

Clearly, the next expansion growth for the Malaysian telco market is in mobile broadband. With the national penetration rate for broadband at 21.1% as of end 2008, the telco industry is gearing up to realise the National Broadband Plan ambition to achieve 50% household broadband take-up in a year's time.

I am confident DiGi will contribute positively towards achieving this national objective.



Deep Green at heart

Being a responsible company, DiGi made a commitment to address climate change. With the ICT industry set to exceed the aviation industry as a major carbon contributor by 2011 through sheer energy consumption, DiGi is working towards a 50% reduction of its carbon footprint by 2011.

Our climate change initiative, Deep Green, is more than a corporate responsibility programme; it is our way forward to create a sustainable business for all our stakeholders and to become an even more attractive employer.

DiGi is also reaching out to local communities affected by climate change under Deep Green NOW. Youth in these communities are engaged and educated on sustainable living measures that protect and conserve the natural resources their families rely on as livelihood.

The results from both internal and external activities have been encouraging, and the Board supports these initiatives.

Resilience during downturn

Effects of the global financial downturn are expected to ripple throughout 2009 and we anticipate that the challenging times will continue. But we believe opportunities exist even in a market with low business confidence and that the telco industry will remain resilient under tough economic conditions.

Sudah pasti, pertumbuhan pasaran syarikat telekomunikasi di Malaysia seterusnya akan datang dari perkhidmatan jalur lebar mudah alih. Dengan kadar penembusan jalur lebar negara hanya pada 21.1% pada akhir 2008, industri telekomunikasi bersedia untuk merealisasikan Rancangan Jalur Lebar Kebangsaan dalam usaha mencapai kadar penembusan jalur lebar isirumah sehingga 50% dalam tempoh setahun.

Saya amat yakin DiGi dapat memberi sumbangan positif ke arah mencapai cita-cita tersebut.

Deep Green di hati

Sebagai syarikat yang bertanggungjawab, DiGi telah menunjukkan komitmennya dalam menangani masalah perubahan iklim. Oleh kerana industri ICT telah disabitkan akan melepasi industri penerbangan untuk menjadi penyumbang terbesar pengeluaran karbon pada 2011 akibat penggunaan tenaganya, DiGi menyahut cabaran untuk mengurangkan sehingga 50% pengeluaran karbonnya menjelang 2011.

Inisiatif perubahan iklim kami, Deep Green adalah lebih daripada program tanggungjawab korporat; ia merupakan pendekatan kami untuk membina perniagaan yang mapan bagi kesemua pemegang kepentingan sekaligus menjadi majikan yang lebih menarik.

Menerusi Deep Green NOW, DiGi mengorak langkah lebih jauh untuk bekerjasama dengan masyarakat tempatan yang menerima kesan negatif perubahan iklim. Kami berganding bahu dengan golongan remaja masyarakat tersebut dan mendidik mereka ke arah amalan gaya hidup lebih baik dengan melindungi dan memulihara sumber-sumber semulajadi yang menjadi sandaran keluarga mereka untuk meneruskan kehidupan.

Hasil daripada kedua-dua aktiviti dalam dan luaran itu amat menggalakkan dan disokong sepenuhnya oleh semua Ahli Lembaga Pengarah.

Daya tahan dalam kelembapan ekonomi

Kesan daripada kelembapan ekonomi global dijangka berterusan dan kami pasti pasaran akan terus mencabar sepanjang 2009. Namun kami percaya terdapat peluang di pasaran walaupun keyakinan perniagaan yang menurun dan industri telekomunikasi akan terus berdaya tahan di dalam keadaan ekonomi yang meruncing.

At DiGi, we have identified three key strategies to counter the macro-economic downturn:

- **Cost efficiency**
Being a cost-efficient mobile operator will help us keep our operational costs down
- **Continuous investments**
Continuous efforts will be made for network expansion and coverage quality, to deliver innovative services and broadband packages
- **Excellent customer experience**
Capitalise on our momentum as net gainer in Mobile Number Portability (MNP) through excellent customer experience

Looking forward

For 2009, we are cautiously optimistic of growth opportunities in terms of additional revenue streams and new subscribers. Despite tougher economic conditions, consumers still view mobile telephony as a basic need, creating an environment of relative resilience for the telco industry.

I believe the prospects for DiGi in the future are positive, as we explore new technologies and develop more exciting services to benefit our customers.

To thrive, DiGi will focus and leverage on its key strengths:

- **Brand values**
A strong brand with consistent values that resonates with customers
- **People**
To gain competitive advantage, it is very important to build on employees' talents and create a culture that challenges people to go the extra mile
- **Customer service**
Winning customers' hearts and providing excellent customer experience are even more critical now as subscribers demand excellence from their service providers



Di DiGi, kami telah menggariskan tiga strategi utama untuk menangani masalah ekonomi makro:

- **Kecekapan kos**
Sebagai operator mudah alih yang mengamalkan kecekapan kos ianya akan membantu kami mengurangkan kos operasi
- **Pelaburan berterusan**
Usaha menambahbaik kualiti dan liputan rangkaian yang berterusan, membolehkan DiGi menyediakan perkhidmatan serta pakej-pakej jalur lebar yang inovatif
- **Pengalaman pelanggan yang cemerlang**
Memanfaatkan momentum kami sebagai pendahulu dalam Kemudahan Nombor Mudah Alih (MNP) dengan pengalaman pelanggan yang cemerlang

Memandang ke hadapan

Bagi 2009, kami tetap optimistik namun berwaspada ke atas peluang-peluang pertumbuhan dari segi aliran perolehan tambahan dan pelanggan baru. Walaupun dalam keadaan ekonomi yang mencabar, pelanggan tetap menganggap telefoni mudah alih sebagai keperluan asas, sekali gus mencipta persekitaran yang berdaya tahan bagi industri telekomunikasi.

Saya percaya prospek perniagaan DiGi pada masa depan adalah positif. Pelbagai teknologi baru dan perkhidmatan menarik akan diperkenalkan untuk kebaikan pelanggan.

Untuk terus berkembang, DiGi akan memperluaskan kelebihannya dalam:

- **Nilai jenama**
Jenama yang kukuh dengan nilai-nilai konsisten yang relevan kepada pelanggan
- **Kakitangan**
Untuk mendapatkan kelebihan daya saing, adalah penting untuk memperkukuhkan kemahiran kakitangan dan mencipta budaya kakitangan yang lebih tekun demi menyahut pelbagai cabaran
- **Perkhidmatan pelanggan**
Memenuhi hati pelanggan dan menyediakan pengalaman pelanggan yang unggul adalah lebih penting sekarang kerana mereka sentiasa mahukan perkhidmatan bermutu tinggi dari penyedia perkhidmatan



Our gratitude to my predecessor, Arve Johansen for his leadership as Chairman of the Board since 2005. We wish him our best in his current undertakings within the Telenor Group.

To the Ministry of Energy, Water and Communications and the Malaysian Communications and Multimedia Commission, our appreciation for their guidance and support.

Our thanks to CEO Johan Dannelind and his management team for successfully steering DiGi to meet the Board of Directors' expectations for the year, despite intense competition and a more challenging macro-economic environment in the second half of the year.

To all customers, staff and partners, we thank them for their continued commitment. We are passionate about driving a business that believes in our people and in delivering excellent customer experience.

And to our shareholders, let us assure you of our ambition to fulfill our responsibility to you as we strive to achieve high standards of governance with accountable and transparent processes in place. We look forward to your ongoing support in 2009.

Sigve Brekke

Chairman
15 April 2009

Penghargaan

Setinggi-tinggi penghargaan diucapkan kepada bekas Pengerusi, Arve Johansen di atas kepemimpinannya sejak 2005. Semoga berjaya, kami ucapkan kepada beliau dalam tanggungjawab barunya di Kumpulan Telenor.



Kepada Kementerian Tenaga, Air dan Komunikasi, serta Suruhanjaya Komunikasi dan Multimedia Malaysia, kami amat menghargai segala tunjuk ajar dan sokongan padu yang telah diberikan oleh mereka.

Kami berterima kasih kepada Ketua Pegawai Eksekutif Johan Dannelind dan pasukan pengurusannya kerana berjaya membawa kejayaan DiGi serta menepati jangkaan sebagaimana diharapkan Ahli Lembaga Pengarah untuk tahun ini, walaupun keadaan persaingan semakin sengit dan persekitaran ekonomi makro yang lebih mencabar dalam enam bulan terakhirnya.

Kepada semua pelanggan, kakitangan dan rakan niaga, kami mengucapkan berbilang terima kasih kerana terus komited bersama kami. Kami sungguh bersemangat untuk memacu perniagaan yang yakin dengan kebolehan kakitangannya serta mampu menyediakan pengalaman pelanggan yang unggul.

Dan kepada para pemegang saham, kami memberi jaminan untuk memenuhi tanggungjawab yang diamanahkan dan berusaha untuk mencapai standard kawal selia terbaik dengan akauntabiliti dan ketelusan proses. Kami mengharapkan sokongan berterusan anda pada 2009.

Sigve Brekke

Pengerusi
15 April 2009

CEO'S STATEMENT



Dear Shareholders,

2008 was a year that can best be described as a mixed bag. We grew quickly in the first half, but saw a slowdown in the second half with declining margins, amidst global economic downturn. We are generally satisfied with our overall performance in 2008 given the competitive situation and challenges in the economy.

I am also pleased to report that we have met our financial guidance. Revenue grew by 10% to RM4.81 billion with RM2.17 billion in earnings before interest, tax, depreciation and amortisation (EBITDA). As a result, profit before tax rose by 7% to RM1.55 billion while profit after tax saw a 7% increase to RM1.14 billion. EBITDA margin stood at 45.1% for the year, as a result of operational efficiencies.

Despite a 96% mobile simpack penetration in Malaysia, there is plenty of room to grow in terms of an addressable market. Developed markets are known to have up to 140% penetration of users with multiple mobile accounts.

We also see a continued focus on revenue growth and greater emphasis on service innovation. It is a time where swift and relevant response to customers' needs is critical for differentiation and success. We will stay focused on the marketplace and introduce products with innovative value propositions to continuously grow our business.

Johan Dannelind

Chief Executive Officer / Ketua Pegawai Eksekutif

"We are generally satisfied with our overall performance... given the competitive situation and challenges in the economy"

Pemegang saham yang disanjung,

2008 boleh dikatakan sebagai tahun yang bercampur-campur. Kami berkembang dengan pantas pada setengah tahun pertama namun menyaksikan pertumbuhan perlahan pada enam bulan kemudian dengan pengurangan margin akibat keadaan ekonomi global yang tidak menentu. Bagaimanapun, secara amnya kami berpuas hati dengan keseluruhan pencapaian itu, walaupun dibebani dengan situasi persaingan sengit dan cabaran ekonomi semasa.

Sukacita saya ingin memaklumkan bahawa DiGi telah memenuhi panduan kewangannya. Perolehan DiGi meningkat 10% kepada RM4.81 bilion dengan pendapatan sebelum ditolak faedah, cukai, susut nilai dan pelunasan (EBITDA) sebanyak RM2.17 bilion. Justeru, keuntungan sebelum cukai meningkat 7% kepada RM1.55 bilion sementara keuntungan selepas cukai juga meningkat 7% kepada RM1.14 bilion. Margin EBITDA pula kukuh pada 45.1% bagi tahun ini, hasil daripada operasi yang cekap.

Walaupun kadar penembusan pek sim di Malaysia sudah mencecah 96%, namun masih terdapat banyak ruang untuk berkembang di pasaran yang berpotensi. Sebagaimana yang kita tahu, pasaran membangun menunjukkan kadar penembusan sehingga 140% di mana pengguna memiliki beberapa akaun perkhidmatan mudah alih.

Kami akan terus memberi tumpuan ke arah pertumbuhan perolehan dan lebih menekankan kepada inovasi perkhidmatan. Pada masa kini, tindak balas pantas kepada keperluan pelanggan adalah kritikal untuk menunjukkan perbezaan sekaligus untuk mencapai kejayaan. Kami akan terus menumpukan perhatian kepada pasaran dan memperkenalkan produk-produk yang berinovatif untuk terus meningkatkan perniagaan.

Excellent Customer Experience

DiGi believes that if we can improve every customer touchpoint to make it easy and a great experience, it will lead to our success – it's that simple and in the same vein, that difficult.

We are well prepared to take on the challenge to embed Excellent Customer Experience (ECE) as a platform and mindset in the Company. Through ECE, we have made hundreds of big and small changes across our organisation and there are still more to come. It is a work in progress, and we are committed and passionate about continuous improvements. Our customers expect it, and so do we.



MNP, + for DiGi

We are excited with the introduction of Mobile Number Portability (MNP) as it is about giving freedom and the power to choose to all consumers. This move has brought the competition to a new level as we fought to win the hearts and minds of all consumers. Today, we have continued to show a

positive trend of more subscribers joining DiGi from other telcos than vice versa.

When MNP was launched in October, a massive go-to-market force was organised with our employees to help switch mobile users to DiGi. The largest group we organised involved 1,000 staff members going out to various shopping malls and switching over 600 customers to DiGi in just a few hours.

The success of this programme spun off similar activities in other parts of the country. Beyond gaining new subscribers, it was one of DiGi's best initiatives involving our employees directly with the business and customers.

Pengalaman Pelanggan yang Unggul

DiGi yakin jika ia dapat menambahbaikkan setiap titik perhubungan yang memudahkan pelanggan dan menjadikannya satu pengalaman yang hebat bagi mereka, ini akan membawa syarikat ke arah kejayaan. Tampak mudah, tapi hakikatnya agak sukar dilaksanakan.

Bagaimanapun, kami sudah bersedia untuk menyahut pelbagai cabaran itu untuk menjadikan Pengalaman Pelanggan yang Unggul (ECE) sebagai platform dan dasar pemikiran syarikat. Menerusi ECE, kami telah membuat pelbagai perubahan sama ada kecil atau besar di dalam organisasi ini, malahan banyak lagi perubahan akan menyusul. ECE merupakan sesuatu yang sedang diusahakan, dan kami amat komited dan terus berusaha keras untuk menjayakannya. Walaubagaimanapun, masih banyak yang perlu diperbaiki. Inilah yang diharapkan oleh pelanggan dan begitu juga dengan kami.

MNP, + untuk DiGi

Kami amat teruja dengan pengenalan Kemudahan Nombor Mudah Alih (MNP) ke pasaran, kerana ia memberi kebebasan dan kuasa memilih kepada pelanggan. Langkah itu telah membawa persaingan ke satu tahap baru, di mana kini kami bersaing untuk memenangi hati dan minda semua pelanggan. Hingga ke hari ini, kami terus menunjukkan trend positif di mana lebih ramai pelanggan beralih ke DiGi berbanding dengan sebaliknya.

Apabila MNP dilancarkan Oktober lalu, kami telah menganjurkan pelbagai aktiviti jualan ke pasaran secara besar-besaran bersama kakitangan DiGi untuk membantu pengguna beralih ke DiGi. Kumpulan terbesar yang pernah dianjurkan telah membabit 1,000 kakitangan di beberapa lokasi strategik termasuk kompleks membeli-belah. Mereka telah berjaya mengalihkan kira-kira 600 pelanggan ke DiGi dalam beberapa jam.

Program seperti ini turut dilaksanakan di lain-lain lokasi di Malaysia. Ianya bukan setakat untuk mendapatkan pelanggan baru tetapi merupakan salah satu program terbaik DiGi yang memberi peluang untuk kakitangan berurusan secara langsung dengan perniagaan dan pelanggan.

Bringing more to customers

In 2008, we consolidated and strengthened both our postpaid and prepaid propositions through a string of innovative packages that were specifically developed to meet the expectations of different customer segments.

In July, we offered the industry's first free domestic calls and SMS as part of four new postpaid plans in an all new I♥Savings campaign resulting in 56% increase to reach over 1 million subscribers for the first time.



This encouraging growth has led to additional initiatives to cement our postpaid position by providing a more comprehensive experience for our customers. In November, DiGi launched its inaugural concept store called DiGi360°. It is an extension of the Company's distribution approach for a unique customer experience and has helped expand and enhance our postpaid market share in previously untapped segments.

Continuing to build on our momentum with innovative enhancements, DiGi Priority Service was introduced to offer personalised service assistance delivered to the doorstep for existing premium or long tenure customers.

Another area of development is in our enterprise business. While growth was slow in this segment at the beginning of the year, we were heartened to see traction in the later part of 2008 and since then, we have seen several successes with large scale enterprises.

In prepaid, we revolutionised the market by offering a true low flat rate with 36 sen per minute voice calls and 10 sen per SMS to anyone on any network, anytime, anywhere in the country called Prepaid I Like. This initiative resulted in a positive response especially in the youth segment. DiGi has always been closely identified with youth and we see a sustained emphasis to grow even further.

A new area of interest for DiGi is to leverage on our strengths to support the financial services industry. We achieved an industry first when we announced free RM10,000 Personal Accident insurance coverage for our customers via mobile. In future, we hope DiGi customers will be able to purchase insurance and make premium payments from their mobile phones.

Menyediakan yang terbaik untuk pelanggan

Pada 2008, kami telah menyepadu dan memperkukuhkan tawaran pasaran prabayar dan pasca bayar menerusi beberapa pakej inovatif yang dibangunkan khusus untuk memenuhi pelbagai kehendak pelanggan.

Pada bulan Julai, kami telah menyediakan perkhidmatan panggilan dan SMS domestik percuma melalui empat pelan pasca bayar baru di dalam kempen "I♥Savings". Kempen ini membawa kepada peningkatan pelanggan sebanyak 56% sekaligus mencecah 1 juta pelanggan buat kali pertama.

Pertumbuhan yang menggalakkan itu telah membuahkan beberapa lagi inisiatif tambahan untuk mengukuhkan posisi pasca bayar kami dengan menyediakan pengalaman lebih komprehensif kepada pelanggan. Dalam bulan November, DiGi melancarkan kedai konsepnya yang dikenali sebagai DiGi360°. Ia merupakan pendekatan syarikat dalam meluaskan cara pengedaran untuk memberi pengalaman unik kepada pelanggan. DiGi360° telah membantu memperluas dan meningkatkan penguasaan pasaran pasca bayar DiGi dalam beberapa segmen yang belum diterokai lagi.

Dalam meneruskan momentum inovatif kami, program DiGi Priority Service telah diperkenalkan untuk menawarkan pelbagai perkhidmatan peribadi terus ke rumah kepada pelanggan setia atau premium.

Kami juga telah membangunkan segmen enterpris kami. Walaupun segmen ini mengalami pertumbuhan yang perlahan pada awal tahun, kami amat teruja melihat beberapa peningkatan positif di bulan-bulan terakhir 2008. Sejak itu, kami telah berjaya menembusi syarikat-syarikat besar.

Dalam segmen prabayar pula, kami telah merevolusikan pasaran dengan menawarkan kadar rata rendah sebenar dengan kadar caj 36 sen seminit untuk panggilan suara dan 10 sen bagi setiap SMS kepada sesiapa saja di mana-mana rangkaian, pada bila-bila masa dan dari mana saja di negara ini. Inisiatif yang dikenali sebagai "Prepaid I Like" telah diterima dengan positif khususnya dalam segmen remaja. DiGi dikenali di kalangan remaja dan kami melihatnya sebagai satu peluang yang mantap untuk terus berkembang.

DiGi juga menerokai industri perkhidmatan kewangan dan telah mencapai satu lagi kejayaan dengan menjadi syarikat telekomunikasi pertama yang menawarkan skim insurans Kemalangan Peribadi percuma bernilai RM10,000 untuk pelanggan menerusi telefon bimbit. Kami juga berharap pelanggan DiGi dapat membeli insurans dan membuat bayaran premium melalui telefon bimbit mereka pada masa depan.



We also launched mySimplifieds (www.mySimplifieds.com), an online classifieds portal, to expand beyond telecommunication services and stay on the pulse of our customers. With mySimplifieds, we are exploring mobile-relevant business opportunities to seed growth as the industry matures. We want to tap on the growing popularity of the online space as an avenue to engage with our current customers and to reach out to new audiences.

Technology matters

2008 was a busy year for the Technology team. Beyond the multitude of changes made to improve network and coverage quality, the team also embarked on several ambitious initiatives:

- Preparation and implementation of MNP
- Groundwork for a robust and new prepaid platform
- Aggressive implementation of network optimisation towards a 'Deep Green' network
- Preparation and rollout of 3G broadband services

One key area of improvement is the increased stability of DiGi's network during festive periods where overloads have been known to happen.

Climate change agenda

The Deep Green programme was launched in August 2008 with the aim to halve DiGi's carbon footprint by 2011. This is an ambitious company-wide plan to drive green consciousness throughout the organisation and implement activities to help propel us towards this goal. To date, we have achieved 10% of the targeted reduction.

At the heart of our programme was the decision to shorten the replacement cycle of old network equipment in favour of newer, energy efficient models. Despite the initial large capital outlay, the reduction of energy consumption over time would offset the cost of investment. In fact for 2008, we experienced savings in excess of RM4 million in reduced energy consumption.

Baru-baru ini, DiGi telah melancarkan mySimplifieds (www.mySimplifieds.com), satu portal pengiklanan melalui internet, dalam usaha melebarkan perkhidmatan kami ke sektor yang menjangkau perkhidmatan telekomunikasi dan masih relevan kepada pelanggan. Menerusi mySimplifieds, kami menerokai peluang perniagaan yang berasaskan khidmat mudah alih untuk mewujudkan aliran pertumbuhan baru syarikat ketika industri semakin matang. Kami ingin mengambil kesempatan di atas kepopularan ruang online yang semakin meningkat sebagai saluran untuk menjalin hubungan dengan pelanggan sedia ada di samping mendekati pelanggan baru.

Kepentingan teknologi

2008 merupakan tahun yang penuh dengan aktiviti untuk pasukan teknologi kami. Di samping pelbagai perubahan yang dijalankan untuk memperbaiki rangkaian dan kualiti liputan, pasukan teknologi juga telah memulakan beberapa inisiatif penting:

- Penyediaan dan pelaksanaan inisiatif MNP
- Kerja-kerja asas untuk platform prabayar baru yang lasak
- Pelaksanaan agresif untuk mengoptimalkan rangkaian mesra alam sekitar
- Penyediaan dan pelaksanaan perkhidmatan 3G jalur lebar

Kami juga telah meningkatkan kestabilan rangkaian DiGi ketika musim perayaan untuk menangani masalah limpahan.

