CONNECTING YOU TO WHAT MATTERS MOST

digi

LET'S INSPIRE

DIGI.COM BERHAD
ANNUAL REPORT 2018

SERVICE REVENUE
RM5.92 BILLION

PROFIT AFTER TAX
RM1.48 BILLION

EBITDA MARGIN
46%

DIVIDEND PAYOUT
RM1.52BIL

MALAYSIA'S LARGEST NETWORK

89% 4G LTE COVERAGE

65% 4G LTE-A COVERAGE

8,400KM FIBRE NETWORK

11.7 MILLION
customers

9.2 MILLION
internet customers

9.9GB
average monthly data usage by customers

7.9 MILLION
4G LTE customers

79.6%
smartphone adoption

#1 NET PROMOTER SCORE

#1 TELCO
BRAND INSISTED BY MALAYSIANS

2018 AT A GLANCE

CONNECTING CUSTOMERS TO WHAT MATTERS MOST WITH A WIDE RANGE OF CONNECTIVITY AND DIGITAL SERVICES, WHILE BEING A RESPONSIBLE, PEOPLE-FIRST COMPANY

3.0 MILLION active MyDigi users

10,000 REWARDS touchpoints on MyDigi

85.9 MILLION upsell transactions on MyDigi

69% bills payments on digital

>2.6 MILLION social media followers

DIGI STORE ONLINE

~124,000 page views

>RM9MILLION in transactions

118,470 estimated total learning hours by Digizens

78% EMPLOYEE engagement scores

close to **50/50** men and women employees

>300,000 students educated on online safety

>650 students trained with digital skills

TOP 50 Companies on Thompson Reuters Global Diversity & Inclusion Index

442 unannounced site inspections to ensure contractors' compliance

22ND ANNUAL GENERAL MEETING

TUESDAY,
14 MAY 2019
10.00 A.M.

NEXUS BALLROOM 2 & 3,
CONNEXION @ NEXUS, NO. 7,
JALAN KERINCHI, BANGSAR SOUTH CITY,
59200 KUALA LUMPUR, MALAYSIA

WHAT'S INSIDE

OUR STRATEGY

We have a clearly defined strategy driving our purpose to connect customers to what matters most. And this positions us well for sustainable growth and value creation for the long-term.

GROWTH

We are determined to drive profitable growth by optimising value from our core business, and stimulating future growth from new digital ventures. Fuelling this is our persistence to deliver quality and consistent network connectivity, personalised services and digital experiences to our customers.

pages 12 to 17

EFFICIENCY & SIMPLIFICATION

We are purposed to manage our resources more efficiently to ensure we remain competitive. We constantly innovate to streamline our way of work, adopt digital tools to optimise our resources, prioritise financial discipline and pursue process simplification to make it easy for our customers.

pages 12 to 17

RESPONSIBLE BUSINESS CONDUCT

We do business and engage our community in a responsible and sustainable way. We hold to high standards of ethics and integrity in our business conduct, protecting the safety and privacy of our customers while reducing inequalities in society through easy access to the internet and digital skills.

pages 28 to 39

WINNING TEAM

We remain focused to build an inclusive, collaborative workplace that inspires everyday innovation and a customer-obsessed culture; where high-performing talent develop new digital competencies to innovate services and experiences relevant to the demands of our customers moving forward.

pages 37 to 39

OUR STRATEGY

We have a strong focus on strategic growth engines

DRIVING GROWTH FROM CORE

DIGITISATION OF CORE

BUILDING NEW DIGITAL BUSINESSES

... as we operate our business responsibly

SUSTAINABILITY

Page 28

GOVERNANCE

Page 42

anchored by our passion to succeed

Way of Work

CUSTOMER OBSESSED and **EVERYDAY INNOVATION**

Behaviour

KEEP PROMISES

BE RESPECTFUL

ALWAYS EXPLORE

CREATE TOGETHER

DRIVING A GROWTH FOCUSED BUSINESS

↑28.7%
Postpaid internet revenue y-o-y

↑19.9%
internet revenue y-o-y

↑70%
data traffic y-o-y

Strategy Pillar
GROWTH

CHAIR OF THE BOARD'S STATEMENT

CHAIR OF THE BOARD'S STATEMENT

Digi serves over 11.7 million customers on its network. Out of which, 9.2 million of these customers are active internet users, who consume an average 9.9GB of data a month

Dear Shareholders,

The digital transformation journey that the company went through a few years ago has created a solid foundation that allows Digi to roll out its well-implemented digitisation and efficiency strategy in 2018; capturing new sources of growth while creating long-term value for customers. Over the year, the Board has spent substantial time implementing a comprehensive governance framework to ensure the company effectively executes its strategy while mitigating any possible risks that may limit the company's growth.

On behalf of the Board, I am pleased to report that these efforts have resulted in a year of steady financial and operational performance for Digi in a highly competitive and dynamic market. We have capitalised on changes within our landscape and leveraged on the way customers are consuming content to provide them with services that connect them to what matters most.

Today, Digi serves over 11.7 million customers on its network. Out of which, 9.2 million of these customers are active internet users, who consume an average 9.9GB of data a month. This growing internet usage and adoption on our network is further testament of our customers' confidence in us to consistently meet their high expectations.

Solid financial performance delivering healthy shareholder returns

Our balance sheet remains robust with steady financial capability and flexibility for us to continue funding our investments and other operational obligations. The Board is pleased to announce a net dividend of 19.6 sen per share in 2018, returning an equivalent of RM1.52 billion to our shareholders. This 100% dividend payout ratio exceeds the company's dividend policy of distributing a minimum 80% of net profits. We have delivered our remuneration policies every year, remaining consistent in generating strong returns to shareholders for the long-term.

Our determination to deliver on these policies and solid performance has been acknowledged by corporate Malaysia. In 2018, the Edge Billion Ringgit Club Awards recognised Digi for having the highest return on equity over three years in the Big Cap Companies, and Trading and Services sectors.

Thriving on sustainable business practices

As we work to meet future goals, the Board recognises that we must keep to our commitment to deliver valuable services to customers in a responsible manner, practicing the highest standards of governance, ethics and integrity that Digi is known for. This is extremely important at a time of widespread digitisation, where trust and transparency are essential to driving good business and creating long-term value for all. Our governance approach is benchmarked and regularly reviewed against the latest developments in industry best practices. Pages 52 to 59 of the Governance section provides a full disclosure on these procedures.

We are aware of our impact to the ecosystem in which we operate. We have worked hard to establish rules of engagement that builds trust, is inclusive and creates value for all our stakeholders. By making responsibility and sustainability the cornerstones in all we do, we continue to protect customers' data, establish an inclusive workplace for our people, build a compliant supply chain, empower society to realise the benefits of digital connectivity while minimising our environmental footprint. Details on these initiatives are made available in Digi's 2018 Sustainability Report at www.digi.com.my/sustainability.

Moving forward confidently

Looking ahead, we believe Digi is well equipped with the right mindset, resources and strategy for sustainable value creation. The Board remains confident that we are well positioned for growth under existing industry conditions, while being disciplined in optimising our resources to reinvest into new areas of growth.

The Board believes that its ability to oversee a progressive business lies in our strength of having a mixed balance of skills, experience and varied viewpoints. Ms Anne Karin Kvam's recent appointment as Non-Independent and Non-Executive Director adds to the strength and diversity of the Board. This new addition has raised women participation at Board to 57%, exceeding the Malaysian governments' recommendation that Boards of listed companies should aim to have 30% women representation. Gender however is only one measure of diversity and we strongly believe inclusion should be considered more broadly to include numerous aspects, and we place great emphasis on this in talent management across the organisation. I would also like to take this opportunity to express our sincere thanks to my predecessor Mr Lars-Ake Valdemar Norling for his significant contribution to the Board and wish him the best for his future.

On behalf of the Board, I would like to thank the Management team and all Digizens for their commitment and continued dedication towards Digi throughout the year. We are also thankful for the support and positive alliance from our various stakeholders and regulators, and last but not least, the continuing support of our shareholders.

I look forward to sharing more with you at our Annual General Meeting in May.

Haakon Bruaset Kjoel
Chair of the Board

CEO'S STATEMENT

Watch our interview with
Albern Murty

CEO'S STATEMENT

Dear Shareholders,

2018 was a strong year of execution for Digi. We pushed ahead to optimise our digital transformation efforts over the past three years to realise solid growth opportunities in our business and the market. By keeping disciplined on driving growth, efficiency, digital innovation and staying obsessed to provide excellent services to customers, we delivered a steady performance and met the business targets we set out at the beginning of the year.

RESILIENT PERFORMANCE IN 2018

- Focused digitisation efforts and solid financial management drove operational efficiencies, improved customer experience, stronger earnings and value to shareholders
- Achieved financial guidance, posting service revenue of RM5.92 billion driven by postpaid and internet growth
- Healthy EBITDA margin at 46% with flat OPEX, and cash flow totalled RM2.27 billion

→ To MD&A, page 12

INNOVATION SPURRING NEW & ORGANIC GROWTH

- Innovation in service offerings enjoyed by 11.7 million customers and businesses: Family and borderless plans, bite-sized internet, digital business plans, IoT and Fintech solutions, and more
- 9.2 million internet and 7.9 million 4G LTE customers with increased smartphone adoption of 79.6%. Data adoption increased where traffic grew 70% y-o-y and customers' data usage averaging at 9.9GB monthly
- Implemented Innovation 360 platforms to drive employee innovation and create new business value: Everyday Innovation bootcamps, Design Sprints, Digital Day, 40-hour online learning for employees, and more

→ To MD&A, page 12 and Sustainability, page 28

CUSTOMER-OBSESSION DRIVING BETTER RETURNS

- Ranked #1 in customer Net Promoter Score (NPS) compared to industry
- Implemented network upgrades to deliver consistent, quality services to customers nationwide with solid network footprint: 4G LTE: 89%, LTE-A: 65% and over 8,400km fibre network
- Accelerated digitisation of customer experiences with more channels to self-serve and interact with Digi: new personalised rewards and Box of Surprise on MyDigi app, website Chatbot, data management features for Android phones, and more

→ To MD&A, page 12

ANCHORED BY RESPONSIBLE BUSINESS CONDUCT

- Leading in solving global issues related to reducing inequalities by democratising digital skills, internet safety awareness and connectivity for all
- Setting high benchmarks to address material business environment risks on service quality, ethics and integrity, data protection, human rights, supply-chain sustainability, people and culture, and environmental footprint

→ To Sustainability, page 28

As you read this report, I would like to underscore that the strength of our organisation is a reflection of our Digizens' way of work. I am grateful to the Board, Management team and our people for their hard work and contribution to achieve all we did last year. Equally important is the trust our customers place in us, which serves as a great source of inspiration to continue innovating services to enable what matters most to them every day.

Good organisations continuously challenge themselves to improve, and that remains our commitment to our customers and shareholders going forward. Moving in this direction, we are steadily executing plans to deliver sustainable service revenue development by pursuing new and organic growth areas, readying our infrastructure for future technology advancements and remaining competitive to continue creating value for our shareholders.

Albern Murty
Chief Executive Officer

DIGITISING EXPERIENCES & SIMPLIFYING PROCESSES

10.7
average monthly logons per user on MyDigi

>2million
self-serve transactions in stores

↓51%
total calls to customer service with more digitised customer care options

Strategy Pillar
EFFICIENCY & SIMPLIFICATION

MANAGEMENT DISCUSSION AND ANALYSIS

2018 KEY HIGHLIGHTS

Connecting customers to what matters most remains the core of our strategy and long-term growth, whether in providing quality and reliable network services, the way we serve customers or the way we work. With well implemented digitisation efforts and a sharpened strategy, we are making good progress with a long runway for growth.

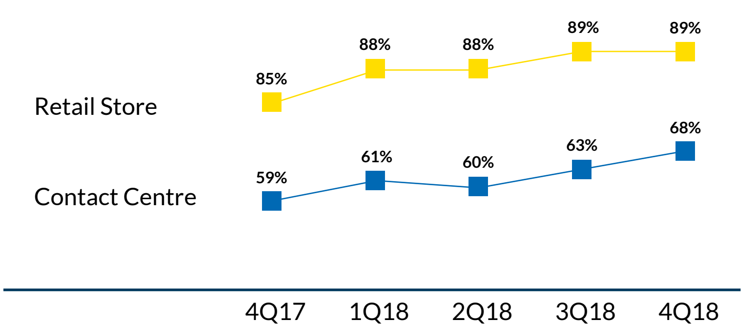
We strongly believe that placing customers at the centre of everything we do will drive growth, and have therefore made customer experience a critical determinant of our performance. We have two main measures of customer experience, namely customer perception based on Net Promoter Score (NPS) and Customer Satisfaction (CSAT) survey on transactions.

#1 in NPS with stronger ratings

12 months rolling NPS	2017	2018
NPS Ranking	#1 (+1pp higher than closest competitor)	#1 (+6pp higher than closest competitor)

It is incredibly energising to see that our customers continue to rate Digi as their preferred mobile telecommunications provider in Malaysia. This is a testament to the Digizens who work hard daily with a customer-obsessed mindset, strong passion for everyday innovation, and firm commitment to drive operational excellence.

Improved Customer Satisfaction (CSAT)



Our customers rated "Solution Provided" as the main reason for customer satisfaction when engaging with our Customer Care agents while "Consultants' Professionalism" was highly ranked for engagements at our Retail Stores.

MANAGEMENT DISCUSSION AND ANALYSIS

Better customer experience alongside consistent and reliable 4G Plus network

Our continued efforts on spectrum re-farming and nationwide 4G network upgrades fuelled strategic coverage expansion of our LTE-A network from 55% to 65% alongside stronger 4G LTE network footprint to 89% of population nationwide, backed by over 8,400km of fibre network.

These network upgrades and optimisation efforts enabled us to support continued data growth demand from customers with better 4G network experience in terms of improved indoor quality, wider outdoor coverage, and enhanced capacity.

Together with our prepaid biGBonus and Internet Cili Padi offers, flexibility and convenience of Digi Family postpaid plans, Borderless Roaming and PhoneFreedom 365 propositions, we registered solid growth in internet subscribers to 9.2 million, an increase of 503,000 from a year ago.

Our smartphone users rose from 72.7% to 79.6% of our 11.7 million subscriber base while 4G LTE adoption surged 27.9% or 1.7 million to 7.9 million subscribers. Average monthly data usage among our internet subscribers increased from 6.8GB to 9.9GB.

During the year, we accelerated the digitisation of our core business. We added two new features to our MyDigi self-serve app, namely MyDigi Rewards and Box of Surprise, providing customers with personalised rewards and offers. These new features have fuelled an increase in monthly active users from 2.5 million to over 3.0 million, growing upsell transactions to a solid 85.9 million this year.

We have also strengthened our B2B proposition to be a trusted digital partner for businesses and SMEs in Malaysia. Leveraging on our stronger connectivity and wider network infrastructure, we helped businesses start their digitisation journey by providing easy, affordable and customisable digital solutions.

Delivered 2018 financial guidance

2018 marked another record year for Digi that sees us realise the benefits from our many years of collective effort. We registered record high postpaid revenue growth of 14.8%, solid internet revenue growth of 19.9% and continued market leadership in mobile subscriber base in Malaysia underpinned by our robust 4G Plus network, unique value proposition in our product portfolios and solid on-ground execution.

Our financial strategy and ambitions, closely linked to our corporate strategy, focuses on continued growth, efficiency and digital transformation as key value drivers.

In 2018, Digi delivered performance in line with financial guidance as well as favourable developments on digital transformation that contributed to a leaner, more efficient cost structures, improved customer experience, and stronger net earnings and shareholders return.

- ✓ Flat service revenue
- ✓ 46% EBITDA margin
- ✓ 11.6% Capex to service revenue
- ✓ 4.3% uplift in dividend per share to 19.6 sen

2018 KEY HIGHLIGHTS

GROWTH	**+14.8%** Postpaid Revenue	**+19.9%** Internet Revenue (+503K Internet Subscribers)	**+2.4%** EBITDA margin to 46%
EFFICIENCY	**FLAT OPEX** (RM1.96 billion)	**RM685 MILLION** Capex	Robust 4G Plus Network **LTE-A: 65%** **4G LTE: 89%**
DIGITAL TRANSFORMATION	**3.0 MILLION** MyDigi MAU (85.9 million upsell transaction)	**DIGITAL DISTRIBUTION** via Android devices	**#1** Net Promoter Score (Higher satisfaction y-o-y)

All analysis and comparisons are made based on old accounting principles.

MANAGEMENT DISCUSSION AND ANALYSIS

OPERATIONAL AND FINANCIAL UPDATES

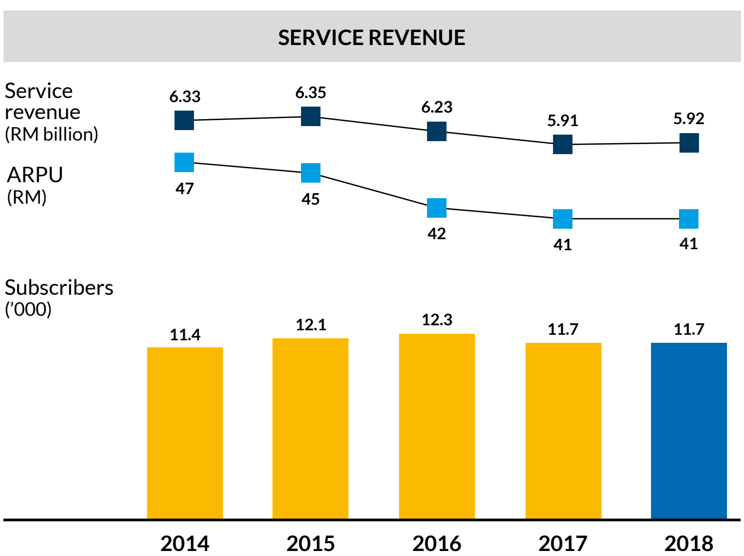
SERVICE REVENUE - ***Resilient performance supported by solid postpaid and prepaid internet revenue growth***

In 2018, we continued to sharpen our internet positioning to enable our customers to enjoy a worry-free, reliable internet and digital entertainment experience on our network. Solid demand for our prepaid internet passes, entry level postpaid plans and high value postpaid plans leveraging on Digi Family, Borderless Roaming and PhoneFreedom 365 propositions fuelled internet adoption and usage among our subscribers.

We registered our best performing postpaid revenue growth in history of 14.8%, and solid prepaid internet revenue growth of 12.2%, putting an end to two (2) years of service revenue decline. This delivered a modest uplift of 0.2% growth to RM5.92 billion, as guided, despite adversely impacted by mobile termination rate revisions.

Our internet revenue strengthened 19.9% to RM3.23 billion or 54.6% of service revenue, alongside an increase in smartphone adoption to 79.6% and active internet subscribers to 78.6% or 9.2 million subscribers. The solid growth in internet revenue cushioned decline from legacy prepaid service revenue.

MyDigi's new Rewards and Box of Surprise features have enabled personalised rewards and offers to customers from over 500 brands and partners across 7,000 locations nationwide. These features have contributed 10% of the total upsell transactions within the app. We also saw monthly logons to the app increase 10.7 times. MyDigi continues to serve as an important enabler to customise services and offers to customers, unlock upsell opportunities and accelerate internet adoption for Digi.



Meanwhile, overall ARPU remained resilient at RM41 backed by steady 11.7 million subscriber base.

Sales of devices and other revenue for the year increased 19.9% to RM512 million driven by solid demand for Digi's device bundles and PhoneFreedom 365 programme.

POSTPAID REVENUE - ***Solid postpaid growth fuelled by healthy acquisitions and plan upgrades***

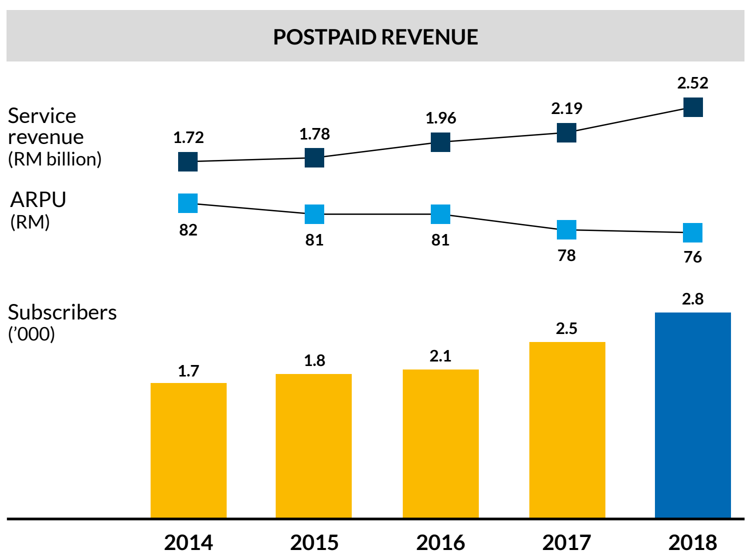
We extended our market leadership on postpaid growth despite aggressive competition, anchored by our growing postpaid subscriber base from 2.5 million to 2.8 million.

We also recorded favourable increase in plan upgrades and stronger retention rate among existing customers, fuelled by the launch of our easy device ownership programme: PhoneFreedom 365.

Along with solid acquisition and base management activities, we registered strong growth in active postpaid internet subscribers to 2.5 million or 89.1% of postpaid subscribers while postpaid internet revenue grew 28.7% to RM1.63 billion.

Postpaid ARPU trimmed slightly to RM76 as a result of stronger contribution mix from entry level postpaid subscriptions following the steady prepaid to postpaid conversions.

Digi registered its best performing postpaid revenue growth of 14.8%, ahead of industry to close FY 2018 at RM2.52 billion, representing 42.5% of total service revenue.



MANAGEMENT DISCUSSION AND ANALYSIS

PREPAID REVENUE - ***Higher prepaid internet subscribers and revenue amid steady conversions to postpaid***

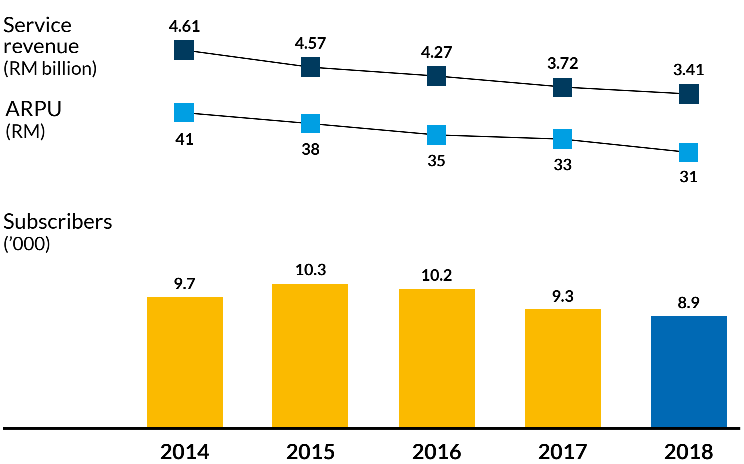
Our efforts to drive prepaid internet adoption and usage with affordable bite-sized internet passes, and recurring internet subscriptions continued to track well.

In 2018, we increased our prepaid internet revenue by 12.2% to RM1.61 billion or 47.2% of prepaid revenue, alongside the steady growth of active internet subscribers from 6.4 million to 6.7 million subscribers. We have also taken firm measures to address prepaid challenges with higher postpaid conversions and focused on sustainable prepaid revenue and margins.

Although 2018 remained a challenging year for prepaid, Digi delivered strong mitigation actions to narrow prepaid revenue decline to 8.5% for the year, an improvement from a decline of 12.9% a year ago, to deliver RM3.41 billion prepaid revenue for the year.

Prepaid ARPU trimmed to RM31 while prepaid subscriber base traced lower to 8.9 million, impacted by sim consolidation and solid prepaid to postpaid conversions.

PREPAID REVENUE



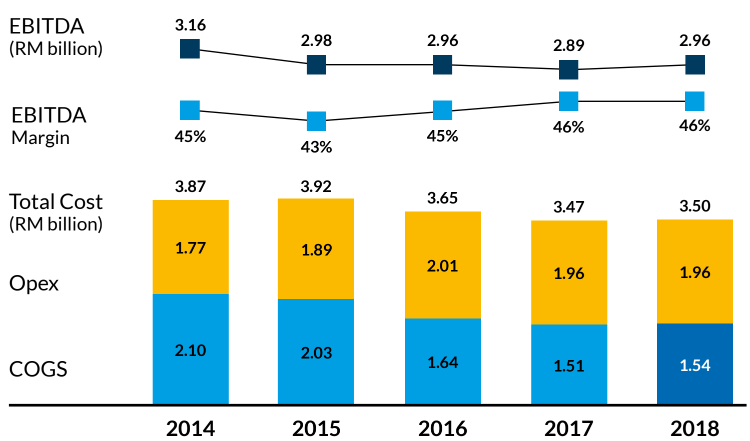
COST AND EBITDA - ***Stronger EBITDA underlined by solid postpaid growth and efficient operations***

Cost of goods sold (COGS) rose 1.9% to RM1.54 billion due to higher device costs arising from the surge in demand for contracted device bundles and the new PhoneFreedom 365 programme. Our relentless cost focus led to 1.4% stronger gross profit to RM4.89 billion or 76.0% gross margin.

Opex remained flat at RM1.96 billion, amid solid growth from postpaid and robust 4G Plus network expansion and capacity upgrades.

The solid execution of operational excellence (OE) initiatives across sales and marketing activities, network operations along with development of new digital capabilities have been instrumental in delivering efficient operations and improved customer satisfaction.

COST & EBITDA



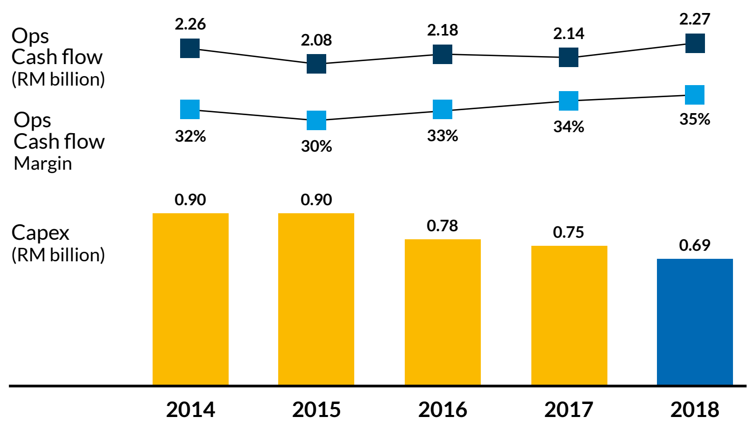
We delivered solid EBITDA growth of 2.4% to RM2.96 billion or 46% margin anchored on stronger internet revenue contribution and efficient cost management.

CAPEX AND OPS CASH FLOW – ***Continued investment into growth opportunities alongside stronger ops cash flow***

During the year, we invested RM685 million Capex or 11.6% of service revenue as planned to upgrade and optimise our 4G Plus network with stronger capacity and quality as well as to digitise our core business with strategic digital capabilities.

Ops cashflow remained healthy at RM2.27 billion or 35% margin.

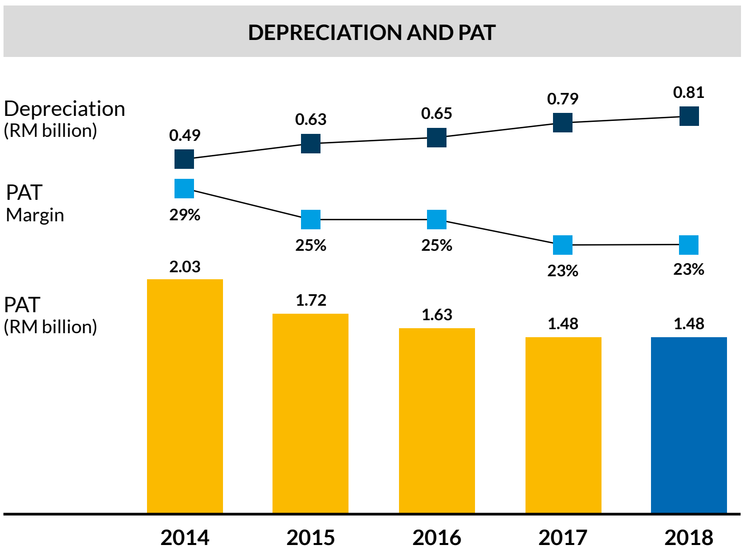
CAPEX AND OPS CASH FLOW



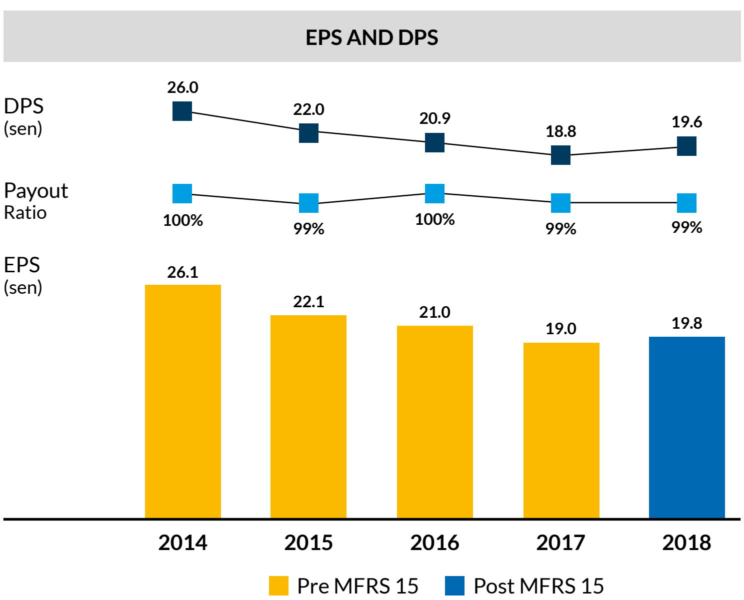
MANAGEMENT DISCUSSION AND ANALYSIS

DEPRECIATION AND PAT – ***Healthy PAT margin at 23%***

Profit after tax (PAT) remained resilient at RM1.48 billion after accounting for the RM40 million new network operating model transition cost and higher depreciation from investments in network and digital capabilities in addition to spectrum assets.



EPS AND DPS - ***Healthy shareholders' return and strong balance sheet***



Post adoption of MFRS 15 and 9, earnings per share (EPS) for the year strengthened to 19.8 sen per share. The Board of Directors declared an interim dividend of 19.6 sen per share equivalent to RM1.52 billion or almost 100% payout for 2018.

Our balance sheet remained robust with solid financial capability and flexibility to fund future investments and operational commitments, backed by AAA rated RM5.0 billion Sukuk Programmes established in 2017 along with diverse bilateral loan facilities.

Total assets strengthened 6.5% to RM6.21 billion, underpinned by stronger spectrum portfolio and infrastructure assets, recognition of MFRS 15 contract assets and higher receivables from the PhoneFreedom 365 programme.

Our net debt to EBITDA ratio stayed healthy at 0.8 times with conventional debt over total asset ratio at 21% (2017: 22%), well within the Shariah compliance threshold of 33%.

All in all, Digi delivered a solid performance in 2018 in line with guidance.

	2018 Guidance	FY 2018 Actual
Service revenue	Flat	+0.2% to RM5.92 billion
EBITDA	46% - 47%	46%
Capex to service revenue ratio	11% - 12%	11.6%

GOING BEYOND THE CORE - ***To be a customer-first digital company, we first need to understand what matters most to our customers***

This year, we celebrated our Customer Engagement Day themed *#DigiNation Freedom To Connect* with our customers in conjunction with the Merdeka and Malaysia Day celebrations.

The Management team together with Digizens were mobilised nationwide to engage and better understand our customers' current and future needs in our efforts to empower them with true freedom to connect and share.

As part of our Sustainability commitment towards the United Nation's Sustainable Development Goal #10 to reduce inequality, we established the Digi Yellow Heart programme that focuses on building an equitable society through digital resilience and digital inclusion. Some of the recent initiatives include:

Freedom To Be Safe (Digital Resilience)
- YouthTALK townhall to bring youths' voices and concerns on online violence to key influencers
- Yellow Heart educational videos for schools in partnership with the Ministry of Education

Freedom To Be Equal (Digital Inclusion)
- Digi Academy that brings future digital skills training programmes to underprivileged secondary school students at 20 fully equipped Internet Centres managed by Digi nationwide
- JomStudi, which is a digital learning hub that serves as an additional learning aid for all students, particularly in underserved areas

MANAGEMENT DISCUSSION AND ANALYSIS

OTHER UPDATES

SPECTRUM - *Re-issuance of 2100Mhz spectrum band for another 16 years*

With the reissuance of 2x15 Mhz, 1x5 Mhz of 2100Mhz spectrum band for a tenure of 16 years till 1 April 2034 for a one-time fee of RM118.4 million and fixed annual fee at RM50 million per year, Digi has secured a solid spectrum portfolio across low and high frequency bands essential to cater to rising customer demand for quality digital services and experience.

ADOPTION OF MFRS 15 & 9 - *Impact of MFRS changes on 2018 financials*

With effect from 1 January 2018, Digi adopted *MFRS 15 Revenue From Contract With Customers and MFRS 9 Financial Instruments* using a modified retrospective approach.

FY 2018 impact on income statement post MFRS 15 & 9 adoption can be summarised as follows:

- Reduction in service revenue – RM134 million
- Increase in device revenue – RM225 million
- Increase in Opex – RM14 million

RM million	2018 (Pre MFRS 15)	FY 2018 (Post MFRS 15)	Delta	%
Service Revenue	5,924	5,790	(134)	-2.3%
Total Revenue	6,436	6,527	91	1.4%
Opex	1,956	1,970	14	0.7%
EBITDA	2,956	3,033	77	2.6%
EBITDA Margin	45.9%	46.5%	0.5	-
Profit before tax	2,002	2,079	77	3.8%
Profit after tax	1,483	1,541	58	3.9%
Capex	685	685	-	0.0%
Ops cash flow	2,271	2,438	77	3.4%
Ops cash flow margin	35.3%	36.0%	0.7	-
EPS (sen)		19.8		
DPS (sen)		19.6		

2019 - *Adoption of MFRS 16: Leases and mobile termination rates revision*

Effective 1 January 2019, Digi will adopt MFRS 16: Leases that applies a "right-of-use" approach requiring a lessee to recognise assets and liabilities for the rights and obligations created by lease contracts.

There will also be further revision to the mobile termination rates as prescribed in MCMC's Determination 1, 2017 of Mandatory Standard on Access Pricing made in 20 December 2017 as follows:

CHANGES TO MOBILE TERMINATION RATES (MTR)

Sen	2017	2018	2019	2020
Local	3.65	2.92	1.96	0.99
National	3.88	2.92	1.96	0.99
Submarine	15.73	2.92	1.96	0.99

2019 OUTLOOK AND PRIORITIES

Although market conditions remain challenging, we believe our solid foundation established in 2018 with our persistent drive for solid execution and digital transformation will support Digi's ambitions in 2019.

Looking ahead, key priorities will be on:

- Capturing growth from existing customers
- Continue to drive postpaid growth and SME/B2B opportunities
- Deploy network for best internet experience
- Continue focus and execution of OE initiatives
- Build 'Customer Obsessed' and 'Innovation 360' culture, cultivate growth and efficiency mindset

Consistent with our strategic ambition, we aspire to deliver sustainable revenue growth and efficient operations to connect customers to what matters by empowering more Malaysians to enjoy affordable, quality internet and digital services.

In this respect, we are confident we have the right strategies, network and resources in place to support this ambition and continuously drive value creation for our stakeholders.

The 2019 guidance is summarised as follows:

	2019			
	Pre MFRS 15 & 9		Post MFRS 15 & 9	
	FY2018	2019 Guidance	FY2018	2019 Guidance
Service Revenue	RM5.92 billion	Around 2018 level	RM5.79 billion	Around 2018 level
EBITDA	RM2.96 billion	Low single digit growth	RM3.03 billion	Low single digit growth
Capex to service revenue ratio	11.6%	11% - 12%	11.8%	11% - 12%

[1] *Guidance above excludes impact of MFRS 16 : Leases*

These are internal management targets which will be reviewed periodically by the Board of Directors. Hence, these internal targets have not been reviewed by our external auditors.

