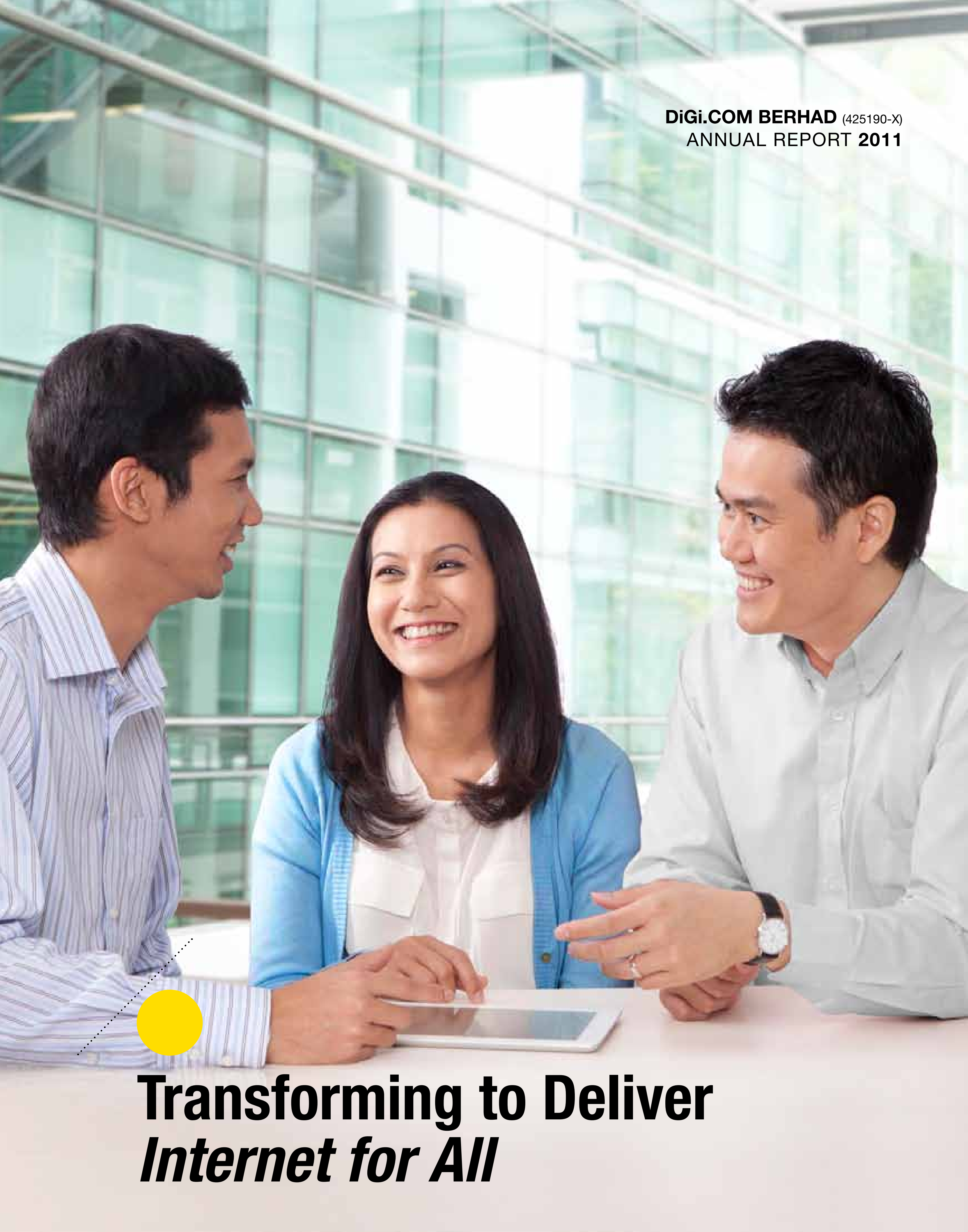
DiGi.COM BERHAD (425190-X)
ANNUAL REPORT **2011**



Transforming to Deliver *Internet for All*

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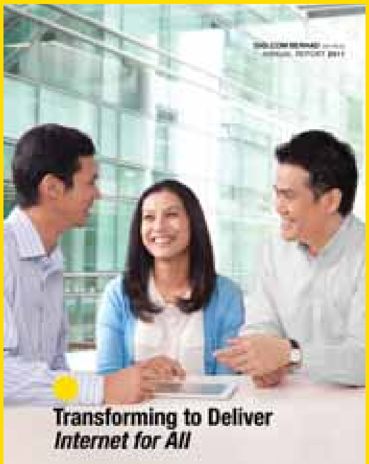
DiGi is committed to building a connected Malaysia by driving access to the internet for all Malaysians. We believe the key to accelerating adoption is best expressed in our *Internet for All* mission. This 2011 Annual Report captures the transformation journey that will take us closer towards this aspiration.



Our Vision

We have a vision of being a company that is always 'Changing the Game'. We do this by constantly pushing the boundaries, defining new standards, and ensuring continuous improvements in all parts of our business.

Our Mission

We deliver *Internet for All* as part of our commitment to building a connected Malaysia, enabling access to mobile internet services and applications by offering customers the right combination of devices, value pricing, and the best usage experience of mobile internet.

Our Values

Keep Promises

We take ownership for delivering on our goals and responsibilities, and pride ourselves on driving quality in everything we do.

Make It Easy

We aim for simplicity in the way we work, and in offering products and services that are easy to understand and easy to use.

Be Respectful

We are open-minded and professional in our conduct, and appreciate differences in cultures, opinions and outlook.

Be Inspiring

We bring passion, energy and creativity into everything we do, and make every effort to constantly drive change and continuous improvement.

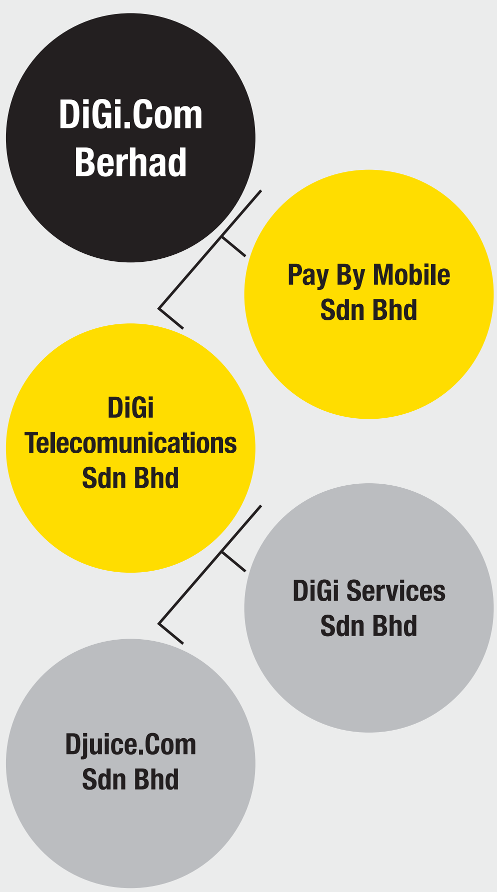
About DiGi

DiGi.Com Berhad is listed on Bursa Malaysia Securities Berhad, and is part of global telecommunications provider Telenor Group.

DiGi continues to be a game-changer for the Malaysian telecommunications industry. We have a solid history of product and service innovation, and we are a leader in driving progressive and responsible business practices in the provision of mobile voice and mobile internet services.

The Group is committed to driving Malaysia's growth by building a mobile internet environment that enables true connectivity and creates socio-economic development.

Corporate Structure



Corporate Information

Board of Directors

Sigve Brekke
Chairman

Tan Sri Leo Moggie

Dato' Ab. Halim Bin Mohyiddin

Dato' Saw Choo Boon

Hakon Bruaset Kjol

Lars Erik Tellmann
(Appointed on 27 September 2011)

Morten Tengs
Director and Alternate Director to **Sigve Brekke**
(Appointed on 16 December 2011)

Hilde Merete Tonne
(Resigned on 27 September 2011)

Jan Edvard Thygesen
Director and Alternate Director to **Sigve Brekke**
(Resigned on 16 December 2011)

Audit Committee

Dato' Ab. Halim Bin Mohyiddin
Chairman/Independent Non-Executive Director

Dato' Saw Choo Boon
Independent Non-Executive Director

Lars Erik Tellmann
Non-Independent Non-Executive Director
(Appointed on 27 September 2011)

Hilde Merete Tonne
Non-Independent Non-Executive Director
(Appointed on 21 April 2011 and resigned on 27 September 2011)

Jan Edvard Thygesen
Non-Independent Non-Executive Director
(Resigned on 21 April 2011)

Nomination Committee

Hakon Bruaset Kjol
Chairman/Non-Independent Non-Executive Director

Tan Sri Leo Moggie
Senior Independent Non-Executive Director

Dato' Ab. Halim Bin Mohyiddin
Independent Non-Executive Director

Remuneration Committee

Sigve Brekke
Chairman/Non-Independent Non-Executive Director

Hakon Bruaset Kjol
Non-Independent Non-Executive Director

Morten Tengs
Non-Independent Non-Executive Director
(Appointed on 16 December 2011)

Jan Edvard Thygesen
Non-Independent Non-Executive Director
(Resigned on 16 December 2011)

Secretaries

Hee Chew Yun
(MAICSA No.7006609)

Tai Yit Chan
(MAICSA No.7009143)

Liew Irene
(MAICSA No.7022609)

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

AmBank (M) Berhad
CIMB Bank Berhad
CitiBank Berhad
OCBC Bank (Malaysia) Berhad
Standard Chartered Bank Malaysia Berhad

Transforming to Deliver *Internet for All*

In 2011, we put in place a holistic business transformation programme that will better enable the company to deliver on our *Internet for All* mission.

Building our new 'Tomorrow Network'

DiGi will be upgrading our entire mobile network to provide the best experience for all our customers, with better quality and faster voice and internet connections, across a wider coverage area.

This modernisation involves a complete swap of every electronic element, to create a brand-new unified network with a single Radio-Access Network (RAN) platform capable of delivering 2G, 3G and 4G/LTE (Long-Term Evolution) services from a single base station site. Our modernised *Tomorrow Network* will also allow us to introduce and optimise the latest smart network features to drive major enhancements in network quality and efficiency.

The *Tomorrow Network* will be LTE-equipped, and ready to serve fibre-like speeds to upcoming LTE mobile devices.

Modernising our IT platform and processes

We are modernising our information technology platform to drive more effiency in our core processes, which will allow us to significantly reduce our time-to-market in rolling out new products.

With improved cost and operational efficiency, we will be better able to respond to the increasing demand for high-quality internet content and applications, leveraging on standardised business processes, a simplified IT vendor landscape, and deeper economies of scale.

Redefining our distribution and go-to-market capabilities

We are redefining our distribution network to allow us to better serve the needs of our customers through a more efficient distribution chain, and refreshed online and retail channels.

We will deliver better customer experience through simplified and automated processes that enhance workflow and transaction efficiency across our entire distribution chain, and better use of market insights to deliver more relevant products and services to customers all across Malaysia.

