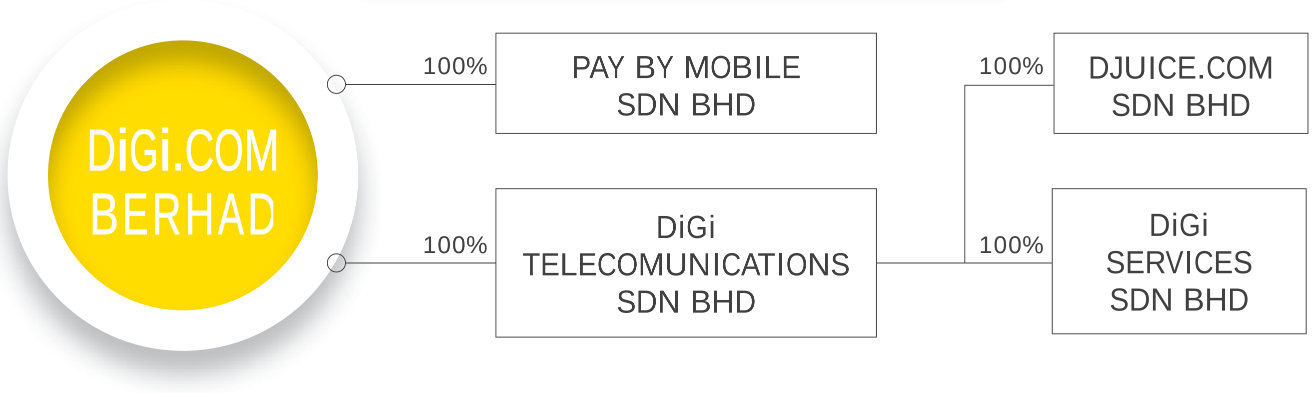
DELIVERING THE BEST INTERNET EXPERIENCE

DiGi.COM BERHAD (425190-X)
ANNUAL REPORT 2013

IN OUR 2013 REPORT

CORPORATE STRUCTURE



CORPORATE INFORMATION

Board of Directors

Sigve Brekke
Chairman

Dato' Saw Choo Boon

Dato' Ab. Halim Bin Mohyiddin

Hakon Bruaset Kjol

Morten Karlsen Sørby
(Appointed on 15 March 2013)

Tore Johnsen
Director and Alternate Director to Sigve Brekke
(Appointed on 15 March 2013)

Yasmin binti Aladad Khan
(Appointed on 23 July 2013)

Tan Sri Leo Moggie
(Retired at the 16th AGM held on 9 May 2013)

Audit & Risk Committee

Dato' Saw Choo Boon
Chairman/Independent Non-Executive Director
(Appointed as Chairman on 23 July 2013)

Dato' Ab. Halim Bin Mohyiddin
Independent Non-Executive Director
(Relinquished as Chairman on 23 July 2013)

Tore Johnsen
Non-Independent Non-Executive Director
(Appointed on 15 March 2013)

Nomination Committee

Dato' Ab. Halim Bin Mohyiddin
Chairman/Independent Non-Executive Director
(Appointed as Chairman on 23 July 2013)

Hakon Bruaset Kjol
Non-Independent Non-Executive Director

Yasmin binti Aladad Khan
Independent Non-Executive Director
(Appointed on 23 July 2013)

Tan Sri Leo Moggie
Senior Independent Non-Executive Director
(Retired at the 16th AGM held on 9 May 2013)

Remuneration Committee

Sigve Brekke
Chairman/Non-Independent Non-Executive Director

Hakon Bruaset Kjol
Non-Independent Non-Executive Director

Tore Johnsen
Non-Independent Non-Executive Director
(Appointed on 15 March 2013)

Secretaries

Choo Mun Lai (MAICSA No. 7039980)

Tai Yit Chan (MAICSA No. 7009143)

Tan Wee Sin (MAICSA No. 7044797)
(Appointed on 31 October 2013)

Liew Irene (MAICSA No. 7022609)
(Resigned on 31 October 2013)

Domicile and Country of Incorporation
Malaysia

Registered Office
Lot 6.05, Level 6, KPMG Tower
8 First Avenue, Bandar Utama
47800 Petaling Jaya
Selangor Darul Ehsan
Tel: 03-7720 1188 Fax: 03-7720 1111
E-mail: Boardroom-KL@boardroomlimited.com
Web: www.boardroomlimited.com

Share Registrars
Tricor Investor Services Sdn Bhd
Level 17, The Gardens North Tower
Mid Valley City, Lingkaran Syed Putra
59200 Kuala Lumpur
Tel: 03-2264 3883 Fax: 03-2282 1886
E-mail: is.enquiry@my.tricorglobal.com
Web: www.tricorglobal.com

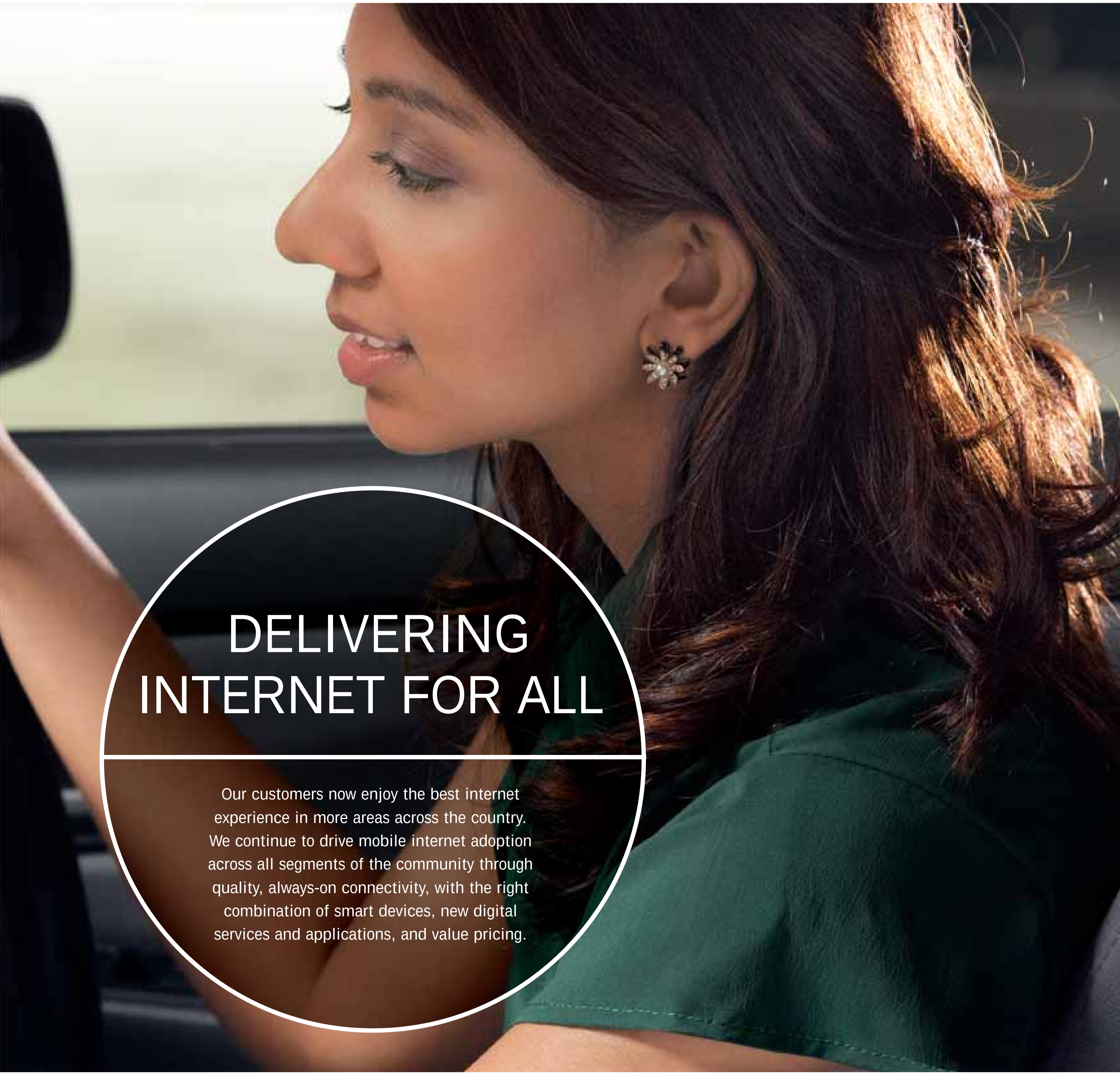
Auditors
Messrs Ernst & Young
Chartered Accountants
Level 23A, Menara Milenium
Jalan Damanlela, Pusat Bandar Damansara
50490 Kuala Lumpur
Tel: 03-7495 8000 Fax: 03-2095 5332

Stock Exchange Listing
Main Market of Bursa Malaysia Securities Berhad
Listed on: 18 December 1997
Stock Name: DiGi
Stock Code: 6947

Principal Bankers
Standard Chartered Bank Malaysia Berhad
AmBank (M) Berhad
CIMB Bank Berhad
OCBC Bank (Malaysia) Berhad
Hong Leong Bank Berhad
UOB Bank Berhad
Sumitomo Mitsui Banking Corporation Malaysia Berhad

BUILDING A STRONGER DiGi

Over the past three years, we have strengthened all areas of our business to deliver on our Internet For All ambition. With the stronger foundation we have built, including putting in place a brand-new internet network, DiGi is now poised for solid future growth, and strongly positioned to cater to the rising demand for high quality internet services from customers across Malaysia.



DELIVERING INTERNET FOR ALL

Our customers now enjoy the best internet experience in more areas across the country. We continue to drive mobile internet adoption across all segments of the community through quality, always-on connectivity, with the right combination of smart devices, new digital services and applications, and value pricing.


DiGi Interne
Internet For
DiGi Intern
Int For

PLACING CUSTOMERS FIRST

Every day we aim to provide the best possible customer experience to our 11 million subscribers. We do this by nurturing a customer-focused culture and way-of-work across our entire value chain, ensuring every DiGizen truly understands and consistently delivers on the needs and expectations of our customers.

CHAIRMAN'S STATEMENT

Dear shareholders,

On behalf of the Board of Directors, I am proud to report that DiGi once again accomplished its goals in 2013, and continued to strongly deliver on its Internet For All mission. Growth for the year was achieved against the backdrop of an increasingly challenging market, and as the Company completed key initiatives in its three-year transformation journey.

Poised for continued growth

Asia today is experiencing exponential digital growth. Almost half of the world's 2.4 billion internet users today are in Asia[1], and by end 2015 another 700 million Asians are expected to join this group[2]. The widespread rollout of advanced data networks, the proliferation of a broad range of smart devices, and the extraordinary growth of social media continues to drive the rapid adoption of mobile internet in this region.

In Malaysia alone there are over 18 million internet users today, and this number is projected to grow to 25 million by end 2015[3], aided by the continued promotion of information and communications technology (ICT) by the government, in all areas of public life. These factors promise exciting opportunities for our business, and underscore our ability to truly empower societies through the power of the internet.

Given these opportunities, I strongly believe DiGi is well positioned for continued growth. With the completion of major transformation milestones DiGi is able to offer the promise of high quality internet connectivity, and relevant, innovative digital services to more customers across Malaysia today.

As our industry matures, the ability to live up to customers' expectations of our services will also become increasingly vital to retaining their loyalty. In this respect, DiGi has over the course of the year become much stronger in the way it enhances customers' experience of its services, across all customer touchpoints.

Embracing responsible business practices

Apart from extending the benefits of mobile technology to more Malaysians, DiGi believes it has a duty to also provide a safe and wholesome experience of its products and services, to prudently manage the impact of its business on the environment, and

to maintain an inclusive, respectful, and progressive working environment for all employees.

Through Telenor Group, DiGi is a member of the UN Global Compact (UNGC), and adheres to the principles on human and labour rights, environmental protection, and anti-corruption. The Company continues to engage employees and business partners around its Code of Conduct and Agreement for Responsible Business Conduct respectively, and ensures mandatory compliance to all principles. Shareholders are encouraged to read about these and other efforts in the Sustainability section of this report, and in DiGi's 2013 Sustainability Report, available at www.digi.com.my/sustainability.

Creating value for shareholders

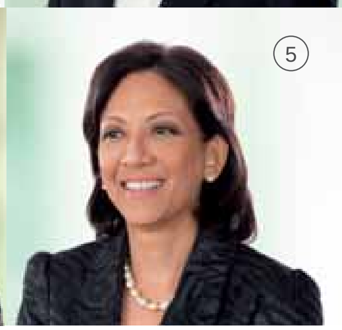
DiGi's strong performance has been clearly acknowledged in the market through its recognition as Company of the Year at The Edge Billion Ringgit Club 2013 Awards. In addition to the main award, DiGi also won the Best Performing Stock award for companies with a market capitalisation of over RM10 billion, and for Most Profitable Company in the trading and services category. These awards follow the previous year's achievement of being listed as a Forbes Asia Fabulous 50 Company, and

[1] *Global Digital Statistics 2014*
[2] *McKinsey & Co.: Riding Asia's Digital Tiger*
[3] *Economic Report 2013/2014*

CHAIRMAN'S STATEMENT

BOARD OF DIRECTORS

1. Dato' Ab. Halim Bin Mohyiddin
2. Morten Karlsen Sorby
3. Dato' Saw Choo Boon
4. Hakon Bruaset Kjol
5. Yasmin Binti Aladad Khan
6. Tore Johnsen



are a clear testimony to the resilience and ability of DiGi's management team and employees to time and again deliver solid results ahead of its peers, in an ever competitive marketplace.

DiGi has also consistently proven its ability to create long-term shareholder value in a vibrant market with intense competition. This is reflected through the Company's strong returns to shareholders over the years. To this end, I am pleased to share that DiGi shareholders were rewarded a net dividend per share of 21.3 sen, or a total dividend of RM1.656 billion for 2013. The dividend pay-out ratio of 97% exceeds the Company's dividend policy of distributing a minimum 80% of its net profits.

Farewell and welcome

I would like to welcome to the Board a seasoned corporate leader Yasmin Aladad Khan, and look forward to leveraging her wealth of experience in the years to come.

On behalf of the Board of Directors, I also take this opportunity to deeply thank and to bid farewell to an esteemed colleague Tan Sri Leo Moggie, for his wisdom and contribution to the Board over the years. The Board, the management team, and all DiGizens wish him the very best for the future.

Acknowledgements

DiGi's solid performance in 2013 was made possible through the hard work and perseverance of its talented management team and dedicated employees, and the valued support of business partners. On behalf of the Board, my deepest thanks go to all DiGizens for their contribution during the year.

The Board would also like to extend our appreciation to the government of Malaysia, particularly to our colleagues in the Ministry of Communications and Multimedia (KKMM), the Malaysian Communications and Multimedia Commission (SKMM), and to the various agencies who continue to work with us in creating a world-class ICT ecosystem in Malaysia.

Lastly, I would like to convey our appreciation to all shareholders for your trust in DiGi. I am confident that we will continue to create value for our shareholders in the years to come, and look forward to your continued support.

Sigve Brekke
Chairman

CEO'S STATEMENT

Dear shareholders,

2013 was a significant year for DiGi, marking the culmination of a three-year transformation journey that today enables us to fully deliver on our Internet For All mission, stay ahead of fundamental changes in our industry, and offer customers the promise of the best internet experience in Malaysia.

These efforts were accomplished alongside a resilient focus on delivering another year of solid growth. In 2013, we grew total revenue by 5.8% over the previous year to RM6.7 billion, outpacing all our peers. Today we serve 11.0 million subscribers; 6.7 million of these are active mobile internet subscribers, and close to 4.2 million now use smart devices. Data revenue also continued to grow, and comprised 34.3% of service revenue in 2013.

The best internet experience

During the year we focused a large part of our investments and efforts into completing our network modernisation exercise. Our brand-new, high-speed internet network forms a cornerstone of our mission to deliver Internet For All, and will enable DiGi to further drive mobile internet adoption in the years to come. Additionally, a range of quality focus initiatives deployed during the year have brought about significant improvements in the performance of our network, which has been broadly acknowledged by our customers.

At the heart of our transformation, we are deepening our relationship with our customers. Over the course of the year, we built the right frameworks to holistically enhance customer experience, with a focus on connecting all front- and back-end facets of the organisation that relate to the customer.

We also strengthened our retail presence to drive a strong focus on service delivery, and today provide customers with an alternative means of accessing our services through our easy-to-use e-commerce platform. Finally, as part of this drive we also launched a number of company-wide initiatives that give all employees the opportunity to interact with customers and learn more about their needs, as we nurture a customer-focused culture and way-of-work.

Delivering Internet For All

Throughout the year, we drove growth by giving customers more reasons to use the internet. We consistently introduced a wide-range of relevant and differentiated internet plans to customers in all segments, triggering consumption through innovatively-priced trials and offerings that cover a combination of affordable devices, subscription packages and digital services.

HENRIK CLAUSEN
Chief Executive Officer

In 2013, the government through the Malaysian Communications and Multimedia Commission (SKMM) introduced the Pakej Komunikasi Belia initiative, offering young Malaysians rebates of RM200 when they purchase entry-level smartphones. This move was noteworthy in boosting smartphone and internet adoption among Malaysian youths. For our part, DiGi deployed significant effort and resources to promote this programme, bringing the internet to more than 580,000 young Malaysians through this initiative.

Our Internet For All mission also guides the way we inspire and engage community groups. During the year, we continued our effort to encourage and nurture the development of local content and applications through our Challenge for Change programme. We also deepened our commitment to driving awareness for safe internet through our CyberSAFE in Schools programme; in 2013, we leveraged our reach to students nationwide to gather deeper insights on internet usage and safety, through a survey that produced a comprehensive body of statistics on the

CEO'S STATEMENT

MANAGEMENT TEAM

① Albern Murty
② Christian Thrane
③ Loh Keh Jiat
④ Karl Erik Broten
⑤ Eugene Teh
⑥ Haroon Bhatti

subject. More details on these and other initiatives are available in the Sustainability section of this report, and in our 2013 Sustainability Report which is available at www.digi.com.my/sustainability.

A stronger DiGi

Our transformation ambitions were also centered on building a culture that nurtures strong talents. Over the years, we have made consistent progress in building a modern and progressive company, rooted in the tenets of cultivating a challenging and supportive work culture and environment, providing attractive development opportunities at all levels, and offering competitive, performance-based rewards for all DiGizens.

One of our key priorities for the year was to strengthen the Company's leadership to help us drive the next phase of our growth. The new management line-up sees Albern Murty taking on a new role of Chief Operating Officer, while Christian Thrane assumes the role of Chief Marketing Officer. During the year, Karl Erik Broten and Haroon Bhatti from Telenor Group joined the management team as Chief Financial Officer and Chief Human Resource Officer respectively. In January 2014, we welcomed Loh Keh Jiat, a long-serving talent of nine years, to the management team as Chief Sales Officer. Finally, Eugene Teh joined the Company as Chief Corporate Affairs Officer, significantly adding to the strength of the management team with his years of experience in the public and private sectors.

Our business remains robust, and provides a solid foundation for sustainable growth and profitability. With core fundamentals in place, I am confident we now have a stronger organisation that can drive the future growth of the company, and deliver on our long-term ambitions.

Terima kasih

I would like to take this opportunity to express my appreciation to former colleagues Ole Martin Gunhildsbu, Terje Borge, and Suriahni Abdul Hamid for their contribution as members of my management team, and wish them the very best for the future.

Every DiGizen played a role in driving DiGi's transformation agenda over the last three years, and I thank each and every one of them for their unwavering commitment and perseverance in delivering a well-fought year.

Finally, I would like to thank all our customers for their continued support. We look forward to delivering the best internet experience to you in 2014, and beyond.

Henrik Clausen
Chief Executive Officer

MANAGEMENT DISCUSSION & ANALYSIS

2013 KEY HIGHLIGHTS

5.8% growth to **RM6.7 billion** revenue	Fully modernised network, with HSPA+ enabled 3G coverage reaching **80% populated areas**	**45%** EBITDA margin amounting to **RM3.0 billion**
34% Ops Cash-Flow margin amounting to **RM2.3 billion**	**6.4 sen** higher earnings per share, to **21.9 sen**	**16%** incremental dividend per share to **21.3 sen** *(excluding special dividend of 8.0 sen in 2012)*

In the financial year ended 2013, DiGi recorded solid top-line performance growth, steadily gained revenue market share, and sustained healthy margins. The good performance was a reflection of DiGi's focus on consistent execution, excellent customer service and network quality.

Revenue grew by 5.8% to RM6,733 million. Net profit increased 41.5% to RM1,706 million, while Operating Cash-Flow (Ops Cash-Flow) strengthened by 3.3% to RM2,302 million. The higher net profit was a flow through from:
(i) improved EBITDA,
(ii) higher qualifying last mile broadband tax incentive claims, and
(iii) efficient depreciation and amortisation (D&A) arising from the completion of the network modernisation exercise.

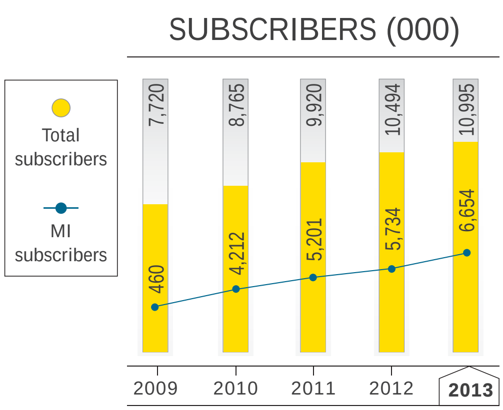
This positive financial performance was achieved alongside the completion of its network modernisation exercise, and the expansion of its HSPA+ enabled 3G network coverage to 80% of populated areas, from 67% a year ago. This has consequently put DiGi on par with its peers in terms of network strength, and has enabled the delivery of high-speed mobile internet services to more customers around Malaysia.

As a result, DiGi delivered stronger operating and financial results in 2013, met its financial guidance for the year, and positioned the company solidly for continued excellence in 2014 and beyond.

2013 Financial Guidance	Delivered
5% - 7% revenue growth	• 5.8% revenue growth
~1pp lower EBITDA and Ops Cash-Flow margins (revised)	• 45% EBITDA margin • 34% Ops Cash-Flow margin

OPERATIONAL HIGHLIGHTS

Subscriber and Average Revenue Per User (ARPU)



Throughout the financial year, DiGi introduced relevant and attractive deals for devices and internet packages to drive greater internet adoption.

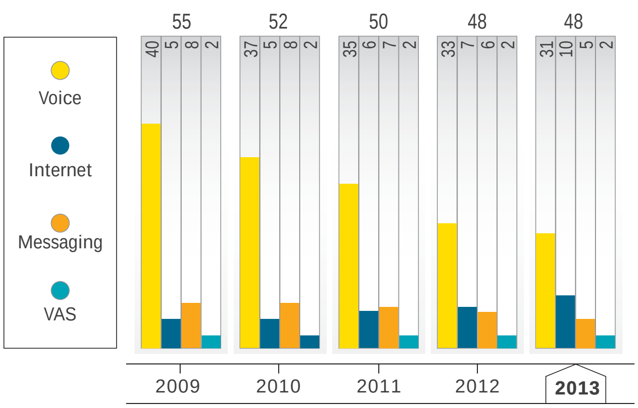
Consistent internet-focused marketing activities and higher usage from a stronger data network resulted in an increase in DiGi's subscriber base to 11.0 million subscribers (2012: 10.5 million), of which 60.5% or 6.7 million subscribers are active mobile internet users.

DiGi gained additional 501,000 subscribers in 2013; 472,000 of this comprised of prepaid subscribers, while 29,000 were postpaid subscribers.

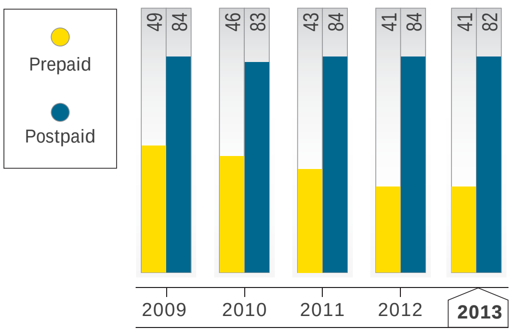
MANAGEMENT DISCUSSION & ANALYSIS

During the year, DiGi continued to prioritise customer centricity initiatives across its entire value chain. The results from this initiative have been favourable, with customers expressing higher willingness to promote DiGi's services to their families, friends and social network.

BLENDED ARPU SPLIT (RM)



ARPU DEVELOPMENT (RM)



DiGi's blended ARPU remained stable at RM48, even as it expanded into new secondary markets. The uplift from incremental internet usage adequately balanced out lower ARPU from less affluent market segments, and the effects of data shifts on traditional mobile services.

Internet ARPU continued to climb, driven by an increase in smartphone adoption, and the growing demand for internet on supplementary devices such as tablets.

Network and Industry Collaboration

2013 was a landmark year for DiGi as it completed its nationwide network modernisation exercise. This brand-new network enables DiGi to deliver greater stability and improved quality for both voice and data services.

Apart from expanding its HSPA+ enabled 3G network coverage to 80% of populated areas, DiGi also launched LTE services in key market centers like Klang Valley, Johor Bahru and Kota Kinabalu.

At end 2013, DiGi's extended its own and jointly built fibre network to more than 3,200 km nationwide to support the always-on, high-speed data needs of its customers, and the delivery of LTE services to more locations nationwide.

In addition, DiGi together with Celcom signed a long term collaborative deal with Telekom Malaysia (TM) to secure faster access to fibre infrastructure, for future network capacity demands. This formed an important part of the ongoing network collaboration between DiGi and Celcom to roll out more than 10,000 km of fibre nationwide, and provided a good platform to capitalise on built and shared infrastructure synergies, optimise costs, and avoid infrastructure duplications. Importantly, this will significantly enhance DiGi's ability to deliver affordable and high-quality internet connectivity to more Malaysians in the coming years.

Strategic Digital Service Partnerships

As part of delivering its Internet For All ambition, DiGi continued to bring innovative digital service offerings to customers over the course of the year.

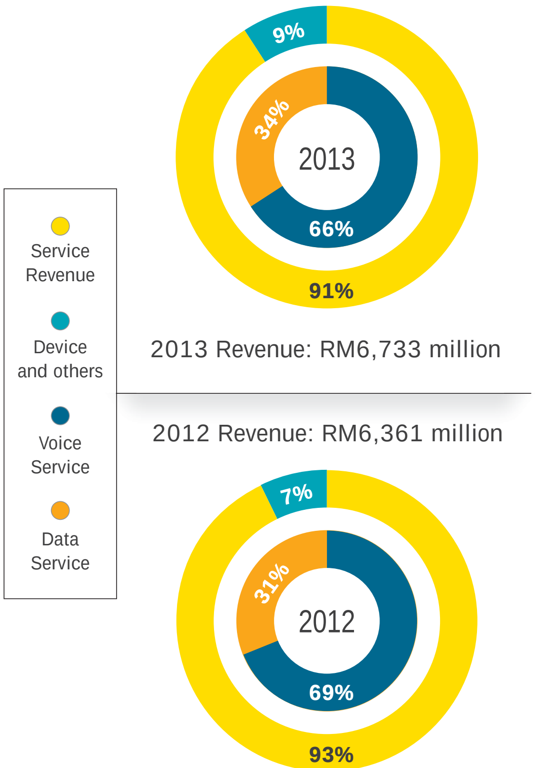
Leveraging Telenor Group, DiGi established partnerships with global internet players like Facebook, Twitter, WhatsApp, Opera, and Deezer to offer subscribers a richer mobile experience through relevant popular digital services.

DiGi will continue to introduce more of such services over time to further stimulate usage and foster a mobile internet lifestyle among its subscriber base.

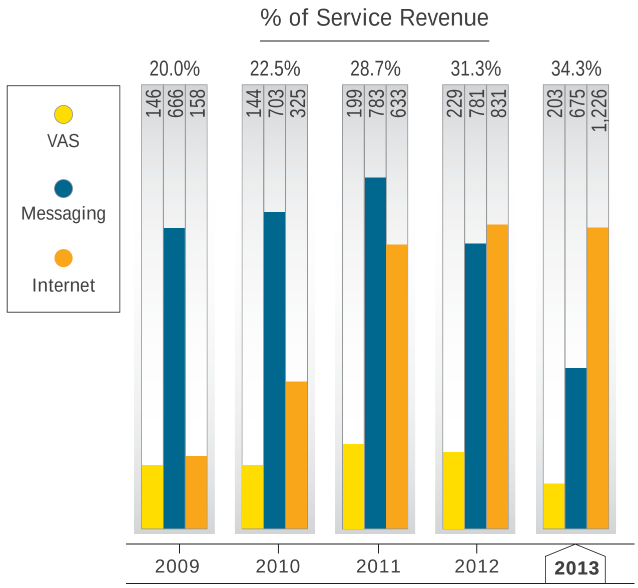
MANAGEMENT DISCUSSION & ANALYSIS

FINANCIAL HIGHLIGHTS

Revenue Performance



DATA REVENUE (RM MIL)



DiGi's revenue rose 5.8% year-on-year, mainly driven by resilient ARPU on a larger subscriber base.

Service revenue grew by 4.1% to RM6,131 million (2012: RM5,891 million), benefiting from increased usage on a larger HSPA+ enabled 3G network, and improved network quality. This gain cushioned the dilutive effects from mobile termination rate (MTR) revisions in the year.

Service revenue from prepaid increased 5.2% year-on-year, with significant 70.5% growth on internet revenue as voice revenue remained flat at 0.7% compared to the previous year.

Service revenue from postpaid improved 1.4% year-on-year, aided by 27.7% growth in internet revenue which substantially cushioned a 5.0% voice revenue decline.

The favourable growth on internet revenue and mobile internet subscribers was an encouraging testimony to the relentless focus on driving internet based subscriptions and usage campaigns, aided by the improved data network.

The availability of affordable smartphones and tablets was an additional factor in increasing internet take-up, especially among prepaid subscribers. At end 2013, the number of smart phone users on the network stood at 38.1% (2012: 26.4%) of the total subscriber base.

Data revenue grew by RM263 million to RM2,104 million (2012: RM1,841 million), comprising 34.3% of total service revenue.

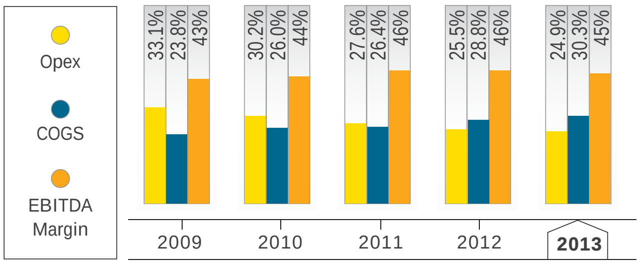
The strong demand for affordable and popular devices contributed to an increase in device and other revenue of 28.1% year-on-year to RM602 million (2012: RM470 million).

MANAGEMENT DISCUSSION & ANALYSIS

Cost and Margin Review

DiGi placed significant importance on sustainable operational efficiencies to support its growth and to deliver the best customer experience.

COST AND EBITDA %



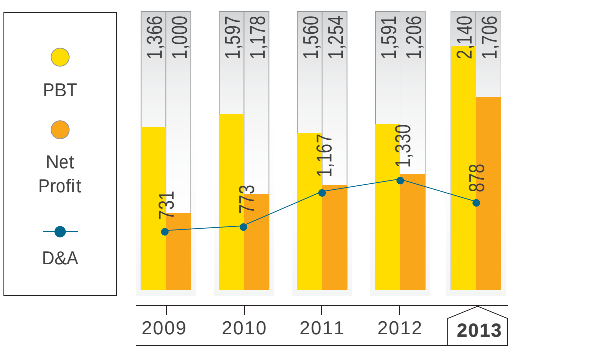
Cost of goods sold (COGS) and operational expenditure (Opex) were managed prudently, driven by strong cost management discipline throughout the organisation, with visible efficiencies obtained from the recently completed network modernisation exercise.

Overall, the Opex to revenue ratio improved to 24.9% (2012: 25.5%) on the back of a larger nationwide network footprint. The increase in devices sold during the year contributed to higher COGS to 30.3% (2012: 28.8%).

EBITDA margin continued to remain resilient at 45% while EBITDA to service revenue ratio was kept at 50%.

Profit Before Tax (PBT), Net Profit and D&A

PBT, NET PROFIT AND D&A (RM MIL)



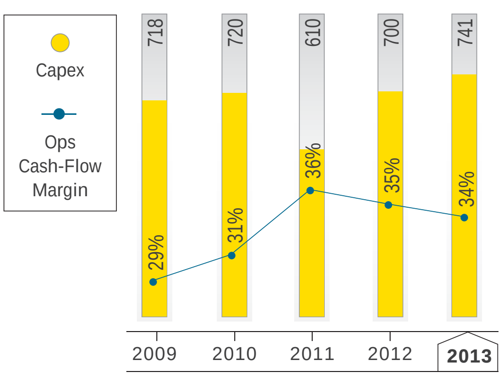
DiGi's net profit margin rose to 25% (2012: 19%) as a flow-through from improved OPEX to revenue, more efficient D&A charges following the completion of the network modernisation exercise, and lower effective tax rate from higher qualifying last mile broadband tax incentives.