5-YEAR FINANCIAL SUMMARY

RM Million	2014	2015	2016	2017	2018
Financial results[1]					
Revenue	7,019	6,914	6,597	6,340	**6,436**
- Telecommunication revenue					
- Service revenue	6,333	6,348	6,226	5,913	**5,924**
- Others	67	64	100	121	**112**
- Sales of device	619	502	271	306	**400**
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	3,163	2,983	2,955	2,886	**2,956**
EBITDA margin	45%	43%	45%	46%	**46%**
Earnings before interest and taxes (EBIT)	2,671	2,354	2,304	2,100	**2,112**
Interest Cost	39	56	78	132	**130**
Profit before Tax	2,645	2,309	2,238	1,985	**2,002**
Profit after Tax	2,031	1,723	1,633	1,477	**1,483**
Capital expenditure (Capex)[2]	904	904	780	748	**685**
Ops cash-flow	2,259	2,079	2,175	2,138	**2,270**
Total assets	4,303	4,662	5,498	5,834	**6,206**
Non-Current Liabilities	534	386	2,150	3,033	**2,838**
Total borrowings	1,048	1,294	2,282	2,704	**2,694**
- Conventional borrowings	1,048	1,294	2,282	1,312	**1,297**
- Islamic debts	-	-	-	1,392	**1,397**
Shareholders' equity	686	519	519	519	**673**
Return on equity	296.1%	332.0%	314.6%	284.6%	**229.0%**
Return on total assets	47.2%	37.0%	29.7%	25.3%	**24.8%**
Earnings per share (sen)	26.1	22.2	21.0	19.0	**19.8**
Dividend per share (sen)	26.0	22.0	20.9	18.8	**19.6**
Dividend yield[3]	4.2%	4.1%	4.3%	3.7%	**4.4%**
Net assets per share (sen)	8.8	6.7	6.7	6.7	**8.7**
Net debt/EBITDA (x)	0.2	0.4	0.6	0.7	**0.8**
Interest cover (x)	68.5	42.0	29.5	15.9	**17.1**

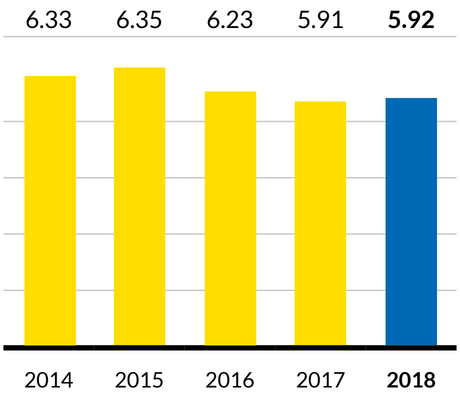
[1] Income statement analysis and comparisons are made based on old accounting principle

[2] CAPEX exclude RM 136 million spend in 2018 for new spectrum acquisition

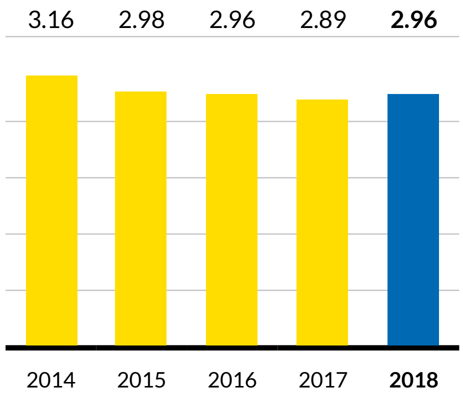
[3] Yield calculated based on share price at year end

5-YEAR FINANCIAL SUMMARY

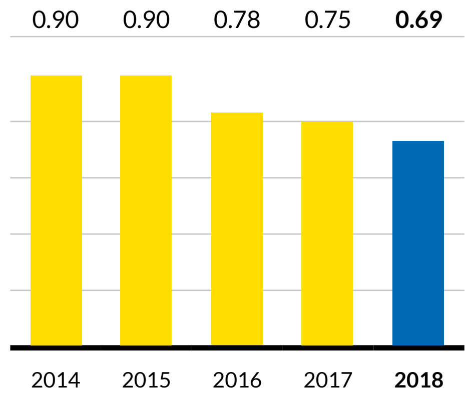
SERVICE REVENUE
RM5.92 BILLION



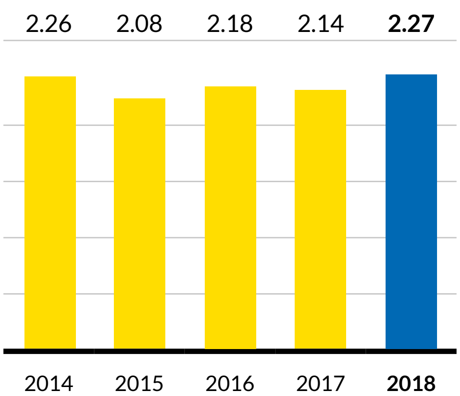
EBITDA
RM2.96 BILLION



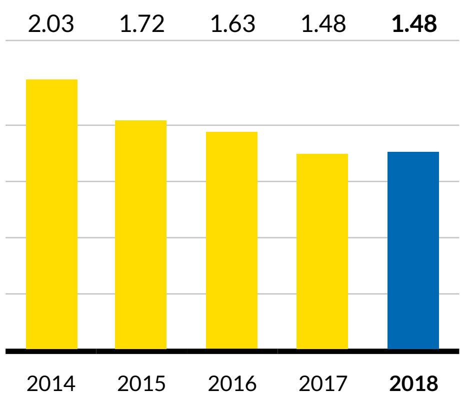
CAPEX
RM685 MILLION



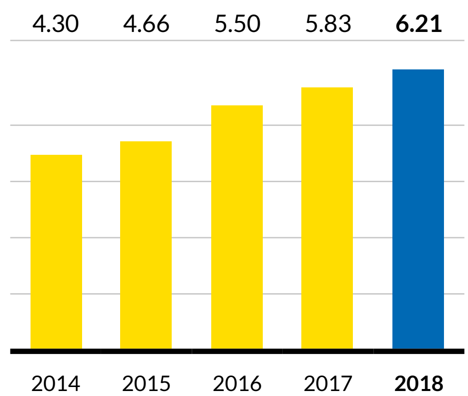
OPS CASH-FLOW
RM2.27 BILLION



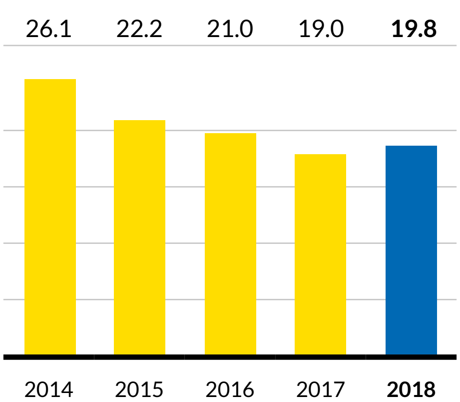
PROFIT AFTER TAX
RM1.48 BILLION



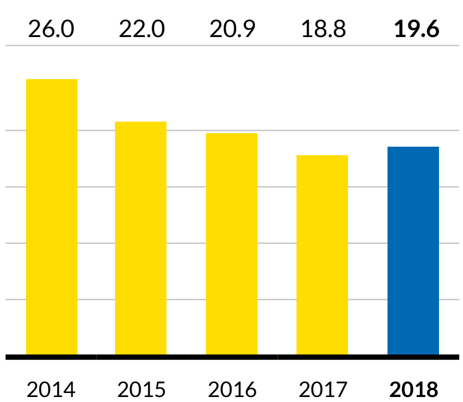
TOTAL ASSETS
RM6.21 BILLION



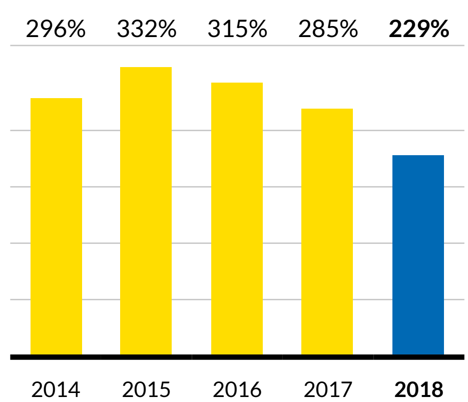
EARNINGS PER SHARE
19.8 SEN



DIVIDEND PER SHARE
19.6 SEN



RETURN ON EQUITY (%)
229%



INVESTOR RELATIONS

We value the importance of sharing accurate and transparent communication to our shareholders and investors in a timely manner. We believe that this will enhance shareholders' understanding and appreciation of Digi's business strategies, financial performance, current initiatives and prospects in making informed investment decisions, and in exercising their rights as shareholders. Therefore, we are highly committed to ensure that relevant and material corporate information is shared with our shareholders and the investing community effectively.

To address the need to consistently engage with the investing community and deliver high standards of corporate disclosure and transparency, we have put in place a comprehensive investor relations programme that includes regular meetings, conference calls and site visits.

Our Investor Relations team facilitates the shareholder communication and engagement, with the Management's full support. Shareholders and investors can also make inquiries about Investor Relations matters with Digi throughout the year via **Investor_Relations@digi.com.my**.

Investor Relations Website

Digi's investor relations website at **www.digi.com.my/investors** is an essential online repository for disseminating up-to-date and historical investor-related information for the investment community, aiding them in making sound investment decisions. It is a key channel for both local and foreign stakeholders to secure latest corporate and financial information of Digi.

Analyst Briefings

Every quarter, subsequent to the filing of interim results to Bursa Malaysia, a conference call or investment analyst briefing will be scheduled on the same day. This is to facilitate the discussion on Digi's quarterly earnings performance, strategies and business operations or major transactions, including addressing any queries from the investment analysts and investors.

Prior to the earnings conference call, a briefing pack comprising of quarterly financial statements, management discussion and analysis report, earnings call presentation and press release are circulated to the investment analysts and investors via email and also published on Digi's Investor Relations website. This is to ensure that shareholders, investors and other participants in the capital market have equal access to Digi's quarterly financial performance and position as well as non-financial KPIs and other relevant corporate information.

In 2018, the quarterly results announcements and earnings briefing were held for:
- Fourth Quarter and Full Year FY2017: 23 January 2018
- First Quarter FY2018: 13 April 2018
- Second Quarter FY2018: 13 July 2018
- Third Quarter FY2018: 17 October 2018

Engagements with Institutional Investors

Our Investor Relations team periodically analyses and monitors Digi's shareholding structure including the breakdown of shareholders by type, investment styles and geographical location. They will also look at the shareholders' buying and selling activities during the year to facilitate investors targeting and planning of investor relations engagement programmes.

In 2018, we strategically focused our investor relations engagements on investment funds with an Asia mandate; looking into yield and value oriented funds, long-term funds as well as prospective investors with exposure in industry peers. With that objective in mind, Digi participated in three Emerging Markets or telecommunications themed conferences and six non-deal roadshows.

In addition, we have also organised a series of engagements with analysts and investors during the year via quarterly analysts meetings, a briefing session for the MFRS 15 accounting standard as well as a knowledge sharing event, Digi Digital Day.

INVESTOR RELATIONS

Venue	Event	Date	Organiser
Kuala Lumpur	Invest Malaysia 2018	24 January 2018	Maybank
London	Non-Deal Roadshow	6 - 9 February 2018	Newstreet Maybank
Kuala Lumpur	MFRS 15 Briefing Session	18 May 2018	Digi
Singapore	Non-Deal Roadshow	26 - 27 May 2018	BNP Paribas
Hong Kong	Non-Deal Roadshow	7- 8 June 2018	Credit Suisse
Kuala Lumpur	Investor Conference	26 July 2018	Citibank
Tokyo	Non-Deal Roadshow	27 - 28 July 2018	JP Morgan
Singapore	Non-Deal Roadshow	29 July 2018	JP Morgan
Kuala Lumpur	Digi Digital Day	18 October 2018	Digi
New York	Investor Conference	29 - 30 October 2018	Auerbach Grayson
Boston Toronto	Non-Deal Roadshow	31 October – 2 November 2018	Auerbach Grayson UOB Kay Hian

Shareholders' and Investors' Feedback

During the various engagement sessions with the investment community, the key topics of interest included amongst others:

- Market competition
- Revenue growth opportunities
- Digi's 4G Plus network
- Digital transformation journey
- Operational efficiency initiatives
- Capital Expenditure guidance
- Earnings and dividend prospects
- Spectrum portfolios
- Debt structure
- MFRS adoption and regulatory development

We appreciate the views and feedback from our shareholders and investors, and key concerns are regularly reported to Management for their deliberation and actions, if any.

Annual General Meeting (AGM)

Digi's 21st AGM was held on 14 May 2018 in Kuala Lumpur, Malaysia. The Management presented a comprehensive review of Digi's financial performance for the year and outlined Digi's prospects for the subsequent financial year. Sufficient time was also set aside for shareholders and the Minority Shareholder Watchdog Group (MSWG) to raise questions and provide feedback to the Board and Management.

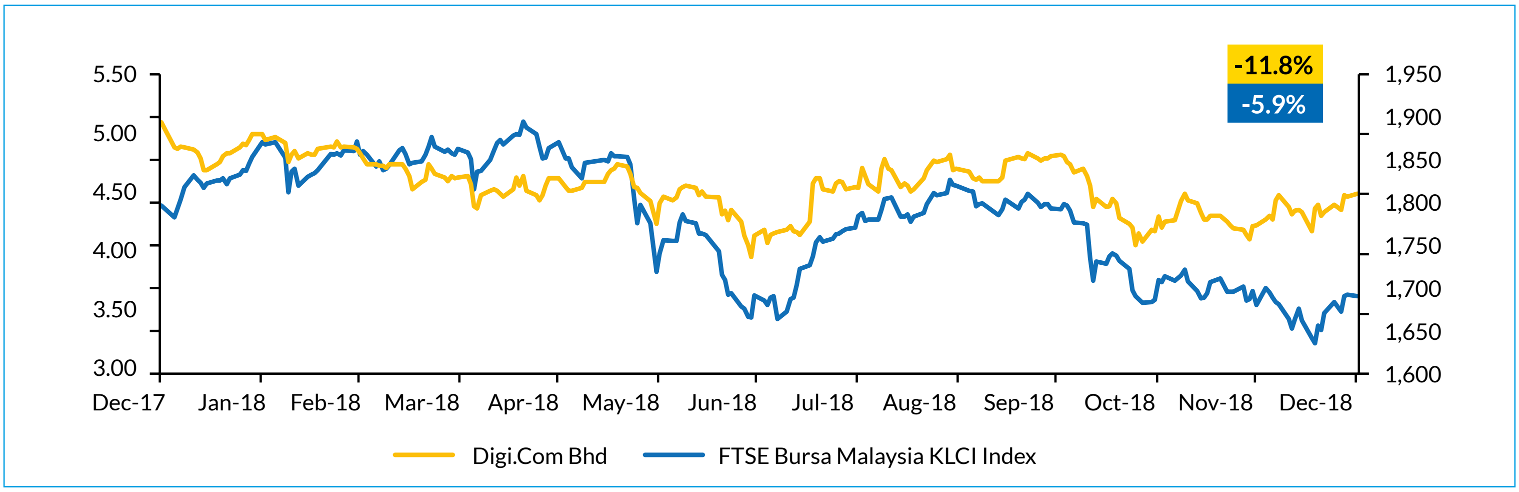
SHARE DEVELOPMENT AND ANALYSIS

Over the years, Digi has established a solid and diversified shareholder base with 26,465 shareholders as at 31 December 2018, out of which 40.2% (2017: 41.9%) of the shareholdings are from Malaysia and 10.8% (2017: 9.1%) from foreign countries. Our shareholder base continued to reflect steady and robust shareholding support from institutional or corporate investors of 98.2% and the remaining 1.8% from private investors or individuals.

In 2018, the Malaysian stock market was broadly weaker, headlined by a change in government, declining commodity prices, weaker ringgit against the US dollar and trade war concerns. Our share price moderated 11.8%, relatively resilient when compared to other listed Malaysian mobile operators, although steeper than the decline registered on FBM KLCI of 5.9% during the year.

Share price	1Q18	2Q18	3Q18	4Q18	FY 2018
High Price	5.00	4.83	4.88	4.84	5.00
Low Price	4.54	3.93	4.02	4.02	3.93
Last Price	**4.64**	**4.15**	**4.82**	**4.50**	**4.50**
Period-over-Period Change (%)	*-9.0%*	*-10.6%*	*16.1%*	*-6.6%*	*-11.8%*
Average Daily Volume ('000)	3,799	5,902	4,345	3,619	4,398

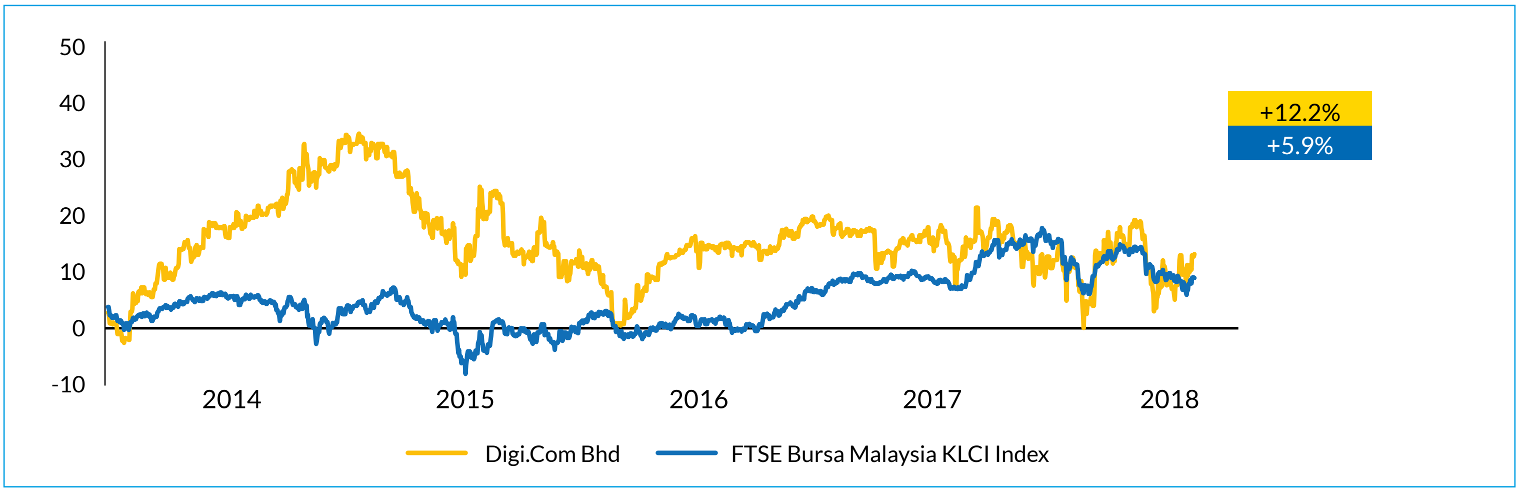
Share Price – Digi.Com vs FTSE Bursa Malaysia KLCI



Digi's total shareholder return over the last 5 years remained solid at 12.2%, outperforming FBM KLCI's total shareholder return of 5.9%, supported by solid financial performance and healthy dividend.

SHARE DEVELOPMENT AND ANALYSIS

Total Shareholder Return (%) over 5 years (2014 -2018)



Total Shareholder Return (TSR) measures total return arising from capital gains (share price increase) and dividends.

STATISTICS ON SHAREHOLDINGS

as at 6 March 2019

Total number of Issued Shares	:	7,775,000,000
Class of Shares	:	Ordinary shares
Voting Rights	:	One vote per share

Analysis by Size of Holdings as at 6 March 2019

Size of Holdings	No. of Holders	%	No. of Shares	%
1 - 99	957	3.67	11,381	0.00
100 - 1,000	11,605	44.47	6,607,042	0.08
1,001 - 10,000	10,627	40.72	42,580,272	0.55
10,001 - 100,000	2,102	8.05	60,593,202	0.78
100,001 - 388,749,999 (*)	803	3.08	2,217,476,653	28.52
388,750,000 and above (**)	3	0.01	5,447,731,450	70.07
Total	**26,097**	**100.00**	**7,775,000,000**	**100.00**

Remark : *** Less Than 5% Of Issued Shares**
**** 5% And Above Of Issued Shares**

SHARE DEVELOPMENT AND ANALYSIS

Substantial Shareholders as per Register of Substantial Shareholders as at 6 March 2019

	Number of Shares			
Name	Direct Interest	%	Deemed Interest	%
1. Telenor Asia Pte Ltd	3,809,750,300	49.00	-	-
2. Telenor Mobile Communications AS	-	-	3,809,750,300 [a]	49.00
3. Telenor Mobile Holding AS	-	-	3,809,750,300 [b]	49.00
4. Telenor ASA	-	-	3,809,750,300 [c]	49.00
5. Employees Provident Fund Board	1,045,945,950	13.45	-	-
6. AmanahRaya Trustees Berhad - Amanah Saham Bumiputera	592,035,200	7.61	-	-

Notes:
(a) Deemed interested by virtue of its 100% interest in Telenor Asia Pte Ltd
(b) Deemed interested by virtue of its 100% interest in Telenor Mobile Communications AS
(c) Deemed interested by virtue of its 100% interest in Telenor Mobile Holding AS

LIST OF THIRTY (30) LARGEST SHAREHOLDERS AS AT 6 MARCH 2019

	Name of Shareholders	No. of Shares	%
1	**Citigroup Nominees (Asing) Sdn Bhd** Telenor Asia Pte Ltd (Digi)	3,809,750,300	49.00
2	**Citigroup Nominees (Tempatan) Sdn Bhd** Employees Provident Fund Board	1,045,945,950	13.45
3	**Amanahraya Trustees Berhad** Amanah Saham Bumiputera	592,035,200	7.61
4	**Kumpulan Wang Persaraan (Diperbadankan)**	264,349,977	3.40
5	**Urusharta Jamaah Sdn Bhd**	112,332,500	1.44
6	**Amanahraya Trustees Berhad** Amanah Saham Bumiputera 2	68,526,000	0.88
7	**Amanahraya Trustees Berhad** Amanah Saham Malaysia 2 - Wawasan	64,896,200	0.83
8	**HSBC Nominees (Asing) Sdn Bhd** JPMCB NA for Vanguard Emerging Markets Stock Index Fund	58,928,933	0.76
9	**Cartaban Nominees (Tempatan) Sdn Bhd** PAMB For Prulink Equity Fund	57,233,900	0.74
10	**Amanahraya Trustees Berhad** Amanah Saham Malaysia	56,550,300	0.73
11	**HSBC Nominees (Asing) Sdn Bhd** JPMCB NA for Vanguard Total International Stock Index Fund	56,259,100	0.72
12	**Amanahraya Trustees Berhad** Amanah Saham Malaysia 3	55,865,800	0.72

SHARE DEVELOPMENT AND ANALYSIS

LIST OF THIRTY (30) LARGEST SHAREHOLDERS AS AT 6 MARCH 2019 (CONT'D)

	Name of Shareholders	No. of Shares	%
13	**Ahmad Sebi Bin Bakar**	54,923,830	0.71
14	**Cartaban Nominees (Asing) Sdn Bhd** Exempt An For State Street Bank & Trust Company (West Clt Od67)	53,288,300	0.69
15	**Maybank Nominees (Tempatan) Sdn Bhd** Maybank Trustees Berhad for Public Regular Savings Fund (N14011940100)	43,653,700	0.56
16	**Maybank Nominees (Tempatan) Sdn Bhd** Maybank Trustees Berhad for Public Ittikal Fund (N14011970240)	39,500,000	0.51
17	**Citigroup Nominees (Tempatan) Sdn Bhd** Exempt an for AIA Bhd.	32,257,062	0.41
18	**Amanahraya Trustees Berhad** Amanah Saham Bumiputera 3 - Didik	28,422,700	0.37
19	**Cartaban Nominees (Asing) Sdn Bhd** GIC Private Limited for Government of Singapore (C)	28,389,700	0.37
20	**Amanahraya Trustees Berhad** Public Ittikal Sequel Fund	24,762,300	0.32
21	**Malaysia Nominees (Tempatan) Sendirian Berhad** Great Eastern Life Assurance (Malaysia) Berhad (PAR 1)	23,182,900	0.30
22	**Maybank Nominees (Tempatan) Sdn Bhd** MTRUSTEE Berhad for Cimb Islamic Dali Equity Growth Fund (Ut-Cimb-Dali) (419455)	21,963,300	0.28
23	**HSBC Nominees (Asing) Sdn Bhd** JPMCB NA for MSCI Equity Index Fund B - Malaysia	17,471,000	0.22
24	**Citigroup Nominees (Asing) Sdn Bhd** Exempt An for Citibank New York (Norges Bank 14)	17,140,300	0.22
25	**DB (Malaysia) Nominee (Asing) Sdn Bhd** BNYM SA/NV for People's Bank of China (SICL Asia EM)	16,937,800	0.22
26	**Permodalan Nasional Berhad**	15,381,500	0.20
27	**Valuecap Sdn Bhd**	15,191,800	0.20
28	**Citigroup Nominees (Asing) Sdn Bhd** CBNY For Emerging Market Core Equity Portfolio DFA Investment Dimensions Group Inc	13,024,220	0.17
29	**Citigroup Nominees (Asing) Sdn Bhd** Legal & General Assurance (Pensions Management) Limited (A/C 1125250001)	12,986,878	0.17
30	**Citigroup Nominees (Tempatan) Sdn Bhd** Employees Provident Fund Board (Cimb PRIN)	12,584,700	0.16
	Total	6,713,736,150	86.35

DOING BUSINESS RESPONSIBLY

1ST TELCO
in Malaysia with ISO45001:2018 OH&S certification

2,060
hours of training for supply chain vendors

↓31%
carbon intensity per data usage

Strategy Pillar
RESPONSIBLE BUSINESS CONDUCT

SUSTAINABILITY

Watch our **Yellow Heart** Manifesto Video

The United Nations Sustainable Development Goal #10 aims to reduce inequalities in our society. We believe technology is critical to address this gap fuelled by access to technology and digital skills empowerment. Digi's aspiration is to connect customers to what matters most and we believe that through the power of the internet built on right principles, we can create shared value for all.

The relationship between technology and inequality is multifaceted. Technology has enhanced connectivity, accelerated economic growth, enabled knowledge and information sharing, and increased access to basic services.

The Internet is a core enabler of the Fourth Industrial Revolution, where a wave of disruptive innovations are providing opportunities for societal transformation at unprecedented levels. However, the potential of technologies to reduce inequality will not happen automatically unless those who are marginalised gain access to and use these technologies to respond to their needs.

Digi is committed to all UN Sustainable Development Goals (SDGs) with a specific focus on goal #10 Reduced Inequalities. This is where we can deliver the most impact, by being a responsible business that provides innovative services built on the highest standards and principles of integrity and sustainability, and aligning it to our vision to empower societies. Our digital offerings impact the economy and social well-being of Malaysians via direct value creation, innovation and productivity gains across various industries. We remain committed to raising standards across our operations, and to strive for greater access and increased opportunities to empower societies wherever we are.

OUR SUSTAINABILITY FRAMEWORK

EMPOWERING SOCIETIES

DRIVING STANDARDS

- Ethics and Compliance
- Supply Chain Sustainability
- Climate Change and Environment
- Winning Team

ACCELERATING ACCESS

- Yellow Heart
- Digital Inclusion
- Digital Resilience

RESPONSIBLE BUSINESS CONDUCT

SDG #10 - REDUCED INEQUALITIES

Responsible Business Conduct is an integral part of our business strategy. It is about mitigating Digi's critical business environment risks, seizing opportunities to generate positive long-term value and meeting stakeholder expectations. We believe good corporate governance involves openness, trustful disclosure and engagement between all internal and external stakeholders. Our Board is committed to oversee our sustainability governance, strategies and accountability. Ethics and Sustainability is a standing quarterly agenda at Board meetings.

Digi remains in the FTSE4Good Bursa Malaysia Index, which only includes companies that reflect strong ESG risk management practices as measured by an overall ESG rating. The Index is a market-leading sustainability benchmark tool for investors.

We conducted a materiality assessment, collecting views from our stakeholders on 26 topics that included new social trends and concerns that may have a significant economic, environmental and social (EES) impact on our business or substantively influence the assessment and decisions of our stakeholders. In forming our materiality and reporting framework, we have referenced to the Global Reporting Initiative (GRI) Standards, the Second Edition of the Bursa Malaysia Sustainability Reporting Guide (2018) and have taken a further step to rank and map the material issues across our value chain. The next page sets out the top 11 material issues identified from our assessment.

ANTI-CORRUPTION	DATA PROTECTION	CUSTOMER CONCERNS	TALENT AND CULTURE	HUMAN RIGHTS

The top five material issues relate directly to our core business as we prioritise delivering quality services on our network, sharpening our policies and procedures around data protection and human rights, always being people-first, and strengthening our practices around ethics and compliance. Other fronts where we actively address material issues include our Yellow Heart commitment to provide digital inclusion to marginalised communities while keeping families safe on the internet, ensuring a compliant Supply Chain, and exploring adoption of energy efficient technologies as part of our carbon management commitments. More details on these activities are disclosed in the subsequent pages of this report.

MATERIALITY ISSUES MAPPED TO OUR VALUE CHAIN

Material Issues	Value Chain					
	Strategic Planning & Innovation	Sourcing & Service Development	Sales & Distribution	Network & IT Services	Billing & Customer Service	Customer Service and Data Insight
1. Anti-corruption	✓	✓	✓			
2. Data protection			✓		✓	✓
3. Customer concerns			✓	✓	✓	✓
4. Talent and culture	✓	✓				
5. Human rights	✓	✓				
6. Service reliability and quality				✓	✓	
7. Digital resilience (safe)	✓			✓		
8. Digital inclusion (access)	✓			✓		✓
9. Environment and climate change	✓			✓		
10. Diversity and inclusion		✓			✓	
11. Supply chain sustainability			✓	✓		

The stakeholders involved in this assessment included analysts, investors, government ministries, United Nations agencies, Personal Data Protection Commissioner, business partners and customers, sustainability partners, suppliers, non-governmental organisations, Union, people council, and management. We believe that this updated materiality assessment will better guide future initiatives and sustainability planning.

MATERIALITY MATRIX BY PRIORITISATION MAPPED TO SDGs AND 11TH MALAYSIAN PLAN

This section outlines our material issues and performance indicators. We do not have indicators for every material issue as some are addressed through our Code of Conduct, Supplier Conduct Principles, and our policies and manuals available on Digi's website. A more comprehensive disclosure is available in our Sustainability Report online at www.digi.com.my/sustainability.

SUSTAINABILITY

ETHICS AND COMPLIANCE

OUR VOICE OF INTEGRITY

In an age of oversharing and abundance of information, trust and transparency are vital currencies for any organisation to operate. We therefore adhere to the highest standards of ethics and integrity in conducting our business. We see emerging forces of disruption in the areas of data security, consumer responsibility, and supply chain risks, and we have been agile in adapting to these shifts in the interest of our stakeholders.

An Integrated Culture of Integrity

In 2018, we refreshed our Code of Conduct (the Code) mandated for all employees. The new Code adopts a 'requirement, risk and guidance based model' versus the previous 'high level principle based model'. Launched group-wide by Telenor, the Code was enhanced to provide greater clarity on expected employee conduct with clear links to relevant policies and manuals. It also included additional sections to address scenarios concerning 'Business partners and Public officials'. The Code was made available on mobile to ease access and search capabilities. We also conducted an Integrity Day themed #SticktotheCode that saw Digi-wide employee participation in signing the Code, drawing a deeper understanding of its principles and undertaking scenario-based learning modules to help them internalise the Code in a simplified, practical manner. We saw a 100% employee participation in the e-Learning module.

Implementing International Standards

Digi maintains a zero-tolerance stance towards all forms of corruption, including bribery, facilitating payments or otherwise offering an improper advantage to influence a third party. We conduct our business in an open and transparent manner. In 2019, we will undertake the ISO 37001 (Anti-Bribery Management Systems) certification which covers elements such as due diligence, financial and non-financial controls, policies on specific high-risk bribery areas, whistle blowing policy, and training and communication. The standard also provides guidance in defining clear roles for leadership in driving Digi's anti-bribery agenda, third party compliance assessment, and embedding a compliance culture that focuses on prevention.

Setting the Standards in Governance

All employees are expected to comply with the Code, and all related policies and manuals. The Code is owned and approved by the Board of Directors, and is implemented by the Ethics and Compliance function. Compliance incidents are reported through several means: an Integrity Hotline at http://telenorhotline.ethicspoint.com, through leaders or directly to the Internal Audit and Investigations department. The Internal Audit and Investigations department is responsible for all investigations including those raised by whistle-blowers, and handled according to a well-defined process outlined in the Whistle-blowing Manual. The team works closely with the Ethics and Compliance department to conclude investigations and take appropriate action, this includes legal action if required. Any failure to report a breach of the Code warrants an immediate inquiry and action to be taken against the relevant individual.

The Audit and Risk Committee has responsibility over the reports raised by whistle-blowers, to review the related policy and manual in addressing such reports, and to ensure investigations are conducted objectively and independently. Both the Internal Audit and Investigations department and the Ethics and Compliance department report to the Audit and Risk Committee and the Board regularly on any reported cases as well as follow-up actions taken.

All compliance cases reported in 2018 were concluded with resolutions and remediation plans within the guided 30 to 45 days. In the year, we also completed the implementation of all remediation plans identified in 2017. To enhance our processes, we engaged a 3rd party service provider to conduct an Integrity Due Diligence screening for new business partners and tightened our compliance risk assessment methodologies.

Digi was the only Malaysian company to attain the Best Corporate Governance recognition for the highest level of disclosure as published in the CGIO-ACN Corporate Disclosure on Business Integrity in ASEAN 2018 report. Published by the ASEAN CSR Network (ACN) and the National University of Singapore (NUS) Business School, the study compared the 50 largest companies by market capitalisation in five ASEAN countries – Indonesia, Malaysia, Philippines, Singapore and Thailand – and ranked them based on a set of 13 questions developed by Transparency International.

DATA SECURITY AND PRIVACY

Evolving Beyond Confidentiality

Safeguarding customer privacy remains a priority and we have integrated all data-privacy related activities into everyday organisational processes. We enforced stringent measures to address possible gaps across our business value chain to ensure we continue to protect the privacy and security of our customers.

New tools and practices introduced during the year included enhancing governance on privacy matters, privacy risk assessment as part of data processing, establishing privacy compliance in vendor process, identifying key functions within the organisation with heightened responsibilities to manage data, and constantly engaging employees with relevant capacity-building programmes. All these measures support our commitment to remain transparent on how we collect and use personal data.

Encompassing Privacy Matters

We recorded a 100% completion of the Privacy Matters e-learning module by employees. The module emphasises and cultivates privacy knowledge and awareness to embed a culture of privacy compliance across all job functions. It was made a mandatory learning for all new employees in the onboarding process, and part of periodical training sessions for job functions involving customer data, such as retail frontlines and contact centre.

Future-proofing Privacy and Fraud

In 2018, Telenor launched a two-year privacy programme across its Asian markets to build capacity and introduced scenario-based learning to ensure synchronisation among business units in navigating the complex and changing privacy regulatory landscape.

SERVICE RELIABILITY AND QUALITY

Witnessing Robust Internet Growth

We now serve 9.2 million internet customers whose 9.9GB average monthly data usage has driven a 70% y-o-y surge in data traffic on our network. As data demand continues to rapidly increase, we remain committed to provide a quality and consistent network experience for customers.

This year, we expanded our nationwide 4G plus network footprint to cover 89% of the population with 4G LTE, 65% with LTE-A, and grew our fibre network to 8,400km. Our commitment to service quality was also reflected in the results of the Malaysian Communications and Multimedia Commission (MCMC)'s Network Performance Report 2018. The report outlined nationwide network performance measurements based on key metrics such as data throughput speeds and network latency, in line with the Mandatory Standards for Quality of Service for Wireless Broadband Access services.

The report measured:

Digi Key Metrics/Year	2017	2018
(Throughput) Average Download Speed	15.57 Mbps	23.10 Mbps
(Throughput) Speeds	98.80% >650 Kbps	98.49% >1Mbps
(Network Latency) % of the time latency ≤ 250 ms	99.61%	99.36%
(Network Latency) Packet Loss	0.52%	0.12%

Note: In 2017, most networks were on 3G with throughput set at 650kbps at 65% of the time. In 2018, the threshold was raised to 1Mbps at 80% of the time aligned to LTE coverage deployments. (Source: MCMC Network Performance Report 2018)

CUSTOMER CONCERNS

Captivating Customer Obsession

We remained true to our mission of always employing a customer-first mindset and to put customer concerns at the core of all we do. We have a dedicated customer management team constantly working to innovate new ways of improving customer experience across all our digital and retail touchpoints. These efforts have led us to score the highest customer Net Promoter Score (NPS) within the industry for the second consecutive year. NPS is calculated as the percentage of promoters (customers likely to promote a brand) deducted from the percentage of detractors.

Digitally Integrated Customer Management

We continued making smart investments to redefine our customer experience by digitising customer care services across our touchpoints to meet the expectations of our customers.

MyDigi: Enhancing our self-serve platform to incorporate personalised member rewards and offers, we saw app adoption grow to three million monthly active users (>20% growth from the previous year), with customer logins averaging 10.7 times a month for multiple usages.

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Live Chat: As we introduced more digitised customer care options, we saw a 51% reduction in total calls to our Customer Service across all services. In 2017, we developed an in-house chatbot fondly known as *Will* that functions as the first point of contact on Live Chat to filter simple customer queries.

In 2018, we recorded positive customer satisfaction (CSAT) scores across both our key touchpoints – contact centre and retail stores, registering an increase of 5% and 1% respectively.

CSAT Ratings	2017^	2018*	Difference
Contact Centre	58%	63%	+ 5%
Retail Centres	87%	88%	+1%

*(*assured by KPMG)*
Note: ^ based on data collected from July – December 2017

Containing Third-party Content

We took necessary measures to mitigate disputes over unauthorised subscription of content through SMS with third party content providers. We worked to help our customers better manage their subscriptions by implementing an additional authentication layer via Transaction Authorisation Code (TAC) for all third party subscription requests made via SMS, and established a weekly complaint monitoring framework to monitor and escalate disputes to content providers for resolution. We raised efforts to keep customers informed on how they may have unknowingly subscribed to third party services and how to unsubscribe.

