        |
| <b>Total accumulated fund and liabilities</b> |      | 2,818,739      | 2,990,794      | 2,400,546      |

The notes on pages 106 to 131 are an integral part of these financial statements.

## STATEMENT OF INCOME AND EXPENDITURE FOR THE YEAR ENDED 31 DECEMBER 2015

|   | Note     | 2015<br>RM'000   | 2014<br>RM'000 |
|---|----------|------------------|----------------|
| <b>Income</b>   |          |                  |                |
| Operating license fees  |          | 133,305          | 126,715        |
| Spectrum fees   |          | 500,646          | 468,412        |
| Interest income   |          | 75,298           | 72,853         |
| Gain on disposal of equipment   |          | -                | 33             |
| Rental income   | 4        | 8,723            | -              |
| Other income  |          | 10,547           | 14,390         |
|   |          | 728,519          | 682,403        |
| <b>Expenditure</b>  |          |                  |                |
| Human resource expenses   |          | 94,253           | 88,600         |
| Administrative expenses   |          | 106,129          | 62,123         |
| Special projects expenses   |          | 225,279          | 99,658         |
| Industry development grant expenses   |          | 23,687           | 37,419         |
| Audit fee   |          | 100              | 85             |
| Rental expenses   |          |                  |                |
| - premises  |          | 3,614            | 3,903          |
| - network   |          | 2,694            | 2,212          |
| - others  |          | 5,253            | 5,564          |
| Depreciation of property and equipment  | 3        | 23,893           | 12,387         |
| Impairment loss on fees receivables, net  |          | 844              | 450            |
| Rebate entitlement expenses   |          | 17,245           | 9,653          |
| Other expenses  |          | 10,288           | 9,427          |
|   |          | 513,279          | 331,481        |
| <b>Net operating surplus</b>  |          | <b>215,240</b>   | <b>350,922</b> |
| Less: Payments pursuant to Section 39(2) of the Malaysian Communications and Multimedia Commission Act 1998 (Act 589) |          | (550,000)        | -              |
| <b>(Deficit)/Surplus before tax</b>   |          | <b>(334,760)</b> | <b>350,922</b> |
| Tax expense   | 11       | (21,217)         | (18,416)       |
| <b>(Deficit)/Surplus after tax</b>  | <b>8</b> | <b>(355,977)</b> | <b>332,506</b> |

The notes on pages 106 to 131 are an integral part of these financial statements.



**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES  
FOR THE YEAR ENDED 31 DECEMBER 2015**

There were no recognised gains and losses other than the deficit after tax for the current financial year of RM355.98 million and surplus after tax for previous financial year of RM332.51 million as disclosed in Note 8 to the financial statements.

The notes on pages 106 to 131 are an integral part of these financial statements.

## STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2015

|   | Note     | 2015<br>RM'000   | 2014<br>RM'000   |
|---|----------|------------------|------------------|
|   |          |                  | Restated         |
| <b>Cash flows from operating activities</b>                   |          |                  |                  |
| (Deficit)/Surplus before tax                                  |          | (334,760)        | 350,922          |
| Adjustments for:  |          |                  |                  |
| Depreciation of property and equipment                        |          | 23,893           | 12,387           |
| Gain on disposal of equipment                                 |          | -                | (33)             |
| Interest income   |          | (75,298)         | (72,853)         |
| Operating (deficit)/surplus before changes in working capital |          | (386,165)        | 290,423          |
| Changes in working capital:                                   |          |                  |                  |
| Deferred income   |          | 145,140          | 147,832          |
| Fees and other receivables and prepayments                    |          | 14,685           | (25,723)         |
| Other payables and accrued expenses                           |          | 10,516           | 31,830           |
| Cash (used in)/generated from operations                      |          | (215,824)        | 444,362          |
| Tax paid  |          | (20,725)         | (18,224)         |
| <b>Net cash (used in)/generated from operating activities</b> |          | <b>(236,549)</b> | <b>426,138</b>   |
| <b>Cash flows from investing activities</b>                   |          |                  |                  |
| Acquisition of property and equipment                         | (i)      | (312,237)        | (190,753)        |
| Interest received   |          | 82,422           | 58,227           |
| Proceeds from disposal of equipment                           |          | -                | 106              |
| Drawdown/(reinvestment) in other investments                  |          | 350,000          | (400,000)        |
| <b>Net cash from/(used in) investing activities</b>           |          | <b>120,185</b>   | <b>(532,420)</b> |
| Net decrease in cash and cash equivalents                     |          | (116,364)        | (106,282)        |
| Cash and cash equivalents at 1 January                        |          | 364,150          | 470,432          |
| <b>Cash and cash equivalents at 31 December</b>               | <b>7</b> | <b>247,786</b>   | <b>364,150</b>   |

**(i) Acquisition of property and equipment**

During the year, the Commission acquired property and equipment with an aggregate cost of RM340,011,000 (2014: RM268,641,000), as follows:

|                       | 2015<br>RM'000 | 2014<br>RM'000 |
|-----------------------|----------------|----------------|
| Satisfied by payments | 312,237        | 190,753        |
| Payable to suppliers  | 27,774         | 77,888         |
|                       | 340,011        | 268,641        |

The notes on pages 106 to 131 are an integral part of these financial statements.