'Best on People'

We have commenced a holistic human resource transformation programme that will drive the company towards our goal of being 'Best on People'. This aspiration is built around the philosophy of creating an engaging and supportive work culture and environment, most attractive development at all levels, and competitive and performance-based rewards for all our employees.

We believe our 'Best on People' aspiration will form the bedrock of our future success, by taking the passionate mindset that DiGizens are known to possess into a new performance-driven way of working, to ensure we continue to attract, develop and nurture Malaysia's best talents.

Modernising Our Network

We are rolling out a brand-new mobile network, with larger capacity, more consistent speeds, and the ability to deliver the best mobile internet experience. Our Tomorrow Network will be LTE-equipped and ready to serve fibre-like speeds to upcoming LTE mobile devices, bringing the promise of high-speed internet and next generation services to more Malaysians.

Group Highlights

Highlights of the year

- 10.3% revenue growth to RM6.0 billion, driven by solid growth in mobile data revenues
- 15.2% EBITDA improvement to RM2.8 billion and EBITDA margin of 46.4%
- 28.1% growth in operating cash flow to RM2.2 billion

- Close to 10.0 million customers, of which 5.2 million are active mobile internet customers regularly accessing our mobile internet network

- RM1.4 billion dividend pay-out to shareholders; equivalent to 17.5 sen net dividend per share

Revenue Growth
10.3%

EBITDA Margin
46.4%

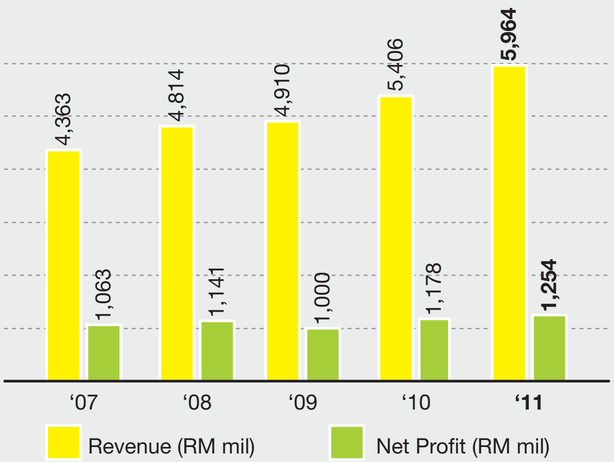
Operating Cash Flow
RM2.2 billion

Close to
10.0 million customers

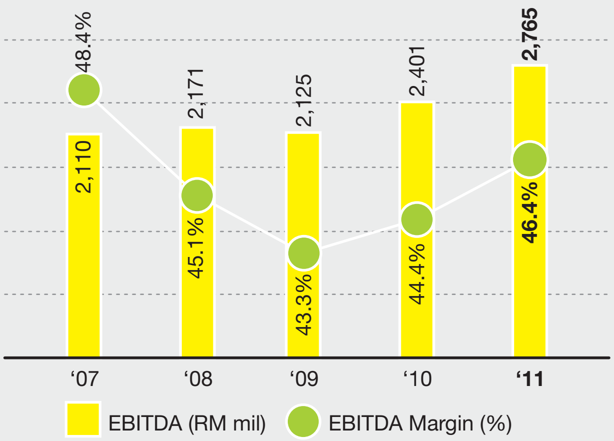
Total Dividend Pay-out
RM1.4 billion

Performance at a Glance

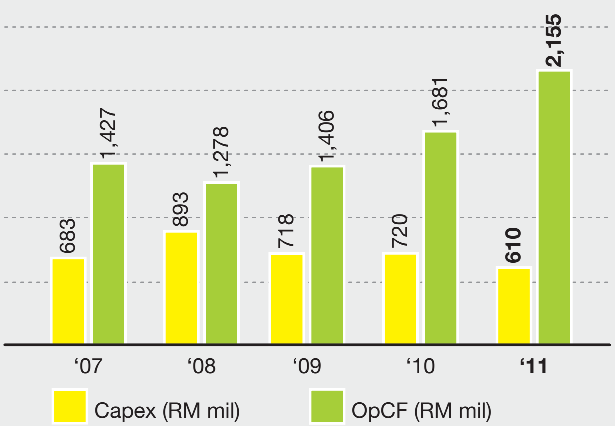
Internet Driving Revenue Growth



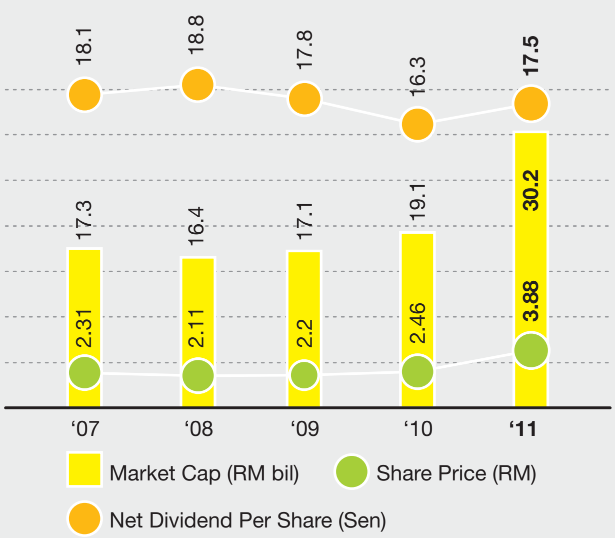
Improved Margins on Good Cost Control



Optimised Network Investment Resulting in Strong Operating Cash Flow



Strong Focus on Growing Shareholders' Value



Group Financial Summary

(RM mil)	**2011**	2010	2009	2008	2007
Revenue	**5,964**	5,406	4,910	4,814	4,363
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	**2,765**	2,401	2,125	2,171	2,110
Earnings before interest and taxes (EBIT)	**1,597**	1,628	1,393	1,535	1,429
Interest cost	**66**	52	41	12	15
Profit before tax	**1,560**	1,597	1,366	1,547	1,445
Net profit attributable to equity shareholders (PAT)	**1,254**	1,178	1,000	1,141	1,063
Capital expenditure*	**610**	720	718	1,588	683
Net operating cash flow	**2,155**	1,681	1,406	583	1,427
Total assets	**4,863**	5,137	4,732	4,656	3,877
Non-current liabilities	**859**	1,518	1,185	492	574
Total borrowings	**728**	1,077	922	398	300
Shareholders' equity	**1,411**	1,347	1,521	1,897	1,578
Return on equity	**88.9%**	87.5%	65.7%	60.1%	67.4%
Return on total assets	**25.8%**	22.9%	21.1%	24.5%	27.4%
Earnings per share (sen) - adjusted for share split	**16.1**	15.2	12.9	14.9	14.2
Dividend per share (sen) - adjusted for share split	**17.5**	16.3	17.8	18.8	18.1
Net assets per share (sen) - adjusted for share split	**18.0**	17.30	19.60	24.40	21.0
Gearing ratio (debts/share equity) (x)	**0.5**	0.8	0.6	0.2	0.2
Interest cover (x)	**24.2**	31.3	34.0	127.9	95.3

** 2008 capital expenditure includes cost of spectrum*

Modernising Our IT Platform

We are modernising our information technology platform and core processes to reduce our time-to-market in rolling out new products, with a structure that allows us to effectively respond to the increasing demand for high-quality internet content and applications.

Chairman's Statement

Dear Shareholders,

On behalf of the Board of Directors, I am pleased that the Company delivered solid results and strong performance in the year 2011, fulfilling our ambitions to grow faster than the industry. Our total revenue grew by more than 10% in 2011, surpassing the estimated 4% to 5% industry revenue growth in the same period.

Data revenues driving industry growth

Like many developing economies in this part of the world, Malaysia is also riding on the wave of the internet revolution as a key driver for delivering growth. In this respect, I am pleased that the company has made solid progress in monetising data revenue since we first launched our 3G services in 2009.

I believe the telecommunications industry in Malaysia has a critical role to play in supporting our partners in government to drive cheaper, faster and better access to the internet for all Malaysians.

We remain committed to building a connected Malaysia by driving demand for the internet, and believe the key to accelerating adoption is best captured in our *Internet for All* mission: building a strong data network, and enabling access to mobile internet services by offering customers the right combination of devices, value pricing, and the best usage experience of mobile internet.

Transforming to deliver *Internet for All*

The dawn of 4G/LTE technology will play a significant part in driving Malaysia's future growth.

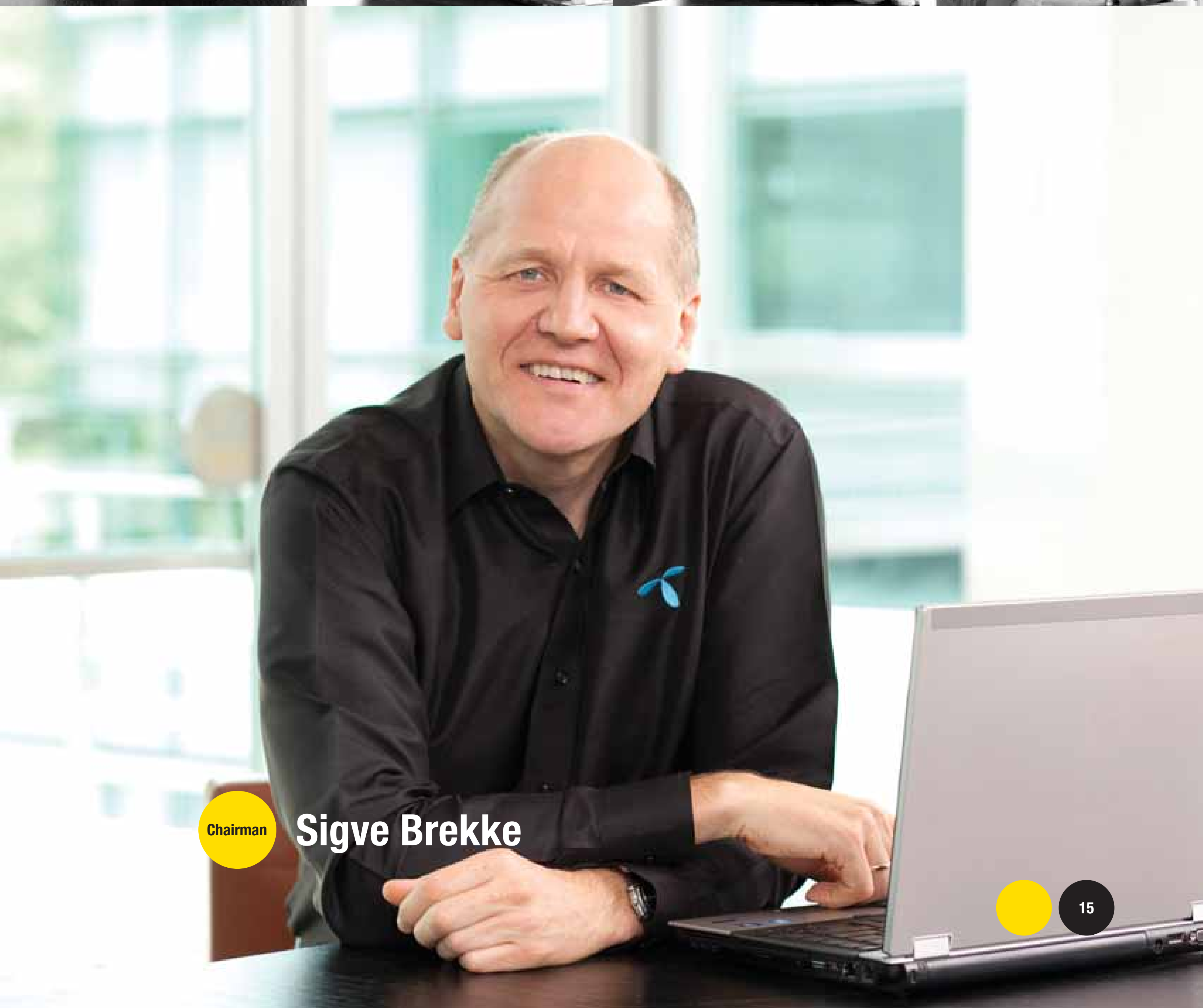
The recent 2600MHz award puts Malaysia ahead of many countries in this region. Malaysia was also among the first in the region to roll out 3G services, and given the growth of the information and communications technology industry here, we see Malaysia being a front-runner for 4G as well.