The remaining accelerated depreciation of RM153 million (2012: RM575 million) and normal depreciation on the old network equipment have been fully charged out in the year, following the completion of the network modernisation exercise.

Moving forward, D&A will continue to benefit from the improved network asset base. The future investments to expand DiGi's fibre transmission network, high-speed data coverage (3G/HSPA+ and LTE), and investments on information technology (IT) modernisation initiatives will be subject to the usual depreciation rate and its respective useful life.

Capital Expenditure (Capex) and Ops Cash-Flow Margin

CAPEX (RM MIL) AND OPS CASH-FLOW MARGIN (%)



DiGi has invested RM741 million (2012: RM700 million) in Capex, amounting to 11% of revenue, mainly on modernising its network infrastructure and IT platforms.

The encouraging growth on top line revenue and EBITDA resulted in improved Ops Cash-Flow to RM2,302 million (2012: RM2,229 million), with a margin of 34%.

MANAGEMENT DISCUSSION & ANALYSIS

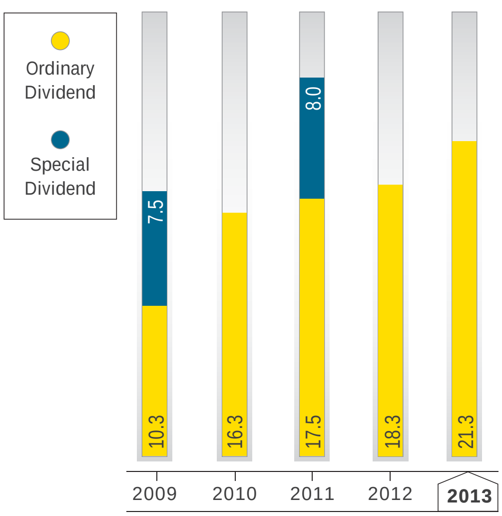
Balance Sheet and Shareholder Returns

In 2013, DiGi delivered 41.3% growth on Earnings Per Share (EPS), up 6.4 sen over the previous year to 21.9 sen (2012: 15.5 sen).

Total assets at the end of the financial year 2013 stood at RM3,752 million, lower than the previous year's RM4,014 million, mainly arising from the repayment of interest-bearing debts. As a result, interest-bearing debt was RM749 million, 30.6% lower compared to previous year's balance (2012: RM1,080 million).

The overall balance sheet remained strong with net debt/EBITDA ratio kept below 0.3x.

DIVIDENDS
(NET SEN/SHARE)



For financial year 2013, the dividend payout ratio was 97% of earnings (exceeding the minimum 80% payout commitment) with a total dividend of RM1,656 million or 21.3 sen per share.

Overall, year-on-year total dividend payout (excluding a special dividend of 8.0 sen in financial year 2012) increased by 16%.

REGULATORY DEVELOPMENT

Since 1 January 2013, regulated termination rates have been lowered, with gradual reduction in these rates in 2014 and 2015 respectively.

These new rates have minimal impact on DiGi's margins, but will have dilutive effects on top line revenue, COGS and ARPU.

OUTLOOK FOR 2014

The momentum gained from 2013 has provided DiGi with a good head-start for 2014. DiGi believes that up-trends are likely to continue; with revenue growth at a fairly modest rate against rising market competition and costs.

Looking ahead, the key priorities will be to fully deliver on its Internet For All aspirations, drive greater customer focus across the organisation, and deliver sustainable revenue and market share growth.

DiGi will invest additional capex to capture future growth opportunities. Capex for 2014 is expected to reach up to RM900 million, mainly aimed at extending its HSPA+ enabled 3G network to 86% of populated areas, increasing the number of infill sites to improve network quality, rolling out 1,500 LTE sites in more market centers around Malaysia, developing a competitive nationwide fibre network, and putting in place a brand-new convergent billing system.

DiGi aspires to deliver top line revenue growth in the range of 4% to 6% - ahead of the projected industry growth of 4% - while sustaining EBITDA margin at 2013 levels. Finally, DiGi is committed to continuously create value and deliver good returns to shareholders.

The 2014 guidance is summarised in the table below.

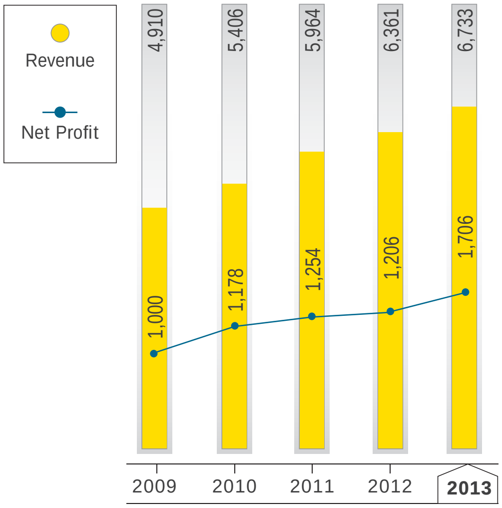
2014 Guidance	Aims to deliver
Revenue growth	4% - 6%
EBITDA margin	Sustain at 2013 level

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

PERFORMANCE AT A GLANCE

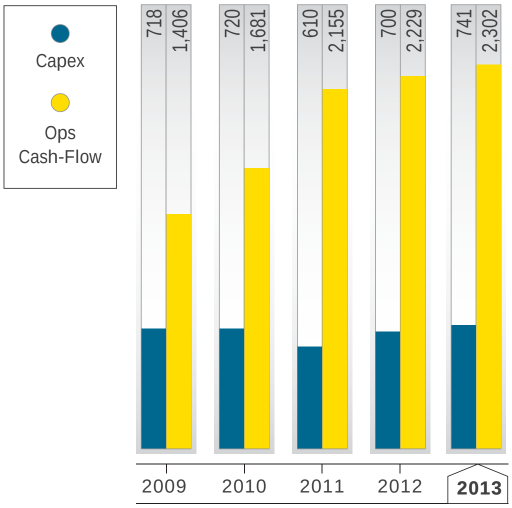
REVENUE GROWTH

REVENUE (RM MIL) 6,733



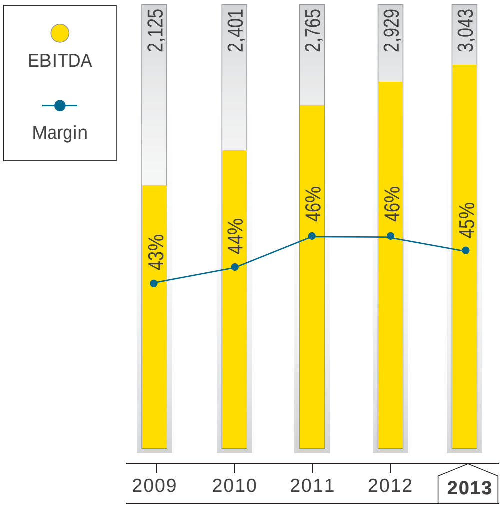
CAPEX AND OPS CASH-FLOW DEVELOPMENT

OPS CASH-FLOW (RM MIL) 2,302



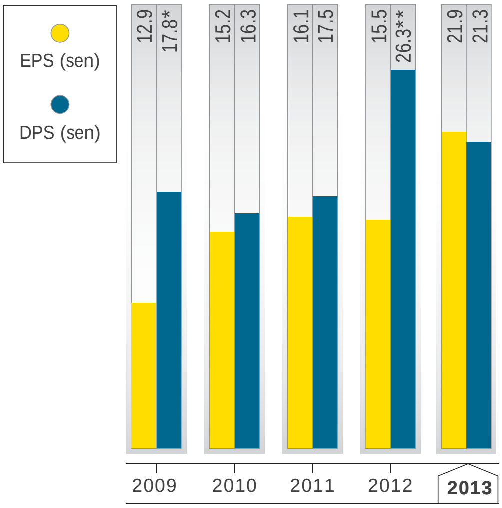
EBITDA DEVELOPMENT

EBITDA (RM MIL) 3,043



SHAREHOLDERS' RETURN

NET DIVIDEND PER SHARE (SEN) 21.3



**Include special dividend of 7.5 sen*
***Include special dividend of 8.0 sen*

GROUP FINANCIAL SUMMARY

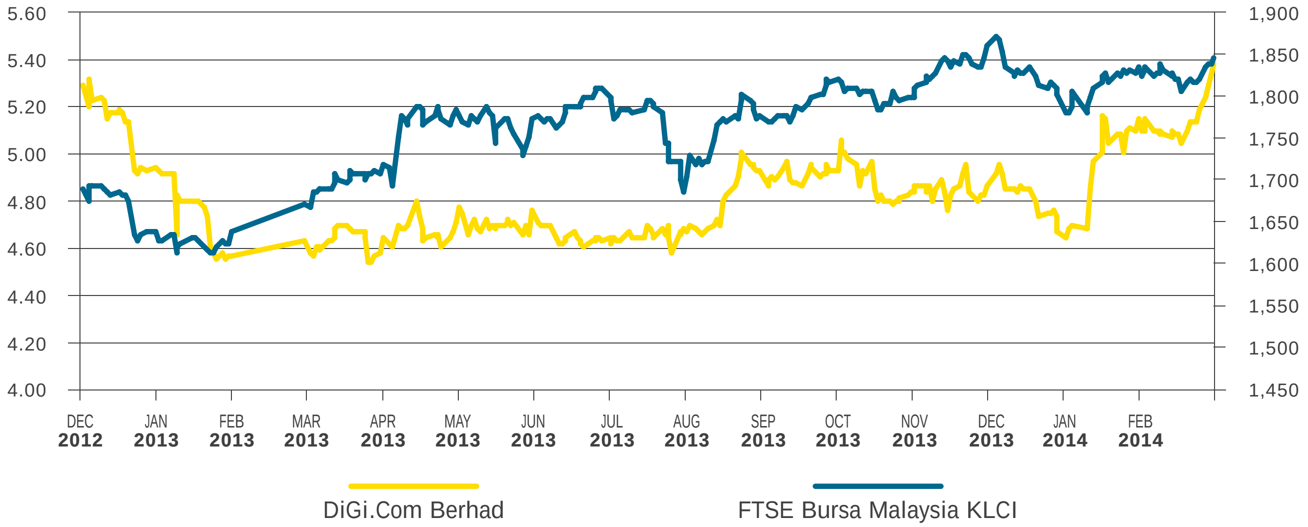
RM MIL	**2013**	2012	2011	2010	2009
Revenue	**6,733**	6,361	5,964	5,406	4,910
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	**3,043**	2,929	2,765	2,401	2,125
Earnings before interest and taxes (EBIT)	**2,165**	1,599	1,597	1,628	1,393
Interest cost	**43**	52	66	52	41
Profit before tax	**2,140**	1,591	1,560	1,597	1,366
Net profit	**1,706**	1,206	1,254	1,178	1,000
Capital expenditure	**741**	700	610	720	718
Operating cash-flow	**2,302**	2,229	2,155	1,681	1,406
Total assets	**3,752**	4,014	4,863	5,137	4,732
Non-current liabilities	**657**	1,030	859	1,518	1,185
Total borrowings	**749**	1,080	728	1,077	922
Shareholders' equity	**661**	261	1,411	1,347	1,521
Return on equity	**258.1%**	462.1%	88.9%	87.5%	65.7%
Return on total assets	**45.5%**	30.0%	25.8%	22.9%	21.1%
Earnings per share (sen)[1]	**21.9**	15.5	16.1	15.2	12.9
Dividend per share (sen)[1]	**21.3**	26.3	17.5	16.3	17.8
Net assets per share (sen)[1]	**8.5**	3.4	18.0	17.3	19.6
Gearing ratio (debts/share equity)(x)	**1.1**	4.1	0.5	0.8	0.6
Interest cover (x)	**50.3**	30.8	24.2	31.3	34.0

[1] Adjusted for share split

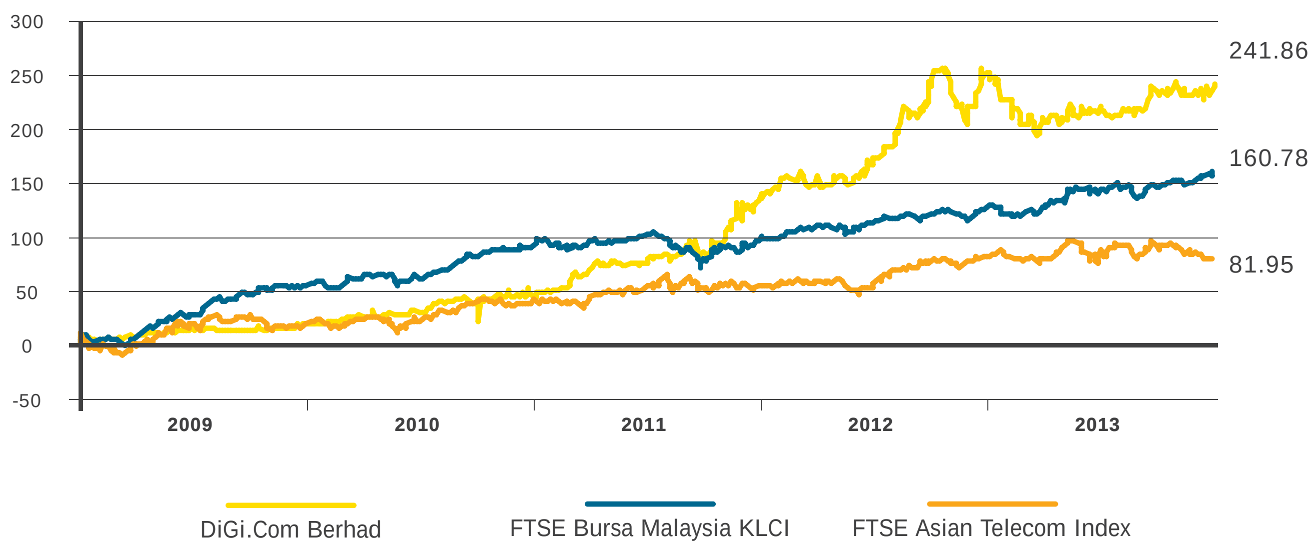
SHARE DEVELOPMENT

DiGi's share price underperformed in 2013 by –6.2% compared to the benchmark FTSE Bursa Malaysia KLCI Index which gained 10.5%. The share price was affected by dividend distribution limitation within 100% payout, and concerns on rising bond yields in the market. Nonetheless, the share price regained momentum post the fourth quarter results which showcased a solid performance round-up for the year.

Share Price of DiGi.Com vs FTSE Bursa Malaysia KLCI



Total Shareholders' Returns (%) over 5 years (2009 - 2013)



2013 HIGHLIGHTS

7 JAN

Launched a holistic, nationwide drive of government's Pakej Komunikasi Belia initiative, enabling more youths to own entry-level smartphones by redeeming RM200 rebate from retail stores nationwide.

25 FEB

First to offer free use of Twitter via the Opera Mini browser for customers on DiGi Easy Prepaid.

4 MAR

Launched new range of DiGi SmartPlans and partnerships with Facebook, Twitter, WhatsApp and Opera, offering postpaid customers greater access to social media with higher internet quotas.

18 MAR

Introduced Evernote Premium bundling with selected Broadband and Tablet Plans.

26 MAR

Began second series of DiGi CyberSAFE in Schools educational workshops nationwide, sharing knowledge and skills to ensure a safer online experience for schoolchildren.

27 MAR

First to give free Skype credit for voice calls to fixed lines and mobile phones to DiGi postpaid broadband and mobile internet customers.

18 APR

Announced partnership with global music streaming service Deezer, allowing customers to enjoy on-demand access to over 30 million songs from local and international artistes.

18 MAY

Launched DiGi WWWOW Internet For All Awards for the third consecutive year to celebrate the creativity and entrepreneurial spirit of ordinary Malaysians who use the internet to inspire others.

27 JUN

Announced winners of DiGi Challenge for Change. Supported apps by promoting them to our smartphone base, and across various customers touch points.

29 JUN

Introduced DiGi Prepaid Menang Besar Reload Contest to reward loyal prepaid customers with smart devices and cash prizes worth more than RM800,000.

5 JUL

Launched DiGi 4G LTE in high traffic locations across Klang Valley for customers on Broadband and Tablet Plans.

15 JUL

Unveiled new DG Postpaid Simple plan catered for heavy voice, SMS and mobile internet usage on entry-level smartphones.

9 SEP

Introduced the first one-stop Android solutions center for customers through the first My AndroidHub at the DiGi Store in Sunway Pyramid and also online.

23 SEP

Debuted 'Customer First Day' where 1,500 DiGizens stepped out to engage and appreciate loyal customers across the Klang Valley for their continued support.

25 SEP

Launched mobile video service Viki to offer DiGi prepaid and postpaid internet customers free and exclusive first viewing of dramas, movies and music videos on their mobile devices.

20 OCT

Completed nationwide swap of the network. (At end 2013, DiGi's HSPA+ enabled 3G network reached 80% populated areas.)

21 OCT

Launched online travel portal, Travelar.com in partnership with Asia Web Direct. Portal enables customers to book hotels globally, and eases pre-travel arrangements like voice and internet roaming services, and personal and travel insurance.

24 OCT

Launched mobile Point-of-Sale (mPOS) plan in collaboration with CIMB to enable credit and debit card payment facilities on-the-go.

1 NOV

Selected two social entrepreneurs to attend the first Telenor Youth Summit 2013 in Norway, to present and implement mobile technology solutions that create positive change for communities globally.

11 NOV

Announced refreshed organisation structure and senior management lineup to drive deeper business and customer focus.

14 NOV

DiGi's CyberSAFE in Schools programme released an inaugural survey polling over 15,000 children across 459 schools nationwide on internet safety.

19 NOV

Unveiled new machine-to-machine (M2M) platform to enable enterprise customers achieve better cost savings, improve efficiencies and explore new revenue streams.

26 NOV

Introduced affordable Tablet Plans bundled with a free 7" Start Android tablet to get Malaysians started on the internet.

27 NOV

Launched the fifth edition of DiGi Challenge for Change in search of innovative Malaysian mobile apps, with a new public services category and additional platforms for idea and mobile app development.

12 DEC

Launched DiGizens Thank You Sale, a special year end promotion to appreciate loyal customers with free devices, internet and calls. Also unveiled the second MyAndroid Hub at the Gardens Mall.

13 DEC

Expanded network collaboration initiative with Celcom where both parties signed a deal with Telekom Malaysia for its next-generation backhaul services. The agreement supports DiGi's ambition to rollout over 10,000 kilometres of fibre network nationwide to deliver high quality internet connectivity to more Malaysians.

14 DEC

Rewarded loyal DiGi Prepaid mobile internet customers through the 60 Vespas in 60 Days contest, presenting each customer with a Vespa LX150 scooter worth RM8,800 each.

AWARDS & ACCOLADES

THE EDGE BILLION RINGGIT CLUB 2013

- >> Company of the Year
- >> Best Performing Stock (for companies with a market capitalisation of over RM10 billion)
- >> Most Profitable Company, Trading and Services Category

by The EDGE Malaysia

CLIMATE DISCLOSURE LEADERSHIP INDEX 2013

- >> No. 1, Malaysia Category
- >> No. 1, Year-on-Year Disclosure Score Change for South East Asia

by CDP

KANCIL AWARDS 2013

- >> Advertiser of the Year
- >> Gold Award, Film (Non-Broadcast-Single) Category for 'Ciut Ciut' DiGi #confirmmalaysian Campaign
- >> Gold Award, Film (Non-Broadcast-Campaign) Category for 'Ciut Ciut/Pop Pop/Ayam/The Hand/Repeat/ On The Way/Where Can' DiGi #confirmmalaysian Campaign
- >> Bronze Award, Radio (Broadcast-Single) Category for 'Sayang' DiGi Prepaid Campaign
- >> Bronze Award, Radio (Broadcast-Single) Category for 'Mommy' DiGi Prepaid Campaign
- >> Bronze Award, Radio (Radio Craft-Best Use of Music) Category for 'Sayang' DiGi Prepaid Campaign
- >> Bronze Award, Radio (Radio Craft-Best Use of Music) Category for 'Mommy' DiGi Prepaid Campaign
- >> Bronze Award, Film (Non-Broadcast-Single) Category for 'Ayam' DiGi #confirmmalaysian Campaign

by Association of Accredited Advertising Agents Malaysia (4As)

ASIA'S BEST MANAGED COMPANIES 2013

- No. 1, Best Managed Company Category
- No. 1, Best Corporate Responsibility Category
- No. 1, Most Committed to a Strong Dividend Policy Category
- No. 2, Best Corporate Governance Category
- No. 2, Best Investor Relations Category

by FinanceAsia

BRAND FINANCE REPORT 2013

- Ranked No. 6, Malaysia's Top 100 Brands

by Brand Finance

2013 EFFIE AWARDS MALAYSIA

- Bronze Award, DiGilympics Campaign

by Malaysian Advertising Association (MAA), Association of Accredited Advertising Agents Malaysia (4As) and Media Specialists Association (MSA)

CYBER SECURITY MALAYSIA AWARDS 2013

- Information Security Outreach Provider of the Year

by CyberSecurity Malaysia

ACCA MALAYSIA SUSTAINABILITY REPORTING AWARDS (MASRA) 2013

- Finalist, Stand Alone Category for Best Sustainability Report

by Association of Certified Chartered Accountants Malaysia and Talent Corporation Malaysia

PUTRA BRAND AWARDS 2013

- Silver Award, Communication Networks

by Association of Accredited Advertising Agents Malaysia (4As)

PC.COM AWARDS 2013

- Best Prepaid Telco

by PC.Com Malaysia

SUSTAINABILITY

Our Sustainability Approach

DiGi is committed to driving responsible and sustainable business practices throughout its organisation. This is achieved by ensuring high standards of governance across its entire operations, promoting responsible business practices, managing its environmental impact, and by extending the benefits of mobile communications to all Malaysians.

DiGi's philosophy on sustainable business practices is expressed through a body of comprehensive policies and processes, monitored across key business functions, and periodically reported to the senior management and Board of Directors. DiGi's Sustainability approach is aligned to Telenor Group's Corporate Responsibility Strategy, Bursa Malaysia's CSR Framework, and the United Nations Global Compact (UNGC) Principles. DiGi continues to regularly review its approach to ensure that relevant sustainability challenges are addressed across its value chain.

Sustainability Strategy

DiGi's Sustainability strategy focuses on issues that are of high importance to its stakeholders, and key to its long-term growth and success. These issues are addressed through four focus areas, namely Empowerment Through Connectivity, Ethical and Responsible Business, Climate Change and Environment, and Best on People.

Empowerment Through Connectivity

The company's ambition to deliver Internet For All centers on driving access and providing new, relevant ways to use the internet. This year, DiGi continued to inspire positive adoption of mobile internet services through various community empowerment initiatives.

In season four of Challenge for Change, DiGi worked with young developers to create new, locally-relevant mobile applications. A total of 50 mobile apps were developed in the final phase of the programme, from over 2,000 ideas submitted by the general public. DiGi provided go-to-market support for seven top apps, promoting them to its customer base, in its app stores, at retail outlets, and over its social media properties.

As part of the programme, DiGi presented an opportunity to the best developer team, YO! to gain international exposure and learn from global digital service experts at Telenor's Digital Winners Conference in Oslo, Norway. In addition, it also facilitated the collaboration of Redy, a social blood drive app, with the National Blood Centre (Pusat Darah Negara - PDN).

Global exposure for DiGi Challenge for Change winners, YO! at Telenor's Digital Winners Conference in Oslo, Norway.

SUSTAINABILITY

In November 2013, DiGi expanded the Challenge into its fifth year. Local mobile developers are now creating apps from more than 2,500 ideas received by the Malaysian public, and winners will continue to receive relevant market support from DiGi and its programme partners. The Challenge builds on an established partnership with the Economic Transformation Programme (ETP), the National Digital Economy Initiative (Digital Malaysia), Google Malaysia and Microsoft Malaysia, and welcomes into the programme new partners 1Malaysia for Youth (iM4U) and the Malaysian Administrative Modernisation and Management Planning Unit (MAMPU). DiGi believes that the partnership with these select public and private organisations provides a holistic approach to talent and content development locally, now notably expanded with access to an additional 500,000 youths via iM4U, and a wealth of public service delivery data extended by MAMPU.

DiGi Challenge for Change nurtures Malaysian talents to develop local mobile content and applications.
Visit *www.digicfc.my* for more information.

In 2013, DiGi deepened its efforts on raising awareness and creating safe online experiences with students through DiGi's CyberSAFE in Schools Programme. The focus this year was on developing trusted ambassadors who are able to influence students' appreciation of cyber safety, and DiGi trained 478* ICT and digital library teachers and education ministry staff from over 450 schools nationwide. Upon training 15,256* students in these schools, DiGi also published a comprehensive nationwide survey detailing students' level of awareness on online safety.

DiGi's CyberSAFE in Schools Programme published survey polling schoolchildren's cyber safety habits, in partnership with the Ministry of Education, CyberSecurity Malaysia, SKMM and other strategic industry partners.

For its efforts, DiGi was awarded the Best Outreach Provider of the Year award for the second consecutive year in the Malaysia Cyber Security Awards 2013. A teacher ambassador in the programme, Mohd. Yusnizam bin Mohamad from SMK Ahmad in Pekan, Pahang, was awarded CyberSecurity Ambassador of the Year for educating over 400 students in his school about online safety. DiGi's CyberSAFE in Schools Programme is initiated as a smart public-private partnership with the Ministry of Education, CyberSecurity Malaysia and the Malaysian Communications & Multimedia Commission (SKMM).

For the third consecutive year, we hosted the DiGi WWWOW Internet For All Awards 2013 to recognise Malaysia's top talents in social media, digital content and web commerce who have inspired others to do and achieve more through the power of the internet. In partnership with SKMM, the expanded programme also unveiled new exclusive learning experiences for winners, including the opportunity to attend selected activities at the Nobel Peace Prize event in Norway in December 2013.

** Reviewed and verified by Ernst & Young*

SUSTAINABILITY

Together with Telenor Group, DiGi also introduced the inaugural Telenor Youth Summit programme, inviting youths to explore mobile technology solutions that create social change. The two Malaysian winners, Farah Fathiah Binti Fauzi and Wong Gwen Yi joined peers from 12 other Telenor business units at the Summit to collaborate on these ideas, with a view to potentially implement them in their home countries. They also received input from global leaders and technical experts, and gained insights by participating in the annual Nobel Peace Prize event. Top ideas from the Summit were presented at the Nobel Peace Prize Concert dinner reception, and also at the Mobile World Congress in Barcelona in February 2014.

Telenor Youth Summit gathered 25 young social entrepreneurs from around the world to fuel ideas where mobile phone technology can provide solutions that address societal and economic challenges.

Ethical and Responsible Business

DiGi relentlessly upholds a high standard of corporate governance and ethics across the organisation. This is in accordance to DiGi's 'Way of Work' governance framework that outlines corporate values, codes of conduct, and various governing policies and procedures.

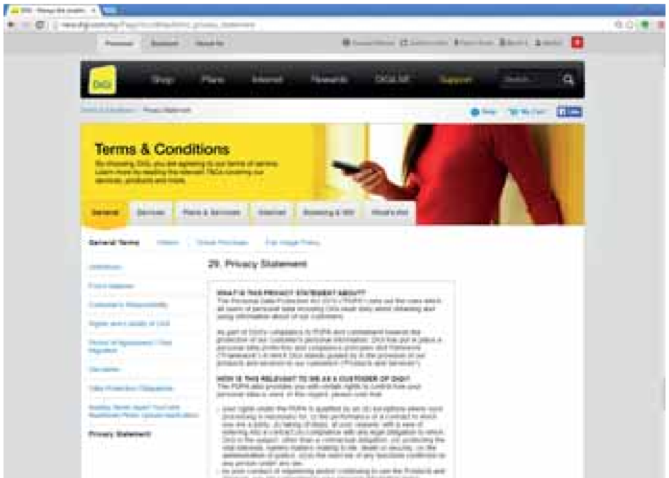
In 2013, the Sourcing Department completed its transition from a procurement-based service center to a global entity by becoming a member of Telenor Group's Global Sourcing Organisation (GSO). A central role of GSO is to manage and align sourcing activities across the Group in accordance to the new sourcing policy and manual for 2013, which aims to bring efficiency to the sourcing process without compromising key controls. It strives to achieve these objectives by providing guidance through high yet achievable standards that uphold common principles and reflect good governance, managed through an efficient, synchronised sourcing approach.

DiGi also actively monitors its operations for any environmental impact and business association risks. Sourcing procedures include requirements for sustainable sourcing, and compliance to the Agreement of Responsible Business Conduct (ABC) or Supplier Conduct Principles (SCP) frameworks with all business associates.

This year DiGi deepened its focus in building compliance towards the Personal Data Protection Act 2010, and securing the personal information of the 11 million customers in its base. It established a new, comprehensive set of compliance principles, frameworks and initiatives, adding to the existing Information Security Management programme that addresses broader issues of information management and security across the organisation.

DiGi's Privacy Statement is now accessible to customers via DiGi's website and Online Customer Service site, and physical copies are also made available upon request. DiGi has also introduced the Personal Information Notice and Data Protection Clause to protect existing, new and potential DiGi employees, requiring individuals to consent and acknowledge the ways in which the Company will use, keep, process, and share their personal data in accordance to the Act.

SUSTAINABILITY



Driving awareness across all customer touchpoints on the enactment of PDPA 2010 and the way DiGi secures customers' personal data.

DiGi remains steadfast in its adherence to stringent requirements outlined by the International Commission on Non-Ionizing Radiation Protection (ICNIRP) in managing concerns on health risks arising from Radio Frequency (RF) emissions from mobile phones and transmission sites. The Company also continues to play an active part in industry-led initiatives to raise public awareness on this issue.

DiGi recognises that ensuring adherence to policies, processes and practices require the commitment and buy-in from all stakeholders in the value chain, and continues to conduct periodic awareness and training sessions for employees and business partners.

Climate Change and Environment

DiGi takes a proactive approach in managing potential environmental impacts and risks across its operations. Its strategy remains to drive efficiency improvements in its network and facilities, and to address broader issues across the business to stabilise the growth of total energy consumption and carbon dioxide (CO2) emission levels.

This year, the Company realised greater energy savings from its new energy-efficient network, and reduced dependency on diesel-generated power. These efforts resulted in an improved carbon intensity ratio, in spite of the organic growth of the network. With the completion of its network modernisation exercise, DiGi expects to see gradual improvements in energy efficiency year-on-year.

DiGi continued to actively implement cost-efficient methods to convert off-grid transmission sites that use diesel-generated energy to more carbon-efficient energy sources.

In 2013, DiGi converted 23 off-grid sites to grid power, and downsized generators for another 23 sites to reduce dependency on diesel-fuel. An additional number of off-grid sites have also been converted into hybrid-solar sites to capitalise the use of renewable energy. The decommissioning of over 100 sites from the infrastructure sharing initiative with Celcom has also contributed to the reduction in energy usage within DiGi's network.

The Company has stringent processes in place to facilitate the recycling and reuse of swapped equipment in compliance with local environmental laws and safety standards, and as part of its environmental policies. In parallel, DiGi also organises annual awareness campaigns involving customers to promote proper recycling or disposal of unused handsets.

SUSTAINABILITY

For Earth Hour, DiGi partnered WWF to advocate energy conservation through a 'Live Green' pledge, reaching over 30,000 Malaysians across 17 higher education institutions nationwide.

DiGi continues to utilise cold aisle containment systems in the data centers located in its Technology Operations Center (TOC), and has introduced this system to all its Mobile Switching Centers (MSCs) nationwide. The use of photovoltaic panels at base stations have also provided a source of renewable energy in its operations.

This year, DiGi was recognised for diligently reporting and managing carbon savings across its business operations. DiGi was ranked No. 1 in Malaysia for the second time in the Climate Disclosure Leadership Index 2013, and was also awarded a best year-on-year disclosure score award for South East Asia. This global environmental disclosure system indicates that DiGi is on par with leading Asian organisations in displaying a strong approach to the disclosure of climate–related information.

Minimising impact to the climate and environment remains a key priority for DiGi. The Company has set aggressive targets to ensure it operates a highly sustainable business, and continues to capitalise on new and emerging technologies to maximise improvements in this area.

Best on People

In 2013, DiGi continued to invest strategically in the engagement, development, performance, and well-being of its employees. This is guided by its Best on People aspiration to create an engaged and supportive work culture and environment, provide the most attractive development at all levels, and offer competitive, performance-based rewards for all DiGizens.

During the year, DiGi refreshed its organisational structure and senior management lineup to drive stronger cohesion and focus across the company. This organisation-wide restructure strengthened its collective ability to deliver on existing business goals, and is designed to lead employees through the next phase of the Company's growth.