Agenda perubahan iklim

Program Deep Green telah dilancarkan pada bulan Ogos 2008 dengan tujuan mengurangkan pengeluaran karbon syarikat sehingga 50% pada 2011. Adalah menjadi cita-cita DiGi untuk menerapkan kesedaran hijau ke seluruh organisasi. Pelbagai aktiviti telah dilaksanakan untuk membantu mencapai matlamat itu. Setakat ini, kami telah berjaya mengurangkan pengeluaran karbon sebanyak 10% daripada sasaran.

Antara keputusan penting yang telah diambil untuk merealisasikan sasaran kami ialah dengan mengurangkan jangka masa pusingan penggantian perkakasan rangkaian lama dengan model-model baru yang jimat tenaga. Walaupun langkah ini bakal menelan belanja yang besar, kami percaya pengurangan penggunaan tenaga untuk jangka panjang pasti membawa pulangan ke atas pelaburan yang telah dibuat. Malahan, pada 2008 kami telah berjaya menjimatkan lebih dari RM4 juta dari segi penggunaan tenaga.



"...we engaged students in our community outreach programme called Deep Green NOW... with focus on protection and conservation of the mangrove forest"



Other areas of Deep Green include employee engagement efforts in recycling, efficient waste management, car pooling and improved in-building solutions to reduce energy usage. The most important aspect of these initiatives is to cement climate change consciousness among employees. Our procurement policy now includes requirements for our suppliers to be aligned towards helping the environment or reducing carbon footprint.

Taking our commitment beyond DiGi, we engaged students in our community outreach programme called Deep Green NOW. The first project started in Kuala Selangor in October 2008 with focus on protection and conservation of the mangrove forest. The project also drew a healthy level of participation from DiGi's employees, who play an active role in the community engagement process.

Cost efficiency in everything

We recently strengthened our internal ambition for the Company to be cost efficient in everything we do. This is in line with our overall aspirations to ensure that as we grow our revenue, we are efficient in maintaining a healthy financial balance.

A rigorous cost efficiency programme is in place to imbue a cost focus mindset across the organisation. We will also pursue investments that bring high value returns. We want everyone to stay focused on what we *must have* as opposed to what is *nice to have*. Overall, being cost efficient is a competitive advantage over time.

Program Deep Green turut menggalakkan kakitangan untuk mengitar semula, mengurus bahan buangan dengan lebih cekap, dan berkongsi kereta. DiGi juga telah menambahbaikkan beberapa rumusan di dalam bangunan ini untuk mengurangkan penggunaan tenaga. Inisiatif-inisiatif ini ialah untuk menerapkan kesedaran mengenai perubahan iklim di kalangan kakitangan. Kini polisi pembelian syarikat menetapkan bahawa pembekal-pembekal perlu mengikut garis panduan DiGi dalam membantu memulihara alam sekitar atau mengurangkan pengeluaran karbon mereka.

DiGi juga telah menganjurkan program komuniti Deep Green NOW yang membabitkan pelajar-pelajar sekolah di kawasan sasaran. Projek pertama telah berlangsung di Kuala Selangor pada Oktober 2008 dengan tujuan melindungi dan memulihara hutan paya bakau. Projek itu berjaya menarik minat ramai kakitangan DiGi yang memainkan peranan aktif di dalam proses menjalin ikatan lebih erat dengan komuniti terbabit.

Kecekapan kos dalam semua perkara

Baru-baru ini kami telah memperkukuhkan matlamat dalaman untuk mengaplikasikan kecekapan kos ke dalam setiap apa yang dilakukan. Ini sejajar dengan aspirasi syarikat untuk memastikan pertumbuhan perolehan di samping mempunyai keadaan kewangan yang sihat.

Satu program yang menyeluruh telah diimplimentasikan untuk menggalakkan pemikiran kecekapan kos di kesemua peringkat organisasi. Kami juga akan membuat pelaburan yang menghasilkan nilai pulangan yang tinggi. Kami memerlukan kesedaran kakitangan terhadap perbezaan di antara apa yang diperlukan dan apa yang dikehendaki. Secara keseluruhannya, kecekapan kos akan membawa kelebihan daya saing.

“DiGi has invested in the latest HSPA technology deploying Malaysia’s first 14.4 Mbps network”

Work@ for DiGi employees

We believe employees are our greatest assets and we have developed programmes to engage, develop and build our human capital. We want to ensure they are continuously motivated and empowered by having a positive work environment.

Recognising employees as individuals with unique needs, we strive to offer flexibility and mobility in the way we work. Employees are empowered to choose a time and place where they will be most professionally effective and accessible to their stakeholders. We call this Work@ and it is about working simpler and smarter. Employees are freed from the constraints of work in the traditional office-bound sense, and are able to work in a way that brings out their best for the Company.

Broadband done right



DiGi is now the newest 3G broadband player in Malaysia. Our promise is to bring value and quality internet experience to the people and to set the right customer expectations. DiGi has invested in the latest High Speed Packet Access (HSPA) technology deploying Malaysia’s first 14.4 Mbps network.

Our strategy is to rollout our broadband service in phases, building quality and capacity in a specific location before launching in that market. With household broadband penetration of just 21.1% as of end 2008, there is plenty of room for players to compete and grow this space.

With a unique strategy and focus on quality, we are confident of our ambition to achieve a third of the broadband market share in Malaysia within the next five years.

Work@ untuk kakitangan DiGi

DiGi percaya bahawa kakitangannya merupakan aset yang paling penting. Kami telah mengadakan beberapa program untuk menjalin, membangun dan membina sumber manusia syarikat. Kami ingin memastikan setiap kakitangan DiGi sentiasa bermotivasi tinggi dan mempunyai kebertanggungjawapan untuk membuat keputusan dengan menyediakan persekitaran kerja yang positif.

Menyedari hakikat bahawa kakitangan merupakan individu dengan keperluan unik, kami cuba menawarkan fleksibiliti dan mobiliti dalam cara kami bekerja. Semua kakitangan diberi kebebasan untuk memilih masa dan tempat yang paling efektif untuk mereka bekerja. Mereka juga perlu memastikan yang mereka boleh dihubungi oleh semua pemegang kepentingan.

Inisiatif ini dikenali sebagai Work@ yang menawarkan cara bekerja yang mudah dan bijak. Kakitangan kini diberi kebebasan dari terikat dengan suasana pejabat tradisional dan diberi kuasa untuk bekerja dengan cara yang boleh memanfaatkan syarikat.

Jalur lebar DiGi

DiGi merupakan pemain jalur lebar 3G yang terbaru di Malaysia. Kami berjanji untuk membawa nilai dan pengalaman internet yang bermutu kepada pelanggan di samping memenuhi kehendak mereka. DiGi melabur dalam teknologi terbaru Capaian Paket Berkelajuan Tinggi (HSPA) dan melancarkan rangkaian 14.4Mbps yang pertama di Malaysia.

Strategi kami ialah untuk menyediakan perkhidmatan jalur lebar ini secara berperingkat, dengan membina kualiti dan kapasiti yang diperlukan di sesuatu lokasi sebelum melancarkannya ke pasaran tersebut. Dengan kadar penembusan jalur lebar isi rumah pada 21.1% pada akhir 2008, masih terdapat ruang untuk penyedia bersaing dan berkembang dalam arena ini.

Dengan strategi yang unik dan tumpuan terhadap kualiti, kami yakin akan cita-cita kami untuk mencapai satu pertiga daripada penguasaan pasaran jalur lebar di Malaysia dalam jangka masa lima tahun.

“I am excited for DiGi to bring internet to the people and believe this service will open up new revenue streams”

Challenging year ahead

Looking forward, DiGi sees a challenging year ahead and remains cautiously optimistic of growth opportunities. The current state of the economy is a cause for concern as we have a strong presence in the foreign worker market. If the economy continues to slow down, we could see our revenue affected by repatriation from this segment.

On the upside, we are progressing with our plans to grow our business, and introduce innovative and exciting new products to the market. As such, we expect the growth of mobile subscribers to continue with more focus on advanced data services and broadband. I am excited for DiGi to bring internet to the people and believe this service will open up new revenue streams for DiGi.

I look forward to working with my management team and DiGi staff in excelling in a challenging 2009.

Johan Dannelind
Chief Executive Officer
15 April 2009



Masa depan yang mencabar

DiGi sedar akan cabaran yang akan dihadapi pada tahun ini dan kami tetap optimistik namun berwaspada ke atas peluang-peluang pertumbuhan. Keadaan ekonomi pada masa kini agak merisaukan kerana DiGi mempunyai kehadiran yang besar di pasaran pekerja asing. Jika ekonomi terus merudum, kemungkinan besar perolehan syarikat akan terjejas sekiranya lebih ramai pekerja asing dihantar pulang.

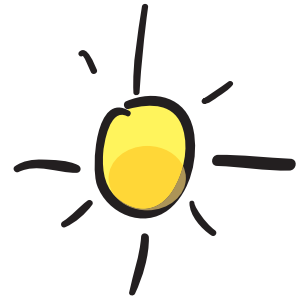
Namun begitu, kami terus maju ke hadapan dengan pelbagai rancangan untuk meningkatkan perniagaan dan memperkenalkan perkhidmatan baru yang lebih inovatif dan menarik di pasaran. Oleh itu kami menjangka pertumbuhan pelanggan akan berterusan dengan memberi lebih tumpuan terhadap perkhidmatan data termaju dan jalur lebar.

Saya amat teruja untuk DiGi membawa internet kepada orang ramai and percaya perkhidmatan ini akan membuka aliran perolehan baru untuk DiGi.

Saya berharap untuk bekerja dengan pasukan pengurusan serta kakitangan DiGi bagi mencapai kecemerlangan pada 2009 yang amat mencabar ini.

Johan Dannelind
Ketua Pegawai Eksekutif
15 April 2009

DiGi MANAGEMENT TEAM





Johan Dannelind

Chief Executive Officer

39 years of age, Swedish

Effective 1 April 2008, Johan took office as Chief Executive Officer after a brief stint as Chief Marketing Officer at Telenor Sweden. He was previously DiGi's CMO from 2006-2007, after serving as DiGi's Chief Financial Officer since 2004. Prior to that, he was CFO and Deputy CEO of Telenor AB and Director of International Business for the Nextra Group. He has been in the telecommunications business since 1995, starting his career at Telia AB. Johan graduated from University of Orebro, Sweden with a Master of Science in Business Administration.

Albern Murty

Strategy & New Business

Since joining DiGi in 2002, Albern has had roles in Project Planning & Controls, Product Management & Development and later as Acting Co-CMO in 2007. He took on the responsibilities of Strategy & New Business on 2 May 2008. Before DiGi, his previous experience includes business and commercial management in Lucent Technologies. Albern holds a Bachelor of Science in Marketing and Bachelor of Science in Advertising Management from Portland State University, Oregon, USA.

Ole Martin Gunhildsbu

Technology

Ole joined DiGi's Service Operations in January 2008 and was appointed Acting Chief Technology Officer in October 2008. He was attached to Telenor for almost 15 years in various Technology Management positions within fixed and mobile business. For five years he was CTO in Tele2 Norway. He has extensive 3G experience in design, planning and rollout of 3G/HSPA networks in Norway and Denmark. Ole holds a Master of Science in Electronics from Technical University of Delft in the Netherlands and a Master of Business Administration from BI Norwegian School of Management.

Zaiton Hj Idrus

Corporate Affairs

Zaiton joined DiGi in January 2009 bringing with her 30 years of experience in communications and stakeholder management. Prior to this, Zaiton was the Country Head of Corporate Affairs for Standard Chartered Bank Malaysia. She also served as its Regional Head of Corporate Affairs, responsible for 13 countries in Africa from 2004-2007. She was also with PETRONAS for 15 years. Zaiton holds a Bachelor's degree in Mass Communications from Universiti Teknologi Mara and has attended Senior Management Development Programs with INSEAD, Fontainebleau and Templeton College, Oxford University, UK.

Khor Choo Lin

Corporate Administration

Prior to joining DiGi in 1997, Choo Lin spent 17 years at Intel in various local and regional positions. She was the Compensation and Benefits Manager for Intel Malaysia, Regional Compensation and Benefits Manager for Intel Asia-Pacific and Human Resource Manager for Intel Singapore and Intel Australia. Choo Lin holds a Bachelor's degree in Mathematics from Queen's University, Canada.

Stefan Carlsson

Finance

Stefan joined the team in November 2006, coming from a position as CFO of the then greenfield startup Telenor Pakistan. Previously, he was the CFO of Telenor Mobile Sweden for 3 years, and prior to that, CFO of Mobyson in Sweden and Norway, one of the first MVNOs in Scandinavia. Stefan was also an auditor and consultant at PricewaterhouseCoopers in Sweden. He holds a Master in Finance & Business Administration from University of Uppsala, Sweden.

Tom Schnitker

Commercial

Tom was previously the CMO for Maxis Communications Berhad and had headed the Consumer Mobile Division at Telstra in Australia. He also spent eight years with McKinsey, where he led a number of strategic, operational and organisational engagements in the telecommunications, retail finance and manufacturing sectors. Tom has a Bachelor of Arts from Oxford University, UK and Master in Business Administration from Columbia Business School.



Adzhar Ibrahim

Human Resource Development

Joining DiGi in April 2005, Adzhar brings with him HR experience derived from many industries. He was previously Group HR Head with Sime Darby, Country Head of HR with Standard Chartered Bank Malaysia, a member of the start-up management team at Maxis Communications Berhad and Group HR Manager for a major American healthcare company. Adzhar holds a Diploma in Management from the Malaysian Institute of Management.



STATEMENT OF CORPORATE GOVERNANCE

Corporate Objective

DiGi.Com Berhad's ("DiGi" or the "Company") Group Objective is to create long-term shareholder value through providing innovative, easy-to-use and best value telecommunications services in the Malaysian market.

In pursuing this corporate objective, the Board of Directors ("Board") of DiGi strives to achieve high standards of corporate governance as it believes that there is a link between high-quality governance and creation of shareholder value. In respect of the organization governance culture, the Board encourages and supports a culture that values integrity, openness and respect for others. To guide the employees and business suppliers, the Code of Conduct and Supplier Conduct Principles set out the expectations of acceptable conduct within the organization and third party respectively.

The Internal Audit/Assurance function continues to perform testing of key financial controls over financial reporting in line with procedures in the Sarbanes-Oxley Act (USA) reflecting the Board continuous commitment to high standard of corporate governance and internal controls over financial reporting.

During 2008, the Board reviewed and updated the Instructions to the Board, Instructions to the Chief Executive Officer ("CEO") and terms of reference of the Audit Committee, Nomination Committee and Remuneration Committee to ensure that they remained appropriate for DiGi taking into account current best practices from the Code and other international best practices.

Further, the Board demonstrated its commitment to corporate responsibility by endorsing DiGi's Deep Green programme as a core thrust to address the Company's impact on climate change with the longer term vision of embedding sustainability into our business. The Board has further endorsed the Company's Deep Green ambition to half its 2011 carbon emissions by the same year. The full report on Corporate Responsibility is set out on pages 4 to 6 of this Annual Report.

This Statement explains how the Company has applied the key principles and the extent of its compliance with the best practices set out in



Malaysian Code on Corporate Governance which was revised in 2007 (the "Code") for the financial year ended 31 December 2008 save where otherwise identified and has been approved by the Board on 16 March 2009.

(A) Board of Directors

1. Board Responsibilities and Functions

The Board's role is to control and provide stewardship of the Group's business and affairs on behalf of shareholders. By pursuing its objective of creating shareholders' value, the Board takes into account the interests of all stakeholders in its decision making. The Board is guided by a charter ("Instructions to the Board") and a Delegation Authority Matrix which set out the practices and processes in the discharge of its responsibilities; the matters it reserved for consideration and decision making; the authority it has delegated to the CEO, including the limits which the CEO can execute the authority; and provides guidance on the division of responsibilities between the Board and CEO.

The Board responsibilities include providing strategic direction and approving corporate ambitions and targets, monitoring and reviewing corporate performance, ensuring adequate systems for good internal control and risk management are in place, and overseeing the development of Company's future leaders and human capital.

The Board has specifically reserved the following matters, amongst others, for its decision:

- Appointment to the Board
- Appointment to the positions of CEO and Chief Financial Officer (“CFO”)
- Approval of strategies, ambitions and targets
- Acquisition and disposal of assets that are material to the Group
- Major investments and contracts with significant profit impact
- Changes to control structure of the Group, including key policies and authority limits and
- Key strategic commercial decisions

The Board regularly reviews the performance report which provides a comprehensive review of business performance, which includes a review of actual and expected performance against targets. It is a dynamic management performance model which ensures a continued alignment between strategies and operational plans across the Group and allows management to act readily in response to changes in the market whilst ensuring that targets set by the Board are met.

To ensure proper management of risks and measures are taken to mitigate any weaknesses in the control environment, the Board on a regular basis reviews the key operational risks whilst the Audit Committee reviews the progress of risk management activities and reports to the Board of any key issues impacting the business in relation to the management of risks. Further details on risk management are set out on page 43 of the Annual Report.

Beyond the matters reserved for the Board's decision, the Board has delegated the authority to achieve the corporate objective to the CEO in accordance to the Instructions for CEO. The CEO remains accountable to the Board for the authority that is delegated to him, and for the performance of the Group. The Board monitors the decisions and actions of the CEO and the performance of the Group to gain assurance that progress is being made towards the corporate objective, within the limits it has imposed.

The Board in overseeing the development of human capital and succession planning has in place a DiGi Development Plan that identifies, develops and manages potential leaders.

2. Board Composition and Balance

The Board currently has five Directors, comprising the Chairman (Non-Independent Non-Executive), two Independent Non-Executive Directors and two Non-Independent Non-Executive Directors.

There were changes to the composition of the Board during the year. The Chairman, Mr Arve Johansen resigned as Chairman and Director on 21 August 2008, and was succeeded by Mr Sigve Brekke on the same date.

Following the resignation of Mr Arve Johansen, Mr Christian Storm ceased as an Alternate Director to Mr Arve Johansen and was re-appointed as an Alternate Director to Mr Sigve Brekke on 21 August 2008.

Together, the Directors have the range of skills, knowledge and experience necessary to govern the Group. The Non-Executive Directors contribute international and operational experience and understanding of the financial and capital markets. The Independent Directors bring the knowledge and experience of the regulatory environment and accounting regime in Malaysia.

All Directors have the relevant experience in the telecommunications industry. A brief description of the background of each Director is presented on pages 16 to 18 of the Annual Report.

The Independent Directors meet the definition set out in the Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Securities” or “Bursa Malaysia”). DiGi fulfills the requirement to have at least one third of the Board comprised of Independent Non-Executive Directors. The Board is satisfied that the current composition of directors provides the appropriate balance and size in the Board necessary to promote all shareholder interests and to govern the Group effectively. It also fairly represents the ownership structure of the Company with appropriate representations of minority interests through the Independent Directors. The Board has appointed Tan Sri Leo Moggie as the Senior Independent Non-Executive Director. Tan Sri Leo Moggie is available to shareholders who have concerns that cannot be addressed through the Chairman and CEO. No shareholders asked to meet with Tan Sri Leo Moggie, the Senior Independent Director during the year.

3. Division of roles and responsibilities between the Chairman and CEO

There is a clear division of responsibility between the Chairman and the CEO to ensure that there is a balance of power and authority. The Chairman leads the Board and facilitates its work. He engages directly with the CEO to understand and oversee the strategy implementation and performance delivery. He is responsible for ensuring the processes of the Board are effective in carrying out its duties and responsibilities, including the timely provision of sufficient relevant information on financial and non-financial matters. The Chairman, in conjunction with the CEO, CFO and Company Secretary, sets agendas for the meetings of the Board that focus on strategic direction and performance of the Group.

The CEO is responsible for the day-to-day management of the Group's operations and business as well as implementation of the Board's policies and decisions.

4. Board Meetings

Meetings for the year are scheduled at the end of the preceding year. The Board meets for both scheduled meetings and on other occasions to deal with urgent and important matters that require attention between scheduled meetings. Due notice is given of all scheduled and additional meetings. The Board met four times during the year and attendance of Directors at Board meetings is set out as below:-

| Name | Attendance |
|---|------------|
| Arve Johansen (resigned on 21 August 2008) <i>Chairman/Non-Independent/Non-Executive</i> | 3/3 |
| Tan Sri Leo Moggie <i>Senior Independent/Non-Executive</i> | 4/4 |
| Dato' Ab. Halim Bin Mohyiddin <i>Independent/Non-Executive</i> | 4/4 |
| Christian Storm <i>Non-Independent/Non-Executive</i> | 4/4 |
| Ragnar Holmen Korsæth <i>Non-Independent/Non-Executive</i> | 3/4 |
| Sigve Brekke (Appointed on 21 August 2008) <i>Chairman/Non-Independent/Non-Executive</i> | 1/1 |

The Directors were committed to the collective decision making processes of the Board and individual Directors debated issues openly and constructively and were free to question and challenge the opinions of others.

The Board is satisfied that all the Directors made sufficient time available during 2008 to serve the Group effectively.

The CEO, CFO and other members of senior Management attended Board meetings by invitation. At each Board meeting, the CEO provided a review of the business, operational performance, strategy and key operational risks updates, and the CFO provided a review of the Group's financial position and investor relations updates pertaining to shareholders' and investors' views and concerns of the Company. The Directors assessed the performance of Management and constructively challenged the Management on their performance and targets, where appropriate. In doing so, the Directors provided advice and strategic guidance to Management.

The proceedings of and resolutions passed at each Board and Board Committee meetings are minuted and kept in the statutory register at the registered office of the Company.

5. Appointments to the Board and Re-election of Directors

The Nomination Committee assists the Board in ensuring that the Board is comprised of individuals of a required calibre whose background, skills, experience and personal characteristics will augment the present Board and meet its future needs. Where there is a need to appoint new Directors, the Nomination Committee will assess the suitability of candidates and recommend to the Board for appointment. Newly appointed Directors must submit themselves to shareholders for election at the first Annual General Meeting following their appointment.

DiGi's Articles of Association requires that other than those Directors appointed during the year, one-third of remaining Directors are required to retire by rotation and submit themselves for re-election at each Annual General Meeting at least once every three years.

Retiring Directors who are seeking re-election are subject to a Director assessment overseen by the Nomination Committee. Following the assessment, the Board, on the recommendation of the Nomination Committee, makes a determination as to whether it will endorse a retiring Director for re-election. Directors over seventy (70) years of age are required to seek shareholders' approval for re-appointment annually in accordance with Section 129(6) of the Companies Act, 1965.

6. Performance Evaluation

The Board regularly evaluates the performance of the Board as a whole, its Committees, the Chairman, individual Directors and the governance processes that support Board work.