## NOTES TO THE FINANCIAL STATEMENTS

### Principal activities

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 (“CMA”) 1998 and the Malaysian Communications and Multimedia Commission Act (“MCMCA”) 1998.

The address of the principal place of business is as follows:

### Principal place of business

Malaysian Communications & Multimedia Commission  
MCMC Tower 1, Jalan Impact Cyber 6  
63000 Cyberjaya  
Selangor Darul Ehsan

These financial statements were authorised for issue by the Commission’s Members on 4 October 2016.

## 1. Basis of preparation

### (a) Statement of compliance

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

The following are accounting standards, amendments and interpretations that have been issued by the Malaysian Accounting Standards Board (“MASB”) but have not been adopted by the Commission:

#### ***MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2016***

- MFRS 14, *Regulatory Deferral Accounts*
- Amendments to MFRS 5, *Non-current Assets Held for Sale and Discontinued Operations (Annual Improvements 2012-2014 Cycle)*
- Amendments to MFRS 7, *Financial Instruments: Disclosures (Annual Improvements 2012-2014 Cycle)*
- Amendments to MFRS 10, *Consolidated Financial Statements*, MFRS 12, *Disclosure of Interests in Other Entities* and MFRS 128, *Investments in Associates and Joint Ventures – Investment Entities: Applying the Consolidation Exception*
- Amendments to MFRS 11, *Joint Arrangements – Accounting for Acquisitions of Interests in Joint Operations*
- Amendments to MFRS 101, *Presentation of Financial Statements – Disclosure Initiative*

## NOTES TO THE FINANCIAL STATEMENTS

### 1. Basis of preparation (continued)

#### (a) Statement of compliance (continued)

##### ***MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2016 (continued)***

- Amendments to MFRS 116, *Property, Plant and Equipment* and MFRS 138, *Intangible Assets – Clarification of Acceptable Methods of Depreciation and Amortisation*
- Amendments to MFRS 116, *Property, Plant and Equipment* and MFRS 141, *Agriculture – Agriculture: Bearer Plants*
- Amendments to MFRS 119, *Employee Benefits (Annual Improvements 2012-2014 Cycle)*
- Amendments to MFRS 127, *Separate Financial Statements – Equity Method in Separate Financial Statements*
- Amendments to MFRS 134, *Interim Financial Reporting (Annual Improvements 2012-2014 Cycle)*

##### ***MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2017***

- Amendments to MFRS 107, *Statement of Cash Flows – Disclosure Initiative*
- Amendments to MFRS 112, *Income Taxes – Recognition of Deferred Tax Assets for Unrealised Losses*

##### ***MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2018***

- MFRS 9, *Financial Instruments (2014)*
- MFRS 15, *Revenue from Contracts with Customers*

##### ***MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2019***

- MFRS 16, *Leases*

##### ***MFRSs, Interpretations and amendments effective for a date yet to be confirmed***

- Amendments to MFRS 10, *Consolidated Financial Statements* and MFRS 128, *Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

## NOTES TO THE FINANCIAL STATEMENTS

### 1. Basis of preparation (continued)

#### (a) Statement of compliance (continued)

The Commission plans to apply the abovementioned applicable accounting standards, amendments and interpretations as follows:

- from the annual period beginning on 1 January 2016 for those accounting standards, amendments or interpretations that are effective for annual periods beginning on or after 1 January 2016, except for MFRS 14, Amendments to MFRS 5, Amendments to MFRS 10, MFRS 12 and MFRS 128, Amendments to MFRS 11, Amendments to MFRS 138, Amendments to MFRS 141, Amendments to MFRS 119, Amendments to MFRS 127 and Amendments to MFRS 134 which are not applicable to the Commission.
- from the annual period beginning on 1 January 2017 for those amendments that are effective for annual periods beginning on or after 1 January 2017.
- from the annual period beginning on 1 January 2018 for those accounting standards that are effective for annual periods beginning on or after 1 January 2018.
- from the annual period beginning on 1 January 2019 for those accounting standards that is effective for annual periods beginning on or after 1 January 2019.

The initial application of the accounting standards, amendments or interpretations are not expected to have any material financial impacts to the current period and prior period financial statements of the Commission except as stated below:

#### **MFRS 15, Revenue from Contracts with Customers**

MFRS 15 replaces the guidance in MFRS 111, *Construction Contracts*, MFRS 118, *Revenue*, IC Interpretation 13, *Customer Loyalty Programmes*, IC Interpretation 15, *Agreements for Construction of Real Estate*, IC Interpretation 18, *Transfers of Assets from Customers* and IC Interpretation 131, *Revenue - Barter Transactions Involving Advertising Services*.