Throughout the year, DiGi also deepened its focus on employee development through improvements made on its Competency Framework. The framework helps managers and employees enhance performance dialogues by providing better clarity on competencies required and opportunities available for career advancement in DiGi.

In parallel, DiGi also implemented targeted training platforms for all employees, managers and leaders. Together with improvements to its robust rewards framework, these efforts have enhanced both employee development, and the identification and management of its most talented employees.

In 2013, DiGi together with the rest of Telenor Group launched Workday, an integrated human resource (HR) information system that facilitates greater visibility and consistency in HR processes across the Group's business units. This new system enables DiGi to better manage employee information throughout the tenure of their careers in DiGi and Telenor Group.

SUSTAINABILITY

A highly-engaged workforce of 1,500 DiGizens were mobilised across Klang Valley and in selected regions to appreciate loyal customers during DiGi's Customer First Day event.

DiGi also continued to strengthen formal employee engagement platforms across the company. For the second consecutive year, the Best on People Council has continued its role as the official forum for employees to raise work-related matters and recommendations in regular consultations with the management team. This year, over 55 issues have been addressed concerning employee benefits, rewards and development, improving workplace amenities, and employee welfare relating to health, safety and the environment.

DiGi strives to continuously nurture a work culture that offers all employees equal opportunities for career development, and for the company to remain one of the most preferred places to work in Malaysia.

* This section serves as a summary of our Sustainability performance. Full disclosure of our efforts is available in the Sustainability Report at www.digi.com.my/sustainability

SUSTAINABILITY

Performance Data Highlights

EMPOWERMENT THROUGH CONNECTIVITY

Community Engagement	2011	2012	2013
Schools	189	645	**459**
NGOs	45	96	**NA**
Universities	30	116	**59**
Underprivileged communities	36	45	**13**
Total	300	902	**531**

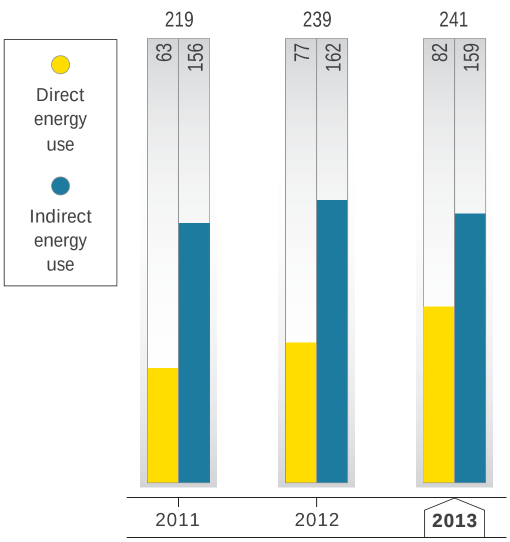
CLIMATE CHANGE AND ENVIRONMENT

CO_2 Emission (Tonnes)*	2011	2012	2013
Total CO_2 emission	113,824	126,882	**125,697**
Direct CO_2 emission (Scope 1)	14,846	18,508	**19,575**
Indirect CO_2 emission (Scope 2)	97,531	107,002	**104,587**
Other indirect CO_2 emission (Scope 3)	1,447	1,372	**1,535**

**Reviewed and verified by Ernst & Young*

CLIMATE CHANGE AND ENVIRONMENT

Energy Use (GwH)



Other Environmental Impact (Tonnes)	2011	2012	2013
Obsolete electrical & electronic equipments			
Total	346	495	**1,626**
E-waste	NA	125	**345**
Municipal waste			
Total	445	393	**346**
Recycled	5	11	**7**

SUSTAINABILITY

ETHICAL & RESPONSIBLE BUSINESS

Supply Chain Sustainability

	2011	2012	2013
Suppliers signed an Agreement on Responsible Business Conduct (%)	98	99	**99**
Systematic SCP risk reduction during the year based on supplier Self Assessment Questionnaire (% point)	43	67	**23**
Number of sustainability inspections and audits	153	199	**143**

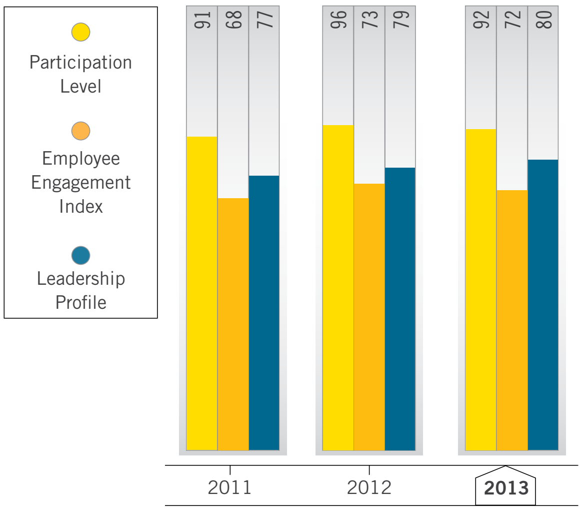
Health and Safety

	2011	2012	2013
Total Recordable Injury Frequency (TRIF) (Number of cases in 1 million worked hours)	0.85	1.01	**0.59**
Lost Time Injury Frequency (LTIF) (Number of cases in 1 million worked hours)	0.64	0.81	**0.59***
Sickness Absence Frequency (%)	0.99	1.22	**1.13**

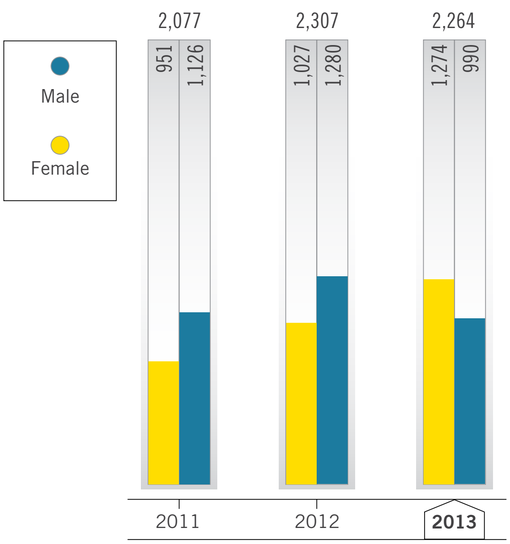
**Reviewed and verified by Ernst & Young*

BEST ON PEOPLE

Employee Engagement Survey (%)



Diversity & Inclusion



DIRECTORS' PROFILES

(Non-Independent Non-Executive Director, and Chairman of the Remuneration Committee)
54 years of age, Norwegian

Appointed to Board: 21 August 2008

Career History: Mr. Brekke was a Director of Total Access Communication PLC (DTAC), Thailand, from 2000 to 2008 and was appointed Chief Executive Officer from 2005 until 2008. He was also both a Director and Chief Executive Officer of United Communication Industry PLC, Thailand, from 2005 to 2008. He has served as the Deputy Minister (State Secretary) of Defence in Norway in 1993, and has held positions at the Norwegian Defence Research Establishment. He also held an associate position at John F. Kennedy School of Government, Harvard University in the USA.

Other Commitments: Executive Vice President in Telenor Group, Head of Telenor Region Asia, Director of Grameenphone Ltd (Bangladesh), Deputy Chairman of Total Access Communication PLC (DTAC), Thailand, and Director of DiGi Telecommunications Sdn Bhd.

Skills & Experience: Mr. Brekke holds a Master's degree in Public Administration from John F. Kennedy School of Government, Harvard University, USA, and a degree in Business and Administration from Telemark College, Norway.

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

1. Family relationship with any Director and/or major shareholders of the Company;
2. Conflict of interest with the Company; and
3. Conviction for offences within the past 10 years other than traffic offences.

The details of attendance of each Director at Board meetings are set on page 48 of the Annual Report.

DIRECTORS' PROFILES

(Independent Non-Executive Director, Chairman of the Audit & Risk Committee)
67 years of age, Malaysian

Appointed to Board: 9 December 2010

Career History: Dato' Saw joined Shell in 1970 as a Refinery Technologist in Shell Refining Company (Federation of Malaya) Bhd. He then served in various capacities in Manufacturing, Supply, Trading and Planning in Malaysia, Singapore and the Netherlands. In 1996, Dato' Saw was appointed Managing Director of Shell MDS (Malaysia) Sdn Bhd. In 1998, he assumed the position of Managing Director for Oil Products (Downstream) Shell Malaysia. In 1999, with the globalisation of the Shell Oil Products business, he was appointed the Vice President of the Commercial business in the Asia-Pacific region. In 2005, he assumed the Vice President Global Marine position to manage the marketing of oil products to shipping customers globally. He was appointed the Chairman of Shell Malaysia from 2006 until 2010, and Senior Advisor until 30 June 2010, when he retired from Shell after 40 years of continuous service.

Other Commitments: Director of Shell Refining Company (Federation of Malaya) Bhd, RHB Capital Bhd, Guinness Anchor Berhad and some private companies.

Skills & Experience: Dato' Saw holds a Bachelor of Science Hons (Chemistry) degree from University of Malaya.

(Independent Non-Executive Director, member of the Audit & Risk Committee and Nomination Committee)
68 years of age, Malaysian

Appointed to Board: 23 November 2001

Career History: Dato' Ab. Halim was a lecturer at University Kebangsaan Malaysia from 1973 to 1978. He joined Messrs Peat Marwick Mitchell (now known as KPMG) in 1977 and was admitted as a Partner in 1985. Prior to his retirement on 1 October 2001, he was the Partner in charge of the Assurance and Financial Advisory Services Divisions. He was a council member of the Malaysian Institute of Accountants (MIA) from 2001 to 2007. He also served as a member of the Education Committee of the International Federation of Accountants (IFAC) from 2001 to 2005. He was the President of Malaysian Institute of Certified Public Accountants ("MICPA") from 2004 to 2007.

Other Commitments: Director of Amway (Malaysia) Holdings Berhad, KNM Group Berhad, RCE Capital Berhad, Petronas Gas Berhad, DiGi Telecommunications Sdn Bhd and some private companies.

Skills & Experience: Dato' Ab. Halim holds a Bachelor of Economics in Accounting from University of Malaya, and a Master in Business Administration from University of Alberta, Canada. He is currently a Council member of MICPA and also chairs the Education and Training Committee in MICPA.

DIRECTORS' PROFILES

(Independent Non-Executive Director, member of the Nomination Committee)
56 years of age, Malaysian

Appointed to Board: 23 July 2013

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

She is presently a Senior Vice President, South East Asia for DHL Express overseeing 10 countries in South East Asia with more than 13,000 employees and 140,000 customers. Prior to this, she was DHL Malaysia's Country Manager in 2001, and Country Manager in Singapore in 2003.

Other Commitments: Senior Vice President/Head, South East Asia for DHL Express, Asia Pacific based in Singapore.

Skills & Experience: Puan Yasmin holds a Master in Business Administration from Aston University, and is currently a member of the Advisory Board of Aston University.

(Non-Independent Non-Executive Director and member of the Audit & Risk Committee and Remuneration Committee)
66 years of age, Norwegian

Appointed to Board: 15 March 2013

Career History: Mr. Johnsen started his career in Telenor in 1974 and held various managerial positions including Head of Telenor Broadcast for four years. He has an extensive experience in start-up ventures after joining the mobile business area in 1988 and has international experience from various mobile operators both in Europe and South East Asia. He served as the Chief Executive Officer of DiGi.Com Berhad and Chief Operating Officer of DiGi Telecommunications Sdn Bhd from February 2001 to July 2004. Prior to joining DiGi as the Head of Corporate Strategy in January 2000, he served as the Mobile Product Director at Telenor Asia in Singapore. Tore was also CEO of Telenor Pakistan Ltd. from August 2004 to August 2008, CEO of Total Access Communications PLC (DTAC) from August 2008 to March 2011, and CEO of Grameenphone Ltd from March 2011 to January 2013.

Other Commitments: Senior Vice President for Telenor Region Asia, and Director of Total Access Communications PLC (DTAC), Thailand, Telenor Pakistan Ltd, Grameephone Ltd, Telenor Myanmar Ltd and DiGi Telecommunications Sdn Bhd.

Skills & Experience: Mr. Johnsen holds a Master of Science from University of Trondheim (1972) in addition to Studies in International Business Management at Norwegian School of Economics and Business Management (1995).

DIRECTORS' PROFILES

MORTEN KARLSEN SORBY

(Non-Independent Non-Executive Director)
55 years of age, Norwegian

Appointed to Board: 15 March 2013

Career History: Mr. Sorby joined Telenor in 1993 where he has held a number of senior positions. He was appointed Executive Vice Persident and member of the Group Executive Management team in 2003. Morten has in his capacity as Executive Vice President served as Head of Norwegian Market from 2003 to 2005, Head of Nordic Operations from 2005 to 2009 and Executive Vice President and Head of Strategy and Regulatory Affairs from 2009 to 2013. He previously worked at Arthur Andersen & Co in Oslo, Norway.

Other Commitments: Chief Executive Officer of Uninor, India, and a Director of DiGi Telecommunications Sdn Bhd.

Skills & Experience: Mr. Sorby has a Master of Science in Business Administration. He is a state licensed public accountant (Norway), and also has qualifications from the International Institute for Management Development, IMD, in Lausanne, Switzerland.

HAKON BRUASET KJOL

(Non-Independent Non-Executive Director, member of the Nomination Committee and Remuneration Committee)
42 years of age, Norwegian

Appointed to Board: 16 March 2010

Career History: Mr. Kjol joined Telenor Group in 1995, beginning his career in the domestic mobile operation in Norway. Since then, he has contributed to Telenor Group's growing international presence through his strategic involvement in Telenor's international mobile business where he played significant roles in operational development, and merger and acquisition activities both in Europe and Asia. For the last 10 years, he has been based in Asia where he continues to assume a key role in the development of Telenor's Group strategy for Asia, and managing the Asia business environment including in the areas of public affairs, government relations, strategic communications and corporate responsibility.

Other Commitments: Senior Vice President and Head of Corporate Affairs for Telenor Region Asia, Director of Total Access Communication PLC (DTAC), Thailand, Grameenphone Limited, Telenor Pakistan Limited, Telenor Asia Pte Ltd, South Asia Investment Pte Ltd, South East Asia Investment Pte Ltd, Telenor Global Services Singapore Pte Ltd and DiGi Telecommunications Sdn Bhd.

Skills & Experience: Mr. Kjol is a former student of the Norwegian School of Management.

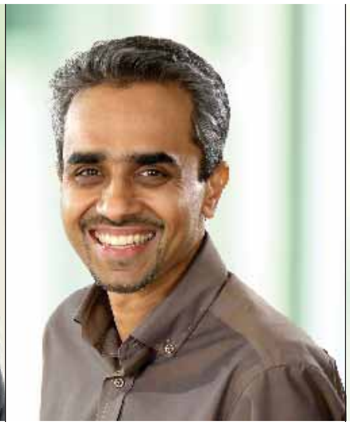
MANAGEMENT PROFILES

HENRIK CLAUSEN*

Chief Executive Officer (CEO)
50, Danish

Career History:
Henrik took office as DiGi's Chief Executive Officer on 17 May 2010. Previously, he was CEO of Telenor Denmark, a position he held since 2005. Prior to that, he was CEO of Cybercity, Denmark's No. 2 fixed Broadband and ISP provider in 2000. Throughout his career, he has also worked in IBM, AT Kearney and Accenture, where he was a partner.

Skills & Experience:
Henrik holds a Master of Science in Civil Engineering from the Technical University of Denmark, a Bachelor of International Business from the Copenhagen Business School, and a Master of Business Administration from INSEAD.



ALBERN MURTY

Chief Operating Officer

Career History:
Albern was appointed Chief Operating Officer on 1 January 2014. Prior to that, he was the Chief Marketing Officer of DiGi. Since joining DiGi in 2002, he has held roles in Project Planning & Controls, Product Management & Product Development, Acting Co-Chief Marketing Officer and Head of Strategy & New Business. Before DiGi, his previous experience includes business and commercial management roles in Lucent Technologies across the Asian region.

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

CHRISTIAN THRANE

Chief Marketing Officer

Career History:
Christian was appointed Chief Marketing Officer on 1 January 2014. He joined DiGi in June 2010 as the Head of Strategy and Business Transformation, and was appointed Chief Strategy and Corporate Affairs Officer in early 2013. Prior to this, he was Head of Market Management of the Consumer Division of Telenor Denmark. Christian joined Telenor Denmark in 2005 as Business Development Manager and was later promoted to Head of Sales and Channel Management in 2007.

Skills & Experience:
Christian holds a Master of Science in Economics and Business Administration from the Copenhagen Business School in Denmark.

LOH KEH JIAT

Chief Sales Officer

Career History:
Loh was appointed Chief Sales Officer on 1 January 2014. Prior to that, he was the Head of Channels and Regional Management.
He has held other various senior portfolios within the Marketing Division in his 9 years with DiGi. These include Head of Postpaid, Head of Corporate Strategy & Broadband, and Head of Product Marketing.
He has more than 19 years of experience in the telecommunications and accounting industries, having held roles at KYL Consulting Sdn Bhd and PricewaterhouseCoopers prior to joining DiGi.

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

MANAGEMENT PROFILES

KARL ERIK BROTEN
Chief Financial Officer

Career History:
Karl joined DiGi as Chief Financial Officer in May 2013. He was formerly the Chief Financial Officer at Telenor Pakistan and at Pannon GSM (now Telenor Hungary). He has also held leadership positions in Telenor Norway, Telenor Business Solutions, and in Telenor-owned operations in Russia, among others. He has been with the Telenor Group since 1996.

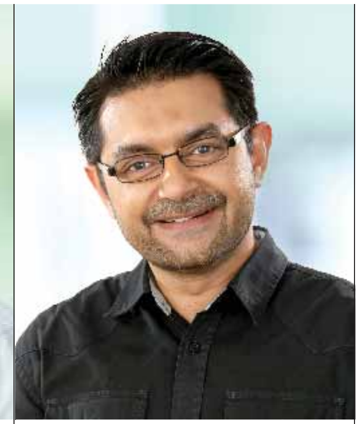
Skills & Experience:
Karl holds a Master of Science in Business Administration, majoring in International Management from Agder University College.

EUGENE TEH
Chief Corporate Affairs Officer

Career History:
Eugene was appointed Chief Corporate Affairs Officer on 1 January 2014. Formerly, he was a Director at the Prime Minister's Department's Performance Management & Delivery Unit (PEMANDU).

Eugene previously helmed senior leadership roles in Arthur D. Little, and McKinsey & Co,. He was also a senior investment officer at Singapore's Economic Development Board.

Skills & Experience:
Eugene holds a Master of Science in Electrical Engineering and Computer Science from the University of California Berkeley, USA.



HAROON BHATTI
Chief Human Resource Officer

Career History:
Haroon was appointed Chief Human Resource Officer on 1 July 2013. Prior to that, he was the Senior Vice President of People Development at Telenor Asia. Formerly, he has held leadership positions within Telenor Asia's business units, including Chief People Officer in Grameenphone, Bangladesh and DTAC, Thailand. Haroon began his career with the Telenor Group in 2005 with Telenor Pakistan.

Skills & Experience:
Haroon is a graduate of McGill University in Canada, and holds a Master of Arts in Political Science (International Relations), and a Bachelor of Arts in Economics and Political Science.

*** The CEO does not have any:**

1. Interest in the securities of DiGi.Com Berhad;
2. Directorship of public companies;
3. Family relationship with any Director and/or major shareholders of the Company;
4. Conflict of interest with the Company; and
5. Conviction for offences within the past 10 years other than traffic offences.

STATEMENT ON CORPORATE GOVERNANCE

The Board of Directors ("the Board") of DiGi.Com Berhad and its Group of Companies ("DiGi" or "the Group") is satisfied that in 2013, DiGi had fully complied with the Principles and Recommendations of the Malaysian Code on Corporate Governance 2012 (the "MCCG 2012") and Telenor ASA's Corporate Governance Principles.

The Board recognises that maintaining good corporate ethics is critical to business integrity and performance, and key to delivering shareholder value. The Board evaluates and where appropriate, implements relevant proposals to ensure that DiGi continues to adhere to good corporate governance, relevant to developments in market practice and regulations.

This Statement outlines how DiGi has applied the Principles and Recommendations of the MCCG 2012 during the financial year. The reasons for non-observance of specific Recommendations in the MCCG 2012 during the financial year under review is also included in this Statement.

Establish clear roles and responsibilities of the Board and Management

1.1 Clear functions of the Board and Management

The Board's role is to control and provide stewardship of DiGi's business and affairs on behalf of shareholders. By pursuing its objective of creating long-term shareholder value, the Board takes into account the interests of all stakeholders in their decision making.

Beyond the matters reserved for the Board's decision, the Board has delegated the authority to achieve the corporate objective to the Chief Executive Officer ("CEO") in accordance with the Rules of Procedure for the 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 CEO is supported by the DiGi Management Team ("DMT") comprising of 6 members.

To further strengthen competitiveness and to serve customers in a more integrated and cohesive way, DiGi introduced a new organisation structure and senior management lineup, which took effect on 1st January 2014. DiGi's Customer & Operations division is responsible for planning and managing its entire technology and product development value chain, drive deeper go-to-market readiness and customer focus. Its new Sales division oversees DiGi's sales, distribution and channel management functions.

1.2 Clear roles and responsibilities

The Board plays an active role in the development of DiGi's strategy. It has in place a strategy planning process, whereby the Management presents to the Board its recommended strategy annually, together with its proposed business and regulatory plans for the ensuing year at a dedicated session, for the Board's review and approval. The Board also reviews and approves the annual budget for the ensuing year and monitors the corporate performance, ensuring adequate systems for good internal control and risk management in addition overseeing succession planning, and sound financial and operational management to ensure that obligations to shareholders and other stakeholders are understood and met.

The Board shall be involved in any matters that may have a significant impact on DiGi's business, such as, but not limited to, issues within objectives and strategies, operations, finances and employees.

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
- Approval of annual and quarterly financial results
- Decision on capital investment and disposal of tangible assets from existing business to third parties
- Decision on major investments and contracts with significant profit impact
- Decision on changes to control structure of DiGi, including key policies and authority limits

STATEMENT ON CORPORATE GOVERNANCE

- Approval of key strategic commercial and business decisions
- Prepare for succession planning of CEO and senior management
- Plan annual strategy
- Establishment of new business
- Dividend policy
- Business continuity plan
- Business restructuring
- Expenditure above a certain limit

The Board has established Board Committees, namely the Audit & Risk Committee, Remuneration Committee and Nomination Committee which are entrusted with specific responsibilities to oversee DiGi's affairs, with authority to act on behalf of the Board in accordance with their respective Terms of Reference ("TOR"). At each Board meeting minutes of Board Committees meetings are presented to the Board. The Chairman of the relevant Board Committees also report to the Board on key issues deliberated at the respective Committee meetings. The ultimate responsibility for decision making, however, lies with the Board.

1.3 Formalised ethical standards through Code of Conduct

Code of Conduct

The Board has adopted and implemented a Code of Conduct ("Code") which reflects DiGi's vision and core values of integrity, respect, trust and openness. It provides clear direction on conducting business, interacting with the community, government and business partners, and general work place behaviour. It also includes guidance on disclosure of conflict of interests, maintaining confidentiality and disclosure of information, good practices and internal controls, and the duty to report where there is a breach of the Code.

The Code is reviewed and updated regularly by the Board to meet DiGi's needs and to address the changing conditions of its business environment.

The Code governs the conduct of all DiGi employees including the Board members. All employees have certified in writing that they have read and understood the Code. Non-compliance and failure to report non-compliance to the Code may lead to disciplinary actions.

Ongoing training is provided to employees on the Code, in particular on how to deal with situations involving ethical dilemma to ensure that they continuously uphold high standard of conduct while performing their duties.

Compliance with the Code is monitored regularly by the Audit & Risk Committee. The Ethics and Compliance Officer of DiGi reports regularly to the Audit & Risk Committee on the compliance of the Code by DiGi and its employees.

A copy of the Code can be found in DiGi's website at www.digi.com.my/aboutus/resources/files/CodeOfConduct.pdf.

Whistle-Blowing Policy

DiGi established a whistle-blowing policy to provide an avenue for employees, suppliers, tenants and customers to voice their grievances and raise their concerns about any malpractices involving DiGi without any fear of repercussions.

To further strengthen its whistle-blowing policy, DiGi has introduced an Integrity Hotline for employees to seek guidance or express concerns on issues that breach the Code. Reports can be made anonymously without fear of consequence. DiGi has a process in place to independently investigate all reports received to ensure the appropriate follow-up actions are taken.

If an employee has concerns about illegal or unethical conduct in the workplace, they can choose to report through the Integrity Hotline, their respective leaders or to DiGi's Ethics and Compliance Officer.

STATEMENT ON CORPORATE GOVERNANCE

Supplier Conduct Principles

The Supplier Conduct Principles ("SCP") outlines the standard for ethical and business conduct expected of suppliers and contractors in their relationship with DiGi. The SCP is binding to DiGi's suppliers upon the confirmation and signing of the Agreement on Responsible Business Conduct. This is to ensure high standards of business ethics amongst all DiGi suppliers. Compliance of the SCP is monitored through a supply chain management system.

Anti-Corruption Policy

DiGi has in place an Anti-Corruption Policy, which covers bribery, gifts and business courtesies, events and arrangements, facilitation payment, use of middlemen, use of lobbyists and gifts, and arrangements for public authorities. The policy on anti-corruption applies to the Board and employees of DiGi or others with the authority to act on behalf of DiGi.

The policy clearly states that bribes are strictly prohibited and staff should never offer, give, ask or accept any form of bribe. DiGi has zero tolerance towards bribery and corruption. The policy also provides that when staff give or receive gifts, they must consider the implications to ensure that it cannot improperly influence a business decision.

Trading on Insider Information

DiGi's Directors and employees who possess price sensitive information, which is not available to the public, are not allowed to trade in DiGi's shares consistent with the Capital Markets and Services Act 2007 that prohibits insider trading.

Notices on the closed period for trading in DiGi's shares are sent to Directors, principal officers and relevant employees on a quarterly basis. In 2013, none of the Directors dealt in DiGi securities during closed period.

Compliance Framework

The Ethics and Compliance Officer supports the CEO and the Board of Directors in ensuring that the Code of Conduct sets the appropriate standards and are implemented and enforced. The Ethics and Compliance Officer monitors the implementation of the Code of Conduct by Management, and handle material breaches of the Code of Conduct, DiGi's Governing Documents, and relevant laws and regulations by DiGi's employees.

DiGi's Compliance framework outlines the requirements for training and awareness, risk assessment and monitoring. It also identifies the parties responsible for implementing the framework, establishes communication channels for raising concerns and seeking guidance, and sets out clear investigation and disciplinary procedures to ensure that actions taken are fair and appropriate.

1.4 Strategies promoting sustainability

The Board is mindful of the importance of building a sustainable business, therefore takes into consideration its environmental, social, and governance impact when developing DiGi's corporate strategy. DiGi's sustainability agenda for the year under review are disclosed on pages 24 to 30 of this Annual Report.

1.5 Access to information and advice

The Board and its Committees receives up-to-date information for review ahead of each meeting.

The Board recognises that the decision making process is highly dependent on the quality of information provided. Furthermore, every Director has access to all information on DiGi through the following means:

i) CEO, CFO and members of the senior management who attend Board and Committee meetings by invitation have to report and update on areas of the business within their responsibility to give Board members thorough insights into the business. This includes financial, operational, customer satisfaction and services quality, regulatory and strategic information, and investor relations updates.

STATEMENT ON CORPORATE GOVERNANCE

ii) Board and Committee papers are prepared for each item in the agenda and are issued to the Directors at least seven (7) days before the Board and Committee meetings.

iii) The Audit & Risk Committee Chairman meets with the Management, Head and senior members of the Assurance team regularly to review the reports regarding internal control system and financial reporting.

iv) Directors are provided with relevant information in between Board meetings. This includes important financial and operational updates.

v) Informal communication between the Directors, the CEO and other employees.

vi) Board may seek professional expert advice at DiGi's expense with prior approval on any matters in relation to the discharge of their responsibilities.

1.6 Qualified and competent Company Secretaries

The Board is satisfied with the performance and support rendered by the Company Secretaries in the discharge of its functions. The Company Secretaries play an advisory role to the Board in relation to the Company's constitution, Board's policies and procedures, and compliance with the relevant regulatory requirements, codes or guidance and legislations. Choo Mun Lai is the Company Secretary in DiGi. She is supported by two (2) other external Company Secretaries, Tai Yit Chan and Tan Wee Sin. Together they are responsible for developing and maintaining the processes that enable the Board to fulfill its role, ensure compliance with Board procedures and advise the Board on all governance matters.

The Board is regularly updated and advised by the Company Secretaries who are qualified, experienced and competent on new statutory and regulatory requirements, and the resultant implications to DiGi and the Directors in relation to their duties and responsibilities. The Company Secretaries, who oversee adherence with board policies and procedures, brief the Board on the proposed contents and timing of material announcements to be made to regulators. The Company Secretaries attend all Board and Board Committee meetings to ensure that deliberations at the Board and Board Committee meetings are well captured and minuted, and subsequently communicated to the relevant Management members for necessary action. The Board is updated by the Company Secretaries on the follow up or implementation of its decisions or recommendations by the Management till their closure.

The Directors have individual and independent access to the advice and dedicated support services of the Company Secretaries in ensuring the effective functioning of the Board.

The removal of Company Secretaries, if any, is a matter for the Board to decide collectively.

1.7 Board Charter

The Board is guided by the principles contained in the Code and by the Board's Charter ("Rules of Procedure for the Board"), and a Delegation Authority Matrix, which set out the practices and processes in the discharge of its responsibilities; the matters that are 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 Rules of Procedure for the Board and the Delegation Authority Matrix are reviewed and revised, as and when required, to ensure an optimum structure for efficient and effective decision making in the organisation.

The Rules of Procedure for the Board including the terms of reference of all the Board Committees are accessible in DiGi's website: www.digi.com.my/aboutus/ir/factsheet/terms_of_reference.do

STATEMENT ON CORPORATE GOVERNANCE

Strengthen Composition of the Board

2.1 Nomination Committee

The current members of the Nomination Committee are Dato' Ab. Halim Bin Mohyiddin (Chairman), Hakon Bruaset Kjol and Yasmin Binti Aladad Khan. All members of the Committee are Independent Non-Executive Directors except for Hakon Bruaset Kjol who is a Non-Independent Non-Executive Director.

The Board has decided at the Board meeting held on 12 September 2013 that it is not necessary for DiGi to appoint a Senior Independent Director to replace Tan Sri Leo Moggie who has retired during the 16th Annual General Meeting ("AGM") as all the Independent Directors are well qualified and experienced, and there is no combination or overlapping of roles between the current Chairman who is a Non-Executive Director and the CEO of the Company since these two (2) positions are held by separate individuals. The Board takes note that the Code recommends that the Chairman of the Nomination Committee should be a senior independent non-executive director identified by the Board. The Board will, from time to time, review the recommendation and make the necessary appointment as and when it deems fit.

The Nomination Committee meets as and when required, or at least once a year. During the year the Nomination Committee met twice and the meeting attendance was as follows:-

Name	Attendance
Dato' Ab. Halim Bin Mohyiddin *(Appointed as Chairman on 23 July 2013)*	2/2
Hakon Bruaset Kjol	2/2
Yasmin Binti Aladad Khan *(Appointed on 23 July 2013)*	Not Applicable
Tan Sri Leo Moggie *(Retired on 9 May 2013)*	1/1

The role of the Nomination Committee is to assist the Board in ensuring that the Board comprises individuals with the requisite skills, knowledge, experience and personal characteristics. The Nomination Committee:

- Leads the process for identifying and making recommendations for the Board's approval on suitable candidates for directorship to the Board and Board Committees;
- Conducts annual review of the structure, size and composition of the Board, including the balance mix of skills, knowledge, experience and independence of the Non-Executive Directors;
- Regularly review profiles of the required skills, expertise, attributes and core competencies for membership to the Board;
- Ensures induction programme is in place for newly appointed directors with respect to the business structure and management of the Group as well as the expectations of the Board with regards to their contribution to the Board and Group;
- Oversees the assessment of the annual performance of the Board, Committees and the contribution of each Director;
- Assesses and makes recommendations to the Board concerning the re-election of Directors;
- Assesses the training needs of each Director;
- Reviews the character, experience, integrity, competence and time to effectively discharge the roles of CEO and CFO; and
- Reviews succession plans for members of the Board.

Activities Undertaken

The Nomination Committee assessed the overall effectiveness of the Board, its Committees and the contribution and performance of each individual Director in 2013 including its size, structure and composition. The Board's performance evaluation is discussed in more details in the section under "Performance evaluation" on page 43.