Artificial Intelligence At Work

We leveraged on the power of Artificial Intelligence (AI) and machine learning to improve cyber security, fraud detection, and streamline processes. These technologies gave us security capabilities to prevent and reduce the effects of a range of threats, including the ability to swiftly detect and respond to fraudulent activities, achieve greater process efficiencies, and reduce human error to provide better protection for customers. The fraud detection AI solution (Automated Deep Learning detector) was developed internally and is able to identify tampered photos and invalid registrations.

Mobile Data Management Feature

Our latest innovation for customers came in the form of a mobile data management feature for Android users. A collaborative effort between Google and Telenor Group, the feature enables customers using Android devices running on 4.0 operating system and newer to access their mobile data plan, purchase data offers and receive alerts via phone settings instead of an app. This brought greater convenience to our customers to enjoy our services seamlessly with minimal disruption, resulting in a better internet experience.

Digi Customer Engagement Day

For the sixth year running, our Customer Engagement Day saw over 1,000 employees taking to the streets of Malaysia, with the aim of connecting with our customers and understanding what matters most to them. This annual exercise provides our employees the opportunity to gain insights and have honest dialogues with our customers on how we can do better.

#DigiFriend

#DigiFriend is an ambition held by frontliners across our retail and contact centre touchpoints, to encourage a people-friendly culture where they approach customers like a friend. We re-imagined our store setup and introduced over 300 #DigiFriend ambassadors across retail stores nationwide to provide personalised and world-class services to customers. As importantly, we also prioritised to serve expectant mothers, seniors and people with disabilities first in our stores.

SUPPLY CHAIN SUSTAINABILITY

Through our Supply Chain Sustainability (SCS) focus, we require responsible business conduct from all our suppliers in accordance with our Supplier Conduct Principles (SCP), which is part of our Agreement on Responsible Business Conduct (ABC). These requirements are complemented by systematic monitoring and risk management. We believe that decent working conditions, respect for human rights and the environment, as well as willingness to improve standards amongst our suppliers is the only viable way forward. By working closely with our suppliers, we can raise the standards and build a competitive edge from the way we manage our supply chain.

Compliance, Capacity Building and Continuity

Integrity is a vital part of Digi's business, and we exercise due diligence when it comes to the selecting of business partners to ensure compliance with our ethical standards. We have implemented mandatory requirements for screening and conducted integrity due diligence

(IDD) assessments on all business partners and suppliers. Parties with a direct contractual relationship with Digi are legally obliged to uphold responsible business practices and adhere to our SCP.

The principles include areas related to human rights, health and safety, labour rights, environment, privacy, and prohibited business practices, which sets out the minimum standards we expect to see achieved over time. Suppliers are also obliged to ensure compliance with applicable anti-corruption laws and regulations.

In 2018, all 162* newly registered vendors signed the Agreement of Responsible Business Conduct (ABC) which communicated our anti-corruption policies and procedures. We conducted 464 site inspections in the year, 95% of which were unannounced. Eight sites were found to have committed major compliance breaches and 35 sites recorded minor breaches. As a result of failing to meet our safety standards, six subcontractors were terminated while two others were suspended for six months pending improvements.
*(*assured by KPMG)*

All our suppliers underwent capacity building workshops accumulating 2,060 training hours in the areas of safety awareness guidelines, proper ways of using equipment and also on human rights.

We also made functional enhancements to the Digi Permit to Work (D'PTW) app to better track the operations of our contractors and sub-contractors working at our sites. The D'PTW app was developed to digitise safety monitoring and simplify the permit approval process for all contractors and sub-contractors. Features of the app ensure that contractors have Health, Safety and Environment (HSE) competencies, working at height competency and adherence to Personal Protective Equipment (PPE) requirements. With geo-tagging, and check-in and check-out features among others, the app provides real-time monitoring of a contractor's HSE compliance.

Respect for Human Rights

Digi supports and respects internationally proclaimed human rights including the UN Declaration and conventions on human rights. In 2018, we undertook a Telenor Group Human Rights Due Diligence exercise in collaboration with Business for Social Responsibility™ (BSR™). This company-wide exercise involved participation of key business functions aligning our operations and supply chain to adhere to best practices in human rights including freedom of expression, data privacy, health and safety, bonded labour, child labour, non-discrimination, child online safety and access to technology. The due diligence assessment identified risks and planned preventive and mitigation actions to address human rights impacts. We also engaged external stakeholders such as the Human Rights Commission of Malaysia and UNICEF Malaysia to gain a macro perspective of the industry and the country.

EMPOWER SOCIETIES

Commitment to Sustainable Development Goals

Digi is committed to prioritise and deliver on the United Nations Sustainable Development Goal (SDG) #10 – Reduced Inequalities, where we aspire to provide access to meaningful internet services for all Malaysians and drive greater socio-economic development for communities. Now more than ever, we need to equip as many Malaysians with the ability to use technology and develop innovative solutions to solve problems that can otherwise leave them marginalised. We work to ensure that access to opportunities is equal for all. This is our purpose to empower societies and reduce inequalities.

Partnering For Reducing Inequalities

In 2018, we worked with like-minded partners such as Telenor Group, Ministry of Communications & Multimedia, Malaysian Communications and Multimedia Commission (MCMC), Ministry of Education, UNICEF, Petrosains, Childline, The Star R.AGE, and many others to drive our ambition to develop digital competencies and resilience of Malaysians. These collaborative partnerships have enabled us leverage on inter-organisational strengths and deliver on our programmes with maximised scale and impact. At end November last year, we engaged multiple stakeholders, and showcased the impact of our projects and these partnerships at our annual Partnering For Reduced Inequalities (PFRI) event held at our headquarters.

Yellow Heart

A total of 87.4% of Malaysia's population are connected to the internet. Moreover, the Internet Users Survey 2018 (IUS 2018) released by MCMC states that nine out of ten children aged 5 – 17 years are internet users, making them vulnerable to various online risks (Source: MCMC Press Release January 2019). In a world where our children are "growing up digital", it is pertinent that alongside access, our children are raised to be safe and responsible digital citizens. This is the core purpose of Yellow Heart.

Yellow Heart was launched in June 2018 as our commitment to create a more sustainable digital future for all; delivered via our two nationwide initiatives: Enabling Digital Inclusion and Building Digital Resilience.

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Enabling Digital Inclusion

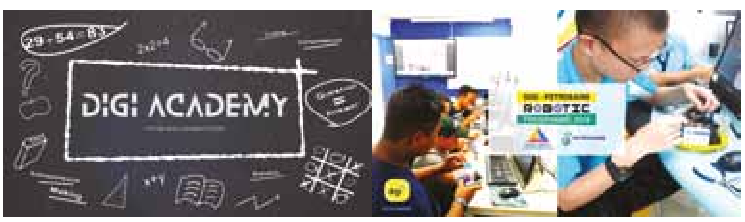
We strive to provide equal opportunities for all members of society to benefit from the power of the internet. We believe it is imperative to adopt future skills learning for a digitised Malaysia, where future jobs will change, demanding a highly skilled interoperable workforce.

Digi Internet Centres

We continue to collaborate with MCMC to operate and maintain 132 internet centres located in rural communities and urban low income housing projects. These community internet centres provide access and basic digital literacy programmes for the community.

Digi Academy and Digi Robotics Programme

In co-operation with MCMC, our programmes advocate digital literacy, primarily for youth residing around our internet centres. These programmes, anchored on STEM and future skills modules provide an early foundation and build interest and enthusiasm in their pursuit of tertiary learning opportunities. During the year, Digi Academy trained 600 youth from three states, Selangor, Negeri Sembilan and Melaka, while Digi Petrosains Robotics, in collaboration with Petrosains, reached 40 children from marginalised communities in Selangor and Johor. We plan to expand these programmes to the East Coast and East Malaysia in 2019.



Future Skills Camp: Digital Photography

We conducted a pilot initiative together with UNICEF and Childline Malaysia to inspire and empower children to be creative digital storytellers. Leveraging on smartphones and photography apps, we empowered 40 children from urban low income, refugees, and indigenous communities with tools and guidance from field experts, to tell life stories through digital photography. The children showcased their work at our PFRI event and on online platforms.

JomStudi Digital Learning Hub

We collaborated with Astro and Media Prima on JomStudi, a digital learning hub that aggregates quality educational content as a learning aid for all students, especially those in the underserved areas. Developed by Digi, the platform was launched in March 2019, and aims to be a go-to platform for students to conveniently access quality education content that follows the national syllabus format. The initiative is supported by the Malaysia Digital Economy Corporation (MDEC).

Building Digital Resilience

We continued to drive thought leadership and solid momentum in keeping children safe through responsible and resilient digital citizenship. We initiated 226,357* meaningful engagements with young people across the country in 2018 via various nationwide campaigns. We estimate another 75,000 were engaged in the #StandTogether programme. *(*assured by KPMG)*

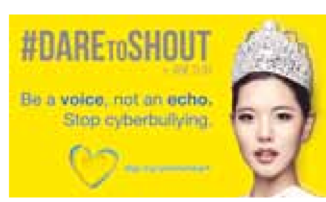
#StandTogether National Kindness Week

Partnering with UNICEF, Ministry of Education, The Star R.AGE and S P Setia Berhad in the inaugural #StandTogether National Kindness Week, we engaged with students from over 700 schools nationwide. We spearheaded an online campaign (#BaikHati) to spark a culture of kindness on the internet with support from celebrity influencers and via an online competition. We are planning a second season in 2019 to reach an even larger audience nationwide.

#ENDViolence Youth Talk

We organised a YouthTALK forum with UNICEF, where 300 youth shared their concerns and opinions on internet safety to key stakeholders. The platform saw the participation of several Malaysian Members of Parliaments as well as local and international celebrities joining hands to amplify the voices of these children, standing against online violence. The online content and live video gathered over one million views on social media channels both locally and abroad.

YellowHeart#DaretoShout



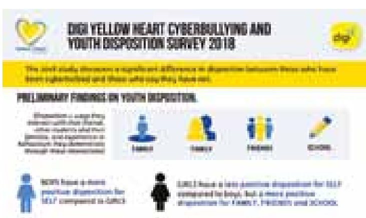
Taking a more targeted approach by joining forces with the reigning Miss Universe Malaysia 2018, Jane Teoh in her #DareToShout campaign, we visited selected schools in Klang

Valley and Penang to share her personal cyberbullying stories and educate students on digital resilience strategies. Jane is a strong advocate for cyberbullying awareness, and is extending her reach to a wider audience through this partnership with Digi.

Advocacy and Young Ambassadors

Partnering with the Ministry of Education, CyberSecurity Malaysia and Google, the Yellow Heart CyberSAFE in Schools campaign focused on instilling positive digital citizenship behaviours. The campaign garnered 90,968 entries from over 173 schools nationwide. To reach the masses, we implemented our safety education modules in MDEC's Mobile Learning Bus initiative to educate children in rural areas. We refreshed our interactive digital exhibit at Petrosains, The Discovery Centre that attracted over 500,000 visitors in 2018. We also partnered with Childline Malaysia and Talisman Project to host capacity building youth camps at our headquarters.

Surveys and Workshops



The Digi Yellow Heart Cyberbullying and Youth Disposition Survey 2018 is our third nationwide online safety study to understand the co-relation between youth disposition and cyberbullying. The survey ran for 10 months and gathered responses from close to 2,000 youth, aged 13-21 years old, predominantly from rural schools.

Concurrently, we also partnered with Sunway University and Free University of Berlin (FUB) on an appropriate mitigation strategies survey and a cyberbullying prevention programme with 11 secondary schools in the Klang Valley.

Resources and Modules

We have consistently produced various educational awareness resources on digital citizenship and internet safety to complement our programmes. Some new resources introduced in the year included a parental guide with CyberSecurity Malaysia and an interactive online module for children and parents in partnership with Telenor Group and Parentzone UK. We also developed a 5-episode animated video series, called the Yellow Heart Cyber Series, produced by popular youtuber Cartoon Hooligans in partnership with Google. The series hit over a million views on social media.

Future Plans and Solutions

As evolving technologies continue to change the nature of internet usage among young people, we also observe the emergence of new online risks and the importance of keeping abreast with these changes and needs. We have planned for at least 15 state-wide capacity building sessions in 2019 and will continue to implement ongoing nationwide surveys and research to gather ground up insights to curate more meaningful engagements and impactful solutions.

> Digi was awarded the Best Social Innovation award in the Malaysian Dutch Business Council Innovation and Sustainability Awards (MISA) which showcases best industry practices. The MISA 2018 Social Innovation category focused on organisations with innovations that positively affect society, address current Malaysian social issues and contribute to the development of the industry.

CLIMATE CHANGE AND ENVIRONMENT

Balancing Growth with Sustainability

Digi has a large and growing footprint across Malaysia. With the increasing usage of digital services, we have seen a phenomenal growth in internet traffic on our network and this forms the continuous challenge to balance the demand for growth with the need for sustainability. While we understand our impact on the country's greenhouse gas emissions and waste challenges, we are also aware of the huge potential of technology to decarbonise the entire economy.

Our climate strategy remains focused on pushing for energy efficiency gains in all aspects of our energy consumption to minimise our carbon footprint and pave the way to realise climate-friendly innovations. We continue to disclose our carbon footprint and we report as part of the Telenor Group to the Carbon Disclosure Project (CDP) climate reporting system, in line with the Task Force on Climate-related Financial Disclosures (TCFD) reporting framework. For the fourth year in a row, CDP rated Telenor Group in their 'Leadership' category as part of its climate ranking list for 2017.

We continue to take guidance from the Global e-Sustainability Initiative (GeSI) SMARTer 2030 Global Report which demonstrates ambitions of how responsible technology-enabled transformation initiatives can improve the quality of human life globally and create a

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more sustainable world. According to the report, by 2030, technology has the potential to slash global greenhouse gas (GHG) emissions up to 20% by helping companies and consumers to use and save energy intelligently, thus contributing to operational efficiencies and wider societal benefits.

For instance, to generate carbon savings in our downstream, our iFleet smart solution reduces fuel wastage and improves driving behaviour for corporate customers while Digi Connected Cars with AXA FlexiDrive is a commercial offering that rewards safe and efficient driving patterns, tracked based on speed and mileage. Meanwhile, Omni, our innovative enterprise-level virtual phone system allows enterprises to dematerialise and avoid resource-intensive setups for office phone systems or a call centre.

Next-Gen Infrastructure and Smarter Networks

In 2018, we were more intentional in implementing sharing models (up to 70% tower sharing), rolling out more efficient small cells and rooftop sites in place of larger base station towers which has a more significant environmental footprint. We were also more aggressive in converting fuel based generators to grid energy. However, our solar renewable energy sites were reduced to 41 sites as 16 sites were vandalised.

We undertook a change in operating model as we engaged Ericsson in a Common Delivery Centre (CDC) agreement to maintain our network operations for optimal efficiencies. This synergy provides us access to Ericsson's latest technologies, tools and software to manage day-to-day operations and network expansion, and contributes towards greater energy efficiencies.

Energy and Carbon Reporting

While we saw energy savings in some indirect value chain emissions (Scope 3), we still recorded energy growth in our direct (Scope 1) and indirect emissions (Scope 2) resulting from our business growth. Our energy consumption increased by 12.9% while our carbon emissions increased by 13.4%.

Digi Climate Metrics/Year	2018	2017
Scope 1: Direct Energy Consumption from Fuel (GwH)	111^	101*
Scope 1: Carbon Emissions (Tonnes)	26,960	24,262
Scope 2: Indirect Energy Consumption from Grid and Green Electricity (GwH)	230	194
Scope 2: Carbon Emissions (Tonnes)	153,769	131,926
Scope 3: Indirect Energy from Value Chain (GwH)	9	9*
Scope 3: Carbon Emissions (Tonnes)	1,728	1,782
Total Energy (GwH)	350	304
Total Carbon Emissions (Tonnes)	182,457	157,970

Note: Our boundary for carbon reporting only covers emissions from Digi Telecommunications Sdn Bhd. Our network accounts for the largest emissions operating under this company. It does not include subsidiaries, outsourcing services or joint ventures.

All energy and emission figures (Scope 1, 2 and 3) are assured by KPMG except for ^ which includes an estimation for diesel consumption in generators on standby. Standby generators account for 0.18% of total diesel consumption.

** Energy consumption from transportation reported in 2017 has been categorised to Scope 1 and Scope 3*

Digi Intensity Metrics/Year	2018	2017
Customer Base (mil)	11.66	11.75
Energy Usage per Customer (KwH)	29.7	25.8
Carbon Intensity per Customer (tCO_2e)**	0.016	0.013
Energy Usage per Data terabyte (MwH)	0.38	0.56
Carbon Intensity per Data Usage (tCO_2e)**	0.20	0.29

*** Carbon Intensity is the emission rate of a given pollutant relative to the intensity of a specific activity or data. (Source: Wikipedia). Our carbon intensity is measured by tonnes of CO_2 (tCO_2e) per terabyte of data and by customer base in millions. We believe these are good indicators to measure against, considering the increasing data consumption trends of our customer base.*

While the carbon intensity per customer has risen 23% to 0.016 tonnes CO_2e due to demands of a growing subscriber base, the carbon intensity per data usage has decreased by 31% to 0.20 tonnes CO_2e. This means that though the average customer is using more data, we have achieved a lower carbon footprint per unit of data consumed.

Future Plans and Solutions

Moving forward, our plans are focused on these key areas :

(1) Review and align climate reporting processes with the TCFD recommendations.
(2) Reduce energy demand of our network and buildings by investing in more efficient cooling technologies. This is in continuation of cooling initiatives implemented in our headquarters in 2018 where we realised carbon savings.
(3) Reduce vehicle fuel consumption through driver monitoring software and synergised fleet management under our new operating model.
(4) More aggressive conversion of sites from generator to grid energy to reduce dependency on fuel.
(5) Work towards zero office waste to landfill through better recycling efforts and removing single-use plastic waste.

(6) Instil good environmental management principles across our operations via the ISO 14001:2015 certified Environmental Management System.

WINNING TEAM

Agile Employer Brand

Freedom to Inspire the Next is Digi's brand promise to give our employees the freedom to always explore inspiring ideas for new products, service improvements or innovation, irrespective of hierarchy, tenure or job functions.

We strongly believe in developing talent, supported by multiple streams of self-learning and development platforms. We do this through a systematic approach of identifying future skills relevant to the demands of the business, weighed against the career aspiration of each of our employees, better known as Digizens.

Onboarding Employees on Strategy

What's Your Next is a half-day course designed to help every employee understand and appreciate Digi's strategy and purpose, facilitated by Digi's leadership team. A total of 1832 participants* nationwide underwent these sessions, including permanent and contract employees.
*(*Total data from January 2018 to February 2019)*

Self-Learning Platforms

To cultivate a habitual learning culture within Digi, each employee was challenged to complete 40 hours of learning on various digital platforms such as Lynda.com, Coursera, Udacity and Linux Academy. We achieved a total of 103,614* hours of learning with an average of 64 hours per employee. On top of this, we estimate an additional 14,856 hours of learning by 190 employees who graduated with Udacity Nanodegrees. *(*assured by KPMG)*

Digital frontrunners

We are a company focused on being customer-obsessed and innovation-led in running our business and creating experiences for our customers.

Innovation 360

Our approach to Innovation 360 is to inspire, equip and enable employees to adopt and apply innovation to their way of work every day. Guided by our refreshed values of Always Explore and Create Together, complimented by Being Respectful and Keeping Promises, we aim to do different things or to do things differently.

Design Sprints and Everyday Innovation Bootcamps

Design sprints are conducted frequently for departments and project groups to improve agility and to promote a red way of work (prototyping, fail fast and innovate). We had nine departmental sprints and multiple innovation bootcamps for key functions within the organisation such as Customer Management and Technology, and engaged 680 Digizens through these sessions.

Digital Day & Red Explorer Team

Digital Day is an annual one-day event dedicated for all employees to internalise our digital ambition. This year, we saw over 1,300 Digizens actively engage in the speaker series, roundtable forums, exhibitions and master classes conducted throughout the day.

Meanwhile, the Red Explorer Team (RET) was introduced to encourage participation of employees who aspire to be an intrapreneur and work on high impact digital projects. Two RET teams were formed comprising of eight selected employees who hatched ideas into prototypes over the course of the year. One idea is being developed into a health wearable product while the other is a WiFi-enabled service.

Telenor Ignite and Digi CXO Apprentice

Telenor Ignite is organised by the Telenor Group as a global platform for intrapreneurs from different Telenor markets to develop their ideas into a product or service. Season 3 saw four teams from Digi pitching in the 'Top 18' finals. Team Eureka, with a predictive solution to address network complaints was crowned the winner for the season.

The third edition of the CXO Apprentice Programme paired talented young graduates with Digi's CXOs for a year, giving them opportunities to be part of high-impact projects and

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front-row seats to business decision-making. Nine out of 870 bright young minds were selected based on their ability to solve key business challenges using a digital frontrunner mindset.

Employee Effectiveness Survey 2018

Our annual Employee Effectiveness Survey (Our Voice), showed a 1% increase (from 2017) in both Engagement and Enablement, at 78% and 76% respectively, and we achieved a 98% response rate (1,536 respondents). The survey provides an opportunity for employees to express their views about working at Digi. Findings show that majority of employees have a good grasp of the company's strategy and believes that good governance is practiced across the business functions.

Diversity and Inclusion

Digi was the sole Malaysian company to make it to the Top 50 in the Thomson Reuters Global Diversity and Inclusion (D&I) Index for 2018. The D&I Index ratings are benchmarked against Thomson Reuters environmental, social and governance (ESG) data, which measures over 24 metrics clustered across four key pillars: Diversity, Inclusion, News & Controversies and People Development. Among the issues considered are Board Gender Diversity, Women Employees, Diversity, Flexible Working Hours, Employee Satisfaction and Career Development Processes.

We believe in having a diverse and inclusive workforce at all levels of the organisation. Our Board level has a 57% composition of women board members with the appointment of Ms Anne Karin Kvam as Non-Independent and Non-Executive Director in October 2018. The Management team consists of 25% women representation while our leadership comprises of 46% women leaders.

	Gender (%)	
	Male	Female
Employees Count %	50.1	49.9

	Ethnicity (%)				
	Malay	Chinese	Indian	Bumiputera	Others
Employees Count %	28.1	50.8	15.8	2.2	3.1

	Age Group (%)				
	20-29	30-39	40-49	50-59	>60
Employees Count %	17.6	44.9	31.3	6	0.2

Talent and Culture

We believe in building a fulfilling workplace, inspired through a common understanding of shared-value between management and employees. A people-first approach remains a key priority for sustained competitiveness and growth in our HR strategy.

Leadership and expert training programmes are provided periodically to prepare aspiring leaders for the next step in their career progression. Selected leaders joined the Telenor Strategy Execution Programme, organised by Telenor Group with INSEAD, out of which eight graduated with distinctions.

Labour and Employee Representation

Digi is a professional and inclusive workplace that observes the International Labour Organisation (ILO)'s fundamental conventions. We recognise and respect the right to freedom of association and the right to collective bargaining within national laws and regulations. We do not employ or contract child labour or any form of forced or compulsory labour, as defined by ILO fundamental conventions. We are also opposed to all forms of discriminatory practices and do our best to promote equality in all employment practices. We do this by constantly promoting a working environment where employees are encouraged to speak up and share their views on all matters affecting employee welfare and engagement, productivity as well as operational and process improvements. Our Best on People Council (BOPC) and Digi Telecommunications Sdn Bhd Employees Union (DGEU) comprising elected employee representatives from across the Company work in close collaboration with the Management in addressing all matters raised by employees.

We signed our second Collective Agreement with DGEU on 9 April 2018, in the presence of the Director-General of Industrial Relations from the Industrial Relations department under the Ministry of Human Resources, the President of UNI Malaysia Labour Centre (UNI-MLC) and Telenor Group's Chief Human Resource Officer. The renewed Collective Agreement binds new variations to terms and conditions of service and will remain in force until December 2020.

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Employee Health and Safety

Digi pioneered the adoption of ISO 45001:2018 Occupation Health and Safety Management System certification in the industry to ensure enhanced compatibility with wide range of national health and safety management standards. This reaffirms our commitment towards a safe and sustainable workplace for all employees. We continue to enhance competency for our Health, Safety and Environment (HSE) team members, established a new HSE Policy Statement, analysed non-operational risk for the organisation and upgraded our HSE manuals among others.

Having achieved a year of zero lost time injury frequency (LTIF)[1] in 2017, we recorded one significant employee injury in 2018 with our LTIF at 0.27* per million hours of work. Employees percentage in sickness absence frequency[2] recorded a marginal increase of 0.05% for 2018, settling in at 1.09%. *(*assured by KPMG)*

1. *Lost-Time Injury frequency (LTIF) measures all work related fatal accidents and lost time injuries for employees per million worked hours.*
2. *Sickness absence frequency measures the absence rate of employee against the total number of available working days*

Digi Medical Response Team (MRT): Our First Aid emergency hotline is supported by a MRT comprising of Digi volunteers trained to handle medical equipment such as trauma quick response kits, automated external defibrillators and oxygen packs. In 2018, our 30 volunteers received their training certification from the Emergency Care & Safety Institute, United States.

Promoting well-being through Health and Wellness

Since 2016, we embarked on five year long-term strategy to promote greater health and well-being for our employees.

D'Gym Classes: We increased our gym class offerings to include metafit, zumba, circuit training, tabata and kickboxing. 2,500 gym class registrations were recorded in the year, an increase from 500 a year ago.

Digi Wellness Programme: We executed an eight-week wellness challenge to promote healthier lifestyles and weight management. 260 employees undertook the fitness challenges, gained nutrition awareness and are practicing good lifestyle habits. We also implemented a weekly 'No Lift Day' and promoted a 'No Smoking Day' to encourage employees to reduce or to quit smoking.

We believe Sustainability is about innovation and partnerships, charting our business in a way that leads to long-term value creation and impact. The Sustainable Development Goals (SDGs) can only be realised with a strong commitment to global partnership and cooperation. In 2018, Digi as part of Telenor Group continued our global partnership with UNICEF and became part of the committee in the Business Council for Sustainability and Responsibility Malaysia (BCSD Malaysia).

This is a summary of Digi's key sustainability initiatives in 2018. For more detailed information on sustainability governance, material issues, stakeholder engagement, management approach, initiatives, and data trends, please visit our Sustainability Report at www.digi.com.my/sustainability, and other information at www.digi.com.my/aboutus and www.digi.com.my/yellowheart.

*KPMG has provided a limited external assurance of select indicators presented in this section of the Annual Report. The limited external assurance opinion can be found on pages 157 to 158 of this Annual Report.

Strategic Review
Performance Review
Sustainability
Governance
Financials
Additional Information

DEVELOPING FUTURE-READY TALENT

64 hours
average learning by each Digizen

190
employees completed Udacity nanodegrees

680
Digizens engaged through design sprint bootcamps

Strategy Pillar
WINNING TEAM

BOARD OF DIRECTORS

TONE RIPEL

ANNE KARIN KVAM

YASMIN BINTI ALADAD KHAN

TAN SRI SAW CHOO BOON

BOARD OF DIRECTORS

HAAKON BRUASET KJOEL

VIMALA V.R. MENON

TORSTEIN PEDERSEN

DIRECTORS' PROFILES

HAAKON BRUASET KJOEL

Age : 47 years **Gender** : Male **Nationality** : Norwegian

Non-Independent Non-Executive Director
Chair of the Board
Chair of the Remuneration Committee

Date of appointed to Board : 11 July 2017
Meeting Attended : 7/7
Length of Service : 1 year 8 months

Skill Sets

Working Experience

Mr Kjoel joined Telenor Group in 1995, beginning his career in the domestic mobile operation in Norway. Since then, he has contributed to Telenor Group's growing international presence through his involvement in Telenor's international mobile operations where he played significant roles in operational development, and merger and acquisition activities both in Europe and Asia. For the last 18 years, he has been based in Asia where he has played a key role in the development of Telenor Group's strategy for Asia, and managing the Asia business environment including in the areas of public affairs, government relations, strategic communications and corporate responsibility. Mr Kjoel was Acting Executive Vice President and Chief Corporate Affairs Officer for Telenor Group from July until October 2018 in addition to his global responsibility for Telenor Group's public and regulatory affairs activities, a role he undertook in September 2016. He assumed his current role on 1 November 2018.

Other Commitments

Mr Kjoel is currently the Senior Vice President of Partner and External Relations Asia for Telenor Group. Concurrently, he is the Director of Total Access Communication Public Company Limited Thailand, Grameenphone Limited, Telenor Pakistan Limited and Telenor Asia Pte Ltd. He is also the Director of Telenor South Asia Investment Pte Ltd, Telenor South East Asia Investment Pte Ltd, Telenor GO Pte Ltd, Telenor Myanmar Ltd, Telenor Asia (IHQ) Ltd and Digi Telecommunications Sdn Bhd.

Qualifications

Mr Kjoel holds a Master of Business Administration and studied public relations at BI Norwegian Business School, Oslo, Norway.

Present Directorship(s)

Listed Entities
- Nil

Other Public Companies
- Nil

TAN SRI SAW CHOO BOON

Age : 72 years **Gender** : Male **Nationality** : Malaysian

Senior Independent Non-Executive Director
Chair of the Audit and Risk Committee
Member of the Nomination Committee

Date of appointed to Board : 9 December 2010
Meeting Attended : 7/7
Length of Service : 8 year 2 months

Skill Sets

Working Experience

Tan Sri Saw joined Shell in 1970 as a Refinery Technologist in Shell Refining Company (Federation of Malaya) Bhd. He then served in various capacities in Manufacturing, Supply, Trading and Planning in Malaysia, Singapore and the Netherlands. In 1996, Tan Sri Saw was appointed Managing Director of Shell MDS (Malaysia) Sdn Bhd. In 1998, he assumed the position of Managing Director for Oil Products (Downstream) Shell Malaysia. In 1999, with the globalisation of the Shell Oil Products business, he was appointed Vice President of the Commercial Business in the Asia Pacific region. In 2005, he assumed the Vice President Global Marine position to manage the marketing of oil products to shipping customers globally. He was appointed Chairman of Shell Malaysia Ltd from 2006 until 2010, when he retired from Shell after 40 years of continuous service.

Other Commitments

Tan Sri Saw is an Independent Director of RHB Bank Berhad and of Wah Seong Corporation Berhad. He is also a Director for some private companies and the Chairman of MRCB Quill Management Sdn Bhd.

In addition, he is the Co-Chairman of the Government's Public-Private Sector Special Task Force on Facilitating Business (PEMUDAH), Council Member of the Federation of Malaysian Manufacturers Council and a Director on the Socio-Economic Research Centre Board of the Associated Chinese Chambers of Commerce and Industry Malaysia.

Qualifications

Tan Sri Saw holds a Bachelor of Science Hons (Chemistry) from University of Malaya.

Present Directorship(s)

Listed Entities
- RHB Bank Berhad
- Wah Seong Corporation Berhad

Other Public Companies
- RHB Capital Berhad (In Members' Voluntary Liquidation)
- RHB Insurance Berhad

DIRECTORS' PROFILES

YASMIN BINTI ALADAD KHAN

Age : 60 years **Gender** : Female **Nationality** : Malaysian

Independent Non-Executive Director
Chair of the Nomination Committee
Member of the Audit and Risk Committee
Member of the Remuneration Committee

Date of appointed to Board : 23 July 2013
Meeting Attended : 7/7
Length of Service : 5 year 8 months

Skill Sets

Working Experience

Puan Yasmin pursued a career in banking where she started out as a Credit Analyst and eventually became Vice President, Corporate and Investment Banking at JP Morgan Chase. She later joined General Electric (GE) Operations Inc as Director, Business Development of GE International Inc, Thailand and Malaysia, and was promoted to Chief Operating Officer of GE International Inc, Thailand.

She was the Senior Vice President, South East Asia & South Asia for DHL Express overseeing 14 countries in South East Asia and South Asia until December 2015. Prior to this, she was DHL Malaysia's Country Manager in 2001 and Country Manager in Singapore in 2003.

Other Commitments

Puan Yasmin is a Director of DHL's subsidiaries in Asia Pacific and is also the Executive Vice President, Asia Pacific (excluding China) and Managing Director, Emerging Markets.

Qualifications

Puan Yasmin holds a Master of Business Administration from Aston University, and is currently a member of the Advisory Board of Singapore Management University.

Present Directorship(s)

Listed Entities
- Nil

Other Public Companies
- Nil

VIMALA V.R. MENON

Age : 64 years **Gender** : Female **Nationality** : Malaysian

Independent Non-Executive Director
Member of the Audit and Risk Committee

Date of appointed to Board : 1 July 2015
Meeting Attended : 7/7
Length of Service : 3 year 8 months

Skill Sets

Working Experience

Ms Menon is a Chartered Accountant and has had more than 30 years of experience in Finance and General Management. She started her career in 1982 and after a brief time in practice she joined Edaran Otomobil Nasional Berhad (EON Berhad) as Manager in the Finance Division in 1984. In 1989, she was promoted to General Manager Finance and then to Director of Finance and Corporate Services, and served as a non-independent Board member of EON Berhad from 1990 to 2006. At various times during this period she also served as a Board member of EON Bank Berhad, Jardine Cycle & Carriage Limited and PT Astra International Tbk. She left EON Berhad in 2007 and was subsequently appointed Director of Finance and Corporate Affairs at Proton Holdings Berhad from 2008 to 2009.

Ms Menon served as a member of the Board of Trustees of Pemandu Corporation from July 2014 to January 2017 and a Board member of Prince Court Medical Centre Sdn Bhd from 2011 to July 2018.

Other Commitments

Currently, Ms Menon is the Senior Independent Director and Chairman of the Board Audit Committee for Petronas Chemical Group Berhad, and Independent Director and Chairman of the Board Audit Committee for Petronas Dagangan Berhad. Ms Menon is also an Independent Director and Board Audit Committee Chairman of Jardine Cycle & Carriage Limited.

Qualifications

Ms Menon is a Fellow of the Institute of Chartered Accountants in England and Wales, and a Member of the Malaysian Institute of Accountants (MIA).

Present Directorship(s)

Listed Entities
- Petronas Chemicals Group Berhad
- Petronas Dagangan Berhad

Other Public Companies
- Nil

Strategic Review
Performance Review
Sustainability
Governance
Financials
Additional Information

DIRECTORS' PROFILES

ANNE KARIN KVAM

Age : 51 years **Gender** : Female **Nationality** : Norwegian

Non-Independent Non-Executive Director

Date of appointed to Board : 16 October 2018
Meeting Attended : 2/2
Length of Service : 0 year 5 months

Skill Sets

Working Experience

Ms Kvam started her career as a case worker in the Norwegian Ministry of Justice in 1993. She worked at Norske Skogindustrier ASA in different management positions from 1994 to 2007, with the last four years as General Counsel. Following that, Ms Kvam was the Global Head of Ownership Policies in Norges Bank Investment Management from 2008 to 2012. Ms Kvam served as Principal Sustainability Consultant in DNV GL from 2012 to 2017. She later became the Head of Responsible Investment in KLP Kapitalforvaltning AS and was part of the leadership team from 2017 to September 2018.

Other Commitments

Ms Kvam was appointed as the Executive Vice President, Corporate Affairs of Telenor Group on 1 October 2018.

Qualifications

Ms Kvam holds a Master of Business Administration from University College Dublin, Ireland and is a licensed solicitor with a Law Degree from University of Oslo, Norway.

Present Directorship(s)

Listed Entities
- Nil

Other Public Companies
- Nil

TORSTEIN PEDERSEN

Age : 52 years **Gender** : Male **Nationality** : Norwegian

Non-Independent Non-Executive Director
Member of the Audit and Risk Committee
Member of the Remuneration Committee

Date of appointed to Board : 12 December 2017
Meeting Attended : 7/7
Length of Service : 1 year 3 months

Skill Sets

Working Experience

Mr Pedersen has more than 20 years of international management experience in the telecommunications sector, covering strategic, financial, commercial and technology areas of business. He started his professional career in 1992 as an Engineer in Telenor Broadcast, Norway, and subsequently served as Senior Engineer in Telenor Norway. In 1997, he joined Viag Interkom, Germany, as a Virtual Private Network Planner and was appointed as Manager in Corporate Strategy in 1998. From 2001 to 2002, Mr Pedersen served as Project Director, Head of the CEO Office in UCOM, Thailand. He joined Telenor Norway in 2003 to 2008 as a Product Manager and was then appointed as Strategic Director. From 2013 to 2014, he acted as Vice President in Telenor ASA and then as Chief Strategy Officer in Globul Bulgaria. He later assumed the Project Director position for a Telenor-Telia merger project in Denmark in 2014 to 2015. From 2015 to 2017, he served as Vice President M&A in Telenor ASA.

Other Commitments

Mr Pedersen is currently Senior Business Manager in Telenor ASA and a Director of Digi Telecommunications Sdn Bhd.

Qualifications

Mr Pedersen holds a Master of Business Administration from IESE Business School, Spain and a Master of Science in Electrical Engineering from University of Karlsruhe, Germany.