For our part, we aim to have an LTE-equipped network that is capable of faster rollout of best-in-class high-speed internet services to more Malaysians by the end of this year. We have also initiated plans to modernise our information technology platform, and are in the midst of further strengthening our distribution network.

We also commenced a holistic human resource transformation programme that will drive the Company towards our goal of being 'Best on People'. This aspiration is built around the philosophy of creating an engaging and supportive work culture and environment, most attractive development at all levels, and competitive and performance-based rewards for all our employees.

Leading the way in Corporate Responsibility practices

DiGi's corporate responsibility efforts continue to bring the benefits of mobile communications to as many Malaysians as possible, while integrating responsible business practices in all aspects of our operations.



Chairman **Sigve Brekke**

Chairman's Statement

In the past year we strengthened our Empowerment Through Connectivity focus to also include building awareness on the need for a safe and family-friendly internet experience, and continued our work with young Malaysians to realise new ideas through the power of the internet.

Since embarking on a company-wide sustainability agenda in 2008, DiGi has continued making steady progress towards reducing our climate impact. I am pleased to report that DiGi was rated the top company in Malaysia in the Carbon Disclosure Project (CDP) 2011. More information on this and other areas can be found in our 2011 Sustainability Report.

Rewarding our shareholders

I am pleased to report that for the financial year 2011, our shareholders were rewarded with net dividend per share of 17.5 sen, or total dividend of RM1.36 billion. This represents a dividend pay-out ratio of 108%, ahead of the Company's long term dividend policy which stipulates a minimum 80% pay-out ratio.

In addition, I am pleased to note that the completion of the 10-for-1 share split in November 2011 has made our shares more affordable to a wider reach of investors, judging by the improved trading liquidity of shares on the Main Market of Bursa Malaysia Securities Berhad.

Farewell and welcome

During the year, Lars Erik Tellmann and Morten Tengs were appointed to the Board of Directors. We welcome them and look forward to their experience and guidance in the coming years.

I would like to thank Hilde Merete Tonne and Jan Edvard Thygesen for their services to the Board, and we wish them all the very best in their future undertakings.

Our appreciation

On behalf of the Board, I would also like to thank everyone in DiGi for their exceptionally good effort during the year under review. DiGi's solid performance in 2011 on the back of a robust company-wide transformation programme underpins the dedication of its passionate employees, experienced management team, and strong cooperation and support from our business partners.

We also extend our appreciation to the government of Malaysia and the various agencies we continue to work with to create a world-class ICT ecosystem. We look forward to further partnerships in the coming years.

Last but not least, the Board wishes to express our sincere appreciation to all our shareholders for your steadfast support. You have our assurance that our ambitions are geared towards delivering on your expectations in the years ahead.

Sigve Brekke
Chairman

Chairman's Statement

"We believe the key to accelerating internet adoption is best captured in our *Internet for All* mission: building a strong data network, and enabling access to mobile internet services by offering customers the right combination of devices, value pricing, and the best usage experience of mobile internet…"

Board of Directors

1. Sigve Brekke
2. Tan Sri Leo Moggie
3. Dato' Ab. Halim Bin Mohyiddin
4. Morten Tengs
5. Dato' Saw Choo Boon
6. Hakon Bruaset Kjol
7. Lars Erik Tellmann

Directors' Profiles

Sigve Brekke

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

Sigve was appointed to the Board as Chairman on 21 August 2008. He 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.

He joined Telenor in 1999. He is currently the Executive Vice President in Telenor Group as well as Head of Telenor Region Asia, assuming these positions from 1 September 2008. He was a Director of Total Access Communication PLC (DTAC), Thailand, from 2000 to 2008 and was appointed Chief Executive Officer (CEO) from 2005 until 2008. He was also both a Director and CEO of United Communication Industry PLC, Thailand, from 2005 to 2008. In his career, Sigve 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.

Sigve is the Managing Director of Telenor India (Uninor), Board member of Grameenphone Ltd (Bangladesh) and Deputy Chairman of the Board of DTAC. He also sits on the Board of DiGi Telecommunications Sdn Bhd.

Dato' Saw Choo Boon

(Independent Non-Executive Director, member of the Audit Committee)
65 years of age, Malaysian

Dato' Saw was appointed a Director and member of Audit Committee of the Company on 9 December 2010. He holds a Bachelor of Science Hons (Chemistry) degree from Universiti of Malaya.

He 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, he was appointed Managing Director of Shell MDS (Malaysia) Sendirian Berhad. In 1998 to 1999, he assumed the positions of Managing Director for Oil Products (Downstream) Shell Malaysia and Managing Director of Shell Malaysia. In 1999, with the globalisation of the Shell Oil Products business, Dato' Saw was appointed the Vice-President of the Commercial business in the Asia-Pacific region, and in 2004, he became the President of Shell Oil Products East. In 2005, he managed Shell's global marine business. He was appointed the Chairman of Shell Malaysia from 1 March 2006 until 31 December 2009 and then as Senior Adviser till 30 June 2010 when he retired from Shell after 40 years of continuous service.

Currently, Dato' Saw is a Board Member of Shell Refining Company (Federation of Malaya) Bhd, RHB Capital Bhd and RHB Investment Bank Bhd.

Tan Sri Leo Moggie

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

Tan Sri Leo Moggie was appointed to the Board on 10 May 2005. He was elected as a Member of Parliament and Member of the Sarawak Legislative Assembly in 1974 and served as a Minister in the State Government of Sarawak from 1976 to 1978 and as a Federal Cabinet Minister for about 26 years from 1978 till 2004. He is the Chairman of Tenaga Nasional Berhad and a number of its subsidiary companies from 12 April 2004.

Tan Sri Leo Moggie was conferred the Honorary Doctorate of Laws by Otago University, New Zealand in 2000, and the Honorary Doctorate of Science by Multimedia University Malaysia in 2003. He was appointed the Pro-Chancellor of Universiti Tenaga Nasional (UNITEN) on 8 February 2005.

Dato' Ab. Halim Bin Mohyiddin

(Independent Non-Executive Director, Chairman of the Audit Committee and member of the Nomination Committee)
66 years of age, Malaysian

Dato' Ab. Halim was appointed to the Board on 23 November 2001. He holds a Bachelor of Economics in Accounting from Universiti of Malaya and a Master in Business Administration from University of Alberta, Canada.

He was a lecturer at Universiti 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.

Dato' Ab. Halim is a council member of the Malaysian Institute of Certified Public Accountants (MICPA) and Chairman of the Education and Training Committee. He was the President of MICPA from 2004 to 2007.

He was a council member of the Malaysian Institute of Accountants (MIA) from 2001 to 2007. He served as a member of the Education Committee of the International Federation of Accountants (IFAC) from 2001 to 2005.

Dato' Ab. Halim also sits on the Boards of HeiTech Padu Berhad, Utusan Melayu (Malaysia) Berhad, Kumpulan Perangsang Selangor Berhad, Amway (Malaysia) Holdings Berhad, KNM Group Berhad, ECM Libra Financial Group Berhad, Amcorp Properties Berhad, RCE Capital Berhad and Petronas Gas Berhad. He also sits on the Board of DiGi Telecommunications Sdn Bhd.

Hakon Bruaset Kjol

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

Hakon was appointed to the Board on 16 March 2010. He is the Senior Vice President and Head of Corporate Affairs for Telenor Region Asia responsible for handling regulatory, communications, corporate social responsibility and legal issues in the Region Asia.

He 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, Hakon 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.

He is a former student of the Norwegian School of Management.

Hakon is a Director of Telenor Corporate Development Asia Sdn Bhd in Malaysia and Telenor India (Uninor) . He also sits on the Board of DiGi Telecommunications Sdn Bhd.

Morten Tengs

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

Morten was appointed as a Director of the Company and the Alternate Director to Sigve Brekke on 16 December 2011. He holds a Master of Business Administration degree from the Norwegian School of Management (BI) and an Engineering degree in construction from the Norwegian Engineer High School.

He joined Telenor Region Asia in June 2011 and is currently the Senior Vice President and Head of Performance Management, Telenor Region Asia.

Morten has been in the Telenor Group since 1995, and held a number of management positions such as Finance Director Telenor Global Services, CEO Telenor Global Services, CEO Telenor Satellite Services, CEO Telenor Cinclus and Senior Vice President Telenor Corporate Development. Prior to joining Telenor Group he held several senior management positions in the Norwegian conglomerate Orkla AS.

He is a member of the Board of Directors of DTAC in Thailand, Grameenphone Ltd (Bangladesh) and Chairman of Telenor Pakistan. He also sits on the Board of DiGi Telecommunications Sdn Bhd.

Lars Erik Tellmann

(Non-Independent Non-Executive Director, member of the Audit Committee)
40 years of age, Norwegian

Lars Erik was appointed as a Director and member of the Audit Committee on 27 September 2011. He holds a Master Degree in Business Administration (MBA) from Edinburgh University in Scotland, UK, and a Master in Business of Science (M.Sc./Siviløkonom) from Bodø Business School, Norway.

He is currently the Senior Vice President for Strategic Industrial Development, Telenor Region Asia. He joined Telenor Asia as Vice President of Performance Management in 2010, after serving as Vice President of Operational Efficiency in Telenor Group, and previously was a Manager in the Finance division of DiGi. He has more than 10 years of international ICT experience after having worked in Scandinavia, Central Eastern-Europe and South East-Asia. He joined Telenor Group's Business Development Division in 2001 with a primary focus of building and scaling operational excellence concepts.