STATEMENT ON CORPORATE GOVERNANCE

In carrying out its duties and responsibilities, the Nomination Committee has full and unrestricted access to DiGi's records and personnel. The Nomination Committee reports its recommendations back to the Board for its consideration and approval.

In its assessment, it was concluded that the Board's size is conducive for effective discussion and decision-making, and that the Board has an appropriate number of Independent Non-Executive Directors. The Board is satisfied that it has the right balance of expertise, skills, and attributes among the Directors including relevant core competencies.

The Independent Non-Executive Directors continue to demonstrate their independence through their engagement in meetings, providing objective challenges to the Management and bringing independent judgment to decisions taken by the Board.

2.2 Develop, maintain and review criteria for recruitment processes and annual assessment of Directors

Appointments to the Board and Re-election of Directors

The Nomination Committee is responsible to ensure that the procedures for appointing new Directors are transparent and rigorous, and that appointments are made on merit. In 2013, the Board composition was reviewed with the view to identify and close any possible gap in the Board's functional knowledge and competencies by bringing in new experience, knowledge and expertise on the Board to meet the current and future needs of the Company.

The Nomination Committee also focused on having a balanced mix of age and diversity in gender, race, culture and nationality, to facilitate optimal decision-making by harnessing different insights and perspective.

DiGi's Articles of Association requires a minimum of two (2) Directors and not more than thirteen (13) unless otherwise determined by shareholders in a General Meeting. The Board may appoint an individual to be a Director, either as an addition to the existing Directors or to fill a casual vacancy up to the maximum number. Any new Director appointed by the Board during the year is required to stand for election at the next Annual General Meeting ("AGM").

Other than those Directors appointed during the year, one-third of remaining Directors are required to retire by rotation and all Directors must submit themselves for re-election at each AGM at least once every three (3) years. The Nomination Committee is responsible for recommending to the Board those Directors who are eligible for re-election.

The Nomination Committee in 2013 assessed and recommended the appointment of Yasmin Binti Aladad Khan as new Independent Non-Executive Director to the Board. Pursuant to the Articles of Association of the Company, Yasmin Binti Aladad Khan will retire at the coming AGM following her appointment.

The Nomination Committee used the results of the evaluation when considering the re-election of Directors and recommended to the Board on the endorsement of the Directors re-election and re-appointment at the forthcoming 17^{th} AGM. The re-election of each Director is voted as a separate resolution during DiGi's AGM.

Performance Evaluation

The Board regularly evaluates its performance and governance processes with the aim of improving individual contribution, effectiveness of the Board and its Committees, and DiGi's performance.

For the financial year 2013, the Board assessed the effectiveness of the Board, its Committees and the contribution of each Director. The evaluation includes a review of the administration of the Board and its Committees covering the operation of the Board and its Committees, agendas, reports, and information produced for consideration, and the Board's relationship with its Committees and Management.

In addition, Senior Management participated in the review by providing feedback on areas such as monitoring of strategy and the Board's working relationship with the Management.

STATEMENT ON CORPORATE GOVERNANCE

The evaluation of individual Directors is dependent on the contribution of the Director to the Board. Performance of individual Director was assessed against a range of criteria including the ability of the Director to consistently take the perspective of creating shareholder value, to contribute to the development of strategy, to provide clear direction to the Management, to contribute to the Board's cohesion, and to listen to and respect the ideas of fellow Directors and members of the Management.

The evaluation process is led by the Nomination Committee Chairman and supported by the Company Secretary. The evaluation process is conducted via questionnaires to review the effectiveness of the Board and its Committee. The Nomination Committee reviews the outcome of the evaluation and recommends to the Board on areas for continuous improvement.

During the meeting held in March 2014, the Nomination Committee reviewed and assessed the mix of skills, expertise, composition, size and experience of the Board, including the core competencies of the Directors; the contribution of each individual Director; independence of the Independent Directors; effectiveness of the Board, and the Board Committees; and also the retirement of Directors eligible for re-election.

Board diversity policy

The Board has approved the establishment of a Board diversity policy on 12 September 2013. From time to time, the Board will review and monitor the implementation of this policy to ensure its effectiveness and if necessary take measurable steps to achieve this objective.

2.3 Remuneration policies and procedures

The current members of Remuneration Committee are Sigve Brekke (Chairman), Hakon Bruaset Kjol and Tore Johnsen. All the members are Non-Independent Non-Executive Directors. The Remuneration Committee met once during the year and the meeting attendance was as follows:-

Name	Attendance
Sigve Brekke	1/1
Hakon Bruaset Kjol	1/1
Tore Johnsen *(Appointed on 15 March 2013)*	Not Applicable

The role of the Remuneration Committee is to assist the Board in overseeing the remuneration policy and its specific application to the Executive Directors and CEO, evaluating the performance of the CEO annually and determining the levels of reward to the CEO.

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

The Remuneration Committee evaluated the CEO against the set performance criteria and reviewed the compensation package for the CEO. The Chairman of the Remuneration Committee was authorised by the Board to determine the compensation package for the CEO.

The Board collectively determined the remuneration for the Independent Non-Executive Directors based on the recommendation from the Remuneration Committee. Each of the Independent Non-Executive Directors abstained from deliberating and voting on their own remuneration.

Directors' Remuneration

The objective of DiGi's policy on Director's remuneration is needed to attract, retain and motivate the Directors. Hence, the Board has established formal and transparent remuneration policies for the Board and its Committees,

STATEMENT ON CORPORATE GOVERNANCE

and the procedures for policies. Non-Executive Directors' remuneration reflects the experience, expertise and level of responsibilities undertaken by the Non-Executive Director.

Details of the Directors' Remuneration

The remuneration package of Non-Executive Directors comprises fixed monthly allowance and meeting allowance for the Audit & Risk Committee meeting. The aggregate Directors' remuneration paid to the Non-Executive Directors of DiGi for the financial year ended 31 December 2013 was as follows:

Non-Executive Directors	Fixed Allowances (RM)	Meeting Allowances^ (RM)	Total (RM)
Dato' Saw Choo Boon ^ *(Appointed as Chairman of Audit & Risk Committee on 23 July 2013)*	180,000	1,700	181,700
Dato' Ab. Halim Bin Mohyiddin*^ *(Relinquished role as Chairman of Audit & Risk Committee on 23 July 2013)*	204,000	2,300	206,300
Yasmin Binti Aladad Khan *(Appointed as Director on 23 July 2013)*	79,355	Nil	79,355
Tan Sri Leo Moggie *(Retired on 9 May 2013)*	64,355	Nil	64,355
Total	**527,710**	**4,000**	**531,710**

* Included allowance received from a subsidiary company

^ Meeting allowance is only applicable for Audit & Risk Committee meetings

The Non-Independent Non-Executive Directors of DiGi receive their remuneration from their employing companies within Telenor Group and do not receive any form of remuneration from DiGi pursuant to the Company's Remuneration Policy for its Non-Executive Directors.

The Board is of the view that the current remuneration level suffices to attract, retain and motivate qualified Directors to serve on the Board.

Reinforce Independence

3.1 Annual Assessment of Independence

The Board recognises the importance of independence and objectivity in decision-making process. The Independent Directors bring the knowledge and experience of the regulatory environment and accounting regime in Malaysia. The Board considers that it should include significant representation by Directors who are capable and willing to make decisions in the best interests of the shareholders, free from interests or influences which conflict with their duties and are also independent of the Management. The Board through the Nomination Committee assesses the independence of Independent Non-Executive Directors annually using the Level of Independence of Directors' evaluation, which takes into account the individual Directors' ability to exercise independent judgment at all times and to contribute to the effective functioning of the Board.

Dato' Ab. Halim Bin Mohyiddin, Dato' Saw Choo Boon and Yasmin Binti Aladad Khan are the Independent Directors. Based on the above assessment in 2013, the Board is satisfied with the level of independence demonstrated by all the Independent Non-Executive Directors, and their ability to act in the best interest of DiGi. The Independent Non-Executive Directors fulfill the criteria of "Independence" as prescribed under Chapter 1 of the Main Market Listing Requirements of Bursa Securities ("MMLR"). DiGi fulfills the requirement to have at least one-third of the Board comprised of Independent Non-Executive Directors.

STATEMENT ON CORPORATE GOVERNANCE

3.2 Tenure of Independent Directors

DiGi does not have term limits for Independent Directors as the Board believes that continued contribution provides benefit to the Board and DiGi as a whole. The Board is of the view that there are significant advantages to be gained from the long-serving Directors who provide invaluable insight and possess knowledge of DiGi's affairs. The calibre, qualification, experience and personal qualities, particularly of the Director's integrity and objectivity in discharging his responsibilities in the best interest of DiGi predominantly determines the ability of a Director to serve effectively as an Independent Director.

Although term limits could help to ensure that new ideas and perspective would be available to the Board, they pose the disadvantage of losing experienced Independent Directors who over time have developed detailed insight in DiGi's operations and therefore, provide an increasing contribution to the effectiveness of the Board as a whole. The Board therefore viewed that imposing a fixed term limit for Independent Directors does not necessarily assure their independence and objectivity.

3.3 Shareholders' approval for the re-appointment of Independent Director who has served for nine years or more

Dato' Ab. Halim bin Mohyiddin was appointed to the Board as an Independent Non-Executive Director of DiGi on 23 November 2001, and has therefore served in the Board for more than 9 years.

Following an assessment conducted by the Board through the Nomination Committee, the Board viewed that Dato' Ab. Halim bin Mohyiddin who has served as an Independent Non-Executive Director of DiGi for more than 9 years remains objective and independent in expressing his views and in participating in deliberations and decision-making in the Board and the Committees. The length of his service on the Board does not in any way interfere with his independent judgment and ability to act in the best interests of DiGi.

Dato' Ab. Halim bin Mohyiddin has been demonstrably independent in carrying out his roles as member of the Board and Board Committee, notably in fulfilling his responsibility as Chairman of the Nomination Committee. His experience in the audit and accounting industry enables him to provide the Board with a diverse set of experience, expertise, skills and competence. As he has been with DiGi for more than 9 years, he therefore understands DiGi's business operations, enabling him to actively participate and contribute during deliberations or discussions at Audit & Risk Committee and Board meetings without compromising his independent and objective judgement. He has contributed sufficient time and effort to attend all the Audit & Risk Committee and Board meetings.

Therefore, based on the recommendation by the Nomination Committee, the Board recommended that Dato' Ab Halim bin Mohyiddin continues to act as Independent Non-Executive Director of DiGi.Com Berhad subject to shareholders' approval at DiGi's forthcoming 17th AGM as he has fulfilled the criteria under the definition of Independent Director as stated in the MMLR.

3.4 Separation of positions of the Chairman and Chief Executive Officer

There is a clear division of responsibility between the Chairman and the CEO to ensure that there is a balance of power and authority, such that no one individual has unfettered powers over decision making. The positions of Chairman and CEO are held by two different individuals. The Chairman is responsible to lead the Board with a keen focus on governance and compliance, and ensuring its effectiveness. He engages directly with the CEO to monitor performance and oversees the implementation of strategies. The Chairman sets agendas for the meetings of the Board that focuses on the strategic direction and performance of DiGi.

The CEO is responsible for the day-to-day management of DiGi's operations and business as well as implementation of the Board's policies and decisions. The CEO is not a Board member of DiGi.Com Berhad. This is to ensure there is a clear distinction between the roles of CEO and the Board, and to prevent conflict of interest.

STATEMENT ON CORPORATE GOVERNANCE

3.5 Board Composition and Balance

In leading a telecommunications company, the Board seeks to continually evolve its membership by seeking Non-Executive Directors with diverse and complementary skills and perspectives, as well as experience which reflects the geographical spread of DiGi's operations.

The Board currently has seven (7) Directors, comprising the Chairman (Non-Independent Non-Executive), three (3) Independent Non-Executive Directors and three (3) Non-Independent Non-Executive Directors.

The Board has an appropriate mix of relevant skills, knowledge and experience necessary to govern DiGi. The Non-Executive Directors contribute international and operational experience, and understanding of the financial and capital markets.

Several of the Directors have the relevant experience in the telecommunications industry. A brief description of the background of each Director is presented on pages 32 to 35 of the Annual Report.

The Chairman, Sigve Brekke is a Non-Independent Non-Executive Director. Notwithstanding that the Board does not comprise majority Independent Directors where the Chairman is not an Independent Director as recommended in the MCCG 2012, the Independent Directors are able to exercise strong independent judgment and provide balance to the Board with their unbiased and independent views, and advice and judgment to all Board deliberations. The Nomination Committee has assessed and held the view that Sigve Brekke has and continues to play an effective role as Chairman and Director of DiGi. Sigve Brekke has consistently demonstrated strong commitment and judgment in overseeing the management function, looking after the best interest of all shareholders and facilitating Board meetings to ensure that contributions by all Directors are forthcoming on matters being deliberated and that no particular Board member dominated in any of the discussions. This ensures the balance of power and authority within the Board whilst taking cognisance of the interests of minority shareholders and other stakeholders.

The Board is satisfied that the current composition of Directors provides the appropriate balance and size necessary to promote all shareholders' interests and governs sDiGi effectively. It also fairly represents the ownership structure of DiGi, with appropriate representation of minority interests through the Independent Non-Executive Directors.

Other aspects of diversity within the Board are also important, and this includes a mix of skills, experience, perspective and gender. The Board recognises that the evolution of this mix is a long-term process that is deliberated each time a vacancy arises to ensure a balanced and diverse Board composition is maintained. The Board had also deliberated on the target set under Corporate Governance Blueprint 2011 to ensure women participation on the Board reaches 30% by year 2016. While the Board does not believe in setting specific target for DiGi, the Board through the Nomination Committee will be actively working towards achieving the above target. Further information on diversity within the organisation is included in 2013 Sustainability Report at www.digi.com.my/sustainability.

The Directors are aware that they should notify the Chairman before accepting any new directorship.

DiGi has in place a liability insurance policy for Directors and officers in respect of liabilities arising from holding office in DiGi. The insurance does not, however, provide coverage in the event that a Director or a member of Management is proven to have acted negligently, fraudulently, dishonestly or in breach of his or her duty or trust.

Foster Commitment

4.1 Time Commitment

The Board is satisfied with the level of time commitment given by the Directors towards fulfilling their roles and responsibilities as Directors. Meetings for the year are scheduled at the end of the preceding year to enable the Directors to plan ahead and ensure that the Board and its Committee meetings are accounted for in their respective schedules. It provides the scheduled dates for meetings of the Board and Board Committees, and the AGM, as well

STATEMENT ON CORPORATE GOVERNANCE

as the closed periods for dealings in securities based on the targeted dates of announcements of the Company's quarterly results. The Board meets at scheduled meetings and on other occasions to deal with urgent matters. Due notice is given for all scheduled and additional meetings.

The Board met five (5) times during the year and attendance of Directors at Board meetings, was as below:-

Name	Attendance
Sigve Brekke *Chairman/Non-Independent Non-Executive Director*	5/5
Dato' Ab. Halim bin Mohyiddin *Independent Non-Executive Director*	5/5
Dato' Saw Choo Boon *Independent Non-Executive Director*	5/5
Hakon Bruaset Kjol *Non-Independent Non-Executive Director*	5/5
Tore Johnsen *Non-Independent Non-Executive Director (Appointed on 15 March 2013)*	5/5
Morten Karlsen Sorby *Non-Independent Non-Executive Director (Appointed on 15 March 2013)*	4/5
Yasmin Binti Aladad Khan *Independent Non-Executive Director (Appointed on 23 July 2013)*	2/2
Tan Sri Leo Moggie *Senior Independent Non-Executive Director (Retired on 9 May 2013)*	0/1

At Board meetings, the Chairman encourages constructive and healthy debates, and Directors are free to express their views. Any Director who has a direct or deemed interest in the subject matter shall abstain from deliberation and voting during the meeting. Decisions of the Board are made unanimously or by consensus. Where appropriate, decisions may be taken by way of Directors' Circular Resolutions between scheduled and special meetings. The proceedings of and resolutions passed at each Board and Board Committee meetings are minuted by the Company Secretary and kept in the statutory register at the registered office of DiGi.

Directors are to devote sufficient time and effort to carry out their responsibilities. The Board obtains this commitment from Directors at the time of appointment. Directors are to notify the Chairman before accepting any new directorships notwithstanding that the MMLR allows a Director to sit on the boards of five (5) listed issuers. Such notification is expected to include an indication of time that will be spent on the new appointment.

4.2 Directors' Training and Induction

The Board emphasises the importance of continuing education for its Directors to ensure that they are equipped with the necessary skills and knowledge to meet the challenges of the Board. All existing Directors have completed the Mandatory Accreditation Programme (MAP). The Board continues to evaluate and determine the training needs of its members to assist them in the discharge of their duties as Directors. The Company Secretary arranges for the Directors' attendance at the training programmes, which are conducted either in-house or by external service providers. DiGi continues to provide internal briefings to the Directors on key Corporate Governance developments and updated them on changes to the MMLR, laws and regulations. The Directors were fully informed of the impact of such development or changes.

The Directors are mindful that they continue to update their skills and knowledge to maximise their effectiveness during their tenure.

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The Chairman is responsible for ensuring that induction and training programmes are provided and the Company Secretary organises the induction programmes for the newly appointed Directors to familiarise themselves with the Company's operations through briefings by the relevant Management team.

During the financial year end 31 December 2013, the Directors have attended conferences, seminars and trainings in the areas of Leadership, Corporate Governance, Finance, Regulatory Development, Information Security and Business Interest as follows:-

Name of Director	Training Programme/ Conference/Seminar
Sigve Brekke	• CNCB Summit in Bangkok
Dato ' Ab Halim bin Mohyiddin	• Audit Committee Conference 2013 • Nominating Committee Programme • Risk Management Forum, Embracing Long-Term Corporate Success, Risk Governance • Advocacy Sessions on Corporate Disclosure • Board Chairman Session • Regional Business Outlook. What's Next? • Leadership Energy Summit Asia (LESA) 2013 • Organisational Performance and Talent Management

Name of Director	Training Programme/ Conference/Seminar
Dato' Saw Choo Boon	• Corporate Governance Reports on the Observance of Standards and Codes (ROSC) – World Bank and Securities Commission • Productivity Seminar – Malaysian Productivity Corporation (MPC) • Training on Derivatives and Structured Products - RHB Bank • Fundamentals of Banking - ICLIF Leadership and Governance Centre • Leadership's Reflections by Tan Sri Zeti - ICLIF Leadership & Governance Centre • Financial Services Act 2013 and Directors & Officers Liability Insurance Policy - RHB Bank • Personal Data Protection Act (PDPA) & Foreign Account Tax Compliance Act (FATCA) - RHB Bank • HR Conference on Current and Emerging HR Trends and Challenges - Federation of Malaysian Manufacturers (FMM) • Governance in Group - ICLIF Leadership and Governance Centre • Advocacy Session on Corporate Disclosure - Bursa Malaysia • Asean CSR Scorecard - Minority Shareholders Watchdog Group (MSWG) • Corporate Finance - ICLIF Leadership & Governance Centre

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Name of Director	Training Programme/ Conference/Seminar
Hakon Bruaset Kjol	• Mobile World Congress • Mobile Asia Expo • ITU World Telecom • Organisational Performance and Talent Management
Tore Johnsen *(Appointed on 15 March 2013)*	• Mandatory Accreditation Programme for Directors of Public Listed Companies • Director Certification Program Class 175/2013 (DCP) accrediated by Australian Institute of Company Directors – Thai Institute of Directors • ITU World Telecom • Organisational Performance and Talent Management
Morten Karlsen Sorby *(Appointed on 15 March 2013)*	• Citi Conference in London • Organisational Performance and Talent Management
Yasmin Binti Aladad Khan *(Appointed on 23 July 2013)*	• Mandatory Accreditation Programme for Directors of Public Listed Companies • Organisational Performance and Talent Management
Tan Sri Leo Moggie *(Retired on 9 May 2013)*	Not Applicable

Uphold Integrity in Financial Reporting

5.1 Compliance with applicable financial reporting standards

Financial Reporting

The Board is committed to providing a balanced, clear and meaningful assessment of the financial performance and prospects in all the disclosures made to the stakeholders and the regulatory authorities. The Audit & Risk Committee Chairman, Dato' Saw Choo Boon together with all Audit & Risk Committee members who have vast accounting and/ or financial related experience meets on a quarterly basis, to review the integrity and reliability of DiGi's financial statement in the presence of both external and internal auditors, prior to recommending them for the Board's approval.

As part of the governance process in reviewing the quarterly and annual financial statement by the Audit & Risk Committee, the CFO provided assurance to the Audit & Risk Committee that adequate processes and controls are in place for an effective and efficient financial statement close process, that appropriate accounting policies had been adopted and applied consistently and that the relevant financial statements gave a true and fair view of the state of affairs of DiGi.

Timely release of quarterly results announcements, annual financial statements, annual report and analyst presentations reflects the Board's commitment to provide transparent and up-to-date disclosures to the public. The Board is assisted by the Audit & Risk Committee in governing DiGi's financial reporting processes and the quality of its financial reporting.

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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 in Malaysia and the provisions of the Companies Act, 1965, so as to give a true and fair view of the financial position of DiGi as of the reporting date, and financial performance and cash flow for the year. The Directors have prepared the information set out in Note 33 to the financial statements in accordance with the Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure pursuant to MMLR, as issued by the Malaysian Institute of Accountants.

The Directors are responsible for the preparation and fair presentation of the financial statements in accordance with applicable Financial Reporting Standards in Malaysia and the provisions of the Companies Act, 1965 in Malaysia. In carrying out this responsibility, the Directors have:

- designed, implemented and maintained internal controls relevant to the preparation and fair presentation of financial statements free from material misstatement, whether due to fraud or error;
- adopted suitable accounting policies and applied them consistently;
- stated whether applicable Financial Reporting Standards in Malaysia have been followed, subject to material departures disclosed and explained in the financial statements, if any;
- made judgments and estimates that are reasonable in the circumstances; and
- employed the going-concern principle unless it is inappropriate to presume that DiGi will continue its business.

The Directors are responsible for ensuring that DiGi keeps proper accounting records which disclose with reasonable accuracy the financial position of DiGi and to enable them to ensure that the financial statements comply with the Companies Act, 1965 and oversees the quality of the financial reporting. The Directors are also responsible for safeguarding DiGi's assets and taking reasonable steps to prevent and detect fraud and other irregularities.

Conflict of Interest and Related Party Transactions

The Board is responsible at all times for determining a potential or actual conflict of interest in relation to any matter which comes before the Board.

The Board through its Audit & Risk Committee reviews all 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 to the transaction at the Board meetings.

Details of these transactions are set out under Notes to the Financial Statements and also the list of related party transactions on pages 121 to 123 and 134 of the Annual Report.

5.2 Assessment of suitability and independence of external auditors

Key features underlying the relationship of the Audit & Risk Committee with the internal audit function and external auditors are detailed on pages 56 to 59 of the Annual Report. A summary of the activities of the Audit & Risk Committee during the year are set out in pages 62 to 64 of the Annual Report.

DiGi has in place 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 provide mainly audit-related services to DiGi. Due to the strong knowledge of DiGi, the external auditors also undertake certain non-audit services such as interim reviews, regulatory reviews and reporting, and other services.

STATEMENT ON CORPORATE GOVERNANCE

The Board upholds the integrity of financial reporting by DiGi and as such, the external auditors have confirmed to the Board their independence in providing both audit and non-audit services up to the date of this statement.

The Audit & Risk Committee works closely with the senior audit partner assigned by Ernst and Young to DiGi, to act as the key representative for overseeing the relationship of DiGi with the external auditors. In compliance with the Malaysian Institute of Accountants, DiGi rotates its audit partners every five (5) years to ensure objectivity, independence and integrity of the audit opinions.

During the year, Ernst and Young charged DiGi RM304,000 (2012: RM311,000) for audit and RM54,000 for non-audit services/assignments (2012:RM53,000).

The external auditors attended all the Audit & Risk Committee meetings held to review the Quarterly Results and the financial statements. The Audit & Risk Committee was satisfied with Ernst and Young's technical competency and audit independence.

Recognise and Manage Risks

6.1 Sound framework to manage risks

The Board has the ultimate responsibility of approving the Risk Management framework and policy as well as overseeing DiGi's Risk Management and Internal Control Framework.

DiGi has in place an ongoing process for identifying, evaluating and managing significant risks that may affect the achievement of the business objectives of DiGi. The Board through its Audit & Risk Committee reviews the key risks identified on a regular basis to ensure, as far as possible, the protection of its assets and its shareholders' investment.

The key features of the Risk Management framework and policy set out in pages 60 to 61 of the Annual Report provide an overview on the Risk Management functions within DiGi.

6.2 Internal audit function

The Board has the ultimate responsibility for DiGi's system of internal control which includes the establishment of an appropriate control environment and framework, and the review of its effectiveness, adequacy and integrity. A sound system of internal control is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable rather than absolute assurance against material misstatement or loss.

The Board has established procedures to review the key financial, operational and compliance controls. These procedures, which are subject to regular review, provide an ongoing process for identifying, evaluating and managing the significant risks faced by DiGi.

Details of DiGi's internal control system and framework are set out in the Statement on Risk Management and Internal Control and also the Audit & Risk Committee Report on pages 56 to 59 and 63 of the Annual Report respectively.

Ensure Timely and High Quality Disclosure

7.1 Corporate Disclosure Policy

Communications with Shareholders and Investors

DiGi recognises the importance of effective and timely communications between the stakeholders, institutional investors and the investing public at large. In seeking to maintain the credibility of DiGi's public reporting and investor relations activities, DiGi continues to be consistent, transparent and regular in providing updates and reports on its operations and performance.

STATEMENT ON CORPORATE GOVERNANCE

DiGi remains committed to keeping the market informed of relevant information which includes appropriate disclosure and transparency, enabling both existing and potential shareholders to evaluate its business, performance and prospects, not only in compliance with the MMLR but also include additional items such as media releases done on a voluntary basis. Whilst efforts are made to provide as much relevant and material information as possible to the shareholders and stakeholders, DiGi is cognisant of the legal and regulatory framework governing the release of materials and sensitive information so as not to mislead the shareholders. In this respect, DiGi is committed to identify and release material information in a complete, timely and accurate manner to Bursa Securities and consequently to the market.

DiGi has maintained its policy of proactive engagement with shareholders and investors through its Investor Relations programme. In 2013, DiGi has actively engaged with the investment community and financial markets, as DiGi took on more in-house meetings, non-deal roadshows and conferences. DiGi also hosted its Analysts' Day, which provided opportunities for analysts to obtain more information on business operations and engage with the DMT. DiGi also leverages on these platforms to obtain important feedback from investors and inputs on shareholder expectations.

	2013
Analysts Earnings Conference	4
Non-deal road shows and investor conferences	7
Analysts' Day	2

After each results announcement and any resultant major corporate exercise, DiGi has made appropriate disclosures to our investors and other financial intermediaries through disclosure to Bursa Securities, media, DiGi's Investor Relations website and other channels.

Information Disclosure

In accordance with the disclosure requirement and the MMLR, DiGi follows these three (3) main forms of information disclosure:

- Continuous disclosure – timely disclosure of events as they take place and this is our primary method of informing shareholders and the market
- Periodic disclosure – in the form of full year and quarterly reporting of financial results and major investments, capital expenditure and funding activities proposed by DiGi
- Specific information disclosure – as and when required, of administrative and corporate developments, usually in the form of Bursa Securities filling

All information made available to Bursa Securities is immediately available to shareholders and the market on the Investor Relations section of DiGi's website: www.digi.com.my.

7.2 Leverage on information technology for effective dissemination of information

Investor Relations Website

In addition to statutory documents, the investor relations website also features in-depth information related to DiGi's financial results as well as other relevant financial data. These include announcements to Bursa Securities, media releases, investor briefings, quarterly results and annual reports.

In addition, the website also offers additional information which includes share price, details of dividends, management team, Board of Directors as well as corporate governance commitments to investors.

DiGi remains transparent in our financial reporting, and will continually add new interactive capabilities to its website.

STATEMENT ON CORPORATE GOVERNANCE

Shareholders & Investor Queries

Whilst DiGi aims to provide sufficient information to shareholders and investors about its activities, it also recognises that shareholders and investors may have specific queries and require additional information. To ensure that shareholders and investors can obtain all relevant information to assist them in exercising their rights as shareholders, they are encouraged to direct their queries to:

Investor Relations – Finance
DiGi Telecommunications Sdn Bhd
Lot 10, Jalan Delima 1/1,
Subang Hi-Tech Industrial Park,
40000 Shah Alam, Selangor Darul Ehsan
Tel: +603 5721 1800

Strengthened Relationship Between Company and Shareholders

8.1 Encourage shareholder participation at general meetings

DiGi fully recognises the rights of shareholders and encourages them to exercise of their rights at DiGi's AGM. The date, venue and time of these meetings are determined to provide the maximum opportunity for as many shareholders as possible to attend personally.

The Notice of Meeting of the AGM is sent to shareholders at least 21 days ahead of the meeting date together with the Financial Statements and agenda for the meeting with a memorandum providing information to shareholders to assist them in deciding on how they should vote on each item of the business. In addition, a full copy of the Notice of Meeting and Proxy Form are posted on DiGi's website and lodged with Bursa Securities. It is also advertised in a major local newspaper.

In every AGM, the Management Team presents a comprehensive review of DiGi's financial performance for the year and outlines the prospects of DiGi for the subsequent financial year. Time is being set aside for shareholders' queries. Where it is not possible to provide immediate answers, DiGi will undertake to provide shareholders with written answers after the AGM. Copies of the review are posted on DiGi's Investor Relations website immediately.

The Chairman shared with the shareholders at the 16th AGM the responses to questions submitted in advance by the Minority Shareholder Watchdog Group, which was also posted on the Investor Relations section of DiGi's website.

All Directors are expected to attend the AGM where possible. DiGi also requires its external auditor to attend each AGM to answer questions on the conduct of the audit, and the preparation and content of the auditor's report.

Since 2006, DiGi's AGM has been open to the financial media to observe the proceedings.

The outcome of the AGM is announced to Bursa Securities on the same meeting day.

8.2 Encourage poll voting

All resolutions put forth for shareholders approval at the 16th AGM held on 9 May 2013 were voted by a show of hands.

DiGi will adopt poll voting if there is/are substantive resolution(s) to be put forth for shareholders' approval at the general meetings going forward.

STATEMENT ON CORPORATE GOVERNANCE

8.3 Effective communication and proactive engagement

Investor Meetings and Presentations

Access to timely information is vital to investors and in this regard, DiGi uses an array of media channels to disseminate material and price-sensitive information, for them to make informed decisions.

In keeping with DiGi's standard practice, the Management conducts analyst briefings for DiGi's quarterly results, with conference call facilities available for foreign participants. The results announcements, presentations and other relevant documents were made available on DiGi's corporate website.

On a regular basis, outside DiGi's closed period, the Management holds one-on-one and group meetings with analysts, fund managers and shareholders to provide updates on financial performance, corporate and regulatory developments as well as strategic business outlook.

DiGi continues to keep investors engaged through roadshows, meetings, briefings, announcements and AGMs. As part of DiGi's continuous efforts to reach out to the investment community and to provide investors with greater insight into DiGi, the Company has also participated in various investor conferences held locally and in major financial centers globally throughout the financial year. Some of the events in 2013 included:

Venue	Event	Date	Organiser
Singapore	Non-deal roadshow	22 Mar	Merrill Lynch
Hong Kong	Non-deal roadshow	20-21 May	Credit Suisse
Kuala Lumpur	Invest Malaysia	13-14 Jun	Bursa Securities Maybank Kim Eng
Abu Dhabi	Non deal roadshow	17 Jun	BNP Paribas
Tokyo	Non-deal roadshow	22-23 Aug	Nomura
United Kingdom	Non-deal roadshow	23-26 Sept	CIMB
United States	Invest Malaysia	4-8 Nov	Bursa Securities Maybank Kim Eng

Our proactive efforts in reaching out to shareholders and the investment community have been instrumental in gaining better understanding of its business and prospects.

The Board has deliberated, reviewed and approved the Statement on Corporate Governance on 13 March 2014.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

The Board of Directors ("Board") affirms its commitment to maintain a sound system of risk management and internal control in DiGi.Com Berhad and its Group of Companies ("DiGi" or "the Group") and is pleased to provide the following statement, which outlines the nature and scope of internal controls of the Group during the financial year ended 31 December 2013.

DiGi has established procedures of internal control that takes into account the guidelines to Directors as set out in the "Statement on Risk Management & Internal Control - Guidelines for Directors" for the year under review. These procedures, which are subject to regular review by the Board, provide an ongoing process for identifying, evaluating and managing significant risks faced by DiGi that may affect the achievement of its business objectives.

Board Responsibility

The Board is responsible and accountable for DiGi's system of internal control, which includes the establishment of an appropriate control environment and framework, as well as reviewing its effectiveness, adequacy and integrity on a regular basis. The system of internal control covers governance, risk management, and financial, organisational, operational and compliance controls. Due to the limitations inherent in any system of internal control, this system is designed to manage, rather than eliminate, the risk of failure to achieve DiGi's desired objectives. It therefore provides a reasonable and not absolute assurance against material misstatement of management, financial information and records, or against financial losses or fraud.