The Commission is currently assessing the financial impact that may arise from the adoption of MFRS 15.

**NOTES TO THE FINANCIAL STATEMENTS****1. Basis of preparation (continued)****(a) Statement of compliance (continued)****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, and on hedge accounting.

The Commission is currently assessing the financial impact that may arise from the adoption of MFRS 9.

**MFRS 16, *Leases***

MFRS 16 replaces the guidance in MFRS 117, *Leases*, IC Interpretation 4, *Determining whether an Arrangement contains a Lease*, IC Interpretation 115, *Operating Leases – Incentives* and IC Interpretation 127, *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

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

**(b) Basis of measurement**

The financial statements have been prepared on the historical cost basis other than as disclosed in Note 2.

**(c) Functional and presentation currency**

These financial statements are presented in Ringgit Malaysia (“RM”), which is the Commission’s functional currency. All financial information is presented in RM and has been rounded to the nearest thousand, unless otherwise stated.

**(d) Use of estimates and judgements**

The preparation of the financial statements in conformity with MFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

There are no significant areas of estimation uncertainty and critical judgements in applying accounting policies that have significant effect on the amounts recognised in the financial statements other than as disclosed in Note 2(g)(i), impairment of receivables.

## NOTES TO THE FINANCIAL STATEMENTS

### 2. Significant accounting policies

The accounting policies set out below have been applied consistently to the periods presented in these financial statements, unless otherwise stated.

#### (a) Financial instruments

##### (i) Initial recognition and measurement

A financial asset or a financial liability is recognised in the statement of financial position when, and only when, the Commission becomes a party to the contractual provisions of the instrument.

A financial instrument is recognised initially, at its fair value plus, transaction costs that are directly attributable to the acquisition or issue of the financial instrument.

##### (ii) Financial instruments categories and subsequent measurement

The Commission categorises financial instruments as follows:

###### *Financial assets*

###### *Loans and receivables*

Loans and receivables category comprises debt instruments that are not quoted in an active market.

Financial assets categorised as loans and receivables are subsequently measured at amortised cost using the effective interest method.

All financial assets are subject to review for impairment (see Note 2(g)(i)).

###### *Financial liabilities*

All financial liabilities are subsequently measured at amortised cost using the effective interest method.

##### (iii) Derecognition

A financial asset or part of it is derecognised when, and only when the contractual rights to the cash flows from the financial asset expire or control of the asset is not retained or substantially all of the risks and rewards of ownership of the financial asset are transferred to another party. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in equity is recognised in the statement of income and expenditure.

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged, cancelled or expires. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in the statement of income and expenditure.

## NOTES TO THE FINANCIAL STATEMENTS

### 2. Significant accounting policies (continued)

#### (b) Property and equipment

##### (i) Recognition and measurement

Items of property and equipment are measured at cost less any accumulated depreciation and any accumulated impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset and any other costs directly attributable to bringing the asset to working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. The cost of self-constructed assets also includes the cost of materials and direct labour.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When significant parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

The gain or loss on disposal of an item of property and equipment is determined by comparing the proceeds from disposal with the carrying amount of property and equipment and is recognised net within "other income" or "other expenses" respectively in the statement of income and expenditure.

##### (ii) Subsequent costs

The cost of replacing a component of an item of property and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Commission, and its cost can be measured reliably. The carrying amount of the replaced component is derecognised to statement of income and expenditure. The costs of the day-to-day servicing of property and equipment are recognised in statement of income and expenditure as incurred.



**NOTES TO THE FINANCIAL STATEMENTS****2. Significant accounting policies (continued)****(b) Property and equipment (continued)****(iii) Depreciation**

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed, and if a component has a useful life that is different from the remainder of that asset, then that component is depreciated separately.

Depreciation is recognised in the statement of income and expenditure on a straight-line basis over the estimated useful lives of each component of an item of property and equipment from the date that they are available for use. Freehold land is not depreciated. Property and equipment under construction are not depreciated until the assets are ready for their intended use.

The estimated useful lives for the current and comparative periods are as follows:

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

Depreciation methods, useful lives and residual values are reviewed at the end of the reporting period, and adjusted as appropriate.

## NOTES TO THE FINANCIAL STATEMENTS

### 2. Significant accounting policies (continued)

#### (c) Investment property

##### i) Investment property carried at cost

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 profit or loss 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 management estimate the fair values of the Commission's investment property without involvement of independent valuers. Fair value is arrived at based on market value, being the estimated amount for which a property could be exchanged on the date of the valuation between a willing buyer and willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

#### (d) Operating lease

Leases, where the Commission does not assume substantially all the risks and rewards of ownership are classified as operating leases and the leased assets are not recognised on the statement of financial position.