Present Directorship(s)

Listed Entities
- Nil

Other Public Companies
- Nil

DIRECTORS' PROFILES

TONE RIPEL

Age : 48 years **Gender** : Female **Nationality** : Norwegian

Non-Independent Non-Executive Director

Date of appointed to Board : 23 January 2018
Meeting Attended : 5/6
Length of Service : 1 year 2 months

Skill Sets

Working Experience

Ms Ripel started her career as Higher Executive Officer, Advisor and Senior Advisor in the Norwegian Competition Authority for three years. In 1999, she joined Wiersholm Law firm in Norway as an Associate and later Senior Attorney working primarily with corporate issues consisting of competition law, corruption issues and regulated markets which include project management of high profile investigations and crisis management. She has served as Director of Business Partner Invest AS in Norway from October 2015 to October 2016.

Other Commitments

Ms Ripel is currently the Attorney at Law in Group Legal of Telenor ASA. She is also the Director of Networks Holding AS, Norway, Total Access Communication Public Company Limited, Thailand, Telenor Norge AS, Norway and Digi Telecommunications Sdn Bhd.

Qualifications

Ms Ripel holds a Master of Law from University of Oslo, Norway.

Present Directorship(s)

Listed Entities
- Nil

Other Public Companies
- Nil

SKILL SETS

- Accounting, Financial Reporting and Taxation
- Commercial/Marketing
- Corporate Governance, Risk Management and Internal Control
- Corporate Planning and Development
- Digitalisation
- Economics
- Engineering
- Finance/Accounting
- General Management Business
- Human Resource
- Information Technology
- Leadership
- Legal and Regulatory
- Operations
- Project Management
- Sales and Marketing
- Strategic Planning
- Telecommunications

Save as disclosed, none of the Directors have any:-

1. Family relationship with any Director and/or major shareholders of the Company;
2. Conflict of interest with the Company; and
3. Conviction for offences within the past 5 years other than traffic offences

MANAGEMENT

MANAGEMENT

Left to right

1. **JOACHIM RAJARAM**
   Chief Corporate Affairs Officer
2. **ELISABETH MELANDER STENE**
   Chief Human Resource Officer
3. **EUGENE TEH**
   Chief Business Officer
4. **ALBERN MURTY**
   Chief Executive Officer
5. **PRAVEEN RAJAN**
   Chief Digital Officer
6. **LOH KEH JIAT**
   Chief Marketing Officer
7. **INGER GLØERSEN FOLKESON**
   Chief Financial Officer
8. **KESAVAN SIVABALAN**
   Chief Technology Officer

MANAGEMENT PROFILES

ALBERN MURTY

Chief Executive Officer

Male	46	Malaysian

Career History

Albern was appointed Chief Executive Officer on 1 April 2015. Prior to that, he was the Chief Operating Officer. Since joining Digi in 2002, he has held roles in Project Planning and Controls, Product Management and Product Development, and as Head of Strategy and New Business, Acting Co-Chief Marketing Officer and Chief Marketing Officer. Before Digi, his previous experience includes business and commercial management roles in Lucent Technologies across the Asian region.

Skills & Experience

Albern holds a Bachelor of Science in Marketing and Advertising Management from Portland State University, Oregon, USA.

INGER GLØERSEN FOLKESON

Chief Financial Officer

Female	37	Norwegian

Career History

Inger was appointed Chief Financial Officer on 1 March 2019. Prior to this, she was instrumental in building strong financial standings for several of Telenor Group's adjacent and non-telco assets globally as Chief Financial Officer, namely for Norkring AS (part of Telenor Broadcast Holding), Telenor Digital Businesses, and Telenor Group Holdings. She has been with Telenor for over 11 years and has held several research and strategy roles where she developed her experience in business modeling, portfolio development and project management.

Skills & Experience

Inger holds a Master of Science, Institute of Industrial Economics and Technology Management from the Norwegian University of Science and Technology, Trondheim, Norway.

LOH KEH JIAT

Chief Marketing Officer

Male	47	Malaysian

Career History

Loh was appointed Chief Marketing Officer on 30 March 2016. Prior to that, he was Chief Sales Officer. He joined Digi in 2008 and has held other various senior positions within the Marketing Division in his 11 years with Digi. These include Head of Postpaid, Head of Corporate Strategy and Broadband, Head of Product Marketing, and Head of Channels and Regional Management. He has more than 20 years of experience in the telecommunications and accounting industries, having held roles at PT Mobile-8 Tbk Indonesia and PricewaterhouseCoopers prior to joining Digi.

Skills & Experience

Loh is a Chartered Accountant who holds a Bachelor of Business (Accounting) from Monash University, Australia.

EUGENE TEH

Chief Business Officer

Male	44	Malaysian

Career History

Eugene was appointed Chief Business Officer on 1 January 2018. He was formerly the Chief Corporate Affairs Officer. Prior to Digi, he was a Director at the Performance Management and Delivery Unit (PEMANDU) of the Prime Minister's Department. Eugene previously helmed senior leadership roles in Arthur D. Little and McKinsey & Co. He was also a senior investment officer at Singapore's Economic Development Board.

Skills & Experience

Eugene holds a Master of Science in Electrical Engineering and Computer Science from University of California Berkeley, USA.

ELISABETH MELANDER STENE

Chief Human Resource Officer

Female	53	Norwegian

Career History

Elisabeth was appointed Chief Human Resource Officer on 1 October 2018. Prior to that, she was Chief HR Officer at Multiconsult, a Norway based engineering company. Before joining Multiconsult, Elisabeth spent 16 years with Telenor, both at the Group and Business Unit level across various commercial and HR functions, including serving as Chief HR Officer at Uninor, a Telenor subsidiary in India.

Skills & Experience

Elisabeth holds a Master of Science from the London School of Economics and Political Science, and a Bachelor of Science from University of Salford, United Kingdom.

PRAVEEN RAJAN

Chief Digital Officer

Male	40	Malaysian

Career History

Praveen was appointed Chief Digital Officer on 1 June 2016. He joined Digi in 2007, and brings more than 15 years of experience in the internet and mobile industries. He has held multiple leadership positions in Digi, including Head of Advanced Data Services, Head of Products – Internet & Services, and Head of Postpaid & Digital Services. Prior to joining Digi, Praveen co-founded a social networking startup called LifeLogger in 2003, where he served as the Chief Technology Officer.

Skills & Experience

Praveen holds a Bachelor of Engineering (BEng) in Electronics and Computing from Nottingham Trent University, Nottingham, England.

KESAVAN SIVABALAN

Chief Technology Officer

Male	50	Malaysian

Career History

Kesavan was appointed Chief Technology Officer on 1 June 2017. Since joining Digi in August 2013, he has held various senior positions in the company including Chief Network Officer and Head of Technology Operations. Prior to Digi, he was the General Manager of Access Network at Vodafone Australia. Kesavan has more than 20 years of experience in the telecommunications industry in several Asian and European markets including Malaysia, Germany, Australia, Cambodia, Vietnam and Bangladesh, working with network vendors like Lucent and Ericsson, and operators like Maxis and Vodafone.

Skills & Experience

Kesavan holds a Master of Science in Enterprise Project Management from Stevens Institute of Technology, New York, USA and a Bachelor of Business from Deakin University, Australia.

JOACHIM RAJARAM

Chief Corporate Affairs Officer

Male	42	Malaysian

Career History

Joachim was appointed Chief Corporate Affairs Officer on 1 February 2018. He was formerly Growth and Partnerships Lead at Digi's venture building arm, Digi-X, where he drove business development, and partner and stakeholder engagement for the company's FinTech, IoT, and eCommerce offerings. He has been with Telenor for close to 10 years, and has held various senior roles in this period including VP – Head of Corporate Communications in Telenor Myanmar, and Head of Communications and Sustainability at Digi. Joachim has two decades of experience in corporate communications, sustainability planning and governance, public affairs, and business environment management.

Skills & Experience

Joachim holds a Bachelor of Laws (LLB) from the University of London, and has attended executive education programmes at the London Business School.

The CEO has:

4,600 interest in shares of Digi.Com Berhad.

The Management Team do not have any of the following:

1. Directorship of public companies;
2. Family relationship with any Director and/or major shareholders of the Company;
3. Conflict of interest with the Company; and
4. Conviction for offences within the past 5 years other than traffic offences.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Board of Directors (The Board) recognises the importance of good corporate governance and is committed to ensure the sustainability of Digi Group's business by integrating good governance ethics and business integrity into the strategies and operations of Digi Group.

The Corporate Governance Overview Statement (CG Statement) is augmented with a Corporate Governance Report (CG Report), to provide a detailed articulation on the application of the Group's corporate governance practices. The CG Report is available on the Group's website at www.digi.com.my/investors as well as on Bursa Malaysia's website.

This CG Statement should also be read in combination with the other statements in the Annual Report (e.g. Statement on Risk Management and Internal Control, Reports of Board Committees and the Sustainability Report) as the application of certain governance enumerations may be more evidently expressed in the context of the respective statements.

Principle A – Board Leadership and Effectiveness

Board Balance and Composition

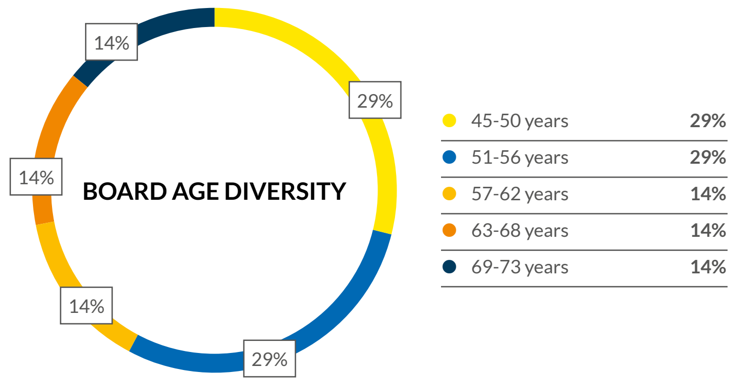
As a leader in telecommunications and in driving progressive, responsible business practices, the Board is represented by a diverse group of individuals who are experts in their respective fields.

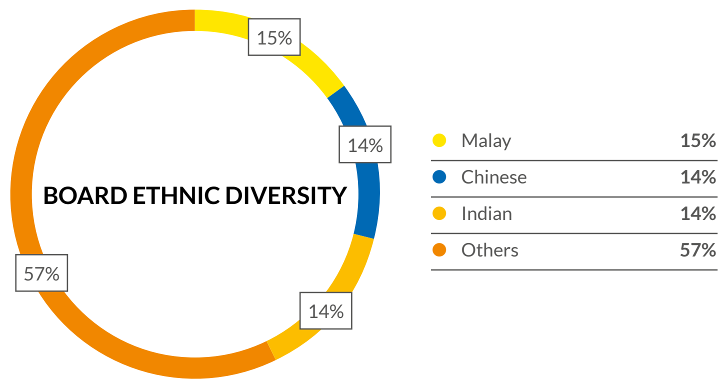
The Board has seven (7) Directors, comprising four (4) Non-Independent Directors and three (3) Independent Directors, all of whom are Non-Executive Directors.

Their wealth of knowledge and experience ensures that Digi's Management Team (Management) receives unparalleled advice and guidance on Digi's strategy and business.

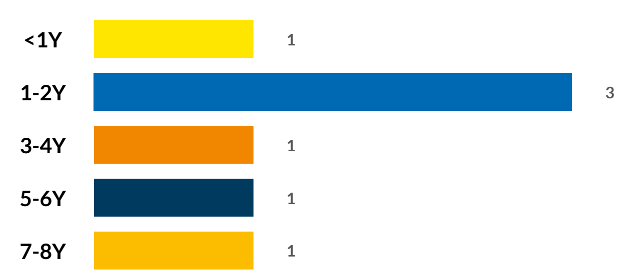
In addition to setting strategy and overseeing its implementation, the Board is also responsible for ensuring that Management maintains an effective system of governance and internal controls, which should provide assurance of effective and efficient operations, internal controls and compliance with the relevant laws and regulations.

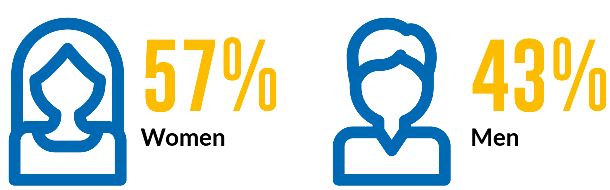
The Board recognises the importance of diversity in deliberations and decision making, and has escalated its efforts to establish a diverse Board with a variety of skills, experience, age, cultural background and gender. And similarly, the Board is committed to developing a corporate culture that embraces all aspects of diversity and inclusion practices in the Group.





LENGTH OF TENURE





Digi's women on Board representation has exceeded the Malaysian government's recommended 30% target for public listed companies

The Board believes these practices are key to continue delivering long-term shareholders' value.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

Role of the Board and Committees

How the Board operates

Board Responsibility

Digi Group is led by an effective Board who is collectively responsible for the long-term success of the Group.

In order to ensure effective discharge of the Board's functions, the Board has delegated its specific powers of the Board to the relevant Board Committees.

The following Board Committees have been established to assist the Board in its oversight function with reference to specific responsibility areas:

(i) Audit and Risk Committee
(ii) Nomination Committee
(iii) Remuneration Committee

It should however be noted that at all times, the Board has collective oversight over the Board Committees. These Board Committees have been constituted with clear Terms of Reference (TOR) and are actively engaged to ensure that the Group is in adherence to good corporate governance practices.

The functions and responsibilities of the Audit and Risk Committee and Nomination Committee are set out in the respective Committees' reports in this Annual Report.

The Chief Executive Officer (CEO) heads the Management team for the day-to-day management of the business. The CEO has been given certain powers to execute transactions guided by the rules and procedures for the CEO and in accordance with the authority limits as defined and formalised.

There is a clear division of responsibilities between the Chair of the Board and the CEO to ensure that there is a balance of power and authority.

Overview of the roles of the board

1 CHAIR OF THE BOARD

- Leads and manages the Board's effectiveness with a keen focus on strategy, governance and compliance
- Leads Board meetings, sets the agenda and promotes a culture of open debate between the Directors
- Regularly engages with the CEO and the Management team to stay informed on operational matters
- Ensures effective communication with shareholders

2 NON-EXECUTIVE DIRECTORS

- Contribute to developing Digi's strategies
- Scrutinise and constructively challenge the performance of Management in the execution of Digi's strategies

3 SENIOR INDEPENDENT DIRECTOR

- Provides a sounding board to the Chair and appraises his performance
- Acts as intermediary for other Directors, if needed
- Responds to shareholder concerns if and when other channels are exhausted

Detailed description of these roles can be found on the Board Charter online at www.digi.com.my/investors

CORPORATE GOVERNANCE OVERVIEW STATEMENT

Board Charter

The Board is guided by its Board Charter (the Charter) and the Delegation Authority Matrix, which sets out the ethos of the Group, structure, and authority of the Board. The Charter is the primary document that spells out the governance of the Board, Board Committees and individual Directors.

In March 2019, the Board approved revisions to the Charter, amongst others, to retain Independent Directors who exceed the cumulative term limit of nine (9) years; he/she shall be re-designated as Non-Independent Director, unless annual shareholder approval is sought for him/her to remain as Independent Director providing justification. Notwithstanding that, the Board will continue to evaluate and assess these practices and at a suitable time, take appropriate steps to narrow the gap in the Charter, matching the highest standards of good governance. Digi's Independent Directors are however not expected to serve as independent beyond 12 years.

The Charter is made available online at www.digi.com.my/investors

MATTERS RESERVED FOR THE BOARD

1. Conflict of interest issues relating to a substantial shareholder or a Director including approving related party transactions
2. Material acquisitions and disposition of assets not in the ordinary course of business including significant capital expenditures
3. Strategic investments, mergers and acquisitions and corporate exercises
4. Changes in the Group's policies, procedures and delegated authority limits

Key features of the Board

- Separation of roles between Chair of the Board and CEO
- Chair of the Nomination Committee (NC) and Audit and Risk Committee (ARC) are Independent Non-Executive Directors
- Meets Board Diversity requirements, in particular gender diversity with four (4) women serving as members of the Board (57% female representation)
- Senior Independent Director provides a sounding board to the Chair
- Management do not sit on the Board

The Board is supported by two (2) professionally qualified and competent Company Secretaries who provide advisory services to the Board, particularly on corporate governance issues and compliance with relevant policies and procedures, and laws and regulatory requirements in addition to administrative matters.

Board Meetings

The Board meets on a regular basis. The Directors are aware of the time commitment expected from them to attend to matters of Digi Group in general, including attending Company meetings in the discharge of their roles and responsibilities. Management provides Directors with complete, adequate and timely information prior to meetings and on an ongoing basis to enable them to make informed decisions. On 14 December 2018, a Board meeting was held in Penang and a local market visit was organised as part of business orientation.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

The attendance of the Board members are set out below:-

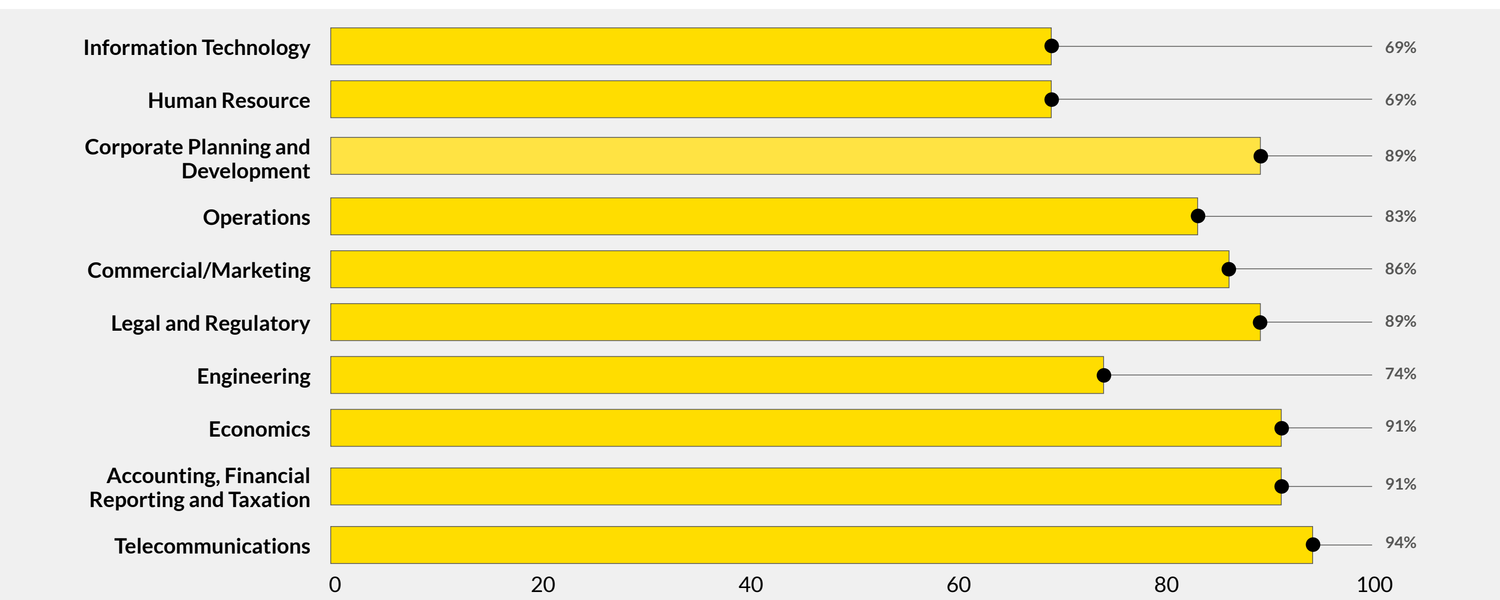
Current Directors	Board Meetings Attendance	%
Haakon Bruaset Kjoel[1] (Chair of the Board)	7/7	100
Tan Sri Saw Choo Boon	7/7	100
Yasmin Binti Aladad Khan	7/7	100
Vimala V.R. Menon	7/7	100
Anne Karin Kvam[2]	2/2	100
Torstein Pedersen	7/7	100
Tone Ripel[3]	5/6	83
Former Directors		
Lars-Ake Valdemar Norling[4] (Chair of the Board)	5/5	100
Tore Johnsen[5]	1/1	100

Notes:

[1] Appointed as Chair of the Board on 1 September 2018
[2] Appointed as Director on 16 October 2018
[3] Appointed as Director on 23 January 2018
[4] Resigned as Chair of the Board on 1 September 2018
[5] Resigned as Director on 23 January 2018

The Board is satisfied with the level of time commitment given by the Directors towards fulfilling their roles and responsibilities.

Board's Skills Matrix



The Company endeavours to have a balanced representation on the Board by taking into consideration a range of different skills, knowledge, competency, expertise and experience to ensure robust decision-making processes with diversified viewpoints and the effective governance of the Company.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

Embracing the Corporate Governance Culture

The Board recognises that upholding high standards of corporate ethics is key to long-term value creation and contributes directly to improved business performance. The Management leads forums and engagements throughout the year to highlight our values, beliefs, business integrity and approach to health and safety.

Digi's culture is defined through the Digi Way, the Code of Conduct (the Code), Whistle Blowing Policy and Manual, Anti-Corruption Policy, No Gift Policy, and Health, Safety and Environmental Policy.

 # Please refer to Digi's website at www.digi.com.my/aboutus for detailed information on the Code and policies.

Directors' Remuneration

Digi aims to provide attractive and well-structured remuneration which is sufficient to attract, retain and motivate high calibre Directors and Management to drive our Company's strategic objectives, business sustainability and create long-term value for shareholders. The Board has put in place Digi's Remuneration Policy for Non-Executive Directors, and Remuneration Policy and Procedure for Senior Management which are designed to support its objectives.

The Remuneration Committee (RC) comprises all Non-Executive Directors who oversee the implementation of the remuneration policy and structure, and reviews and recommends matters relating to the remuneration for Directors and Management to the Board.

To ensure the competitiveness of the remuneration of the Independent Directors, a benchmarking exercise on Board remuneration against companies within the same industry was carried out by an external professional advisor, AON Hewitt in January 2019.

Each of the Independent Directors abstains from deliberating and voting on their own remuneration. The Non-Independent Non-Executive Directors receive their remuneration from their employing companies within the Telenor Group and do not receive any form of remuneration from Digi.

Details of the remuneration of the Independent Directors for the financial year 2018 are as follows:

	Company		Group		Total
	Fees	Benefits in Kind^*	Fees	Benefits in Kind	
Independent Non-Executive Directors	(RM)	(RM)	(RM)	(RM)	(RM)
Tan Sri Saw Choo Boon	240,000	7,407^*	31,992	Nil	279,399
Yasmin Binti Aladad Khan	240,000	7,300^*	Nil	Nil	247,300
Vimala V.R. Menon	240,000	2,300^*	Nil	Nil	242,300
Total	**737,007**		**31,992**		**768,999+**

^ Meeting allowance only applicable for Audit and Risk Committee meetings
* Staff line benefit
+ Exclude service tax

Please refer to Digi's website at www.digi.com.my/investors for the Non-Executive Directors' Remuneration Policy, and Remuneration Policy and Procedure for Senior Management.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

Board Activities

In 2018, the Board focused on a number of specific areas in line with our strategic goals and principal risks (as outlined in the table below):

<table>
<tr><th colspan="2">BOARD ACTIVITIES CARRIED OUT DURING THE FINANCIAL YEAR</th></tr>
<tr><th>Strategy</th><th>Performance</th></tr>
<tr><td>• Reviewed and approved Digi's annual strategy plan, ambitions and targets, including addressing business strategies on promoting sustainability
• Oversaw the implementation of Digi's strategic and business plan through quarterly updates with the CEO
• Reviewed and approved Digi's capital investments</td><td>• Quarterly Digi Group Performance
• Audited Financial Statements for FY 2017
• Quarterly Results
• Quarterly Interim Dividend</td></tr>
<tr><th>Risk and Internal Controls</th><th>Governance</th></tr>
<tr><td>• Identified principal risks and ensured appropriate internal controls and mitigation measures were implemented
• Reviewed the adequacy and integrity of the information provided by Management information and of internal control systems
• Quarterly enterprise risk status updates</td><td>• Approved 2017 Annual Report Statements
• Approved the draft Circular to shareholders in relation to the Proposed Renewal of Shareholders' Mandates and New Shareholders' Mandate for Recurrent Related Party Transaction of a revenue or trading nature
• Approved the Board restructuring on:
- Change of Chair of the Board and RC
- Appointment of Ms Tone Ripel and Ms Anne Karin Kvam
• Approved the revised Charter and TOR for Board Committees
• Approved Digi's revised policies
• Approved the Code of Conduct e-learning
• Established and identified succession plan for leadership within Digi
• Received ethics and sustainability, and material sustainability updates
• Received human resources updates
• Reviewed trainings for the Board
• Analysis on performance evaluation for Board of Directors and Board Committees
• Reviewed the outcome of the Malaysian Code on Corporate Governance (MCCG) 2017 gap analysis</td></tr>
</table>

Principle B - Accountability and Effective Audit and Risk Management

Audit and Risk Committee (ARC)

The ARC is responsibile to establish and oversee the effectiveness of the Company's system and framework of risk management and internal controls. The ARC comprises of four (4) Non-Executive Directors, three (3) of whom are Independent Directors, and is chaired by Tan Sri Saw Choo Boon, Senior Independent Director. The ARC's responsibilities in overseeing Digi's financial reporting process, internal controls, risk management and governance are guided by its Terms of Reference, which is reviewed and approved by the Board annually.

During the financial year, the ARC assessed the performance of the external auditors and agreed on their scope of work based on developments in the business. Non-audit services proposed by the external auditors were presented to the ARC to determine if auditors' independence will be compromised. Based on these assessments, the ARC recommends the re-appointment of the external auditors at the forthcoming AGM.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

Risk Management and Internal Control Framework

The risk management framework is designed to identify, assess and manage risks related to delivering Digi's strategic ambitions and business objectives.

The Management is responsible for implementing Board approved policies on risk management by identifying, evaluating and monitoring risks affecting the achievement of business objectives within the risk appetite levels. Digi's enterprise risk heat map is deliberated on quarterly by the ARC on the risk profile and mitigation status. Annually, the Management provides a report for the Board to gain oversight of the top risks and mitigation strategies. Any ad hoc material risks identified are required to be reported at each Board meeting.

The Internal Audit department is independent and reports directly to the ARC. Its activities and practices are guided by the Institute of Internal Auditors International Standards for the Professional Practice of Internal Auditing.

The Internal Audit function assists the ARC in evaluating the effectiveness of the Company's risk management and internal control system through its risk-based Audit Plan approved by the Board annually. The ARC also obtains assurance from Management and other assurance providers in ensuring the adequacy and effectiveness of its risk management and internal control framework.

Details of the Risk Management and Internal Control Framework are set out in the Statement on Risk Management and Internal Control of this Annual Report.

2019 Priorities

As the market landscape and technological advancements continue to evolve, it is imperative that Digi's risk management and internal control framework remains robust to adapt to these changes. There should be continued focus to instill a risk and control mindset and culture of accountability across the organisation.

Principle C – Communication with Stakeholders and Conduct of AGM

The Board recognises the importance of communicating with its shareholders through Annual Reports, AGM and the Company's website. The details of these areas of practices are set out in the Investor Relations pages in this Annual Report.

CORPORATE GOVERNANCE PRIORITIES

Moving forward, the Company will continue working towards achieving high standards of corporate governance. The Board has identified the following forward-looking action items to help it achieve its corporate governance objectives.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

Priorities	Time frame	
Integrated Reporting (IR)	2 to 5 years	Digi is embarking on the IR journey. The Board acknowledges that integrated reporting encapsulates more than a mere combination of the separate reports in the Annual Report into a single document. Having said this, producing the yearly Annual Report and its various statements is a coordinated effort between cross-functional departments in Digi. The process of fully integrating our report will take necessary time. The Management has taken a progressive approach towards integrated reporting in line with the International Integrated Reporting Council Framework.
Dedicated Risk Committee	2 to 5 years	The ARC oversees the Company's risk management framework and policies. The roles and responsibilities in risk management are set out in the ARC's TOR. Digi will explore the need to establish a separate Risk Management Committee with dedicated functions on Risk Management in the near future.
Disclosure of Senior Management's Remuneration	2 to 5 years	The Board wishes to give assurance that the remuneration of the Management commensurates with their individual performance, taking into consideration Digi's performance and achievement of its key performance indicators. The remuneration packages of the Management are based on experience, expertise, skills and industry benchmark. The RC will review the disclosure of the top 5 Management members.

STATEMENT BY THE BOARD ON COMPLIANCE

The Board has reviewed, deliberated and approved this Statement on 13 March 2019. The Board is pleased to report to its shareholders that to the best of its knowledge, Digi has complied with and shall remain committed to attaining the highest possible standards of corporate governance through the continuous adoption of the principles and best practices of the MCCG 2017, and all other applicable laws. The status of the Company's application is reported in our CG report, which is accessible to the public at Digi's website at www.digi.com.my/investors

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

In accordance with Paragraph 15.26 (b) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (Bursa Securities), the Board of Directors of listed companies is required to include in their annual reports, a "statement about the state of risk management and internal control of the listed issuer as a group". The Malaysian Code on Corporate Governance issued by Securities Commission Malaysia requires the Board to establish an effective risk management and internal control framework. Digi Board of Directors (Board) is pleased to provide the following statement prepared in accordance with the "Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers" endorsed by Bursa Securities. The Statement outlines the features of Digi's risk management and internal control framework, and the adequacy and effectiveness of this framework during the financial year under review.

RESPONSIBILITIES AND ACCOUNTABILITIES

The Board acknowledges its responsibility for establishing and overseeing Digi's risk management framework and internal control systems. The risk management framework is designed to identify, assess and manage risks that may impede the achievement of business objectives and strategies. The Board also acknowledges that the internal control systems are designed to manage and minimise, rather than eliminate, occurrences of material misstatement, financial losses or fraud.

The Board, through the Audit and Risk Committee (ARC), ensures that the risk management and internal control practices are adequately implemented within Digi, and observes that measures are taken in areas identified for improvement, as part of Management's continued efforts to strengthen the effectiveness of Digi's risk management and internal control system.

Management is responsible for implementing Board approved policies and procedures on risk management and internal controls by identifying and evaluating risks faced and monitoring the achievement of business goals and objectives within the risk appetite parameters.

RISK MANAGEMENT

Digi's risk management framework provides the foundation and process on how risks are managed across Digi. The process in place is broadly based on ISO 31000:2009.

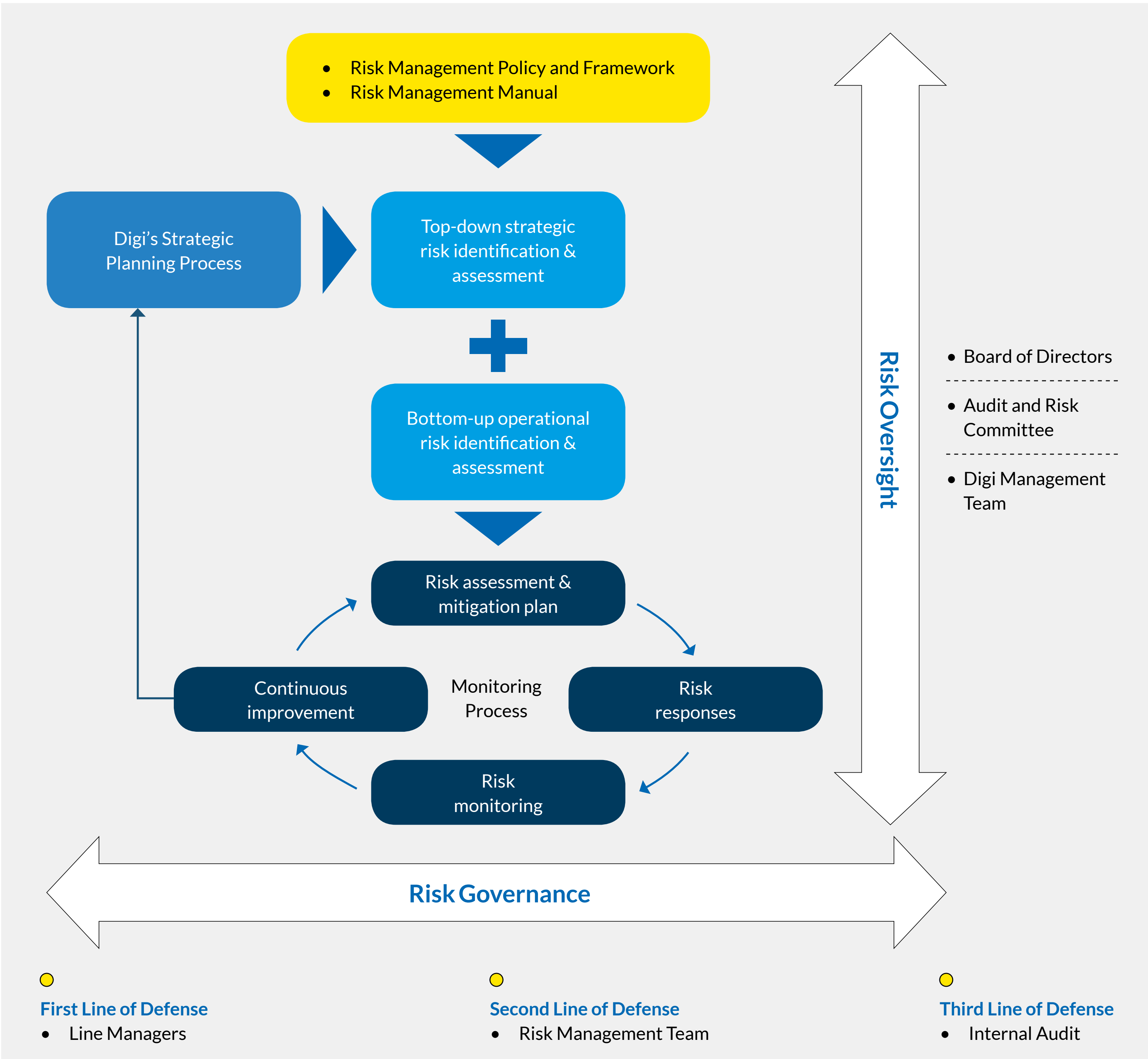
The Risk Management function is responsible for implementing the enterprise risk management process, while line managers are required to assume responsibility for risk management within their functional areas and ensure that risk management is embedded in their day-to-day business processes. The Digi Management Team (Management)'s key role is to identify significant risks, evaluate the risk profile and drive risk mitigation strategies on a regular basis.

As part of risk governance, Management reports Digi's top enterprise risks to the ARC in a risk heat map on a quarterly basis. On an annual basis, a risk report is provided to the Board on the enterprise risk profile and progress of all top enterprise risks which might affect delivery of Digi's objectives. Any material risk identified is reported to the Board, via ARC, to ensure the Board is kept updated on the most significant risks in Digi.

To strengthen Digi's risk management framework, the effectiveness of risk practices were reviewed and various enhancements were implemented to ensure more systematic identification, monitoring and reporting of new, existing and evolving risks.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

Risk management framework



Digi's risks are identified based on risk assessments performed relative to Digi's ambition and objectives from the strategic planning process. The identified risks are assessed and deliberated by Management, and minimised through mitigation strategies which are monitored for progress to maintain the risk exposure within acceptable levels.

Risks reported by Management and discussed with ARC and the Board during the financial year are summarised in the following key risk areas. As these key risks are still relevant, appropriate mitigation responses are identified and continuously monitored to mitigate exposures of these key risks.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

KEY RISK AREAS

Market Risk
- Increased market and price competition
- Changes in market environment

Financial Risk
- Uncertainties or challenges in taxation matters
- Operational efficiencies

Regulatory Risk
- Regulatory changes and requirements on spectrum, licensing, and access
- Uncertainties from new policies

Legal & Compliance Risk
- Compliance with laws and requirements
- Implementation of accounting and financial standards

Operational Risk
- Cyber security threats
- Data privacy breach
- Service interruptions and adverse customer experience

INTERNAL CONTROL SYSTEMS

Key elements of the internal control systems established by the Board that provide good governance include:

Control Activities

POLICIES AND PROCEDURES

Digi has documented policies and manuals that set formal standards on how we operate as a company. It serves to ensure that Digi complies with relevant laws and risks are adequately mitigated, whilst providing guidance and direction for proper management and governance of operations and business activities. These policies and manuals are communicated company-wide and made available on the intranet for employees.

PROFITABILITY ASSURANCE

This function minimises revenue leakage by implementing adequate controls and processes through an optimal revenue management framework. It covers the cycle of identification, assessment, mitigation and monitoring. Digi has in place automated controls to ensure that usage and profile integrity between the network, mediation, rating and billing is assured and adequately controlled. Key issues and mitigation actions are reported to Management monthly. The effectiveness and efficiency of processes and controls within the revenue cycle are reviewed regularly. In addition to assuring minimal revenue leakage, the team also monitors site and store profitability, providing key feedback to optimise the management of Digi's key assets.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

SECURITY

Digi is committed to reducing the impact of service disruptions by ensuring infrastructure is protected and services are not interrupted, thereby enabling continuous services to its customers.

The Information Security and Physical Security functions are responsible for ensuring confidentiality, integrity and availability of information and information processing facilities, including telecommunication systems and infrastructure and to protect against cyberattacks, fraudulent activities, information loss and other security risks and threats arising internally and externally.