Management is required to apply good judgement in assessing the risks faced by the Group, identifying DiGi's ability to reduce the incidence and impact of risks, and ensuring that the benefits out-weigh the costs of operating the controls.

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

Risk Management

DiGi has implemented a Risk Management framework to identify, evaluate and manage significant risks that may affect the achievement of DiGi's business objectives. The Board regards risk management as an integral part of the Group's business operations. An established structured process has been set-up for managing all significant risks. These risks are reviewed and reported through the Audit & Risk Committee on a regular basis to ensure that adequate measures are taken to mitigate weaknesses in a controlled environment.

The risk management process, and practical guidance on its application, has been documented in the Risk Management Standard Operating Policy and Procedures.

DiGi Management Team ("DMT"), which comprises the Chief Executive Officer ("CEO"), Chief Financial Officer ("CFO"), Chief Technology Officer ("CTO"), Chief Marketing Officer ("CMO"), Chief Strategy and Corporate Affairs Officer ("CSCAO") and Head of Human Resource Development, is responsible for ensuring that key risks reported to DiGi's business are identified, evaluated and that responses are developed on a timely manner to mitigate these risks.

This risk management scope covers, inter alia, strategic, financial, operational, network and systems, health, safety and environment, employees and regulatory matters. Further information on Risk Management, kindly refer to pages 60 to 61 of the Annual Report.

Control Environment and Structure

The following sets out the control environment and its key elements within DiGi, which have been in place throughout the financial year, and up to the date of the Directors' Report:

a) **Organisation Structure**
   There is a defined organisational structure within DiGi, with clear lines of responsibility, authority and accountability, to ensure that Management acts in the best interests of shareholders.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

There was an appointment of a new CFO and Head of Human Resource Development in 2013. Subsequently, the organisation went through a restructuring exercise to accelerate future growth by ensuring deeper business and drive stronger cohesion within all divisions. The new leadership structure and organisation took effect from 1st January 2014.

b) Board and Management Committees

Board Committees have been set up to assist the Board to perform its oversight function, namely the Audit & Risk Committee, the Nomination Committee, and the Remuneration Committee. These Board Committees have been delegated specific responsibilities of which, are all governed by clearly defined terms of reference. The roles and responsibilities of the Audit & Risk Committee are detailed in the Audit & Risk Committee Report on pages 62 to 64, whilst those of the other two committees are detailed in the Statement on Corporate Governance on pages 42 to 45.

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

- DMT meetings identify, discuss, approve and resolve strategic, operational, financial and key management issues pertaining to DiGi's day-to-day business.
- The Investment Committee governs the approval process regarding material capital investments and operating expenditure for DiGi.
- The Commercial Forum governs the decision-making process for commercial issues, and is managed by Marketing.
- Regulatory Steering Committee sets direction and makes decisions with regards to regulatory and industry matters that have a strategic impact to DiGi.
- Risk and Control Forum identifies risks through the various governance and risk and control functions in DiGi, and ensure that the reported operation risks and/or controls, key compliance matters are remediated by Management.

c) Assignment of Authority

The Delegation Authority Matrix ("DAM") describes the system of delegation of authority for DiGi. The main objective of the DAM is to ensure efficient use of DiGi's resources in accordance with overall strategies and operational plans and to safeguard the Group's assets. The DAM also sets out the matters reserved for the Board's decision and the delegation of authority to Management to make commitments on behalf of DiGi.

DiGi has adopted a set of values to act as a framework for its employees to exercise judgement and make decisions on a consistent basis. DiGi is practising segregation of duties to ensure that conflicting tasks are apportioned between different employees, to reduce the scope for error and fraud.

d) Code of Conduct

The Code of Conduct is a vital and integral part of DiGi's governance regime that defines the core principles and ethical standards in conducting business and engagements with all key stakeholders, and compliance with the law and regulations. The Code of Conduct applies to the members of the Board, employees and those acting on behalf of the Group. All employees are required to sign and confirm that they have read, understood and will adhere to the Code of Conduct. Communication channels are established through which concerns on non-adherence to the Code of Conduct can be safely reported under the "Whistle-blowing" policy. More information of the Code and the "Whistle-blowing" policy are set out in the Statement on Corporate Governance on page 39.

e) Policies and Procedures

DiGi has set out core business policies and manuals containing key business principles and requirements for the attainment of goals and objectives on the subject areas. This includes, but not limited to, Accounting and Financial Reporting Policy, Anti Corruption Policy, Brand Management Policy, Safety and Security Policy, People Policy, Supply Chain Sustainability, Sourcing Policy, Information Management Policy, Privacy Policy, Whistle-blowing Policy, Technology Policy, Legal Policy and Regulatory Policy. These policies and manuals are communicated Group-wide,

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

made available on the intranet for employees and revised periodically to meet changing business, operational and statutory reporting needs.

f) Revenue Assurance

The Revenue Assurance function is carried out by the Risk and Revenue Management department, to ensure that revenue leakage is minimised with the implementation of adequate controls and processes through optimal risk and revenue management framework which covers the cycle of identification, assessment, mitigation and monitoring. DiGi has in place automated controls to ensure that usage and profile integrity between the network, mediation, rating and billing is assured.

g) Fraud Management

Fraud Management function is carried out by the Risk and Revenue Management department. Telecommunication Fraud Management Policy is implemented to manage the risk of relevant fraud and fraud losses. This includes monitoring of activities such as 24 hours surveillance of roaming and IDD traffic as well the requirement for ongoing review of fraud internal controls.

Measures and continuous actions are taken to ensure telecommunication fraud is minimised and the requirement for preventive controls to be embedded into the business processes.

h) Controls over Financial Reporting

The Risk and Revenue Management department plays a key role in evaluating and improving the effectiveness of key controls surrounding DiGi's Financial Reporting processes to provide reasonable assurance on the reliability of financial reporting and preparation of financial statements. DiGi's internal control structure is based on Committee of Sponsoring Organisation of the Treadway Commission (COSO) internal control framework and it operates in accordance to Telenor Group's Internal Control over Financial Reporting Framework of detection, and monitoring of risks and controls related to financial information.

i) Legal and Compliance

The Legal Department is mandated to manage and address the Group's legal affairs and mitigate legal risks in the performance of its daily business. It plays a key role in identifying, evaluating and formulating strategies on legal risks.

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

- The Code of Conduct reflects good business practices and relevant laws, regulations and widely recognised treaties.
- The Code of Conduct is implemented consistently and effectively through sharing of knowledge and measures for quality assurance.
- Compliance incidents are consistently and effectively managed.

The Ethics & Compliance Officer reports on material breaches of Code of Conduct to the Audit & Risk Committee on a quarterly basis.

Monitoring Activities

The key processes that have been established in monitoring and reviewing the adequacy and effectiveness of the system of internal controls include the following:

a) Board and Management Committees

- DMT meetings are held on a weekly basis to monitor and address key issues on a timely manner.
- Significant changes in the business and the external environment are reported by the DMT to the Board on an ongoing basis and/or during Board meetings.
- DiGi's performance management model provides a comprehensive review of business performance, which includes a review of actual performance against targets.
- Quarterly financial results and other information are provided to the Audit & Risk Committee to enable the Board to monitor and evaluate the business performance.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

- The Audit & Risk Committee monitors major internal and external audit issues to ensure they are promptly addressed and resolved.
- The Regulatory Steering Committee monitors compliance on regulatory or industry related projects and/or topics and tracks the progress of action plans. The Regulatory Steering Committee meets on a monthly basis.
- Risk and Control Forum meetings are held on a monthly basis to monitor mitigation of key risks to ensure that robust mitigation actions are implemented on a timely manner by Management.

b) Internal Audit Function

The internal audit function carried out by the Assurance Department, assists both the Board and the Audit & Risk Committee by conducting appropriate reviews of key business processes to assess the adequacy and effectiveness of internal control and risk management, compliance with regulations and the Group's policies and procedures. To ensure independence from Management, the Head of Assurance reports directly to the Audit & Risk Committee. The Assurance Department's practices and conduct are governed by the Assurance Charter, which is subject to review and approval on an annual basis by the Audit & Risk Committee.

The Audit Plan is developed based on a risk-based approach and is approved by the Audit & Risk Committee on an annual basis. The status of the Audit Plan is presented to the Audit & Risk Committee on a quarterly basis.

The audit reports, including significant findings and recommendations for improvements are highlighted to DMT and, on a quarterly basis reported to the Audit & Risk Committee. Adequate measures and actions by Management to address the improvement areas highlighted are followed-up and reviewed on a quarterly basis.

The Assurance Department also maintains a quality assurance and improvement programme and continuously monitors its overall effectiveness. The Assurance Department had undergone Quality Assurance Review by the Institute of Internal Auditors Malaysia and had been judged to have fully met the requirements set by the international Institute of Internal Auditors.

The Board has also received assurance from the CEO and CFO that DiGi's risk management and internal control is operating adequately and effectively, in all material aspects, based on DiGi's risk management and internal control system.

Review Of This Statement By External Auditors

Pursuant to paragraph 15.23 of the Main Market Listing Requirements of Bursa Securities, the external auditors have reviewed this Statement in accordance with Recommended Practice Guide 5, Guidance for Auditors on the Review of Directors' Statement on Internal Control, 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 DiGi.

Conclusion

The system of risk management and internal control are embedded into the operations of DiGi, and actions taken to mitigate any weaknesses are carefully monitored.

The Board is of the view that the system of risk management and internal control in place for the year under review and up to the date of this report is sound and sufficient to safeguard the shareholders' investment, the interests of customers, regulators and employees, and DiGi's assets.

RISK MANAGEMENT

DiGi.Com Berhad and its Group of Companies ("DiGi" or "the Group") has an integrated risk management framework designed to provide better assurance in achieving the company's business objectives, safeguarding and enhancing shareholder's investment. The framework entails a systematic approach in identifying threats and risks, development of appropriate risk strategies and implementation of relevant controls in a dynamic telecommunication business environment.

This framework is an integral part of DiGi's overall business strategy and planning. It seeks to support and sustain risk management across DiGi and is integrated into key business processes such as investment analysis, business planning, corporate strategy development, procurement, project management, and operations management.

The Board of Directors is responsible for the framework. They approve the risk management strategy, policy and philosophy, in addition to having oversight of the function with periodic updates on DiGi's risk profile.

The Audit & Risk Committee reviews the identified key risks on a quarterly basis to ensure proper management and mitigation actions have been taken accordingly.

DiGi Management Team ("DMT") plays an active role in managing the risks in DiGi. They oversee the implementation of the risk strategy and the risk management framework in the organisation. Company level strategic and operational risks are part of the Management's quarterly agenda and more frequently, if required. In addition to the above, they also provide guidance on DiGi's risk appetite, tolerance and other relevant criteria in managing risks.

In addition, DiGi has a Risk and Control Forum, which further supports the Management of selected operational risks and compliance related matters. DiGi is seeking to continuously build a stronger risk management culture and foundation by setting the appropriate tone from the top of the organisation, and by promoting awareness, ownership and accountability of risks.

In general, risks are managed at all levels in the Group. Business units or functional groups have primary responsibility and accountability for the proactive identification, ownership and management of risks in their day-to-day operations.

Risk Profile

DiGi's performance is affected by a wide range of external and internal risk factors. Some of these factors are beyond DiGi's control, however, action will be taken in accordance to the selected risk strategies to mitigate the exposure. Some of the material risks may not have been identified but they may have significant adverse impact to the performance in the future. DiGi aims to identify and mitigate these risks factors in a timely manner. Some of the identified risk factors are listed as follow:

Competition

The mobile telecommunication market is increasingly competitive as providers are racing to offer a wide range of bundled smartphone or tablet plans with the latest devices to capture a larger market share. Telecommunication service providers have invested heavily in advanced broadband infrastructure and the supporting services or solutions to enable them to capitalise on data as one of the key growth drivers. In addition to these, service providers are faced with the challenge to defend their traditional services such as voice and short message service (SMS) amongst the major players, and from new and existing mobile virtual network operators (MVNOs). Competition is expected to remain intense with the continuous emergence of new technologies, new players in the market and change of regulations, which could lead to lower market share and lower average revenue per user (ARPU). DiGi is well aware of this situation and has established the appropriate measures to effectively compete and grow in this environment.

Regulatory Risks

DiGi's operations is subject to extensive government regulations which may impact or limit the Group's flexibility to respond to market conditions, competition, or changes in cost structures. Decisions by the government to establish new policies or change its existing policies may have a material adverse effect on DiGi's financial performance and operations.

Besides policies, DiGi's business is dependent upon statutory licenses issued by government authorities. Failure to meet or continuously comply with the regulatory requirements could result in fines, sanctions or ultimately revocation of the licenses.

RISK MANAGEMENT

Access to additional spectrum is crucial to DiGi to support organic growth and new service offerings. However, the issuance of spectrum is heavily regulated by government authorities and failure to acquire access to the necessary spectrums on reasonable terms in a timely manner could lead to material adverse effect on DiGi's business, financial performance and growth plans.

To manage the above uncertainties, DiGi is constantly engaging with the relevant government authorities to understand and meet their requirements, actively participating in new regulatory development consultations in addition to having regular dialogues with industry players.

Internally, DiGi frequently organises communication and training sessions with relevant groups of employees to promote awareness and compliance to new and existing regulatory requirements.

<u>Service Disruption Risks</u>

Prolonged system downtime or network outages may severely affect customer experience resulting in high subscriber churn in addition to not meeting requirements set by the regulatory bodies. To mitigate these risks, DiGi continually works towards improving and upgrading its key network elements and the information security/information technology (IS/IT) systems. On top of this, robust structured monitoring and maintenance plans are established to ensure business continuity. With all these in place, DiGi aims to provide positive customer experience which exceeds regulatory requirements.

<u>Breach of Privacy and Data Protection Risks</u>

DiGi seeks to protect the privacy of customer information residing in the IT systems and network infrastructure. Failure in protecting customer information may adversely impact the Group's reputation and lead to a loss of customer confidence. DiGi may also be subjected to fines or sanctions for breaching the Personal Data Protection Act (PDPA) and Privacy Act.

DiGi has also put in place security measures such as encryption algorithms to prevent network intrusion and minimise the risk of privacy breaches. To ensure the robustness and assurance of our risk mitigation measures in this area, DiGi is embarking on obtaining ISO27001 certification in progressive stages.

<u>Project Delivery Risks</u>

DiGi has invested a substantial amount on capital expenditure to upgrade network coverage, network capacity and system infrastructure in order to handle the increasing demand for and usage of our services. While some of these projects have been completed, there are still a few which are currently in progress and DiGi may be exposed to the risk of unexpected implementation delays, significant cost increase and poor quality deliverables, any of which can have a negative impact to the current operations and impeding projected business growth. DiGi has a comprehensive project risk management framework in place, with regular risk assessments and reporting to the Management to ensure effective measures are taken to mitigate identified key risks on a timely basis.

AUDIT & RISK COMMITTEE REPORT

Composition and Meetings

The Audit & Risk Committee ("ARC") has three (3) members, all of whom are non-executive directors and a majority of whom are independent, including the Chairman of the ARC.

All members of the ARC are financially literate and are able to read, analyse, interpret and understand financial statements in order to effectively discharge their duties and responsibilities as members of the ARC. Dato' Ab. Halim Bin Mohyiddin, an Independent Non-Executive Director, is a council member of the Malaysian Institute of Certified Public Accountants ("MICPA"). Accordingly, DiGi.Com Berhad and its Group of Companies ("DiGi" or "the Group") complies with Paragraph 15.09(1)(c)(i) of the Main Market Listing Requirements of Bursa Securities ("MMLR").

Details of the ARC members and the attendance of each member at ARC meetings during the financial year ended 31 December 2013 are set out as below:

Name	Status	Meetings attended
Dato' Saw Choo Boon *(Appointed as Chairman on 23 July 2013)*	Chairman/Independent Non-Executive Director	5/5
Dato' Ab. Halim Bin Mohyiddin *(Relinquished role as Chairman on 23 July 2013)*	Member/Independent Non-Executive Director	5/5
Tore Johnsen *(Appointed on 15 March 2013)*	Member/Non-Independent Non-Executive Director	2/3

The ARC held five (5) meetings during the financial year ended 31 December 2013. The CEO, CFO and Head of Assurance were also invited to attend and provide clarification on audit issues and the operations of DiGi. Relevant Management of the audit subjects were invited to brief the ARC on specific issues arising from relevant audit reports.

The Board reviews the terms of office of the ARC members annually. The Board also assesses the performance of the ARC and its members through an annual Board Committee effectiveness evaluation and is satisfied that they are able to discharge their functions, duties and responsibilities in accordance to the Terms of Reference of the ARC, which are available on DiGi's website, thereby supporting the Board in the areas of corporate governance, system of internal control, risk management and financial reporting within DiGi.

Deliberations during the ARC meetings, including the issues tabled and rationale adopted for decisions were recorded. Minutes of the ARC meetings were tabled for confirmation at the following ARC meeting and subsequently presented to the Board for notation. The ARC Chairman conveyed to the Board matters of significant concern, as and when, raised by the External Auditors or Assurance Department.

Summary of Activities

In early 2014, the Board assessed the effectiveness of the ARC performance for the financial year ended 31 December 2013 and was satisfied that it was operating in an effective manner.

The ARC's principal activities during 2013 were as follows:

Financial Reporting

(a) Reviewed the quarterly unaudited financial results of DiGi before recommending them for approval by the Board of Directors.
(b) Reviewed the annual audited financial statements of DiGi for 2013 with the external auditors prior to submission to the Board of Directors for their approval.

AUDIT & RISK COMMITTEE REPORT

Internal Audit

(a) Reviewed and approved the annual Assurance Plan to ensure adequate scope and comprehensive coverage of the activities of DiGi.
(b) Reviewed and deliberated on internal audit reports tabled during the year, the audit recommendations made and Management's response to these recommendations.
(c) Monitored the implementation of recommendations by Management on outstanding issues on a quarterly basis to ensure that all key risks and control weaknesses are being properly addressed.
(d) Reviewed and monitored the results and status of actions of internal misconduct cases in relation to DiGi's Code of Conduct.
(e) Held private meetings with the Head and senior members of the Assurance Department for discussions on the activities, findings and recommendations of the Assurance Department without the presence of Management.
(f) Reviewed the performance, scope, functions, adequacy and competency of Assurance Department.

External Audit

(a) Reviewed the scope of work and tabled to the Board for approval the engagement letter from the external auditors confirming its independence and objectivity.
(b) Reviewed the results of the annual audit, their audit report and Management Letter, together with Management's responses to the review of the external auditors.
(c) Reviewed and approved the scope of non-audit services provided by the external auditors to ensure there was no impairment of independence or objectivity.
(d) Evaluated the effectiveness of the external auditors and made recommendations to the Board of Directors on their re-appointment and remuneration, subject to the approval of DiGi's shareholders at the general meeting. Shareholders in a general meeting authorise the Directors to fix the remuneration of external auditors.
(e) Held two (2) private meetings with the external auditors on 14 March 2013 and 28 October 2013 to ensure there were no restrictions on the scope of their audit and to discuss any items that the auditors did not wish to raise in the presence of Management.

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Internal Control

(a) Received and reviewed reports on the adequacy, effectiveness and reliability of controls over financial reporting.
(b) Reviewed the effectiveness of the process for identifying, evaluating and managing business risks and reviewed reports on Risk Management activities and annual and quarterly risk profiles.
(c) Reviewed controls relating to revenue assurance and fraud management activities.

Related Party Transactions

Reviewed the related party transactions entered into by DiGi.

Internal Audit Function

Internal Audit activities are carried out in-house by the Assurance Department. The Head of Assurance reports directly to the ARC and assists the Committee in the discharge of its duties and responsibilities. The Assurance Department's role is to provide independent and reasonable assurance on the adequacy, integrity and effectiveness of DiGi's overall system of internal control, risk management and governance. The ARC determines the adequacy of the scope, functions, competency and resources of the Assurance Department, which comprises of 10 staff members as at 31 December 2013 and that it has the necessary authority to carry out its work.

The Assurance Department practices adaptive auditing, which provides the flexibility needed to address emerging current risks as well as potential future risks. This allows Assurance to focus its resources and skills on ensuring alignment with business strategy and goals, thus maintaining relevance and driving continuous improvements within DiGi.

AUDIT & RISK COMMITTEE REPORT

As part of its activities to provide reasonable assurance on the state of internal control in DiGi, the Assurance Department carried out its reviews based on the annual Assurance plan for 2013, which was developed using a risk-based approach and in line with DiGi's objectives. In 2013, the Assurance Department conducted a wide range of audit assignments covering operational audits, IT and technical audits, and compliance with established procedures and regulatory requirements. To ensure continuous relevance to the business units and to add value, the Assurance Department also participated in the review of major projects covering new system implementation to ensure that there is adequate governance over the processes and procedures in deploying the new systems. The Assurance Department also undertook special reviews at the request of the ARC and/or Management over and above the planned reviews. Follow-up reviews were performed on the implementation of audit recommendations and the status of implementation was reported to the ARC accordingly.

The total costs incurred for the Assurance Department for 2013 was RM1,999,571.

Training

The training attended by the ARC members during the financial year is reported under the Statement on Corporate Governance on pages 49 to 50

The full Terms of Reference of ARC is set out on pages 65 to 67 of the Annual Report.

The ARC Report is made in accordance with the resolution of the Board of Directors dated 13 March 2014.

AUDIT & RISK COMMITTEE TERMS OF REFERENCE

Purpose

To assist the Board of Directors in fulfilling its responsibilities for the oversight of:

- The financial reporting process.
- The system of risk management and internal control.
- The audit process.
- The process for monitoring compliance with laws and regulations and DiGi's code of conduct.

To report to the Board of Directors and the shareholders the ARC's activities and issues, and the ARC's composition, responsibilities and how they were discharged, and any other information required by rule, including approval of non-audit services.

Authority

The ARC shall have unrestricted access to external auditors, internal auditors (hereinafter referred to as "Assurance") and employees of DiGi and is authorised by the Board to investigate any activity within its terms of reference and to:

- Obtain external legal or other independent professional advice as necessary.
- Appoint, remunerate, and oversee the work of any registered public accounting firm employed by DiGi.
- Pre-approve all auditing and non-audit services provided by the external auditors.
- If deemed necessary, convene meetings with the external auditors, Assurance or both, excluding the attendance of the other Directors and Management.
- Resolve any disagreements between Management and the external auditors regarding financial reporting.

Membership

The ARC 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 possess such other qualifications and experience as approved by Bursa Malaysia Securities Berhad ("Bursa Securities").

A quorum shall consist of two members and a majority of the members present must be Independent Directors. If a member of the ARC 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.

Chairman

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

Secretary

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

AUDIT & RISK COMMITTEE TERMS OF REFERENCE

Meetings

Meetings shall be held not less than four times a year and will normally be attended by the Chief Financial Officer and the Head of 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 ARC shall meet with the external auditors without the presence of Management at least twice a year. By request of the ARC, the Head of Assurance and/or his team members, if required, shall meet with the ARC without the presence of Management. The ARC 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.

Responsibilities

The ARC shall undertake the following responsibilities:

<u>Financial Reporting</u>

- Review the quarterly results, year end financial statements and any formal announcements affecting DiGi in accordance with Main Market Listing Requirements of Bursa Securities ("MMLR"), in consultation with management and the external auditors prior to the approval by the Board, focusing on but not limited to, the following:

    - Going concern assumption;
    - Compliance with accounting standards and regulatory requirements;
    - The changes to the accounting policies, if any as required by MASB, practices within the Group and implementation of such change;
    - Significant issues arising from the audit;
    - Significant change or unusual transactions, major accounting estimates and judgmental areas, taking into account the views of the external auditors; and
    - Review the adequacy and accuracy of disclosures to the financial statements.

- Review any related party transactions and conflict of interest situations that may arise within DiGi, including any transaction, procedure or course of conduct that raises questions on management integrity, and to ensure that the Directors report such transactions annually to shareholders via the annual report.
- Review with the external auditors the results of the audit, the management letter, Management's responses and any difficulties encountered (in the absence of Management, where necessary).
- Ensure timely submission of the financial statements by Management.

<u>Risk Management and Internal Control</u>

- Review the adequacy and effectiveness of risk management, internal control and governance systems put in place in DiGi, including information technology security and control, and to evaluate the systems with the external auditors.
- Ensure that Assurance carries out its functions according to the standards set by recognised professional bodies.

<u>The Audit Process</u>

(i) Assurance
- Review the Assurance Charter, activities, competency, resources and organisational structure of the Assurance function.
- Ensure that Assurance has the necessary authority to carry out its work and is free of management and other restrictions.
- Have final authority to review and approve the annual Assurance plan and all major changes to the plan.
- Ensure there are no unjustified restrictions or limitations, and review and concur in the appointment, replacement, or dismissal of the Head of Assurance.
- Review the performance of the Head of Assurance and concur with the annual remuneration and salary adjustment, at least once a year.
- Review promptly key observations and corrective actions on DiGi from Assurance.

AUDIT & RISK COMMITTEE TERMS OF REFERENCE

(ii) *External Audit*

- Review the external auditors' proposed audit plan, their nature, scope and approach, including coordination of audit effort with Assurance.
- Review the competency and performance of the external auditors.
- Consider and recommend the appointment, re-appointment, resignation, dismissal and remuneration of external auditors.
- Review and confirm the independence and objectivity of the external auditors, taking into consideration the local professional and regulatory requirements.
- To develop and implement a policy on the engagement of the external auditor to supply non-audit services and to report to the Board.
- To identify any matters in respect of which it considers that action or improvement is needed and reviewing recommendations as to the steps to be taken.

Compliance

- Review the effectiveness of the system for monitoring compliance with laws and regulations and the results of management's investigation and follow-up (including disciplinary action) of any major instances of non-compliance.
- 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.
- Review the findings of any examination by regulatory agencies and any auditor observations.
- Review the process for communicating the Code of Conduct to the staff, and for monitoring compliance therewith.
- Obtain regular updates from Management and the General Counsel regarding compliance matters.

Other Responsibilities

- Institute and oversee special investigations as needed.
- In compliance with Paragraph 15.16 of the MMLR, where the ARC is of the view that a matter reported by it to the Board has not been satisfactorily resolved resulting in a breach of the MMLR, the ARC must promptly report such matter to Bursa Securities.
- Prepare the ARC Report at the end of each financial year.
- Perform other activities related to this Terms of Reference, as requested by the Board of Directors.

ADDITIONAL COMPLIANCE INFORMATION

Other Disclosures

The following information is provided in accordance with Paragraph 9.25 of Main Market Listing Requirements of Bursa Securities 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 2013 is RM54,000.

2. **Share Buy-Back**
   DiGi had not made any proposal for share buy-back during the financial year.

3. **Depository Receipt Programme**
   DiGi did not sponsor any depository receipt programme during the financial year.

4. **Imposition of Sanctions/Penalties (pending Finance to confirm)**
   DiGi Telecommunications Sdn Bhd was issued a compound of RM100,000 by the Malaysian Communications and Multimedia Commission (SKMM) for dropped calls.

   There was no public sanction or other penalties imposed on DiGi, Directors or Management by the relevant regulatory bodies during the financial year.

5. **Options, Warrants or Convertible Securities**
   DiGi did not issue any options, warrants or convertible securities during the financial year ended 31 December 2013.

6. **Variation in Results**
   There was no profit estimation, forecast or projection made or released by DiGi 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 given or received by DiGi during the financial year under review.

8. **Material Contracts Involving Directors' and Major Shareholders' Interests**
   There was no material contract by DiGi and/or its subsidiaries involving Directors' and major shareholders' interests either subsisting as at 31 December 2013 or entered into since the end of the previous financial year.

9. **Recurrent Related Party Transaction of a Revenue or Trading Nature**
   At the Annual General Meeting ("AGM") held on 9 May 2013, DiGi obtained a shareholders' mandate to allow the Group to enter into recurrent related party transactions of a revenue or trading nature.

   The disclosure of the recurrent related party transactions conducted during the financial year ended 31 December 2013 are set out on pages 134 of the Annual Report.

CHARTING OUR PROGRESS

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 2013.

Principal activities

The principal activity of the Company is investment holding, whilst the principal activities of the subsidiaries are stated in Note 13 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	1,705,878	1,262,883
Attributable to:		
Owners of the parent	1,705,878	1,262,883

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 2012:	
- Fourth interim tax exempt (single-tier) dividend of 2.5 sen per ordinary share, declared on 6 February 2013 and paid on 8 March 2013	194,375

DIRECTORS' REPORT

Dividends (cont'd.)

	RM'000
In respect of the financial year ended 31 December 2013:	
- First interim tax exempt (single-tier) dividend of 3.8 sen per ordinary share, declared on 23 April 2013 and paid on 7 June 2013	295,450
- Second interim tax exempt (single-tier) dividend of 4.8 sen per ordinary share, declared on 19 July 2013 and paid on 6 September 2013	373,200
- Third interim tax exempt (single-tier) dividend of 5.7 sen per ordinary share, declared on 28 October 2013 and paid on 6 December 2013	443,175

The Board of Directors had on 6 February 2014, declared a fourth interim tax exempt (single-tier) dividend of 7.0 sen per ordinary share in respect of the financial year ended 31 December 2013. The financial statements for the current financial year do not reflect this fourth interim dividend. Such dividend, will be accounted for in equity as an appropriation of retained earnings in the financial year ending 31 December 2014.

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
Dato' Ab. Halim bin Mohyiddin
Hakon Bruaset Kjol
Dato' Saw Choo Boon
Morten Karlsen Sorby
Tore Johnsen
Yasmin Binti Abdad Khan (Appointed as Director on 23 July 2013)
Tan Sri Leo Moggie (Resigned as Director on 9 May 2013)

Directors' benefits

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

Since the end of the previous financial year, no Director has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the Directors as shown in Note 7 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 the Director is a member, or with a company in which the Director has a substantial financial interest.

DIRECTORS' REPORT

Directors' interest

According to the Register of Directors' Shareholdings, the interest of Directors in office at the end of the financial year in the shares 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 2013/ date of appointment	Acquired	Sold	31 December 2013
Ultimate holding company				
Telenor ASA				
Direct Interest:				
- Sigve Brekke	80,577	10,457	–	91,034
- Hakon Bruaset Kjol	4,401	2,002	–	6,403
- Morten Karlsen Sorby	59,732	7,345	–	67,077
- Tore Johnsen	29,386	4,855	–	34,241
Indirect interest:				
- Morten Karlsen Sorby*	682	–	–	682

* Deemed interest through shares held by his spouse pursuant to Section 134(12)(c) of the Companies (Amendment) Act, 2007.

	Number of options over ordinary shares of NOK6 each			
	1 January 2013	Granted	Exercised	31 December 2013
Ultimate holding company				
Telenor ASA				
Direct Interest:				
- Hakon Bruaset Kjol	10,000	–	(10,000)	–

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

Issue of shares

There were no changes in the issued and paid-up capital of the Company during the financial year.

Issue of debentures

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

DIRECTORS' REPORT

Options granted over un-issued shares

No options were granted to any person to take up un-issued 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 values as shown in the accounting records in the ordinary course of business had been written-down to an amount which they might be expected so to realise.

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

(i) the amount written-off for bad debts or the amount of the 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.

(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 12 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.

DIRECTORS' REPORT

Subsequent event

Details of an event occurring after the reporting date 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 13 March 2014.

Dato' Saw Choo Boon
Director

Sigve Brekke
Director

STATEMENT BY DIRECTORS

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

We, Dato' Saw Choo Boon and Sigve Brekke, 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 78 to 128 are drawn-up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2013 and of their financial performance and cash flows for the financial year then-ended.

The information set out in Note 33 to the financial statements on page 129 has been prepared in accordance with the Guidance on Special Matter No.1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, issued by the Malaysian Institute of Accountants and guidance on Amendments to Enhance the Financial Reporting and Continuing Disclosure Obligations of Listed Issuers.

Signed on behalf of the Board in accordance with a resolution of the Directors dated 13 March 2014.

Dato' Saw Choo Boon
Director

Sigve Brekke
Director

STATUTORY DECLARATION

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

I, Karl Erik Broten, 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 78 to 128 are in my opinion correct, and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by
the above-named Karl Erik Broten at
Kuala Lumpur in Wilayah Persekutuan
on 13 March 2014

Karl Erik Broten

Before me,

Lee Chin Hin
License No. W493
Commissioner for Oaths
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 statements of financial position as at 31 December 2013 of the Group and of the Company, and statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 78 to 128.

Directors' responsibility for the financial statements

The directors of the Company are responsible for the preparation of financial statements so as to give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of 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 give a true and fair view of the financial position of the Group and of the Company as at 31 December 2013 and of their financial performance and cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

INDEPENDENT AUDITORS' REPORT

to the members of DiGi.Com Berhad (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 financial statements 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 financial statements of the subsidiaries were not subject to any qualification and did not include any comment required to be made under Section 174(3) of the Act.