Payments made under operating leases are recognised in statement of income and expenditure on a straight-line basis over the term of the lease. Lease incentives received are recognised in statement of income and expenditure as an integral part of the total lease expense, over the term of the lease. Contingent rentals are charged to the statement of income and expenditure in the reporting period in which they are incurred.

**NOTES TO THE FINANCIAL STATEMENTS****2. Significant accounting policies (continued)****(e) Fees and other receivables**

Fees and other receivables are categorised and measured as loans and receivables in accordance with policy Note 2(a)(ii).

**(f) 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.

**(g) Impairment****(i) Financial assets**

All financial assets are assessed at each reporting date whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset. Losses expected as a result of future events, no matter how likely, are not recognised.

An impairment loss in respect of loans and receivables is recognised in the statement of income and expenditure and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account.

If, in a subsequent period, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the statement of income and expenditure, the impairment loss is reversed, to the extent that the asset's carrying amount does not exceed what the carrying amount would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in the statement of income and expenditure.

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**NOTES TO THE FINANCIAL STATEMENTS****2. Significant accounting policies (continued)****(g) Impairment (continued)****(ii) Other assets**

The carrying amounts of other assets are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash-generating unit.

An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit exceeds its estimated recoverable amount.

Impairment losses are recognised in the statement of income and expenditure. Impairment losses recognised in prior periods are assessed at the end of each reporting period for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount since the last impairment loss was recognised. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Reversals of impairment losses are credited to the statement of income and expenditure in the financial year in which the reversals are recognised.

**NOTES TO THE FINANCIAL STATEMENTS****2. Significant accounting policies (continued)****(h) Employee benefits****(i) Short-term employee benefits**

Short-term employee benefit obligations in respect of salaries, annual bonuses, paid annual leave and sick leave are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under short-term cash bonus if the Commission has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

**(ii) State plans**

The Commission's contributions to the statutory pension funds are charged to the statement of income and expenditure in the financial year to which they relate.

**(i) Fees and other income****(i) Operating license fees**

Operating license fees are recognised on the following basis:-

- a) a minimum RM50,000 or a maximum license fees 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 license periods granted.

**(iii) Interest income**

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

## NOTES TO THE FINANCIAL STATEMENTS

### 2. Significant accounting policies (continued)

#### (j) 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) of the Income Tax, 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.

#### (k) Fair value measurement

Fair value of an asset or a liability is determined as 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 measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

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

When measuring the fair value of an asset or a liability, the Commission uses observable market data as far as possible. Fair value are categorised into different levels in a fair value hierarchy based on the input used in the valuation technique as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Commission can access at the measurement date.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3: unobservable inputs for the asset or liability.

The Commission recognises transfers between levels of the fair value hierarchy as of the date of the event or change in circumstances that caused the transfers.

## NOTES TO THE FINANCIAL STATEMENTS

## 3. Property and equipment

|  | Office and<br>communication<br>equipment | Computer<br>equipment | Furniture<br>and<br>fittings | Motor<br>vehicles | Freehold<br>land | Buildings | Capital<br>work-in-<br>progress | Total     |
|--|--|-----------------------|------------------------------|-------------------|------------------|-----------|---------------------------------|-----------|
|  | RM'000                                   | RM'000                | RM'000                       | RM'000            | RM'000           | RM'000    | RM'000                          | RM'000    |
| <b>Cost</b>                            |  |                       |                              |                   |                  |           |                                 |           |
| At 1 January 2014                      | 9,385                                    | 182,831               | 4,473                        | 10,663            | 10,873           | 38,261    | 286,040                         | 542,526   |
| Additions                              | 259                                      | 568                   | 21                           | 1,062             | -                | -         | 266,731                         | 268,641   |
| Disposals                              | -  | (50)                  | -                            | (1,252)           | -                | -         | -                               | (1,302)   |
| Reclassification                       | 470                                      | 8,034                 | -                            | -                 | -                | 1,577     | (10,081)                        | -         |
| At 31 December 2014/<br>1 January 2015 | 10,114                                   | 191,383               | 4,494                        | 10,473            | 10,873           | 39,838    | 542,690                         | 809,865   |
| Additions                              | 1,067                                    | 1,627                 | 288                          | 1,667             | -                | 8,441     | 326,921                         | 340,011   |
| Disposals                              | -  | (4,545)               | -                            | (154)             | -                | -         | -                               | (4,699)   |
| Reclassification                       | 7,778                                    | 22,994                | 4,206                        | -                 | -                | 503,434   | (538,412)                       | -         |
| Transfer to investment<br>property     | -  | -                     | -                            | -                 | -                | (291,484) | -                               | (291,484) |
| At 31 December 2015                    | 18,959                                   | 211,459               | 8,988                        | 11,986            | 10,873           | 260,229   | 331,199                         | 853,693   |
| <b>Accumulated depreciation</b>        |  |                       |                              |                   |                  |           |                                 |           |
| At 1 January 2014                      | 6,451                                    | 168,343               | 3,701                        | 7,121             | -                | 6,917     | -                               | 192,533   |
| Charge for the year                    | 575                                      | 9,390                 | 236                          | 1,408             | -                | 778       | -                               | 12,387    |
| Disposals                              | -  | (12)                  | -                            | (1,217)           | -                | -         | -                               | (1,229)   |
| Adjustments                            | 236                                      | (236)                 | -                            | -                 | -                | -         | -                               | -         |
| At 31 December 2014/<br>1 January 2015 | 7,262                                    | 177,485               | 3,937                        | 7,312             | -                | 7,695     | -                               | 203,691   |
| Charge for the year                    | 1,670                                    | 9,566                 | 434                          | 1,476             | -                | 10,747    | -                               | 23,893    |
| Disposals                              | -  | (4,545)               | -                            | (154)             | -                | -         | -                               | (4,699)   |
| Transfer to investment<br>property     | -  | -                     | -                            | -                 | -                | (6,073)   | -                               | (6,073)   |
| At 31 December 2015                    | 8,932                                    | 182,506               | 4,371                        | 8,634             | -                | 12,369    | -                               | 216,812   |
| <b>Net book value</b>                  |  |                       |                              |                   |                  |           |                                 |           |
| At 1 January 2014                      | 2,934                                    | 14,488                | 772                          | 3,542             | 10,873           | 31,344    | 286,040                         | 349,993   |
| At 31 December 2014/<br>1 January 2015 | 2,852                                    | 13,898                | 557                          | 3,161             | 10,873           | 32,143    | 542,690                         | 606,174   |
| At 31 December 2015                    | 10,027                                   | 28,953                | 4,617                        | 3,352             | 10,873           | 247,860   | 331,199                         | 636,881   |