The Fraud Management function manages and mitigates the risk of relevant fraud and related losses. Some of its key activities involve developing and designing internal fraud controls which are regularly reviewed to ensure relevance and effectiveness. Measures and continuous actions are taken to ensure telecommunication fraud is minimised and the requirement for preventive controls are embedded into business processes.

Other activities performed to ensure network security protection include conducting security awareness sessions, running vulnerability management and security posture assessments, and continuous security monitoring and security compliance audits. Digi complies with the MS/ISO 27001:2013 – Information Security Management System, ISO 45001:2018 – Occupational Health and Safety Management System and Payment Card Industry/Data Security Standard (PCIDSS) standards.

Monthly meetings are held with the Chief Technology Officer to discuss, direct and approve security initiatives, activities, policies and projects driven by the Security department.

BUSINESS CONTINUITY MANAGEMENT

Digi recognises the importance of providing uninterrupted mission critical and time sensitive products and services to its customers. Hence, disruptive incidents are handled and responded to effectively to ensure a structural recovery that safeguards the interests of its stakeholders, as well as to protect the credibility and reputation of Digi.

In this regard, Digi has established the Business Continuity Management (BCM) Manual which covers the BCM policy, framework and structure. The BCM practices adopted in Digi is aligned with ISO 22301:2012 Business Continuity Management. The DMT continuously leads the drive to enhance Digi's BCM processes which encompass emergency response, crisis management, crisis communication, business continuity and Network & IT disaster recovery. In addition, Digi has an annual BCM programme which includes awareness, training, review and validate on the efficiencies and effectiveness of BCM.

CONTROLS OVER FINANCIAL REPORTING

The Controls over Financial Reporting (CFR) function plays an important role in evaluating and improving effectiveness of key controls surrounding Digi's financial reporting process. Its primary objective is to provide reasonable assurance regarding the reliability of financial reporting and preparation of financial statements. Reviews on internal controls over financial reporting is performed in accordance to Digi's Internal Control over Financial Reporting Framework, which requires assessment based on materiality level of significant accounts; testing and evaluation of the design and operational effectiveness of key controls. The function adopts a continuous monitoring routine to follow up on unaddressed risks and non-operating controls, including periodic reporting to DMT and the ARC on the status of controls over the financial reporting processes.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

Authority

ORGANISATION STRUCTURE

Digi's well-defined organisational structure ensures clear lines of reporting, proper segregation of duties, assignment of authority and accountability within the organisation. In October 2018, a new Chief Human Resource Officer was appointed to further strengthen the Human Resource organisation to help Digi with its next growth phase and in March 2019, a new Chief Financial Officer was appointed.

BOARD AND MANAGEMENT COMMITTEES

Board Committees have been set up to assist the Board to perform its oversight function, namely the ARC, Nomination Committee, and Remuneration Committee. These Board Committees have been delegated specific responsibilities all of which are governed by clearly defined Terms of Reference. The Terms of Reference of these Committees are accessible in the Corporate Governance section of Digi's website at www.digi.com.my/investors.

Various Management Committees comprising key Management members have been established to oversee the areas of business operations assigned to them under their respective documented mandates. The Committees are:

VENDOR AND INVESTMENT COMMITTEE (VIC)

- Governs the approval process regarding material capital investments, operating expenditure, vendor evaluation criteria and vendor selection
- Meets bi-weekly
- Chaired by the Investment Controller with selected Management as participants of the Forum

REGULATORY STEERING COMMITTEE (RSC)

- Provides direction and makes decisions on regulatory matters and/or related topics that have a significant impact to Digi
- Meets on a monthly basis
- Chaired by the CEO with key Management as RSC members

RISK MANAGEMENT FORUM

- Reviews and deliberates on the significant risks reported across Digi
- Makes decisions on the coordinated action plans to mitigate risks
- Meets on a quarterly basis
- Chaired by the CFO with DMT participating as Forum members

ASSIGNMENT OF AUTHORITY

Digi has an established Delegation Authority Matrix (DAM) to provide a framework of authority and accountability. The DAM outlines approval authority for strategic, capital and operational expenditure. The DAM is reviewed and approved by the Board in line with changes in business needs.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

ETHICS AND COMPLIANCE

CODE OF CONDUCT

The Code of Conduct (the Code) is a vital and integral part of Digi's governance regime that defines the core principles and ethical standards in conducting business and engagements with all stakeholders, and compliance with relevant law and regulations. The Code applies to the members of the Board, employees and those acting on behalf of Digi. All employees are required to confirm that they have read, understood and will adhere to the Code. The Company has established communication channels that allow concerns of non-adherence to the Code to be anonymously reported.

COMPLIANCE

The Ethics & Compliance Officer supports the CEO and the Board in ensuring that:

- The Code reflects good business practices and relevant laws, regulations and widely recognised treaties
- The Code is implemented consistently and effectively through sharing of knowledge and measures for quality assurance
- Compliance incidents are consistently and effectively managed
- Reports on material breaches of the Code are made to the ARC on a quarterly basis

Monitoring

MANAGEMENT AND BOARD

Management meetings are held on a weekly basis to identify, discuss, approve and resolve strategic, operational, financial and key management issues pertaining to Digi's day-to-day business. Significant changes in the business and the external environment are reported by the Management to the Board on an on-going basis and/or during Board meetings.

INTERNAL AUDIT

The Internal Audit department reports functionally to the ARC and is independent of the operations and activities it audits, thereby providing independent assurance on the effectiveness of Digi's internal control system. The purpose, authority and responsibility of the Internal Audit department are reflected in the Internal Audit Charter, which is reviewed and approved by the ARC annually.

The Internal Audit department reviews key business processes to assess the adequacy and effectiveness of internal control and risk management, and compliance with regulations and Digi's policies and manuals. The audit reports, including significant findings and recommendations for improvements, and Management's responses to the recommendations are highlighted to Management and reported to the ARC on a quarterly basis. Implementation status of actions taken by Management to address improvement areas highlighted is also monitored by the ARC to ensure they are addressed timely.

The Internal Audit department's activities and practices conform to the Institute of Internal Auditor's International Standards for the Professional Practice of Internal Auditing.

Further information on the Internal Audit department's activities are detailed in the Audit and Risk Committee Report of this Annual Report.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

REVIEW OF THIS STATEMENT BY EXTERNAL AUDITORS

The external auditors have performed limited assurance procedures on this Statement on Risk Management and Internal Control pursuant to the scope set out in Audit and Assurance Practice Guide 3, Guidance for Auditors on Engagements to Report on the Statement on Risk Management and Internal Control included in the Annual Report issued by the Malaysian Institute of Accountants (MIA) for inclusion in the Annual Report of the Group for the year ended 31 December 2018, and reported to the Board that nothing has come to their attention that cause them to believe the statement intended to be included in the Annual Report is not prepared, in all material respects, in accordance with the disclosures required by paragraphs 41 and 42 of the Guidelines, nor is the Statement factually inaccurate.

AAPG 3 does not require the external auditors to consider whether the Directors' Statement on Risk Management and Internal Control covers all risks and controls, or to form an opinion on the adequacy and effectiveness of the Group's risk management and internal control system including the assessment and opinion by the Directors and Management thereon. The report from the external auditor was made solely for, and directed solely to the Board of Directors in connection with their compliance with the listing requirements of Bursa Securities and for no other purposes or parties. The external auditors do not assume responsibility to any person other than the Board of Directors in respect of any aspect of this report.

CONCLUSION

The Board has received assurance from the CEO and CFO that Digi's risk management and internal control framework is operating adequately and effectively, in all material aspects, during the financial year under review and up to the date of this Statement. Taking into consideration the assurance from Management and relevant assurance providers, the Board is of the view that the risk management and internal control practices and processes are operating adequately and effectively to safeguard the shareholders' investment, customer's interests, and Digi's assets.

AUDIT AND RISK COMMITTEE REPORT

Composition and Terms of Reference

In line with the requirements of Paragraph 15.09(1)(a) and (b) of the Main Market Listing Requirements of Bursa Securities (MMLR), the composition of the Audit and Risk Committee (ARC) is as follows:

Chair

Tan Sri Saw Choo Boon, *Senior Independent Non-Executive Director*

Members

Vimala V.R. Menon, *Independent Non-Executive Director*
Yasmin Binti Aladad Khan, *Independent Non-Executive Director*
Torstein Pedersen, *Non-Independent Non-Executive Director*

No alternate Directors were appointed as members of the ARC.

Vimala V.R. Menon is a Fellow of the Institute of Chartered Accountants in England and Wales, and a member of the Malaysian Institute of Accountants. The ARC, therefore, meets the requirement of Paragraph 15.09(1)(c)(i) of the MMLR, which requires at least one (1) member of the ARC to be a qualified accountant.

During the financial year ended 31 December 2018, Tore Johnsen resigned as an ARC member following his resignation as a Director of the Company, and Torstein Pedersen was appointed as a Director and a member of the ARC on 23 January 2018.

The Board of Directors (the Board), via the Nomination Committee (NC), annually reviews the terms of office and performance of the ARC and its members through an effectiveness evaluation exercise. In early 2019, the NC assessed the ARC's performance for the financial year ended 31 December 2018 and was satisfied that the ARC and its members have discharged their functions, duties and responsibilities in accordance to the ARC's Terms of Reference.

The duties and responsibilities of the ARC are set out in its Terms of Reference which is accessible in the Corporate Governance section of Digi's website at www.digi.com. my/investors.

The ARC held five (5) meetings during the financial year ended 31 December 2018, where all ARC members attended all meetings

The CEO, CFO and Head of Internal Audit attended all ARC meetings to provide their input, advice and clarification to relevant items on the agenda. The attendance of other Management team members was by invitation, depending on the matters that were discussed. The external auditors were also invited to the ARC meetings to present their annual audit plan, and discuss the quarterly unaudited financial results and the annual audited financial statements, as well as other matters deemed relevant.

All deliberations during the ARC meetings, including the issues tabled and rationale adopted for decisions were properly recorded. Minutes of the ARC meetings were tabled for confirmation at the following ARC meeting and subsequently presented to the Board for notation. The Chair of the ARC reported to the Board on the activities and significant matters discussed at each ARC meeting.

Summary of Activities of the ARC

During the year under review, the ARC carried out the following activities:

Risk Management and Internal Control

(a) Reviewed the quarterly top risk profiles and deliberated on the significant risks highlighted, including status and adequacy of mitigation strategies
(b) Discussed the improvements to the Enterprise Risk Management process to ensure proactive and holistic risk identification, and monitoring of mitigation actions to reduce risk impact to an acceptable level
(c) Evaluated the overall adequacy and effectiveness of internal controls through review of the work performed by both internal and external auditors, other assurance providers within Digi, and discussions with Management

AUDIT AND RISK COMMITTEE REPORT

Internal Audit

(a) Provided input on key areas to be included as part of the annual Internal Audit Plan. Deliberated the risk-based Internal Audit Plan to ensure adequate scope and comprehensive coverage of Digi's activities, prior to recommending to the Board for approval. Monitored the progress of the approved Internal Audit Plan, including the status of the planned reviews and approved changes to the Internal Audit Plan due to changes in business and/or risk environment

(b) Reviewed and deliberated on internal audit reports, the audit recommendations and adequacy of Management's response to these recommendations. Significant issues were discussed at length with the presence of relevant Management team members to ensure satisfactory and timely remediation actions have been agreed by Management to address identified risks. Additional presentations were made at the request of the ARC to ensure adequate actions were taken in addressing the issues raised

(c) Monitored the implementation of corrective action plans agreed by Management on outstanding audit findings on a quarterly basis to ensure that all actions have been implemented on a timely basis in the related areas

(d) Held private meetings on 15 February 2018 and 13 April 2018 with the Head of Internal Audit, without the presence of Management, to review the Internal Audit function. This is to assure itself of the soundness of internal control systems and activities of the Internal Audit Department, and to provide guidance on ad hoc matters arising from on going internal audit reviews

(e) Reviewed the effectiveness of the Internal Audit function through evaluation of its performance and competency, and monitoring the sufficiency of resources and costs, to ensure that it has the required expertise and professionalism to discharge its duties

Compliance Programme

(a) Monitored the status of internal misconduct cases reported on a quarterly basis, including ongoing investigations, in accordance with Digi's Code of Conduct and governing documents

(b) Deliberated on the results of the compliance cases and directed Management to implement and/or enhance controls to prevent recurrence, including conducting education programmes to increase awareness

(c) Reviewed the status of the planned mitigation actions developed from the results of the Compliance risk assessment performed in 2017

(d) Conducted the Compliance Risk Assessment for 2018 in determining the materiality of exposure and identified planned mitigation actions to be implemented in 2019

Financial Reporting

(a) Reviewed Digi's unaudited quarterly financial results and audited annual financial statements, and related announcements, before recommending them for the Board's approval, including:

  (i) Deliberation on significant audit and accounting matters highlighted, comprising Management's judgments, estimates or assessments made and sufficiency of disclosures in the financial statements; and

  (ii) Discussion of significant financial matters at length to ensure compliance with internal accounting policies and Malaysian Financial Reporting Standards (MFRS), focusing on MFRS 9, MFRS 15, and MFRS 16

External Audit

(a) Reviewed the scope of work of the external auditors confirming their independence and objectivity

(b) Reviewed external auditors' Management Letter together with Management's responses, to ensure that appropriate actions have been taken

(c) Monitored on a quarterly basis, all non-audit services and fees incurred in which the external auditors were engaged, taking into account external auditors' independence and objectivity. The amount incurred by Digi and on group basis in respect of audit fees and non-audit related fees for services rendered by the external auditors is disclosed in Note 7 to the financial statements and in the Additional Compliance Information in page 75

(d) Met privately with the external auditors at the ARC meetings held on 23 January 2018 and 16 October 2018 to ensure there were no restrictions to the scope of their audit and to discuss significant matters that arose during the course of audit

(e) Evaluated the performance of the external auditors and made recommendations to the Board on their re-appointment, subject to the approval of Digi's shareholders at the general meeting

AUDIT AND RISK COMMITTEE REPORT

Related Party Transactions

(a) Reviewed related party transactions as disclosed in the financial statements and performed quarterly monitoring of the mandate for recurrent related party transactions to ensure compliance with the MMLR and Digi's policies and procedures
(b) Reviewed and deliberated on any new related party transactions to ensure that the terms and conditions of the transactions are commercially based and at arm's length

Other Activities

(a) Reviewed and recommended to the Board; the ARC Report, Corporate Governance Overview Statement, and Statement on Risk Management and Internal Control, for inclusion in the Annual Report
(b) Reviewed the proposed dividend payout on a quarterly basis, taking into consideration the cash flow requirements before recommending for the Board's approval

Internal Audit Function

The Internal Audit Department reports functionally to the ARC, to ensure impartiality and independence in executing its role. Its primary responsibility is to provide risk-based and objective assurance, advice and insight to the Board and Management on Digi's internal control, risk management and governance system.

The Internal Audit department comprises seven (7) members, led by Anushia Ganason, who has over 19 years of experience in operations and audit in various industries. Anushia is a Certified Internal Auditor (CIA) and is a member of the Malaysian Institute of Accountants. To further preserve the independence of the Internal Audit function, the Head of Internal Audit's performance is appraised by the Chair of the ARC.

The Internal Audit function is guided by its Internal Audit Charter, which is reviewed and approved annually by the ARC and complies with the Institute of Internal Auditors International Standards for the Professional Practice of Internal Auditing. It also continues to maintain a quality assurance and improvement programme to assess the effectiveness of the internal audit processes and identified opportunities for improvement through both internal and external assessments. The internal assessment is performed annually while the external assessment by a certified body is conducted once every 5 years. The last external assessment was performed by a qualified, independent assessor in 2015. The results of the assessments are presented and discussed with the ARC.

In 2018, the Internal Audit Department executed a total of 15 reviews, including advisory services. The reviews covered business priority and key risk areas, focusing on the efficiency and effectiveness of governance and controls within retail stores and customer service, IT and data center operations, cyber security, third party content providers management and finance. The Internal Audit Department had also conducted reviews in relation to compliance with internal policies and regulatory requirements.

Internal Audit staff are required to perform an annual declaration on the adherence to the Code of Ethics, and any non-compliance and/or conflicts are reported and discussed with the ARC.

The total costs incurred for the Internal Audit Department in respect of the financial year ended 31 December 2018 amounted to RM1.4million (2017: RM1.1million).

The ARC Report is made in accordance with the resolution of the Board dated 13 March 2019.

NOMINATION COMMITTEE REPORT

"The Nomination Committee (NC) continues its work of ensuring the board composition comprises individuals with the necessary skills, knowledge and experience to maintain the board's effectiveness in discharging its responsibilities."

CONSIST OF MAJORITY OF INDEPENDENT NON-EXECUTIVE DIRECTORS

Chair
Yasmin Binti Aladad Khan, *Independent Non-Executive Director*

Members
Tan Sri Saw Choo Boon, *Senior Independent Non-Executive Director*
Haakon Bruaset Kjoel, *Non-Independent Non-Executive Director*

During the year, the NC met thrice and all members of the Committee attended the meetings.

The Terms of Reference of the NC is accessible in the Corporate Governance section on Digi's website at www.digi.com.my/investors.

Nomination, Election and Selection of Directors

The NC is responsible to ensure that the procedures for appointing new Directors are transparent and rigorous. The Board composition is consistently reviewed to identify and close any gap in the Board's functional knowledge and competencies by bringing in new directors with the required experience, knowledge and expertise to meet the current and future needs of the Company.

In designing the Board's composition, Board diversity is considered from a number of aspects, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. All Board appointments are based on meritocracy, and candidates considered against objective criteria, having due regard for the benefits of diversity on the Board.

When a vacancy on the Board arises, the NC meets to discuss the profile of the position to be filled. The NC goes through the search process, including soliciting recommendations from existing Directors, major shareholder and/or engaging in external search in identifying suitable qualified candidates. The NC then shortlists candidates and conducts interviews together with the other Directors. The NC assesses and recommends selected candidates that meet the needs of the Company. An invitation is extended to the selected candidate to join the Board and upon acceptance, the Board approves the appointment and makes the necessary announcement to Bursa Malaysia Securities Berhad.

Any new Director appointed by the Board during the year is required to stand for re-election at Digi's next AGM. Other than those Directors appointed during the year, one-third of the remaining Directors are required to retire by rotation and all Directors must submit themselves for re-election at AGM at least once in every three (3) years. The NC is responsible for assessing and recommending to the Board the eligibility of retiring Directors for re-election.

Upon the Board endorsement, the retiring Director is then proposed for re-election at the AGM. The re-election of each Director is voted as a separate resolution during the AGM.

Board, Board Committees and Individual Director Evaluation

The NC assesses the effectiveness of the Board, its Committees and the contribution of each Director with the aim of improving individual contribution by identifying gaps, maximising strengths and addressing weaknesses of the Board.

NOMINATION COMMITTEE REPORT

The evaluation process is led by the Chair of the NC and assisted by the Company Secretaries, and is carried out in three stages:

MATTERS RESERVED FOR THE BOARD

1

Each Director completes a confidential online questionnaire accessible via the Board software portal prepared by Boardroom Corporate Services (KL) Sdn Bhd and the Internal Company Secretary.

The evaluation includes a review of the administration of the Board and its Committees covering their operations, agendas, reports, and information produced for consideration.

2

The Board Committtees are assessed based on their roles and scope, frequency and length of meetings, supply of sufficient and timely information to the Board and overall effectiveness and efficiency in discharging their function.

Each Director undertakes a self-assessment of their individual performance during the financial year.

3

A detailed report is generated by the Board software based on the completed online questionnaire for the NC's assessment.

The evaluation process is led by the NC Chair and assisted by the Company Secretaries.

Areas for continuous improvements were recommended to the Board.

Board Development

The NC also assessed the training needs of each Director and recommended to the Board the appropriate training list for respective Directors.

Topics covered at sessions attended by the Directors, individually or collectively during the year were areas of Leadership, Corporate Governance, Finance, Regulatory Development and Risk Management. Specific and tailored updates, delivered by the Management were also provided to the Independent Directors covering key themes related to spectrum, business reviews, telco industry and global trends, and digital products.

Details of the trainings attended by Directors during the financial year are set out below

Name of Director	Training Programme/Conference/Seminar
Haakon Bruaset Kjoel	• Leading from the Chair – European Institute of Business Administration (INSEAD) • Telenor Code of Conduct training • Growth Mindset • Mobile World Congress, Shanghai • Digi Internal Training : (a) Strategy Beyond Core – Digital bets (b) Corporate Liability and MASP
Tan Sri Saw Choo Boon	• Anti-Money Laundering/Counter Financing of Terrorism (AML/CFT) & Regulatory Compliance Training • Malaysian Corporate Governance Guidelines • Global Economic and Market Outlook • Singapore's New Insolvency & Restructuring Regime • Global Financial Development Report 2017/2018: Bankers without Borders • Win the Innovation race: Unlocking the creative power of Asians • Things You Need to Know about Industry 4.0 – Current Trend of Manufacturing and Automation • 18th Malaysia Economic Monitor : Unlocking the Potential of the Digital Economy • Blockchain in Financial Services Industry • Islamic Finance Beyond Banking and Crytocurrency, Blockchain & Beyond • Panelist on World Bank Digital Conference

NOMINATION COMMITTEE REPORT

Name of Director	Training Programme/Conference/Seminar
Tan Sri Saw Choo Boon	• Training on New Corporate Liability MACC (Amendment) Act 2018 • Public Policy in a Digital World • Turmoil in Global Finance • Understanding Fintech and its Implications for Insurance Companies • Malaysia – A New Dawn Conference 2018 • National Convention on Good Regulatory Practice 2018 • Panelist – Effective Boards in a VUCA (Volatility, Uncertainty, Complex and Ambiguous) World • The Conceptual Basis and Operational Implications of “Green Growth” • Business Ethics Seminar 2018 • Roundtable on the Climate Governance Initiative (CGI) for Non-Executive Directors • AML/CFT Compliance Training • 2019 Budget – The Economy, Capital Market and You • Digi Internal Training : (a) Strategy Beyond Core – Digital Bets (b) Corporate Liability and MASP
Vimala V.R. Menon	• Malaysian Financial Reporting Standards Update –MFRS 9,15 and 16 • Introduction to Corporate Liability • Understanding Fintech and its Implication for Banks • Digi Internal Training : (a) Strategy Beyond Core and Digital (b) Corporate Liability and MASP
Yasmin Binti Aladad Khan	• Master Class Digital Acceleration – Hyper Island Executive Training • DPDHL Code of Conduct Training • DPDHL Anti-Corruption Training • DPDHL Competition Compliance • DHL Facilitation Skills Workshop • DHL Certified International Manager- Coaching Workshop • Digi Internal Training : (a) Strategy Beyond Core and Digital (b) Corporate Liability and MASP
Anne Karin Kvam (Appointed on 16 October 2018)	• Mobile Technology from Voice to Broadband • Telenor Code of Conduct 2019 • Nordic Responsible Investment Community – 2 day seminar • Digi Internal Training : Corporate Liability and MASP
Torstein Pedersen	• Mandatory Accreditation Programme • Digital Marketing • Competence Fair Digital Marketing and Data Driven Marketing • Bitcoin and Blockchains • How To Get Growth with IoT • Network Slicing • Telenor Security Day • Digi Internal Training : (a) Strategy Beyond Core and Digital (b) Corporate Liability and MASP

NOMINATION COMMITTEE REPORT

Name of Director	Training Programme/Conference/Seminar
Tone Ripel (Appointed on 23 January 2018)	• Annual Competition Law Seminar in Norway • Telenor Code of Conduct Training • Telenor Competence fair • Managing International Projects • Working Red • Building Strength • Cross Functional Project Management, Managing International Projects • Telenor Mandatory Privacy Training • E4 Leadership Course • Strategic Negotiations • Growth Mindset • Communication Foundations • Mandatory Accreditation Programme • Digi Internal Training : (a) Strategy Beyond Core and Digital (b) Corporate Liability and MASP

All existing Directors have completed the Mandatory Accreditation Programme (MAP). Ms Anne Karin Kvam, who was appointed on 16 October 2018 completed her MAP in January 2019.

ACTIVITIES CARRIED OUT DURING THE FINANCIAL YEAR

1. Conducted annual review on the NC Terms of Reference and Board Diversity Policy
2. Reviewed the profile of Ms Tone Ripel and Ms Anne Karin Kvam for appointment as Non-Independent Non-Executive Directors and recommended to the Board for approval
3. Reviewed the results of the annual assessments of the Board as a whole, Board Committees and each Director including Chief Executive Officer and Chief Financial Officer and level of independence of Independent Directors, and recommended areas for continuous improvements to the Board
4. Conducted induction programmes for newly appointed Directors
5. Reviewed training completed by Directors, evaluated their training needs and recommended for trainings related to business strategy, finance, regulatory, and the telecommunications industry to strengthen their contributions to the Board
6. Conducted annual review of the term of office, competency and performance of the Audit and Risk Committee and its members, and was satisfied with their performance in discharging their duties and responsibilities
7. Evaluated the performance of the Directors who were due for retirement by rotation and recommended their re-election at the Annual General Meeting of the Company to the Board

During the meeting held on 8 March 2019, the NC reviewed and assessed the mix of skills, knowledge, expertise, industry experience, professionalism, integrity, competencies, time commitment, composition, size and background of the Board. This included the core competencies of the Directors, contribution of each individual Director, independence of the Independent Directors, Board diversity in terms of gender and age, effectiveness of the Board and Board Committees, as well as the retirement of Directors eligible for re-election.

Based on the assessment, the NC is satisfied that Digi has a well-balanced, functioning Board with good diversity and a broad range of skills and experience. The Independent Directors have complied with the criteria of independence as set out in the MMLR. All Directors have discharged their responsibilities, contributed effectively to the Board and demonstrated full commitment to their duties as Directors.

NOMINATION COMMITTEE REPORT

Succession Planning

The NC is responsible for developing plans to identify the necessary and desirable competencies and skills of Directors and succession plans to ensure there is an appropriate dynamic of skills, experience and diversity on the Board. The Board also oversees the appointment as well as the succession planning of the Management team. The Board had a closed door discussion on the succession planning of the Management team in December 2018.

CEO and CFO Evaluation

The NC evaluated the performance of the CEO and CFO for the year under review and concluded that they possess the desired character, experience and competency, and have demonstrated their time commitment and integrity in discharging their duties and responsibilities.

The Board has deliberated, reviewed and approved the Nomination Committee Report on 13 March 2019.

ADDITIONAL COMPLIANCE INFORMATION

Other Disclosures

The following information is provided in accordance with Paragraph 9.25 of the Main Market Listing Requirements of Bursa Securities as set out in Appendix 9C thereto.

1. Non-Audit Fees

During the financial year, the amount incurred by Digi and the Group with respect to audit fees and non-audit related fees paid to external auditors for the financial year ended 31 December 2018 are as follows:-

	Company (RM)	Group (RM)
Audit Services	44,000	430,000
Non-Audit Services	-	427,515
Total Fees	44,000	857,515

The non-audit services comprised the following assignments:-

(a) Attestation of non-financial reporting
(b) Review of regulatory reporting
(c) Review of quarterly and year end reporting packages
(d) Review of the Statement on Risk Management and Internal Control
(e) Tax compliance services

2. Material Contracts Involving Directors' and Major Shareholders' Interests

There were no material contracts by Digi and/or its subsidiaries involving Directors' and major shareholders' interests either subsisting as at 31 December 2018 or entered into since the end of the previous financial year.

3. Recurrent Related Party Transaction of a Revenue or Trading Nature

At the Annual General Meeting held on 14 May 2018, Digi obtained a shareholders' mandate to allow the Group to enter into recurrent related party transactions of a revenue or trading nature.

The disclosure of the recurrent related party transactions conducted during the financial year ended 31 December 2018 are set out on page 148 of the Annual Report

STATEMENT OF RESPONSIBILITY BY DIRECTORS

In respect of the preparation of the annual audited financial statements

The Directors are responsible for ensuring that the financial statements of the Group are drawn up in accordance with the applicable Financial Reporting Standards in Malaysia and the provisions of the Companies Act 2016.

The Directors are also responsible for ensuring that the annual audited financial statements of the Group are prepared with reasonable accuracy from the accounting records of the Group so as to give a true and fair view of the financial position of the Group as of 31 December 2018 and of their financial performance and cash flows for the year.

In reviewing the annual audited financial statements, the Directors have relied upon the Group's system of internal controls to provide them with reasonable grounds to believe that the Group's accounting records, as well as other relevant records, have been maintained by the Group in a manner that enables them to sufficiently conclude on the following:

a. Selected and applied the appropriate and relevant accounting policies on a consistent basis;
b. Made judgements and estimates that are reasonable and prudent; and
c. Prepared the annual audited financial statements on a going concern basis

The Directors are also responsible for taking reasonable steps to safeguard the assets of the Group to prevent and detect fraud and other irregularities.

DIRECTORS' REPORT

The directors have pleasure in presenting their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2018.

Principal activities

The principal activity of the Company is investment holding.

The principal activities and other information relating to subsidiaries are disclosed in Note 14 to the financial statements.

Results

	Group RM'000	Company RM'000
Profit for the year, attributable to owners of the parent	**1,540,788**	**1,508,118**

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

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

Dividends

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

	RM'000
In respect of the financial year ended 31 December 2017: - Fourth interim tax exempt (single-tier) dividend of 4.6 sen per ordinary share, declared on 23 January 2018 and paid on 23 March 2018	357,650
In respect of the financial year ended 31 December 2018: - First interim tax exempt (single-tier) dividend of 4.9 sen per ordinary share, declared on 13 April 2018 and paid on 29 June 2018	**380,975**
- Second interim tax exempt (single-tier) dividend of 4.9 sen per ordinary share, declared on 13 July 2018 and paid on 28 September 2018	**380,975**
- Third interim tax exempt (single-tier) dividend of 5.0 sen per ordinary share, declared on 17 October 2018 and paid on 20 December 2018	**388,750**

The board of directors had on 24 January 2019, declared a fourth interim tax exempt (single-tier) dividend of 4.8 sen per ordinary share in respect of the financial year ended 31 December 2018 amounting to RM373.2 million. The financial statements for the current financial year do not reflect this fourth interim dividend. Such dividend, will be accounted for in equity as an appropriation of retained earnings in the financial year ending 31 December 2019.

DIRECTORS' REPORT

Directors

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

Haakon Bruaset Kjoel	(Redesignated as Chairman on 1 September 2018)
Tan Sri Saw Choo Boon	
Yasmin Binti Aladad Khan	
Vimala A/P V.R. Menon	
Torstein Pedersen	
Tone Ripel	(Appointed on 23 January 2018)
Anne Karin Kvam	(Appointed on 16 October 2018)
Tore Johnsen	(Resigned on 23 January 2018)
Lars-Ake Valdemar Norling	(Resigned on 1 September 2018)

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

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

Directors' benefits

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

Since the end of the previous financial year, no director has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the directors as shown in Note 7 and Note 29.2 to the financial statements) by reason of a contract made by the Company or a related corporation with any director or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest.

Indemnity and insurance for directors and officers

The Group maintains on a Directors' and Officers' Liability Insurance for any legal liability incurred by the directors and officers in discharging their duties while holding office for the Group and the Company. In respect of the above, the total amount of insurance premium paid for the financial year ended 31 December 2018 was RM10,429 (31 December 2017: RM 10,652). The directors and officers shall not be indemnified by such insurance for any deliberate negligence, fraud, intentional breach of law or breach of trust proven against them.

Holding company

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

Directors' interest

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

	Number of ordinary shares of NOK6 each			
	1 January 2018/ date of appointment	Acquired	Sold	31 December 2018
Ultimate holding company				
Telenor ASA				
Direct interest:				
Haakon Bruaset Kjoel	12,780	2,168	-	14,948
Torstein Pedersen	36	-	-	36
Tone Ripel	1,943	-	-	1,943

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

Other statutory information

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

(i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for doubtful debts; and

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

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

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

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

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

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

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

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

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

DIRECTORS' REPORT

Other statutory information (cont'd)

(f) In the opinion of the directors:

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

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

Auditors

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

The auditors' remuneration for the statutory audit for the financial year ended 31 December 2018 for the Group and the Company are RM430,000 and RM44,000, respectively.

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

Signed on behalf of the board in accordance with a resolution of the directors dated 13 March 2019.

Haakon Bruaset Kjoel
Director

Tan Sri Saw Choo Boon
Director

STATEMENT BY DIRECTORS

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

We, Haakon Bruaset Kjoel and Tan Sri Saw Choo Boon, being two of the directors of Digi.Com Berhad, do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 86 to 144 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2018 and of their financial performance and cash flows for the financial year then ended.

Signed on behalf of the board in accordance with a resolution of the directors dated 13 March 2019.

Haakon Bruaset Kjoel
Director

Tan Sri Saw Choo Boon
Director

STATUTORY DECLARATION

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

I, Sanjeev Kumar Mehta, being the officer primarily responsible for the financial management of Digi.Com Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 86 to 144 are in my opinion correct, and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by
the above-named Sanjeev Kumar Mehta at
Kuala Lumpur in Wilayah Persekutuan
on 13 March 2019

Sanjeev Kumar Mehta

Before me,

Commissioner for Oaths
Kuala Lumpur

INDEPENDENT AUDITORS' REPORT

to the members of Digi.Com Berhad (Incorporated in Malaysia)

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Digi.Com Berhad, which comprise the statements of financial position as at 31 December 2018 of the Group and of the Company, and statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 86 to 144.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2018 and of their financial performance and their cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Basis for opinion

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

Independence and other ethical responsibilities

We are independent of the Group and of the Company in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Key audit matters

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

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

Accuracy of revenue recognition

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

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

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

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

INDEPENDENT AUDITORS' REPORT

to the members of Digi.Com Berhad (Incorporated in Malaysia)

Key audit matters (cont'd)

Accuracy of revenue recognition (cont'd)

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

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

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

Information other than the financial statements and auditors' report thereon

The directors of the Company are responsible for the other information. The other information comprises the information in the annual report but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

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

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

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

Responsibilities of the directors for the financial statements

The directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

INDEPENDENT AUDITORS' REPORT

to the members of Digi.Com Berhad (Incorporated in Malaysia)

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

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

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

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

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

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

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

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

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

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

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

INDEPENDENT AUDITORS' REPORT

to the members of Digi.Com Berhad (Incorporated in Malaysia)

Other matters

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

Ernst & Young
AF: 0039
Chartered Accountants

Kuala Lumpur, Malaysia
13 March 2019

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

STATEMENTS OF COMPREHENSIVE INCOME

For the financial year ended 31 December 2018

		Group		Company	
	Note	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Revenue	5	**6,527,111**	6,340,473	**1,508,000**	1,477,000
Other income		**19,499**	20,911	**1,387**	1,645
Cost of materials and traffic expenses		**(1,543,003)**	(1,514,645)	-	-
Sales and marketing expenses		**(489,787)**	(557,903)	-	-
Operations and maintenance expenses		**(116,261)**	(129,089)	-	-
Rental expenses		**(355,758)**	(398,149)	-	-
Staff expenses		**(253,779)**	(247,385)	-	-
Depreciation expenses	11	**(657,319)**	(624,778)	-	-
Amortisation expenses	12	**(147,471)**	(160,833)	-	-
Other expenses		**(754,946)**	(628,505)	**(1,443)**	(1,608)
Finance costs	6	**(129,984)**	(132,457)	-	-
Interest income		**20,778**	23,738	**229**	207
Settlement costs and exit fee		-	(6,028)	-	-
Operating model transition costs	7(a)	**(39,638)**	-	-	-
Profit before tax	7	**2,079,442**	1,985,350	**1,508,173**	1,477,244
Taxation	8	**(538,654)**	(508,652)	**(55)**	(50)
Profit for the year, representing total comprehensive income for the year		**1,540,788**	1,476,698	**1,508,118**	1,477,194
Attributable to:					
Owners of the parent		**1,540,788**	1,476,698	**1,508,118**	1,477,194

		Group	
	Note	2018	2017
Earnings per share attributable to owners of the parent (sen per share)	9	**19.8**	19.0

The accompanying accounting policies and explanatory information form an integral part of the financial statements. The Group and the Company have adopted MFRS 15 and MFRS 9 on 1 January 2018. Under the transition methods elected, cumulative impacts arising from the adoption of the new standards were adjusted to the accumulated losses of the Group as at 1 January 2018. Accordingly, comparatives have not been restated.