Other reporting responsibilities

The supplementary information set out in Note 33 on page 129 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

Other matters

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

Ernst & Young
AF: 0039
Chartered Accountants

Kuala Lumpur, Malaysia
13 March 2014

Nik Rahmat Kamarulzaman bin Nik Ab. Rahman
No. 1759/02/16(J)
Chartered Accountant

STATEMENTS OF COMPREHENSIVE INCOME

for the financial year ended 31 December 2013

	Note	Group 2013 RM'000	Group 2012 RM'000	Company 2013 RM'000	Company 2012 RM'000
Revenue	5	6,733,411	6,360,913	1,262,500	1,890,000
Other income		23,150	22,820	1,452	1,259
Cost of materials and traffic expenses		(2,040,346)	(1,829,615)	–	–
Sales and marketing expenses		(513,409)	(505,274)	–	–
Operations and maintenance expenses		(90,510)	(98,615)	–	–
Rental expenses		(232,751)	(196,609)	–	–
Staff expenses		(234,915)	(230,850)	–	–
Depreciation expenses		(730,594)	(1,157,143)	–	–
Amortisation expenses		(147,501)	(172,696)	–	–
Other expenses		(601,863)	(593,673)	(1,387)	(1,567)
Finance costs	6	(43,464)	(51,805)	–	–
Interest income		18,953	43,496	401	343
Profit before tax	7	2,140,161	1,590,949	1,262,966	1,890,035
Taxation	8	(434,283)	(385,234)	(83)	(79)
Profit for the year, representing total comprehensive income for the year		1,705,878	1,205,715	1,262,883	1,889,956
Attributable to:					
Owners of the parent		1,705,878	1,205,715	1,262,883	1,889,956

	Note	Group 2013	Group 2012
Earnings per share attributable to owners of the parent (sen per share)	9	21.9	15.5

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

STATEMENTS OF FINANCIAL POSITION

as at 31 December 2013

		Group		Company	
	Note	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Non-current assets					
Property, plant and equipment	11	1,947,042	2,007,816	–	–
Intangible assets	12	525,965	601,861	–	–
Investment in subsidiaries	13	–	–	772,751	772,751
		2,473,007	2,609,677	772,751	772,751
Current assets					
Inventories	14	58,452	69,289	–	–
Trade and other receivables	15	697,205	621,248	9	13
Dividend receivable from a subsidiary		–	–	–	42,000
Derivative financial instruments	16	811	–	–	–
Tax recoverable		111,636	4,848	–	–
Cash and cash equivalents	17	411,079	708,856	923	2,157
		1,279,183	1,404,241	932	44,170
TOTAL ASSETS		3,752,190	4,013,918	773,683	816,921
Non-current liabilities					
Loans and borrowings	18	445,869	894,276	–	–
Deferred tax liabilities	19	190,008	115,299	–	–
Provision for liabilities	20	21,348	20,102	–	–
		657,225	1,029,677	–	–

STATEMENTS OF FINANCIAL POSITION

as at 31 December 2013

	Note	Group 2013 RM'000	Group 2012 RM'000	Company 2013 RM'000	Company 2012 RM'000
Current liabilities					
Trade and other payables	21	1,736,571	2,091,210	848	809
Derivative financial instruments	16	–	151	–	–
Provision for liabilities	20	24,992	40,450	–	–
Deferred revenue		368,946	405,236	–	–
Loans and borrowings	18	303,457	185,873	–	–
Taxation		–	–	40	–
		2,433,966	2,722,920	888	809
Total liabilities		3,091,191	3,752,597	888	809
Equity					
Share capital	22	77,750	77,750	77,750	77,750
Reserves		583,249	183,571	695,045	738,362
Total equity - attributable to owners of the parent		660,999	261,321	772,795	816,112
TOTAL EQUITY AND LIABILITIES		3,752,190	4,013,918	773,683	816,921

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

STATEMENTS OF CHANGES IN EQUITY

for the financial year ended 31 December 2013

		Attributable to owners of the parent			
	Note	Share capital RM'000	Non-distributable share premium RM'000	Distributable retained earnings/ (deficit) RM'000	Total RM'000
Group					
At 1 January 2012		77,750	691,905	641,776	1,411,431
Total comprehensive income		–	–	1,205,715	1,205,715
Transaction with owners:					
Dividends on ordinary shares	10	–	–	(2,355,825)	(2,355,825)
At 31 December 2012		77,750	691,905	(508,334)[1]	261,321
Total comprehensive income		–	–	1,705,878	1,705,878
Transaction with owners:					
Dividends on ordinary shares	10	–	–	(1,306,200)	(1,306,200)
At 31 December 2013		77,750	691,905	(108,656)[1]	660,999

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

STATEMENTS OF CHANGES IN EQUITY

for the financial year ended 31 December 2013

	Note	Share capital RM'000	Non-distributable share premium RM'000	Distributable retained earnings RM'000 (Note 24)	Total RM'000
		Attributable to owners of the parent			
Company					
At 1 January 2012		77,750	691,905	512,326	1,281,981
Total comprehensive income		–	–	1,889,956	1,889,956
Transaction with owners:					
Dividends on ordinary shares	10	–	–	(2,355,825)	(2,355,825)
At 31 December 2012		77,750	691,905	46,457	816,112
Total comprehensive income		–	–	1,262,883	1,262,883
Transaction with owners:					
Dividends on ordinary shares	10	–	–	(1,306,200)	(1,306,200)
At 31 December 2013		77,750	691,905	3,140	772,795

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

STATEMENTS OF CASH FLOWS

for the financial year ended 31 December 2013

	Note	Group 2013 RM'000	Group 2012 RM'000	Company 2013 RM'000	Company 2012 RM'000
Cash flows from operating activities					
Profit before tax		2,140,161	1,590,949	1,262,966	1,890,035
Adjustments for:					
Amortisation of intangible assets	12	147,501	172,696	–	–
Allowance for impairment on trade receivables	15	26,501	37,831	–	–
Inventories written-down		2,301	1,937	–	–
Dividend income		–	–	(1,262,500)	(1,890,000)
Depreciation of property, plant and equipment	11	730,594	1,157,143	–	–
Finance costs	6	43,464	51,805	–	–
Gain on disposal of property, plant and equipment		(2,176)	(25)	–	–
Interest income		(18,953)	(43,496)	(401)	(343)
Provision for liabilities		166,842	186,435	–	–
Share-based payment		1,492	380	–	–
Fair value (gain)/loss on derivative financial instruments		(962)	134	–	–
Unrealised foreign exchange loss/(gain)		6,085	(5,229)	–	–
Operating profit/(loss) before working capital changes		3,242,850	3,150,560	65	(308)
Decrease/(increase) in inventories		8,536	(3,429)	–	–
(Increase)/decrease in trade and other receivables		(191,034)	(229,372)	4	62
(Decrease)/increase in trade and other payables		(356,603)	171,192	39	325
Decrease in deferred revenue		(36,290)	(5,741)	–	–
Cash generated from operations		2,667,459	3,083,210	108	79
Interest paid		(47,435)	(40,868)	–	–
Proceeds from government grants		87,660	26,209	–	–
Payments for provisions	20	(182,406)	(192,115)	–	–
Taxes paid		(466,362)	(606,451)	(43)	(79)
Net cash generated from operating activities		2,058,916	2,269,985	65	–

STATEMENTS OF CASH FLOWS

for the financial year ended 31 December 2013

	Note	Group 2013 RM'000	Group 2012 RM'000	Company 2013 RM'000	Company 2012 RM'000
Cash flows from investing activities					
Purchase of property, plant and equipment and intangible assets		(741,002)	(698,642)	–	–
Dividends received from a subsidiary		–	–	1,304,500	2,357,001
Interest received		19,869	44,254	401	343
Proceeds from disposal of property, plant and equipment		2,413	914	–	–
Net cash (used in)/generated from investing activities		(718,720)	(653,474)	1,304,901	2,357,344
Cash flows from financing activities					
Repayment of loan and borrowings		(623,000)	(150,000)	–	–
Repayment of obligation under finance lease		(8,773)	–	–	–
Draw-down of loans and borrowings		300,000	500,000	–	–
Dividends paid	10	(1,306,200)	(2,355,825)	(1,306,200)	(2,355,825)
Net cash used in financing activities		(1,637,973)	(2,005,825)	(1,306,200)	(2,355,825)
Net (decrease)/increase in cash and cash equivalents		(297,777)	(389,314)	(1,234)	1,519
Cash and cash equivalents at beginning of financial year		708,856	1,098,170	2,157	638
Cash and cash equivalents at end of financial year	17	411,079	708,856	923	2,157

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2013

1. Corporate Information

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

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

The principal activity of the Company is investment holding.

The principal activities of the subsidiaries are stated in Note 13. There have been no significant changes in the nature of the principal activities during the financial year.

2. Significant Accounting Policies

(a) Basis of preparation

The financial statements of the Group and of the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards ("IFRS") and the requirements of the Companies Act, 1965 in Malaysia. At the beginning of the current financial year, the Group and the Company adopted new and revised MFRSs which are mandatory for the financial periods beginning on or after 1 January 2013 as described fully in Note 3(a).

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

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

(b) Basis of consolidation

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2013

2. Significant Accounting Policies (cont'd.)

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

When the Company has less than a majority of the voting rights of an investee, the Company considers the following in assessing whether or not the Company's voting rights in an investee are sufficient to give it power over the investee:

(i) The size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;

(ii) Potential voting rights held by the Company, other vote holders or other parties;

(iii) Rights arising from other contractual arrangements; and

(iv) Any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

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

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

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. The resulting difference is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, a gain or loss calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets and liabilities of the subsidiary and any non-controlling interest, is recognised in profit or loss. The subsidiary's cumulative gain or loss which has been recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss or where applicable, transferred directly to retained earnings. The fair value of any investment retained in the former subsidiary at the date control is lost is regarded as the cost on initial recognition of the investment.

Business combinations

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2013

2. Significant Accounting Policies (cont'd.)

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

Business combinations (cont'd.)

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes in the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognised in accordance with MFRS 139 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it will not be remeasured. Subsequent settlement is accounted for within equity. In instances where the contingent consideration does not fall within the scope of MFRS 139, it is measured in accordance with the appropriate MFRS.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

(c) Investment in subsidiaries

A subsidiary is an entity over which the Group has all the following:

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

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

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

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

(d) Property, plant and equipment

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

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2013

2. Significant Accounting Policies (cont'd.)

(d) Property, plant and equipment (cont'd.)

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

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

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

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

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

(e) Intangible assets

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2013

2. Significant Accounting Policies (cont'd.)

(e) Intangible assets (cont'd.)

(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 the asset's estimated useful life or remaining spectrum period up to 1 April 2018.

(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 three years.

(iii) License fee

License fees are capitalised and amortised over the period of the licenses. The license fees had been fully-amortised in the financial year ended 31 December 2009.

(f) Impairment of non-financial assets

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2013

2. Significant Accounting Policies (cont'd.)

(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) Financial assets

Financial assets are recognised in the statements of financial position when, and only when, the Group and the Company become a party to the contractual provisions of the financial instrument.

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

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

Regular-way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the market place concerned. All regular-way purchases and sales of financial assets are recognised or derecognised on the trade date, i.e. the date that the Group and the Company commit to purchase or sell the asset.

The Group and the Company classify their financial assets in the following categories - at fair value through profit or loss and loans and receivables, as appropriate. Management determines the classification of its financial assets at initial recognition.

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

Financial assets at fair value through profit or loss are financial assets held for trading purposes or are designated as such upon initial recognition. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term. Derivatives are also categorised as held for trading unless they are designated as effective hedging instruments.

Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in fair value are recognised in profit or loss

Derivatives embedded in host contracts, if any, are accounted for as separate derivatives when their risks and characteristics are not closely related to those of the host contracts and the host contracts are not carried at fair value. These embedded derivatives are measured at fair value with any gain or loss arising from changes in fair value being recognised in profit and loss. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2013

2. Significant Accounting Policies (cont'd.)

(h) Financial assets (cont'd.)

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest rate method. Gains and losses are recognised in profit and loss when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

(i) Impairment of financial assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired where there is objective evidence of impairment as a result of one or more events that has occured after the initial recognition of the assets, i.e. an incurred loss event, and that loss event has an impact on the estimated future cash flows of the financial assets of the Group and the Company, that can be reliably estimated.

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

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments. For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis based on similar risk characteristics. Objective evidence of impairment for a portfolio of receivables include the Group's past experience of collecting debts, and reduced collection rates for specific ageing buckets.

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2013

2. Significant Accounting Policies (cont'd.)

(j) Provision for liabilities

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

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

(i) Customer loyalty programme

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

(ii) Employee leave entitlements

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

(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 the Group's telecommunications network infrastructure and restore the previously-occupied sites.

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

(iv) Defined benefit plan

Provision for defined benefit plan for eligible employees is as disclosed in Note 2(n)(iii).

(k) Financial liabilities

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2013

2. Significant Accounting Policies (cont'd.)

(k) Financial liabilities (cont'd.)

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

Financial assets and financial liabilities are off-set and the net amount reported in the statement of financial position if, and only if, there is a currently enforceable legal right to off-set the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Financial liabilities are classified as either financial liabilites at fair value through profit or loss, or other financial liabilities, as appropriate in the statement of financial position, according to the substance of the contractual arrangements entered into and the definitions of a financial liability. Management determines the classification of financial liabilites of the Group and the Company upon initial recognition.

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

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

Financial liabilites are classified as held for trading purposes if they are acquired for the purpose of selling in the near-term. This category includes derivative financial instruments entered into by the Group that do not meet the hedge accounting criteria. Derivative liabilities are initially measured at fair value and subsequently stated at fair value, with any resultant gains or losses recognised in profit or loss.

(ii) Other financial liabilities

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

Trade and other payables are initially measured at fair value plus directly attributable transaction costs, and are subsequently measured at amortised cost, using the effective interest rate method

Loans and borrowings are initially measured at fair value, and are subseqently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised in profit and loss over the period of the borrowings using the effective interest method.

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

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

For other financial liabilities, gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2013

2. Significant Accounting Policies (cont'd.)

(l) Share capital and share issuance expenses

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

Ordinary shares are recorded at the proceeds received, net of directly attributable incremental transaction costs. Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

(m) Leases

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

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

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

(n) Employee benefits

(i) Short-term benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the period in which the associated services are rendered by employees. Short-term accumulated compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences netted-off against annual leave utilised to-date, and short-term non-accumulating compensated absences such as sick leave are recognised when the absences occur. 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-defined contribution pension scheme known as the Employee Provident Fund, and will have no legal or constructive obligation to make further contributions in the future, over-and-above what is existingly legally-required. The contributions are recognised as an expense in profit and loss in the period which the related services are rendered by employees.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2013

2. Significant Accounting Policies (cont'd.)

(n) 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 ten years or upon retirement age of 60 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 in profit or loss 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 statement of financial position represents the present value of the defined benefit obligations adjusted for unrecognised actuarial gains and losses and unrecognised past service costs, 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 1 January 2006 to restrict new entrants into the plan, and the benefits payable to be calculated based on the employees' length of service up to 31 December 2005.

(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 ten years, are entitled to a 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-way of reference to the number of employees qualifying for the scheme, the number of shares entitled and the market price of the shares; the total of which is capped at the maximum entitlement during the financial year.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2013

2. Significant Accounting Policies (cont'd.)

(o) Income taxes

(i) Current tax

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

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

(ii) Deferred tax

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

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

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

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

(p) Contingencies

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

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

(q) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable for the sales of goods and services in the ordinary course of the Group's business activities, net of discounts and service taxes. The Group recognises revenue 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:

NOTES TO THE FINANCIAL STATEMENTS

31 December 2013

2. Significant Accounting Policies (cont'd.)

(q) Revenue recognition (cont'd.)

(i) Telecommunication revenue

Revenue relating to provision of telecommunications and related 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 prepaid services that have been sold to customers but where services have not been rendered at the reporting date is deferred.

Revenue from sale of device is recognised when significant risks and rewards of ownership of the device have been passed to the customer, usually on delivery and acceptance of the device.

(ii) Interest income

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

(iii) Dividend income

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

(r) 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 values where there is reasonable assurance that the grants will be received and the Group will comply with all attached conditions.

A grant relating to asset 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 profit and loss by crediting directly against the related expense.

(s) 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.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2013

2. Significant Accounting Policies (cont'd.)

(s) Foreign currency transactions (cont'd.)

(ii) Foreign currency transactions

Transactions in foreign currencies are initially converted into RM at exchange rates ruling at the date of transaction. At each reporting 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.

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

(t) Fair value measurement

The Group measures financial instruments, such as, derivatives at fair value at each reporting date. Also, fair values of financial instruments measured at amortised cost are disclosed in Note 28(f).

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

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2013

2. Significant Accounting Policies (cont'd.)

(t) Fair value measurement (cont'd.)

(i) Level 1- Quoted (unadjusted) market prices in active markets for identical assets or liabilities
(ii) Level 2- Valuation techniques for which the lowest level input that is significant to the fair value measurement if directly or indirectly observable
(iii) Level 3- Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

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

3. Changes in Accounting Policies

(a) Adoption of new and revised MFRSs

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

On 1 January 2013, the Group and the Company adopted the following new and amended MFRSs and IC Interpretations mandatory for annual financial periods beginning on or after 1 January 2013.

Description	Effective for annual periods beginning on or after
Amendments to MFRS 101: Presentation of Items of Other Comprehensive Income	1 July 2012
MFRS 3: Business Combinations (IFRS 3 Business Combinations issued by IASB in March 2004)	1 January 2013
MFRS 10: Consolidated Financial Statements	1 January 2013
MFRS 11: Joint Arrangements	1 January 2013
MFRS 12: Disclosure of Interests in Other Entities	1 January 2013
MFRS 13: Fair Value Measurement	1 January 2013
MFRS 119: Employee Benefits (IAS 19 as amended by IASB in June 2011)	1 January 2013
MFRS 127: Separate Financial Statements (IAS 27 as amended by IASB in May 2011)	1 January 2013
MFRS 127: Consolidated and Separate Financial Statements (IAS 27 as revised by IASB in December 2003)	1 January 2013
MFRS 128: Investments in Associates and Joint Ventures (IAS 28 as amended by IASB in May 2011)	1 January 2013
Amendments to MFRS 1: Government Loans	1 January 2013
Annual Improvements 2009-2011 Cycle	1 January 2013
Amendments to MFRS 7: Disclosure - Offsetting Financial Assets and Financial Liabilities	1 January 2013
Amendments to MFRS 10, MFRS 11 and MFRS 12: Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance	1 January 2013

NOTES TO THE FINANCIAL STATEMENTS

31 December 2013

3. Changes in Accounting Policies (cont'd.)

(a) Adoption of new and revised MFRSs (cont'd.)

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

MFRS 13 Fair Value Measurement

MFRS 13 establishes a single source of guidance under MFRS for all fair value measurements. MFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under MFRS. MFRS 13 defines fair value as an exit price. As a result of the guidance in MFRS 13, the Group re-assessed its policies for measuring fair values, in particular, its valuation inputs such as non-performance risk for fair value measurement of liabilities. MFRS 13 also requires additional disclosures.

Application of MFRS 13 has not materiality impacted the fair value measurement of the Group. Additional disclosures where required, are provided in Note 28(h).

(b) Standards issued but not yet effective

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

Description	Effective for annual periods beginning on or after
Amendments to MFRS 10, MFRS 12 and MFRS 127: Investment Entities	1 January 2014
Amendments to MFRS 132: Offsetting Financial Assets and Financial Liabilities	1 January 2014
Amendments to MFRS 136: Recoverable Amount Disclosures for Non-Financial Assets	1 January 2014
Amendments to MFRS 139: Novation of Derivatives and Continuation of Hedge Accounting	1 January 2014
IC Interpretation 21: Levies	1 January 2014
Amendments to MFRS 119: Defined Benefit Plans: Employee Contributions	1 July 2014
Annual Improvements to MFRSs 2010–2012 Cycle	1 July 2014
Annual Improvements to MFRSs 2011–2013 Cycle	1 July 2014
MFRS 9: Financial Instruments (IFRS 9 issued by IASB in November 2009)	To be announced
MFRS 9: Financial Instruments (IFRS 9 issued by IASB in October 2010)	To be announced
MFRS 9: Financial Instruments: Hedge Accounting and amendments to MFRS 9, MFRS 7 and MFRS 139	To be announced

The directors expect that the adoption of the above standards and interpretations will have no material impact on the financial statements in the period of initial application except as discussed below:

NOTES TO THE FINANCIAL STATEMENTS

31 December 2013

3. Changes in Accounting Policies (cont'd.)

(b) Standards issued but not yet effective (cont'd.)

MFRS 9 Financial Instruments

MFRS 9 reflects the first phase of work on the replacement of MFRS 139 and applies to classification and measurement of financial assets and financial liabilities as defined in MFRS 139. The standard was initially effective for annual periods beginning on or after 1 January 2013, but Amendments to MFRS 9: Mandatory Effective Date of MFRS 9 and Transition Disclosures, issued in March 2012, moved the mandatory effective date to 1 January 2015. Subsequently, on 14 February 2014, it was announced that the new effective date will be decided when the project is closer to completion. The adoption of the first phase of MFRS 9 will have an effect on the classification and measurement of the Group's financial assets, but will not have an impact on classification and measurements of the Group's financial liabilities. The Group will quantify the effect in conjunction with the other phases, when the final standard including all phases is issued.

4. Significant Accounting Estimates and Judgements and Key Sources of Estimation Uncertainty

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

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

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

(a) Useful lives of property, plant and equipment and intangible assets

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, modernisation initiatives, 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. A 5.0% difference in the expected useful lives of these assets from management's estimates would result in approximately 2.3% (2012: 4.9%) variance in the Group's profit for the year.

(b) Impairment of non-financial assets

The Group assesses whether there are any indicators of impairment on all non-financial assets at each reporting date. Non-financial 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.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2013

4. Significant Accounting Estimates and Judgements and Key Sources of Estimation Uncertainty (cont'd.)

(b) Impairment of non-financial assets (cont'd.)

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 may change the recoverable amounts of assets and impairment losses needed.

(c) Impairment of loans and receivables

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

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. The carrying amounts of the Group's trade and other receivables at the reporting date are disclosed in Note 15. If the present value of estimated future cash flows varies by 5.0% from management's estimates, the Group's allowance for impairment will cause either a 0.1% (2012: 0.1%) increase or 0.1% (2012: 0.2%) decrease respectively in the Group's profit for the year.

(d) 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 reporting date. While management's estimates on the realisation and settlement of temporary differences are based on the available information at the reporting date, changes in business strategy, future operating performance and other factors could potentially impact on the actual timing and amount of temporary differences realised and settled. Any difference between the actual amount and the estimated amount would be recognised in profit and loss in the period in which actual realisation and settlement occurs.

5. Revenue

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Telecommunication revenue	6,733,411	6,360,913	–	–
Dividend income from a subsidiary	–	–	1,262,500	1,890,000
	6,733,411	6,360,913	1,262,500	1,890,000

NOTES TO THE FINANCIAL STATEMENTS

31 December 2013

6. Finance Costs

	Group 2013 RM'000	Group 2012 RM'000
Interest expense on:		
- Loans and borrowings	37,897	45,767
- Obligations under finance lease	4,791	5,377
- Others	776	661
	43,464	51,805

7. Profit Before Tax

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

	Group 2013 RM'000	Group 2012 RM'000	Company 2013 RM'000	Company 2012 RM'000
Allowance for impairment on trade receivables (Note 15)	26,501	37,831	–	–
Auditors' remuneration:				
- statutory audit	304	311	28	27
- other services	54	53	8	8
Non-Executive Directors' remuneration				
- fees	528	540	53	54
- other emoluments	4	4	–	–
Employee benefits:				
- defined contribution plan	25,063	23,533	–	–
- defined benefit plan (Note 20)	127	127	–	–
- share-based payment	1,492	380	–	–
Lease of transmission facilities	142,804	106,675	–	–
Provision for/(reversal of provision for):				
- customer loyalty programme (Note 20)	167,770	185,567	–	–
- employee leave entitlements (Note 20)	(1,055)	741	–	–
- site decommissioning and restoration costs (Note 20)	692	661	–	–
Inventories written-down	2,301	1,937	–	–
Rental of equipment	1,064	1,445	–	–
Rental of land and buildings	218,792	184,258	–	–
Realised foreign exchange gain	(15,024)	(1,216)	–	–
Unrealised foreign exchange loss/(gain)	6,085	(5,229)	–	–
Fair value (gain)/loss on derivative financial instruments	(962)	134	–	–
Amortisation of intangible assets	147,501	172,696	–	–
Depreciation of property, plant and equipment	730,594	1,157,143	–	–
Gain on disposal of property, plant and equipment	(2,176)	(25)	–	–
Bad debts recovered	(9,733)	(7,718)	–	–
Interest income	(18,953)	(43,496)	(401)	(343)

NOTES TO THE FINANCIAL STATEMENTS

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7. Profit Before Tax (cont'd.)

The number of Directors of the Company whose total remuneration during the financial year fall within the following band is analysed below:

	Number of Directors	
	2013	2012
Non-Executive Directors:		
- Below RM100,000	2	–
- RM100,001 - RM200,000	2	3

8. Taxation

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Income tax:				
- Current tax expense	406,330	555,932	101	79
- Overaccrual in prior years	(46,756)	(23,656)	(18)	–
	359,574	532,276	83	79
Deferred taxation (Note 19):				
- Relating to origination and reversal of temporary differences	64,437	(182,779)	–	–
- Underaccrual in prior years	10,272	35,737	–	–
	74,709	(147,042)	–	–
	434,283	385,234	83	79

Current tax is calculated at the Malaysian statutory tax rate of 25% (2012: 25%) of the estimated taxable profit for the year.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2013

8. Taxation (cont'd.)

Reconciliations of income tax expense/rate applicable to profit before tax at the statutory income tax rate to income tax expense/rate at the effective income tax rate of the Group and of the Company are as follows:

	2013		2012	
	%	RM'000	%	RM'000
Group				
Profit before tax		2,140,161		1,590,949
Taxation at Malaysian statutory tax rate	25.0	535,040	25.0	397,737
Effect of expenses not deductible	1.1	23,227	1.3	20,552
Utilisation of tax incentives	(4.1)	(87,500)	(2.8)	(45,136)
Underaccrual of deferred tax in prior years	0.5	10,272	2.2	35,737
Overaccrual of income tax expense in prior years	(2.2)	(46,756)	(1.5)	(23,656)
Effective tax rate/income tax for the year	20.3	434,283	24.2	385,234
Company				
Profit before tax		1,262,966		1,890,035
Taxation at Malaysian statutory tax rate	25.0	315,742	25.0	472,509
Effect of expenses not deductible	–	–	0.0	70
Income not subjected to tax	(25.0)	(315,641)	(25.0)	(472,500)
Overaccrual of income tax expense in prior years	(0.0)	(18)	–	–
Effective tax rate/income tax for the year	0.0	83	0.0	79

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9. Earnings Per Ordinary Share

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

	Group	
	2013	2012
Profit attributable to owners of the parent (RM'000)	1,705,878	1,205,715
Weighted average number of ordinary shares in issue ('000)	7,775,000	7,775,000
Basic earnings per share (sen)	21.9	15.5

10. Dividends

	Group/Company	
	2013 RM'000	2012 RM'000
Recognised during the financial year:		
Dividends on ordinary shares:		
- Fourth interim tax exempt (single-tier) dividend (2012: 2.5 sen; 2011: 6.5 sen)	194,375	505,375
- First interim tax exempt (single-tier) dividend (2013: 3.8 sen; 2012: 5.9 sen)	295,450	458,725
- Second interim tax exempt (single-tier) dividend (2013: 4.8 sen; 2012: 5.9 sen)	373,200	458,725
- Third interim tax exempt (single-tier) dividend (2013: 5.7 sen; 2012: 4.0 sen)	443,175	311,000
- Special interim tax exempt (single-tier) dividend (2012: 8.0 sen)	–	622,000
	1,306,200	2,355,825
Interim dividend declared subsequent to the reporting date (not recognised as a liability as at 31 December):		
Dividends on ordinary shares:		
- Fourth interim tax exempt (single-tier) dividend (2013: 7.0 sen; 2012: 2.5 sen)	544,250	194,375

The Board of Directors had on 6 February 2014, declared a fourth interim tax exempt (single-tier) dividend of 7.0 sen per ordinary share in respect of the financial year ended 31 December 2013. The financial statements for the current financial year do not reflect this fourth interim dividend. Such dividend, will be accounted for in equity as an appropriation of retained earnings in the financial year ending 31 December 2014.

NOTES TO THE FINANCIAL STATEMENTS

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11. Property, Plant and Equipment

Group	Freehold land RM'000	Long-term leasehold land RM'000	Short-term leasehold land RM'000	Freehold buildings RM'000	Long-term leasehold buildings RM'000	Short-term leasehold buildings RM'000	Motor vehicles RM'000	Computer systems RM'000	Furniture and fittings RM'000	Tele-communi-cations network RM'000	Capital work-in-progress RM'000	Total RM'000
Cost												
At 1 January 2013	29,638	7,502	7,578	145,993	7,365	6,866	23,126	372,835	143,097	7,785,511	368,637	8,898,148
Additions	–	–	–	–	–	–	–	–	358	89,534	580,165	670,057
Disposals	–	–	–	–	–	–	(4,525)	–	–	(3,002)	(87)	(7,614)
Reclassifications	–	–	–	(7,253)	–	–	–	–	–	–	7,253	–
Write-offs	–	–	–	–	–	–	(196)	(4,308)	(4,453)	(5,432,467)	–	(5,441,424)
Transfers	–	–	–	–	–	–	2,447	21,410	14,573	651,147	(689,577)	–
At 31 December 2013	29,638	7,502	7,578	138,740	7,365	6,866	20,852	389,937	153,575	3,090,723	266,391	4,119,167
Accumulated Depreciation and Impairment Losses												
At 1 January 2013:												
Accumulated depreciation	–	1,216	2,447	13,193	475	2,618	15,997	287,539	114,790	6,438,188	–	6,876,463
Accumulated impairment losses	–	–	–	–	–	–	–	–	398	13,471	–	13,869
	–	1,216	2,447	13,193	475	2,618	15,997	287,539	115,188	6,451,659	–	6,890,332
Depreciation expenses for the year	–	62	128	2,284	68	108	2,512	26,521	14,545	684,366	–	730,594
Disposals	–	–	–	–	–	–	(4,375)	–	–	(3,002)	–	(7,377)
Write-offs	–	–	–	–	–	–	(196)	(4,308)	(4,453)	(5,432,467)	–	(5,441,424)
At 31 December 2013	–	1,278	2,575	15,477	543	2,726	13,938	309,752	125,280	1,700,556	–	2,172,125
Analysed as:												
Accumulated depreciation	–	1,278	2,575	15,477	543	2,726	13,938	309,752	124,882	1,687,085	–	2,158,256
Accumulated impairment losses	–	–	–	–	–	–	–	–	398	13,471	–	13,869
	–	1,278	2,575	15,477	543	2,726	13,938	309,752	125,280	1,700,556	–	2,172,125
Carrying Amount												
At 31 December 2013	29,638	6,224	5,003	123,263	6,822	4,140	6,914	80,185	28,295	1,390,167	266,391	1,947,042

NOTES TO THE FINANCIAL STATEMENTS

31 December 2013

11. Property, Plant and Equipment (cont'd.)

Group	Freehold land RM'000	Long-term leasehold land RM'000	Short-term leasehold land RM'000	Freehold buildings RM'000	Long-term leasehold buildings RM'000	Short-term leasehold buildings RM'000	Motor vehicles RM'000	Computer systems RM'000	Furniture and fittings RM'000	Tele-communi-cations network RM'000	Capital work-in-progress RM'000	Total RM'000
Cost												
At 1 January 2012	29,638	7,502	7,578	145,993	7,365	6,866	25,291	345,910	130,741	7,250,828	292,057	8,249,769
Additions	–	–	–	–	–	–	–	–	502	64,234	579,865	644,601
Reclassification from intangible assets	–	–	–	–	–	–	–	6,549	–	–	6,065	12,614
Disposals	–	–	–	–	–	–	(3,513)	(1,298)	(7)	(3,265)	(753)	(8,836)
Transfers	–	–	–	–	–	–	1,348	21,674	11,861	473,714	(508,597)	–
At 31 December 2012	29,638	7,502	7,578	145,993	7,365	6,866	23,126	372,835	143,097	7,785,511	368,637	8,898,148
Accumulated Depreciation and Impairment Losses												
At 1 January 2012:												
Accumulated depreciation	–	1,153	2,319	10,194	408	2,510	18,438	260,291	102,511	5,329,443	–	5,727,267
Accumulated impairment losses	–	–	–	–	–	–	–	–	398	13,471	–	13,869
	–	1,153	2,319	10,194	408	2,510	18,438	260,291	102,909	5,342,914	–	5,741,136
Depreciation expenses for the year	–	63	128	2,999	67	108	936	28,546	12,286	1,112,010	–	1,157,143
Disposals	–	–	–	–	–	–	(3,377)	(1,298)	(7)	(3,265)	–	(7,947)
At 31 December 2012	–	1,216	2,447	13,193	475	2,618	15,997	287,539	115,188	6,451,659	–	6,890,332
Analysed as:												
Accumulated depreciation	–	1,216	2,447	13,193	475	2,618	15,997	287,539	114,790	6,438,188	–	6,876,463
Accumulated impairment losses	–	–	–	–	–	–	–	–	398	13,471	–	13,869
	–	1,216	2,447	13,193	475	2,618	15,997	287,539	115,188	6,451,659	–	6,890,332
Carrying Amount												
At 31 December 2012	29,638	6,286	5,131	132,800	6,890	4,248	7,129	85,296	27,909	1,333,852	368,637	2,007,816

(a) The Group acquired property, plant and equipment with an aggregate cost of RM670.1 million (2012: RM644.6 million) of which RM0.7 million (2012: RM1.3 million) relates to the provision for site decommissioning and restoration costs.