Matters considered in the assessment of the effectiveness of the Board and its committees include the effectiveness of discussion and debate at Board and Committee meetings, Board's and Committee's processes and relationship with Management, the quality and timeliness of meeting agendas, Board and Committee papers and secretariat support and the composition of the Board and each Committee.

Performance of individual Director is assessed against a range of dimensions including the ability of the Director to consistently take the perspective of creating shareholders' value, to contribute to the development of strategy, to provide clear direction to Management; to contribute to Board cohesion; to listen to and respect the ideas of fellow Directors and members of Management.

The evaluation process is led by the Nomination Committee Chairman and supported by the Company Secretary. The Directors complete a questionnaire regarding the Board and Committee effectiveness and improvement areas. This process also includes a peer review in which Directors assess their own and fellow Directors' performance. Once the questionnaire has been completed, the comments and findings are summarized and reported to the Board at a Board meeting by the Nomination Committee Chairman, which discusses the comments and implements the conclusions.

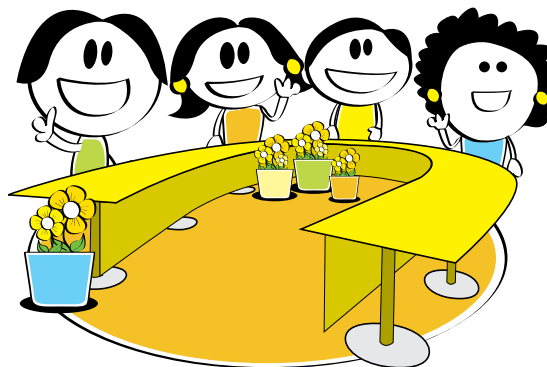
7. Directors' Training and Induction

The Directors are mindful that they continue to update their skills and knowledge to maximize their effectiveness as Directors during their tenure. During the financial year, the Directors have attended individually or collectively the various programmes and briefings on amongst others, the following:-

- Updates on Directors' Duties and Liabilities
- MICPA-BURSA Malaysia Business Forum 2008
- Challenges in an Uncertain World, Board of Directors & Senior Management Programme
- Briefing on Anti-Money Laundering and Anti-Terrorism Act 2001 (AMLA)
- The Economic Value Added (EVA) Approach to Value Creation
- Risk Management: Challenges and Opportunities
- Innovation & Creativity for Business Growth
- Board Development Program 2008
- Financial Reporting Standards in Malaysia
- What's Next – Managing Business Realities
- 3GSM World Congress

In April 2008, the Board also approved and adopted its own induction program for Directors. The aim of this program is to introduce new Directors to the Group's business, its operations and its governance arrangements. It includes meetings with senior management and visits to offices.

During the year, on joining the Board, Mr Sigve Brekke received a briefing on the Company's business and governance matters, amongst others and attended a briefing session regarding Updates on Directors' Duties and Liabilities. He has also completed the Mandatory Accreditation Programme (MAP).





8. Supply of Information

Access to Information

All the Directors have access to all information whether as a full board or in their individual capacity, in furtherance of their duties. An open line of communication between the individual members of the Board and Management is encouraged to enable Directors to gain a better understanding of the Group's business. The Directors have access to information through the following means:

- i) CEO, CFO and members of senior Management attend Board and Committee meetings by invitation to report on areas of the business within their responsibility including financial, operational, regulatory and strategic information.
- ii) Board and Committee papers are prepared for each item in the agenda to the established criteria on content and presentation format. These papers are issued to the Directors at least seven days before the Board and Committee Meetings.
- iii) Board Committees, in particular the Audit Committee Chairman meets with Management regularly to review the reports regarding internal control system and financial reporting.
- iv) In addition to Board papers, Directors are provided with relevant information between Board meetings. This includes financial and important operational updates. There is also communication among the Directors between Board meetings as necessary to progress the Company's business.
- v) Informal communications between the Directors and the CEO and other employees.

Access to Advice

The Board or individual Director may seek professional expert advice at the Company's expense with the prior approval of the Board on any matter connected with the discharge of their responsibilities. No Director availed himself of this right during the year.

Company Secretary

Ms Hee Chew Yun is the Company Secretary in DiGi. She is supported by two (2) other external Company Secretaries, Ms Tai Yit Chan and Ms Liew Irene. Together they are responsible for developing and maintaining the processes that enable the Board to fulfill its role and for ensuring that the Board procedures are complied with. The Board appoints and removes the Company Secretaries. All Directors have access to the advice and services of the Company Secretaries.

9. Committees of the Board

The Board delegates certain responsibilities to the Board Committees to assist in the discharge of its responsibilities. The role of Board Committees is to advise and make recommendations to the Board. The Chairman of the various committees provide a verbal report on the outcome of their committee meetings to the Board, and any further deliberation is made at the Board level, if required in addition to the minutes of the Board Committees which are circulated to the Board for notation. The Board Committees are:

- Audit Committee
- Nomination Committee
- Remuneration Committee

Each Committee operates in accordance with the written terms of reference approved by the Board. The Board appoints the members and the Chairman of each committee. A brief description of each Committee is provided below:

(a) Audit Committee

The members of the Committee are Dato' Ab. Halim Bin Mohyiddin (Chairman), Tan Sri Leo Moggie and Mr Christian Storm.

The Audit Committee Report provides details of the composition of the Audit Committee, its terms of reference and a summary of its activities and is set out on pages 45 to 47 of the Annual Report.

(b) Nomination Committee

The Nomination Committee met three times during the year and the meeting was attended by all its members. The members of the Committee are Mr Christian Storm (Chairman), Tan Sri Leo Moggie and Dato' Ab. Halim Bin Mohyiddin. All members of Committee are Independent Non-Executive Directors except for Mr Christian Storm who is a Non-Independent Non-Executive Director.

Role and focus

The role of the Nomination Committee is to assist the Board in ensuring that the Board is comprised of individuals with the required skills, knowledge, experience and personal characteristics. It does this by focusing on:

- Review annually the structure, size and composition (including the required mix of skills, knowledge and experience that the Non-Executive Directors should bring to the Board and identifying skills that may be required).
- Oversee the assessment of the performance of the Board, Committee and individual directors.
- Nominate and recommend for Board's approval suitable candidates for directorship to the Board and Board Committees.
- Assess and make recommendations to the Board concerning the re-election of Directors.

Activities undertaken

The Nomination Committee assessed the overall effectiveness of the Board as a whole, its Committees and the contribution and performance of each individual Director in 2008. The Nomination Committee concluded that the Board and Board Committees generally have a good mix of skills, experience, knowledge and professional qualifications required to contribute positively to the Group and is operating in an effective manner and that each Director continues to make an effective contribution to the work of the Board. The Nomination Committee recommended to the Board on the endorsement of the retiring Directors, Mr Arve Johansen and Dato' Ab. Halim Bin Mohyiddin who sought re-election at the 2008 AGM.

The Nomination Committee also assessed and recommended to the Board the new appointment of Mr Sigve Brekke as a Director and Chairman of the Company and Chairman of the Remuneration Committee. Mr Sigve Brekke was a former Non-Independent Non-Executive Director of DiGi and the Board believes he will provide strong leadership, and his good understanding of DiGi's business and many years of experience both in the international operations as well as strategic competence will greatly benefit the Group.

(c) Remuneration Committee

The Remuneration Committee met once during the year and the meeting was attended by all its members. Its current members are Mr Sigve Brekke (Chairman), Mr Christian Storm and Mr Ragnar Holmen Korsæth. All the members are Non-Independent Non-Executive directors. On 21 August 2008, Mr Arve Johansen resigned as a member and Chairman of the Remuneration Committee following his resignation as a Director in the Group and was replaced by Mr Sigve Brekke.

Role and focus

The role of the Remuneration Committee is to assist the Board in its oversight of the remuneration policy and its specific application to the Executive Directors and CEO, the determination of levels of reward to the CEO and annual evaluation of the performance of the CEO.

Non-Executive Directors' remuneration is a matter to be decided by the Board as a whole with the Director concerned abstaining from deliberations and voting on decision in respect of his individual remuneration.

Activities undertaken

The Chairman of the Remuneration Committee was authorized by the Board to assess and evaluate the CEO against the performance criteria set by Telenor to measure the CEOs' performance in all its subsidiary companies and to fix the compensation package.

The Board as a whole, based on the recommendation from the Remuneration Committee, with each of the Independent Non-Executive Directors abstaining from deliberating and voting on his own allowance, approved the increase of the monthly allowance effective from 1 March 2008 to ensure the Independent Non-Executive Directors are competitively remunerated.

(B) Directors' Remuneration

The objective of the Company's policy on Director's remuneration is to attract and retain Directors needed to run the Company successfully. Non-Executive Directors' remuneration reflects the experience, expertise and level of responsibilities undertaken by the Non-Executive Director concerned.

Details of the Directors' Remuneration

The aggregate Directors' remuneration paid or payable to all Directors of the Company by the Group and categorised into appropriate components for the financial year ended 31 December 2008 are as follows:

| | Allowances RM'000 | Total RM'000 |
|-------------------------|----------------------|-----------------|
| Non-Executive Directors | 264 | 264 |

The number of Directors of the Company whose total remuneration fall within the respective band are as follows:

| | Number of Non-Executive Directors |
|------------------------|---|
| RM100,001 to RM150,000 | 2 |

The Board had chosen to disclose the remuneration in bands pursuant to the Bursa Securities Listing Requirements as the separate and detailed disclosure of individual director's remuneration will not add significantly to the understanding and evaluation of DiGi's governance.

(C) Code of Conduct

The Board has adopted and implemented a Code of Conduct which reflects DiGi's values of integrity, respect, trust and openness. It provides clear direction on conducting business, interacting with community, government and business partner; and general workplace behaviour.

All the members of the Board and employees have certified in writing that they have read and understood the Code of Conduct. On-going trainings are provided to employees on the Code of Conduct and in particular in how to deal with situations involving ethical dilemma. In addition, DiGi had during the year conducted an integrity program to increase awareness on business and individual integrity.

In November 2008, DiGi introduced the Supplier Conduct Principles which outlines the standard for ethical and business conduct expected for suppliers and contractors in their relationship with the Group.

DiGi has established helplines so that employees can seek guidance or express concerns on the Code of Conduct related issues. Reports can be made anonymously and without fear of retaliation and arrangements are in place for the "proportionate" and independent investigations and appropriate follow-up action.

(D) Shareholders

1. Communication between the Company and its shareholders

Shareholders vote on important matters affecting DiGi, including changes to the Company's constitutional documents, receipt of annual financial statements and significant corporate proposals. The Board recognizes that in order to vote in an informed manner, shareholders must receive high-quality, relevant information in a timely manner. The Company has in place a Corporate Disclosure Procedures and Policies ("CDPP") which outlines how DiGi identifies and releases material information in a complete, timely and accurate manner to the Bursa Malaysia. This will ensure that the market has equal access to information issued by the Company. This CDPP embraces the "Best Practices in Corporate Disclosure" issued by Bursa Malaysia.

Copies of announcements to Bursa Malaysia, investor briefings, quarterly results, annual reports and other relevant information are available in the Investor Relations section of the Company's website www.digi.com.my

On a regular basis, DiGi's management hold one on-one meeting with analysts, fund managers and shareholders to provide updates on quarterly financial performance, regulatory issues as well as changes in operating environment which may impact the Group's operations.

In addition, DiGi hosted luncheons and a cocktail session for local analysts which served as a two-way dialogue sessions between the parties.

DiGi's management is also an active participant in various investor conferences held both locally and in major financial centres around the world throughout each financial year. In 2008, DiGi participated in Invest Malaysia, an annual investment conference jointly organised by selected investment houses and Bursa Malaysia. As one of the founding board members of MIRA (the Malaysian Investor Relations Association), DiGi continued to be an active participant and contributor to the development of investor relations as a key driver of greater corporate transparency in Malaysia. In mid-2008, DiGi represented by the Head of Investor Relations was appointed to hold the Deputy Chairman position of MIRA and in early 2009 also heads the Finance Committee of MIRA.

In 2008, DiGi completed four non-deal road-shows that covered the United States, Hong Kong, Singapore and Sydney to update investors and interested parties on the Company's outlook and strategies moving forward. The participation in these non-deal road-shows are on a quarterly basis outside the Group's "closed period". DiGi enforces a "closed period" which is typically about a month before the release of each quarterly results in which the management will not meet up with any analysts, fund managers and shareholders. This is to ensure that all material information pertaining to each financial quarter are disseminated equally to the public at the same time.

Any queries regarding DiGi from shareholders will be dealt with as promptly possible. These queries may be directed to:

Audrey Ho, Head of Investor Relations
DiGi Telecommunications Sdn Bhd
Lot 10, Jalan Delima 1/1
Subang Hi-Tech Industrial Park
40000 Shah Alam, Selangor Darul Ehsan
Tel: 03-5721 1800
Email: sfho@digicom.my

2. Annual General Meeting ("AGM")

The key element of the Company's dialogue with its shareholders is the opportunity to gather views of, and answer questions from, both private and institutional shareholders on all issues relevant to the Group at the AGM.

The highlights of the Group's performance and financial results are presented by the CEO and CFO at the AGM. At the AGM, shareholders are encouraged to ask questions both about the resolutions being proposed or about the Group's operations in general. Where it is not possible to provide immediate answers, the Chairman will undertake to furnish shareholders with a written answer after the AGM. The Chairman of the Board also provides shareholders with a review of the Group's operations for the financial year and outlines the prospects of the Group for the subsequent financial year. The external auditor attended the AGM as well and is available to answer questions from shareholders.

To promote transparency, since 2006, DiGi has opened its AGM to the financial media. The same was also done in 2008. These media representatives were invited to observe the AGM proceedings, attending as observers. We believe this practice will eventually be adopted in Malaysia as this is now widely seen as a best practice in Europe and the US.

(E) Accountability and Audit

1. Financial Reporting

DiGi aims to provide a balanced and meaningful assessment of the Group's financial performance and prospects primarily through the annual report, quarterly results, financial statements and analyst presentations. The Board is assisted by the Audit Committee in overseeing the Group's financial reporting process and the quality of its financial reporting.

Statement of Directors' Responsibilities in Respect of the Financial Statements

The Directors are required by the Companies Act, 1965 to prepare financial statements for each financial year which have been made out in accordance with the applicable Financial Reporting Standards and the provisions of the Companies Act, 1965 and give a true and fair view of the state of affairs of the Group and of the Company and of the results and cash flows of the Group and of the Company for that year. In preparing those financial statements, the Directors have:

- adopted suitable accounting policies and applied them consistently
- stated whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements
- made judgements and estimates that are reasonable and prudent
- prepared the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the Company will continue in business

The Directors are responsible for ensuring that the Group and the Company keep proper accounting records which disclose with reasonable accuracy the financial position of the Group and of the Company and to enable them to ensure that the financial statements comply with the Companies Act, 1965. The Directors are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

2. Internal Control

The Board is ultimately responsible for the Group's system of internal control which includes the establishment of an appropriate control environment and framework, and the review of its adequacy and integrity.

The Statement on Internal Control set out on pages 43 to 44 of the Annual Report provides an overview on the state of internal controls within the Group.



3. Related Party Transactions

The Audit Committee reviewed the related party transactions on a quarterly basis. A Director who has an interest in a transaction must abstain from deliberation and voting on the relevant resolutions in respect of the transactions at the Board meetings.

Details of these transactions are set out under Notes to the Financial Statement on pages 92 to 93 of the Annual Report.

4. Relationship with the Auditors

Key features underlying the relationship of the Audit Committee with the internal audit function and external auditors are detailed on pages 43 to 47 of the Annual Report. A summary of the activities of the Audit Committee during the year are set out on page 45 of the Annual Report.

The external auditors provide mainly audit related services to the Group. Due to strong knowledge of the Group, the external auditors also undertake certain non-audit service such as interim reviews, regulatory reviews and reporting and other services. The external auditors have confirmed their independence in providing both audit and non-audit services up to the date of this statement. During the year, the Board has approved policies covering the provision of non-audit services, which are designed to ensure that such services do not impair the external auditors' independence or objectivity.

The external auditors attended all the Audit Committee meetings held to review the Quarterly Results and the financial statements.

STATEMENT ON INTERNAL CONTROL

Introduction

The Board of Directors ("Board") affirms its commitment to maintaining a sound system of internal control in DiGi.Com Berhad Group ("the Group") and is pleased to provide the following statement, which outlines the nature and scope of internal control of the Group during the financial year ended 31 December 2008.

Board Responsibility

The Board is ultimately responsible for the Group's system of internal control which includes the establishment of an appropriate control environment and framework as well as reviewing its adequacy and integrity. The system of internal control covers, inter alia, risk management and financial, organisational, operational and compliance controls. Because of the limitations that are inherent in any system of internal control, this system is designed to manage, rather than eliminate, the risk of failure to achieve the Group's desired objectives. Accordingly, it can only provide reasonable and not absolute assurance against material misstatement or loss. Further, Management is required to apply judgement in evaluating the risks facing the Group in achieving its objectives, in determining the risks that are considered acceptable to bear, in assessing the likelihood of the risks concerned materialising, in identifying the Group's ability to reduce the incidence and impact on the business of risks that do materialise and in ensuring that the costs of operating particular controls are proportionate to the benefits.

For the financial year under review, the Board through the Audit Committee observed measures were taken on areas identified for improvement as part of management continued efforts to strengthen the Group's internal control framework.

Risk Management

The Group has in place an on-going process for identifying, evaluating and managing significant risks faced by the Group. The Board through the Audit Committee reviews the process on a regular basis to ensure proper management of risks and measures are taken to mitigate any weaknesses in the control environment. The risk management process, and practical guidance on its application, has been documented in the Risk Management Manual.

DiGi Management Team (which comprises the Chief Executive Officer ("CEO"), Chief Financial Officer ("CFO") and senior members of management) is responsible for ensuring that key risks to the Group's business are identified and evaluated and that effective responses are developed for their management. This risk management process covers issues relating, but not limiting to, strategic, financial, operational, network and systems, health, safety and environment, people and regulatory matters. The Audit Committee is also provided with periodic updates on the progress of risk management activities and action plans to manage the key risks identified.

Key Elements of the System of Internal Control

The following sets out the key elements of the system of internal control of the Group, which have been in place throughout the financial year and up to the date of the Directors' Report:

- There is in place a defined organisational structure within the Group with clear lines of responsibility, delegation of authority and accountability to ensure that management acts in the best interests of shareholders.
- Significant changes in the business and the external environment are reported to the Board during the Board meetings. Quarterly results and other information are also provided to the Audit Committee and the Board. This oversight review enables the Board to monitor and evaluate the business performance so as to ensure that the Group is achieving its corporate objectives. The role of the Audit Committee in respect of its review of the system of internal control is described in the Audit Committee Report included in this annual report.
- The Group's performance management model provides a comprehensive review of business performance, which includes a review of actual and expected performance against targets. It is a dynamic management performance model which ensures a continued alignment between strategies and operational plans across the Group and allows management to act readily in response to changes in the market whilst ensuring that targets set by the Board are met.

- The Investment Committee (“IC”), comprising the CEO, CFO, Chief Technology Officer and Chief Commercial Officer, supports the decision-making process in connection with capital investments for the Group. The Commercial Forum, comprising the same members as the IC supports decision-making in relation to commercial launches of the Group’s products and services.
- The Assurance function under the Quality & Assurance Department (“Q&A”) assists both the Board and Audit Committee in conducting appropriate reviews to ensure that key financial, operational, system and compliance controls established by the Board and management are operating effectively. To ensure independence from Management, the Head of Q&A as well as key personnel in the Assurance function have direct reporting lines to the Audit Committee. An annual audit plan is established based on a risk-based approach. This plan has been presented to and approved by the Audit Committee. Notwithstanding, the plan is dynamic and evaluated on an ongoing basis to ensure relevance and to cater for changes in risks or management emphasis. On a quarterly basis, audit reports and the audit plan’s status are presented to the Audit Committee for their review.
- Clear responsibilities are in place on the part of the line and financial management for the maintenance of good financial controls and the production and review of detailed and timely financial management information. In addition, DiGi continues to undertake the necessary management testing to comply with the requirements of the Sarbanes Oxley Act with regards to the assessment of the effectiveness of internal controls over financial reporting.
- All key policies and procedures are available via the Group’s intranet site, which are revised periodically to meet changing business, operational and statutory reporting needs. During the year, the Group reviewed and updated its key policies and procedures to cover, amongst others, Investment, Physical Asset Security, Intellectual Property, Business Continuity and Crisis Management. These policies outlines the standards required in terms of review & approval of capital investments, protection of physical assets located at the Group’s facilities or premises, identification & monitoring of intellectual property rights, continuity and availability of services in the event of a crisis.
- All employees are required to sign and confirm that they have read, understood and adhered to the Code of Conduct which outlines the minimum standard of behaviour and ethical conduct expected of employees in all business matters. Communication channels have also been established through which concerns on the Code of Conduct related issues could be reported anonymously and without fear of retaliation and arrangements are in place for the proportionate and independent investigations and appropriate follow up action.
- DiGi has a formalised Anti-Corruption policy with the purpose of ensuring that the Group’s business is conducted in accordance with the applicable anti-corruption laws. The policy sets out the scope of activities considered to be corruption in nature, responsibility of employees of the Group in identifying, preventing, monitoring and reporting of corruption practices.
- The Group has adopted a set of values to act as framework for its people to exercise judgment and make decisions on a consistent basis.

In addition, DiGi introduced the Supplier Conduct Principles in November 2008 which outlines the standard for ethical and business conduct expected for suppliers and contractors in their relationship with the Group. These principles are incorporated in Request for Proposals documents and new contracts with vendors. For existing contracts, the Supplier Conduct Principles will be included as addendum to these contracts.

Review of this Statement by External Auditors

Pursuant to paragraph 15.24 of the Bursa Malaysia Securities Listing Requirements, the external auditors have reviewed this Statement for inclusion in the Annual Report and have reported to the Board that nothing has come to their attention that causes them to believe that this Statement is inconsistent with their understanding of the process adopted by the Board in reviewing the adequacy and integrity of the system of internal control of the Group.

AUDIT COMMITTEE REPORT

Composition

The members of the Committee are:

Dato' Ab. Halim Bin Mohyiddin

(Chairman/Independent Non-Executive Director)

Tan Sri Leo Moggie

(Member/Senior Independent Non-Executive Director)

Christian Storm

(Member/Non-Independent Non-Executive Director)

Meetings

The Audit Committee met five times during the financial year ended 31 December 2008 and these meetings were attended by all the members. The Chief Executive Officer, Chief Financial Officer, Head of Quality & Assurance and senior members of the Internal Audit Function were also invited to attend and brief the members on specific issues.