Currently, Lars Erik is a Board member of Telenor Pakistan, DTAC, (Thailand) and Grameenphone Ltd (Bangladesh). He also sits on the Board of DiGi Telecommunications Sdn Bhd.

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

The details of attendance of each Director at Board meetings are set out on page 47 of the Annual Report .


DiGi Internet™
Internet For All™
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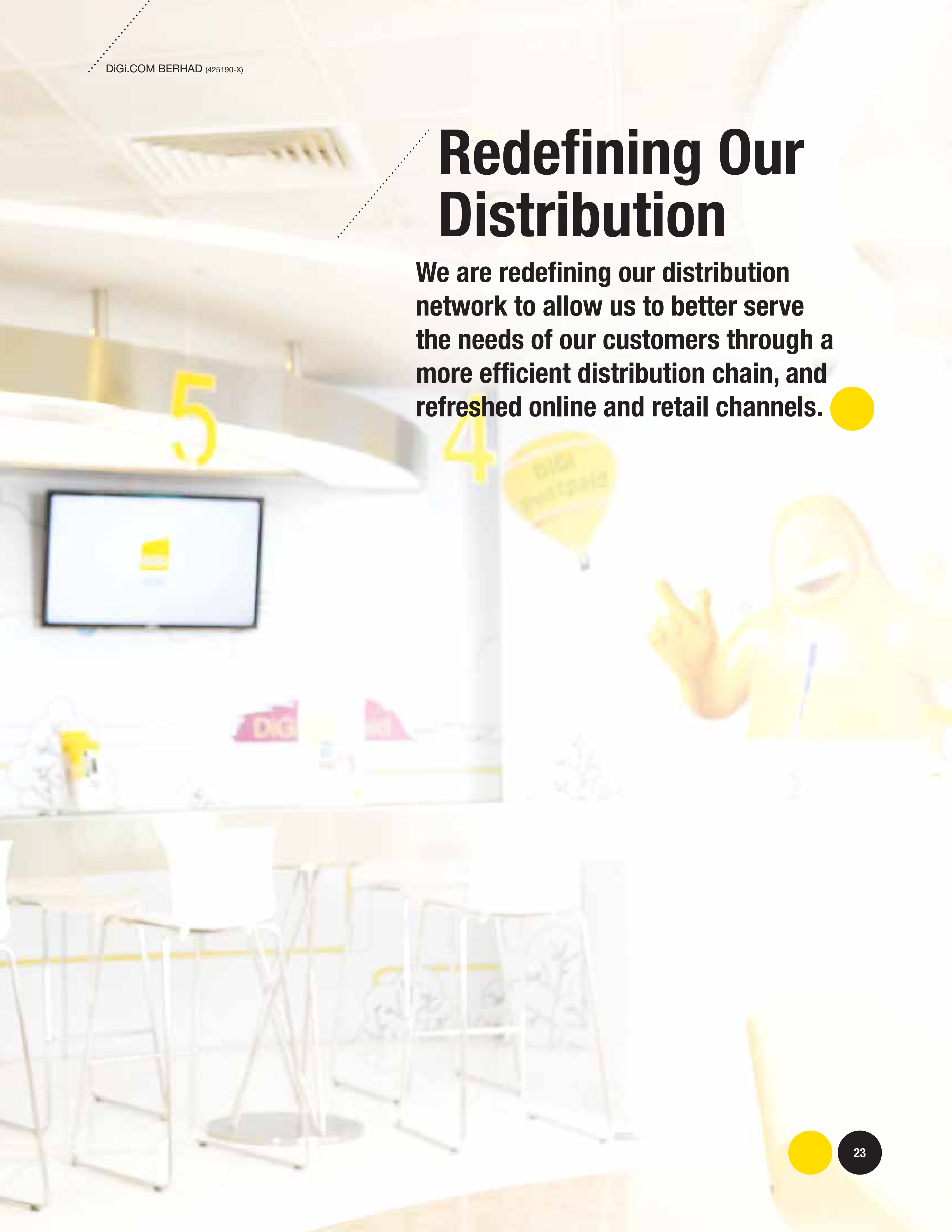
Shop



Redefining Our Distribution

We are redefining our distribution network to allow us to better serve the needs of our customers through a more efficient distribution chain, and refreshed online and retail channels.

CEO's Message

Chief Executive Officer

Henrik Clausen

"To deliver on our aspiration of becoming a leading data provider, we have put in place an ambitious transformation programme that will bring us closer towards our mission of delivering *Internet for All*…"

Dear Shareholders,

It gives me great pleasure to report to you that DiGi has performed strongly in 2011, and has made significant progress in transitioning into the mobile data space, whilst maintaining our solid market presence in mobile voice.

Mobile internet driving growth

Since 2009, DiGi has steadily grown its customer base by 29% to 9.9 million customers at end 2011. Within three years of launching our 3G broadband and internet network and services, we have reached 52% population coverage and made our *Internet for All* value propositions available in all key market centres nationwide.

At end 2011, DiGi had 5.2 million active mobile internet customers who regularly access our mobile internet network. DiGi now generates 29% of service revenues from mobile data products, marking a successful shift into the mobile internet arena.

Improved commercial focus and execution resulted in revenue growth in excess of 10% in 2011, strongly driven by smart-bundling and higher adoption of mobile internet across our subscriber base. All revenue segments recorded good growth, apart from voice revenues which recorded a marginal 1% year-on-year decline. DiGi has also executed well in terms of cost management, resulting in further improvement in EBITDA and EBITDA margin in 2011 to RM2.8 billion and 46.4% respectively.

CEO's Message

Our network capital expenditure (capex) stood at RM610.0 million for the year, with the bulk of the capex spent on accelerating site roll-outs, and increasing capacity on existing platforms. As a result, DiGi's operating cash flow amounted to RM2.2 billion at end 2011, a 29% increase over the RM1.7 billion achieved in 2010.

Reflecting the Company's strong performance as well as solid financial footing, total dividends paid to all shareholders has increased by more than 7%, from net 16.3 sen per share in 2010 to net 17.5 sen per share in 2011, after adjusting for the 10-for-1 share split which commenced trading on 24 November 2011. In the same month, the Company also completed the issue of redeemable preference shares which was subsequently redeemed in March 2012.

Building blocks in place for next phase of our growth

Looking ahead, I strongly believe demand for quality mobile data services will grow as a result of higher adoption of smart devices, availability of a wide variety of more customer-friendly data applications, and growing dependency on mobile internet access for work and play. This will in turn drive a significant increase in the number of active mobile internet customers in the coming years.

My ambition is for DiGi to be the leading data provider. To deliver on this, we have put in place an ambitious transformation programme that will bring the Company closer towards our mission of delivering *Internet for All*. This includes the holistic transformation of our network, information systems and information technology infrastructure, and distribution, and have committed between RM700 million to RM750 million to achieving this.

By end 2012, DiGi aims to have a brand new unified mobile network capable of delivering 2G, 3G and 4G/LTE from a single base station site. Our *Tomorrow Network* will allow for swift roll-out of 4G/LTE services once the necessary spectrum is made available by the Regulator. This will enable DiGi to deliver high-speed internet and next generation services to more Malaysians through larger coverage.

Concurrently, the initial roll-out phase of the advanced network collaboration with Celcom-Axiata is completed; upon completion of the entire project, both parties will eventually share more than 4,000 sites nationwide. In addition, we have commenced work on Phase 1 of a joint aggregation and trunk fiber roll-out which will enable both parties to carry higher traffic volumes going forward.

Our IT platform modernisation will enable us to deliver a complete high-quality internet and content experience and drive more effective integration of third-party services to customers, businesses and developers. More importantly, the new billing system will also enable advanced charging and billing of data and content services going forward.

Whilst DiGi has very solid capabilities in distribution, new data services have created opportunities as well as fresh challenges in this area. To this end, we are in the midst of redefining our already strong distribution network, which when completed will allow us to better anticipate the needs of our customers, through a stronger distribution chain, and refreshed online and retail sales channels.

In late 2010, we commenced a holistic human resource transformation programme that will drive the Company towards our aspiration of being 'Best on People'. I am pleased to note that we have made significant progress in this area, and we have now established a comprehensive performance, development and rewards framework to drive change, motivate and empower all DiGizens.

Making responsible practices our business fundamental

As one of the country's leading telecommunications provider, DiGi is committed to help build a connected Malaysia by enabling mobile and internet connectivity that makes lives easier, enables socio-economic development, and drives Malaysia's transformation to a high-income economy. We also continue to ensure that ethical business practices and strict governance are embedded into all aspects of our business.

Shareholders interested to know more about DiGi's corporate responsibility initiatives are encouraged to review our 2011 Sustainability Report.

Prospects in the year ahead

DiGi has performed well in the past 10 years, and has constantly outgrown the overall industry. I intend to ensure that DiGi keeps this momentum, and I believe the Company has the right strategies, network and resources in place to support this ambition.

There will be challenges ahead, and one of them will be keeping the momentum of executing our business every day, while delivering a company-wide transformation programme that will enable DiGi to stay ahead of the industry, in an environment where almost all growth will come from data.

In 2012, we aim to grow our revenue by mid-to-high single digit, and work towards further improvements in cost efficiency.

Based on our strong operational efficiency focus, and a highly competitive cost structure established by the ongoing transformational efforts specifically in the network and IS/IT arena, I believe DiGi is well positioned to continue delivering substantial shareholder value.

Terima kasih

Finally, I would like to express my deepest appreciation and thanks to everyone in DiGi for their hard work in making 2011 a great year. We have a challenging year ahead, but if we stay focused on working together on our goals, I believe we will deliver another great performance in 2012.

Thank you.

Henrik Clausen
Chief Executive Officer

Business Review

Customers and ARPU

DiGi added close to 1.2 million new customers in 2011 (2010: 1.0 million). With these net additions, DiGi now has 9.9 million customers. DiGi continued to gain quality customers in targeted segments on improved value propositions, increased customer touch-points and expanded device portfolio.

In terms of mobile internet customers, DiGi reported a higher number of small screen users, totalling 5.2 million at the end of 2011 (2010: 4.2 million).

In the prepaid segment, DiGi added 987,000 new customers (2010: 846,000) of which 81,000* were new prepaid mobile broadband customers. The 'DiGi Easy Prepaid' proposition continued to do well in attracting targeted customers. ARPU for the year was lower at RM43 (2010: RM46) on competitive price pressure.

In the postpaid segment, DiGi added 168,000 new customers (2010: 199,000) of which 21,000* were new postpaid mobile broadband customers. The slight decline in year-on-year net additions was primarily due to increased competition in the broadband segment. Postpaid ARPU improved to RM84 (2010: RM83) driven mainly by higher data usage.