## NOTES TO THE FINANCIAL STATEMENTS

## 4. Investment property

|  | Note | 2015<br>RM'000 |
|--|------|----------------|
| <b>Cost</b>                              |      |                |
| At 1 January                             |      | -              |
| Reclassified from property and equipment | 3    | 291,484        |
| At 31 December                           |      | 291,484        |
| <b>Depreciation</b>                      |      |                |
| At 1 January                             |      | -              |
| Reclassified from property and equipment | 3    | 6,073          |
| At 31 December                           |      | 6,073          |
| <b>Carrying amounts</b>                  |      |                |
| At 31 December                           |      | 285,411        |
| Investment property at fair value        |      | 312,078        |

In the current 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 and equipment to investment property.

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

|               | 2015<br>RM'000 |
|---------------|----------------|
| Rental income | 8,723          |



## NOTES TO THE FINANCIAL STATEMENTS

## 4. Investment property (continued)

## 4.1 Fair value information

Fair value of investment properties are categorised as follows:

|                   | 2015              |                   |                   |                 |
|-------------------|-------------------|-------------------|-------------------|-----------------|
|                   | Level 1<br>RM'000 | Level 2<br>RM'000 | Level 3<br>RM'000 | Total<br>RM'000 |
| Land and building | -                 | -                 | 312,078           | 312,078         |

**Level 2 fair value**

Level 2 fair values of land and buildings have been generally derived using the sales comparison approach. Sales price of comparable properties in close proximity are adjusted for differences in key attributes such as property size. The most significant input into this valuation approach is price per square foot of comparable properties.

**Level 3 fair value**

The following table shows a reconciliation of Level 3 fair values:

|                | 2015<br>RM'000 |
|----------------|----------------|
| At 1 January   | -              |
| Additions      | 312,078        |
| At 31 December | 312,078        |

Level 3 fair value is estimated using unobservable inputs for the investment property.

## NOTES TO THE FINANCIAL STATEMENTS

### 4. Investment property (continued)

#### 4.1 Fair value information (continued)

##### Level 3 fair value (continued)

The following table shows the valuation techniques used in the determination of fair values within Level 3, as well as the significant unobservable inputs used in the valuation models.

| Valuation technique   | Significant unobservable inputs   | Inter-relationship between significant unobservable inputs and fair value measurement                              |
|---|---|--|
| <p><i>The Commission estimates the fair value of the investment property based on the comparison of the Commission's investment property with similar properties that were listed for sale within the same locality or other comparable localities.</i></p> | <p><i>Indicative market price of property in vicinity compared.</i></p> | <p><i>The estimated fair value would increase/(decrease) if market prices of property were higher/(lower).</i></p> |

##### Valuation processes applied by the Commission for Level 3 fair value

The Commission estimates the fair value of the investment property based on the comparison of the Commission's investment property with similar properties that were listed for sale within the same locality or other comparable localities.

Assessment of the fair values of the Commission's investment property is undertaken annually. The changes in Level 3 fair values are analysed by the management based on the assessment undertaken.