STATEMENTS OF FINANCIAL POSITION

As at 31 December 2018

		Group		Company	
	Note	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Non-current assets					
Property, plant and equipment	11	**2,881,172**	2,908,968	**-**	-
Intangible assets	12	**981,683**	937,100	**-**	-
Investments in subsidiaries	14	**-**	-	**772,751**	772,751
Other investment	15	**78**	163	**-**	-
Trade and other receivables	17	**140,762**	101,163	**-**	-
Contract costs	13	**71,130**	-	**-**	-
Contract assets	5	**40,900**	-	**-**	-
Derivative financial assets	18	**569**	355	**-**	-
		4,116,294	3,947,749	**772,751**	772,751
Current assets					
Inventories	16	**61,135**	59,138	**-**	-
Trade and other receivables	17	**1,460,709**	1,216,988	**4**	4
Contract assets	5	**134,800**	-	**-**	-
Tax recoverable		**-**	34,693	**-**	-
Cash and short-term deposits	19	**433,118**	575,045	**776**	897
		2,089,762	1,885,864	**780**	901
Total assets		**6,206,056**	5,833,613	**773,531**	773,652
Non-current liabilities					
Loans and borrowings	20	**2,512,683**	2,691,438	**-**	-
Deferred tax liabilities	21	**276,063**	297,523	**-**	-
Other liabilities	22	**48,964**	44,077	**-**	-
		2,837,710	3,033,038	**-**	-
Current liabilities					
Trade and other payables	23	**2,144,070**	1,928,256	**1,071**	965
Contract liabilities	5	**315,386**	-	**-**	-
Derivative financial liabilities	18	**301**	1,447	**-**	-
Other liabilities	22	**5,373**	339,257	**-**	-
Loans and borrowings	20	**181,371**	12,881	**-**	-
Tax payable		**48,657**	16	**21**	16
		2,695,158	2,281,857	**1,092**	981
Total liabilities		**5,532,868**	5,314,895	**1,092**	981
Equity					
Share capital	24	**769,655**	769,655	**769,655**	769,655
(Accumulated losses)/retained earnings	26	**(96,467)**	(250,937)	**2,784**	3,016
Total equity		**673,188**	518,718	**772,439**	772,671
Total equity and liabilities		**6,206,056**	5,833,613	**773,531**	773,652

The accompanying accounting policies and explanatory information form an integral part of the financial statements. The Group and the Company have adopted MFRS 15 and MFRS 9 on 1 January 2018. Under the transition methods elected, cumulative impacts arising from the adoption of the new standards were adjusted to the accumulated losses of the Group as at 1 January 2018. Accordingly, comparatives have not been restated.

STATEMENTS OF CHANGES IN EQUITY

For the financial year ended 31 December 2018

		Attributable to owners of the parent			
	Note	Share capital RM'000	Non-distributable share premium RM'000	Non-distributable accumulated losses/ distributable retained earnings RM'000 (Note 26)	Total RM'000
Group					
At 1 January 2017		77,750	691,905	(250,385)	519,270
Total comprehensive income		-	-	1,476,698	1,476,698
Transaction with owners:					
Dividends on ordinary shares	10	-	-	(1,477,250)	(1,477,250)
Transfer to share capital[2]	24	691,905	(691,905)	-	-
At 31 December 2017 and 1 January 2018		769,655	-	(250,937) [1]	518,718
Impacts arising from adoption of:					
- MFRS 15[3]	3.1	**-**	**-**	**128,187**	**128,187**
- MFRS 9[3]	3.1	**-**	**-**	**(6,155)**	**(6,155)**
At 1 January 2018 (adjusted)		**769,655**	**-**	**(128,905)**	**640,750**
Total comprehensive income		**-**	**-**	**1,540,788**	**1,540,788**
Transaction with owners:					
Dividends on ordinary shares	10	**-**	**-**	**(1,508,350)**	**(1,508,350)**
At 31 December 2018		**769,655**	**-**	**(96,467)** [1]	**673,188**
Company					
At 1 January 2017		77,750	691,905	3,072	772,727
Total comprehensive income		-	-	1,477,194	1,477,194
Transaction with owners:					
Dividends on ordinary shares	10	-	-	(1,477,250)	(1,477,250)
Transfer to share capital[2]	24	691,905	(691,905)	-	-
At 31 December 2017[3]		769,655	-	3,016	772,671
Total comprehensive income		**-**	**-**	**1,508,118**	**1,508,118**
Transaction with owners:					
Dividends on ordinary shares	10	**-**	**-**	**(1,508,350)**	**(1,508,350)**
At 31 December 2018		**769,655**	**-**	**2,784**	**772,439**

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

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

Note: [3] The Group and the Company have adopted MFRS 15 and MFRS 9 on 1 January 2018. Under the transition methods elected, cumulative impacts arising from the adoption of the new standards were adjusted to the accumulated losses of the Group as at 1 January 2018. Accordingly, comparatives have not been restated. Further details of significant effects arising from adoption of new standards are disclosed in Note 3.1.

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

STATEMENTS OF CASH FLOWS

For the financial year ended 31 December 2018

	Note	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
Cash flows from operating activities					
Profit before tax		**2,079,442**	1,985,350	**1,508,173**	1,477,244
Adjustments for:					
Amortisation of intangible assets	12	**147,471**	160,833	**-**	-
Allowance for expected credit loss on trade receivables and contract assets		**48,020**	45,425	**-**	-
Inventories written down		**804**	-	**-**	-
Dividend income		**-**	-	**(1,508,000)**	(1,477,000)
Depreciation of property, plant and equipment	11	**657,319**	624,778	**-**	-
Finance costs	6	**129,984**	132,457	**-**	-
Gain on disposal of property, plant and equipment		**(560)**	(245)	**-**	-
Other investment written off	15	**100**	-	**-**	-
Write-off of property, plant and equipment	11	**204**	-	**-**	-
Write-off of intangible asset	12	**-**	356	**-**	-
Interest income		**(20,778)**	(23,738)	**(229)**	(207)
Reversal of provision for employee leave entitlements	22.1	**(541)**	(1,633)	**-**	-
Employee benefits					
- share-based payment		**603**	241	**-**	-
- defined benefit plan	25	**65**	18	**-**	-
Fair value (gain)/loss on derivative financial instruments		**(1,146)**	5,481	**-**	-
Unrealised foreign exchange loss/(gain)		**1,852**	(3,131)	**-**	-
Operating cash flows before working capital changes		**3,042,839**	2,926,192	**(56)**	37
Increase in inventories		**(2,801)**	(11,316)	**-**	-
(Increase)/decrease in trade and other receivables		**(517,129)**	341,127	**-**	1
Increase in contract assets		**(89,518)**	-	**-**	-
Decrease in contract costs		**4,220**	-	**-**	-
Increase/(decrease) in trade and other payables		**225,395**	(26,903)	**106**	20
Increase in contract liabilities		**318,862**	-	**-**	-
Decrease in deferred revenue		**(333,343)**	(56,731)	**-**	-
Cash generated from operations		**2,648,525**	3,172,369	**50**	58
Advance payment for bandwidth		**(21,418)**	(55,994)	**-**	-
Interest paid		**(138,469)**	(117,406)	**-**	-
Proceeds from government grants		**203,383**	121,949	**-**	-
Payments for provisions	22.1	**(621)**	(302)	**-**	-
Taxes paid		**(515,316)**	(543,994)	**(50)**	(58)
Net cash generated from operating activities		**2,176,084**	2,576,622	**-**	-

STATEMENTS OF CASH FLOWS

For the financial year ended 31 December 2018

		Group		Company	
	Note	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Cash flows from investing activities					
Purchase of property, plant and equipment		**(626,398)**	(699,721)	-	-
Purchase of intangible assets		**(192,054)**	(644,512)	-	-
Purchase of unquoted investment		**(15)**	(63)	-	-
Dividends received from a subsidiary	5	-	-	**1,508,000**	1,477,000
Interest received		**20,895**	23,370	**229**	207
Proceeds from disposal of property, plant and equipment		**659**	1,047	-	-
Net cash (used in)/generated from investing activities		**(796,913)**	(1,319,879)	**1,508,229**	1,477,207
Cash flows from financing activities					
Repayment of loans and borrowings		-	(750,000)	-	-
Proceeds from issuance of Sukuk Programme		-	905,000	-	-
Redemption of Sukuk Programme		-	(5,000)	-	-
Repayment of obligations under finance lease		**(12,767)**	(4,840)	-	-
Drawdown of loans and borrowings		-	275,000	-	-
Dividends paid	10	**(1,508,350)**	(1,477,250)	**(1,508,350)**	(1,477,250)
Net cash used in financing activities		**(1,521,117)**	(1,057,090)	**(1,508,350)**	(1,477,250)
Net (decrease)/increase in cash and cash equivalents		**(141,946)**	199,653	**(121)**	(43)
Effect of exchange rate changes on cash and cash equivalents		**19**	(1,196)	-	-
Cash and cash equivalents at beginning of financial year		**575,045**	376,588	**897**	940
Cash and cash equivalents at end of financial year	19	**433,118**	575,045	**776**	897

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

1. Corporate information

The Company is a public limited liability company, incorporated and domiciled in Malaysia, and is listed on the Main Market of Bursa Malaysia Securities Berhad ("Bursa Securities"). The principal place of business is located at Lot 10, Jalan Delima 1/1, Subang Hi-Tech Industrial Park, 40000 Subang Jaya, Selangor Darul Ehsan. The registered office of the Company is located at Lot 6.05, Level 6, KPMG Tower, 8 First Avenue, Bandar Utama, 47800 Petaling Jaya, Selangor Darul Ehsan.

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

The principal activity of the Company is investment holding, whilst the principal activities of the subsidiaries are stated in Note 14. There has been no significant change in the nature of the principal activities during the financial year.

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

2. Significant accounting policies

2.1 Basis of preparation

The financial statements of the Group and of the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards ("IFRS") and the requirements of the Companies Act 2016 in Malaysia. At the beginning of the current financial year, the Group and the Company adopted new and amended MFRSs and interpretation which are mandatory for annual financial periods beginning on or after 1 January 2018 as described fully in Note 3.1.

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

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

2.2 Basis of consolidation

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

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS
31 December 2018

2. Significant accounting policies (cont'd)

2.2 Basis of consolidation (cont'd)

Business combinations

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

2.3 Investment in subsidiaries

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

2.4 Property, plant and equipment, and depreciation

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

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

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

Freehold buildings	2.0%
Leasehold land and buildings	30 to 99 years
Motor vehicles	20.0%
Computer systems	20.0% - 33.3%
Furniture and fittings	20.0%
Telecommunications network	3.3% - 33.3%

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

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

2. Significant accounting policies (cont'd)

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

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

2.5 Intangible assets

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

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

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

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

(a) Spectrum rights

Expenditure for the acquisition of the spectrum rights are capitalised under intangible assets. The amount is amortised using the straight-line method over the spectrum assignment period which ranges from 1.5 to 16 years.

(b) Computer software

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

(c) License fee

License fees are capitalised and amortised over the period of the licenses. The license fees had been fully-amortised since prior years.

2.6 Impairment of non-financial assets

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

2. Significant accounting policies (cont'd)

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

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

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

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

2.7 Inventories

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

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

2.8 Financial assets

2.8.1 Initial recognition and measurement

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

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

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

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

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

2. **Significant accounting policies (cont'd)**

2.8 Financial assets (cont'd)

2.8.2 Subsequent measurement

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

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

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

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

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

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

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

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

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

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

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

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

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

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

2. Significant accounting policies (cont'd)

2.8 Financial assets (cont'd)

2.8.2 Subsequent measurement (cont'd)

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

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

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

2.8.3 Derecognition

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

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

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

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

2.9 Impairment of financial assets and contract assets

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

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

2. Significant accounting policies (cont'd)

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

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

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

2.10 Cash and cash equivalents

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

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

2.11 Provision for liabilities

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

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

(a) Employee leave entitlements

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

(b) Site decommissioning and restoration costs

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

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

(c) Defined benefit plan

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

NOTES TO THE FINANCIAL STATEMENTS
31 December 2018

2. Significant accounting policies (cont'd)

2.12 Financial liabilities

2.12.1 Initial recognition and measurement

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

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

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

2.12.2 Subsequent measurement

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

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

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

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

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

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

(b) Other financial liabilities

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

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

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

This category generally applies to trade and other payables and interest-bearing loans and borrowings. For more information, refer to Note 20 and Note 23.

2.12.3 Derecogniton

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

2. Significant accounting policies (cont'd)

2.13 Borrowing costs

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

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

2.14 Share capital and share issuance expenses

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

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

2.15 Leases

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

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

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

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

2.16 Employee benefits

(a) Short-term benefits

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

(b) Defined contribution plan

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

2. Significant accounting policies (cont'd)

2.16 Employee benefits (cont'd)

(c) Defined benefit plan

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

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

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

- The date of the plan amendment or curtailment; or

- The date that the Group recognises restructuring related costs.

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

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

2.17 Income taxes

(a) Current tax

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

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

(b) Deferred tax

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

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

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

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

2. Significant accounting policies (cont'd)

2.17 Income taxes (cont'd)

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

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

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

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

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

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

2.18 Contingencies

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

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

2.19 Revenue recognition

2.19.1 Revenue from contracts with customers

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

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

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

(a) Telecommunication revenue

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

2. Significant accounting policies (cont'd)

2.19 Revenue recognition (cont'd)

2.19.1 Revenue from contracts with customers (cont'd)

(a) Telecommunication revenue (cont'd)

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

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

(b) Sale of device

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

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

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

(c) Contract balances

(i) Contract assets

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

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

(ii) Trade receivables

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

2. Significant accounting policies (cont'd)

2.19 Revenue recognition (cont'd)

2.19.1 Revenue from contracts with customers (cont'd)

(c) Contract balances (cont'd)

(iii) Contract liabilities

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

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

(d) Cost to obtain a contract

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

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

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

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

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

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

2.19.2 Dividend income

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

2. Significant accounting policies (cont'd)

2.19 Revenue recognition (cont'd)

2.19.3 Lease income

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

2.20 Government grants

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

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

2.21 Foreign currency transactions

(a) Functional and presentation currency

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

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

(b) Foreign currency transactions

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

2.22 Fair value measurement

The Group measures financial instruments, such as, derivatives at fair value at each reporting date. Also, fair values of financial instruments measured at amortised cost are disclosed in Note 30.6.

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

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

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

2. **Significant accounting policies (cont'd)**

2.22 Fair value measurement (cont'd)

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

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

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

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

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

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

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

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

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

2.23 Current versus non-current classification

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

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

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

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

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

2. Significant accounting policies (cont'd)

2.24 Segment reporting

The Group provides telecommunication and related services to customers across the country and its services and products essentially have a similar risk profile. Business activities of the Group are not organised by product or geographical components and its operating result is reviewed as a whole by its management. Accordingly, there is no separate segment, as disclosed in Note 32.

3. Changes in accounting policies

3.1 Adoption of new and amended MFRSs and interpretation

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

On 1 January 2018, the Group and the Company adopted the following new and amended MFRSs and interpretation mandatory for annual financial periods beginning on or after 1 January 2018.

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

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

MFRS 15 Revenue from contracts with customers

MFRS 15 supersedes MFRS 111 Construction Contracts, MFRS 118 Revenue and related interpretations and it applies, with limited exceptions, to all revenue arising from contracts with customers. MFRS 15 establishes a new five-step model that will apply to revenue arising from contracts with customers.

The core principle of MFRS 15 is that an entity should recognise revenue which depicts the transfer of promised goods or services to the customer at an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Under MFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

MFRS 15 requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires extensive disclosures.

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

3. Changes in accounting policies (cont'd)

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

MFRS 9 Financial instruments

MFRS 9 replaces MFRS 139 Financial Instruments: Recognition and Measurement and is effective for annual periods beginning on or after 1 January 2018. MFRS 9 introduces new requirements with impacts mainly relating to classification and measurement of financial instruments, impairment assessment based on the expected credit loss model and hedge accounting. Differences arising from the adoption of MFRS 9 has been recognised directly in accumulated losses.

The Group has applied MFRS 9 retrospectively on the initial application date of 1 January 2018 and has elected not to restate comparatives.

The impact of adopting MFRS 15 and MFRS 9 to the statement of financial position of the Group as at 1 January 2018 are as follows:

Statement of financial position - 1 January 2018

Group	Note	As previously reported RM'000	Impact of change in accounting policies Adjustments MFRS 15 RM'000	MFRS 9 RM'000	After adjustments RM'000
Non-current assets					
Contract costs	(b)	-	75,350	-	75,350
Contract assets	(a)	-	30,005	-	30,005
Impact to non-current assets		-	105,355	-	105,355
Current assets					
Trade and other receivables	(d)	1,216,988	-	(8,099)	1,208,889
Contract assets	(a)	-	59,836	-	59,836
Impact to current assets		1,216,988	59,836	(8,099)	1,268,725
Non-current liabilities					
Deferred tax liabilities	(a), (b)	(297,523)	(40,480)	1,944	(336,059)
Current liabilities					
Contract liabilities	(a)	-	(329,867)	-	(329,867)
Deferred revenue	(c)	(333,343)	333,343	-	-
Impact to current liabilities		(333,343)	3,476	-	(329,867)
Equity					
Accumulated losses		(250,937)	128,187	(6,155)	(128,905)

NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

3. Changes in accounting policies (cont'd)

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

The impact of adopting MFRS 15 on the Group's statement of financial position as at 31 December 2018 and the statement of comprehensive income for the financial year ended 31 December 2018 are as follows:

Statement of financial position - 31 December 2018

Group	Note	Impact of change in accounting policies As presented under MFRS 118 RM'000	MFRS 15 adjustments RM'000	As reported under MFRS 15 RM'000
Non-current assets				
Contract costs	(b)	-	71,130	71,130
Contract assets	(a)	-	40,900	40,900
Impact to non-current assets		-	112,030	112,030
Current assets				
Contract assets	(a)	-	134,800	134,800
Non-current liabilities				
Deferred tax liabilities	(a), (b)	(215,631)	(60,432)	(276,063)
Current liabilities				
Trade and other payables	(a)	(2,138,609)	(5,461)	(2,144,070)
Contract liabilities	(a), (c)	-	(315,386)	(315,386)
Deferred revenue	(c)	(320,358)	320,358	-
Impact to current liabilities		(2,458,967)	(489)	(2,459,456)
Equity				
Accumulated losses		(282,376)	185,909	(96,467)

3. Changes in accounting policies (cont'd)

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

Statement of comprehensive income

Group	Note	2018 As presented under MFRS 118 RM'000	MFRS 15 adjustments RM'000	2018 As reported under MFRS 15 RM'000	2017 As reported under MFRS 118 RM'000
Telecommunication revenue	(a)	5,961,136	(133,686)	5,827,450	5,969,277
Sales of device	(a)	400,135	224,700	624,835	305,943
Revenue from contracts with customers	(a)	6,361,271	91,014	6,452,285	6,275,220
Lease income		74,826	-	74,826	65,253
Total revenue		6,436,097	91,014	6,527,111	6,340,473
Other income		19,499	-	19,499	20,911
Cost of materials and traffic expenses		(1,543,003)	-	(1,543,003)	(1,514,645)
Sales and marketing expenses	(b)	(485,030)	(4,757)	(489,787)	(557,903)
Operations and maintenance expenses		(116,261)	-	(116,261)	(129,089)
Rental expenses		(355,758)	-	(355,758)	(398,149)
Staff expenses	(b)	(254,316)	537	(253,779)	(247,385)
Depreciation expenses		(657,319)	-	(657,319)	(624,778)
Amortisation expenses		(147,471)	-	(147,471)	(160,833)
Other expenses	(a)	(745,826)	(9,120)	(754,946)	(628,505)
Finance costs		(129,984)	-	(129,984)	(132,457)
Interest income		20,778	-	20,778	23,738
Settlement costs and exit fee		-	-	-	(6,028)
Operating model transition costs		(39,638)	-	(39,638)	-
Profit before tax		2,001,768	77,674	2,079,442	1,985,350
Taxation	(a), (b)	(518,702)	(19,952)	(538,654)	(508,652)
Profit for the year		1,483,066	57,722	1,540,788	1,476,698
Earnings per share attributable to owners of the parent (sen per share)		19.1	0.7	19.8	19.0

(a) Revenue allocation between telecommunication revenue and sale of device for bundled contracts

For bundled contracts, the Group accounts for postpaid service revenue and sales of device as multiple element arrangements. Prior to adoption of MFRS 15, the Group allocated transaction price between elements based on their relative fair values, with recognition for sale of mobile device being capped by the upfront consideration received from customers.

Under MFRS 15, the Group assessed that there are still two performance obligations in a bundled contract (i.e. postpaid service revenue and sale of mobile device) and performed a re-allocation of the transaction price based on their relative stand-alone selling prices. As mobile device revenue is no longer capped by upfront consideration received, a larger portion of the transaction price is attributable to sale of mobile device, which is delivered upfront, requiring higher upfront recognition of device sales revenue. Correspondingly, this results in a lower portion of the transaction price attributable to postpaid service revenue that is recognised over the contract period (i.e. 12 or 24 months).

NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

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

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

(a) Revenue allocation between telecommunication revenue and sale of device for bundled contracts (cont'd)

The higher upfront recognition of mobile device revenue results in the recognition of what is known as a contract asset in the statement of financial position. Contract assets are reduced over their respective contract periods.

The overall increase in revenue has also resulted in an increase in other expenses and deferred tax liabilities. Increase in other expenses was due to higher USP contribution and impairment of contract assets.

(b) Incremental costs of obtaining a contract

The Group pays sales commissions to external sales channels and employees as an incentive for each new registration to the Group's telecommunication services which were previously expensed as incurred.

As sales commissions meet the definition of MFRS 15 as an incremental cost of obtaining a contract, the Group has capitalised sales commission which have an expected amortisation of more than one year and will amortise consistently with the pattern of the related revenue. For sales commission with an amortisation period of less than one year, the Group has elected to apply the practical expedient to recognise an expense when incurred.

The overall increase in the capitalisation of incremental costs of obtaining a contract has also resulted in an increase in deferred tax liabilities.

(c) Deferred revenue

Prior to the adoption of MFRS 15, the Group recognised cash receipts for prepaid services where services yet to be delivered as deferred revenue. Under MFRS 15, cash receipts which result in an entity having the obligation to transfer goods or services is defined as a contract liability.

Accordingly, the Group has reclassified cash receipts for prepaid services from deferred revenue to contract liabilities.

(d) Trade and other receivables

The Group applied the simplified approach and calculated expected credit losses based on lifetime expected losses on all trade receivables and contract assets. The Group established a provision matrix that is based on its historical credit loss experience with trade receivables of similar credit risk characteristics, adjusted for forward-looking factors specific to the category of debtors and the economic environment.

Set out below is the reconciliation of the impairment allowances as at 31 December 2017 in accordance with MFRS 139 to the opening loss allowances determined in accordance with MFRS 9 as at 1 January 2018:

	Allowance for impairment under MFRS 139 as at 31 December 2017 RM'000	**Re-measurement RM'000**	**ECL under MFRS 9 as at 1 January 2018 RM'000**
Loans and receivables under MFRS 139 / trade receivables at amortised cost and contract assets under MFRS 9	(7,279)	**(8,099)**	**(15,378)**

3. Changes in accounting policies (cont'd)

3.2 Standards and interpretation issued but not yet effective

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

Description	Effective for annual periods beginning on or after
MFRS 16: Leases	1 January 2019
MFRS 9: Prepayment Features with Negative Compensation (Amendments to MFRS 9)	1 January 2019
MFRS 128: Long-term Interests in Associates and Joint Ventures (Amendments to MFRS 128)	1 January 2019
MFRS 119 Plan Amendment, Curtailment or Settlement (Amendments to MFRS 119)	1 January 2019
IC Interpretation 23: Uncertainty over Income Tax Treatments	1 January 2019
Annual Improvements to MFRS Standards 2015–2017 Cycle	1 January 2019
MFRS 101 and MFRS 108: Definition of Material (Amendments to MFRS 101 and MFRS 108)	1 January 2020
MFRS 3: Definition of a Business (Amendments to MFRS 3)	1 January 2020
MFRS 17: Insurance Contracts	1 January 2021
MFRS 10 and MFRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to MFRS 10 and MFRS 128)	Deferred

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

MFRS 16 Leases

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

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

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

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

The Group intends to adopt the standard retrospectively with any cumulative impact arising from the adoption of MFRS 16 to be recognised in retained earnings/accumulated losses as at 1 January 2019 and comparatives will not be restated.

Under this approach, lease liability will be recognised based on the remaining payment obligations from existing operating leases which will be discounted using the incremental borrowing rate at the date of initial application and the Group has opted for the ROU assets to be carried at an amount equal to the lease liability, adjusted by the amount of the prepaid or accrued lease payments.

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3. Changes in accounting policies (cont'd)

3.2 Standards and interpretation issued but not yet effective (cont'd)

MFRS 16 Leases (cont'd)

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

(a) Non-current assets will increase on implementation as ROU assets will be recorded for assets that are leased by the Group. Under the current standard, operating leases are not included in the statement of financial position of the Group.

(b) Current and non-current liabilities will also increase as future lease payments will be recorded in statement of financial position of the Group, for the period that the Group is reasonably certain to lease, which includes future lease periods for which the Group has extension options. Currently, future lease payments are only disclosed in the financial statements as commitments and are not recorded as liabilities. The amounts of lease liabilities are not expected to equal the lease commitments, as they will be discounted to present value and the treatment of termination and extension options may differ.

(c) Operating lease expenses will be replaced with depreciation and interest expenses arising from the recognition of the ROU assets and lease liabilities which will result in a decrease in operating expenses and increase in depreciation and finance cost. This will result in an improvement to the Group's EBITDA.

Adoption of MFRS 16 is not expected to have a significant impact for leases in which the Group is a lessor.

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

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

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

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

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

Depreciation and amortisation are based on management's estimates of the future estimated useful lives and residual values of property, plant and equipment and intangible assets. Estimates may change due to technological developments, modernisation initiatives, expected level of usage, competition, market conditions and other factors, which could potentially impact the average useful lives and the residual values of these assets. This may result in future changes in the estimated useful lives and in the depreciation or amortisation expenses. A 5.0% difference in the expected useful lives of these assets from management's estimates would result in approximately 2.4% (2017: 2.3%) variance in the Group's profit for the year. The carrying amounts of property, plant and equipment and intangible assets at the reporting date are disclosed in Note 11 and Note 12, respectively.

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

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

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

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

4.2 Provision for expected credit losses of trade receivables and contract assets (cont'd)

The Group estimates the relationship between historical observed default rates, forecast economic conditions and ECL which may not be representative of customer's actual default in the future. The information about the provision matrix on the Group's trade receivables and contract assets is disclosed in Note 30.2.

If the historical observed default rates varies by 5.0% from management's estimates, the Group's allowance for expected credit loss on trade receivables and contract assets will cause either a 0.1% (2017: 0.1%) increase or 0.2% (2017: 0.2%) decrease respectively in the Group's profit for the year.

4.3 Deferred tax

Deferred tax implications arising from the changes in corporate income tax rates are measured with reference to the estimated realisation and settlement of temporary differences in the future periods in which the tax rates are expected to apply, based on the tax rates enacted or substantively enacted at the reporting date. While management's estimates on the realisation and settlement of temporary differences are based on the available information at the reporting date; changes in business strategy, future operating performance and other factors could potentially impact on the actual timing and amount of temporary differences realised and settled. Any difference between the actual amount and the estimated amount would be recognised in profit and loss in the period in which actual realisation and settlement occurs. The carrying amount of deferred tax liabilities is disclosed in Note 21.

4.4 Income taxes

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

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

4.5 Provisions for liabilities

Provision for site decommissioning and restoration costs are provided based on the present value of the estimated future expenditure to be incurred for dismantling the inactive sites. Significant management assumption and estimation are required in determining the discount rate, the estimated life cycle and the expenditure to be incurred for dismantling each network infrastructure sites. Where expectations differ from the original estimates, the differences will impact the carrying amount of provision for site decommissioning and restoration costs. The carrying amount of provision for site decommissioning and restoration costs at the reporting date is disclosed in Note 22.

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

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

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

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

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

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5. Revenue

	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
Revenue from contracts with customers (Note 5.1)	**6,452,285**	6,275,220	**-**	-
Lease income	**74,826**	65,253	**-**	-
Dividend income from a subsidiary	**-**	-	**1,508,000**	1,477,000
	6,527,111	6,340,473	**1,508,000**	1,477,000

5.1 Disaggregation of revenue from contracts with customers

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

Major products/service lines	Note	Group 2018 As reported under MFRS 15 RM'000	Group 2017 As reported under MFRS 118 RM'000
Telecommunication revenue	(a)	**5,827,450**	5,969,277
Sales of devices	(b)	**624,835**	305,943
Total revenue from contracts with customers		**6,452,285**	6,275,220

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

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

5.2 Contract balances

	Note	Group 2018 RM'000	Group 2017 RM'000
Non-current assets			
Trade receivables	17	**40,596**	-
Contract assets		**40,900**	-
Current assets/(liabilities)			
Trade receivables	17	**439,381**	406,345
Contract assets		**134,800**	-
Contract liabilities		**(315,386)**	-

5. Revenue (cont'd)

5.2 Contract balances (cont'd)

Contract assets primarily relate to rights to consideration for mobile devices transferred to subscribers but not billed at the reporting date. Contract assets are transferred to receivables when the rights become unconditional. As at 31 December 2018, the Group has contract assets of RM175.7 million (2017: nil) which is net of an allowance for expected credit losses of RM3.7 million (2017: nil).

Contract liabilities mainly relate to advance consideration received from subscribers at inception of contracts, for which revenue is only recognised upon rendering of telecommunication service. Included in contract liabilities were deferred revenue previously presented under other liabilities (refer Note 22.2).

The outstanding balances of contract assets increased as at 31 December 2018 as more mobile devices bundled with a contractual postpaid service plan were sold during the financial year end.

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

6. Finance costs

	Note	Group	
		2018 RM'000	**2017 RM'000**
Interest expense on:			
- Loans and borrowings		**127,208**	128,271
- Obligations under finance lease		**1,082**	1,943
- Site decommissioning and restoration costs	22.1	**2,015**	1,765
- Others		**301**	117
		130,606	132,096
Net change in fair value of derivative financial instruments:			
- Interest rate swaps		**(622)**	361
		129,984	132,457

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7. Profit before tax

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

	Note	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
Allowance for expected credit losses on trade receivables and contract assets		**48,020**	45,425	**-**	-
Auditors' remuneration:					
- statutory audit		**430**	408	**44**	44
- other services*		**428**	696	**-**	-
Staff expenses**		**253,779**	247,385	**-**	-
Non-executive directors' remuneration***:					
- fees		**762**	752	**76**	75
- other emoluments		**17**	8	**-**	-
Lease of transmission facilities		**177,770**	160,426	**-**	-
Inventories written down		**804**	-	**-**	-
Rental of land and buildings		**343,547**	386,849	**-**	-
Rental of equipment and others		**12,211**	11,300	**-**	-
Realised foreign exchange (gain)/loss		**(192)**	2,447	**-**	-
Unrealised foreign exchange loss/(gain)		**1,852**	(3,131)	**-**	-
Fair value (gain)/loss on derivative financial instruments		**(1,146)**	5,481	**-**	-
Gain on disposal of property, plant and equipment		**(560)**	(245)	**-**	-
Other investment written off	15	**100**	-	**-**	-
Write-off of property, plant and equipment		**204**	-	**-**	-
Write-off of intangible asset		**-**	356	**-**	-
Operating model transition costs	(a)	**39,638**	-	**-**	-
Bad debts recovered		**(17,483)**	(18,556)	**-**	-
Waiver of debt		**-**	-	**(1,387)**	(1,645)
Interest income from deposits with licensed banks		**(20,778)**	(23,738)	**(229)**	(207)

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

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

	Note	Group 2018 RM'000	Group 2017 RM'000
Wages and salaries		**193,304**	182,760
Defined contribution plan		**24,239**	24,475
Defined benefit plan	25	**65**	18
Share-based payment		**603**	241
Reversal of provision for employee leave entitlements	22.1	**(541)**	(1,633)
Other staff related expenses		**36,109**	41,524
		253,779	247,385

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7. Profit before tax (cont'd)

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

	Number of directors	
	2018	**2017**
Non-executive directors:		
Nil	**6**	7
RM200,001 - RM300,000	**3**	3

(a) Operating model transition costs

In the second of quarter 2018, the Group collaborated with a managed service provider in establishing a Common Delivery Centre ("CDC") that takes over certain parts of the Group's network operation.

With CDC in effect, the Group has a shift in operating model with the following changes:

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

The Group incurred operating model transition costs of RM39.6 million for redeployment exercise of in-house network team.

8. Taxation

Major components of income tax expense

The major components of income tax expense for the financial years ended 31 December 2018 and 2017 are:

	Group		Company	
	2018 RM'000	**2017 RM'000**	**2018 RM'000**	**2017 RM'000**
Statements of comprehensive income:				
Income tax:				
- Current tax expense	**617,433**	525,892	**55**	50
- Over accrual in prior years	**(18,783)**	(3,478)	**-**	-
Total income tax	**598,650**	522,414	**55**	50
Deferred taxation (Note 21):				
- Relating to origination and reversal of temporary differences	**(77,647)**	(21,126)	**-**	-
- Under accrual in prior years	**17,651**	7,364	**-**	-
Total deferred tax	**(59,996)**	(13,762)	**-**	-
Income tax expense recognised in profit or loss	**538,654**	508,652	**55**	50

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8. Taxation (cont'd)

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

	%	2018 RM'000	%	2017 RM'000
Group				
Profit before tax		**2,079,442**		1,985,350
Taxation at Malaysian statutory tax rate	**24.0**	**499,066**	24.0	476,484
Effect of expenses not deductible for tax purposes	**2.0**	**40,720**	1.4	28,282
Over accrual of income tax expense in prior years	**(0.9)**	**(18,783)**	(0.2)	(3,478)
Under accrual of deferred tax expense in prior years	**0.8**	**17,651**	0.4	7,364
Effective tax rate/income tax expense recognised in profit or loss	**25.9**	**538,654**	25.6	508,652
Company				
Profit before tax		**1,508,173**		1,477,244
Taxation at Malaysian statutory tax rate	**24.0**	**361,962**	24.0	354,539
Income not subject to tax	**(24.0)**	**(361,907)**	(24.0)	(354,489)
Effective tax rate/income tax expense recognised in profit or loss	**0.0**	**55**	0.0	50

Domestic current income tax is calculated at the Malaysian statutory tax rate of 24% (2017: 24%) of the estimated taxable profit for the year.

9. Earnings per ordinary share

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

	Group 2018	2017
Profit attributable to owners of the parent (RM'000)	**1,540,788**	1,476,698
Weighted average number of ordinary shares in issue ('000)	**7,775,000**	7,775,000
Basic earnings per share (sen)	**19.8**	19.0

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

10. Dividends

	Group/Company	
	2018	**2017**
	RM'000	**RM'000**
Recognised during the financial year:		
Dividends on ordinary shares:		
Fourth interim tax exempt (single-tier) dividend (2017: 4.6 sen; 2016: 4.8 sen)	**357,650**	373,200
First interim tax exempt (single-tier) dividend (2018: 4.9 sen; 2017: 4.7 sen)	**380,975**	365,425
Second interim tax exempt (single-tier) dividend (2018: 4.9 sen; 2017: 4.6 sen)	**380,975**	357,650
Third interim tax exempt (single-tier) dividend (2018: 5.0 sen; 2017: 4.9 sen)	**388,750**	380,975
	1,508,350	1,477,250
Interim dividend declared subsequent to the reporting date (not recognised as a liability as at 31 December):		
Dividends on ordinary shares:		
Fourth interim tax exempt (single-tier) dividend (2018: 4.8 sen; 2017: 4.6 sen)	**373,200**	357,650

The Board of Directors had on 24 January 2019, declared a fourth interim tax exempt (single-tier) dividend of 4.8 sen per ordinary share in respect of the financial year ended 31 December 2018 amounting to RM373.2 million. The financial statements for the current financial year do not reflect this fourth interim dividend. Such dividend, will be accounted for in equity as an appropriation of retained earnings in the financial year ending 31 December 2019.