(b) Government grants of RM23.2 million (2012: RM43.0 million) relating to assets, were deducted before arriving at the carrying amount of property, plant and equipment as at 31 December 2013.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2013

12. Intangible Assets

Group	3G spectrum RM'000	Computer software RM'000	Licenses RM'000	Total RM'000
Cost				
At 1 January 2013	695,066	835,616	1,300	1,531,982
Additions	–	71,605	–	71,605
Write-offs	–	(16,548)	–	(16,548)
At 31 December 2013	695,066	890,673	1,300	1,587,039
Accumulated Amortisation				
At 1 January 2013	296,982	631,839	1,300	930,121
Amortisation expenses for the year	75,825	71,676	–	147,501
Write-offs	–	(16,548)	–	(16,548)
At 31 December 2013	372,807	686,967	1,300	1,061,074
Carrying Amount				
At 31 December 2013	322,259	203,706	–	525,965
Cost				
At 1 January 2012	695,066	792,940	1,300	1,489,306
Additions	–	55,290	–	55,290
Reclassification to property, plant and equipment	–	(12,614)	–	(12,614)
At 31 December 2012	695,066	835,616	1,300	1,531,982
Accumulated Amortisation				
At 1 January 2012	221,157	534,968	1,300	757,425
Amortisation expenses for the year	75,825	96,871	–	172,696
At 31 December 2012	296,982	631,839	1,300	930,121
Carrying Amount				
At 31 December 2012	398,084	203,777	–	601,861

NOTES TO THE FINANCIAL STATEMENTS

31 December 2013

13. Investment in Subsidiaries

	Company	
	2013 RM'000	2012 RM'000
Unquoted shares at cost	772,751	772,751

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

Name of company	Equity interest held (%) 2013	2012	Principal activities
- DiGi Telecommunications Sdn Bhd ("DTSB")	100	100	Establishment, maintenance and provision of telecommunications and related services
- Pay By Mobile Sdn Bhd	100	100	Dormant
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

14. Inventories

	Group	
	2013 RM'000	2012 RM'000
Merchandise		
- At cost	56,069	63,116
- At net realisable value	2,383	6,173
	58,452	69,289

During the financial year, the amount of inventories recognised as an expense in cost of materials of the Group was RM615.6 million (2012: RM485.1 million).

NOTES TO THE FINANCIAL STATEMENTS

31 December 2013

15. Trade and Other Receivables

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Trade receivables	322,904	304,054	–	–
Other receivables	58,493	62,999	5	8
Deposits	60,483	57,638	–	–
Prepayments	263,859	211,129	4	5
	705,739	635,820	9	13
Allowance for impairment on trade receivables	(8,534)	(14,572)	–	–
	697,205	621,248	9	13

The Group's trade receivables are non-interest bearing, and are subject to normal trade credit terms ranging from 30 to 45 days (2012: 30 to 45 days). They are recognised at their original invoice amounts which represent their fair value on initial recognition.

As at 31 December, the ageing analysis of trade receivables net of allowance for impairment and bad debts written off, is as follows:

	Group	
	2013 RM'000	2012 RM'000
Trade receivables:		
- Neither past due nor impaired	250,046	203,594
- One to 30 days past due not impaired	32,230	55,403
- 31 to 60 days past due not impaired	14,631	14,922
- 61 to 90 days past due not impaired	3,574	2,097
- 91 to 180 days past due not impaired	8,044	2,107
- More than 181 days past due not impaired	5,845	11,359
	314,370	289,482

Trade receivables that are neither past due nor impaired, representing 80% (2012: 70%) of the Group's total net trade receivables, are creditworthy debtors with good payment records with the Group. None of the Group's trade receivables that are neither past due nor impaired have been renegotiated during the financial year.

At the reporting date, 20% (2012: 30%) of the Group's trade receivables were past due but not impaired. These relate mostly to corporate customers with slower repayment patterns, for whom there is no history of default.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2013

15. Trade and Other Receivables (cont'd.)

The Group's trade receivables that are impaired at the reporting date and the movement of the Group's allowance for impairment on trade receivables are as follows:

	Individually impaired RM'000	Collectively impaired RM'000	Total RM'000
At 1 January 2012	–	14,260	14,260
Charge for the year (Note 7)	37,519	312	37,831
Write-offs	(37,519)	–	(37,519)
At 31 December 2012	–	14,572	14,572
Charge for the year (Note 7)	26,501	–	26,501
Write-offs	(26,501)	(6,038)	(32,539)
At 31 December 2013	–	8,534	8,534

The Group's trade receivables that are individually determined to be impaired at the reporting date relate to debtors that have defaulted on payments in excess of two months. These receivables are not secured by any collateral or credit enhancements.

At 31 December 2013, the Group's trade receivables balance included exposure to foreign currency denominated in United States Dollar ("USD") and Special Drawing Rights ("SDR") amounting to RM9.6 million (2012: RM3.1 million) and RM13.7 million (2012: RM18.4 million) respectively.

16. Derivative Financial Instruments

	Contract value in foreign currency USD'000	Notional value RM'000	Fair value RM'000	Gain/(loss) arising from fair value changes RM'000
Non-hedging derivatives				
Current				
Foreign currency forward contracts:				
- 2013	19,000	61,490	62,301	811
- 2012	24,280	74,515	74,364	(151)

NOTES TO THE FINANCIAL STATEMENTS

31 December 2013

16. Derivative Financial Instruments (cont'd.)

The above foreign currency forward contracts were entered into by the Group to minimise its exposure to foreign currency risks as a result of transactions denominated in currencies other than its functional currency, arising from the normal business activities. These contracts are not designated as cash flow or fair value hedges, and are entered into for periods consistent with currency transaction exposure and fair value changes exposure. Such derivatives do not qualify for hedge accounting. Foreign currency forward contracts are used to hedge certain payables denominated in USD for which firm commitments existed at the reporting date, extending to January 2014.

During the financial year, the Group recognised a gain of RM811,000 (2012: a loss of RM151,000) arising from fair value changes of derivative financial instruments. The fair value changes are attributable to changes in foreign exchange spot and forward rates respectively. The method and assumptions applied in determining the fair values of derivatives are disclosed in Note 28(f)(iv).

17. Cash and Cash Equivalents

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Cash and bank balances	182,971	131,663	923	2,157
Deposits with licensed banks	228,108	577,193	–	–
	411,079	708,856	923	2,157

Cash and cash equivalents include cash in hand and at bank and deposits with licensed banks. For the purpose of the statement of cash flows, cash and cash equivalents are net of outstanding bank overdrafts, if any.

The Group's cash and cash equivalents included amounts of foreign currency denominated in USD totalling RM8.3 million (2012: RM43.4 million) at the reporting date.

Cash at banks earn interest at floating rates based on daily bank deposit rates. The weighted average effective interest rates of deposits at the reporting date are as follows:

	Group	
	2013 %	2012 %
Deposits with licensed banks	3.3	3.2

The deposits of the Group placed with licensed banks will mature within one month (2012: one month) from the end of the reporting date.

NOTES TO THE FINANCIAL STATEMENTS

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18. Loans and Borrowings

	Group	
	2013 RM'000	2012 RM'000
Non-current (unsecured)		
Fixed-rate term loan ("FRTL")	–	174,685
Syndicated floating-rate term loan ("SFRTL")	404,223	669,523
Finance lease obligation (Note 25(c))	41,646	50,068
	445,869	894,276
Current (unsecured)		
FRTL	–	149,983
SFRTL	195,918	28,000
Revolving credit	100,000	–
Finance lease obligation (Note 25(c))	7,539	7,890
	303,457	185,873
Total loans and borrowings	749,326	1,080,149

The weighted average effective and implicit interest rates at the reporting date for loans and borrowings are as follows:

	Group	
	2013 %	2012 %
FRTL	5.2	5.2
SFRTL	4.4	4.3
Finance lease obligation	9.3	9.3
Revolving credit	4.1	–

The above loans and borrowings are denominated in RM.

During the financial year, the Group had early repaid the last tranche of FRTL of RM175.0 million. The original repayment date of the last tranche of FRTL was in January 2014.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2013

18. Loans and Borrowings (cont'd.)

The obligation under finance lease at the reporting date is as follows:

	Group 2013 RM'000	Group 2012 RM'000
Future instalments payable	62,267	75,831
Less: Unexpired finance lease interest	(13,082)	(17,873)
Principal outstanding	49,185	57,958

The maturities of the Group's loans and borrowings at the reporting date are as follows:

	Group 2013 RM'000	Group 2012 RM'000
Less than one year	303,457	185,873
Between one and two years	203,739	379,108
Between two and five years	234,019	500,060
More than five years	8,111	15,108
	749,326	1,080,149

19. Deferred Tax Liabilities

	Group 2013 RM'000	Group 2012 RM'000
At 1 January	115,299	262,341
Recognised in profit and loss (Note 8)	74,709	(147,042)
At 31 December	190,008	115,299
Presented after appropriate off-setting as follows:		
Deferred tax liability	399,936	363,099
Deferred tax assets	(209,928)	(247,800)
	190,008	115,299

NOTES TO THE FINANCIAL STATEMENTS

31 December 2013

19. Deferred Tax Liabilities (cont'd.)

The components and movements of recognised deferred tax liability and assets of the Group during the financial year prior to off-setting are as follows:

Deferred tax liability:

	Property, plant and equipment and intangible assets RM'000
At 1 January 2013	363,099
Recognised in profit and loss	36,837
At 31 December 2013	399,936
At 1 January 2012	444,425
Recognised in profit and loss	(81,326)
At 31 December 2012	363,099

Deferred tax assets:

	Deferred revenue RM'000	Others RM'000	Total RM'000
At 1 January 2013	(92,102)	(155,698)	(247,800)
Recognised in profit and loss	8,782	29,090	37,872
At 31 December 2013	(83,320)	(126,608)	(209,928)
At 1 January 2012	(89,638)	(92,446)	(182,084)
Recognised in profit and loss	(2,464)	(63,252)	(65,716)
At 31 December 2012	(92,102)	(155,698)	(247,800)

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2013

20. Provision for Liabilities

	Site decommissioning and restoration costs RM'000	Defined benefit plan RM'000 (Note 23)	Total RM'000
Group			
Non-current			
At 1 January 2013	18,745	1,357	20,102
Capitalised as property, plant and equipment	660	–	660
Recognised in profit and loss	692	127	819
Paid during the year	–	(233)	(233)
At 31 December 2013	20,097	1,251	21,348
At 1 January 2012	16,835	1,451	18,286
Capitalised as property, plant and equipment	1,249	–	1,249
Recognised in profit and loss	661	127	788
Paid during the year	–	(221)	(221)
At 31 December 2012	18,745	1,357	20,102

	Customer loyalty programme RM'000	Employee leave entitlement RM'000	Total RM'000
Group			
Current			
At 1 January 2013	32,432	8,018	40,450
Recognised in profit and loss	167,770	(1,055)	166,715
Paid during the year	(182,173)	–	(182,173)
At 31 December 2013	18,029	6,963	24,992
At 1 January 2012	38,759	7,277	46,036
Recognised in profit and loss	185,567	741	186,308
Paid during the year	(191,894)	–	(191,894)
At 31 December 2012	32,432	8,018	40,450

NOTES TO THE FINANCIAL STATEMENTS

31 December 2013

21. Trade and Other Payables

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Trade payables	312,630	384,795	–	–
Other payables	162,811	96,678	–	–
Accruals	1,246,282	1,593,445	848	809
Customer deposits	14,848	16,292	–	–
	1,736,571	2,091,210	848	809

The Group's trade and other payables are non-interest bearing, and are subject to normal credit terms ranging from 30 to 60 days (2012: 30 to 60 days).

At 31 December 2013, the Group's trade and other payables balances included exposure to foreign currency denominated in USD and SDR amounting to RM166.5 million (2012: RM150.0 million) and RM9.6 million (2012: RM67.0 million) respectively.

22. Share Capital

	Group/Company			
	Number of ordinary shares of 1 sen each		Amount	
	2013 '000	2012 '000	2013 RM'000	2012 RM'000
Authorised	100,000,000	100,000,000	1,000,000	1,000,000
Issued and fully paid	7,775,000	7,775,000	77,750	77,750

The holders of ordinary shares are entitled to receive dividends as-and-when declared by the Company. All ordinary shares carry one vote per share without restrictions and rank equally with regard to the Company's residual assets.

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 4 January 2011.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2013

23. Defined Benefit Plan (cont'd.)

The amounts recognised in the consolidated statement of financial position are determined as follows:

	Group	
	2013 RM'000	2012 RM'000
Present value of unfunded obligations (Note 20)	1,251	1,357

The amount recognised in profit and loss, included under staff expenses, is as follows:

	Group	
	2013 RM'000	2012 RM'000
Interest on obligations, representing increase in provision for defined benefit plan	127	127

The principal actuarial assumption used in determining the retirement benefit obligation for the defined benefit plan, is as follows:

	Group	
	2013 %	2012 %
Rate per annum:		
- Discount rate	6.4	6.4

24. Retained Earnings

The Company may distribute dividends out of its entire retained earnings as at 31 December 2013 and 2012 respectively, under the single-tier system.

25. Commitments

	Group	
	2013 RM'000	2012 RM'000
(a) Capital commitments		
Capital expenditure in respect of property, plant and equipment and intangible assets:		
- Approved and contracted for	594,000	454,000
- Approved but not contracted for	941,000	970,000

NOTES TO THE FINANCIAL STATEMENTS

31 December 2013

25. Commitments (cont'd.)

	Group 2013 RM'000	Group 2012 RM'000
(b) Non-cancellable operating lease commitments		
Future minimum lease payments:		
- Less than one year	156,628	157,434
- Between one and five years	268,053	301,399
- More than five years	45,353	45,611
	470,034	504,444

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 one to ten years, with options to renew. None of the leases included contingent rentals.

(c) Finance lease commitments

The Group's finance lease commitment is in relation to the acquired indefeasible right of use ("IRU") over purchased fibre optic wavelength by means of a finance lease arrangement. Future minimum lease payments under the finance lease together with the present value of the net minimum lease payments are as follows:

	Group 2013 RM'000	Group 2012 RM'000
Minimum lease payments:		
- Less than one year	11,574	13,564
- Between one and two years	11,105	11,574
- Between two and five years	31,082	34,241
- More than five years	8,506	16,452
Total minimum lease payments	62,267	75,831
Less: Amounts representing finance charges	(13,082)	(17,873)
Present value of minimum lease payments	49,185	57,958
Present value of payments:		
- Less than one year	7,539	7,890
- Between one and two years	7,739	8,422
- Between two and five years	25,796	26,538
- More than five years	8,111	15,108
Present value of minimum lease payments	49,185	57,958
Less: Amount due within 12 months (Note 18)	(7,539)	(7,890)
Amount due after 12 months (Note 18)	41,646	50,068

NOTES TO THE FINANCIAL STATEMENTS

31 December 2013

26. Corporate Guarantees

	Group	
	2013 RM'000	2012 RM'000
Unsecured		
Guarantees given to third parties for public infrastructure works	18,667	10,752
Guarantee given to SKMM on the transfer of 3G spectrum	50,000	50,000
Guarantee given to SKMM on the allocation of the 2600 MHz spectrum band	10,000	–
	78,667	60,752

27. Significant Related Party Disclosures

(a) Sales and purchases of services

Controlling related party relationships are as follows:

(i) The ultimate holding company is as disclosed in Note 1; and
(ii) The Company's subsidiaries are as disclosed in Note 13.

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

	Transactions		Balance due (to)/from at	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
With the ultimate holding company and fellow subsidiaries				
- Telenor ASA			(33,152)	(29,687)
Consultancy services rendered	25,895	27,988		
- Telenor Consult AS			(1,040)	(3,391)
Personnel services rendered	13,066	18,085		
- Telenor Global Services AS			(2,336)	(1,273)
Sales of interconnection services on international traffic	272	149		
Purchases of interconnection services on international traffic	9,117	9,141		
Purchases of IP transit	503	495		
Purchases of global connectivity	980	–		

NOTES TO THE FINANCIAL STATEMENTS

31 December 2013

27. Significant Related Party Disclosures (cont'd.)

(a) Sales and purchases of services (cont'd.)

	Transactions		Balance due (to)/from at	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
With the ultimate holding company and fellow subsidiaries (cont'd.)				
- Telenor LDI Communication (Private) Limited			–	–
Sales of interconnection services on international traffic	–	84		
Purchases of interconnection services on international traffic	–	40		
- Total Access Communication Public Company Limited			6,180	2,960
Sales of international roaming services	544	890		
Purchases of international roaming services	5,093	3,635		
- DTAC Network Co. Ltd			(13,250)	(3,215)
Sales of interconnection services on international traffic	360	381		
Purchases of interconnection services on international traffic	19,860	3,853		
- Telenor Norge AS			50	283
Sales of international roaming services	464	406		
Purchases of international roaming services	22	39		
Services rendered on application operations and basic operation for data centre	–	3,379		
- Telenor Shared Services Pakistan (Private Limited)			(307)	(1,065)
Purchases of customer centre off-shoring services	1,476	1,956		
- Telenor Shared Services AS			25	–
Services rendered on application operations and basic operation for data centre	2,165	–		
Purchases of operation application	1,449	–		
- Telenor IT Asia Sdn Bhd			4,296	–
Services rendered on Asian Infrastructure Share Services Centre data centre	886	–		

Amounts due (to)/from related companies are trade in nature, unsecured, non-interest bearing and are repayable upon demand.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2013

27. Significant Related Party Disclosures (cont'd.)

(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 financial year was as follows:

	Group	
	2013 RM'000	2012 RM'000
Short-term employee benefit	13,352	14,865
Post-employment benefits	551	427
Share-based payment	1,997	1,242
	15,900	16,534

Included in the compensation of key management personnel of the Group are directors' remuneration of RM531,710 (2012: RM544,000) paid to four (2012: three) 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, foreign currency, liquidity and interest rate risks. The Group's overall risk management programme seeks to minimise potential adverse effects of these risks on the financial performance of the Group.

(b) Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counter-party default on its obligations. 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. Deposits are placed only with or only entered into with reputable licensed banks and unit trust funds, if any.

The maximum credit risk exposure in respect of trade receivables is limited to the carrying amount of the receivables less allowance for impairment, whereas the maximum exposure for other receivables, and cash and cash equivalents are the reported carrying values in the financial statements. Information regarding trade receivables that are neither past due nor impaired, and past due but not impaired, are disclosed in Note 15.

At the reporting date, there were no significant concentrations of credit risk.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2013

28. Financial Instruments (cont'd.)

(c) Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group is exposed to foreign currency risk as a result of transactions denominated in currencies other than its functional currency, arising from the normal business activities. The currencies giving rise to this risk are primarily the USD and SDR. Although approximately 20% (2012: 18%) of the Group's total expenses are denominated in the above-mentioned foreign currencies, the settlements of these payables are on a net basis, together with revenues earned from the same operators and partners. The Group also holds cash and cash equivalents denominated in USD for working capital purposes. At the reporting date, the Group's foreign-denominated cash and cash equivalents is disclosed in Note 17.

Exposure to foreign currency risk is monitored on an on-going basis and when considered necessary, the Group will consider using effective financial instruments to hedge its foreign currency risk in accordance with its foreign currency hedging policy. In line with the Group's foreign currency hedging policy, hedging is only considered for firm commitments and highly probable transactions of which hedging shall not exceed 100% of the net exposure value. Speculative activities are strictly prohibited. The Group adopts a layered approach to hedging, where a higher percentage of hedging will be executed for closer-dated exposures and with time, increase the hedge as the probability of the underlying exposure increases. These derivatives and their underlying exposures will be monitored on an on-going basis.

The Group's foreign currency forward contracts are executed only with credit-worthy financial institutions in Malaysia which are governed by appropriate policies and procedures. The cash requirement for settling these foreign currency forward contracts is solely from the Group's working capital.

Details of the Group's outstanding foreign currency forward contracts for the purpose of hedging certain payables denominated in USD for which firm commitments existed at the reporting date, extending to January 2014, are disclosed in Note 16. The effects of changes in the fair values of these derivative financial instruments have already been included in the financial statements during the financial year.

Management believes that there is no reasonably possible fluctuation in the foreign exchange rate which would cause any material effect to the Group's profit for the year.

(d) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting financial obligations due to shortage of funds. The Group monitors and maintains a level of cash and cash equivalents deemed adequate by management, for working capital purposes and to mitigate the effects of fluctuations in cash flows. The Group invests only in highly liquid cash management funds, if any. The Group has remaining revolving credit and floating-rate term loan facilities with an aggregate nominal value of up to RM300.0 million (2012: RM700.0 million) as an alternative source of financing which can be executed as and when required.

The Group's trade and other payables and non-hedging derivative liabilities at the reporting date, are short-term in nature, and are payable either on-demand or within one year. Details of respective maturities for the Group's loans and borrowings are as disclosed in Note 18.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2013

28. Financial Instruments (cont'd.)

(e) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's financial instruments will fluctuate because of changes in market interest rates. The Group's income and operating cash flows are substantially independent of changes in market interest rates. The Group is exposed to interest rate risk primarily from 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. A difference of 20 (2012: 20) basis points in interest rates applicable for the Group's entire loans and borrowings (excluding finance lease obligation) would result in approximately 0.5% (2012: 0.8%) variance in the Group's profit for the year.

(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 their fair values due to the relatively short-term maturity of these financial instruments.

(ii) Trade and other receivables and payables

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

(iii) Loans and borrowings

The carrying amounts of the current portion of loans and borrowings are reasonable approximations of fair values due to the insignificant impact of discounting.

The carrying amounts of SFRTL are reasonable approximations of fair values as they are floating rate instruments that are re-priced to market interest rates on or near the reporting date.

The fair values of non-current portion of loans and borrowings are estimated by discounting expected future cash flows at market incremental lending rate for similar types of borrowing or leasing arrangements at the reporting date.

(iv) Derivative financial instruments

Derivatives are stated at fair value which is equivalent to the marking of the derivatives to market, using prevailing market rates.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2013

28. Financial Instruments (cont'd.)

(f) Fair values (cont'd.)

At the reporting date, the carrying amounts and fair values of the Group's financial instruments not carried at fair values and whose carrying amounts are not reasonable approximation of fair values, are as follows:

		Group			
		Carrying amount		Fair value	
	Note	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Financial liabilities					
Loans and borrowings (non-current):					
- Finance lease obligation	18	41,646	50,068	50,329	59,825
- FRTL	18	–	174,685	–	165,893

(g) Carrying amounts

The carrying amounts of financial instruments under each category of MFRS139, are as follows:

		Group		Company	
	Note	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Loans and receivables:					
- Trade receivables	15	314,370	289,482	–	–
- Other receivables	15	58,493	62,999	5	8
- Deposits	15	60,483	57,638	–	–
- Cash and cash equivalents	17	411,079	708,856	923	2,157
		844,425	1,118,975	928	2,165
Non-hedging derivative financial assets/(liabilities)	16	811	(151)	–	–
Other financial liabilities:					
- Loans and borrowings	18	749,326	1,080,149	–	–
- Trade payables	21	312,630	384,795	–	–
- Other payables	21	162,811	96,678	–	–
- Accruals	21	1,246,282	1,593,445	848	809
- Customer deposits	21	14,848	16,292	–	–
		2,485,897	3,171,359	848	809

NOTES TO THE FINANCIAL STATEMENTS

31 December 2013

28. Financial Instruments (cont'd.)

(h) Fair value measurement

The following table provides the fair value measurement hierarchy of the Group's financial assets and liabilities.

Quantitative disclosures fair value measurement hierarchy for financial assets/(liabilities) as at 31 December 2013:

			Fair value measurement using		
	Date of valuation	Total RM'000	Quoted prices in active markets (Level 1) RM'000	Significant observable inputs (Level 2) RM'000	Significant unobservable inputs (Level 3) RM'000
Financial assets measured at fair value:					
Non-hedging derivative financial assets (Note 16)	31 December 2013	811	–	811	–
Financial liabilities for which fair values are disclosed:					
Loans and borrowings (non-current):					
- Finance lease obligation (Note 28(f))	31 December 2013	(50,329)	–	(50,329)	–

There have been no transfers between Level 1 and Level 2 during the year.

Quantitative disclosures fair value measurement hierarchy for financial liabilities as at 31 December 2012:

			Fair value measurement using		
	Date of valuation	Total RM'000	Quoted prices in active markets (Level 1) RM'000	Significant observable inputs (Level 2) RM'000	Significant unobservable inputs (Level 3) RM'000
Financial liabilities measured at fair value:					
Non-hedging derivative financial liabilities (Note 16)	31 December 2012	151	–	151	–
Financial liabilities for which fair values are disclosed:					
Loans and borrowings (non-current):					
- Finance lease obligation (Note 28(f))	31 December 2012	59,825	–	59,825	–
- FRTL (Note 28(f))	31 December 2012	165,893	–	165,893	–

NOTES TO THE FINANCIAL STATEMENTS

31 December 2013

29. Capital Management

The essence of the Group's capital management strategy is to support its long-term strategic ambitions including:

(i) its commitment to long-term sustainable dividend policy;

(ii) its financial obligation and ability to maintain financial flexibility; and

(iii) its ability to support its business requirements and enable future growth.

Going-forward, the Group will continue to actively manage its capital structure to enhance shareholders' value and make adjustments to address changes in the economic environment and its business risk characteristics. The Group had during the financial year ended 31 December 2009, revised its minimum dividend pay-out policy to at least 80% of the Company's profit for the year, and dividend payment frequency. The dividend policy will be maintained subject to on-going assessment, and based on the availability of distributable reserves as well as the Group's future cash flow requirements and market conditions. These revisions and any other revision to its allocation of capital resources are subject to the approval of the Board of Directors. No changes were made in the objectives, policies or processes during the financial year ended 31 December 2013.

30. Segmental Information

Segmental information is not presented as the Group is primarily engaged in the provision of mobile communication services and its related products in Malaysia.

31. Event Occurring After the Reporting Date

Subsequent to the reporting date, the Group had on 27 January 2014 repaid the remaining revolving credit of RM100.0 million.

32. Authorisation of Financial Statements for Issue

The financial statements for the financial year ended 31 December 2013 were authorised for issue in accordance with a resolution of the Directors on 13 March 2014.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2013

33. Supplementary Information - Disclosure of Realised and Unrealised Profits/Losses

The break-down of the (deficit)/retained earnings of the Group and of the Company as at 31 December 2013 and 2012 into realised and unrealised (loss)/profits is presented in accordance with the directive issued by Bursa Malaysia Securities Berhad, and prepared in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants.

	Group		**Company**	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Total (deficit)/retained profits of the Company and its subsidiaries:				
- Realised	(10,101)	(627,361)	3,140	46,457
- Unrealised	(98,555)	119,027	–	–
	(108,656)	(508,334)	3,140	46,457

LIST OF PROPERTIES

as at 31st December 2013

No.	Location	Tenure	Description/ Existing Use	Date of Acquisition	Area	Age of Building (Years)	Net Book Value as at 31.12.2012 RM'000	Net Book Value as at 31.12.2013 RM'000
1	H.S. (D) No 92086 & 92087 P.T. No 9 & No.10 Pekan Seremban Jaya Daerah Seremban Negeri Sembilan	Freehold	Land with a building/ Telecommunications Centre	29.12.1997	22,529 sq ft	16	649	631
2	Unit No 202-4-11 Sri Bandar Besi Jalan Sungai Besi Sungai Besi Kuala Lumpur	Freehold	Apartment/ Housing base transceiver equipment	26.01.1995	802 sq ft	18	87	85
3	Unit No C16-2 Indera Subang UEP Jalan UEP 6/2L UEP Subang Jaya Petaling Jaya, Selangor	Freehold	Apartment/ Housing base transceiver equipment	04.02.1995	2,249 sq ft	20	466	451
4	No 1-16.2, 16th Floor, Union Height, Taman Yan Jalan Klang Lama Kuala Lumpur	Freehold	Apartment/ Housing base transceiver equipment	25.01.1995	1,249 sq ft	19	175	169
5	3rd Floor, Unit Pt 4888/4786 C Block TC-14 Taman Sri Gombak Jalan Batu Caves Selangor	Freehold	Apartment/ Housing base transceiver equipment	29.03.1995	1,319 sq ft	18	66	64
6	4572, 7th Floor Sri Jelatek Condominiums Section 10 , Wangsa Maju Kuala Lumpur	Freehold	Apartment/ Housing base transceiver equipment	07.02.1995	1,115 sq ft	18	136	132
7	32 , PLO 151 Jln Angkasa Mas Utama Kawasan Perindustrian Tebrau II 81100 Johor Bahru, Johor	30 years lease (expiring in 2023)	Land with a building/ Telecommunications Centre	12.05.1995	1.58 acres	19	777	764

LIST OF PROPERTIES

as at 31st December 2013

No.	Location	Tenure	Description/ Existing Use	Date of Acquisition	Area	Age of Building (Years)	Net Book Value as at 31.12.2012 RM'000	Net Book Value as at 31.12.2013 RM'000
8	HS (D) 77, No. P.T. PTBM/A/081 Mukim 1, Kawasan Perusahaan Perai, District Seberang Perai Tengah, Pulau Pinang	Leasehold 60 years (expiring in 2033)	Land with a building/ Telecommunications Centre	23.03.1995	1 acre	39	1,657	1,605
9	Lot 36, Sedco Light Industrial Estate, Jalan Kelombong, Kota Kinabalu , Sabah	Leasehold 60 years (expiring in 2034)	Land with a building/ Telecommunications Centre	12.06.1995	0.938 acre	33	1,849	1,793
10	Lot 1220, Section 66, Kuching Town Land District, Sarawak	Leasehold 60 years (expiring in 2036)	Land with a building/ Telecommunications Centre	15.08.1995	4,124 sq ft	18	1,595	1,546
11	No 112, Semambu Industrial Estate Kuantan Pahang	Leasehold 66 years (expiring in 2041)	Land with a building/ Telecommunications Centre	07.07.1995	4 acres	31	1,804	1,749
12	Unit 16-12-1, 12th Floor Cloud View Tower Taman Supreme, Cheras Kuala Lumpur	Leasehold 99 years (expiring in 2076)	Apartment/ Housing base transceiver equipment	08.02.1995	1,400 sq ft	25	171	168
13	Unit No M803 8th Floor, Sunrise Park Ampang, Kuala Lumpur	Leasehold 99 years (expiring in 2088)	Apartment/ Housing base transceiver equipment	22.03.1995	1,100 sq ft	22	90	89
14	H.S.(D) 12776, P.T. No. 15866, Mukim Bentong District of Bentong Pahang	Leasehold 99 years (expiring in 2091)	Land with a building/ Earth Station Complex	07.08.1996	7.5 acres	20	5,601	5,533

LIST OF PROPERTIES

as at 31st December 2013

No.	Location	Tenure	Description/ Existing Use	Date of Acquisition	Area	Age of Building (Years)	Net Book Value as at 31.12.2012 RM'000	Net Book Value as at 31.12.2013 RM'000
15	Plot D-38 Taman Industri Prima Kota Fasa 1 Sector 3, Bandar Indera Mahkota, Kuantan, Pahang	Leasehold 99 years (expiring in 2097)	Land with Fixed Line switch and base transceiver tation	14.11.1997	25,521 sq ft	16	366	362
16	Ptd 1490, Mukim Of Jemaluang District Of Mersing Johor	Leasehold 99 years (expiring in 2098)	Land with trunk station	17.08.1999	40,000 sq ft	14	107	105
17	PN 89926, Lot 191363 Mukim Hulu Kinta Daerah Kinta, Perak	Leasehold 90 years (expiring in 2081)	Land with a building/ Telecommunications Centre	15.07.1999	5,942 sq ft	14	197	195
18	Lot No 54, Jalan 6/2 Kawasan Perindustrian Seri Kembangan 43000 Seri Kembangan Selangor	Leasehold 99 years (expiring in 2091)	Land with a building/ Telecommunications Centre	23.05.2000	18,050 sq ft	24	1,729	1,709
19	Lot 2728 Miri Concession Land District Lopeng , Miri, Sarawak	Leasehold 60 years (expiring in 2027)	Land with cabin container/ Telecommunications Centre	29.09.2000	4,937 sq m	N/A	920	896
20	Lot 10, Jalan Delima 1/1 Subang Hi-Tech Industrial Park 40000 Shah Alam, Selangor	Freehold	Land with a building	19.07.2001	284,485 sq ft	8	70,023	68,728
21	No. 24, Jalan KIP 7 Taman Perindustrian KIP 52200 Kuala Lumpur	Freehold	Land with a building/ Telecommunications Centre	21.08.2002	17,847 sq ft	17	2,779	2,779

LIST OF PROPERTIES

as at 31st December 2013

No.	Location	Tenure	Description/ Existing Use	Date of Acquisition	Area	Age of Building (Years)	Net Book Value as at 31.12.2012 RM'000	Net Book Value as at 31.12.2013 RM'000
22	Lot 42, Jalan Delima 1/1 Subang Hi-Tech Industrial Park 40000 Shah Alam, Selangor	Freehold	Vacant Land	28.04.2008 (Title transferred date)	91,676 sq ft	N/A	8,234	8,234
23	Lot 43, Jalan Delima 1/1 Subang Hi-Tech Industrial Park 40000 Shah Alam, Selangor	Freehold	Land with a building/ Telecommunications Centre	06.04.2008 (Title transferred date)	92,142 sq ft	4	79,692	71,500
24	13-1st Floor Gemilang Indah Condominium Geran Mukim 2227/M1/2/7 Lot 295, Sek 98, Bandar KL Wilayah Perseketuan	Freehold	Apartment unit	26.10.2009	935 sq ft	23	131	128
25	H.S.(M) 26928 PT 180 Pekan Serdang Tempat Seri Kembangan Daerah Petaling, Selangor	Leasehold 90 years (expiring in 2099)	Land with a building/ Telecommunications Centre	03.03.2009	1803 sq m	18	4,187	4,139
26	Title No. PN 89925, Lot 191362 No.4, Hala Perusahaan Kledang U5 Kawasan Perusahaan Menglembu Daerah Kinta, Perak	Leasehold 90 years (expiring in 2099)	Land with a building/ Telecommunications Centre	21.09.2009	358 sq m	13	701	693

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

DISCLOSURE OF RECURRENT RELATED PARTY TRANSACTIONS

as at 31st December 2013

At the Annual General Meeting held on 9 May 2013, 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 Practice Note 12 of Main Market Listing Requirements of Bursa Securities, the details of recurrent related party transactions conducted during the financial year ended 31 December 2013 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 programme and professional fees	25,895
Telenor Group	DTSB	Personnel services payable and professional fees	13,066
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	29,609
Telenor Group	DTSB	International Roaming	6,634
Telenor Group	DTSB	Customer centre off-shoring services	1,476
Telenor Group	DTSB	Services rendered on application operations and basic operations for Asian Data Center/Way of Work	3,614
Telenor Group	DTSB	IP Transit (Internet upstream)	503
Telenor Group	DTSB	Global connectivity services rendered	980
Telenor Group	DTSB	Services rendered by Asian infrastructure Shared Services Centre	886
TOTAL			**82,663**

Notes:
1. Telenor Group refers to Telenor ASA and its subsidiary and related companies (including the associated companies). Telenor ASA is the ultimate holding company of DiGi.Com Berhad (DiGi).
2. DiGi Telecommunications Sdn Bhd ("DTSB") is a wholly-owned subsidiary of DiGi.