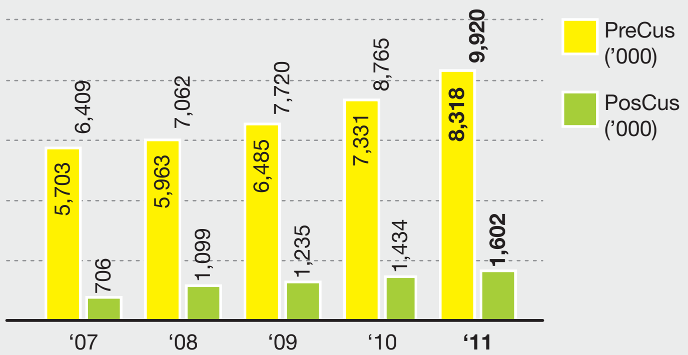
**2010 not comparable*

Revenue Performance Review

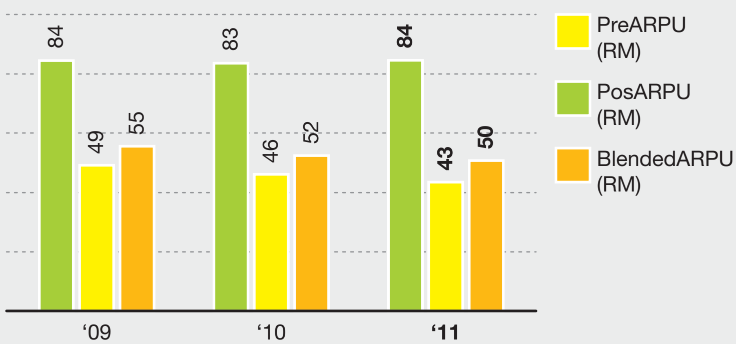
Total revenue amounted to RM6.0 billion in 2011, up by 10.3% year-on-year (2010: RM5.4 billion) driven predominantly by the 8.1% year-on-year growth in service revenue as well as higher handset sales in the year.

Service revenue growth in the year came solely from data revenue which grew 37.8% year-on-year whilst voice revenue was slightly down, registering a marginal 0.6% year-on-year decline.

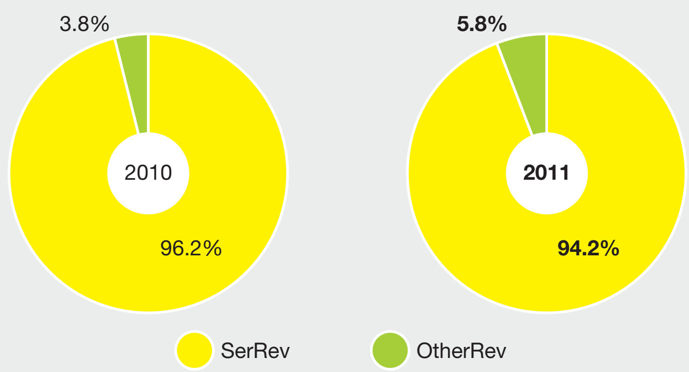
Customers



ARPU

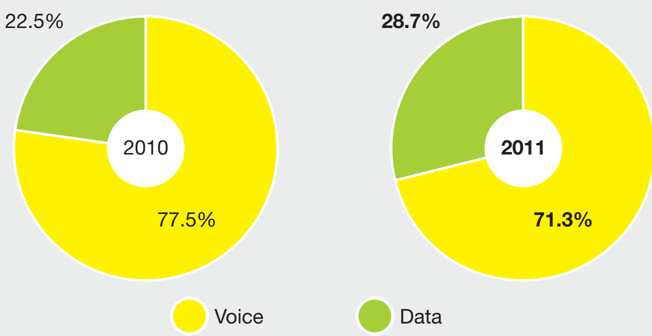


Revenue Composition

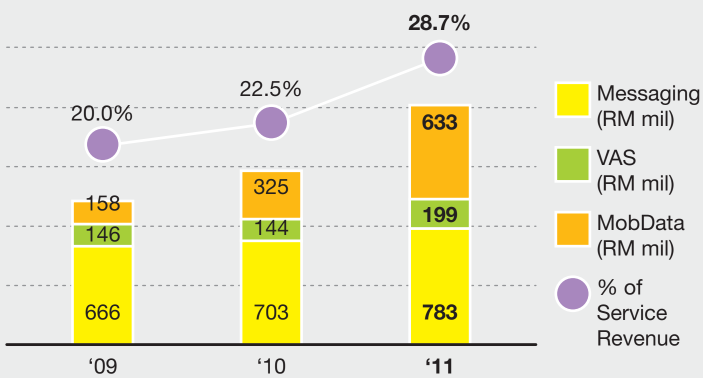


Business Review

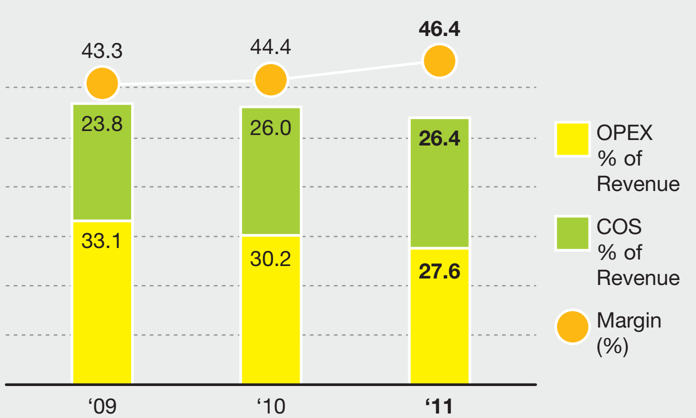
Service Revenue Composition



Data Revenue



Cost Component and EBITDA Margin



Voice revenue was under-pinned by stable domestic and international traffic. Smart-bundling and pricing continued to drive data growth in 2011. However, there was a slight slow-down in mobile broadband momentum towards the latter part of the year, and this was largely due to a conscious decision to control growth and reduce excessive usage on the network.

At end 2011, data revenue accounted for 28.7% (2010: 22.5%) of DiGi's service revenue and 22%* of overall customers are smart-phone users, which augurs well for future data growth.

**2010 not comparable*

Cost and Margin Review

Group EBITDA was up by 15.2% year-on-year ending at RM2.8 billion (2010: RM2.4 billion) and EBITDA margin rose to 46.4% (2010: 44.4%). Key growth drivers were higher revenues and continued good cost management.

Overall, in 2011, the Group's total cost base increased by 5.9% year-on-year to RM3.2 billion (2010: RM3.0 billion) whilst revenues increased by 10.3% as highlighted earlier.

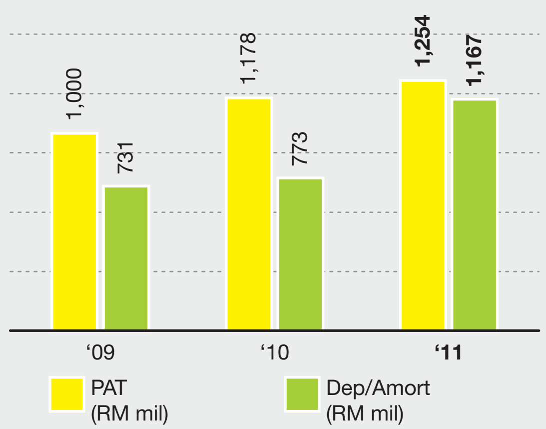
The increase in cost base was principally driven by higher Cost of Services (COS) in 2011. COS jumped 12.1% year-on-year to RM1.6 billion (2010: RM1.4 billion) from higher handset costs as well as higher traffic costs.

On the other hand, total operating expenses (OPEX) increased by a mere 1.2% year-on-year to RM1.7 billion (2010: RM1.6 billion) as increased sales and marketing expenses and higher USO-related accruals were off-set by lower operations and maintenance costs as well as lower staff costs.

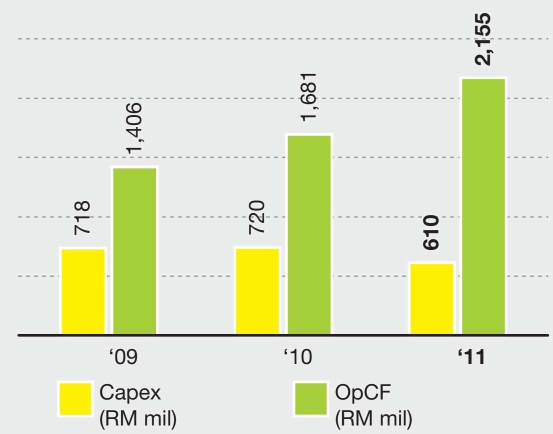
Sales and marketing expenses rose in tandem with higher sales and reload commissions whilst USO-related accruals rose in tandem with the higher revenue base in the year.

Business Review

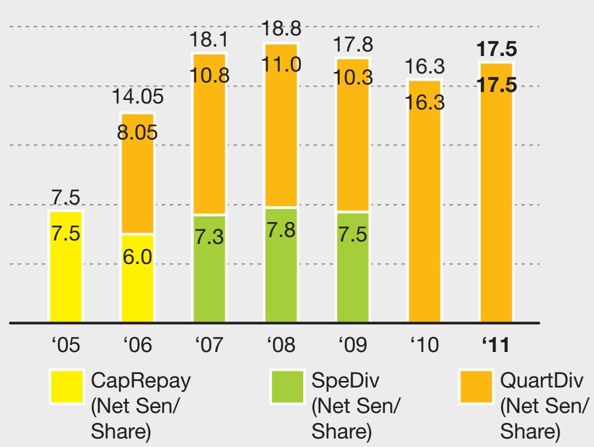
Profit After Tax and Depreciation and Amortisation



Capex and Operating Cash Flow



Dividends



Business Review

Net Profit

DiGi reported a substantial jump in net profit, rising from RM1.2 billion to RM1.3 billion (+5.9% year-on-year). The high net profit was a result of lower prior (dating back to 2009) and current year effective tax rates on approved tax incentives related to mobile broadband network facilities.

As a result of this incentive, DiGi's corporate tax rate is expected to fall below the statutory corporate tax rate over the applicable period.

Capital Expenditure and Network Updates

In terms of capex, DiGi spent RM610 million (2010: RM720 million) in 2011. The bulk of capex was spent on new coverage and increased capacity to ensure that DiGi can capture growth opportunities, particularly data growth going into 2012.

DiGi-Celcom Network Collaboration: Both parties have completed the initial phase of site-consolidation and are moving on to the next phase of further site consolidation. Both parties have commenced work on Phase 1 of the joint-fiber roll-out for aggregation and trunk. DiGi is maintaining its guided savings targets and exploring additional initiatives to increase savings.

Network Modernisation: We have commenced physical RAN swap in Q4 2011 and we are on target to complete the network swap by end-2012. DiGi aims to have a fully-enabled LTE network that will facilitate quick LTE services roll-out when spectrum is available.

In terms of population coverage, DiGi's current 2G and 3G coverage stood at 95% and 54% respectively.

Balance Sheet Updates

DiGi's operating cash flow amounted to RM2.2 billion in 2011 against RM1.7 billion in 2010. The year-on-year increase was due to higher revenues, effective cost control measures coupled with relatively lower capex in the year.

In September 2011, DiGi announced two capital management initiatives involving a share split and issue of redeemable preference shares (RPS).