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11. Property, plant and equipment

Group	Freehold land RM'000	Long-term leasehold land RM'000	Short-term leasehold land RM'000	Freehold buildings RM'000	Long-term leasehold buildings RM'000	Short-term leasehold buildings RM'000	Motor vehicles RM'000	Computer systems RM'000	Furniture and fittings RM'000	Tele-communi-cations network RM'000	Capital work-in-progress RM'000	Total RM'000
Cost												
At 1 January 2018	**29,638**	**7,312**	**7,565**	**143,295**	**7,146**	**6,866**	**23,325**	**306,657**	**232,678**	**5,612,769**	**127,020**	**6,504,271**
Additions	**-**	**-**	**-**	**-**	**-**	**-**	**381**	**1,352**	**744**	**26,545**	**600,804**	**629,826**
Disposals	**-**	**-**	**-**	**-**	**-**	**-**	**(490)**	**(4)**	**-**	**(5)**	**(95)**	**(594)**
Write offs	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(10,006)**	**(204)**	**(10,210)**
Transfers	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**11,544**	**21,010**	**591,459**	**(624,013)**	**-**
At 31 December 2018	**29,638**	**7,312**	**7,565**	**143,295**	**7,146**	**6,866**	**23,216**	**319,549**	**254,432**	**6,220,762**	**103,512**	**7,123,293**
Accumulated depreciation												
At 1 January 2018	**-**	**1,500**	**3,083**	**24,213**	**750**	**3,158**	**16,685**	**246,676**	**159,474**	**3,139,764**	**-**	**3,595,303**
Depreciation expenses for the year	**-**	**61**	**128**	**2,811**	**64**	**108**	**2,892**	**25,211**	**26,318**	**599,726**	**-**	**657,319**
Disposals	**-**	**-**	**-**	**-**	**-**	**-**	**(490)**	**(4)**	**-**	**(1)**	**-**	**(495)**
Write offs	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(10,006)**	**-**	**(10,006)**
At 31 December 2018	**-**	**1,561**	**3,211**	**27,024**	**814**	**3,266**	**19,087**	**271,883**	**185,792**	**3,729,483**	**-**	**4,242,121**
Carrying amount												
At 31 December 2018	**29,638**	**5,751**	**4,354**	**116,271**	**6,332**	**3,600**	**4,129**	**47,666**	**68,640**	**2,491,279**	**103,512**	**2,881,172**
Cost												
At 1 January 2017	29,638	7,312	7,565	143,295	7,365	6,866	26,267	292,730	194,722	4,929,200	288,038	5,932,998
Additions	-	-	-	-	-	-	332	7,845	2,224	57,807	634,075	702,283
Disposals	-	-	-	-	(219)	-	(3,274)	(30)	(52)	(71)	(570)	(4,216)
Write offs	-	-	-	-	-	-	-	(58)	(7,805)	(118,931)	-	(126,794)
Transfers	-	-	-	-	-	-	-	6,170	43,589	744,764	(794,523)	-
At 31 December 2017	29,638	7,312	7,565	143,295	7,146	6,866	23,325	306,657	232,678	5,612,769	127,020	6,504,271
Accumulated depreciation												
At 1 January 2017	-	1,439	2,955	21,390	745	3,050	16,613	222,316	145,020	2,687,205	-	3,100,733
Depreciation expenses for the year	-	61	128	2,823	65	108	3,272	24,434	22,311	571,576	-	624,778
Disposals	-	-	-	-	(60)	-	(3,200)	(16)	(52)	(86)	-	(3,414)
Write offs	-	-	-	-	-	-	-	(58)	(7,805)	(118,931)	-	(126,794)
At 31 December 2017	-	1,500	3,083	24,213	750	3,158	16,685	246,676	159,474	3,139,764	-	3,595,303
Carrying amount												
At 31 December 2017	29,638	5,812	4,482	119,082	6,396	3,708	6,640	59,981	73,204	2,473,005	127,020	2,908,968

(a) The Group acquired property, plant and equipment with an aggregate cost of RM629.8 million (2017: RM700.4 million) of which RM3.4 million (2017: RM2.6 million) relates to the provision for site decommissioning and restoration costs, as disclosed in Note 22.1.

(b) Government grants of RM171.0 million (2017: RM223.8 million) relating to additions to property, plant and equipment, were deducted before arriving at the cost of qualifying property, plant and equipment during the financial year ended 31 December 2018.

12. Intangible assets

	Spectrum rights RM'000	Computer software RM'000	Licenses RM'000	Total RM'000
Group				
Cost				
At 1 January 2018	**1,293,611**	**627,421**	**1,300**	**1,922,332**
Additions	**136,400**	**55,654**	**-**	**192,054**
At 31 December 2018	**1,430,011**	**683,075**	**1,300**	**2,114,386**
Accumulated amortisation				
At 1 January 2018	**696,060**	**287,872**	**1,300**	**985,232**
Amortisation expenses for the year	**76,728**	**70,743**	**-**	**147,471**
At 31 December 2018	**772,788**	**358,615**	**1,300**	**1,132,703**
Carrying amount				
At 31 December 2018	**657,223**	**324,460**	**-**	**981,683**
Cost				
At 1 January 2017	695,066	581,871	1,300	1,278,237
Additions	598,545	45,967	-	644,512
Write offs	-	(417)	-	(417)
At 31 December 2017	1,293,611	627,421	1,300	1,922,332
Accumulated amortisation				
At 1 January 2017	600,283	222,877	1,300	824,460
Amortisation expenses for the year	95,777	65,056	-	160,833
Write offs	-	(61)	-	(61)
At 31 December 2017	696,060	287,872	1,300	985,232
Carrying amount				
At 31 December 2017	597,551	339,549	-	937,100

Included in the cost of computer software are computer software not yet available for use of RM71.3 million as at 31 December 2018 (2017: RM54.7 million).

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13. Contract costs

	Group 2018 RM'000	Group 2017 RM'000
Capitalised sales commissions, net of amortisation	**71,130**	-

During the financial year, amortisation amounting to RM100.7 million (2017: nil) was recognised as an expense in operating expenses of the Group.

14. Investments in subsidiaries

	Company 2018 RM'000	Company 2017 RM'000
Unquoted shares at cost	**772,751**	772,751

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

Name of company	Percentage of ownership interest held by the Group 2018 (%)	2017 (%)	Principal activities
Digi Telecommunications Sdn Bhd ("DTSB")	**100**	100	Establishment, maintenance and provision of telecommunication and related services
Y3llownation Sdn Bhd	**100**	100	Dormant
Digi Services Sdn Bhd	**100**	100	Dormant
Y3llowLabs Sdn Bhd	**100**	100	Provision of e-commerce, digital services and solutions

15. Other investment

	Group 2018 RM'000	Group 2017 RM'000
Non-current		
Financial asset at fair value through OCI (2017: Available-for-sale financial asset):		
Unquoted shares	**78**	163

15. Other investment (cont'd)

During the financial year, the Group's wholly owned subsidiary, Y3llownation Sdn Bhd ("YN"), had:

- subscribed to 15,000 new ordinary shares of RM1 each for a cash consideration of RM15,000 in Vase Technologies Sdn Bhd ("Vase"), an entity incorporated in Malaysia, to maintain equity interest of 5% (2017: 5%), bringing the total investment to RM78,000. Vase is engaged in operating a market research platform that distributes online surveys to a ready pool of respondents registered with them.

- written-off investment in unquoted shares at cost amounting to RM100,000, which is 8% of equity interest in Localusher Sdn Bhd ("LocalUsher") as LocalUsher has ceased their business operation.

These investments were previously made in relation to a programme initiated by the Group to fund new digital start-ups in Malaysia.

16. Inventories

	Group	
	2018 RM'000	**2017 RM'000**
Merchandise:		
At cost	**39,456**	56,040
At net realisable value	**21,679**	3,098
	61,135	59,138

During the financial year, the amount of inventories recognised as an expense in cost of materials of the Group was RM688.2 million (2017: RM490.3 million).

17. Trade and other receivables

	Group		Company	
	2018 RM'000	**2017 RM'000**	**2018 RM'000**	**2017 RM'000**
Non-current				
Trade receivables	**40,596**	-	**-**	-
Prepayments	**100,166**	101,163	**-**	-
	140,762	101,163	**-**	-
Current				
Trade receivables	**439,381**	406,345	**-**	-
Other receivables	**705,582**	548,558	**4**	4
Deposits	**216,138**	179,808	**-**	-
Prepayments	**111,182**	89,556	**-**	-
	1,472,283	1,224,267	**4**	4
Allowance for expected credit loss	**(11,574)**	(7,279)	**-**	-
	1,460,709	1,216,988	**4**	4
Total trade and other receivables	**1,601,471**	1,318,151	**4**	4

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17. Trade and other receivables (cont'd)

17.1 Trade receivables

The Group's trade receivables are non-interest bearing, and are subject to normal trade credit terms ranging from 30 to 45 days (2017: 30 to 45 days). They are recognised at their original invoice amounts which represent their fair value on initial recognition.

The Group's trade receivables include receivables on deferred payment schemes amounting to RM86.1 million (2017: nil), which allows eligible customers on bundled packages to make payment for mobile devices over a 24 months instalment payment.

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

	Group	
	2018 RM'000	**2017 RM'000**
At 1 January	**7,279**	13,377
Impact arising from adoption of MFRS 9 (Note 3.1)	**8,099**	-
At 1 January (adjusted)	**15,378**	13,377
Charge for the year	**44,361**	45,425
Write offs	**(48,165)**	(51,523)
At 31 December	**11,574**	7,279

17.2 Other receivables

Included in non-current and current prepayments are advances to a network facility provider ("NFP") of RM125.1 million (2017: RM123.1 million) for provision of connectivity services for a period of 10 years.

17.3 Foreign currency exposures

As at 31 December 2018, the Group's trade receivables balances included exposure to foreign currency denominated in United States Dollar ("USD") and Special Drawing Rights ("SDR") amounting to RM4.9 million (2017: RM1.3 million) and RM46.4 million (2017: RM36.7 million) respectively.

18. Derivative financial assets/(liabilities)

		Group	
	Note	**2018 RM'000**	**2017 RM'000**
Non-hedging derivative financial assets/(liabilities)			
Non-current			
- Interest rate swaps	18.1	**569**	355
Current			
- Foreign currency forward contracts	18.2	**(301)**	(1,447)

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

18.1 Interest rate swaps

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

The interest rate swaps entitle the Group to receive interest semi-annually at fixed rates ranging from 4% to 5% per annum, and in return, pays interest quarterly at Kuala Lumpur Interbank Offer Rate ("KLIBOR") plus a spread with a weighted average rate of 4% (2017: 4%). The swaps mature at varying dates based on the maturity of different tranches of the IMTN.

During the financial year, the Group recognised a net gain of RM0.6 million (2017: net gain of RM0.4 million) arising from fair value changes attributable to changes in market interest rates.

18.2 Foreign Currency Forward Contracts

	Contract value in foreign currency USD'000	Notional value RM'000	Fair value RM'000	Liabilities RM'000
Foreign currency forward contracts:				
- 2018	**8,182**	**34,171**	**33,870**	**(301)**
- 2017	14,000	58,228	56,781	(1,447)

The Group uses foreign currency forward contracts to minimise its exposure to foreign currency risks as a result of transactions denominated in currency other than its functional currency, arising from the normal business activities. Foreign currency forward contracts are used to hedge certain payables denominated in USD for which firm commitments existed at the reporting date, extending to January and February 2019.

During the financial year, the Group recognised a loss of RM0.3 million (2017: a loss of RM1.4 million) arising from fair value changes between foreign exchange spot and forward rates.

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

The methods and assumptions applied in determining the fair values of the derivatives above are disclosed in Note 30.6(b).

19. Cash and short-term deposits

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Cash and bank balances	**86,018**	102,962	**776**	897
Deposits with licensed banks	**347,100**	472,083	**-**	-
Cash and cash equivalents	**433,118**	575,045	**776**	897

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

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

The Group's cash and cash equivalents included amounts of foreign currency denominated in USD totalling RM15.9 million (2017: RM10.3 million) at the reporting date.

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

	Group	
	2018	**2017**
	%	**%**
Deposits with licensed banks	**4**	4

The deposits of the Group will mature within one month (2017: one month) from the end of the reporting date.

20. Loans and borrowings

		Group	
	Note	**2018**	**2017**
		RM'000	**RM'000**
Non-current (unsecured)			
Floating-rate term loans		**1,180,674**	1,291,635
Floating-rate term financing-i		**430,945**	492,642
Islamic medium term notes	(a)	**898,983**	898,823
Finance lease obligation	27.3	**2,081**	8,338
		2,512,683	2,691,438
Current (unsecured)			
Floating-rate term loans		**112,500**	-
Floating-rate term financing-i		**62,500**	-
Finance lease obligation	27.3	**6,371**	12,881
		181,371	12,881
Total loans and borrowings		**2,694,054**	2,704,319

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

	Group	
	2018	**2017**
	%	**%**
Floating-rate term loans and term financing-i	**5**	5
Islamic medium term notes	**5**	5
Finance lease obligation	**9**	9

20. Loans and borrowings (cont'd)

The above borrowings and debt securities are denominated in RM.

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

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

As at 31 December 2018, the series of IMTN that the Group has in issue consists of:

Tranche	Tenure	Rate %	Maturity date	Nominal value RM'000
001	5 years	4	14 April 2022	300,000
002	7 years	5	12 April 2024	300,000
003	10 years	5	14 April 2027	300,000
Total				900,000

The proceeds from IMTN have been partially hedged against interest rate risk using interest rate swaps as disclosed in Note 18.

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

	Group	
	2018 RM'000	**2017 RM'000**
Less than one year	**181,371**	12,881
Between one and two years	**448,736**	179,735
Between two and five years	**1,464,653**	1,639,783
More than five years	**599,294**	871,920
	2,694,054	2,704,319

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20. Loans and borrowings (cont'd)

Reconciliation of liabilities/(assets) arising from financing activities

	Non-current loans and borrowings RM'000	Current loans and borrowings RM'000	Interest rate swaps RM'000	Total RM'000
Group				
At 1 January 2018	**2,691,438**	**12,881**	**(355)**	**2,703,964**
Cash flows	**-**	**(12,767)**	**-**	**(12,767)**
Non-cash changes:				
Payment of transaction costs related to loans and borrowings	**(1,500)**	**-**	**-**	**(1,500)**
Fair value changes	**-**	**-**	**(622)**	**(622)**
Other changes	**(177,255)**	**181,257**	**408**	**4,410**
At 31 December 2018	**2,512,683**	**181,371**	**(569)**	**2,693,485**
At 1 January 2017	1,798,837	483,036	-	2,281,873
Cash flows	900,000	(479,840)	-	420,160
Non-cash changes:				
Payment of transaction costs related to loans and borrowings	(3,582)	(1,005)	-	(4,587)
Fair value changes	-	-	361	361
Other changes	(3,817)	10,690	(716)	6,157
At 31 December 2017	2,691,438	12,881	(355)	2,703,964

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

21. Deferred tax liabilities

	Group 2018 RM'000	2017 RM'000
At 1 January	**297,523**	311,285
Impact arising from adoption of MFRS 15 and MFRS 9 (Note 3.1)	**38,536**	-
At 1 January (adjusted)	**336,059**	311,285
Recognised in profit and loss (Note 8)	**(59,996)**	(13,762)
At 31 December	**276,063**	297,523

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21. Deferred tax liabilities (cont'd)

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

Deferred tax liabilities:

	Contract costs RM'000	Contract assets RM'000	Property, plant and equipment and intangible assets RM'000	Total RM'000
At 31 December 2017	**-**	**-**	**539,900**	**539,900**
Impact arising from adoption of MFRS 15 (Note 3.1)	**18,084**	**21,562**	**-**	**39,646**
At 1 January 2018 (adjusted)	**18,084**	**21,562**	**539,900**	**579,546**
Recognised in profit and loss	**(1,013)**	**20,606**	**(30,259)**	**(10,666)**
At 31 December 2018	**17,071**	**42,168**	**509,641**	**568,880**
At 1 January 2017	-	-	606,077	606,077
Recognised in profit and loss	-	-	(66,177)	(66,177)
At 31 December 2017	-	-	539,900	539,900

Deferred tax assets:

	Contract liabilities RM'000	Deferred revenue RM'000	Others RM'000	Total RM'000
At 31 December 2017	**-**	**(80,002)**	**(162,375)**	**(242,377)**
Impact arising from adoption of MFRS 15 and MFRS 9 (Note 3.1)	**(79,168)**	**80,002**	**(1,944)**	**(1,110)**
At 1 January 2018 (adjusted)	**(79,168)**	**-**	**(164,319)**	**(243,487)**
Recognised in profit and loss	**3,475**	**-**	**(52,805)**	**(49,330)**
At 31 December 2018	**(75,693)**	**-**	**(217,124)**	**(292,817)**
At 1 January 2017	-	(93,614)	(201,178)	(294,792)
Recognised in profit and loss	-	13,612	38,803	52,415
At 31 December 2017	-	(80,002)	(162,375)	(242,377)

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

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22. Other liabilities

	Group 2018 RM'000	Group 2017 RM'000
Non-current		
Provisions (Note 22.1)	**48,964**	44,077
Current		
Provisions (Note 22.1)	**5,373**	5,914
Deferred revenue (Note 22.2)	**-**	333,343
	5,373	339,257
Total other liabilities	**54,337**	383,334

22.1 Provisions

	Note	Site decommissioning and restoration costs RM'000	Defined benefit plan RM'000 (Note 25)	Total RM'000
Group				
Non-current				
At 1 January 2018		**43,487**	**590**	**44,077**
Capitalised as property, plant and equipment	11(a)	**3,428**	**-**	**3,428**
Recognised in profit and loss	6	**2,015**	**65**	**2,080**
Paid during the year		**-**	**(621)**	**(621)**
At 31 December 2018		**48,930**	**34**	**48,964**
At 1 January 2017		39,160	874	40,034
Capitalised as property, plant and equipment	11(a)	2,562	-	2,562
Recognised in profit and loss	6	1,765	18	1,783
Paid during the year		-	(302)	(302)
At 31 December 2017		43,487	590	44,077

22. Other liabilities (cont'd)

22.1 Provisions (cont'd)

	Note	Employee leave entitlements RM'000
Group		
Current		
At 1 January 2018		**5,914**
Recognised in profit and loss	7	**(541)**
At 31 December 2018		**5,373**
At 1 January 2017		7,547
Recognised in profit and loss	7	(1,633)
At 31 December 2017		5,914

Further details on the provisions are disclosed in Note 2.11.

22.2 Deferred revenue

Deferred revenue comprises unutilised balance of airtime and data subscriptions in respect of services sold to customers, for which cash has been received. As deferred revenue meets the definition of a contract liability, upon adoption of MFRS 15, deferred revenue has been reclassified to contract liabilities.

23. Trade and other payables

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Trade payables	**200,095**	255,600	**-**	-
Other payables	**383,290**	266,409	**-**	-
Accruals	**1,545,659**	1,392,626	**1,071**	965
Customer deposits	**15,026**	13,621	**-**	-
	2,144,070	1,928,256	**1,071**	965

The Group's trade and other payables are non-interest bearing, and are subject to normal credit terms ranging from 30 to 60 days (2017: 30 to 60 days).

At 31 December 2018, the Group's trade and other payables balances included exposure to foreign currency denominated in USD, SDR and Norwegian Krone ("NOK") amounting to RM43.8 million (2017: RM75.8 million), RM20.8 million (2017: RM29.7 million) and RM49.9 million (2017: RM40.5 million) respectively.

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24. Share capital

	Group/Company			
	Number of ordinary shares		Amount	
	2018 Units ('000)	2017 Units ('000)	2018 RM'000	2017 RM'000
Issued and fully paid				
As at 1 January	**7,775,000**	7,775,000	**769,655**	77,750
Transfer of share premium pursuant to Companies Act 2016	-	-	-	691,905
As at 31 December	**7,775,000**	7,775,000	**769,655**	769,655

The new Companies Act 2016 which came into effect on 31 January 2017, abolished the concept of par value of share capital and consequently in prior year, the amount of RM691.9 million standing to the credit of the share premium account becomes part of the Company's share capital pursuant to the transitional provisions set out in Section 618 (2) of the Companies Act 2016.

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

25. Defined benefit plan

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

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

		Group	
	Note	2018 RM'000	2017 RM'000
Present value of unfunded obligations	22.1	**34**	590

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

		Group	
	Note	2018 RM'000	2017 RM'000
Interest on obligations, representing increase in provision for defined benefit plan	7	**65**	18

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

	Group	
	2018 %	2017 %
Rate per annum:		
- Discount rate	**5**	5

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

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26. Retained earnings

The Company may distribute dividends out of its entire retained earnings as at 31 December 2018 and 2017 respectively, under the single-tier system.

27. Commitments

27.1 Capital commitments

	Group	
	2018	**2017**
	RM'000	**RM'000**
Capital expenditure in respect of property, plant and equipment and intangible assets:		
Approved and contracted for	**405,000**	412,000
Approved but not contracted for	**300,000**	847,000

27.2 Non-cancellable operating lease commitments

	Group	
	2018	**2017**
	RM'000	**RM'000**
Future minimum lease payments:		
- Less than one year	**174,330**	179,511
- Between one and five years	**437,910**	499,554
- More than five years	**228,296**	361,021
	840,536	1,040,086

Operating lease payments represent rentals payable by the Group for lease of transmission facilities and sites to support its telecommunications operations. The tenure of these leases range between 1 to 10 years, with options to renew. None of the leases included contingent rentals.

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27. Commitments (cont'd)

27.3 Finance lease commitments

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

	Group	
	2018 RM'000	**2017 RM'000**
Minimum lease payments:		
- Less than one year	**6,796**	13,849
- Between one and two years	**2,092**	6,796
- Between two and five years	**-**	1,965
Total minimum lease payments	**8,888**	22,610
Less: Amounts representing finance charges	**(436)**	(1,391)
Present value of minimum lease payments	**8,452**	21,219
Present value of payments:		
- Less than one year	**6,371**	12,881
- Between one and two years	**2,081**	6,382
- Between two and five years	**-**	1,956
Present value of minimum lease payments	**8,452**	21,219
Less: Amount due within 12 months (Note 20)	**(6,371)**	(12,881)
Amount due after 12 months (Note 20)	**2,081**	8,338

28. Performance guarantees

	Group	
	2018 RM'000	**2017 RM'000**
Unsecured		
Guarantees given to third parties for public infrastructure works	**53,054**	19,914
Guarantee given to MCMC on the allocation of the 2600 MHz spectrum band	**-**	10,000
Guarantee given to MCMC on project tender	**10,000**	-
Guarantee given to MCMC for USP project of constructing and operating the radio access network infrastructure	**-**	10,264
	63,054	40,178

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29. Significant related party disclosures

29.1 Sales and purchases of services

Related party relationships are as follows:

(i) The immediate and ultimate holding company are as disclosed in Note 1; and
(ii) The Company's subsidiaries are as disclosed in Note 14.

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

	Transactions		Balance due (to)/from at	
	2018	**2017**	**2018**	**2017**
Group	**RM'000**	**RM'000**	**RM'000**	**RM'000**
With the ultimate holding company and fellow subsidiaries				
- *Telenor ASA*			**(12,389)**	(27,557)
Consultancy services rendered	**47,803**	35,137		
Fees payable for licenses and trademarks	**9,507**	9,475		
- *Telenor GO Pte Ltd*			**(200)**	(564)
Personnel services rendered	**5,613**	11,854		
- *Telenor Global Services AS*			**(3,348)**	(6,200)
Sales of interconnection services on international traffic	**1,674**	3,557		
Purchases of interconnection services on international traffic	**15,648**	30,883		
Purchases of international roaming services	**2,049**	398		
Purchases of IP transit	**-**	777		
Purchases of global connectivity	**4,030**	1,435		
Clearing house services rendered for international roaming arrangements	**190**	129		
- *Total Access Communication Public Company Limited*			**(337)**	343
Sales of international roaming services	**1**	5		
Purchases of international roaming services	**587**	660		
Device management fee payable	**134**	-		
- *dtac TriNet Co. Ltd*			**(2,042)**	(1,532)
Sales of international roaming services	**2,250**	528		
Purchases of international roaming services	**1,245**	2,223		
Sales of interconnection services on international traffic	**474**	122		
Purchases of interconnection services on international traffic	**(48)**	1,571		
- *Telenor Norge AS*			**(6,029)**	(7)
Sales of international roaming services	**47**	135		
Purchases of international roaming services	**14**	31		
Services rendered on application operations and basic operation for data centre	**656**	-		
Business security strategy execution rendered	**5,439**	-		

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29. Significant related party disclosures (cont'd)

29.1 Sales and purchases of services (cont'd)

Group (cont'd)	Transactions 2018 RM'000	Transactions 2017 RM'000	Balance due (to)/from at 2018 RM'000	Balance due (to)/from at 2017 RM'000
With the ultimate holding company and fellow subsidiaries (cont'd)				
- *Telenor Digital Services AS*			**(20,844)**	(566)
Consultancy fees receivable	**414**	1,025		
Services rendered on digital marketing and distribution platform	**1,228**	299		
Purchases of cloud based software infrastructure services	**5,480**	364		
Technical services rendered	**15,485**	-		
- *Telenor Global Shared Services AS*			**(2,002)**	(12,631)
Services rendered on application operations and basic operation for data centre	**9,253**	10,984		
- *Telenor IT Asia Sdn Bhd*			**(63)**	(24,260)
Rental income and services rendered for Asian Infrastructure Shared Services Centre	**-**	333		
Services rendered on Asian Infrastructure Shared Services Centre	**-**	5,872		
Settlement costs and exit fee payable	**-**	6,028		
- *Telenor Myanmar Ltd*			**267**	13
Sales of internationalroaming services	**24**	69		
Purchases of international roaming services	**50**	91		
Purchases of interconnection services on international traffic	**458**	-		
Sales of telecommunication and related services	**64**	-		
Consultancy fees receivable	**259**	61		
- *Valyou Sdn Bhd*			**981**	19
Sales of telecommunication and related services	**1,029**	118		
Consultancy fees receivable	**48**	645		
- *Telenor Procurement Company*			**(4,956)**	(3,404)
Managed services rendered	**10,570**	3,447		
- *Telenor Global Services Singapore Pte Ltd*			**1,014**	904
Lease income from bandwidth leasing	**2,707**	6,144		
Lease expenses of bandwidth leasing	**1,597**	-		
Purchases of IP transit	**1,298**	-		
- *Tapad Inc. US*			**(665)**	(107)
Services rendered on digital marketing and distribution platform	**1,896**	1,544		

29. Significant related party disclosures (cont'd)

29.1 Sales and purchases of services (cont'd)

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

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

29.2 Compensation of key management personnel

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

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

	Group	
	2018 RM'000	2017 RM'000
Short-term employee benefit	**15,335**	12,333
Post-employment benefits	**1,361**	1,867
Other employment benefits	**1,106**	384
	17,802	14,584

30. Financial instruments

30.1 Financial risk management objectives and policies

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

30.2 Credit risk

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

Trade receivables and contract assets

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

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

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

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31 December 2018

30. Financial instruments (cont'd)

30.2 Credit risk (cont'd)

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

	Gross carrying amount at default RM'000	Significant expected credit loss RM'000	Net carrying amount RM'000
As at 31 December 2018			
Trade receivables			
- Not past due	401,101	(3,280)	397,821
- 1 to 30 days past due	44,933	(3,144)	41,789
- 31 to 60 days past due	15,383	(3,086)	12,297
- 61 to 90 days past due	6,694	(83)	6,611
- 91 to 180 days past due	8,744	(69)	8,675
- More than 181 days past due	3,122	(1,912)	1,210
Total trade receivables (Note 17)	479,977	(11,574)	468,403
Contract assets (Note 5)	179,359	(3,659)	175,700
Total trade receivables and contract assets	659,336	(15,233)	644,103

Other receivables and cash and short-term deposits

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

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

The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets (net of impairment) disclosed in Note 30.7.

30.3 Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group is exposed to foreign currency risk as a result of transactions denominated in currencies other than its functional currency, arising from the normal business activities. The currencies giving rise to this risk are primarily the USD, SDR and NOK. Although approximately 9% (2017: 13%) of the Group's total expenses are denominated in the above-mentioned foreign currencies, the settlements of these payables are on a net basis through clearing house services, together with revenues earned from the same operators and partners. The Group also holds cash and cash equivalents denominated in USD for working capital purposes. The Group's foreign-denominated cash and cash equivalents at the reporting date is disclosed in Note 19.

30. Financial instruments (cont'd)

30.3 Foreign currency risk (cont'd)

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

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

Details of the Group's outstanding foreign currency forward contracts for the purpose of hedging certain payables denominated in USD for which firm commitments existed at the reporting date, extends to January and February 2019, are disclosed in Note 18. The effects of changes in the fair values of these derivative financial instruments have already been included in the financial statements during the financial year.

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

30.4 Liquidity risk

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

The Group's and the Company's trade and other payables and non-hedging derivative liabilities at the reporting date, are short-term in nature, and are payable either on demand or within one year. Details of respective maturities for the Group's loans and borrowings are as disclosed in Note 20.

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

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

	On demand or within one year RM'000	One to two years RM'000	Two to five years RM'000	More than five years RM'000	Total RM'000
Group					
2018					
Financial liabilities					
Trade and other payables	2,144,070	-	-	-	2,144,070
Loans and borrowings	306,628	562,555	1,660,527	655,583	3,185,293
Derivative financial liabilities:					
- Foreign currency forward contracts	301	-	-	-	301
Total undiscounted financial liabilities	2,450,999	562,555	1,660,527	655,583	5,329,664

30. Financial instruments (cont'd)

30.4 Liquidity risk (cont'd)

Analysis of financial instruments by remaining contractual maturities (cont'd)

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

	On demand or within one year RM'000	One to two years RM'000	Two to five years RM'000	More than five years RM'000	Total RM'000
Group (cont'd)					
2017					
Financial liabilities					
Trade and other payables	1,928,256	-	-	-	1,928,256
Loans and borrowings	139,092	305,890	1,903,570	956,719	3,305,271
Derivative financial liabilities:					
- Foreign currency forward contracts	1,447	-	-	-	1,447
Total undiscounted financial liabilities	2,068,795	305,890	1,903,570	956,719	5,234,974

30.5 Interest rate risk

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

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

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

The notional principal amounts of the outstanding interest rate swaps and its fair value are disclosed in Note 18.1.

The Group's policy in dealing with interest-bearing financial liabilities is to minimise the interest expense by obtaining the most favourable interest rates available. A difference of 20 (2017: 20) basis points in interest rates applicable for the Group's entire loans and borrowings (excluding finance lease obligation) would result in approximately 0.25% (2017: 0.26%) variance in the Group's profit for the year.

30.6 Fair values

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

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

(a) Loans and borrowings

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

30. **Financial instruments (cont'd)**

30.6 Fair values (cont'd)

(a) Loans and borrowings (cont'd)

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

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

(b) Derivative financial instruments

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

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

(c) Other investment

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

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

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

Financial liabilities

		Group			
		Carrying amount		Fair value	
	Note	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Loans and borrowings (non-current):					
- Finance lease obligation	20	**2,081**	8,338	**8,197**	20,619

NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

30. Financial instruments (cont'd)

30.7 Classification

The carrying amounts of financial instruments under each category of MFRS 9 (2017: of MFRS 139), are as follows:

	Note	Group		Company	
		2018 As reported under MFRS 9 RM'000	2017 As reported under MFRS 139 RM'000	2018 As reported under MFRS 9 RM'000	2017 As reported under MFRS 139 RM'000
Financial assets					
Financial assets at fair value through OCI/ Available-for-sale financial assets:					
- Other investments	15	**78**	163	**-**	-
Financial assets at amortised cost/ Loans and receivables:					
- Trade receivables	17	**468,403**	399,066	**-**	-
- Other receivables	17	**705,582**	548,558	**4**	4
- Deposits	17	**216,138**	179,808	**-**	-
- Cash and short-term deposits	19	**433,118**	575,045	**776**	897
		1,823,241	1,702,477	**780**	901
Financial assets at fair value through profit or loss: Derivative financial assets					
- Interest rate swaps	18	**569**	355	**-**	-
Financial liabilities					
Financial liabilities at fair value through profit or loss: Derivative financial liabilities					
- Foreign currency forward contracts	18	**301**	1,447	**-**	-
Other financial liabilities:					
- Floating-rate term loans	20	**1,293,174**	1,291,635	**-**	-
- Floating-rate term financing-i	20	**493,445**	492,642	**-**	-
- Islamic medium term notes	20	**898,983**	898,823	**-**	-
- Finance lease obligation	20	**8,452**	21,219	**-**	-
- Trade payables	23	**200,095**	255,600	**-**	-
- Other payables	23	**383,290**	266,409	**-**	-
- Accruals	23	**1,545,659**	1,392,626	**1,071**	965
- Customer deposits	23	**15,026**	13,621	**-**	-
		4,838,124	4,632,575	**1,071**	965

30. Financial instruments (cont'd)

30.8 Fair value measurement

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

Quantitative disclosures fair value measurement hierarchy for financial assets/(liabilities) as at 31 December 2018 and at 31 December 2017:

	Note	Date of valuation	Total RM'000	Fair value measurement using: Quoted prices in active markets (Level 1) RM'000	Significant observable inputs (Level 2) RM'000	Significant unobservable inputs (Level 3) RM'000
2018						
Financial assets/(liabilities) measured at fair value:						
Unquoted equity investments:						
- Other investment	15	31 December 2018	**78**	-	-	**78**
Derivative financial assets:						
- Interest rate swaps	18	31 December 2018	**569**	-	**569**	-
Derivative financial liabilities:						
- Foreign currency forward contracts	18	31 December 2018	**(301)**	-	**(301)**	-
Financial liabilities for which fair values are disclosed:						
Loans and borrowings (non-current):						
- Finance lease obligation	30.6	31 December 2018	**(8,197)**	-	-	**(8,197)**
2017						
Financial assets/(liabilities) measured at fair value:						
Derivative financial assets:						
- Interest rate swaps	18	31 December 2017	355	-	355	-
Derivative financial liabilities:						
- Foreign currency forward contracts	18	31 December 2017	(1,447)	-	(1,447)	-
Financial liabilities for which fair values are disclosed:						
Loans and borrowings (non-current):						
- Finance lease obligation	30.6	31 December 2017	(20,619)	-	-	(20,619)

NOTES TO THE FINANCIAL STATEMENTS
31 December 2018

30. Financial instruments (cont'd)

30.8 Fair value measurement (cont'd)

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

The fair value of finance lease obligation is categorised as Level 3 hierarchy as it was estimated by discounting the future contractual cash flow at an adjusted discount rate. The significant unobservable inputs in arriving at the adjusted discount rate are the constant prepayment rate and the own non-performance risk as at 31 December 2018 and at 31 December 2017.

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

31. Capital management

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

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

Going-forward, the Group will continue to actively manage its capital structure to enhance shareholders' value and make adjustments to address changes in the economic environment and its business risk characteristics. The Group had during the financial year ended 31 December 2009, revised its minimum dividend pay-out policy to at least 80% of the Company's profit for the year, and dividend payment frequency. The dividend policy will be maintained subject to ongoing assessment, and based on the availability of distributable reserves as well as the Group's future cash flow requirements and market conditions. These revisions and any other revision to its allocation of capital resources are subject to the approval of the Board of Directors. No changes were made in the objectives, policies or processes during the financial year ended 31 December 2018.

32. Segmental information

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

33. Authorisation of financial statements for issue

The financial statements for the financial year ended 31 December 2018 were authorised for issue in accordance with a resolution of the directors on 13 March 2019.