The external auditors attended five Audit Committee meetings in 2008 to present the auditors' report on the annual audited financial statements for 2007 and auditors' review report on the unaudited quarterly financial statements. The Audit Committee met twice with the external auditors separately, without the presence of management or members of the Internal Audit Function, to make enquiries on internal controls and the scope and resources of the internal audit function. During the year, the Audit Committee Chairman held a number of meetings with Quality & Assurance Department to obtain updates on the activities of the function without the presence of management.

Summary of Activities

In February 2009, the Audit Committee assessed its performance for the financial year ended 31 December 2008 and is satisfied that it has carried out its duties in accordance with its Terms of Reference.

In addition to overseeing the internal audit activities described below, other key areas reviewed by the Committee include the Group Risk Management (including Business Continuity Planning and Crisis Management), Health, Safety, Security and Environment, Revenue Assurance and Fraud Management Programmes.

Internal Audit Function

Internal audit activities are conducted in-house by the Quality & Assurance ("Q&A") Department. The Head of Q&A reports directly to the Audit Committee on Assurance matters and assists the Committee in the discharge of its duties and responsibilities. Q&A's role is to provide an independent and reasonable assurance on the adequacy, integrity and effectiveness of the Group's overall system of internal control, risk management and governance. The Audit Committee reviews the scope of work to ensure it is appropriate in light of the risks the Group faces as well as approving the annual Assurance Plan.

In 2008, Q&A conducted a wide range of audit assignments covering amongst others, operational controls, critical computer applications systems and telecommunication infrastructure and compliance with established procedures and regulatory requirements. In addition, Q&A participated in the review of major projects covering new business products and system implementation to ensure adequate controls are in place before these products and systems are launched. Other than the planned audit assignments provided under the annual Assurance Plan, Q&A also undertake special reviews requested by the Audit Committee and/or management on processes/activities and supporting systems to evaluate the adequacy and effectiveness of the system of internal controls put in place. Follow-up reviews were also performed on the implementation of audit recommendations and status of the implementation reported to the Audit Committee accordingly.

The total costs incurred for the internal audit function of the Group for 2008 are RM1,253,000.

Training

During the year, the Committee members have attended the following conferences, seminars and training programmes:

- Directors' Duties and Liabilities, Beyond Compliance (an evolving story)
- Financial Reporting Standards in Malaysia – An Overview
- MICPA-BURSA Malaysia Business Forum 2008
- WHAT'S NEXT – Managing Business Realities and Challenges in an Uncertain World

- Board of Directors & Senior Management Programme: Briefing on Anti-Money Laundering and Anti-Terrorism Act 2001 (AMLA)
- The Economic Value Added (EVA) Approach to Value Creation
- Risk Management: Challenges and Opportunities
- Innovation & Creativity for Business Growth
- Board Development Program 2008
- 3GSM World Congress

Terms of Reference

1. Membership

The Committee shall be appointed by the Board from amongst the Directors and shall consist of not less than three members. All members shall be non-executive directors, a majority of whom shall be Independent Directors. All members shall be financially literate and at least one member must be a member of the Malaysian Institute of Accountants or such other qualifications and experience as approved by Bursa Malaysia Securities Berhad.

A quorum shall consist of two members and a majority of the members present must be Independent Directors. If a member of the Audit Committee resigns, dies or for any other reason ceases to be a member with the result that the number of members is reduced to below three, the Board of Directors shall, within three months of that event, appoint such number of new members as may be required to make up the minimum number of three members.

2. Chairman

The Chairman of the Committee shall be an Independent Director appointed by the Board. He shall report on each meeting of the Committee to the Board.

3. Secretary

The Company Secretary shall be the Secretary of the Committee and shall be responsible, in conjunction with the Chairman, for drawing up the agenda and circulating it, supported by explanatory documentation to the Committee members prior to each meeting. The Secretary shall also be responsible for keeping the minutes of meetings of the Audit Committee and circulating them to the Committee members and to the other members of the Board of Directors.

4. Frequency of Meetings

Meetings shall be held not less than four times a year and will normally be attended by the Officer charged with the responsibilities of the Group's finance and Head of Quality & Assurance. The presence of external auditors will be requested if required and the external auditors may also request a meeting if they consider it necessary. The Committee shall meet with the external auditors without the presence of management at least twice a year. The Committee may regulate its own procedure in lieu of convening a formal meeting by means of video or teleconferencing or any other means of audio or audio-visual communications.

5. Authority

The Committee is authorised by the Board to investigate any activity within its terms of reference and shall have unrestricted access to both the internal and external auditors and to all employees of the Group. The Committee is also authorized by the Board to obtain external legal or other independent professional advice as necessary. The Committee is also authorised to convene meetings with the external auditors, Quality & Assurance or both excluding the attendance of the other directors and management, wherever deemed necessary.

6. Duties

The duties of the Committee shall be:

- a) Review the adequacy and effectiveness of risk management, internal control and governance systems put in place in the Group.
- b) To consider the appointment or reappointment, the audit fee and any questions of resignation or dismissal including recommending the nomination of person or persons as external auditors.
- c) To discuss with the external auditors where necessary, on the nature and scope of audit and to ensure coordination of audit where more than one audit firm is involved as well as with the Quality & Assurance Department.

- d) To review and monitor the external auditor's independence and objectivity, taking into considerations the local professional and regulatory requirements.
- e) To develop and implement policy on the engagement of the external auditor to supply non-audit services, taking into account relevant ethical guidance regarding the provision of non-audit services by the external audit firm; and to report to the board, identifying any matters in respect of which it considers that action or improvement is needed and making recommendations as to the steps to be taken.
- f) To review the quarterly results, year-end financial statements and any formal announcements relating to the company's financial performance prior to the approval by the Board, focusing on:
- going concern assumption
 - compliance with accounting standards and regulatory requirements
 - any changes in accounting policies and practices
 - significant issues arising from the audit
 - major judgemental areas
- g) To prepare Audit Committee Report at the end of each financial year.
- h) To discuss problems and reservations arising from the interim and final external audits, and any matters the external auditors may wish to discuss (in the absence of management, where necessary).
- i) To review the external auditors' management letter and management's response.
- j) To review any related party transaction and conflict of interest situation that may arise within the Company or Group including any transaction, procedure or course of conduct that raises question of management integrity.
- k) To do the following in respect of the Quality & Assurance Department:
- Review the organisation, responsibilities, competency and resources of the Department in respect of the assurance function and that it has the necessary authority to carry out its work
 - Approve the annual plan for the Department and review results of these activities and where necessary, ensure that appropriate action is taken on the recommendations of the activities
 - Concur with the appointment, assessment and termination of the Head of Quality & Assurance and key assurance positions,
- l) To monitor related party transactions entered into by the company and its subsidiaries, and to ensure that the Directors report such transactions annually to shareholders via the annual report.
- m) To review arrangements by which staff of the company may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters to ensure arrangements are in place in terms of the proportionate and independent investigation of such matters and for appropriate follow-up action.
- n) To consider the major findings of internal investigations and management's response.
- o) To review and monitor the effectiveness of internal control systems and to evaluate the systems with the external auditors.
- p) To carry out such other responsibilities, functions or assignments as may be defined jointly by the Audit Committee and the Board of Directors from time to time.
- q) In compliance with Paragraph 15.17 of Bursa Malaysia Securities Berhad ('Bursa Securities') Listing Requirements, where the Committee is of the view that a matter reported by it to the Board has not been satisfactorily resolved resulting in a breach of the Listing Requirements, the Committee must promptly report such matter to Bursa Securities.

ADDITIONAL COMPLIANCE INFORMATION

OTHER DISCLOSURES

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

1. NON-AUDIT FEES

The amount of non-audit fees paid to external auditors for the financial year ended 31 December 2008 was RM203,000.

2. SHARE BUY-BACK

The Company had not made any proposal for share buy-back during the financial year.

3. AMERICAN DEPOSITORY RECEIPT (ADR) OR GLOBAL DEPOSITORY RECEIPT (GDR) PROGRAMME

The Company did not sponsor any ADR or GDR programme during the financial year.

4. IMPOSITION OF SANCTIONS/PENALTIES

There were no sanctions and/or penalties imposed on the Company and/or its subsidiaries, directors or management by the relevant regulatory bodies during the financial year.

5. OPTIONS, WARRANTS OR CONVERTIBLE SECURITIES

The Company did not issue any options, warrants or convertible securities during the financial year ended 31 December 2008.

6. VARIATION IN RESULTS

There was no profit estimation, forecast or projection made or released by the Company during the financial year under review. There were no variances of 10% or more between the results for the financial year and the unaudited results.

7. PROFIT GUARANTEE

There was no profit guarantees received or given by the Company during the financial year under review.

8. MATERIAL CONTRACTS INVOLVING DIRECTORS' AND MAJOR SHAREHOLDERS' INTERESTS

There were no material contracts (not being contracts entered into in the ordinary course of business) entered into by the Company and/or its subsidiaries involving directors and major shareholders' interests either subsisting as at 31 December 2008 or entered into since the end of the previous financial year.

9. REVALUATION POLICY

The Company has not made any revaluation policy or revaluation on its landed properties during the financial year.

10. RECURRENT RELATED PARTY TRANSACTION OF A REVENUE OR TRADING NATURE

At the Annual General Meeting held on 24 April 2008, the Company 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 2008 are set out on page 99 of the Annual Report.

FINANCIAL STATEMENTS

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 2008.

Principal activities

The principal activity of the Company is investment holding, whilst the principal activities of the subsidiaries are stated in Note 12 to the financial statements.

There have been no significant changes in the nature of the principal activities during the financial year.

Results

| | GROUP RM'000 | COMPANY RM'000 |
|---|------------------|-------------------|
| Profit for the year | <u>1,140,715</u> | <u>1,483,562</u> |
| Attributable to: Equity holders of the Company | <u>1,140,715</u> | <u>1,483,562</u> |

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 2007: | |
| Final dividend of 4.75 sen, less 26% income tax, and 54.5 sen single-tier exempt dividend per ordinary share, approved on 24 April 2008 and paid on 30 May 2008 | <u>451,067</u> |
| In respect of the financial year ended 31 December 2008: | |
| Interim dividend of 57.0 sen single-tier exempt dividend per ordinary share, declared on 22 July 2008 and paid on 28 August 2008 | <u>443,175</u> |
| Special dividend of 78.0 sen single-tier exempt dividend per ordinary share, declared on 24 October 2008 and paid on 30 December 2008 | <u>606,450</u> |

At the forthcoming Annual General Meeting, a final dividend in respect of the financial year ended 31 December 2008, of 53.0 sen single-tier exempt dividend per ordinary share, will be proposed for shareholders' approval. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in equity as an appropriation of retained earnings in the financial year ending 31 December 2009.



Directors

The names of the Directors of the Company in office since the date of the last report and at the date of this report are:

| | |
|-------------------------------|---|
| Sigve Brekke | (Appointed on 21 August 2008) |
| Tan Sri Leo Moggie | |
| Dato' Ab. Halim bin Mohyiddin | |
| Christian Storm | (Director and appointed as Alternate Director to Sigve Brekke on 21 August 2008) (Ceased as Alternate Director to Arve Johansen on 21 August 2008) |
| Ragnar Holmen Korsæth | |
| Arve Johansen | (Resigned on 21 August 2008) |

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 6 to the financial statements or the fixed salary of full-time employees of a related corporation) by reason of a contract made by the Company or a related corporation with any Director or with a firm of which he is a member, or with a company in which he has a substantial financial interest.

Directors' interests

According to the Register of Directors' Shareholdings, the interest of Directors in office at the end of the financial year in the shares and options over shares of the Company or its related corporations during the financial year were as follows:

| | Number of Ordinary Shares of NOK6 Each | | | |
|---|--|----------|------|---------------------|
| | 1 January 2008/Date of appointment | Acquired | Sold | 31 December 2008 |
| Ultimate Holding Company Telenor ASA | | | | |
| Direct Interest: | | | | |
| Sigve Brekke | 8,636 | 634 | - | 9,270 |
| Ragnar Holmen Korsæth | 3,226 | 3,437 | - | 6,663 |
| Christian Storm | 1,890 | 665 | - | 2,555 |

| | Number of Options over Ordinary Shares of NOK6 Each | | | |
|---|--|---------|-----------|---------------------|
| | 1 January 2008/Date of appointment | Granted | Exercised | 31 December 2008 |
| Ultimate Holding Company Telenor ASA | | | | |
| Direct Interest: | | | | |
| Sigve Brekke | 40,000 | - | - | 40,000 |
| Ragnar Holmen Korsæth | 83,333 | - | - | 83,333 |
| Christian Storm | 20,000 | - | - | 20,000 |

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

Directors' Report (cont'd.)

Issue of shares

During the financial year, the Company increased its issued and paid-up ordinary share capital from RM75,000,000 to RM77,750,000 by the issuance of 27,500,000 ordinary shares of 10 sen each, pursuant to the transfer of 3G spectrum as disclosed in Note 30 to the financial statements.

Issue of debentures

There was no issue of debentures of the Company during the financial year.

Options granted over unissued shares

No options were granted to any person to take up unissued shares of the Company during the financial year.

Other statutory information

- (a) Before the financial statements 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 provision for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate provisions had been made for doubtful debts; and
 - (ii) to ensure that any current assets which were unlikely to realise their value 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 provision 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.



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 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.

Significant events

Details of the significant events during the year are as disclosed in Note 30 to the financial statements.

Subsequent events

Details of the subsequent events are disclosed in Note 31 to the financial statements.

Auditors

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

Signed on behalf of the Board in accordance with a resolution of the Directors dated 11 March 2009.

Dato' Ab. Halim bin Mohyiddin
Director

Christian Storm
Director



Statement by Directors

Pursuant to Section 169(15) of the Companies Act, 1965

We, Dato' Ab. Halim bin Mohyiddin and Christian Storm, 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 56 to 96 are drawn up in accordance with the provisions of the Companies Act, 1965 and applicable Financial Reporting Standards 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 2008 and of the results and the cash flows of the Group and of the Company for the year then ended.

Signed on behalf of the Board in accordance with a resolution of the Directors dated 11 March 2009.

Dato' Ab. Halim bin Mohyiddin
Director

Christian Storm
Director

Statutory Declaration

Pursuant to Section 169(16) of the Companies Act, 1965

I, Stefan Carlsson, 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 56 to 96 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 abovenamed Stefan Carlsson at
Kuala Lumpur in Wilayah Persekutuan
on 11 March 2009

Stefan Carlsson

Before me,

Commissioner for Oaths
R. Vasugi Ammal, PJK
License No. W 480
Kuala Lumpur



Independent auditors' report to the members of DiGi.Com Berhad (Incorporated in Malaysia)

Report on the financial statements

We have audited the financial statements of DiGi.Com Berhad, which comprise the balance sheets as at 31 December 2008 of the Group and of the Company, and the income statements, statements of changes in equity and cash flow statements of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 56 to 96.

Directors' responsibility for the financial statements

The directors of the Company are responsible for the preparation and fair presentation of these financial statements in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility

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

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

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

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2008 and of their financial performance and cash flows for the year then ended.



**Independent auditors' report to the members of DiGi.Com Berhad (cont'd.)
(Incorporated in Malaysia)**

Report on other legal and regulatory requirements

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report the following:

- (a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries have been properly kept in accordance with the provisions of the Act.
- (b) We are satisfied that the accounts of the subsidiaries that have been consolidated with the financial statements of the Company are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements and we have received satisfactory information and explanations required by us for those purposes.
- (c) The auditors' reports on the accounts of the subsidiaries were not subject to any qualification material to the consolidated financial statements and did not include any comment required to be made under Section 174(3) of the Act.

Others matters

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

Ernst & Young
AF:0039
Chartered Accountants

Kuala Lumpur, Malaysia
11 March 2009

Lim Saw Keng
No. 2215/10/09 (J)
Chartered Accountant



Income Statements for the year ended 31 December 2008

| | Note | GROUP | | COMPANY | |
|---|------|------------------|------------------|------------------|------------------|
| | | 2008 RM'000 | 2007 RM'000 | 2008 RM'000 | 2007 RM'000 |
| Revenue | | 4,814,475 | 4,362,635 | 1,485,286 | 1,730,940 |
| Other income | | 12,461 | 12,610 | - | - |
| Cost of materials and traffic expenses | | (1,090,699) | (888,908) | - | - |
| Sales and marketing expenses | | (547,562) | (503,056) | - | - |
| Operations and maintenance expenses | | (129,940) | (117,321) | - | - |
| Rental expenses | | (177,893) | (139,274) | - | - |
| Staff expenses | | (242,109) | (226,592) | - | - |
| Depreciation expenses and impairment losses | | (572,940) | (598,566) | - | - |
| Amortisation expenses | | (63,046) | (82,657) | - | - |
| Other expenses | | (467,610) | (390,111) | (1,852) | (812) |
| Finance costs | 5 | (12,361) | (15,226) | - | - |
| Interest income | | 24,120 | 31,780 | 275 | 23 |
| Profit before tax | 6 | <u>1,546,896</u> | <u>1,445,314</u> | <u>1,483,709</u> | <u>1,730,151</u> |
| Taxation | 7 | <u>(406,181)</u> | <u>(382,719)</u> | <u>(147)</u> | <u>(467,323)</u> |
| Profit for the year | | <u>1,140,715</u> | <u>1,062,595</u> | <u>1,483,562</u> | <u>1,262,828</u> |
| Attributable to: | | | | | |
| Equity holders of the Company | | <u>1,140,715</u> | <u>1,062,595</u> | <u>1,483,562</u> | <u>1,262,828</u> |
| Earnings per ordinary share (sen) | 8 | <u>148.5</u> | <u>141.7</u> | | |

The accompanying notes form an integral part of the financial statements.



Balance Sheets as at 31 December 2008

| | Note | GROUP | | COMPANY | |
|--|------|------------------|------------------|----------------|----------------|
| | | 2008 RM'000 | 2007 RM'000 | 2008 RM'000 | 2007 RM'000 |
| Non-current assets | | | | | |
| Property, plant and equipment | 10 | 2,870,115 | 2,676,555 | - | - |
| Prepaid lease payments | | 12,277 | 12,500 | - | - |
| Intangible assets | 11 | 994,019 | 251,010 | - | - |
| Investments in subsidiaries | 12 | - | - | 75,000 | 75,000 |
| Amount due from a subsidiary | 13 | - | - | 698,281 | 36,143 |
| | | <u>3,876,411</u> | <u>2,940,065</u> | <u>773,281</u> | <u>111,143</u> |
| Current assets | | | | | |
| Inventories | 14 | 17,053 | 8,659 | - | - |
| Trade and other receivables | 15 | 420,807 | 351,623 | 27 | 156 |
| Short-term investment | 16 | 10,304 | - | - | - |
| Cash and cash equivalents | 17 | 331,277 | 577,144 | 334 | 69 |
| | | <u>779,441</u> | <u>937,426</u> | <u>361</u> | <u>225</u> |
| TOTAL ASSETS | | <u>4,655,852</u> | <u>3,877,491</u> | <u>773,642</u> | <u>111,368</u> |
| Equity | | | | | |
| Share capital | 18 | 77,750 | 75,000 | 77,750 | 75,000 |
| Reserves | | <u>1,819,422</u> | <u>1,502,645</u> | <u>695,532</u> | <u>35,908</u> |
| Total equity - attributable to equity holders of the Company | | <u>1,897,172</u> | <u>1,577,645</u> | <u>773,282</u> | <u>110,908</u> |
| Non-current liabilities | | | | | |
| Borrowings | 19 | 100,000 | 200,000 | - | - |
| Deferred tax liabilities | 20 | 371,526 | 355,521 | - | - |
| Provision for liabilities | 21 | 20,031 | 18,270 | - | - |
| | | <u>491,557</u> | <u>573,791</u> | <u>-</u> | <u>-</u> |
| Current liabilities | | | | | |
| Trade and other payables | 22 | 1,493,640 | 1,180,105 | 360 | 460 |
| Provision for liabilities | 21 | 106,027 | 102,731 | - | - |
| Deferred revenue | | 265,923 | 227,001 | - | - |
| Borrowings | 19 | 297,821 | 100,000 | - | - |
| Taxation | | 103,712 | 116,218 | - | - |
| | | <u>2,267,123</u> | <u>1,726,055</u> | <u>360</u> | <u>460</u> |
| Total liabilities | | <u>2,758,680</u> | <u>2,299,846</u> | <u>360</u> | <u>460</u> |
| TOTAL EQUITY AND LIABILITIES | | <u>4,655,852</u> | <u>3,877,491</u> | <u>773,642</u> | <u>111,368</u> |

The accompanying notes form an integral part of the financial statements.

Statements of Changes in Equity for the year ended 31 December 2008

| GROUP | Note | Attributable to equity holders of the Company | | | Total RM'000 |
|--|------|---|---|---|-----------------|
| | | Share capital RM'000 | Non- Distributable Share premium RM'000 | Distributable Retained earnings RM'000 | |
| At 1 January 2007 | | 75,000 | 15,151 | 1,662,250 | 1,752,401 |
| Profit for the year, representing total recognised income and expenses for the year | | - | - | 1,062,595 | 1,062,595 |
| Dividend for the financial year ended 31 December 2006 - final | 9 | - | - | (314,813) | (314,813) |
| Dividend for the financial year ended 31 December 2007 - interim | 9 | - | - | (375,038) | (375,038) |
| - special | 9 | - | - | (547,500) | (547,500) |
| At 31 December 2007 | | 75,000 | 15,151 | 1,487,494 | 1,577,645 |
| Profit for the year, representing total recognised income and expenses for the year | | - | - | 1,140,715 | 1,140,715 |
| Issue of 27,500,000 new ordinary shares pursuant to the transfer of 3G spectrum | 30 | 2,750 | 682,000 | - | 684,750 |
| Share issuance and listing expenses | | - | (5,246) | - | (5,246) |
| Dividend for the financial year ended 31 December 2007 - final | 9 | - | - | (451,067) | (451,067) |
| Dividend for the financial year ended 31 December 2008 - interim | 9 | - | - | (443,175) | (443,175) |
| - special | 9 | - | - | (606,450) | (606,450) |
| At 31 December 2008 | | 77,750 | 691,905 | 1,127,517 | 1,897,172 |

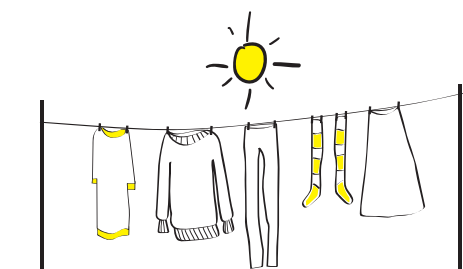
Statements of Changes in Equity for the year ended 31 December 2008 (cont'd.)

| COMPANY | Note | Attributable to equity holders of the Company | | | Total RM'000 |
|--|------|---|---|---|-----------------|
| | | Share capital RM'000 | Non- Distributable Share premium RM'000 | Distributable (Accumulated losses)/ Retained earnings RM'000 | |
| At 1 January 2007 | | 75,000 | 15,151 | (4,720) | 85,431 |
| Profit for the year, representing total recognised income and expenses for the year | | - | - | 1,262,828 | 1,262,828 |
| Dividend for the financial year ended 31 December 2006 - final | 9 | - | - | (314,813) | (314,813) |
| Dividend for the financial year ended 31 December 2007 - interim | 9 | - | - | (375,038) | (375,038) |
| - special | 9 | - | - | (547,500) | (547,500) |
| At 31 December 2007 | | 75,000 | 15,151 | 20,757 | 110,908 |
| Profit for the year, representing total recognised income and expenses for the year | | - | - | 1,483,562 | 1,483,562 |
| Issue of 27,500,000 new ordinary shares pursuant to the transfer of 3G spectrum | 30 | 2,750 | 682,000 | - | 684,750 |
| Share issuance and listing expenses | | - | (5,246) | - | (5,246) |
| Dividend for the financial year ended 31 December 2007 - final | 9 | - | - | (451,067) | (451,067) |
| Dividend for the financial year ended 31 December 2008 - interim | 9 | - | - | (443,175) | (443,175) |
| - special | 9 | - | - | (606,450) | (606,450) |
| At 31 December 2008 | | 77,750 | 691,905 | 3,627 | 773,282 |

The accompanying notes form an integral part of the financial statements.