The Group is pleased to note that it has completed the 10-for-1 share split which commenced trading on 24 November 2011. In addition, the RPS was issued in November 2011 and redemption was also completed in March 2012.

Backed by a solid performance as well as a sound financial position in 2011, total dividends paid to all shareholders has increased by 7.4% from net 16.3 sen per share in 2010 to net 17.5 sen per share in 2011, after adjusting for the 10-for-1 share split.

Regulatory Updates

On 2600MHz, DiGi has received a letter of intent from the Malaysian Communications and Multimedia Commission (SKMM) regarding the intended allocation of 2x10MHz of spectrum for LTE. The allocation is subject to conditions, including the acceptance and the approval of the final detailed business plan (DBP) by SKMM. DiGi has submitted its DBP within the required deadline. A final decision is still pending from SKMM.

For the other spectrum bands including the 900MHz and 1800MHz, DiGi has yet to receive any further news with regard to the re-allocation process.

SKMM has initiated a review of access pricing in Malaysia. A public enquiry is expected to take place in Q2 2012 with results likely to be known toward the end Q3 2012. This may result in new regulated access prices for services on the Access List following the review. DiGi will apprise the market as and when the outcome is known.

Best On People

We have commenced a holistic human resource transformation programme that will drive the company towards our goal of being 'Best on People'. This aspiration is built around the philosophy of creating an engaging and supportive work culture and environment, most attractive development at all levels, and competitive and performance-based rewards for all our employees.

Management

from left to right

Chan Nam Kiong
Customer and Channels

Henrik Clausen
Chief Executive Officer

Albern Murty
Marketing

from left to right

Terje Borge
Finance

Khor Choo Lin
Corporate Administration

from left to right

Ole Martin Gunhildsbu
Technology

Suriahni Abdul Hamid
Human Resource Development

from left to right

Christian Thrane
Strategy and Business Transformation

Zaiton Hj Idrus
Corporate Affairs

Management Profiles

Henrik Clausen

Chief Executive Officer
48 years of age, Danish

Henrik took office as DiGi's Chief Executive Officer on 17th 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 #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. In 1987, Henrik graduated from the Technical University of Denmark with a Master of Science in Civil Engineering, obtained a Bachelor's degree in International Business from the Copenhagen Business School in the same year and an MBA from INSEAD in 1992.

Chan Nam Kiong

Customer and Channels

Nam Kiong was appointed Head of Customer and Channels in 2009. He is responsible for driving business results and customer experience at points of sales or service across DiGi's customer channels. He has more than 20 years of experience in the telecommunications industry, where he has held various sales, distribution, and marketing positions. Nam Kiong holds a Bachelor of Science Degree in Electronic Engineering from Sussex University, UK.

Albern Murty

Marketing

Albern was appointed Head of Marketing in August 2009. Since joining DiGi in 2002, he has had roles in Project Planning and Controls, Product Management and Product Development, Acting Co-Chief Marketing Officer, and Head of Strategy & New Business. Before DiGi, his previous experiences include business and commercial management in Lucent Technologies across the Asian region. Albern holds a Bachelor of Science in Marketing and Bachelor of Science in Advertising Management from Portland State University, Oregon, USA.

Terje Borge

Finance

Terje joined DiGi as Chief Financial Officer in August 2010. Prior to this, he was Chief Financial Officer for DTAC in Thailand, heading the finance function and taking an active part in the overall management of DTAC since 2007. He has been with Telenor since 2001 when he joined as Finance Manager, and was later promoted to Senior Vice President responsible for the investment in One GmbH, as well as the Senior Project Manager for merger and acquisition projects in Europe. Terje holds a Master of Science in Business Administration from the Norwegian School of Economics and Business Administration.

Khor Choo Lin

Corporate Administration

Choo Lin was appointed Head of Corporate Administration in October 2005. Prior to joining DiGi in 1997, she spent 17 years at Intel in various local and regional positions. She was the Compensation and Benefits Manager for Intel Malaysia, Regional Compensation and Benefits Manager for Intel Asia-Pacific, and Human Resource Manager for Intel Singapore and Intel Australia. Choo Lin holds a Bachelor's degree in Mathematics from Queen's University, Canada.

Management Profiles

Ole Martin Gunhildsbu

Technology

Ole joined DiGi's Service Operations in January 2008, and was appointed Chief Technology Officer in October the same year. He has extensive experience in design, planning and rollout of networks in Norway and Denmark, having served in various Technology Management positions within the fixed and mobile business in Telenor for over 15 years, and as Chief Technology Officer in Tele2 Norway for five years. Ole holds a Master of Science in Electronics from Technical University of Delft, Netherlands and a Master of Business Administration from BI Norwegian School of Management.

Suriahni Abdul Hamid

Human Resource Development

Suriahni was appointed Head of Human Resource Development in January 2010. Before joining DiGi in 2005, she was previously an internal consultant within the CEO's Office of Maxis in 1995, held a HR Relationship Management role in Standard Chartered Bank in 1999, and was Head of HR in Deutsche Bank in 2003. Suriahni has a Bachelor's degree in Engineering (Chemical) from the Technical University of Nova Scotia, Canada. She is a Certified Executive Coach from University of Malaya, and a Certified Solution-Focused Coach with the Canadian Council of Professional Certification (CSFC).

Christian Thrane

Strategy and Business Transformation

Christian joined DiGi in June 2010 as Head of Strategy and Business Transformation. Prior to this, he was Head of Market Management of the Consumer Division of Telenor Denmark, where he was responsible for revenue, profitability and market share of Telenor's consumer product portfolio and corporate analytical support functions. Christian joined Telenor Denmark in 2005 as Business Development Manager and was later promoted to Head of Sales and Channel Management in 2007. He holds a Master of Science Degree in Economics and Business Administration from the Copenhagen Business School in Denmark.

Zaiton Hj Idrus

Corporate Affairs

Zaiton joined DiGi as Head of Corporate Affairs in January 2009. She has over 30 years of experience in communications and stakeholder management, having served in Standard Chartered Bank as the Country Head of Corporate Affairs in Malaysia, and later as Regional Head of the bank's African region, while based in London. Prior to that, she held similar roles in PETRONAS. Zaiton holds a Bachelor's degree in Mass Communications from Universiti Teknologi Mara and has attended senior management programs with INSEAD, Fontainebleau and Templeton College, Oxford University.

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.

Sustainable Business

We strive to conduct our business in a sustainable manner by ensuring high standards of governance across our value chain, managing our environmental impact, promoting ethical and responsible business practices, and extending the benefits of mobile communications to all Malaysians.

Sustainability

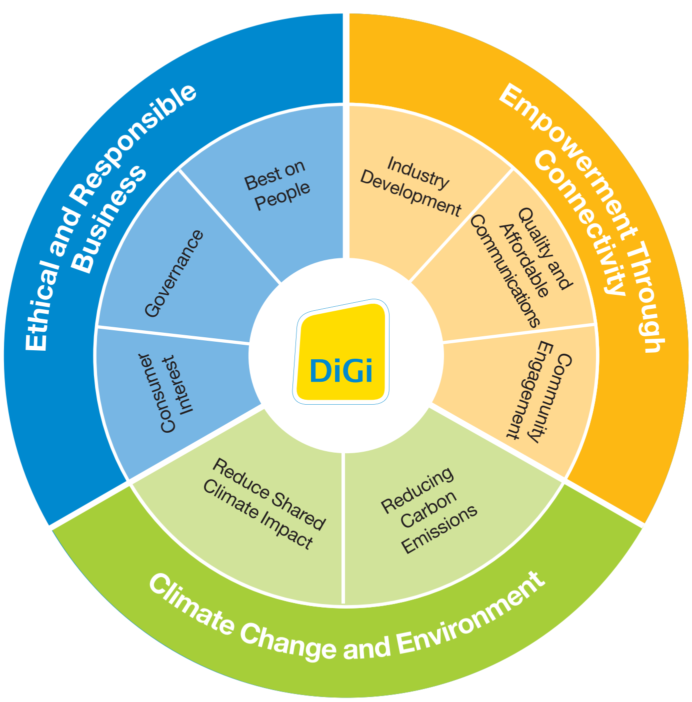
DiGi's philosophy on Corporate Responsibility (CR) is to leverage our core competencies to enable positive changes in society and our business environment.

We constantly review our approach to ensure that key sustainability challenges impacting our business and society are addressed across our value chain. DiGi's CR approach is aligned to Telenor Group's CR Strategy, Bursa Malaysia's CSR Framework, the United Nations Global Compact Principles, and Malaysia's national aspirations to extend the benefits of telecommunications and the internet to all Malaysians.

Stakeholder engagement is core to our Sustainability agenda

Our stakeholders comprise all parties who have an interest in our business and long-term sustainability, and we actively engage them to obtain feedback on material issues that are of shared interest.

Many of these issues have been integrated into our corporate strategy and initiatives, and can be encapsulated in our three broad CR pillars of Empowerment Through Connectivity, Ethical and Responsible Business, and Climate Change and Environment. These have been our key focus areas since 2009, which we continue to refine and strengthen in line with the dynamic nature of our business environment.



Key Highlights for 2011

Empowerment Through Connectivity
- Commenced network modernisation programme
- Launched 2 new products with a strong social impact: DiGi Simple MasterCard, and Family-friendly internet experience in partnership with McAfee
- Launched the DiGi CyberSAFE programme

Ethical and Responsible Business
- Strong emphasis on human resource transformation programme
- Nationwide certification for Occupational Health, Safety and Security (OHSAS 18001)

Climate Change and Environment
- Ranked top-performer in Malaysia, and Top 5 in Asia by Carbon Disclosure Project 2011
- Nationwide certification for Environmental Management System (ISO 14001)
- 33% of CO_2 reduction compared to 2011 business-as-usual projections

Sustainability

Internet for All driving Empowerment Through Connectivity

With our strong track record, we are able to harness our core competencies to accelerate efforts to bridge the digital divide, which is reflected in the company's mission of delivering *Internet for All*.

Ethical and Responsible Business

We practice high corporate governance standards across our engagement with all key stakeholders. Further, our governance framework emphasises the need for all DiGizens to embrace and live the DiGi values: Keep Promises, Make it Easy, Be Respectful, and Be Inspiring.

As a responsible employer, we also strive to be a company that provides the best for our employees. Our 'Best on People' aspiration is to create an engaging and supportive work culture and environment, most attractive development at all levels, and competitive and performance-based rewards for all DiGizens.

Climate Change and Environment

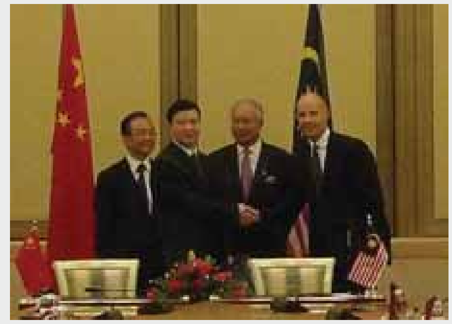
As a telecommunications operator, our biggest impact on climate change results from energy consumption. Therefore, a key focus in managing our carbon footprint is improving our energy efficiency. At the same time, we remain committed to addressing broader climate and environmental impact areas across our business.