STATEMENT OF DIRECTORS' SHAREHOLDINGS

as at 18 March 2014

The Company **DiGi.Com Berhad**	**Number of Ordinary Shares of RM0.01 each** **Direct Interest**	**%**	**Deemed Interest**	**%**
–	–	–	–	–

Ultimate Holding Company **Telenor ASA**	**Number of Ordinary Shares of NOK6 each** **Direct Interest**	**%**	**Deemed Interest**	**%**
Sigve Brekke	96,632	0.0064	–	–
Hakon Bruaset Kjol	7,425	0.0005	–	–
Tore Johnsen	35,694	0.0024	–	–
Morten Karlsen Sørby	72,190	0.0048	–	–

Ultimate Holding Company **Telenor ASA**	**Number of Options over Ordinary Shares of NOK6 each** **Direct Interest**	**%**	**Deemed Interest**	**%**
Sigve Brekke	–	–	–	–
Hakon Bruaset Kjol	–	–	–	–
Tore Johnsen	–	–	–	–
Morten Karlsen Sørby	–	–	–	–

STATISTICS ON SHAREHOLDINGS

as at 18 March 2014

Authorised Share Capital	:	RM1,000,000,000 divided into 100,000,000,000 ordinary shares of RM0.01 each
Issued and Paid up Share Capital	:	RM77,750,000 comprising 7,775,000,000 ordinary shares of RM0.01 each
Class of Shares	:	Ordinary shares of RM0.01 each
Voting Rights	:	One vote per share

Analysis by Size of Holdings as at 18 March 2014

SIZE OF HOLDINGS	NO. OF HOLDERS	%	NO. OF SHARES	%
1 - 99	658	2.31	8,893	0.00
100 - 1,000	12,641	44.42	7,279,708	0.09
1001 - 10,000	12,061	42.38	48,983,541	0.63
10,001 - 100,000	2,224	7.82	66,552,981	0.86
100,001 - 388,749,999 (*)	870	3.06	2,545,717,027	32.74
388,750,000 AND ABOVE (**)	3	0.01	5,106,457,850	65.68
TOTAL	28,457	100	7,775,000,000	100.00

REMARK :
* - Less than 5% of issued shares
** - 5% And above of issued shares

Substantial Shareholders as per Register of Substantial Shareholders as at 18 March 2014

	Number of Shares			
Name	**Direct Interest**	**%**	**Deemed Interest**	**%**
1. Telenor Asia Pte Ltd	3,809,750,300	49.00	–	–
2. Telenor Mobile Communications AS	–	–	3,809,750,300 (a)	49.00
3. Telenor Mobile Holding AS	–	–	3,809,750,300 (b)	49.00
4. Telenor ASA	–	–	3,809,750,300 (c)	49.00
5. Employees Provident Fund Board	990,874,040	12.74	–	–
6. AmanahRaya Trustees Berhad - Skim Amanah Saham Bumiputera	422,904,900	5.44	–	–

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 intereseted by virtue of its 100% interest in Telenor Mobile Holding AS.

STATISTICS ON SHAREHOLDINGS

as at 18 March 2014

LIST OF THIRTY (30) LARGEST SHAREHOLDERS

	Name of Shareholders	Number of Shares	%
1	CITIGROUP NOMINEES (ASING) SDN BHD *TELENOR ASIA PTE LTD (DIGI)*	3,809,750,300	49.00
2	CITIGROUP NOMINEES (TEMPATAN) SDN BHD *EMPLOYEES PROVIDENT FUND BOARD*	873,802,650	11.24
3	AMANAHRAYA TRUSTEES BERHAD *SKIM AMANAH SAHAM BUMIPUTERA*	422,904,900	5.44
4	KUMPULAN WANG PERSARAAN (DIPERBADANKAN)	115,244,700	1.48
5	CARTABAN NOMINEES (ASING) SDN BHD *EXEMPT AN FOR STATE STREET BANK & TRUST COMPANY (WEST CLT OD67)*	111,964,500	1.44
6	AMANAHRAYA TRUSTEES BERHAD *AMANAH SAHAM MALAYSIA*	105,000,000	1.35
7	AMANAHRAYA TRUSTEES BERHAD *AMANAH SAHAM WAWASAN 2020*	86,680,500	1.11
8	CARTABAN NOMINEES (TEMPATAN) SDN BHD *EXEMPT AN FOR EASTSPRING INVESTMENTS BERHAD*	84,712,600	1.09
9	HSBC NOMINEES (ASING) SDN BHD *BBH AND CO BOSTON FOR VANGUARD EMERGING MARKETS STOCK INDEX FUND*	67,380,550	0.87
10	DATO AHMAD SEBI BIN BAKAR	61,889,030	0.80
11	AMSEC NOMINEES (TEMPATAN) SDN BHD AMTRUSTEE BERHAD FOR CIMB ISLAMIC DALI EQUITY GROWTH FUND (UT-CIMB-DALI)	57,438,300	0.74
12	TIME DOTCOM BERHAD	50,063,523	0.64
13	TIME DOTCOM BERHAD	50,063,522	0.64
14	CARTABAN NOMINEES (ASING) SDN BHD *GIC PRIVATE LIMITED FOR GOVERNMENT OF SINGAPORE (C)*	49,823,100	0.64
15	AMANAHRAYA TRUSTEES BERHAD *AMANAH SAHAM DIDIK*	45,706,000	0.59
16	AMANAHRAYA TRUSTEES BERHAD *PUBLIC ISLAMIC DIVIDEND FUND*	43,087,900	0.55

STATISTICS ON SHAREHOLDINGS

as at 18 March 2014

LIST OF THIRTY (30) LARGEST SHAREHOLDERS

	Name of Shareholders	Number of Shares	%
17	HSBC NOMINEES (ASING) SDN BHD *EXEMPT AN FOR JPMORGAN CHASE BANK, NATIONAL ASSOCIATION (U.A.E.)*	37,413,100	0.48
18	CITIGROUP NOMINEES (TEMPATAN) SDN BHD *EMPLOYEES PROVIDENT FUND BOARD (NOMURA)*	35,005,690	0.45
19	AMANAHRAYA TRUSTEES BERHAD *AS 1MALAYSIA*	34,883,200	0.45
20	CITIGROUP NOMINEES (TEMPATAN) SDN BHD *EMPLOYEES PROVIDENT FUND BOARD (CIMB PRIN)*	34,111,200	0.44
21	MALAYSIA NOMINEES (TEMPATAN) SENDIRIAN BERHAD *GREAT EASTERN LIFE ASSURANCE (MALAYSIA) BERHAD (PAR 1)*	33,289,900	0.43
22	CITIGROUP NOMINEES (TEMPATAN) SDN BHD *EXEMPT AN FOR AIA BHD.*	32,874,190	0.42
23	MAYBANK NOMINEES (TEMPATAN) SDN BHD *MAYBANK TRUSTEES BERHAD FOR PUBLIC ITTIKAL FUND (N14011970240)*	31,500,000	0.41
24	HSBC NOMINEES (ASING) SDN BHD *EXEMPT AN FOR JPMORGAN CHASE BANK, NATIONAL ASSOCIATION (U.S.A.)*	31,303,270	0.40
25	CIMSEC NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR TIME DOTCOM BERHAD (CB-G2 TT DOTCOM)*	29,730,000	0.38
26	HSBC NOMINEES (ASING) SDN BHD *EXEMPT AN FOR THE BANK OF NEW YORK MELLON (MELLON ACCT)*	27,640,276	0.36
27	AMANAHRAYA TRUSTEES BERHAD *PUBLIC ISLAMIC SELECT ENTERPRISES FUND*	25,506,500	0.33
28	AMANAHRAYA TRUSTEES BERHAD *PUBLIC ISLAMIC EQUITY FUND*	24,104,000	0.31
29	MAYBANK NOMINEES (TEMPATAN) SDN BHD *MAYBANK TRUSTEES BERHAD FOR PUBLIC REGULAR SAVINGS FUND (N14011940100)*	22,368,400	0.29
30	CITIGROUP NOMINEES (ASING) SDN BHD *LEGAL & GENERAL ASSURANCE (PENSIONS MANAGEMENT) LIMITED (A/C 1125250001)*	19,432,270	0.25
	TOTAL	**6,454,674,071**	**83.02**

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Seventeenth Annual General Meeting ("17th AGM") of DiGi.Com Berhad ("the Company") will be held at Sabah Room, Basement II, Shangri-La Hotel, 11, Jalan Sultan Ismail, 50250 Kuala Lumpur on Wednesday, 14 May 2014 at 10.00 a.m. for the following purposes:

Agenda

As Ordinary Business

1. To receive and adopt the audited financial statements of the Company for the financial year ended 31 December 2013 and the Directors' and Auditors' Reports thereon. **(Please refer to Note 1 of the Explanatory Notes)**

2. To re-elect the following Directors of the Company retiring pursuant to the Company's Articles of Association:-

   Under Article 98(A)

   (i) Mr Sigve Brekke **Ordinary Resolution 1**

   (ii) Dato' Saw Choo Boon **Ordinary Resolution 2**

   Under Article 98(E)

   (iii) Ms Yasmin Binti Aladad Khan **Ordinary Resolution 3**

3. To approve the Directors' Allowances of RM527,710.00 for the financial year ended 31 December 2013. **Ordinary Resolution 4**

4. To re-appoint Messrs Ernst & Young as Auditors of the Company and to authorise the Directors to fix their remuneration. **Ordinary Resolution 5**

As Special Business

To consider and, if thought fit, to pass the following resolution:-

5. Proposed Renewal of Existing Shareholders' Mandate For Recurrent Related Party Transactions of a Revenue or Trading Nature to be entered with Telenor ASA ("Telenor") and Persons Connected with Telenor.

   "THAT, subject to the provisions of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, approval be and is hereby given for the Company and its subsidiaries, to enter into recurrent related party transactions of a revenue or trading nature with Telenor and persons connected with Telenor as specified in Section 2.3 of the Circular to Shareholders dated 22 April 2014 which are necessary for the day-to-day operations and/or in the ordinary course of business of the Company and its subsidiaries on terms not more favourable to the related parties than those generally available to the public and are not detrimental to the minority shareholders of the Company and that such approval shall continue to be in force until:

   (i) the conclusion of the next annual general meeting of the Company following the general meeting at which this Ordinary Resolution shall be passed, at which time it will lapse, unless by a resolution passed at a general meeting, the authority conferred by this resolution is renewed;

NOTICE OF ANNUAL GENERAL MEETING

(ii) the expiration of the period within which the next annual general meeting after the date it is required to be held pursuant to Section 143(1) of the Companies Act, 1965 (but shall not extend to such extension as may be allowed pursuant to Section 143(2) of the Companies Act, 1965); or

(iii) revoked or varied by resolution passed by the shareholders at a general meeting;

whichever is earlier;

and that in making the disclosure of the aggregate value of the recurrent related party transactions conducted pursuant to the proposed shareholders' approval in the Company's annual reports, the Company shall provide a breakdown of the aggregate value of recurrent related party transactions made during the financial year, amongst others, based on:

(i) the type of the recurrent related party transactions made; and

(ii) the name of the related parties involved in each type of the recurrent related party transactions made and their relationship with the Company

and further that authority be and is hereby given to the Directors of the Company and its subsidiaries to complete and do all such acts and things (including executing such documents as may be required) to give effect to the transactions as authorised by this Ordinary Resolution." **Ordinary Resolution 6**

6. Authority for Dato' Ab. Halim Bin Mohyiddin to continue in office as Independent Non-Executive Director **Ordinary Resolution 7**

"THAT authority be and is hereby given to Dato' Ab. Halim Bin Mohyiddin who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than nine years, to continue to act as an Independent Non-Executive Director of the Company until the conclusion of the next Annual General Meeting in accordance with Malaysian Code of Corporate Governance 2012."

FURTHER NOTICE IS HEREBY GIVEN THAT for the purpose of determining a member who shall be entitled to attend this 17th AGM, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd in accordance with Article 54(1)(b) of the Company's Articles of Association and Section 34(1) of the Securities Industry (Central Depositories) Act, 1991 to issue a General Meeting Record of Depositors as at 30 April 2014. Only a depositor whose name appears on the Record of Depositors as at 30 April 2014 shall be entitled to attend, speak and vote at the said meeting or appoint proxies to attend, speak and/or vote on his/her behalf.

By Order of the Board

CHOO MUN LAI (MAICSA 7039980)
TAI YIT CHAN (MAICSA 7009143)
TAN WEE SIN (MAICSA 7044797)
Company Secretaries

Selangor Darul Ehsan
22 April 2014

NOTICE OF ANNUAL GENERAL MEETING

NOTES:-

(A) APPOINTMENT OF PROXY

(i) A member entitled to attend and vote at a meeting of the Company is entitled to appoint any person as his proxy to attend and vote instead of him and that a proxy need not also be a member of the Company and the provision of Section 149(1)(a) and (b) of the Companies Act, 1965 shall not apply to the Company.

(ii) Where a member of the Company is an Exempt Authorised Nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account") as defined under the Securities Industry (Central Depositories) Act 1991, there shall be no limit to the number of proxies which the Exempt Authorised Nominee may appoint in respect of each omnibus account it holds.

(iii) 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.

(iv) 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, Malaysia at least forty-eight (48) hours before the time appointed for holding the meeting or any adjournment thereof.

(B) EXPLANATORY NOTES

1. Agenda item no. 1 is meant for discussion only as the provision of Section 169(1) of the Companies Act, 1965 does not require a formal approval of shareholders for the Audited Financial Statements. Hence, this item on the Agenda is **not put forward for voting**.

2. Ordinary Resolution 6 proposed, if passed, will allow the Company and its subsidiaries ("Group") to enter into recurrent related party transactions in accordance with paragraph 10.09 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad and the necessity to convene separate general meetings from time to time to seek shareholders' approval as and when such recurrent related party transactions occur would not arise. This would reduce substantial administrative time and expenses associated with the convening of such meetings without compromising the corporate objectives of the Group or affecting the business opportunities available to the Group. The shareholders' mandate is subject to renewal on an annual basis.

3. In respect of Ordinary Resolution 7, the Board of Directors ("Board") has via the Nomination Committee conducted an evaluation on the re-appointment of Dato' Ab. Halim Bin Mohyiddin, who has served as Independent Non-Executive Director of the Company for a cumulative term of more than nine years, and recommended him to continue to act as Independent Non-Executive Director of the Company. Dato' Ab. Halim Bin Mohyiddin fulfilled the criteria under the definition on Independent Director as stated in the Main Market Listing Requirements of Bursa Malaysia Securities Berhad. His experience in the audit and accounting industries enables him to provide the Board with a diverse set of experience, expertise, skills and competence. As he has been with the Company for more than nine years, he therefore understands the Company's business operations which enable him to participate actively and contribute during deliberations or discussions at Audit & Risk Committee and Board meetings without compromising his independent and objective judgement. He has contributed sufficient time and efforts and attended all the Audit & Risk Committee and Board meetings.

LIMITED ASSURANCE STATEMENT

Independent Limited Assurance Statement To The Management Of DiGi Telecommunications Sdn Bhd

We have performed limited assurance procedures in relation to **DiGi Telecommunications Sdn Bhd's** Sustainability Section in the Annual Report 2013 ('the Report') as detailed in the 'Subject Matter' below.

The Management's responsibility

The Sustainability Section in the Annual Report 2013 has been prepared by the Management of DiGi Telecommunications Sdn Bhd, which is responsible for the collection and presentation of the information it contains and for maintaining adequate records and internal controls that are designed to support the sustainability reporting process. There are currently no legally prescribed requirements relating to the preparation, publication and verification of sustainability reports.

The auditor's responsibility

Our responsibility in performing our limited assurance activities is to the Management of DiGi Telecommunications Sdn Bhd only and in accordance with the terms of reference agreed with them. We do not accept or assume any responsibility for any other purpose or to any other person or organisation. Any reliance any such third party may place on the Report is entirely at their own risk.

Our review was limited to the information on the select indicators set out within the Sustainability Section in the Annual Report 2013 and our responsibility does not include:

- Any work in respect of sustainability information published elsewhere on DiGi Telecommunications Sdn Bhd's website;
- Sustainability information prior to 01 January 2013 and after 31 December 2013; and
- Review of Management's forward looking statements such as targets and intentions.

Our multi-disciplinary team has the required competencies and experience to conduct this assurance engagement.

Reporting criteria

As a basis for the assurance engagement, the Subject Matter for assurance was verified for adherence to the Global Reporting Initiative (GRI G3.1) principle of accuracy and non-financial reporting guidelines applicable to the Telenor Group. We consider this reporting criterion to be relevant and appropriate to review the Report.

Assurance standard used and level of assurance

Our limited assurance engagement has been planned and performed in accordance with the ISAE 3000 Assurance Engagement Other Than Audits or Reviews of Historical Financial Information.

This standard requires that we comply with the ethical requirements, and plan and perform the assurance engagement under consideration of materiality to express our conclusion with limited assurance.

LIMITED ASSURANCE STATEMENT

Assurance standard used and level of assurance (cont'd.)

We have also considered the Global Reporting Initiative G3.1 ('GRI G3.1') reporting guidelines in conducting our limited assurance procedures.

A limited assurance engagement consists of making enquiries and applying analytical and other limited assurance procedures. Our procedures were designed to provide a limited level of assurance and as such do not provide all the evidence that would be required to provide a reasonable level of assurance.

The procedures performed depend on the assurance practitioner's judgement including the risk of material misstatement of the specific activity data, whether due to fraud or error. While we considered the effectiveness of Management's internal controls when determining the nature and extent of our procedures, our review was not designed to provide assurance on internal controls. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

Subject matter

The Subject Matter for our limited assurance engagement is:

Statements and claims related to the following indicators for 2013 in relevance to DiGi Telecommunications Sdn Bhd's focus areas presented in the Report:

- Empowerment through Connectivity: Number of students and teachers attending the DiGi Cybersafe Program;
- Ethical and Responsible business: Number of employees signing off "Code of Conduct" policy in HRMS;
- Best on people: Lost time due to injury and career development oriented training undergone by employees; and
- Climate Change & Environment: Direct and indirect energy consumption, direct and indirect greenhouse gas emission, other indirect greenhouse gas emission (limited to business travel and mileage claims).

What we did to form our conclusions

The procedures performed aim to verify the plausibility of information. We designed our procedures in order to state whether anything has come to our attention to suggest that the Subject Matter detailed above has not been reported in accordance with the reporting criteria cited earlier. In order to form our conclusions we undertook the steps below:

1. **Interviewed DiGi Telecommunications Sdn Bhd's executives** including the Head of Communications and Corporate Responsibility who also holds responsibility for the sustainability reporting process, to understand the current status of their sustainable development agenda and activities;
2. **Undertook visits to** DiGi Telecommunications Sdn Bhd's offices;
3. **Reviewed DiGi Telecommunications Sdn Bhd's'** processes for data collection, aggregation, analysis and quality control;
4. **Reviewed selected relevant internal documents** pertaining to the select indicators to assess the accuracy of reporting;
5. **Reviewed draft of the Report** for statements or assertions for consistency with the findings from our work;
6. **Traced select relevant sources of information** in line with the Telenor Group non-financial reporting guidelines, reviewed conversion factors in relation to their sources, relevance and accuracy; and
7. **Obtained and reviewed** evidence to support key assumptions and reasonableness in calculations and other data.

LIMITED ASSURANCE STATEMENT

The limitations of our review

Our review was limited to the information on the select indicators set out within the Sustainability Section in the Annual Report 2013.

The accuracy and completeness of the sustainability indicators are subject to inherent limitations given their nature and methods for determining, calculating and estimating such data. Our assurance report should therefore be read in connection with DiGi Telecommunications Sdn Bhd's procedures on the reporting of its sustainability performance.

Our independence

EY has provided independent assurance services in relation to the Sustainability Section in the Annual Report 2013. We have provided no other services relating to DiGi Telecommunications Sdn Bhd's approach to sustainability reporting.

In conducting our assurance engagement we have met the independence requirements of the Institute of Certified Public Accountants of Singapore, Code of Professional Conduct and Ethics. Our independence policies prohibit any financial interests in our clients that would or might be seen to impair independence. Each year, partners and staff are required to confirm their compliance with the firm's policies.

Observations and areas for improvement

Our observations and areas for improvement will be raised in a report to DiGi Telecommunications Sdn Bhd's Management. The focus on this report will be in addressing any identified gaps between the GRI principles for defining report content, materiality, completeness, sustainability context and stakeholder inclusiveness and those presented within the report. These observations do not affect our conclusions set out below.

Conclusion

Based on the procedures performed and evidence obtained for the Subject Matter nothing has come to our attention that causes us to believe that the information in the Report does not comply in all material respects with the above mentioned reporting criteria.

K SADASHIV
Partner
Climate Change and Sustainability Services
Ernst & Young LLP
01 April 2014

Note:

1. International Federation of the Accountants' International Standard for Assurance Engagements Other Than Audits or Reviews of Historical Financial Information (ISAE3000)

NOTES

NOTES

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. ______________________ of ______________________
(New and Old NRIC Nos.)

____
(Address)

or failing him/her, the **Chairman of the meeting* as my/our proxy to vote for me/us on my/our behalf, at the Seventeenth Annual General Meeting of the Company to be held at Sabah Room, Basement II, Shangri-La Hotel, 11, Jalan Sultan Ismail, 50250 Kuala Lumpur on Wednesday, 14 May 2014 at 10.00 a.m. or any adjournment thereof.

This proxy is to vote on the resolutions set out in the Notice of the Meeting, as indicated with an "X" in the appropriate spaces below. If no specific direction as to voting is given, the proxy will vote or abstain from voting at his/her discretion.

*Please delete the words "Chairman of the meeting" if you wish to appoint some other person to be your proxy.

ORDINARY RESOLUTIONS		FOR	AGAINST
RESOLUTION 1	– To re-elect Mr Sigve Brekke as Director		
RESOLUTION 2	– To re-elect Dato' Saw Choo Boon as Director		
RESOLUTION 3	– To re-elect Ms Yasmin Binti Aladad Khan as Director		
RESOLUTION 4	– To approve the Directors' Allowances for the financial year ended 31 December 2013		
RESOLUTION 5	– To re-appoint Messrs Ernst & Young as Auditors of the Company and to authorise the Directors to fix their remuneration		
RESOLUTION 6	– To approve the Proposed Renewal of Existing Shareholders' Mandate to be entered with Telenor ASA ("Telenor") and persons connected with Telenor		
RESOLUTION 7	– Authority for Dato' Ab. Halim Bin Mohyiddin to continue in office as Independent Non-Executive Director		

No. of Shares ______________________

____
Signature of Shareholder(s) or Common Seal

Signed this __________ day of __________ , 2014.

Tel. No. ______________________

Notes:

1. A member entitled to attend and vote at a meeting of the Company is entitled to appoint any person as his proxy to attend and vote instead of him and that a proxy need not also be a member of the Company and the provision of Section 149(1)(a) and (b) of the Companies Act, 1965 shall not apply to the Company.
2. Where a member of the Company is an Exempt Authorised Nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account") as defined under the Securities Industry (Central Depositories) Act 1991, there shall be no limit to the number of proxies which the Exempt Authorised Nominee may appoint in respect of each omnibus account it holds.
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.

PLEASE FOLD HERE TO SEAL

AFFIX
STAMP
HERE

Share Registrars
TRICOR INVESTOR SERVICES SDN BHD
Level 17, The Gardens North Tower,
Mid Valley City,
Lingkaran Syed Putra,
59200 Kuala Lumpur,
Malaysia

PLEASE FOLD HERE TO SEAL

CORPORATE DIRECTORY

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,
Lebuh 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,
Lorong Industri Semambu 7,
Semambu Industrial Estate,
25350 Kuantan, Pahang
Fax : 09-508 0016

Sabah Region
4th Floor, Lot 10, Block B,
Warisan Square,
Jalan Tun Fuad Stephens,
88000 Kota Kinabalu, Sabah
Tel : 088-251 016
Fax : 088-262 016

Sarawak Region
Level 21, Gateway Kuching,
No. 9, Jalan Bukit Mata,
93100 Kuching, Sarawak
Tel : 082-421 800
Fax : 082-427 597

DiGi STORES

Kuala Lumpur
Gardens
S-233, 2nd Floor, Gardens Mall,
Mid Valley City, Lingkaran Syed Putra,
59200 Kuala Lumpur

Bangsar
Lot F140, 1st Floor,
Bangsar Shopping Centre,
285 Jalan Maarof, Bukit Bandaraya,
59000 Kuala Lumpur

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

Selangor
Klang
Lot Unit B-G-8, BBT One,
Lebuh Batu Nilam 2,
Bandar Bukit Tinggi,
41200 Klang, Selangor

SS2
24, Jalan SS2/66,
47300 Petaling Jaya, Selangor

Sunway Pyramid
Lot LG2.69 Lower Ground 2,
Sunway Pyramid Shopping Mall,
No. 3, Jalan PJS 11/15, Bandar Sunway,
46150 Petaling Jaya, Selangor

Ampang
No. 86G, Lorong Mamanda 1,
Ampang Point,
68000 Selangor

Alamanda
Lot LG08, Lower Ground Floor,
Alamanda Putrajaya Shopping Centre,
Jalan Alamanda, Precinct 1,
62000 Putrajaya

Melaka
Melaka
No. 2, Jalan Plaza Merdeka,
Plaza Merdeka,
75000 Melaka

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

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

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

De Gardens
DGR-1A, Ground Floor,
No. 1, Persiaran Medan Ipoh,
Medan Ipoh,
31400 Ipoh, Perak

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

Kelantan
Kota Bharu
Lot G-42, KB Mall, Jalan Hamzah,
15050 Kota Bharu, Kelantan

Sabah
Api-Api
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

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

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

DiGi SERVICE COUNTERS

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

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

Taman Tun Dr Ismail (TTDI)
No. 35, Jalan Wan Kadir 2,
Taman Tun Dr Ismail,
60000 Kuala Lumpur

Low Yat
Lot No. 4K 18, 4th Floor,
Plaza Low Yat, Jalan Bintang,
55100 Kuala Lumpur

Mid Valley
Lot LG 013A, Lower Ground,
Mid Valley Megamall,
Mid Valley City, Lingkaran Syed Putra,
59200 Kuala Lumpur

Selangor
Tesco Puchong
148-149, Jalan Bandar 3,
Pusat Bandar Puchong,
47100 Puchong, Selangor

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

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

Kedah
Sungei Petani
Kompleks Amanjaya Mall,
No. 1, Jalan Jati 1,
Lot 3B, Tingkat Bawah, Sg Petani,
08000 Kedah

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

Penang
Bukit Jambul
3A-G24, Kompleks Bukit Jambul,
Jalan Lebuh Pantai,
10300 Penang

Whiteaways
No. 22, Ground Floor,
The Whiteaways Arcade, Jalan Rumbia,
11900 Penang

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

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

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

Terengganu
Kuala Terengganu
63B, Jalan Sultan Ismail,
20200 Kuala Terengganu, Terengganu

Johor
Tebrau
Lot S09, 2nd Floor,
AEON Tebrau City Shopping Centre,
No. 1, Jalan Desa Tebrau,
Taman Desa Tebrau,
81100 Johor Bahru, Johor

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

Kluang
No. 69, Ground Floor,
Jalan Rambutan,
86000 Kluang, Johor

City Square JB
Lot JK2.04, Level 2,
Johor Bahru City Square,
No. 168 & 108 Jalan Wong Ah Fook,
80000 Johor Bahru, Johor

Muar
No. 44, Jalan Sisi,
84000 Muar, Johor

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

Sutera
Lot L3-209/210 Sutera Mall,
No. 1, Jalan Sutera Tanjung 84,
Taman Sutera,
81300 Skudai, Johor

Sabah
Sandakan
Lot 162, Block 18,
Ground Floor,
Prima Square, Mile 4,
90000 Sandakan, Sabah

Tawau
TB 586, Lot 45,
Tacoln 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

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

Bintulu
Kiosk 22, Level 1,
Parkcity Mall, Lot 3971,
Jalan Tun Ahmad Zaidi,
97000 Bintulu, Sarawak

DiGi STORE EXPRESS

Selangor
DSE Shaftsbury
P5-10, Shaftsbury Square,
2350 Persiaran Multimedia, Cyber 6,
63000 Cyberjaya, Selangor

DSE Sunway
F1.100A, 1st Floor,
No. 3, Jalan PJS11/15,
Bandar Sunway Pyramid,
46150 Petaling Jaya, Selangor

Penang
DSE Suntech
Unit G-11, Suntech @ Penang Cybercity,
Lintang Mayang Pasir 3,
11950 Bayan Baru, Penang

Melaka
DSE AEON Bandaraya Melaka
Unit S-10, 2nd Floor,
AEON Bandaraya Melaka,
No. 2, Jalan Lagenda,
Taman 1 Lagenda,
75400 Melaka

Sarawak
DSE Plaza Merdeka
Basement 1, Unit No. B-41, B-42 & B-43,
Plaza Merdeka, 88, Pearl Street,
93000 Kuching, Sarawak

Sabah
DSE Suria Sabah
Lot B-15, Lower Ground Floor,
Suria Sabah Shopping Mall,
88000 Kota Kinabalu, Sabah

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