Cash Flow Statements for the year ended 31 December 2008

| | Note | GROUP | | COMPANY | |
|--|------|----------------|----------------|----------------|----------------|
| | | 2008 RM'000 | 2007 RM'000 | 2008 RM'000 | 2007 RM'000 |
| Cash flows from operating activities | | | | | |
| Profit before tax | | 1,546,896 | 1,445,314 | 1,483,709 | 1,730,151 |
| Adjustments for: | | | | | |
| Amortisation expenses of intangible assets | 11 | 62,823 | 82,440 | - | - |
| Amortisation expenses of prepaid lease payments | | 223 | 217 | - | - |
| Allowance for doubtful debts | | 33,277 | 21,555 | - | - |
| Dividend income | | - | - | (1,485,286) | (1,730,940) |
| Depreciation expenses and impairment losses | 10 | 572,940 | 598,566 | - | - |
| Dividend income on short-term investment | | (229) | - | - | - |
| Finance costs | 5 | 12,361 | 15,226 | - | - |
| Fair value adjustment on short-term investment | | (75) | - | - | - |
| Gain on disposal of property, plant and equipment | | (1,216) | (58) | - | - |
| Interest income | | (24,120) | (31,780) | (275) | (23) |
| Property, plant and equipment written off | | 5,592 | 8,261 | - | - |
| Provision for liabilities | | 237,322 | 236,649 | - | - |
| Share-based payment | | 74 | 4,889 | - | - |
| Unrealised foreign exchange gain | | (32) | (1,052) | - | - |
| Operating profit/(loss) before working capital changes | | 2,445,836 | 2,380,227 | (1,852) | (812) |



Cash Flow Statements for the year ended 31 December 2008 (cont'd.)

| | Note | GROUP | | COMPANY | |
|--|------|----------------|----------------|----------------|----------------|
| | | 2008 RM'000 | 2007 RM'000 | 2008 RM'000 | 2007 RM'000 |
| Cash flows from operating activities (cont'd.) | | | | | |
| Increase in inventories | | (8,394) | (470) | - | - |
| (Increase)/decrease in receivables | | (103,319) | (76,421) | 56 | 3 |
| Decrease/(increase) in amount due from a subsidiary | | - | - | 17,366 | (28,026) |
| Increase/(decrease) in payables | | 314,095 | (115,805) | (100) | 87 |
| Increase/(decrease) in deferred revenue | | 38,922 | (17,768) | - | - |
| Cash generated from/(used in) operations | | 2,687,140 | 2,169,763 | 15,470 | (28,748) |
| Interest paid | | (11,937) | (14,700) | - | - |
| Payments under customer loyalty programme | 21 | (233,900) | (209,386) | - | - |
| Payments for employee related benefits | 21 | (259) | (3,575) | - | - |
| Taxes paid | | (402,553) | (352,527) | - | - |
| Net cash generated from/(used in) operating activities | | 2,038,491 | 1,589,575 | 15,470 | (28,748) |



| | Note | GROUP | | COMPANY | |
|---|------|--------------------|--------------------|--------------------|--------------------|
| | | 2008 RM'000 | 2007 RM'000 | 2008 RM'000 | 2007 RM'000 |
| Cash flows from investing activities | | | | | |
| Purchase of property, plant and equipment and intangible assets | | (896,770) | (678,137) | - | - |
| Dividends received from a subsidiary | | - | - | 1,485,212 | 1,263,586 |
| Purchase from short-term investment | | (10,000) | - | - | - |
| Interest received | | 24,750 | 32,898 | 275 | 23 |
| Proceeds from disposal of property, plant and equipment | | 376 | 610 | - | - |
| Net cash (used in)/generated from investing activities | | <u>(881,644)</u> | <u>(644,629)</u> | <u>1,485,487</u> | <u>1,263,609</u> |
| Cash flows from financing activities | | | | | |
| Repayment of borrowings | 19 | (100,000) | - | - | - |
| Proceeds from issuance of commercial papers | 19 | 197,978 | - | - | - |
| Dividends paid | 9 | <u>(1,500,692)</u> | <u>(1,237,351)</u> | <u>(1,500,692)</u> | <u>(1,237,351)</u> |
| Net cash used in financing activities | | <u>(1,402,714)</u> | <u>(1,237,351)</u> | <u>(1,500,692)</u> | <u>(1,237,351)</u> |
| Net (decrease)/increase in cash and cash equivalents | | (245,867) | (292,405) | 265 | (2,490) |
| Cash and cash equivalents at beginning of year | | 577,144 | 869,549 | 69 | 2,559 |
| Cash and cash equivalents at end of year | 17 | <u>331,277</u> | <u>577,144</u> | <u>334</u> | <u>69</u> |

The accompanying notes form an integral part of the financial statements.



Notes to the Financial Statements - 31 December 2008

1. CORPORATE INFORMATION

The principal activity of the Company is investment holding. The principal activities of the subsidiaries are stated in Note 12 to the financial statements. There have been no significant changes in the nature of the principal activities during the financial year.

The Company is a public limited liability company, incorporated and domiciled in Malaysia, and is listed on the Main Board of Bursa Malaysia Securities Berhad. The principal place of business is located at Lot 10, Jalan Delima 1/1, Subang Hi-Tech Industrial Park, 40000 Shah Alam, Selangor Darul Ehsan.

The immediate holding and ultimate holding companies of the Company 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 financial statements were approved and authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 11 March 2009.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Preparation

The financial statements of the Group and of the Company have been prepared under the historical cost convention unless otherwise indicated in the accounting policies below. The financial statements comply with the provisions of the Companies Act, 1965 and applicable Financial Reporting Standards ("FRS") in Malaysia.

The Group and the Company has adopted new and revised FRSs which are mandatory for the current financial year as described in Note 3 to the financial statements.

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

(b) Basis of Consolidation

The consolidated financial statements include the financial statements of the Company and all its subsidiaries. Subsidiaries are entities over which the Group has power to exercise control over the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered in assessing whether the Group has such power over another entity.

Subsidiaries are consolidated using the purchase method of accounting. Under the purchase method of accounting, the results of subsidiaries acquired or disposed of during the financial year are included in the consolidated income statements from the effective date of acquisition or up to the effective date of disposal, as appropriate. The assets and liabilities of the subsidiaries are measured at their fair values at the date of acquisition. Any excess of the cost of acquisition over the Group's interest in the net fair values of the identifiable assets, liabilities and contingent liabilities of the acquired subsidiary represents goodwill. Any excess of the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquired subsidiary over the cost of acquisition is recognised immediately in the income statement.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd.)

(b) Basis of Consolidation (cont'd.)

Intragroup transactions, balances and resulting unrealised gains are eliminated in full on consolidation and the consolidated financial statements reflect only external transactions. Unrealised losses are eliminated on consolidation unless costs cannot be recovered.

(c) Investment in subsidiaries

The Company's investments in subsidiaries are held for long term and are stated at cost less any accumulated impairment losses. On the disposal of such investments, the difference between net disposal proceeds and their carrying amounts is included in the income statement.

(d) Property, Plant and Equipment, and Depreciation

All items of property, plant and equipment are initially recorded at cost. Cost includes expenditure that is attributable to the acquisition of the items. 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. The carrying amount of the replaced part is derecognised. All other items used for repair and maintenance are charged to the income statement during the period in which they are incurred.

Subsequent to initial recognition, property, plant and equipment, except for freehold land and capital work-in-progress, are stated at cost less accumulated depreciation and any accumulated impairment losses. Freehold land and capital work-in-progress are stated at cost.

Freehold land has an unlimited useful life and therefore is not depreciated. Capital work-in-progress is also not depreciated as these assets are not available for intended use. Depreciation of other property, plant and equipment is provided for on a straight-line basis to write off 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 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 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.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. The difference between the net disposal proceeds, if any, and the net carrying amount is recognised in the income statement.



Notes to the Financial Statements - 31 December 2008 (cont'd.)

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd.)

(e) Impairment of Property, Plant and Equipment, Intangible Assets and Investments in Subsidiaries

At each balance sheet 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 assets with an indefinite useful life and intangible assets not yet available for use, the recoverable amount is estimated at each balance sheet date or more frequently when indication of impairment is evident.

Recoverable amount is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other assets. For such assets, recoverable amount is determined for the cash-generating unit ("CGU") to which the asset belongs. 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 the income statement in the period in which it arises.

The recoverable amount is the higher of an asset's or CGU's fair value less costs to sell and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the CGU to which the asset belongs.

An impairment loss is reversed if, and only if, there has been a change in the estimates used to determine the recoverable amount since the last impairment loss was recognised. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss has been recognised in prior years. The reversal is recognised in the income statement.

(f) Intangible Assets

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

Intangible assets with finite lives are amortised on a straight-line basis over the estimated useful lives, and the amortisation periods and amortisation method are reviewed at least at each balance sheet date. Such assets are assessed for impairment whenever there is an indication that they may be impaired.

(i) 3G spectrum

Expenditure for the acquisition of the 3G spectrum are capitalised under intangible assets. The amount is amortised using the straight-line method over the shorter of their estimated useful life or remaining spectrum period up to 1 April 2018, and will commence from the commercial launch of the Group's 3G or broadband services.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd.)

(f) Intangible Assets (cont'd.)

(ii) Computer software

Costs incurred to acquire computer software, that are not an integral part of the related hardware, are capitalised as intangible assets and amortised on a straight-line basis over the estimated useful life of 3 years.

(iii) License fee

License fees are capitalised and amortised over the period of the licenses.

(g) Inventories

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

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

(h) 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 balance sheet date and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability to the present value of the expenditure expected to be required to settle the obligation.

(i) Customer loyalty programme

Customer loyalty programme costs are provided based on management's best estimate on the amount of incentives realisable to the customers based on the past trend of customers' usage and utilisation.

(ii) Employee leave entitlement

Employees' entitlement to annual leave are recognised when the associated services performed by employees increase their entitlement 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 balance sheet date.

(iii) 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 and restore the telecommunications 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 for 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.

Notes to the Financial Statements - 31 December 2008 (cont'd.)

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd.)

(h) Provision for Liabilities (cont'd.)

(iv) Defined benefit plan

Provision for defined benefit plan for eligible employees is as disclosed in Note 2(j)(iii) to the financial statements.

(i) Leases

A lease is recognised as a finance lease if it transfers substantially to the Group all the risks and rewards incidental to ownership. All other leases where a significant portion of risks and rewards of ownership are retained by the lessor are classified as operating leases. For the purpose of lease classification, the land and buildings elements of leases of land and buildings are considered separately.

Operating lease payments, net of any incentives received from the lessor, are recognised as an expense in the income statement 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.

For leases of land and buildings, the minimum lease payments or up-front payments made are allocated, wherever necessary, between the land and buildings in proportion to the relative fair values for leasehold interests in the land element and buildings element of the lease. Up-front payments incurred to acquire leasehold land are classified as prepaid lease payments and are amortised on a straight-line basis over the lease term.

(j) Employee Benefits

(i) Short-term benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the year in which the associated services are rendered by employees. Short-term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences, and short-term non-accumulating compensated absences such as sick leave are recognised when the absences occur. Where payment or settlement is deferred and the effect would be material, these amounts are discounted to their present value.

(ii) Defined contribution plan

As required by law, companies in Malaysia make contributions to the state pension scheme, the Employees Provident Fund, and will have no legal or constructive obligation to make further contributions in future. The contributions are recognised as an expense in the income statement as incurred.



2. SIGNIFICANT ACCOUNTING POLICIES (cont'd.)

(j) Employee Benefits (cont'd.)

(iii) Defined benefit plan

The Group operates an unfunded defined benefit plan for its eligible employees. The benefits are calculated based on the length of service and the agreed percentages of eligible employees' salaries over the period of their employment and are payable upon resignation after completion of the minimum employment period of 10 years or upon retirement age of 55 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. Actuarial gains and losses are recognised as income or expense over the expected average remaining working lives of the eligible employees when the cumulative unrecognised actuarial gains or losses for the retirement benefit scheme exceed 10% of the higher of the present value of the defined benefit obligation and the fair value of the plan assets. Past service costs are recognised immediately to the extent that the benefits are already vested, and otherwise amortised on a straight-line basis over the average period until the amended benefits become vested.

The amount recognised in the balance sheet represents the present value of the defined benefit obligations adjusted for unrecognised actuarial gains and losses and unrecognised past service cost, and reduced by the fair value of plan assets. Any asset resulting from this calculation is limited to the net total of any unrecognised actuarial losses and past service costs, and the present value of any economic benefits in the form of refunds or reductions in future contributions to the plan.

Gains or losses on the curtailment of a defined benefit plan will be recognised when the curtailment occurs. The gains or losses would comprise any resulting change in the present value of the defined benefit obligation and any related actuarial gains and losses and past service costs that had not previously been recognised.

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

(iv) Share-based payment

The Group operates a scheme to award its eligible employees with the Company's shares. The eligible employees, who have served for more than 10 years, are entitled to certain number of shares which are directly acquired under the employees' names in the open market. The maximum entitlement of this benefit is capped to a certain amount as determined by the Group. The transactions are recorded as share-based cash-settled transactions, and the expense recognised under this scheme is determined by reference to the number of employees qualifying for the scheme, the number of shares entitled and the market price of the shares (capped at the maximum entitlement) at each balance sheet date.



Notes to the Financial Statements - 31 December 2008 (cont'd.)

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd.)

(k) Income Tax

Income tax on the profit or loss for the year comprises current and deferred tax. Current tax is the expected amount of income taxes payable in respect of the taxable profit for the year, measured using the tax rates that have been enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided for, using the liability method, on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts in the financial statements. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. Deferred tax is not recognised if the temporary difference arises from goodwill or negative goodwill or from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

Deferred tax is measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is recognised in the income statement, except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also recognised directly in equity.

(l) Financial Instruments

Financial instruments are recognised in the balance sheet when the Group has become a party to the contractual provisions of the instrument.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument classified as a liability, are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity. Financial instruments are offset when the Group has a legally enforceable right to offset and intends to settle either on a net basis or to realise the asset and settle the liability simultaneously.

(i) Short-term investment

Short-term investment comprises a cash management fund. The short-term investment is recorded at fair value, with subsequent changes in fair value recognised in the income statement.

(ii) Cash and cash equivalents

Cash and cash equivalents include cash in hand and at bank, money on call and deposits with licensed banks. For the purpose of the cash flow statements, cash and cash equivalents are net of outstanding bank overdrafts, if any.

(iii) Receivables

Receivables are carried at anticipated realisable values, which is cost less allowances for doubtful debts. Bad debts are written off when identified. An estimate is made for doubtful debts based on a review of all outstanding amounts as at the balance sheet date.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd.)

(l) Financial Instruments (cont'd.)

(iv) Payables

Payables are stated at the fair value of the consideration to be paid in the future for goods and services received.

(v) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facilities will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent that there is evidence that it is probable that some or all of the facilities will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowing costs directly attributable to the acquisition, construction and installation of property, plant and equipment, if any, are capitalised during the period of time necessary to prepare the assets, until they are ready for their intended use.

All other borrowing costs are charged to the income statement as an expense in the period in which they are incurred.

(vi) Equity instruments

Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

The transaction costs of an equity transaction are accounted for as a deduction from equity, net of tax. Equity transaction costs comprise only those incremental external costs directly attributable to the equity transaction which would otherwise have been avoided.

(m) Revenue Recognition

Revenue is recognised when it is probable that the economic benefits associated with the transaction will flow to the Group and the amount of the revenue can be measured reliably. The following specific recognition criteria must also be met before revenue is recognised:

(i) Sale of goods and services

Revenue relating to sales of goods and services are recognised net of rebates and discounts upon the transfer of risks and rewards when goods are delivered and services are performed. Revenue from the prepaid cards that have been sold to customers but where services have not been rendered at the balance sheet date is deferred.

(ii) Interest income

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

Notes to the Financial Statements - 31 December 2008 (cont'd.)

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd.)

(m) Revenue Recognition (cont'd.)

(iii) Dividend income

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

(n) Government Grants

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

Grant relating to assets is recognised as income over the life of the depreciable assets by way of a reduced depreciation charge. Grant relating to income is recognised in the income statement by crediting directly against the related expense.

(o) Foreign Currency Transactions

(i) Functional and presentation currency

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

(ii) Foreign currency transactions

Transactions in foreign currencies are initially converted into RM at exchange rates ruling at the date of transaction. At each balance sheet date, foreign currency monetary items are translated into RM at exchange rates ruling 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.

All exchange rate differences are taken to the income statement.

3. CHANGES IN ACCOUNTING POLICIES AND EFFECTS ARISING FROM ADOPTION OF NEW AND REVISED FRSS

The following revised FRSS and Issues Committee Interpretations ("IC Int.") adopted are mandatory for the financial year beginning on 1 January 2008:

| | |
|---------|--|
| FRS 107 | Cash Flow Statements |
| FRS 112 | Income Taxes |
| FRS 118 | Revenue |
| FRS 120 | Accounting for Government Grants and Disclosure of Government Assistance |
| FRS 134 | Interim Financial Reporting |

3. CHANGES IN ACCOUNTING POLICIES AND EFFECTS ARISING FROM ADOPTION OF NEW AND REVISED FRSs (cont'd.)

| | |
|-----------|--|
| FRS 137 | Provisions, Contingent Liabilities and Contingent Assets |
| IC Int. 1 | Changes in Existing Decommissioning, Restoration and Similar Liabilities |
| IC Int. 5 | Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds |
| IC Int. 8 | Scope of FRS 2 |

The adoption of the above revised FRSs and IC Int. does not result in significant changes in accounting policies of the Group and of the Company.

The Group and the Company have not early adopted the following FRSs and IC Int. which have effective dates as follow:

| FRSs and IC Int. | | Effective for financial periods beginning on or after |
|------------------|--|---|
| FRS 7 | Financial Instruments: Disclosures | 1 January 2010 |
| FRS 8 | Operating Segments | 1 July 2009 |
| FRS 139 | Financial Instruments: Recognition and Measurement | 1 January 2010 |
| IC Int. 9 | Reassessment of Embedded Derivatives | 1 January 2010 |
| IC Int. 10 | Interim Financial Reporting and Impairment | 1 January 2010 |

The adoption of the above is not expected to have any significant effects on the financial statements of the Group and of the Company upon their initial application.

The possible impact upon the initial application of FRS 139 is not disclosed as exempted under Paragraph 103 AB of FRS 139.

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

The management makes key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

The following represents a summary of the critical accounting estimates and the associated key sources of estimation uncertainty:

(a) Depreciation and amortisation

Depreciation and amortisation are based on management's estimates of the future estimated average useful lives and residual values of property, plant and equipment and intangible assets. Estimates may change due to technological developments, expected level of usage, competition, market conditions and other factors, which could potentially impact the estimated 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.

Notes to the Financial Statements - 31 December 2008 (cont'd.)

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (cont'd.)

(b) Impairment

Assets are tested for impairment when indications of potential impairment exist. Indicators of impairment which could trigger an impairment review include evidence of obsolescence or physical damage, significant fall in market values, significant underperformance relative to historical or projected future operating results, significant changes in the use of assets or the strategy of the business, significant adverse industry or economic changes.

Recoverable amounts of assets are based on management's estimates and assumptions of the net realisable value, cash flows arising from the future operating performance and revenue generating capacity of the assets and CGUs, and future market conditions. Changes in circumstances may lead to changes in estimates and assumptions, and change the recoverable amounts of assets and impairment losses needed.

(c) Deferred tax assets and liabilities

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 balance sheet date. While management's estimates on the realisation and settlement of temporary differences are based on the available information at the balance sheet 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 the income statement in the period in which actual realisation and settlement occurs.

(d) Provision for liabilities

Provisions for liabilities are based on management's judgement on the likelihood of liabilities crystallising and best estimates on the amounts required to settle the liabilities arising from legal and constructive obligations. A change in circumstances which could cause estimates to change include changes in market trends and conditions, regulatory environment, employees' and customers' behaviours and other factors that may change the amount of provisions in the balance sheet. The difference between the actual amount and the estimated amount would be recognised in the income statement in the period in which the change occurs.