LIST OF PROPERTIES

As at 31 December 2018

No.	Location	Tenure	Description/ Existing Use	Date of Acquisition	Area	Age of Building (Years)	Net Book Value as at 31.12.2017	Net Book Value as at 31.12.2018
1	H.S. (D) No 92086 & 92087 P.T. No 9 & No.10 Pekan Seremban Jaya Daerah Seremban, Negeri Sembilan	Freehold	Land with a building/ Telecommunications Centre	29.12.1997	22,529 sq ft	21	559	541
2	Unit No 202-4-11 Sri Bandar Besi Jalan Sungai Besi Sungai Besi, Kuala Lumpur	Freehold	Apartment/ Housing base transceiver equipment	26.01.1995	802 sq ft	23	74	71
3	Unit No C16-2 Indera Subang UEP Jalan UEP 6/2L UEP Subang Jaya, Petaling Jaya, Selangor	Freehold	Apartment/ Housing base transceiver equipment	04.02.1995	2,249 sq ft	25	394	379
4	No 1-16.2, 16th Floor Union Height, Taman Yan Jalan Klang Lama , Kuala Lumpur	Freehold	Apartment/ Housing base transceiver equipment	25.01.1995	1,249 sq ft	24	148	142
5	3rd Floor Unit Pt 4888/4786 C Block TC-14 Taman Sri Gombak Jalan Batu Caves, Selangor	Freehold	Apartment/ Housing base transceiver equipment	29.03.1995	1,319 sq ft	23	56	54
6	4572, 7th Floor Sri Jelatek Condominiums Section 10 , Wangsa Maju Kuala Lumpur	Freehold	Apartment/ Housing base transceiver equipment	07.02.1995	1,115 sq ft	23	115	111
7	32 , PLO 151 Jln Angkasa Mas Utama Kawasan Perindustrian Tebrau II 81100 Johor Bahru, Johor	Leasehold 30 years (expiring in 2023)	Land with a building/ Telecommunications Centre	12.05.1995	1.58 acres	24	715	702
8	HS (D) 77, No. P.T. PTBM/A/081 Mukim 1, Kawasan Perusahaan Perai, District Seberang Perai Tengah, Pulau Pinang	Leasehold 60 years (expiring in 2033)	Land with a building/ Telecommunications Centre	23.03.1995	1 acre	44	1,398	1,346
9	Lot 36, Sedco Light Industrial Estate, Jalan Kelombong, Kota Kinabalu , Sabah	Leasehold 60 years (expiring in 2034)	Land with a building/ Telecommunications Centre	12.06.1995	0.938 acre	38	1,569	1,513
10	Lot 1220, Section 66, Kuching Town Land District, Sarawak	Leasehold 60 years (expiring in 2036)	Land with a building/ Telecommunications Centre	15.08.1995	4,124 sq ft	23	1,350	1,301
11	No 112, Semambu Industrial Estate Kuantan, Pahang	Leasehold 66 years (expiring in 2041)	Land with a building/ Telecommunications Centre	07.07.1995	4 acres	36	1,530	1,475
12	Unit 16-12-1, 12th Floor Cloud View Tower Taman Supreme, Cheras Kuala Lumpur	Leasehold 99 years (expiring in 2076)	Apartment/ Housing base transceiver equipment	08.02.1995	1,400 sq ft	N/A	-	-

LIST OF PROPERTIES

As at 31 December 2018

No.	Location	Tenure	Description/ Existing Use	Date of Acquisition	Area	Age of Building (Years)	Net Book Value as at 31.12.2017	Net Book Value as at 31.12.2018
13	Unit No M803 8th Floor, Sunrise Park Ampang, Kuala Lumpur	Leasehold 99 years (expiring in 2088)	Apartment/ Housing base transceiver equipment	22.03.1995	1,100 sq ft	27	84	83
14	H.S.(D) 12776, P.T. No. 15866, Mukim Bentong District of Bentong, Pahang	Leasehold 99 years (expiring in 2091)	Land with a building/ Earth Station Complex	07.08.1996	7.5 acres	25	5,097	5,031
15	Plot D-38 Taman Industri Prima Kota Fasa 1 Sector 3, Bandar Indera Mahkota, Kuantan, Pahang	Leasehold 99 years (expiring in 2097)	Land with Fixed Line switch and base transceiver station	14.11.1997	25,521 sq ft	21	345	340
16	Ptd 1490, Mukim Of Jemaluang District Of Mersing, Johor	Leasehold 99 years (expiring in 2098)	Land with trunk station	17.08.1999	40,000 sq ft	19	100	99
17	PN 89926, Lot 191363 Mukim Hulu Kinta Daerah Kinta, Perak	Leasehold 90 years (expiring in 2081)	Land with a building/ Telecommunications Centre	15.07.1999	5,942 sq ft	19	186	183
18	Lot No 54, Jalan 6/2 Kawasan Perindustrian Seri Kembangan 43000 Seri Kembangan, Selangor	Leasehold 99 years (expiring in 2091)	Land with a building/ Telecommunications Centre	23.05.2000	18,050 sq ft	29	1,630	1,610
19	Lot 2728 Miri Concession Land District Lopeng , Miri, Sarawak	Leasehold 60 years (expiring in 2027)	Land with cabin container/ Telecommunications Centre	29.09.2000	4,937 sq m	N/A	790	766
20	Lot 10, Jalan Delima 1/1 Subang Hi-Tech Industrial Park 40000 Shah Alam, Selangor	Freehold	Land with a building	19.07.2001	284,485 sq ft	13	70,317	68,799
21	No 24, Jalan KIP 7 Taman Perindustrian KIP 52200 Kuala Lumpur	Freehold	Land with a building/ Telecommunications Centre	21.08.2002	17,847 sq ft	22	2,779	2,779
22	Lot 42, Jalan Delima 1/1 Subang Hi-Tech Industrial Park 40000 Subang Jaya, Selangor	Freehold	Parking Lot	28.04.2008 (Title transferred date)	91,676 sq ft	N/A	8,234	8,234
23	Lot 43, Jalan Delima 1/1 Subang Hi-Tech Industrial Park 40000 Subang Jaya, Selangor	Freehold	Land with a building/ Telecommunications Centre	06.04.2008 (Title transferred date)	92,142 sq ft	9	65,928	64,553
24	13-1st Floor Gemilang Indah Condominium Geran Mukim 2227/M1/2/7 Lot 295, Sek 98, Bandar KL Kuala Lumpur	Freehold	Apartment unit	26.10.2009	935 sq ft	28	117	114

LIST OF PROPERTIES

As at 31 December 2018

No.	Location	Tenure	Description/ Existing Use	Date of Acquisition	Area	Age of Building (Years)	Net Book Value as at 31.12.2017	Net Book Value as at 31.12.2018
25	H.S.(M) 26928 PT 180 Pekan Serdang Tempat Seri Kembangan Daerah Petaling, Selangor	Leasehold 90 years (expiring in 2099)	Land with a building/ Telecommunications Centre	03.03.2009	1803 sq m	23	3,946	3,897
26	Title No. PN 89925, Lot 191362 No.4, Hala Perusahaan Kledang U5 Kawasan Perusahaan Menglembu Daerah Kinta, Perak	Leasehold 90 years (expiring in 2099)	Land with a building/ Telecommunications Centre	21.09.2009	358 sq m	18	660	652
							168,119	164,777

Notes:
The Group does not adapt a revaluation policy on landed properties.
N/A denotes "Not Applicable"

Telecommunications Centre Under Rented Properties

1 Site No. 10341 - MSH Lot 30 SHT
Landlord : Ng Lee Lin

2 Site No. 40521 - MMG Menglembu
Landlord : Jubli Raya Sdn Bhd

3 Site No. 10251 - MKL KL Plaza
Landlord : Sinar Merdu Sdn Bhd

4 Site No. 90142 - MSB Sibu
Landlord : Lee Yau Poh

DISCLOSURE OF RECURRENT RELATED PARTY TRANSACTIONS

At the Annual General Meeting held on 14 May 2018, the Company obtained a shareholders' mandate to allow the Group to enter into recurrent related party transactions of revenue or trading nature.

In accordance with Practice Note 12 of Main Market Listing Requirements of Bursa Securities, the details of recurrent related party transactions conducted during the financial year ended 31 December 2018 pursuant to the shareholders' mandate are disclosed as follows:-

Digi Group with the following related parties	Digi and/or its subsidiary companies	Nature of transaction undertaken by/ provided to Digi and/or its subsidiaries	Sales of goods and services during the financial year RM'000	Purchase of goods and services during the financial year RM'000
Telenor Group of Companies				
Telenor Group	DTSB	Business service costs, which include consultancy, training programmes and advisory fees ("Business Service Costs")		63,879
Telenor Group	DTSB	Personnel services payable and professional fees ("Professional Service")	1,502	5,640
Telenor Group	DTSB	International Accounting Settlement. This refers to an arrangement for interconnection services on international traffic between foreign carriers	2,148	16,058
Telenor Group	DTSB	International Roaming	2,464	4,323
Telenor Group	DTSB	IP Transit (Internet Upstream)		1,298
Telenor Group	DTSB	Global connectivity services Telenor Business Units (BUs) in Asia and to data centers for common services		4,030
Telenor Group	DTSB	Services rendered on Enterprise Resource Planning ("ERP") and enterprise applications		9,909
Telenor Group	DTSB	License and trademarks		9,507
Telenor Group	DTSB	Managed Services		10,760
Telenor Group	DTSB	Cloud based software infrastructure services		5,480
Telenor Group	DTSB	Digital marketing and distribution platform		3,157
Telenor Group	DTSB	Business Security cost		5,439
Telenor Group	DTSB	Bandwidth leasing	2,707	1,597
Telenor Group	DTSB	Telecommunication and related services	1,093	
Telenor Group	DTSB	Device management fee		134
TOTAL			**9,914**	**141,211**

Notes:

1. Telenor Group refers to Telenor ASA and its subsidiary and related companies (including the associated companies). Telenor ASA is the ultimate holding company of Digi.Com Berhad (Digi).

2. Digi Telecommunications Sdn Bhd ("DTSB") is a wholly-owned subsidiary of Digi.

STATEMENT OF DIRECTORS' SHAREHOLDINGS

As at 6 March 2019

	Number of Ordinary Shares			
The Company Digi.Com Berhad	**Direct Interest**	**%**	**Deemed Interest**	**%**
-	-	-	-	-

	Number of Ordinary Shares of NOK6 each			
Ultimate Holding Company Telenor ASA	**Direct Interest**	**%**	**Deemed Interest**	**%**
Haakon Bruaset Kjoel	14,948	0.0010	-	0
Torstein Pedersen	290	0.0000	-	0
Tone Ripel	1,943	0.0001	-	0
Anne Karin Kvam	-	-	-	0

	Number of Options over Ordinary Shares of NOK6 each			
Ultimate Holding Company Telenor ASA	**Direct Interest**	**%**	**Deemed Interest**	**%**
Haakon Bruaset Kjoel	-	-	-	-
Torstein Pedersen	-	-	-	-
Tone Ripel	-	-	-	-
Anne Karin Kvam	-	-	-	-

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Twenty-Second Annual General Meeting (22nd AGM) of Digi.Com Berhad (the Company) will be held at Nexus Ballroom 2 & 3, Connexion @ Nexus, No. 7, Jalan Kerinchi, Bangsar South City, 59200 Kuala Lumpur, Malaysia on Tuesday, 14 May 2019 at 10.00 a.m. for the following purposes:

Agenda

As Ordinary Business

1. To receive the Audited Financial Statements for the financial year ended 31 December 2018 and the Reports of the Directors and Auditors thereon. (Please refer to Note 1 of the Explanatory Notes)

2. To re-elect the following Directors retiring pursuant to Article 98(A) of the Company's Articles of Association:

   (i) Puan Yasmin Binti Aladad Khan **Ordinary Resolution 1**

   (ii) Tan Sri Saw Choo Boon **Ordinary Resolution 2**

3. To re-elect Ms Anne Karin Kvam as Director who is retiring pursuant to Article 98(E) of the Company's Articles of Association. **Ordinary Resolution 3**

4. To approve the payment of Directors' fees of up to RM900,000.00 for the Independent Non-Executive Directors and benefits payable to the Directors up to an aggregate amount of RM16,000.00 from the date of the forthcoming AGM until the next AGM of the Company. **Ordinary Resolution 4**

5. To appoint Messrs Ernst & Young as Auditors of the Company and to authorise the Directors to fix their remuneration. **Ordinary Resolution 5**

As Special Business

To consider and, if deemed fit, to pass the following resolutions:-

6. **Proposed Continuance in Office of Tan Sri Saw Choo Boon as Senior Independent Non-Executive Director** **Ordinary Resolution 6** (Please refer to Note 2 of the Explanatory Notes)

   "That subject to passing of Ordinary Resolution 2, approval be and is hereby given to Tan Sri Saw Choo Boon who will be reaching a cumulative term of nine (9) years as a Senior Independent Non-Executive Director of the Company in December 2019, to continue in office until the conclusion of the next Annual General Meeting in accordance with the new Malaysian Code of Corporate Governance."

7. **Proposed Renewal of Existing Shareholders' Mandate, and Proposed New Shareholders' Mandate For Recurrent Related Party Transactions of a Revenue or Trading Nature, to be entered with Telenor ASA ("Telenor") and Persons Connected with Telenor ("Proposed Shareholders' Mandate")** **Ordinary Resolution 7** (Please refer to Note 3 of the Explanatory Notes)

   "That, subject to the provisions of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, approval be and is hereby given to the Company and its subsidiaries to enter into recurrent related party transactions of a revenue or trading nature with Telenor and persons connected with Telenor as specified in Section 2.3 of the Circular to Shareholders dated 12 April 2019, which are necessary for the day-to-day operations and/or in the ordinary course of business of the Company and its subsidiaries on terms not more favourable to the related parties than those generally available to the public and are not detrimental to the minority shareholders of the Company and that such approval shall continue to be in force until:

   (i) the conclusion of the next AGM of the Company following the forthcoming AGM at which the Proposed

NOTICE OF ANNUAL GENERAL MEETING

Shareholders' Mandate shall be passed, at which time it will lapse, unless by a resolution passed at a general meeting, the authority conferred by this resolution is renewed;

(ii) the expiration of the period within which the next AGM of the Company is required to be held pursuant to Section 340(2) of the Companies Act 2016 (but shall not extend to such extension as may be allowed pursuant to Section 340(4) of the Companies Act 2016); or

(iii) revoked or varied by resolution passed by the shareholders at a general meeting,

whichever is earlier.

And that the Directors of the Company be and are hereby authorised to complete and do all such acts and things (including executing all such documents as may be required) as they may consider expedient or necessary to give effect to the Proposed Shareholders' Mandate."

As Other Business

8. To transact any other business of which due notice has been given.

By Order of the Board

CHOO MUN LAI (MAICSA 7039980)
TAI YIT CHAN (MAICSA 7009143)
Company Secretaries

Selangor Darul Ehsan
12 April 2019

NOTICE OF ANNUAL GENERAL MEETING

(A) NOTES

(i) In respect of deposited securities, only members whose names appear on the Record of Depositors on 6 May 2019 (General Meeting Record of Depositors) shall be eligible to attend the meeting or appoint proxy(ies) to attend, speak and/or vote on his/her behalf.

(ii) A member entitled to attend, participate, speak and vote at the AGM is entitled to appoint not more than two (2) proxies to attend, participate, speak and vote on his/her behalf. Where a member appoints more than one (1) proxy, the appointment shall not be valid unless he specifies the proportions of his/her shareholdings to be represented by each proxy. A proxy need not be a member of the Company.

(iii) Where a member of the Company is an Exempt Authorised Nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account (omnibus account) as defined under the Securities Industry (Central Depositories) Act 1991, there shall be no limit to the number of proxies which the Exempt Authorised Nominee may appoint in respect of each omnibus account it holds.

(iv) The instrument appointing a proxy shall be in writing under the hand of the appointer or his attorney duly authorised in writing, and in the case of a corporation, either under its common seal or under the hand of an officer or attorney duly authorised.

(v) The instrument appointing a proxy together with the power of attorney (if any) or a certified copy thereof must be deposited at the Company's Share Registrar Office, Tricor Investor & Issuing House Services Sdn Bhd at Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia or alternatively, Tricor's Customer Service Centre, Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia at least forty-eight (48) hours before the time appointed for the holding of the meeting or adjourned meeting , otherwise the instrument of proxy should not be treated as valid. You can also have the option to lodge the proxy appointment electronically via TIIH Online at website: https://tiih.online before the proxy form lodgement cut-off time as mentioned in the above. For further information on the electronic lodgement of proxy form, kindly refer to the annexure of the Administrative Guide.

(vi) Pursuant to Paragraph 8.29A of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, all the resolutions set out in the Notice of AGM will put to vote by way of poll. Poll Administrator and Independent Scrutineers will be appointed to conduct the polling process and verify the results of the poll respectively.

(B) EXPLANATORY NOTES

1. The Audited Financial Statements are laid in accordance with Section 340(1)(a) the Companies Act 2016 for discussion only under Agenda 1. They do not require shareholders' approval and hence, will **not be put for voting**.

2. **Ordinary Resolution 6 – Proposed Continuance in office of Tan Sri Saw Choo Boon as Senior Independent Non-Executive Director**

   The Board of Directors had on 13 March 2019 via the Nomination Committee conducted an annual performance evaluation and assessment of Tan Sri Saw Choo Boon who will be reaching a cumulative term of nine (9) years as Senior Independent Non-Executive Director in December 2019 and recommended him to continue to act as Senior Independent Non-Executive Director of the Company based on the following justifications:-

   (a) He fulfilled the criteria under the definition of Independent Directors as stated in the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

   (b) His experience enables him to provide the Board with a diverse set of experience, expertise, skills and competence. His good understanding of the industry and Company's business operations enable him to participate actively and contribute effectively during deliberations and discussions at the Audit and Risk Committee, Nomination Committee and Board Meetings without compromising his independence and objective judgement.

   (c) He demonstrated high commitment and devoted sufficient time to his responsibilities as Senior Independent Non-Executive Director of the Company.

NOTICE OF ANNUAL GENERAL MEETING

(d) Sufficient time is required by the Company to find a suitable successor for Tan Sri Saw Choo Boon as Independent Director, who is also the Chair of the Audit and Risk Committee, to ensure an orderly succession plan.

3. **Ordinary Resolution 7 - Proposed Renewal of Existing Shareholders' Mandate, and Proposed New Shareholders' Mandate For Recurrent Related Party Transactions of a Revenue or Trading Nature, to be entered with Telenor ASA ("Telenor") and Persons Connected with Telenor ("Proposed Shareholders' Mandate")**

   Ordinary Resolution 7 proposed under Agenda 7 on the shareholders' mandate, if passed, will allow the Company and its subsidiaries (Group) to enter into recurrent related party transactions, in accordance with paragraph 10.09 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, without the necessity to convene separate general meetings from time to time to seek shareholders' approval as and when such recurrent related party transactions occur. This would reduce substantial administrative time and expenses associated with the convening of such meetings without compromising the corporate objectives of the Group or affecting the business opportunities available to the Group. The shareholders' mandate is subject to renewal on an annual basis.

Personal data privacy

*By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, participate, speak and vote at the AGM and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of processing and administration by the Company (or its agents) of proxies and representatives appointed for the AGM (including any adjournment thereof), and the preparation and compilation of the attendance lists, minutes and other documents relating to the AGM (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "**Purposes**"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.*

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FORM OF PROXY

DIGI.COM BERHAD

(Company No.: 425190-X)
(Incorporated in Malaysia)

I/We ____
(Name in full)

NRIC No. or Company No. ______________________________________ (New and Old NRIC No.)

CDS Account No. ______________________ of ______________________________

____
(Address)

being a member of DIGI.COM BERHAD hereby appoint : ______________________________
(Name in full)

NRIC No. ______________________ (New and Old NRIC No.) of ______________________________

____
(Address)

or failing him/her ______________________ NRIC No. ______________________ (New and Old NRIC No.)
(Name in full)

of ____
(Address)

or the **Chair of the Meeting* as my/our proxy to vote for me/us on my/our behalf at the Twenty-Second Annual General Meeting (22nd AGM) of the Company to be held at Nexus Ballroom 2 & 3, Connexion @ Nexus, No. 7, Jalan Kerinchi, Bangsar South City, 59200 Kuala Lumpur, Malaysia on Tuesday, 14 May 2019 at 10.00 a.m. or any adjournment thereof.

This proxy is to vote on the resolutions set out in the Notice of the Meeting, as indicated with an 'X' in the appropriate spaces below. If no specific direction as to voting is given, the proxy will vote or abstain from voting at his/her discretion.

*Please delete the words 'Chair of the Meeting' if you wish to appoint some other person to be your proxy.

ORDINARY RESOLUTIONS		FOR	AGAINST
RESOLUTION 1 –	To re-elect Puan Yasmin Binti Aladad Khan as Director		
RESOLUTION 2 –	To re-elect Tan Sri Saw Choo Boon as Director		
RESOLUTION 3 –	To re-elect Ms Anne Karin Kvam as Director		
RESOLUTION 4 –	To approve the payment of Directors' fees and benefits payable to the Independent Directors		
RESOLUTION 5 –	To re-appoint Messrs Ernst & Young as Auditors of the Company and to authorise the Directors to fix their remuneration		
RESOLUTION 6 –	To approve the Continuance in Office of Tan Sri Saw Choo Boon as Senior Independent Non-Executive Director		
RESOLUTION 7 –	To approve the Proposed Renewal of Existing Shareholders' Mandate, and Proposed New Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature, to be entered with Telenor ASA (Telenor) and Persons Connected with Telenor		

No. of Shares	

For appointment of two proxies, percentage of shareholdings to be represented by the proxies:

	No. of Shares	Percentage
Proxy 1		%
Proxy 2		%
Total		100%

____
Signature of Shareholder(s) or Common Seal

Tel. No. ______________________

Signed this ______________________ day of ______________________ , 2019.

Notes:
(i) In respect of deposited securities, only members whose names appear on the Record of Depositors on 6 May 2019 (General Meeting Record of Depositors) shall be eligible to attend the meeting or appoint proxy(ies) to attend, speak and/or vote on his/her behalf.
(ii) A member entitled to attend, participate, speak and vote at the AGM is entitled to appoint not more than two (2) proxies to attend, participate, speak and vote on his/her behalf. Where a member appoints more than one (1) proxy, the appointment shall not be valid unless he specifies the proportions of his/her shareholdings to be represented by each proxy. A proxy need not be a member of the Company.
(iii) Where a member of the Company is an Exempt Authorised Nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account (omnibus account) as defined under the Securities Industry (Central Depositories) Act 1991, there shall be no limit to the number of proxies which the Exempt Authorised Nominee may appoint in respect of each omnibus account it holds.
(iv) The instrument appointing a proxy shall be in writing under the hand of the appointer or his attorney duly authorised in writing, and in the case of a corporation, either under its common seal or under the hand of an officer or attorney duly authorised.
(v) The instrument appointing a proxy together with the power of attorney (if any) or a certified copy thereof must be deposited at the Company's Share Registrar Office, Tricor Investor & Issuing House Services Sdn Bhd at Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia or alternatively, Tricor's Customer Service Centre, Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia at least forty-eight (48) hours before the time appointed for the holding of the meeting or adjourned meeting, otherwise the instrument of proxy should not be treated as valid. You can also have the option to lodge the proxy appointment electronically via TIIH Online at website: https://tiih.online before the proxy form lodgement cut-off time as mentioned in the above. For further information on the electronic lodgement of proxy form, kindly refer to the annexure of the Administrative Guide.
(vi) Pursuant to Paragraph 8.29A of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, all the resolutions set out in the Notice of AGM will put to vote by way of poll. Poll Administrator and Independent Scrutineers will be appointed to conduct the polling process and verify the results of the poll respectively.

Personal Data Privacy
By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 12 April 2019.

Please fold here to seal.

Affix
Stamp
Here

Share Registrars
TRICOR INVESTOR & ISSUING HOUSE SERVICES SDN BHD
Unit 32-01, Level 32, Tower A
Vertical Business Suite, Avenue 3, Bangsar South
No. 8, Jalan Kerinchi
59200 Kuala Lumpur
Malaysia

Please fold here to seal.

INDEPENDENT LIMITED ASSURANCE REPORT

Relating to Digi.Com Berhad's Annual Report for the year ended 31 December 2018.

To the Directors of Digi.Com Berhad

We, KPMG PLT, have been engaged by Digi.Com Berhad, to provide a limited assurance conclusion in respect of the Selected Sustainability Information for the year ended 31 December 2018 to be included in the Annual Report 2018 (the Report) as identified below (Selected Sustainability Information). The boundary of this assurance report is limited to Digi Telecommunications Sdn. Bhd., a wholly owned subsidiary of Digi.Com Berhad (collectively known as "Digi").

Management's Responsibilities

The management of Digi.Com Berhad and Digi Telecommunications Sdn. Bhd. ("Management") is responsible for the preparation and presentation of the Selected Sustainability Information in accordance with Management's calculation methodologies and the information and assertions contained within it and for establishing and maintaining appropriate performance management and internal control systems from which the reported performance information is derived.

Management is responsible for preventing and detecting fraud and for identifying and ensuring that Digi complies with laws and regulations applicable to its activities.

Management is also responsible for ensuring that staff involved with the preparation and presentation of the description and Report are properly trained, information systems are properly updated and that any changes in reporting encompass all significant business units.

Our Responsibilities

Our responsibility is to carry out a limited assurance engagement and to express a conclusion based on the work performed. We conducted our engagement in accordance with International Standard on Assurance Engagements (ISAE) 3000, Assurance Engagements other than Audits or Reviews of Historical Financial Information and International Standard on Assurance Engagements (ISAE) 3410, Assurance Engagements on Greenhouse Gas Statements, issued by the International Auditing and Assurance Standards Board. Those Standards require that we plan and perform the engagement to obtain limited assurance about whether the Selected Sustainability Information is free from material misstatement.

Selected Sustainability Information

Selected Sustainability Information includes the following data for the year ended 31 December 2018:
- Suppliers signing the Agreement of Business Conduct (ABC);
- Customer Satisfaction Survey results;
- Energy consumption within the organisation;
- Scope 1 CO_2 emissions;
- Scope 2 CO_2 emissions;
- Scope 3 CO_2 emissions;
- Lost time injury frequency (LTIF);
- Training hours recorded by Human Resource; and
- Number of students participating in Digi Yellow Heart programmes.

Procedures Performed over Selected Sustainability Information

A limited assurance engagement on the Selected Sustainability Information consists of making inquiries, primarily of persons responsible for the preparation of information presented in the Report, and applying analytical and other evidence gathering procedures, as appropriate. These procedures include:
- Interviews with Senior Management and relevant staff at corporate level;
- Inquiries about the design and implementation of the systems and methods used to collect and process the information reported, including the aggregation of source data into the Selected Sustainability Information;
- Visits to Digi's head office; and

INDEPENDENT LIMITED ASSURANCE REPORT

- Comparing the information presented in the Selected Sustainability Information to corresponding information in the relevant underlying sources to determine whether all the relevant information has been included in the Selected Sustainability Information and prepared in accordance with Management's calculations methodologies.

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement and consequently the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed. Accordingly, we do not express a reasonable assurance opinion.

Our independence and quality control

We have complied with the independence and other relevant ethical requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

KPMG PLT applies International Standard on Quality Control 1 and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Inherent limitations

Due to the inherent limitations of any internal control structure it is possible that errors or irregularities in the information presented in the Report may occur and not be detected. Our engagement is not designed to detect all weaknesses in the internal controls over the preparation and presentation of the Report, as the engagement has not been performed continuously throughout the period and the procedures performed were undertaken on a test basis.

Our conclusion

Our conclusion has been formed on the basis of, and is subject to, the matters outlined in this Independent Limited Assurance Report.

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

Based on the procedures performed and evidence obtained, as described above, nothing has come to our attention that would lead us to believe that the Selected Sustainability Information included in the Report for the year ended 31 December 2018, is not presented, in all material respects, in accordance with Management's calculation methodologies.

Restriction of use of our Independent Limited Assurance Report

Our Independent Limited Assurance Report should not be regarded as suitable to be used or relied on by any party wishing to acquire rights against us other than Digi, for any purpose or in any other context. Any party other than Digi who obtains access to our Independent Limited Assurance Report or a copy thereof and chooses to rely on our Independent Limited Assurance Report (or any part thereof) will do so at its own risk. To the fullest extent permitted by law, we do not accept nor assume responsibility and deny any liability to any party other than Digi for our work, for this Independent Limited Assurance Report, or for the conclusions we have reached.

Our Independent Limited Assurance Report is released to Digi on the basis that it shall not be copied, referred to or disclosed, in whole (save for Digi's own internal purposes) or in part, without our prior written consent.

KPMG

KPMG PLT (LLP0010081-LCA)
Petaling Jaya
21 March 2019

CORPORATE INFORMATION

Board of Directors

Haakon Bruaset Kjoel
Chair, Non-Independent Non-Executive Director

Tan Sri Saw Choo Boon
Senior Independent Non-Executive Director

Yasmin Binti Aladad Khan
Independent Non-Executive Director

Vimala V.R. Menon
Independent Non-Executive Director

Torstein Pedersen
Non-Independent Non-Executive Director

Tone Ripel
Non-Independent Non-Executive Director

Anne Karin Kvam
Non-Independent Non-Executive Director
(Appointed on 16 October 2018)

Audit and Risk Committee

Tan Sri Saw Choo Boon
Chair, Senior Independent Non-Executive Director

Vimala V.R. Menon
Independent Non-Executive Director

Yasmin Binti Aladad Khan
Independent Non-Executive Director

Torstein Pedersen
Non-Independent Non-Executive Director

Nomination Committee

Yasmin Binti Aladad Khan
Chair, Independent Non-Executive Director

Tan Sri Saw Choo Boon
Senior Independent Non-Executive Director

Haakon Bruaset Kjoel
Non-Independent Non-Executive Director

Remuneration Committee

Haakon Bruaset Kjoel
Chair, Non-Independent Non-Executive Director
(Appointed on 1 September 2018)

Yasmin Binti Aladad Khan
Independent Non-Executive Director

Torstein Pedersen
Non-Independent Non-Executive Director
(Appointed on 1 September 2018)

Senior Independent Non-Executive Director
Tan Sri Saw Choo Boon
Email: *cbsaw@digi.com.my*

Secretaries
Choo Mun Lai (MAICSA No. 7039980)
Tai Yit Chan (MAICSA No. 7009143)

Domicile and Country of Incorporation
Malaysia

Registered Office

Lot 6.05, Level 6, KPMG Tower
8 First Avenue, Bandar Utama
47800 Petaling Jaya
Selangor Darul Ehsan
Malaysia
Tel: 03-7720 1188
Fax: 03-7720 1111
E-mail: Boardroom-KL@boardroomlimited.com
Web: www.boardroomlimited.com

Share Registrars

Tricor Investor & Issuing House Services Sdn Bhd
Unit 32-01, Level 32, Tower A
Vertical Business Suite, Avenue 3,
Bangsar South
No. 8, Jalan Kerinchi
59200 Kuala Lumpur
Malaysia
Tel: 03-2783 9299
Fax: 03-2783 9222
E-mail: is.enquiry@my.tricorglobal.com
Web: www.tricorglobal.com

CORPORATE INFORMATION

Tricor's Customer Service Centre
Unit G-3, Ground Floor
Vertical Podium, Avenue 3
Bangsar South, No.8 Jalan Kerinchi
59200 Kuala Lumpur
Malaysia

Stock Exchange Listing

Main Market of Bursa Malaysia Securities Berhad
Listed on: 18 December 1997
Stock Name: DIGI
Stock Code: 6947

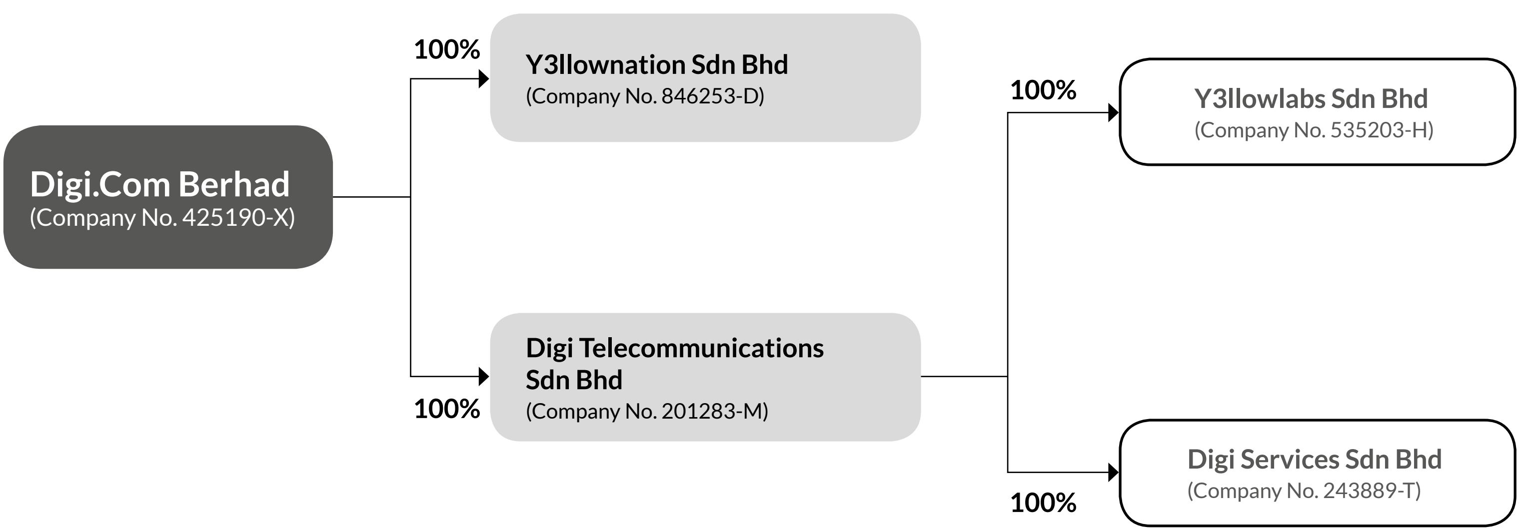
Auditors

Messrs Ernst & Young
Chartered Accountants
Level 23A, Menara Milenium
Jalan Damanlela, Pusat Bandar Damansara
50490 Kuala Lumpur
Malaysia
Tel: 03-7495 8000
Fax: 03-2095 5332

Principal Bankers

CIMB Islamic Bank Berhad
Sumitomo Mitsui Banking Corporation Malaysia Berhad
MUFG Bank (Malaysia) Berhad
(formerly known as Bank of Tokyo-Mitsubishi UFJ (Malaysia) Berhad)
RHB Bank Berhad
Standard Chartered Bank Malaysia Berhad
OCBC Bank (Malaysia) Berhad

CORPORATE STRUCTURE



CORPORATE DIRECTORY

PRINCIPAL PLACE OF BUSINESS/ HEAD OFFICE

D'House, Lot 10, Jalan Delima 1/1,
Subang Hi-Tech Industrial Park,
40000 Subang Jaya, Selangor
Tel : 03-5721 1800
Fax : 03-5721 1857

CENTRAL OPERATING OFFICE

Lot 43, Jalan Delima 1/1,
Subang Hi-Tech Industrial Park,
40000 Subang Jaya, Selangor
Tel : 03-5721 1800
Fax : 03-5721 1857

REGIONAL OPERATING OFFICES

Northern Region
1-03-18, E-Gate Commercial Centre,
Lebuh Tunku Kudin 2,
11700 Gelugor, Penang

Ipoh Sales Office
C-G-02, Persiaran Greentown 3,
Greentown Business Centre,
30450 Ipoh, Perak

Southern Region
6 & 8, Jalan Molek 1/12,
Taman Molek,
81100 Johor Bahru, Johor

Eastern Region
Lot 112 & 113,
Lorong Industri Semambu 7,
Semambu Industrial Estate,
25350 Kuantan, Pahang
Fax : 09-508 0016

Sabah Region
4th Floor, Lot 10, Block B,
Warisan Square,
Jalan Tun Fuad Stephens,
88000 Kota Kinabalu, Sabah
Tel : 088-251 016
Fax : 088-262 016

Sarawak Region
Level 21, Gateway Kuching,
9, Jalan Bukit Mata,
93100 Kuching, Sarawak
Tel : 082-421 800
Fax : 082-427 597

DIGI STORES

Kuala Lumpur

Bukit Bintang
Lot 106 & 108,
Jalan Bukit Bintang,
55100 Kuala Lumpur

Bangsar
Lot F122, 1st Floor,
Bangsar Shopping Centre,
285, Jalan Maarof, Bukit Bandaraya,
59000 Kuala Lumpur

Gardens
S-233, 2nd Floor, Gardens Mall,
Mid Valley City, Lingkaran Syed Putra,
59200 Kuala Lumpur

Setapak Central Mall
G49, 67, Jalan Taman Ibu Kota,
Taman Danau Kota, Setapak,
53300 Kuala Lumpur

Selangor

Alamanda
Lot LG-70, 71&72, Ground Floor,
Alamanda Putrajaya Shopping Centre,
Jalan Alamanda, Precinct 1,
62000 Putrajaya

Ampang
86G, Lorong Mamanda 1,
Ampang Point,
68000 Selangor

Cheras
3-G, Jalan C180/1,
Dataran C180,
43200 Cheras, Selangor

D'House
Lot 10, Jalan Delima 1/1,
Subang Hi-Tech Industrial Park,
40000 Shah Alam, Selangor

Klang
Lot B-G-8, BBT One Tower,
Lebuh Batu Nilam 2,
Bandar Bukit Tinggi,
41200 Klang, Selangor

SS2
24, Jalan SS2/66,
47300 Petaling Jaya, Selangor

Sunway Pyramid
Lot LG2.69, Lower Ground 2,
Sunway Pyramid Shopping Mall,
3, Jalan PJS 11/15, Bandar Sunway,
46150 Petaling Jaya, Selangor

Melaka

Melaka
2, Plaza Merdeka,
Jalan Plaza Merdeka,
75000 Melaka

Negeri Sembilan

Seremban
62A, Jalan Tuanku Munawir,
70000 Seremban, N.Sembilan

Johor

Batu Pahat
1-1D, Jalan Zabedah,
83000 Batu Pahat, Johor

Danga Bay
Block 6-G-35, Danga Walk,
Batu 41/2, Jalan Skudai,
80200 Johor Bahru, Johor

Taman Molek
6 & 8, Jalan Molek 1/12,
Taman Molek,
81100 Johor Bahru, Johor

Penang

Bayan Baru
1B-G-08 & 1B-G-09, Ground Floor,
One Precinct, Lengkok Mayang Pasir,
11950 Bayan Baru, Penang

Pulau Tikus
368-1-05 & 06, Bellisa Row,
Jalan Burmah,
10350 Pulau Tikus, Penang

Seberang Jaya
8, Ground Floor, Jalan Todak Dua,
Pusat Bandar, Seberang Jaya,
13700 Prai, Penang

Kedah

Alor Setar
2 & 3, Kompleks Perniagaan Pintu 10,
Jalan Pintu Sepuluh,
05100 Alor Setar, Kedah

Perak

De Gardens
DGR-1A, Ground Floor,
3, Persiaran Medan Ipoh,
Medan Ipoh,
31400 Ipoh, Perak

Ipoh
C-G-02, Persiaran Greentown 3,
Greentown Business Centre,
30450 Ipoh, Perak

Pahang

Kuantan
91, Jalan Tun Ismail,
25000 Kuantan, Pahang

Kelantan

Kota Bharu
S/16, PT 232,
Lot 1A, Jalan Hamzah,
15050 Kota Bharu, Kelantan

Terengganu

Kuala Terenganu
Lot PT 3937, Jalan Sultan Sulaiman,
20000 Kuala Terengganu, Terengganu

Sabah

1-Borneo
Lot G612, Ground Floor 1 Borneo
Hypermall,
Jalan Sulaman,
88450 Kota Kinabalu, Sabah

Api-Api
Lot 5/G3, Ground & 1st Floor,
Api-Api Centre,
88000 Kota Kinabalu, Sabah

Sarawak

Kuching
Lot 506-507, Section 6 KTLD,
Jalan Kulas Tengah,
93400 Kuching, Sarawak

Miri
Lot 2037, Jalan Datuk Temenggong
Oyong Lawai,
Marina Square Phase 1,
98000 Miri, Sarawak

Sibu
17 & 19, Ground Floor,
Jalan Tong Sang,
Off Jalan Wong King Huo,
96000 Sibu

part of telenor group

Digi.Com Berhad (425190-x)

Lot 10, Jalan Delima 1/1,
Subang Hi-Tech Industrial Park,
40000 Subang Jaya,
Selangor, Malaysia

Email: Investor_Relations@digi.com.my

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