## NOTES TO THE FINANCIAL STATEMENTS

## 5. Other investments

|  | 2015<br>RM'000 | 2014<br>RM'000  | 2013<br>RM'000  |
|--|----------------|-----------------|-----------------|
| Deposits placed with licensed banks        |                | <b>Restated</b> | <b>Restated</b> |
| -original maturities of more than 3 months | 1,600,000      | 1,950,000       | 1,550,000       |

## 6. Fees and other receivables

|                            | Note | 2015<br>RM'000 | 2014<br>RM'000 |
|----------------------------|------|----------------|----------------|
| Interest income receivable |      | 30,905         | 38,029         |
| Fees receivables           | 13.4 | 8,042          | 28,510         |
| Other deposits             |      | 2,191          | 1,398          |
| Staff loans                |      | 503            | 615            |
| Advances to staff          |      | 223            | 356            |
| Other receivables          |      | 6,797          | 1,562          |
|                            |      | 48,661         | 70,470         |

## 7. Cash and cash equivalents

|   | 2015<br>RM'000 | 2014<br>RM'000  | 2013<br>RM'000  |
|---|----------------|-----------------|-----------------|
|   |                | <b>Restated</b> | <b>Restated</b> |
| Cash and bank balances                      | 36,766         | 28,668          | 16,293          |
| Deposits placed with licensed banks         |                |                 |                 |
| - original maturities of less than 3 months | 211,020        | 335,482         | 454,139         |
|   | 247,786        | 364,150         | 470,432         |

## 8. Accumulated funds

|                                     | Note | 2015<br>RM'000 | 2014<br>RM'000 |
|-------------------------------------|------|----------------|----------------|
| Initial fund                        |      | 60,000         | 60,000         |
| Accumulated surplus brought forward |      | 2,198,338      | 1,865,832      |
| (Deficit)/Surplus after tax         |      | (355,977)      | 332,506        |
| Accumulated surplus carried forward |      | 1,902,361      | 2,258,338      |

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

## NOTES TO THE FINANCIAL STATEMENTS

## 9. Deferred income

|                               | 2015<br>RM'000 | 2014<br>RM'000 |
|-------------------------------|----------------|----------------|
| <b>Current</b>                |                |                |
| <b>Spectrum fees</b>          |                |                |
| 3G spectrum assignment fees   | 220,546        | 189,376        |
| Apparatus assignment fees     | 301,549        | 178,886        |
| <b>Operating license fees</b> |                |                |
| Class license fees            | 195            | 667            |
|                               | 522,290        | 368,929        |
| <b>Non-current</b>            |                |                |
| <b>Spectrum fees</b>          |                |                |
| 3G spectrum assignment fees   | 71,247         | 79,404         |
| Apparatus assignment fees     | 591            | 655            |
|                               | 71,838         | 80,059         |
| <b>Total deferred income</b>  | 594,128        | 448,988        |

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

## 10. Other payables and accrued expenses

|                  | 2015<br>RM'000 | 2014<br>RM'000 |
|------------------|----------------|----------------|
| Other payables   | 19,265         | 34,002         |
| Accrued expenses | 301,184        | 248,157        |
|                  | 320,449        | 282,159        |

## 11. Tax expense

|   | Note | 2015<br>RM'000 | 2014<br>RM'000 |
|---|------|----------------|----------------|
| <b>Current tax expense</b>                            |      |                |                |
| Current year  |      | 21,381         | 18,393         |
| Prior year  |      | (164)          | 23             |
| Total income tax expense                              |      | 21,217         | 18,416         |
| <b>Reconciliation of tax expense</b>                  |      |                |                |
| (Deficit)/Surplus before tax                          |      | (334,760)      | 350,922        |
| Income tax calculated using Malaysian tax rate of 25% | 11.1 | (83,690)       | 87,730         |
| Non-deductible expenses                               |      | 265,820        | 83,051         |
| Tax exempt income                                     |      | (160,749)      | (152,388)      |
|   |      | 21,381         | 18,393         |
| (Over)/Under provision in prior year                  |      | (164)          | 23             |
|   |      | 21,217         | 18,416         |

## NOTES TO THE FINANCIAL STATEMENTS

## 11. Tax expense (continued)

11.1 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 income not exempted from tax.

## 12. Capital commitment

|                                   | 2015<br>RM'000 | 2014<br>RM'000 |
|-----------------------------------|----------------|----------------|
| <b>Property and equipment</b>     |                |                |
| Authorised but not contracted for | 137,554        | 107,850        |
| Contracted but not provided for   | 65,326         | 343,726        |
|                                   | 202,880        | 451,576        |

## 13. Financial instruments

## 13.1 Categories of financial instruments

The table below provides an analysis of financial instruments categorised as follows:

- (a) Loans and receivables (“L&R”); and  
 (b) Financial liabilities measured at amortised cost (“FL”)

|   | Carrying<br>amount<br>RM'000 | L&R/<br>(FL)<br>RM'000 |
|---|------------------------------|------------------------|
| <b>2015</b>                               |                              |                        |
| <b>Financial assets</b>                   |                              |                        |
| Other investments                         | 1,600,000                    | 1,600,000              |
| Fees and other receivables*               | 44,777                       | 44,777                 |
| Cash and cash equivalents                 | 247,786                      | 247,786                |
|   | 1,892,563                    | 1,892,563              |
| <b>Financial liabilities</b>              |                              |                        |
| Other payables and accrued expenses       | (320,449)                    | (320,449)              |
| * excludes non-financial instruments item |                              |                        |
| <b>2014, Restated</b>                     |                              |                        |
| <b>Financial assets</b>                   |                              |                        |
| Other investments                         | 1,950,000                    | 1,950,000              |
| Fees and other receivables                | 70,470                       | 70,470                 |
| Cash and cash equivalents                 | 364,150                      | 364,150                |
|   | 2,384,620                    | 2,384,620              |
| <b>Financial liabilities</b>              |                              |                        |
| Other payables and accrued expenses       | (282,159)                    | (282,159)              |

## NOTES TO THE FINANCIAL STATEMENTS

## 13. Financial instruments (continued)

## 13.2 Net gains arising from financial instruments

|                       | 2015<br>RM'000 | 2014<br>RM'000 |
|-----------------------|----------------|----------------|
| Net gains on:         |                |                |
| Loans and receivables | 74,454         | 72,403         |

## 13.3 Financial risk management

The Commission has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Interest rate risk

## 13.4 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.

*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.

## NOTES TO THE FINANCIAL STATEMENTS

## 13. Financial instruments (continued)

## 13.4 Credit risk (continued)

*Impairment losses*

The Commission maintains an ageing analysis in respect of fees receivables only. The ageing of fees receivables as at the end of the reporting period was as follows:

|                             | Gross<br>RM'000 | Individual<br>impairment<br>RM'000 | Net<br>RM'000 |
|-----------------------------|-----------------|------------------------------------|---------------|
| <b>2015</b>                 |                 |                                    |               |
| Not past due                | 7,273           | -                                  | 7,273         |
| Past due 1 - 90 days        | 469             | -                                  | 469           |
| Past due 91 - 365 days      | 300             | -                                  | 300           |
| Past due more than 365 days | 2,652           | (2,652)                            | -             |
|                             | 10,694          | (2,652)                            | 8,042         |
| <b>2014</b>                 |                 |                                    |               |
| Not past due                | 27,500          | -                                  | 27,500        |
| Past due 1 - 90 days        | 450             | -                                  | 450           |
| Past due 91 - 365 days      | 560             | -                                  | 560           |
| Past due more than 365 days | 1,808           | (1,808)                            | -             |
|                             | 30,318          | (1,808)                            | 28,510        |

No allowance for impairment losses of fees receivables has been made for the remaining past due receivables as the Commission monitors the results and repayments of these licensees regularly and is confident of the ability of these licensees to repay the balances owing.

The movements in the allowance for impairment losses of fees receivables during the financial year were:

|                             | 2015<br>RM'000 | 2014<br>RM'000 |
|-----------------------------|----------------|----------------|
| At 1 January                | 1,808          | 4,537          |
| Impairment loss recognised  | 844            | 450            |
| Impairment loss written off | -              | (3,179)        |
| At 31 December              | 2,652          | 1,808          |

## NOTES TO THE FINANCIAL STATEMENTS

### 13. Financial instruments (continued)

#### 13.4 Credit risk (continued)

The allowance account in respect of fees receivables is used to record impairment losses. Unless the Commission is satisfied that recovery of the amount is possible, the amount considered irrecoverable is written off against the receivable directly.

##### **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.

#### 13.5 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.

*Maturity analysis*

The financial liabilities of the Commission does not bear any contractual interest and hence, the contractual cash flows approximate the carrying amounts.



## NOTES TO THE FINANCIAL STATEMENTS

## 13. Financial instruments (continued)

## 13.6 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:

|                               | 2015<br>RM'000 | 2014<br>RM'000 |
|-------------------------------|----------------|----------------|
|                               |                | Restated       |
| <b>Fixed rate instruments</b> |                |                |
| Financial assets              |                |                |
| Deposits with licensed banks  | 1,811,020      | 2,285,482      |

|                              | 2015                    |               |            | 2014<br>Restated        |               |            |
|------------------------------|-------------------------|---------------|------------|-------------------------|---------------|------------|
|                              | Effective interest rate | Within 1 year | 1 - 5 year | Effective interest rate | Within 1 year | 1 - 5 year |
|                              | %                       | RM'000        | RM'000     | %                       | RM'000        | RM'000     |
| <b>Fixed rate instrument</b> |                         |               |            |                         |               |            |
| Deposits with licensed banks | 3.80                    | 1,811,020     | -          | 3.60                    | 2,285,482     | -          |

***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.

## 13.7 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.

## NOTES TO THE FINANCIAL STATEMENTS

### 14. Operating lease

#### Leases as lessee

Non-cancellable operating lease rentals are payable as follows:

|                            | 2015<br>RM'000 | 2014<br>RM'000 |
|----------------------------|----------------|----------------|
| Less than one year         | 684            | 3,064          |
| Between one and five years | 389            | 965            |
|                            | 1,073          | 4,029          |

The Commission leases information technology infrastructure equipments under operating leases. The leases run for a period of 3 years, with an option upon expiration of the primary term or any renewal term thereafter either to:

- return the equipments to the Lessor
- renew the letting of all equipments; or
- purchase the equipments from the Lessor for the Buy-Out Price

Contingent rent recognised as an expense during the year amounted to RM 684,253 (2014: RM3,064,000).