5. FINANCE COSTS

| | GROUP | |
|------------------|----------------|----------------|
| | 2008 RM'000 | 2007 RM'000 |
| Interest expense | 11,491 | 14,700 |
| Others | 870 | 526 |
| | <u>12,361</u> | <u>15,226</u> |

6. PROFIT BEFORE TAX

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

| | GROUP | | COMPANY | |
|---|----------------|----------------|----------------|----------------|
| | 2008 RM'000 | 2007 RM'000 | 2008 RM'000 | 2007 RM'000 |
| Allowance for doubtful debts | 33,277 | 21,555 | - | - |
| Amortisation expense for: | | | | |
| - intangible assets | 62,823 | 82,440 | - | - |
| - prepaid lease payments | 223 | 217 | - | - |
| Auditors' remuneration: | | | | |
| - statutory audit | 284 | 265 | 27 | 25 |
| - other services | 203 | 135 | 8 | 8 |
| Directors' emoluments | 264 | 244 | 26 | 244 |
| Employee benefits: | | | | |
| - defined contribution plan | 21,896 | 19,690 | - | - |
| - increase in provision for defined benefit plan | 126 | 128 | - | - |
| - share-based payment | 74 | 4,889 | - | - |
| Impairment of property, plant and equipment | - | 5,722 | - | - |
| Lease of transmission facilities | 63,909 | 55,319 | - | - |
| Property, plant and equipment written off | 5,592 | 8,261 | - | - |
| Provision for: | | | | |
| - customer loyalty programme | 236,054 | 236,195 | - | - |
| - employee leave entitlements | 1,142 | 326 | - | - |
| - site decommissioning and restoration costs | 1,085 | 526 | - | - |
| Rental of equipment | 4,290 | 3,982 | - | - |
| Rental of land and buildings | 158,158 | 124,402 | - | - |
| Foreign exchange loss/ (gain) | 5,911 | (7,001) | - | - |
| Dividend income from: | | | | |
| - a subsidiary | - | - | (1,485,286) | (1,730,940) |
| - short-term investment | (229) | - | - | - |
| Fair value adjustment on short-term investment | (75) | - | - | - |
| Government grant received | (200) | (73) | - | - |
| Bad debts recovered | (4,977) | (1,984) | - | - |
| Gain on disposal of property, plant and equipment | (1,216) | (58) | - | - |

Notes to the Financial Statements - 31 December 2008 (cont'd.)

7. TAXATION

| | GROUP | | COMPANY | |
|---|----------------|-----------------|----------------|----------------|
| | 2008 RM'000 | 2007 RM'000 | 2008 RM'000 | 2007 RM'000 |
| Income tax: | | | | |
| Current tax expense | 397,492 | 403,475 | 148 | 467,286 |
| (Over)/underaccrual in prior year | (7,316) | (4,570) | (1) | 37 |
| | <u>390,176</u> | <u>398,905</u> | <u>147</u> | <u>467,323</u> |
| Deferred taxation (Note 20): | | | | |
| Relating to origination and reversal of temporary differences | 10,693 | (6,249) | - | - |
| Relating to changes in tax rates | (1,224) | (13,986) | - | - |
| Underaccrual in prior year | 6,536 | 4,049 | - | - |
| | <u>16,005</u> | <u>(16,186)</u> | <u>-</u> | <u>-</u> |
| | <u>406,181</u> | <u>382,719</u> | <u>147</u> | <u>467,323</u> |

Current tax is calculated at the Malaysian statutory tax rate of 26% (2007: 27%) of the estimated taxable profit for the year. The Malaysian statutory tax rate for year assessment 2009 onwards will be reduced from 26% to 25%, and the computation of deferred tax as at 31 December 2008 has reflected this change.

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:

| | 2008 | | 2007 | |
|---|-------------|------------------|-------------|------------------|
| | % | RM'000 | % | RM'000 |
| GROUP | | | | |
| Profit before tax | | <u>1,546,896</u> | | <u>1,445,314</u> |
| Taxation at Malaysian statutory tax rate | 26.0 | 402,193 | 27.0 | 390,235 |
| Effect of changes in tax rates on opening balance of deferred tax | (0.0) | (1,224) | (1.0) | (13,986) |
| Effect of expenses not deductible | 0.4 | 5,992 | 0.5 | 6,991 |
| Underaccrual of deferred tax in prior year | 0.4 | 6,536 | 0.3 | 4,049 |
| Overaccrual of tax expense in prior year | (0.5) | (7,316) | (0.3) | (4,570) |
| Effective tax rate/income tax for the year | <u>26.3</u> | <u>406,181</u> | <u>26.5</u> | <u>382,719</u> |

7. TAXATION (cont'd.)

| COMPANY | 2008 | | 2007 | |
|--|------------|------------------|-------------|------------------|
| | % | RM'000 | % | RM'000 |
| Profit before tax | | <u>1,483,709</u> | | <u>1,730,151</u> |
| Taxation at Malaysian statutory tax rate | 26.0 | 385,764 | 27.0 | 467,141 |
| Effect of expenses not deductible | 0.0 | 470 | 0.0 | 145 |
| Income not subjected to tax | (26.0) | (386,086) | - | - |
| (Over)/underaccrual of tax expense in prior year | (0.0) | (1) | 0.0 | 37 |
| Effective tax rate/income tax for the year | <u>0.0</u> | <u>147</u> | <u>27.0</u> | <u>467,323</u> |

There were tax saving effects for the Group of approximately RM177 million (2007: RM178 million) arising from the utilisation of capital allowances by a subsidiary.

A single-tier company income tax system was introduced under the Finance Act 2007, with effect from the year of assessment 2008. Under the single-tier tax system, tax on the Company's profit is the final tax. During the financial year, the Company had fully utilised its Section 108 balances and elected to exercise the irrevocable option to switch to the new single-tier system. Under such election, the Company will be allowed to distribute single-tier exempt dividend to shareholders.

8. EARNINGS PER ORDINARY SHARE

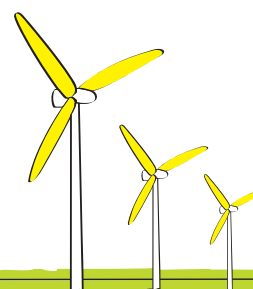
Earnings per ordinary share is calculated by dividing profit for the year attributable to ordinary shareholders by the weighted average number of ordinary shares in issue during the financial year.

| | GROUP | |
|---|--------------|--------------|
| | 2008 | 2007 |
| Profit attributable to equity holders of the Company (RM'000) | 1,140,715 | 1,062,595 |
| Weighted average number of ordinary shares in issue ('000) | 767,958 | 750,000 |
| Basic earnings per share (sen) | <u>148.5</u> | <u>141.7</u> |

Notes to the Financial Statements - 31 December 2008 (cont'd.)

9. DIVIDENDS

| | GROUP/COMPANY | |
|---|----------------|----------------|
| | 2008 RM'000 | 2007 RM'000 |
| Recognised during the year: | | |
| Final dividend for 2007: 4.75 sen, less 26% income tax, and 54.5 sen single-tier exempt dividend per ordinary share, on 777.5 million ordinary shares (58.0 sen per ordinary share) | <u>451,067</u> | <u>-</u> |
| Interim dividend for 2008: 57.0 sen single-tier exempt dividend per ordinary share, on 777.5 million ordinary shares | <u>443,175</u> | <u>-</u> |
| Special dividend for 2008: 78.0 sen single-tier exempt dividend per ordinary share, on 777.5 million ordinary shares | <u>606,450</u> | <u>-</u> |
| Final dividend for 2006: 57.5 sen per ordinary share, less 27% income tax, on 750.0 million ordinary shares (42.0 sen per ordinary share) | <u>-</u> | <u>314,813</u> |
| Interim dividend for 2007: 68.5 sen per ordinary share, less 27% income tax, on 750.0 million ordinary shares (50.0 sen per ordinary share) | <u>-</u> | <u>375,038</u> |
| Special dividend for 2007: RM1.00 per ordinary share, less 27% income tax, on 750.0 million ordinary shares (73.0 sen per ordinary share) | <u>-</u> | <u>547,500</u> |



9. DIVIDENDS (cont'd.)

| | GROUP/COMPANY | |
|---|----------------|----------------|
| | 2008 RM'000 | 2007 RM'000 |
| Proposed for approval at AGM | | |
| (not recognised as at 31 December): | | |
| Final dividend for 2008: 53.0 sen single-tier exempt dividend per ordinary share, on 777.5 million ordinary shares | 412,075 | - |
| Final dividend for 2007: 4.75 sen, less 26% income tax, and 54.5 sen single-tier exempt dividend per ordinary share, on 777.5 million ordinary shares (58.0 sen per ordinary share) | - | 451,067 |

At the forthcoming Annual General Meeting, a final dividend in respect of the financial year ended 31 December 2008, of 53.0 sen single-tier exempt dividend per ordinary share (2007: 4.75 sen per ordinary share less 26% income tax, and 54.5 sen single-tier exempt dividend per ordinary share) will be proposed for shareholders' approval. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in equity as an appropriation of retained earnings in the financial year ending 31 December 2009.



Notes to the Financial Statements - 31 December 2008 (cont'd.)

10. PROPERTY, PLANT AND EQUIPMENT

| GROUP | Freehold land RM'000 | Freehold buildings RM'000 | Long-term leasehold buildings RM'000 | Short-term leasehold buildings RM'000 |
|---|----------------------------|---------------------------------|---|--|
| Cost | | | | |
| At 1 January 2008 | 13,912 | 69,277 | 2,293 | 6,827 |
| Additions | - | - | - | - |
| Reclassification/transfers | 15,726 | - | - | 39 |
| Write-off | - | - | - | - |
| Disposals | - | - | - | - |
| At 31 December 2008 | 29,638 | 69,277 | 2,293 | 6,866 |
| Accumulated Depreciation and Impairment Losses | | | | |
| At 1 January 2008 | | | | |
| Accumulated depreciation | - | 2,656 | 185 | 1,896 |
| Accumulated impairment losses | - | - | - | - |
| | - | 2,656 | 185 | 1,896 |
| Depreciation expenses for the year | - | 1,338 | 24 | 155 |
| Reversal of impairment loss* | - | - | - | - |
| Reclassification/transfers | - | - | - | - |
| Write-offs | - | - | - | - |
| Disposals | - | - | - | - |
| At 31 December 2008 | - | 3,994 | 209 | 2,051 |
| Analysed as: | | | | |
| Accumulated depreciation | - | 3,994 | 209 | 2,051 |
| Accumulated impairment losses | - | - | - | - |
| | - | 3,994 | 209 | 2,051 |
| Carrying Amount | | | | |
| At 31 December 2008 | 29,638 | 65,283 | 2,084 | 4,815 |

* The reversal of impairment loss was in respect of impaired assets disposed/written off during the financial year.

| Motor vehicles RM'000 | Computer systems RM'000 | Furniture and fittings RM'000 | Telecommunications network RM'000 | Capital work-in-progress RM'000 | Total RM'000 |
|--------------------------|----------------------------|----------------------------------|--------------------------------------|------------------------------------|-----------------|
| 24,868 | 221,885 | 89,388 | 5,071,316 | 224,415 | 5,724,181 |
| - | - | - | 4,936 | 750,955 | 755,891 |
| 744 | 15,028 | 10,143 | 701,417 | (713,011) | 30,086 |
| - | (1,208) | (778) | (19,855) | - | (21,841) |
| - | (704) | (115) | (31,631) | (1,138) | (33,588) |
| 25,612 | 235,001 | 98,638 | 5,726,183 | 261,221 | 6,454,729 |
| 16,849 | 137,652 | 55,076 | 2,816,946 | - | 3,031,260 |
| - | - | 592 | 15,774 | - | 16,366 |
| 16,849 | 137,652 | 55,668 | 2,832,720 | - | 3,047,626 |
| 2,051 | 29,399 | 9,687 | 530,286 | - | 572,940 |
| - | - | (194) | (2,303) | - | (2,497) |
| 116 | - | - | 3,675 | - | 3,791 |
| - | (1,208) | (584) | (11,960) | - | (13,752) |
| - | (681) | (108) | (22,705) | - | (23,494) |
| 19,016 | 165,162 | 64,469 | 3,329,713 | - | 3,584,614 |
| 19,016 | 165,162 | 64,071 | 3,316,242 | - | 3,570,745 |
| - | - | 398 | 13,471 | - | 13,869 |
| 19,016 | 165,162 | 64,469 | 3,329,713 | - | 3,584,614 |
| 6,596 | 69,839 | 34,169 | 2,396,470 | 261,221 | 2,870,115 |

Notes to the Financial Statements - 31 December 2008 (cont'd.)

10. PROPERTY, PLANT AND EQUIPMENT (cont'd.)

| GROUP | Freehold land RM'000 | Freehold buildings RM'000 | Long-term leasehold buildings RM'000 | Short-term leasehold buildings RM'000 |
|---|----------------------------|---------------------------------|---|--|
| Cost | | | | |
| At 1 January 2007 | 13,912 | 69,277 | 2,293 | 6,827 |
| Additions | - | - | - | - |
| Write-offs | - | - | - | - |
| Disposals | - | - | - | - |
| Transfers | - | - | - | - |
| At 31 December 2007 | 13,912 | 69,277 | 2,293 | 6,827 |
| Accumulated Depreciation and Impairment Losses | | | | |
| At 1 January 2007 | | | | |
| Accumulated depreciation | - | 643 | 159 | 1,745 |
| Accumulated impairment losses | - | - | - | - |
| | - | 643 | 159 | 1,745 |
| Depreciation expenses for the year | - | 2,013 | 26 | 151 |
| Impairment loss | - | - | - | - |
| Reversal of impairment loss* | - | - | - | - |
| Write-offs | - | - | - | - |
| Disposals | - | - | - | - |
| At 31 December 2007 | - | 2,656 | 185 | 1,896 |
| Analysed as: | | | | |
| Accumulated depreciation | - | 2,656 | 185 | 1,896 |
| Accumulated impairment losses | - | - | - | - |
| | - | 2,656 | 185 | 1,896 |
| Carrying Amount | | | | |
| At 31 December 2007 | 13,912 | 66,621 | 2,108 | 4,931 |

* The reversal of impairment loss was in respect of impaired assets disposed/written off during the financial year.

| Motor vehicles RM'000 | Computer systems RM'000 | Furniture and fittings RM'000 | Telecommunications network RM'000 | Capital work-in-progress RM'000 | Total RM'000 |
|--------------------------|----------------------------|----------------------------------|--------------------------------------|------------------------------------|-----------------|
| 23,681 | 158,381 | 88,798 | 4,828,007 | 87,237 | 5,278,413 |
| - | - | - | 4,513 | 599,175 | 603,688 |
| - | (1,642) | (1,591) | (152,611) | (1,054) | (156,898) |
| (846) | - | (59) | (7) | (110) | (1,022) |
| 2,033 | 65,146 | 2,240 | 391,414 | (460,833) | - |
| 24,868 | 221,885 | 89,388 | 5,071,316 | 224,415 | 5,724,181 |
| 15,116 | 108,795 | 46,397 | 2,412,312 | - | 2,585,167 |
| - | - | 592 | 12,408 | - | 13,000 |
| 15,116 | 108,795 | 46,989 | 2,424,720 | - | 2,598,167 |
| 2,175 | 30,442 | 10,292 | 547,745 | - | 592,844 |
| - | - | - | 5,722 | - | 5,722 |
| - | - | - | (2,356) | - | (2,356) |
| - | (1,585) | (1,585) | (143,111) | - | (146,281) |
| (442) | - | (28) | - | - | (470) |
| 16,849 | 137,652 | 55,668 | 2,832,720 | - | 3,047,626 |
| 16,849 | 137,652 | 55,076 | 2,816,946 | - | 3,031,260 |
| - | - | 592 | 15,774 | - | 16,366 |
| 16,849 | 137,652 | 55,668 | 2,832,720 | - | 3,047,626 |
| 8,019 | 84,233 | 33,720 | 2,238,596 | 224,415 | 2,676,555 |

Notes to the Financial Statements - 31 December 2008 (cont'd.)

10. PROPERTY, PLANT AND EQUIPMENT (cont'd.)

No interest was capitalised during the current and previous financial year in respect of the property, plant and equipment of the Group.

Included in additions for the year is an amount of RM809,000 (2007: RM4.5 million) relating to the provision for site decommissioning and restoration costs.

Government grants of RM4.5 million (2007: RM2.0 million) relating to assets, were deducted before arriving at the carrying amount of property, plant and equipment as at 31 December 2008.

11. INTANGIBLE ASSETS

| GROUP | 3G spectrum RM'000 | Computer software RM'000 | Licenses RM'000 | Total RM'000 |
|--|-----------------------|--------------------------------|--------------------|-----------------|
| Cost | | | | |
| At 1 January 2008 | - | 499,112 | 1,300 | 500,412 |
| Additions | 695,066 | 136,772 | - | 831,838 |
| Reclassification to property, plant and equipment | - | (29,680) | - | (29,680) |
| Disposal | - | (1) | - | (1) |
| At 31 December 2008 | 695,066 | 606,203 | 1,300 | 1,302,569 |
| Accumulated Amortisation | | | | |
| At 1 January 2008 | - | 248,510 | 892 | 249,402 |
| Amortisation expenses for the year | - | 62,763 | 60 | 62,823 |
| Reclassification to property, plant and equipment | - | (3,674) | - | (3,674) |
| Disposal | - | (1) | - | (1) |
| At 31 December 2008 | - | 307,598 | 952 | 308,550 |
| Carrying Amount | | | | |
| At 31 December 2008 | 695,066 | 298,605 | 348 | 994,019 |
| At 31 December 2007 | - | 250,602 | 408 | 251,010 |

Details of the addition of the 3G spectrum during the current financial year are as disclosed in Note 30 to the financial statements.

12. INVESTMENTS IN SUBSIDIARIES

| | COMPANY | |
|-------------------------|----------------|----------------|
| | 2008 RM'000 | 2007 RM'000 |
| Unquoted shares at cost | <u>75,000</u> | <u>75,000</u> |

Details of the subsidiaries, which are incorporated in Malaysia, are as follow:

| NAME OF COMPANY | EQUITY INTEREST HELD (%) | | PRINCIPAL ACTIVITIES |
|---|--------------------------|------|---|
| | 2008 | 2007 | |
| DiGi Telecommunications Sdn Bhd ("DTSB") | 100 | 100 | Establishment, maintenance and provision of telecommunications and related services |
| Subsidiaries of DTSB DiGi Services Sdn Bhd | 100 | 100 | Property holding, renting of premises and other related services |
| Djuice.Com Sdn Bhd | 100 | 100 | Dormant |

13. AMOUNT DUE FROM A SUBSIDIARY

| | COMPANY | |
|------------------------------|----------------|----------------|
| | 2008 RM'000 | 2007 RM'000 |
| Amount due from a subsidiary | <u>698,281</u> | <u>36,143</u> |

The amount due from a subsidiary is non-trade in nature, unsecured, interest-free and has no fixed terms of repayment, and is not expected to be repaid within the next 12 months.

14. INVENTORIES

| | GROUP | |
|---------------------|----------------|----------------|
| | 2008 RM'000 | 2007 RM'000 |
| Trading merchandise | <u>17,053</u> | <u>8,659</u> |

Notes to the Financial Statements - 31 December 2008 (cont'd.)

15. TRADE AND OTHER RECEIVABLES

| | GROUP | | COMPANY | |
|------------------------------|-----------------|-----------------|----------------|----------------|
| | 2008 RM'000 | 2007 RM'000 | 2008 RM'000 | 2007 RM'000 |
| Trade receivables | 312,696 | 257,176 | - | - |
| Other receivables | 40,730 | 17,406 | 22 | 151 |
| Deposits | 42,618 | 42,200 | 5 | 5 |
| Prepayments | 45,069 | 48,750 | - | - |
| | <u>441,113</u> | <u>365,532</u> | <u>27</u> | <u>156</u> |
| Allowance for doubtful debts | <u>(20,306)</u> | <u>(13,909)</u> | <u>-</u> | <u>-</u> |
| | <u>420,807</u> | <u>351,623</u> | <u>27</u> | <u>156</u> |

The Group's trade receivables are subject to normal trade credit terms and are short-term in nature.

During the financial year, the Group had written off approximately RM26.9 million (2007: RM18.8 million) of trade receivables balance against the allowance for doubtful debts.

At 31 December 2008, the Group's trade receivables balance included exposure to foreign currency denominated in United States Dollars and Special Drawing Rights amounting to RM14.5 million (2007: RM8.1 million) and RM24.1 million (2007: RM12.2 million) respectively.

16. SHORT-TERM INVESTMENT

| | GROUP | |
|---------------------------------------|----------------|----------------|
| | 2008 RM'000 | 2007 RM'000 |
| Cash management fund, at market value | <u>10,304</u> | <u>-</u> |

The short-term investment relates to a short to medium-term investment in a unit trust fund. The investment can be redeemed within 2 business days upon receipt of application from the Group.

17. CASH AND CASH EQUIVALENTS

| | GROUP | | COMPANY | |
|----------------------------------|----------------|----------------|----------------|----------------|
| | 2008 RM'000 | 2007 RM'000 | 2008 RM'000 | 2007 RM'000 |
| Cash and bank balances | 16,383 | 20,962 | 334 | 69 |
| Money on call with licensed bank | 65,772 | 195,979 | - | - |
| Deposits with licensed banks | 249,122 | 360,203 | - | - |
| | <u>331,277</u> | <u>577,144</u> | <u>334</u> | <u>69</u> |

17. CASH AND CASH EQUIVALENTS (cont'd.)

At 31 December 2008, the Group's cash and cash equivalents included an amount of foreign currency denominated in United States Dollars amounting to RM6.7 million (2007: RM3.8 million).

The weighted average effective interest rates of money on call and deposits at the balance sheet date are as follow:

| | GROUP | |
|----------------------------------|------------|------------|
| | 2008 % | 2007 % |
| Money on call with licensed bank | 3.0 | 3.5 |
| Deposits with licensed banks | <u>3.3</u> | <u>3.5</u> |

The deposits of the Group placed with licensed banks will mature between 1 to 3 months (2007: 1 month) from the financial year end.

18. SHARE CAPITAL

| | GROUP/COMPANY | | | |
|-----------------------|--|-------------------|------------------|------------------|
| | Number of ordinary shares of 10 sen each: | | Amount | |
| | 2008 '000 | 2007 '000 | 2008 RM'000 | 2007 RM'000 |
| Authorised | <u>10,000,000</u> | <u>10,000,000</u> | <u>1,000,000</u> | <u>1,000,000</u> |
| Issued and fully paid | <u>775,000</u> | <u>750,000</u> | <u>77,750</u> | <u>75,000</u> |

During the current financial year, the issued and paid-up capital of the Company was increased by 27.5 million shares of 10 sen each, pursuant to the transfer of the 3G spectrum as disclosed in Note 30 to the financial statements. The new shares ranked pari passu in all respects with the existing shares of the Company.

19. BORROWINGS

| | GROUP | |
|--------------------------------|----------------|----------------|
| | 2008 RM'000 | 2007 RM'000 |
| Non-current (unsecured) | | |
| Fixed rate term loan | <u>100,000</u> | <u>200,000</u> |
| Current (unsecured) | | |
| Fixed rate term loan | 100,000 | 100,000 |
| Commercial papers | <u>197,821</u> | <u>-</u> |
| | <u>297,821</u> | <u>100,000</u> |

Notes to the Financial Statements - 31 December 2008 (cont'd.)