Improving disclosure standards

DiGi remains committed to responsible and sustainable business practices, and strives to continuously improve the disclosure standards of our sustainability performance. Thus, we have issued our 3rd Sustainability Report, which is complementary to our 2011 Annual Report.

For the first time, we have obtained independent assurance from PricewaterhouseCoopers (PwC) for selected key performance indicators (KPIs) in our Sustainability Report, as well as for our Global Reporting Initiative (GRI) application level. Detailed information about our CR initiatives, sustainability performance and stakeholder engagement efforts are available in this report.

2011 Highlights



Q1

We formalised a Network Collaboration Agreement with Celcom-Axiata, marking the beginning of a massive infrastructure consolidation exercise which will bring significant benefits in network and cost efficiencies.

We introduced DiGi iDeal as part of our value-added services offering. The mobile advertising platform provides customers more avenues to special discounts and privileges with every product purchase from DiGi.

In addition, we also launched the DiGi-Opera Mini browser, which enables non-smartphone users to gain access to the internet through a faster and simpler browsing experience on their phones.

We also kicked-off DiGi Live Sekolahku Berbakat, our flagship student talent competition in partnership with the Ministry of Education. The initiative encouraged youths to freely express their talents through music, using internet as a communication and community platform.

Q2

We commenced our network modernisation programme by formalizing a partnership with ZTE Corp. in the presence of YAB Dato' Seri Najib bin Tun Haji Abdul Razak, Prime Minister of Malaysia, and H.E. Mr. Wen Jiabao, Premier of China. Through this, we will build an LTE-equipped network that will allow our customers to enjoy a greater mobile internet experience with cutting -edge speeds, increased capacity and improved quality of network services.

In line with our *Internet for All* mission, we hosted the DiGi WWWoW Awards - Malaysia's first 'by the people, for the people' internet awards, paying tribute to ordinary Malaysians who utilize the power of the internet to do extraordinary things.

Increasing our focus in community engagements, we announced a partnership with eHomemakers to improve communications with its network of micro enterprises and NGOs via a mass messaging solution.

2011 Highlights

Q3

We brought internet to the communities by supporting the National Broadband Initiative, helping establish Community Broadband Centres (CBCs) in Sematan, Sarawak.

Additionally, we partnered with the Malaysian Communications and Multimedia Commission (SKMM) to provide 700 laptops and internet access to communities surrounding seven more CBCs across Perak, Kelantan, Terengganu and Pahang.

We also kicked-off the third installation of our Challenge for Change competition, encouraging university students to create social ventures that benefit underserved communities, using mobile and internet solutions.

We also launched the DiGi Simple MasterCard - Malaysia's first telco-branded prepaid payment card, offering customers a cashless prepaid payment solution that simultaneously rewards them with telco-related benefits.

Q4

In keeping with our responsibility as a mobile internet service provider, we introduced our DiGi CyberSAFE programme, aimed at raising awareness of child safety on the internet. To further ensure children enjoy a secure online experience, we also produced a handbook for parents entitled, "Guide to a Family-friendly Internet Experience," and launched a range of security products in partnership with McAfee in line with the campaign.

We also made available the best and most affordable iPhone 4S deals in the market to our customers, complete with a new online purchasing touch-point via the DiGi Online Store.

Renewing our commitment to building a sustainable business, we established Malaysia's first green data centre by opening our Technology Operations Centre (TOC). It is the first data centre with a Provisional Gold Certification from the Green Building Index (GBI), which is Malaysia's green rating tool for buildings. Designed with the GBI as its guiding principles, the TOC incorporates cutting-edge green technologies that aim to reduce energy usage and increase energy efficiency.

Over 1,200 DiGizens across Malaysia gathered for our company's annual event, themed DiGi Rocks Penang! The entire group participated in the Penang Bridge International Marathon, setting a new record as the largest contingent from a single organization, participating in the biggest run in the country.

DiGi was again announced a winner at the KPMG Shareholder Value Award 2011 in the Information and Communication Technology Category.

2011 Accolades

1. **Asian Sustainability Ranking 2010**
   - No. 2 Company in Malaysia
   by Asian Sustainability Rating (ASR™)

2. **Putra Brand Awards 2011**
   - Silver Award, Communication Networks Category
   by the Association of Accredited Advertising Agents Malaysia (4As)

3. **2011 Effie Awards Malaysia**
   - Bronze Award, Open Category for 'Sambal Belacan' Campaign
   by Malaysian Advertising Association (MAA), Association of Accredited Advertising Agents Malaysia (4As) and Media Specialists Association (MSA), in association with the Malaysia External Trade Development Corporation (MATRADE)

4. **Kancil Awards 2011**
   - Gold Award, Craft-Sound/Music Category for 'Dear Malaysians' Campaign
   - Silver Award, Film Non-Broadcast Category for 'Dear Malaysians' Campaign
   - Bronze Award, Social and Multimedia Campaign Categories for 'Dear Malaysians' Campaign
   - Bronze Award, Website, Cyber and Social Categories for 'What Berry Are You?' Campaign
   - Merit Award, Multimedia Campaign Category for 'What Berry Are You?' Campaign
   by the Association of Accredited Advertising Agents Malaysia (4As)

5. **Malaysia Media Awards 2011**
   - Gold Award, Best Use of Digital Category for 'What Berry Are You?' Campaign
   - Silver Award, Best Use of Out of Home Media Category 'Bola Bola Bola Living in a Billboard'
   - Bronze Award, Best Integrated Media Campaign and Best Use of Radio Categories for 'Bola Bola Bola Living in a Billboard'
   by Media Specialist Association (MSA)

6. **Digital Media Awards 2011**
   - Silver Award for 'DiGi Evangelist Community Program'
   by Campaign Asia-Pacific

7. **Malaysia's 100 Leading Graduate Employers 2011**
   - Winner, Telecommunication Sector Category
   by GTI Media

8. **KPMG Shareholder Value Award 2011**
   - Sectoral Winner, Information and Communication Technology Category
   by KPMG

9. **Malaysia Corporate Governance Index 2011**
   - Distinction Award
   by Minority Shareholder Watchdog Group (MSWG)

10. **Asia's Best Companies 2011**
    - No. 9, Best Managed Company Category
    - No. 5, Best Corporate Governance Category
    - No. 4, Best Corporate Social Responsibility Category
    - No. 6, Most Committed to a Strong Dividend Policy Category
    by FinanceAsia

11. **Billion Ringgit Club 2011**
    - Top 10 CSR Company of the Year
    by The EDGE Malaysia

12. **Carbon Disclosure Project Report 2011**
    - No. 1, Malaysia Category
    - No. 5, Asia Category (Excluding Japan-India-China-Korea)
    by The Carbon Disclosure Project

Corporate Governance Statement

Corporate Objective

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

In pursuing this corporate objective, the Board of Directors ("Board") of DiGi is committed to high standards of corporate governance which it believes is critical to business integrity and performance as there is a link between high-quality governance and creation of shareholders' value.

The Board is committed to strengthen the Company's governance practices to safeguard the best interests of its shareholders and other stakeholders. In its commitment to sustainable business practice, the Board has endorsed its strategy where sustainability and corporate responsibility forms part of DiGi's business fundamentals. DiGi's sustainability strategy comprises three key focus areas, namely on empowerment through connectivity, ethical and responsible business standards and addressing climate change.

DiGi continues to refine and improve its corporate governance systems. The Board evaluates, and where appropriate, implements relevant proposals with the aim of ensuring that it continues to demonstrate its commitment to good corporate governance, having regard to developments in market practice expectations and regulation.

This Statement explains how the Company has applied the key principles and the extent of its compliance with the best practices set out in the Malaysian Code on Corporate Governance (Revised 2007) (the "Code") for the financial year ended 31 December 2011.

(A) Board of Directors

1. Board Responsibilities and Functions

The Board's role is to control and provide stewardship of the Group's business and affairs on behalf of shareholders. By pursuing its objective of creating long-term shareholders' value, the Board takes into account the interests of all stakeholders in their decision-making. The Board is guided by a Charter ("Instructions to the Board") and a Delegation Authority Matrix which set out the practices and processes in the discharge of its responsibilities; the matters it has reserved for consideration and decision-making; the authority it has delegated to the Chief Executive Officer ("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 Instructions to the Board including the terms of reference of all the Board committees are accessible in DiGi's website @ www.digi.com.my

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

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

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

Beyond the matters reserved for the Board's decision, the Board has delegated the authority to achieve the corporate objective to the CEO in accordance to the Instructions for 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.

Corporate Governance Statement

2. Board Composition and Balance

The Securities Commission had in its Corporate Governance Blueprint 2011 recommended the disclosures on policies and targets on women composition on Boards which may be effected through changes to the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") ("Bursa Securities Listing Requirements"). The Board recognises the importance of gender balance in the Group and expects to comply with disclosure on boardroom diversity policy. Further information on gender diversity within the organisation, is contained in our 2011 Sustainability Report.

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

Several of the Directors have relevant experience in the telecommunications industry. A brief description of the background of each Director is presented on pages 20 to 21 of the Annual Report.

Tan Sri Leo Moggie, Dato' Ab. Halim Bin Mohyiddin and Dato' Saw Choo Boon are the Independent Directors. The Independent Directors meet the definition set out in the Bursa Securities Listing Requirements. DiGi fulfills the requirement to have at least one third of the Board comprised of Independent Non-Executive Directors.

The Board is satisfied that the current composition of Directors provides the appropriate balance and size in the Board necessary to promote all shareholders' interests and to govern the Group effectively. It also fairly represents the ownership structure of the Company, with appropriate representations of minority interests through the Independent Non-Executive Directors. The Board has appointed Tan Sri Leo Moggie as the Senior Independent Non-Executive Director. Tan Sri Leo Moggie is available to shareholders who have concerns that cannot be addressed through the Chairman and CEO. No shareholders have asked to meet with Tan Sri Leo Moggie, the Senior Independent Director during the year.

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

There is a clear division of responsibility between the Chairman and the CEO to ensure that there is a balance of power and authority. The Chairman is responsible for the workings and proceedings, leadership and governance of the Board, ensuring its effectiveness. He engages directly with the CEO to understand and oversee the strategy implementation and performance delivery. The Chairman sets agendas for the meetings of the Board that focus on strategic direction and performance of the Group.

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

4. Board Meetings

Meetings for the year are scheduled at the end of the preceding year. The Board meets for both scheduled meetings and on other occasions to deal with urgent and important matters that require attention. Due notice is given of all scheduled and additional meetings.