### 15. 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.

## NOTES TO THE FINANCIAL STATEMENTS

## 15. Related parties (continued)

**Identity of related parties (continued)**

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:

|  | <b>2015</b>   | <b>2014</b>   |
|--|---------------|---------------|
|  | <b>RM'000</b> | <b>RM'000</b> |
| Payments pursuant to Section 39(2) Malaysian Communications and Multimedia Commission Act 1998 (Act 589) | 550,000       | -             |
| Key management personnel’s compensation  | 4,783         | 3,656         |

## NOTES TO THE FINANCIAL STATEMENTS

## 16. Comparative figures

## (i) Reclassification of cash and cash equivalents

During the financial year, the Commission reclassified its fixed deposits with licensed banks that have maturity of more than three months to other investments in accordance to the guidance set out in FRSIC Consensus 22, *Classification of Fixed Deposits and Similar Instruments as Cash and Cash Equivalents*. In previous financial year, all deposits with licensed banks that have maturity of more than three months were classified as cash and cash equivalents.

This was applied retrospectively and the effect is as follows:

## 16.1 Statement of financial position

|                           | 31.12.2014                 |                | 1.1.2014                   |                |
|---------------------------|----------------------------|----------------|----------------------------|----------------|
|                           | As<br>previously<br>stated | As<br>restated | As<br>previously<br>stated | As<br>restated |
|                           | RM'000                     | RM'000         | RM'000                     | RM'000         |
| <b>Current assets</b>     |                            |                |                            |                |
| Other investments         | -                          | 1,950,000      | -                          | 1,550,000      |
| Cash and cash equivalents | 2,314,150                  | 364,150        | 2,020,432                  | 470,432        |

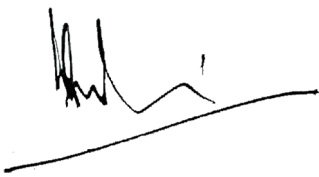
## 16.2 Statement of cash flows for the year ended 31 December 2014

|  | As<br>previously<br>stated | As<br>restated |
|--|----------------------------|----------------|
|  | RM'000                     | RM'000         |
| Cash and cash equivalents at 1 January   | 2,020,432                  | 470,432        |
| Cash and cash equivalents at 31 December | 2,314,150                  | 364,150        |

**STATEMENT BY THE MEMBERS OF THE MALAYSIAN COMMUNICATIONS AND MULTIMEDIA COMMISSION**

We, **Dato' Sri Dr. Halim Shafie** and **Datuk Watson Peters**, 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 102 to 131 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 2015 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:



.....  
**Dato' Sri Dr. Halim Shafie**



.....  
**Datuk Watson Peters**

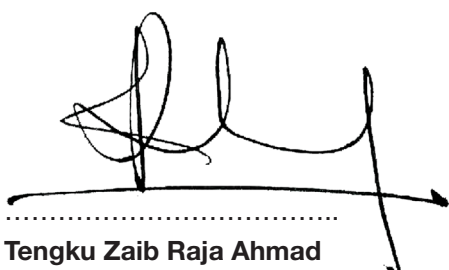
Selangor,

Date: 4 October 2016

**STATUTORY DECLARATION**

I, **Tengku Zaib Raja Ahmad**, 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 102 to 131 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 in Selangor on 4 October 2016.



.....  
**Tengku Zaib Raja Ahmad**

Before me:



No. 69A, Jalan SS21/37  
Damansara Utama (Up Town)  
47400 Petaling Jaya, Selangor D.E

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

We have audited the financial statements of the Malaysian Communications and Multimedia Commission ("Commission"), which comprise the statement of financial position as at 31 December 2015, and the statements of income and expenditure, total recognised gains and losses and cash flows of the Commission for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 102 to 131.

### *Management of the Commission's Responsibility for the Financial Statements*

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

### *Auditors' Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Commission's preparation of financial statements that give a true and fair view 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Management of the Commission, as well as evaluating the overall presentation of the financial statements.

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

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

In our opinion, the financial statements give a true and fair view of the financial position of the Commission as of 31 December 2015 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.

**Other Matter**

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.

**KPMG**

Firm Number: AF 0758

Chartered Accountants

Petaling Jaya,

Date: 4 October 2016