19. BORROWINGS (cont'd.)

The weighted average effective interest rates at the balance sheet date for borrowings are as follow:

| | GROUP | |
|----------------------|-----------|-----------|
| | 2008 % | 2007 % |
| Fixed rate term loan | 4.9 | 4.9 |
| Commercial papers | 4.1 | - |

The above borrowings are denominated in RM.

The fixed rate term loan consists of 3 tranches of RM100.0 million each, of which the first tranche was fully settled during the financial year. The remaining tranches are subject to interest rates of between 4.9% to 5.2% per annum, and are repayable on a bullet basis of RM100.0 million each, in April 2009 and April 2010 respectively.

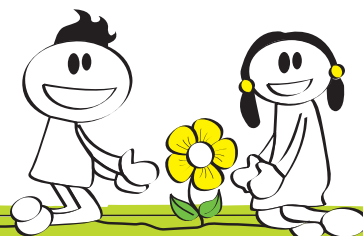
During the year, the Group issued RM200.0 million commercial papers in nominal value to be redeemed in March 2009.

20. DEFERRED TAX LIABILITIES

| | GROUP | |
|---|----------------|----------------|
| | 2008 RM'000 | 2007 RM'000 |
| At 1 January | 355,521 | 371,707 |
| Recognised in the income statement (Note 7) | 16,005 | (16,186) |
| At 31 December | <u>371,526</u> | <u>355,521</u> |

Presented after appropriate offsetting as follows:

| | | |
|--------------------------|----------------|----------------|
| Deferred tax liabilities | 380,985 | 363,399 |
| Deferred tax assets | (9,459) | (7,878) |
| | <u>371,526</u> | <u>355,521</u> |



20. DEFERRED TAX LIABILITIES (cont'd.)

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

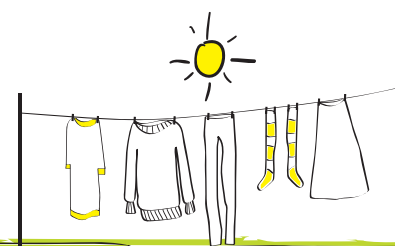
Deferred Tax Liabilities:

| | Property, plant and equipment and intangible assets RM'000 | Others RM'000 | Total RM'000 |
|------------------------------------|--|------------------|-----------------|
| At 1 January 2008 | 363,126 | 273 | 363,399 |
| Recognised in the income statement | 17,859 | (273) | 17,586 |
| At 31 December 2008 | <u>380,985</u> | <u>-</u> | <u>380,985</u> |
| At 1 January 2007 | 369,433 | 9,105 | 378,538 |
| Recognised in the income statement | (6,307) | (8,832) | (15,139) |
| At 31 December 2007 | <u>363,126</u> | <u>273</u> | <u>363,399</u> |

Deferred Tax Assets:

| | Others RM'000 |
|------------------------------------|------------------|
| At 1 January 2008 | (7,878) |
| Recognised in the income statement | (1,581) |
| At 31 December 2008 | <u>(9,459)</u> |
| At 1 January 2007 | (6,831) |
| Recognised in the income statement | (1,047) |
| At 31 December 2007 | <u>(7,878)</u> |

Others relate to deferred tax assets arising from temporary taxable differences on trade receivables and payables, and provisions.



Notes to the Financial Statements - 31 December 2008 (cont'd.)

21. PROVISION FOR LIABILITIES

| GROUP | Site decommissioning and restoration costs RM'000 | Defined benefit plan RM'000 | Total RM'000 |
|--|---|--------------------------------------|-----------------|
| Non-current | | | |
| At 1 January 2008 | 16,161 | 2,109 | 18,270 |
| Capitalised as property, plant and equipment | 809 | - | 809 |
| Recognised in the income statement | 1,085 | 126 | 1,211 |
| Paid during the year | - | (259) | (259) |
| At 31 December 2008 | <u>18,055</u> | <u>1,976</u> | <u>20,031</u> |
| | | Note 23 | |
| At 1 January 2007 | 11,122 | 2,276 | 13,398 |
| Capitalised as property, plant and equipment | 4,513 | - | 4,513 |
| Recognised in the income statement | 526 | 128 | 654 |
| Paid during the year | - | (295) | (295) |
| At 31 December 2007 | <u>16,161</u> | <u>2,109</u> | <u>18,270</u> |
| | | Note 23 | |
| Current | | | |
| At 1 January 2008 | 97,732 | 4,999 | 102,731 |
| Recognised in the income statement | 236,054 | 1,142 | 237,196 |
| Paid during the year | (233,900) | - | (233,900) |
| At 31 December 2008 | <u>99,886</u> | <u>6,141</u> | <u>106,027</u> |
| At 1 January 2007 | 70,923 | 4,696 | 75,619 |
| Recognised in the income statement | 236,195 | 326 | 236,521 |
| Paid during the year | (209,386) | (23) | (209,409) |
| At 31 December 2007 | <u>97,732</u> | <u>4,999</u> | <u>102,731</u> |





22. TRADE AND OTHER PAYABLES

| | GROUP | | COMPANY | |
|-------------------|------------------|------------------|----------------|----------------|
| | 2008 RM'000 | 2007 RM'000 | 2008 RM'000 | 2007 RM'000 |
| Trade payables | 215,568 | 153,725 | - | - |
| Other payables | 258,136 | 81,890 | - | - |
| Accruals | 1,014,578 | 937,503 | 360 | 460 |
| Customer deposits | 5,358 | 6,987 | - | - |
| | <u>1,493,640</u> | <u>1,180,105</u> | <u>360</u> | <u>460</u> |

At 31 December 2008, the Group's trade and other payables balances included exposure to foreign currency denominated in United States Dollars and Special Drawing Rights amounting to RM108.8 million (2007: RM93.9 million) and RM31.5 million (2007: RM4.3 million) respectively.

23. 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 2 January 2008.

The amounts recognised in the balance sheet are determined as follow:

| | GROUP | |
|---------------------------------------|----------------|----------------|
| | 2008 RM'000 | 2007 RM'000 |
| Present value of unfunded obligations | 1,976 | 2,267 |
| Unrecognised experience loss | - | (158) |
| Net liability | <u>1,976</u> | <u>2,109</u> |

The amounts recognised in the income statement, included under staff expenses, are as follows:

| | GROUP | |
|---|----------------|----------------|
| | 2008 RM'000 | 2007 RM'000 |
| Interest on obligations, representing increase in provision for defined benefit plan | <u>126</u> | <u>128</u> |

Principal actuarial assumption used:

| | GROUP | |
|----------------------------------|------------|------------|
| | 2008 % | 2007 % |
| Rate per annum: Discount rate | <u>5.8</u> | <u>5.8</u> |

Notes to the Financial Statements - 31 December 2008 (cont'd.)

24. NON-CASH TRANSACTIONS

The principal non-cash transactions during the year are as follow:

- (i) Issue of new shares pursuant to the transfer of the 3G spectrum as disclosed in Note 30 to the financial statements; and
- (ii) trade-in value of RM10.7 million on the swapping of assets with a vendor, for new assets.

25. COMMITMENTS

| | GROUP | |
|---|----------------|----------------|
| | 2008 RM'000 | 2007 RM'000 |
| (a) Capital Commitments | | |
| Capital expenditure in respect of property, plant and equipment and intangible assets | | |
| Approved and contracted for | <u>309,000</u> | <u>228,000</u> |
| Approved but not contracted for | <u>703,000</u> | <u>660,000</u> |
| (b) Non-Cancellable Operating Lease Commitments | | |
| Future minimum lease payments: | | |
| Less than 1 year | 159,655 | 120,495 |
| Between 1 and 5 years | 394,576 | 317,584 |
| More than 5 years | <u>178,497</u> | <u>185,500</u> |
| | <u>732,728</u> | <u>623,579</u> |

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.

26. CONTINGENT LIABILITIES

| | GROUP | |
|---|----------------|----------------|
| | 2008 RM'000 | 2007 RM'000 |
| Unsecured: | | |
| Guarantees given to third parties for public infrastructure works | 5,793 | 2,610 |
| Guarantee given to SKMM on the transfer of 3G spectrum | <u>50,000</u> | <u>-</u> |
| | <u>55,793</u> | <u>2,610</u> |

27. SIGNIFICANT RELATED PARTY DISCLOSURES

(a) Sales and Purchase of Services

Controlling related party relationships are as follows:

- (i) The ultimate holding company is as disclosed in Note 1 to the financial statements.
- (ii) The Company's subsidiaries are as disclosed in Note 12 to the financial statements.

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

| | Transactions | | Balance due (to)/from at | |
|--|----------------|----------------|--------------------------|----------------|
| | 2008 RM'000 | 2007 RM'000 | 2008 RM'000 | 2007 RM'000 |
| With the ultimate holding company and fellow subsidiary companies | | | | |
| - <i>Telenor ASA</i> | | | | |
| Consultancy services rendered | 13,683 | 8,179 | (5,880) | (5,250) |
| - <i>Telenor Global Services AS</i> | | | (2,128) | (803) |
| Sales of interconnection services on international traffic | 288 | 276 | | |
| Purchase of interconnection services on international traffic | 6,796 | 3,392 | | |
| - <i>Telenor LDI Communication (Private) Limited</i> | | | (1,456) | (170) |
| Sales of interconnection services on international traffic | 941 | 1,037 | | |
| Purchase of interconnection services on international traffic | 5,627 | 1,755 | | |
| - <i>Total Access Communication Public Company Limited</i> | | | (486) | (404) |
| Sales of roaming services on international traffic | 495 | 375 | | |
| Purchase of roaming services on international traffic | 3,165 | 2,579 | | |
| - <i>Telenor Consult AS</i> | | | | |
| Personnel services rendered | <u>17,848</u> | <u>13,906</u> | <u>(4,593)</u> | <u>(3,310)</u> |

Notes to the Financial Statements - 31 December 2008 (cont'd.)

27. SIGNIFICANT RELATED PARTY DISCLOSURES (cont'd.)

(a) Sales and Purchase of Services (cont'd.)

| | Transactions | | Balance due (to)/from at | |
|---|----------------|----------------|--------------------------|----------------|
| | 2008 RM'000 | 2007 RM'000 | 2008 RM'000 | 2007 RM'000 |
| With a company in which Time dotCom Berhad ("TdC")* is deemed to have an interest | | | | |
| - <i>TT dotCom Sdn Bhd ("TDSB")</i> | | | 589 | - |
| Sales of interconnection services on domestic traffic | 2,883 | - | | |
| Sales of leasing services on circuit | 61 | - | | |
| Port charges on circuit | 77 | - | | |
| Purchases of interconnection services on domestic traffic | 562 | - | | |
| Purchases of leasing services on circuit | 218 | - | | |
| | <u>218</u> | <u>-</u> | <u>589</u> | <u>-</u> |

* TdC became a major shareholder of the Company on 7 May 2008 subsequent to the transfer of the 3G spectrum as disclosed in Note 30 to the financial statements. Therefore, the related party transactions and balances with companies in which TdC is deemed to have an interest are disclosed accordingly from 7 May 2008.

(b) Compensation of Key Management Personnel

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

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

| | GROUP | |
|------------------------------|----------------|----------------|
| | 2008 RM'000 | 2007 RM'000 |
| Short-term employee benefits | 13,983 | 10,286 |
| Post-employment benefits | 227 | 1,174 |
| Share-based payment | 534 | 787 |
| | <u>14,744</u> | <u>12,247</u> |

Included in the compensation of key management personnel are other emoluments of RM264,000 (2007: RM244,000) paid to 2 (2007: 2) non-executive directors of the Company.

28. FINANCIAL INSTRUMENTS

(a) Financial Risk Management Objectives and Policies

In the normal course of conducting its business activities, the Group is exposed to a variety of financial risks, which include credit, currency, liquidity and interest rate risk. The Group's overall risk management programme seeks to minimise potential adverse effects of these risks on the financial performance of the Group.

(b) Credit Risk

The Group's credit risk arises in the normal course of business primarily with respect to trade and other receivables and cash and cash equivalents. Credit risk is managed through formalised policies on credit assessment and approvals, credit limits and monitoring procedures. Short-term investments, money on call and deposits are placed only with licensed banks and unit trust fund.

The maximum credit risk exposure in respect of trade receivables is limited to the carrying value of the receivables less allowance for doubtful debts as stated in the financial statements, whereas, the maximum exposure for other receivables, cash and cash equivalents are the reported carrying values in the financial statements.

At balance sheet date, there were no significant concentrations of credit risk.

(c) Foreign Currency Risk

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 United States Dollar and Special Drawing Rights. 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.

(d) Liquidity Risk

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.

The Group has remaining commercial papers and medium-term notes facility with an aggregate nominal value of up to RM500.0 million as an alternative source of financing which can be executed when required.

(e) Interest Rate Risk

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 the deposit placements and interest-bearing financial liabilities. The Group manages its interest rate risk for the interest-earning deposit placements by placing such balances on varying maturities and interest rate terms.

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.

Notes to the Financial Statements - 31 December 2008 (cont'd.)

28. FINANCIAL INSTRUMENTS (cont'd.)

(f) Fair Values

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

(i) Cash and cash equivalents

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

(ii) Trade receivables and payables

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

(iii) Amount due from a subsidiary

No disclosure of fair value is made for the amount due from a subsidiary as it is not practicable to determine its fair value with sufficient reliability due principally to lack of a fixed repayment term.

(iv) Short-term investment and borrowings

The fair value of the short-term investment is based on its market value existing as at the balance sheet date.

The fair value of the fixed rate term loan has been determined by discounting the expected future cash flows using the current interest rates for similar instruments at the balance sheet date.

The carrying amount of commercial papers approximate its fair value due to the relatively short-term maturity of this financial instrument.

The carrying amount and fair value of financial liability of the Group at the balance sheet date are as follows:

| GROUP | Note | Carrying Amount RM'000 | Fair Value RM'000 |
|-----------------------------|------|---------------------------|----------------------|
| At 31 December 2008: | | | |
| Financial liability | | | |
| Fixed rate term loan | 19 | <u>200,000</u> | <u>199,874</u> |
| At 31 December 2007: | | | |
| Financial liability | | | |
| Fixed rate term loan | 19 | <u>300,000</u> | <u>304,886</u> |



29. SEGMENTAL INFORMATION

Segmental information is not presented as there are no material segments other than that for the provision of mobile communication services, and the Group's operations are conducted predominantly in Malaysia.

30. SIGNIFICANT EVENTS

On 7 May 2008, the Company, DTSB, TdC and TDSB, a wholly-owned subsidiary of TdC (collectively the "Parties"), completed the definitive agreement for the proposed transfer of the 3G spectrum, and proposed joint planning exercise between all the Parties. Consequently:

- (i) the 3G spectrum was transferred to DTSB on 7 May 2008, with an assignment period from 7 May 2008 until 1 April 2018. The 3G spectrum and its related costs were capitalised as an intangible asset totaling approximately RM695 million; and
- (ii) the issued and paid-up capital of the Company was increased by 27.5 million shares as the purchase consideration for the transfer of 3G spectrum. The new shares were issued at RM24.90 per share based on the closing market price on the allotment date. The new shares were listed and quoted on the Main Board of Bursa Malaysia Securities Berhad on 12 May 2008.

31. SUBSEQUENT EVENTS

Subsequent to the balance sheet date:

- (i) the Group had drawn down an unsecured fixed rate term loan of RM475.0 million in January 2009. The facility comprises 3 tranches with different repayment periods, amounts and interest rates respectively; and
- (ii) the Company had on 10 February 2009, incorporated a wholly-owned subsidiary - Pay By Mobile Sdn Bhd ("PBM"), under the Companies Act, 1965. PBM has an authorised share capital of RM100,000 comprising 100,000 ordinary shares of RM1.00 and an issued and paid-up capital of RM2.00 comprising 2 ordinary shares of RM1.00 each. Its intended principal activities include the provision of financial services related to remittance of money and provision of services and products which use electronic payment as its main mode of payment.



List of Properties as at 31 December 2008

| No. | Location | Tenure |
|-----|--|--|
| 1 | H.S. (D) 92086 & 92087, P.T. No. 9 & No. 10, Pekan Seremban Jaya, Daerah Seremban, Negeri Sembilan | Freehold |
| 2 | Unit No. 202-4-11, Sri Bandar Besi, Jalan Sungai Besi, Sungai Besi, Kuala Lumpur | Freehold |
| 3 | Unit No. C16-2, Indera Subang UEP, Jalan UEP 6/2L, UEP Subang Jaya, Petaling Jaya, Selangor | Freehold |
| 4 | No. 1-16.2, 16th Floor, Union Height, Taman Yan, Jalan Klang Lama, Kuala Lumpur | Freehold |
| 5 | 3rd Floor, Unit P.T. 4888/4786 C, Block TC-14, Taman Sri Gombak, Jalan Batu Caves, Selangor | Freehold |
| 6 | 4572, 7th Floor, Sri Jelatek Condominiums, Section 10, Wangsa Maju, Kuala Lumpur | Freehold |
| 7 | 32, PLO 151 Jln Angkasa Mas Utama, Kawasan Perindustrian Tebrau II, 81100 Johor Bahru, Johor | 30 years lease (expiring in 2023) |
| 8 | H.S. (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) |
| 9 | Lot 36, Sedco Light Industrial Estate, Jalan Kelombong, Kota Kinabalu, Sabah | Leasehold 60 years (expiring in 2034) |
| 10 | Lot 1220, Section 66, Kuching Town Land District, Sarawak | Leasehold 60 years (expiring in 2036) |
| 11 | No. 112, Semambu Industrial Estate, Kuantan, Pahang | Leasehold 66 years (expiring in 2041) |
| 12 | Unit 16-12-1, 12th Floor, Cloud View Tower, Taman Supreme, Cheras, Kuala Lumpur | Leasehold 99 years (expiring in 2076) |
| 13 | Unit No. M803, 8th Floor, Sunrise Park, Ampang, Kuala Lumpur | Leasehold 99 years (expiring in 2088) |
| 14 | H.S.(D) 12776, P.T. No. 15866, Mukim Bentong, District Of Bentong, Pahang | Leasehold 99 years (expiring in 2091) |
| 15 | Plot D-38, Taman Industri Prima Kota Fasa 1, Sector 3, Bandar Indera Mahkota, Kuantan, Pahang | Leasehold 99 years (expiring in 2097) |
| 16 | Ptd 1490, Mukim of Jemaluang, District of Mersing, Johor | Leasehold 99 years (expiring in 2098) |
| 17 | PN 89926, Lot 191363, Mukim Hulu Kinta, Daerah Kinta, Perak | Leasehold 90 years (expiring in 2081) |
| 18 | Lot No. 54, Jalan 6/2, Kawasan Perindustrian Seri Kembangan, 43000 Seri Kembangan, Selangor | Leasehold 99 years (expiring in 2091) |
| 19 | Lot 2728, Miri Concession Land District, Lopeng, Miri, Sarawak | Leasehold 60 years (expiring in 2027) |
| 20 | Lot 10, Jalan Delima 1/1, Subang Hi-Tech Industrial Park, 40000 Shah Alam, Selangor | Freehold |
| 21 | No. 24, Jalan KIP 7, Taman Perindustrian KIP, 52200 Kuala Lumpur | Freehold |
| 22 | Lot 42, Jalan Delima 1/1, Subang Hi-Tech Industrial Park, 40000 Shah Alam, Selangor | Freehold |
| 23 | Lot 43, Jalan Delima 1/1, Subang Hi-Tech Industrial Park, 40000 Shah Alam, Selangor | Freehold |

Notes: The Group does not adopt a revaluation policy on landed properties. N/A denotes "Not Applicable"

| Description/ Existing Use | Date of Acquisition | Area | Age Of Building (Years) | Net Book Value As At 31.12.2007 RM'000 | Net Book Value As At 31.12.2008 RM'000 |
|---|--------------------------------|---------------|--|---|---|
| Land with a building / Telecommunications Centre | 29.12.1997 | 22,529 sq ft | 11 | 738 | 720 |
| Apartment / Housing base transceiver equipment | 26.01.1995 | 802 sq ft | 13 | 101 | 98 |
| Apartment / Housing base transceiver equipment | 04.02.1995 | 2,249 sq ft | 15 | 538 | 523 |
| Apartment / Housing base transceiver equipment | 25.01.1995 | 1,249 sq ft | 14 | 202 | 196 |
| Apartment / Housing base transceiver equipment | 29.03.1995 | 1,319 sq ft | 13 | 76 | 74 |
| Apartment / Housing base transceiver equipment | 07.02.1995 | 1,115 sq ft | 13 | 157 | 153 |
| Land with a building / Telecommunications Centre | 12.05.1995 | 1.58 acres | 14 | 1,044 | 981 |
| Land with a building / Telecommunications Centre | 23.03.1995 | 1 acre | 34 | 1,916 | 1,864 |
| Land with a building / Telecommunications Centre | 12.06.1995 | 0.938 acre | 28 | 2,129 | 2,073 |
| Land with a building / Telecommunications Centre | 15.08.1995 | 4,124 sq ft | 13 | 1,803 | 1,791 |
| Land with a building / Telecommunications Centre | 07.07.1995 | 4 acres | 26 | 2,077 | 2,023 |
| Apartment / Housing base transceiver equipment | 08.02.1995 | 1,400 sq ft | 20 | 184 | 182 |
| Apartment / Housing base transceiver equipment | 22.03.1995 | 1,100 sq ft | 17 | 97 | 95 |
| Land with a building / Earth Station Complex | 07.08.1996 | 7.5 acres | 14 | 5,944 | 5,876 |
| Land with Fixed Line switch and base transceiver station | 14.11.1997 | 25,521 sq ft | 11 | 388 | 384 |
| Land with trunk station | 17.08.1999 | 40,000 sq ft | 9 | 113 | 112 |
| Land with a building / Telecommunications Centre | 15.07.1999 | 5,942 sq ft | 9 | 208 | 206 |
| Land with a building / Telecommunications Centre | 23.05.2000 | 18,050 sq ft | 19 | 1,828 | 1,808 |
| Land with cabin container / Telecommunications Centre | 29.09.2000 | 4,937 sq ft | N/A | 1,041 | 1,017 |
| Land with a building | 19.07.2001 | 284,485 sq ft | 3 | 75,941 | 74,650 |
| Land with a building / Telecommunications Centre | 21.08.2002 | 17,847 sq ft | 12 | 2,780 | 2,779 |
| Vacant Land | 28.04.2008 | 91,676 sq ft | N/A | - | 8,234 |
| Vacant Land | 06.04.2008 | 92,142 sq ft | N/A | - | 7,492 |

Disclosure of Recurrent Related Party Transactions

At the Annual General Meeting held on 24 April 2008, the Company obtained a shareholders' mandate to allow the Group to enter into recurrent related party transaction of revenue or trading nature.

In accordance with Paragraph 4.1.5 of Practice Note No. 12/2001 of Listing Requirement of Bursa Malaysia, the details of recurrent related party transactions conducted during the financial year ended 31 December 2008 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 | Amount transacted during the financial year RM'000 |
|---|--------------------------------------|---|--|
| Telenor Group of Companies | | | |
| Telenor Group | DTSB | Business Service Costs which include consultancy, training programmes, professional fees | 13,683 |
| Telenor Group | DTSB | Personnel services payable, professional fees | 17,848 |
| Telenor Group | DTSB | International Accounting Settlement. This refers to an arrangement for interconnection services on international traffic between foreign carriers i.e. Telenor Group and DTSB | 14,269 |
| Telenor Group | DTSB | International Roaming | 6,070 |
| Total | | | 51,870 |
| Time dotCom Berhad | | | |
| TT dotCom Sdn Bhd | DTSB | Interconnection Services on domestic traffic (inbound and outbound), leasing services on circuit and port charges on circuit | 3,801 |
| Total | | | 3,801 |

Notes:

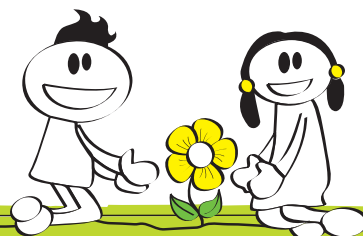
1. Telenor Group refers to Telenor ASA and its subsidiary and related companies (including the associated companies). Telenor ASA is the ultimate holding company of DiGi.Com Berhad ("DiGi").
2. DiGi Telecommunications Sdn Bhd ("DTSB") is a wholly owned subsidiary of DiGi.
3. Time dotCom Berhad became a major shareholder of DiGi on 7 May 2008 subsequent to the transfer of the 3G Spectrum, holding 10% of DiGi shares. On 15 January 2009, Time dotCom Berhad shareholding in DiGi was reduced to 7.11%.

Statement of Directors' Shareholdings as at 16 March 2009

| The Company DiGi.Com Berhad | Number of Ordinary Shares of RM0.10 each | | | |
|--------------------------------|--|---|-----------------|---|
| | Direct Interest | % | Deemed Interest | % |
| - | - | - | - | - |

| Ultimate Holding Company Telenor ASA | Number of Ordinary Shares of NOK6 each | | | |
|---|--|--------|-----------------|---|
| | Direct Interest | % | Deemed Interest | % |
| Sigve Brekke | 10,862 | 0.0006 | - | - |
| Christian Storm | 2,555 | 0.0002 | - | - |
| Ragnar Holmen Korsæth | 8,349 | 0.0005 | - | - |

| Ultimate Holding Company Telenor ASA | Number of Options over Ordinary Shares of NOK6 each | | | |
|---|---|--------|-----------------|---|
| | Direct Interest | % | Deemed Interest | % |
| Sigve Brekke | 40,000 | 0.0024 | - | - |
| Christian Storm | 20,000 | 0.0012 | - | - |
| Ragnar Holmen Korsæth | 70,000 | 0.0042 | - | - |



Statistics on Shareholdings as at 16 March 2009

| | | |
|----------------------------------|---|--|
| Authorised Share Capital | : | RM1,000,000,000 divided into 10,000,000,000 ordinary shares of RM0.10 each |
| Issued and Paid-Up Share Capital | : | RM77,750,000 comprising 777,500,000 ordinary shares of RM0.10 each |
| Class of Shares | : | Ordinary shares of RM0.10 each |
| Voting Rights | : | One vote per share |

Analysis of shareholdings

| Size of shareholdings | Number of shareholders | % | Number of shares | % |
|------------------------|---------------------------|---------------|---------------------|---------------|
| Less than 100 | 293 | 8.77 | 4,017 | 0.00 |
| 100 - 1,000 | 1,594 | 47.74 | 1,004,577 | 0.13 |
| 1,001 - 10,000 | 790 | 23.66 | 2,673,331 | 0.34 |
| 10,001 - 100,000 | 410 | 12.28 | 15,806,543 | 2.03 |
| 100,001 - 38,874,999* | 250 | 7.49 | 294,791,307 | 37.92 |
| 38,875,000 and above** | 2 | 0.06 | 463,220,225 | 59.58 |
| Total | 3,339 | 100.00 | 777,500,000 | 100.00 |

* Less than 5% of issued shares

** 5% and above of issued shares

Substantial Shareholders as at 16 March 2009 as per Register of Substantial Shareholders

| Name | Number of Shares | | | |
|-------------------------------------|------------------|-------|-----------------|-------|
| | Direct Interest | % | Deemed Interest | |
| 1. Telenor Asia Pte Ltd | 380,975,030 | 49.00 | - | - |
| 2. Telenor Mobile Communications AS | - | - | 380,975,030 (a) | 49.00 |
| 3. Telenor Mobile Holding AS | - | - | 380,975,030 (b) | 49.00 |
| 4. Telenor ASA | - | - | 380,975,030 (c) | 49.00 |
| 5. Employees Provident Fund Board | 89,348,984 | 11.49 | - | - |
| 6. TIME dotCom Berhad | - | - | 55,250,000 (d) | 7.11 |

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.

(d) Deemed interested via interest in Hakikat Pasti Sdn Bhd and TT dotCom Sdn Bhd pursuant to Section 6A of the Companies Act, 1965.

List of Thirty (30) Largest Shareholders as at 16 March 2009 as per Record of Depositors

| Name of shareholders | Number of shares | % |
|---|------------------|-------|
| 1 Citigroup Nominees (Asing) Sdn Bhd Telenor Asia Pte Ltd (DiGi) | 380,975,030 | 49.00 |
| 2 Employees Provident Fund Board | 82,245,195 | 10.58 |
| 3 CIMB Group Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Hakikat Pasti Sdn Bhd | 27,750,000 | 3.57 |
| 4 CIMB Group Nominees (Tempatan) Sdn Bhd Pledged Securities Account For TT dotCom Sdn Bhd | 27,500,000 | 3.54 |
| 5 HSBC Nominees (Asing) Sdn Bhd Exempt An For JPMorgan Chase Bank, National Association (U.S.A.) | 25,160,000 | 3.24 |
| 6 Kumpulan Wang Persaraan (Diperbadankan) | 15,585,100 | 2.00 |
| 7 Amanah Raya Nominees (Tempatan) Sdn Bhd Skim Amanah Saham Bumiputera | 15,479,100 | 1.99 |
| 8 Valuecap Sdn Bhd | 13,457,600 | 1.73 |
| 9 HSBC Nominees (Asing) Sdn Bhd TNTC For Saudi Arabian Monetary Agency | 13,120,700 | 1.69 |
| 10 Amanah Raya Nominees (Tempatan) Sdn Bhd Amanah Saham Wawasan 2020 | 11,405,700 | 1.47 |
| 11 Amanah Raya Nominees (Tempatan) Sdn Bhd Amanah Saham Malaysia | 9,462,000 | 1.22 |
| 12 HSBC Nominees (Asing) Sdn Bhd Exempt An For JPMorgan Chase Bank, National Association (U.K.) | 6,095,400 | 0.78 |
| 13 Dato Ahmad Sebi Bin Bakar | 4,809,813 | 0.62 |
| 14 Amanah Raya Nominees (Tempatan) Sdn Bhd Amanah Saham Didik | 4,465,000 | 0.57 |
| 15 Amanah Raya Nominees (Tempatan) Sdn Bhd Public Islamic Dividend Fund | 3,674,600 | 0.47 |
| 16 Alam Nusantara Sdn Bhd | 3,401,523 | 0.44 |
| 17 ABB Nominee (Tempatan) Sdn Bhd Pledged Securities Account For Ahmad Sebi Bin Bakar | 3,000,000 | 0.39 |
| 18 Citigroup Nominees (Tempatan) Sdn Bhd Exempt An For Prudential Fund Management Berhad | 2,971,000 | 0.38 |
| 19 Cartaban Nominees (Asing) Sdn Bhd SSBT Fund HG22 For Smallcap World Fund, Inc. | 2,927,500 | 0.38 |
| 20 Citigroup Nominees (Tempatan) Sdn Bhd Exempt An For American International Assurance Berhad | 2,564,800 | 0.33 |

List of Thirty (30) Largest Shareholders as at 16 March 2009 as per Record of Depositors (cont'd.)

| Name of shareholders | Number of shares | % |
|---|--------------------|--------------|
| 21 HSBC Nominees (Asing) Sdn Bhd Exempt An For The Hongkong And Shanghai Banking Corporation Limited (HBFS-I CLT ACCT) | 2,550,000 | 0.33 |
| 22 Amanah Raya Nominees (Tempatan) Sdn Bhd Public Islamic Asia Dividend Fund | 2,289,000 | 0.29 |
| 23 HSBC Nominees (Asing) Sdn Bhd BBH (Lux) Sca For Fidelity Funds South East Asia | 2,281,500 | 0.29 |
| 24 HSBC Nominees (Asing) Sdn Bhd Exempt An For JPMorgan Chase Bank, National Association (U.A.E.) | 2,262,800 | 0.29 |
| 25 Permodalan Nasional Berhad | 2,228,800 | 0.29 |
| 26 HSBC Nominees (Asing) Sdn Bhd BBH And Co Boston For Vanguard Emerging Markets Stock Index Fund | 2,098,855 | 0.27 |
| 27 Cartaban Nominees (Asing) Sdn Bhd Government Of Singapore Investment Corporation Pte Ltd For Government Of Singapore (C) | 2,033,500 | 0.26 |
| 28 HSBC Nominees (Asing) Sdn Bhd BBH (Lux) Sca For Fidelity Funds Emerging Markets | 1,963,800 | 0.25 |
| 29 HSBC Nominees (Tempatan) Sdn Bhd Nomura Asset Mgmt Malaysia For Employees Provident Fund | 1,921,589 | 0.25 |
| 30 Cartaban Nominees (Asing) Sdn Bhd State Street For Ishares, Inc. | 1,920,000 | 0.24 |
| | <u>677,599,905</u> | <u>87.15</u> |

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 Nos.)

CDS Account No. _____ of _____

(Address)

being a member of DiGi.COM BERHAD hereby appoint: _____
(Name in full)

_____ NRIC No. _____ (New and Old NRIC Nos.) Of

or failing him/her, the Chairman of the meeting as my/our proxy to vote for me/us on my/our behalf, at the Twelfth Annual General Meeting of the Company to be held at Diamond Ballroom, Ground Floor, Mandarin Oriental Kuala Lumpur, Kuala Lumpur City Centre, 50088 Kuala Lumpur on Thursday, 7 May 2009 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.

| Ordinary Resolutions | For | Against |
|--|-----|---------|
| Resolution 1 - To receive and adopt the Audited Financial Statements | | |
| Resolution 2 - To approve a final dividend | | |
| Resolution 3 - To re-elect Tan Sri Leo Moggie as Director | | |
| Resolution 4 - To re-elect Mr Sigve Brekke as Director | | |
| Resolution 5 - To appoint Messrs Ernst & Young as the Company's Auditors and to authorise the Directors to fix their remuneration | | |
| Resolution 6 - To approve the Renewal of Existing Shareholders' Mandate for Recurrent Related Party Transactions to be entered with Telenor ASA ("Telenor") and persons connected with Telenor | | |

No. of Shares

| |
|--|
| |
|--|

Signature of Shareholder(s) or Common Seal

Signed this _____ day of _____, 2009.

Notes:

1. A member entitled to attend and vote at a meeting of the Company is entitled to appoint one (1) proxy only to attend and vote in his stead. A proxy may but need not be a member of the Company.
2. A member of the Company who is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991 may appoint one (1) proxy in respect of each securities account.
3. A power of attorney or certified copy thereof or 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 seal or under hand of an officer or attorney duly authorised.
4. The instrument appointing a proxy or the power of attorney or a certified copy thereof, must be deposited at the Company's Share Registrar Office at Level 17, The Gardens North Tower, Mid Valley City, Lingkaran Syed Putra, 59200 Kuala Lumpur at least forty-eight (48) hours before the time appointed for holding the meeting or any adjournment thereof.

fold this flap for sealing

affix
stamp

Share Registrars
DiGi.Com Berhad
(c/o PFA Registration Services Sdn Bhd)
Level 17, The Gardens,
North Tower, Mid Valley City,
Lingkaran Syed Putra,
59200 Kuala Lumpur,
Malaysia

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CORPORATE DIRECTORY

List of Operating Offices

Principal Place of Business/Head Office

D'House, Lot 10, Jalan Delima 1/1, Subang Hi-Tech Industrial Park, 40000 Shah Alam, Selangor
Tel : 03-5721 1800
Fax : 03-5721 1857

Central Operating Offices

Lot 30, Jalan Delima 1/3, Subang Hi-Tech Industrial Park, 40000 Shah Alam, Selangor
Tel : 03-5721 1800
Fax : 03-5721 1857

Lot 8, Jalan Delima 1/1, Subang Hi-Tech Industrial Park, 40000 Shah Alam, Selangor
Tel : 03-5721 1800
Fax : 03-5721 1857

Regional Operating Offices

Northern Region

1-03-18, E-Gate Commercial Centre Lebu Tunku Kudin 2, 11700 Gelugor, Penang
Tel : 04-248 6000
Fax : 04-248 6001

Ipoh Sales Office

C-G-2 Persiaran Greentown 3, Greentown Business Centre, 30450 Ipoh, Perak
Tel : 05-242 1616
Fax : 05-242 3800

Southern Region

6 & 8, Jalan Molek 1/12, Taman Molek, 81100 Johor Bahru, Johor
Tel : 07-351 1800
Fax : 07-352 8016

Eastern Region

Lot 112 & 113, Semambu Industrial Estate, 25000 Kuantan, Pahang
Tel : 09-508 0071
Fax : 09-508 0070

Sabah Region

Lot 36, Sedco Light Industrial Estate, Jalan Kilang, Kolombong, Inanam, 88450 Kota Kinabalu
Tel : 088-431 800
Fax : 088-430 016

Sarawak Region

Lot 2087, Bangunan Kueh Boon Teck, Jalan Tun Ahmad Zaidi Aduce, 93150 Kuching
Tel : 082-421 800
Fax : 082-427 597

DiGi Centres

Kuala Lumpur

DiGi 360°
K-OG-03-04, Solaris Mont Kiara, No 2, Jalan Solaris, 50480 Kuala Lumpur

Pavillion

Lot 1.27.00 Level 1 Pavillion Kuala Lumpur, 168 Jalan Bukit Bintang, 55100 Kuala Lumpur

Berjaya Times Square

01-36, Berjaya Times Square, No. 1, Jln Imbi, 55100 Kuala Lumpur

Selangor

Klang
35 & 37, Persiaran Sultan Ibrahim, 41300 Klang, Selangor

SS2

24, Jalan SS 2/66, 47300 Petaling Jaya, Selangor

Subang Taipan

19 & 21, Jalan USJ 10/1A, 47610 Subang Jaya, Selangor

Melaka

Melaka
523, Taman Melaka Raya, 75000 Melaka

Negeri Sembilan

Seremban
No. 15, Ground Floor, Jalan Kong Sang, 70000 Seremban, Negeri Sembilan

Penang

Beach Street
No. 29A, Beach Street, 10300 Penang

Pulau Tikus

368-1-02, Jalan Burmah, 10350 Pulau Tikus, Penang

Seberang Jaya

8, Ground Floor, Jalan Todak Dua, Pusat Bandar, Bandar Seberang Jaya, 13700 Prai, Penang

Perak

Ipoh
Lot C-01-04, No. 2, Ground Floor, Persiaran Greentown 3, Greentown Business Centre, 30450 Ipoh, Perak

Pahang

Kuantan
Lot G22B & G23 (II), Ground Floor, Berjaya Megamall, Jalan Tun Ismail, 25000 Kuantan, Pahang

Johor

Batu Pahat
37, Jalan Kundang, Taman Bukit Pasir, 83100 Batu Pahat, Johor

Taman Molek

6 & 8, Jalan Molek 1/12, Taman Molek, 81100 Johor Bahru, Johor

Taman Pelangi

26, Jalan Abiad 1, Taman Pelangi 80400 Johor Bahru, Johor

CSAU

8, Jalan Molek 1/12, Taman Molek, 81100 Johor Bahru, Johor

Sabah

Kota Kinabalu
Lot 5/G3, Ground & First Floor, Api-Api Centre, 88000 Kota Kinabalu, Sabah

CSAU

Lot 5/G3, Ground & First Floor, Api-Api Centre, 88000 Kota Kinabalu, Sabah

1-Borneo

#C-228, 1 Borneo Hypermall, Jalan Sulaman, 88400, Kota Kinabalu, Sabah

Kuching
Lot 506-507 Section 6 KTLD, Jalan Kulias Tengah, 93400 Kuching, Sarawak

Miri

Lot 1382, Jalan Kubu, Centre Point 2, 98000 Miri, Sarawak

CSAU

Bangunan Kueh Boon Teck, Lot 2087, Block 10, Jalan Tun Ahmad Zaidi Aduce, 93150 Kuching, Sarawak

DiGi Service Counters

Kuala Lumpur

Metro Prima Kepong
Lot F08, First Floor, Metro Prima Shopping Centre, No. 1 Jalan Metro Prima, 52100 Kepong

KLCC

C-68, Concourse Level, Suria KLCC, Jalan Ampang, 50450 Kuala Lumpur

Giant Cheras

Lot 19 & 21 Connaught Market Centre Jalan Cheras, Taman Connaught Cheras, 56000 Kuala Lumpur

Mid Valley

Lot LG-013-A, Mid Valley City, Lingkaran Syed Putra, 59200 Kuala Lumpur

Pandan Indah

M5A/13, Jalan Pandan Indah 4/1, Taman Pandan Indah, 55100 Kuala Lumpur

Sg Wang

Concourse Level, Sg Wang Plaza, Jalan Bukit Bintang, 50350 Kuala Lumpur

Selangor

Giant Batu Caves
Lot B29, Giant Hypermarket, Lot 10243, Jalan Batu Caves, Daerah Gombak, 68100 Batu Caves

Giant LDP Kelana Jaya

Lot F32A, First Floor Giant Hypermarket, No. 33 Jalan SS6/12, SS6 Kelana Jaya, 47301 Petaling Jaya

Ikano Power Centre

G09 Ikano Power Centre, No.2 Jln PJU 7/12 Mutiara Damansara, 47800 Petaling Jaya

One Utama

LG315, Lower Ground, 1 Utama Shopping Centre (New Wing), Lebu Bandar Utama, Bandar Utama, 47800 Petaling Jaya

Tesco Puchong

148,149, Jalan Bandar 3, Pusat Bandar Puchong, 47100 Puchong

Selayang

57, Jalan 2/3A, Pasar Borong Selayang Off Jalan Ipoh, 68100 Batu Caves

Kajang

No. 1-G, Ground Floor, Plaza Citra Kajang Jalan Citra 1, 43000 Kajang

SACC Shah Alam

2F-16, 2nd Floor SACC Mall, Jalan Perbadanan, 14/9, 40000 Shah Alam

Bukit Tinggi

Lot G08 Ground Floor, AEON Bukit Tinggi Shopping Centre, No.1 Persiaran Batu Nilam 1/KS6, Bandar Bukit Tinggi 2, 41200 Klang

Kedah

Sungai Petani
Central Square Brandshop, Me-02, Ground Floor Central Square, 23, Jalan Kampung Baru, 08000 Sg Petani, Kedah

Alor Setar

No. 34 Ground Floor, Kompleks Sultan Abdul Hamid, Jalan Pegawai, 05050 Kedah

Penang

Bukit Jambul
3A-G24, Kompleks Bukit Jambul, Jalan Rumbia, 11900 Pulau Pinang

Plaza Gurney

170-03-49, Persiaran Gurney, Plaza Gurney, 10250 Penang

Perak

Seri Manjung
Billion Shopping Centre, No.2477, Taman Samudera 32040, Seri Manjung, Perak

Kinta Valley

F21, First Floor Kinta City Shopping Centre, No.2 Jalan The Lean Swee off Jalan Sultan Azlan Shah Utara, 31400 Ipoh, Perak

Taipung

No. 428, Taman Saujana, Jalan Kamunting, 34600 Kamunting, Taiping Perak

Kelantan

Kota Bahru
4585-E Wakaf Siku, Jalan Pasir Putih 15200 Kota Bahru, Kelantan

Terengganu

Kuala Terengganu
80 F, Jalan Petani, 20000 Kuala Terengganu

Johor

Permas Jaya
Lot G23, Permas Jaya Shopping Centre No. 1 Jalan Permas Utara, Bandar Baru Permas Jaya, 81750 Johor Baru

Bukit Indah

S49, Second Floor, AEON Bukit Indah Shopping Centre, No 8, Jalan Indah 15/2, Bukit Indah, 81200 Johor Bahru

Kluang

No. 8A, Jalan Syed Abdul Hamid Sagaff 86000 Kluang, Johor

City Square JB

Lot JK 2.04, Level 2 Johor Bahru City Square No. 106 & 108 Jalan Wong Ah Fook 80000 Johor Bahru

Muar

No.44, Jalan Sisi, 84000 Muar

Sabah

Sandakan
Lot 22, Block B, Ground Floor, Bandar Tyng Mile 6, 90000 Sandakan, Sabah

Tawau

TB 586, Lot 45, Tacolin Commercial Complex, Jalan Haji Karim, 91000 Tawau, Sabah

Lintas Kota Kinabalu

No. 11-0, Lot 6, Ground Floor, Lintas Plaza, Lorong Lintas Plaza, 88300 Kota Kinabalu, Sabah

Likas

Lot No.3, Ground Floor, Likas Plaza, 88450 Kota Kinabalu, Sabah

Sarawak

Sibu
No. 46 Jalan Keranji Off Jalan Tuanku Osman, 96000 Sibu, Sarawak

24-hour DiGi customer service line: 016-221 1800

Enjoy real-time online Chat with our Customer Service at:
<http://www.digi.com.my/support/dchat/index.do>

DiGi.Com Berhad (425190-X)

D'House, Lot 10, Jalan Delima 1/1, Subang Hi-Tech Industrial Park, 40000 Shah Alam, Selangor Darul Ehsan

Mailing Address:

P. O. Box 7551, 40718 Shah Alam, Selangor.
Tel : 03-5721 1800
Fax : 03-5721 1857
www.digi.com.my