The Board met six (6) times during the year and attendance of Directors at Board meetings, was as below:-

Name	Attendance
Sigve Brekke Chairman/Non-Independent Non-Executive Director	3/6
Tan Sri Leo Moggie Senior Independent Non-Executive Director	6/6
Dato' Ab. Halim Bin Mohyiddin Independent Non-Executive Director	5/6
Dato' Saw Choo Boon Independent Non-Executive Director	6/6
Hakon Bruaset Kjol Non-Independent Non-Executive Director	4/6
Lars Erik Tellmann (Appointed on 27 September 2011) Non-Independent Non-Executive Director	2/2
Morten Tengs (Appointed on 16 December 2011) Non-Independent Non-Executive Director	1/1
Jan Edvard Thygesen (Resigned on 16 December 2011) Non-Independent Non-Executive Director	5/5
Hilde Merete Tonne (Appointed on 22 March 2011 & resigned on 27 September 2011) Non-Independent Non-Executive Director	3/3

At Board meetings, the Chairman encourages constructive, healthy debate, and Directors are free to express their views. Any Director who has a direct and/or deemed interest in the subject matter to be deliberated shall abstain from deliberation and voting on the same during the meeting.

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

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

The Nomination Committee is responsible to ensure that the procedures for appointing new Directors are transparent and rigorous and that appointments are made on merit and against objective criteria for the purpose. In evaluating the suitability of individuals for Board membership, the Nomination Committee ensures that the Board comprises individuals with the necessary background, skills, knowledge, experience and personal characteristics to augment the present Board and meet its future needs.

DiGi's Articles of Association requires a minimum of 2 Directors and not more than 13 unless otherwise determine 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.

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 Annual General Meeting at least once every three (3) years. Retiring Directors who are seeking re-election are subject to a Director assessment overseen by the Nomination Committee.

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

The Nomination Committee in 2011 assessed and recommended to the Board the new appointment of Mr Lars Erik Tellmann and Mr Morten Tengs as Directors and members of the Audit Committee and Remuneration Committee respectively. Pursuant to the Articles of Association of the Company, Mr Lars Erik Tellmann and Mr Morten Tengs will retire at the first AGM following their appointment. Tan Sri Leo Moggie who has attained the age of 70, will retire and has offered himself for re-appointment in accordance with Section 129(6) of the Companies Act, 1965. 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 2012 AGM.

6. Performance Evaluation

The Board regularly evaluates its performance and the governance processes that support the Board's work with the aim of improving individual contributions, effectiveness of the Board and its committees, and the Group's performance.

For the financial year 2011, the Board undertakes a process to assess the effectiveness of the Board as a whole and its committees and the contribution by 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 Management.

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

The evaluation process is led by the Nomination Committee Chairman and supported by the Company Secretary. The evaluation results are considered by the Nomination Committee, which then make recommendations to the Board, aimed at helping the Board to discharge its duties more effectively.

Following the evaluation process, the Nomination Committee identified areas for improving the effectiveness of the Board and due course of actions were taken based on the feedback.

7. Directors' Training and Induction

All Directors have completed the Mandatory Accreditation Programme (MAP). The Directors are mindful that they continue to update their skills and knowledge to maximise their effectiveness as Directors during their tenure. Throughout their period in office, the Directors are continually updated on the Group's business and the regulatory and industry environment.

The Chairman is responsible for ensuring that induction and training programmes are provided and the Company Secretary organises the induction process.

During the year, the newly-appointed Directors have participated in the induction process. This induction process includes briefings on the Group's business, its governance arrangements, meetings with senior management and visit to business operations.

The trainings or conferences/seminars attended by the Directors are as described below:

Name of Director	Training Programme/ Conference/Seminar
Sigve Brekke	World Economic Forum Annual Meeting in Davos
	Mobile World Congress in Barcelona
	Malaysia's Distinctive Corporate Governance Strategy

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Tan Sri Leo Moggie	Board Roles and Responsibilities – Corporate Culture
	Malaysia's Distinctive Corporate Governance Strategy
	Mobile Technology
Dato' Ab. Halim Bin Mohyiddin	Malaysia's Distinctive Corporate Governance Strategy
	Mobile Technology
	Sustainability Programme for Corporate Malaysia
	Updates of 2011 new & revised FRSs and New Bursa Listing Requirements
	ICAA-MICPA Forum: Improving Corporate Governance in Malaysian Capital Markets – The role of Audit Committee
	Forensic Accounting
	Budget 2012 - National Transformation Policy
	Budget 2012 Tax Seminar
Dato' Saw Choo Boon	Malaysia's Distinctive Corporate Governance Strategy
	Mobile Technology
	Strategic IT Workshop For Board Of Directors and Top Management
	Implementation of IRB and Management of Risk Going Forward
	Anti-Money Laundering/ Counter Financing Of Terrorism
	Financial Institutions Directors' Education (FIDE) Core Program
	Shell General Business Principles, Anti Bribery and Corruption and Anti Competition Law
	Managing Corporate Reputation in Digital Age
	ICAAP Training For Directors
Hakon Bruaset Kjol	Mobile World Congress in Barcelona
Lars Erik Tellmann (Appointed on 27.9.11)	Harvard Business School's training program "Making Corporate Boards More Effective program"
	Mandatory Accreditation Programme
	Malaysia's Distinctive Corporate Governance Strategy
Morten Tengs (Appointed on 16.12.11)	Mandatory Accreditation Programme
Hilde Merete Tonne (Appointed on 22.3.11 & resigned on 27.9.11)	Mandatory Accreditation Programme

8. Supply of Information

Access to information

The Board recognises that the decision-making process is highly dependent on the quality of information furnished. In furtherance to this, every Director has access to all information within the Group. The Directors have access to information through the following means:

i) CEO, CFO and members of senior management attend Board and Committee meetings by invitation to report on areas of the business within their responsibility including financial, operational, customer satisfaction and service quality, regulatory and strategic information, and investor relations updates, giving Board members an opportunity to develop an understanding of the views of major investors.

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ii) Board and Committee papers are prepared for each item in the agenda to the established criteria on content and presentation format and are issued to the Directors seven (7) days before the Board and Committee meetings.

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

iv) Directors are provided with relevant information between Board meetings. This includes financial and important operational updates. There is also communication among the Directors between Board meetings as necessary to progress the Company's business.

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

Access to Advice

Independent Advice

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

Company Secretary

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

9. Committees of the Board

The Board delegates certain responsibilities to the Board committees to assist in the discharge of its responsibilities. The role of Board Committees is to advise and make recommendations to the Board.

The Chairman of the various committees provides a verbal report on the outcome of their committee meetings to the Board. The minutes of the Board Committees are also circulated to the Board. The Board Committees are:
- Audit Committee
- Nomination Committee
- Remuneration Committee

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

(a) Audit Committee

The current members of the Committee are Dato' Ab. Halim Bin Mohyiddin (Chairman), Dato' Saw Choo Boon and Mr Lars Erik Tellmann.

The Audit Committee Report provides details of the composition of the Audit Committee and a summary of its activities are set out on pages 62 to 63 of the Annual Report. The terms of reference of the Audit Committee is set out on pages 65 to 67 of the Annual Report.

(b) Nomination Committee

The current members of the Committee are Mr Hakon Bruaset Kjol (Chairman), Tan Sri Leo Moggie and Dato' Ab. Halim Bin Mohyiddin. All members of Committee are Independent Non-Executive Directors except for Mr Hakon Bruaset Kjol who is a Non-Independent Non-Executive Director. The Nomination Committee met twice during the year and the meeting attendance was as follows:-

Name	Attendance
Hakon Bruaset Kjol	2/2
Tan Sri Leo Moggie	2/2
Dato' Ab. Halim Bin Mohyiddin	2/2

Role and Focus

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
- Oversees the assessment of the performance of the Board, Committees and individual directors
- Assesses and makes recommendations to the Board concerning the re-election of Directors
- Evaluates and recommends the appointment of CEO and his duties

Activities Undertaken

The Nomination Committee assessed the overall effectiveness of the Board, its Committees and the contribution and performance of each individual Director in 2011 including its size, structure and composition. The Board performance evaluation is discussed in more detail in the section under "Performance evaluation" on page 48.

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

(c) Remuneration Committee

The current members are Mr Sigve Brekke (Chairman), Mr Morten Tengs and Mr Hakon Bruaset Kjol. 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
Morten Tengs (appointed on 16 December 2011)	Not applicable
Jan Edvard Thygesen (resigned on 16 December 2011)	1/1

Role and Focus

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

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

Activities Undertaken

The Remuneration Committee assessed and evaluated the CEO against the performance criteria sets to measure the CEO, and reviewed the compensation packages for the CEO.

The Chairman of the Remuneration Committee was authorised by the Board to determine the compensation packages for the CEO.

The Board as a whole, based on the recommendation from the Remuneration Committee, with each of the Independent Non-Executive Directors abstaining from deliberating and voting on their own remuneration determined the Independent Non-Executive Directors' remuneration.

(B) Directors' Remuneration

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

Details of the Directors' Remuneration

The remuneration package of Independent Non-Executive Directors comprises fixed monthly allowance and meeting allowance for Audit Committee meeting. The aggregate Directors' remuneration paid to the Independent Non-Executive Directors of the Company for the financial year ended 31 December 2011 was as follows:-

Independent Non-Executive Directors	Fixed Allowances (RM)	Meeting Allowances@ (RM)	Total (RM)
Tan Sri Leo Moggie	132,000	Nil	132,000
Dato' Ab. Halim Bin Mohyiddin*	156,000	2,500	158,500
Dato' Saw Choo Boon#	135,194	1,500	136,694
Total	423,194	4,000	427,194

* Included allowance received from a subsidiary company
\# Included pro-rated allowance accrued in Nov and Dec 2010
@ Meeting allowances are applicable for Audit Committee Meetings only

The Non-Independent Non-Executive Directors of DiGi.Com Berhad receive their remuneration from their employing companies within Telenor Group and do not receive any form of remuneration from DiGi.Com Berhad.

(C) Ethics

Code of Conduct

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

The Code is reviewed and updated regularly by the Board.

The Code governs the conduct of all employees of the Group including its Board members. All of them have certified in writing that they have read and understood the Code. On-going training is provided to employees on the Code and in particular on how to deal with situations involving ethical dilemma to ensure that employees continuously uphold high standard of conduct in the performance of their duties.

Compliance with the Code is monitored regularly by the Audit Committee of the Company. The Compliance Officer of the Group regularly reports to the Audit Committee the compliance of the Code by the Group and its employees.

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

Supplier Conduct Principles

The Supplier Conduct Principles ("SCP") outlines the standard for ethical and responsible conduct expected for suppliers and contractors in their relationship with the Group. The SCP are binding on the Group's suppliers through the confirmation and signing of the Agreement on Responsible Business Conduct to ensure high standards of business ethics amongst all suppliers of the Group.

Compliance of the SCP is monitored through a supply chain management system.

Anti-Corruption Policy

DiGi has a well established Anti-Corruption Policy and Procedure, which covers the areas of 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 Boards of Directors, all employees, agents and others with the authority to act on behalf of DiGi.

The policy provides that bribes are strictly prohibited and staff should never offer, give, ask for or accept any form of bribe. DiGi has a zero tolerance approach to bribery and corruption. The policy also provides that when staff give or receive a gift, they must consider the implications of the giving or acceptance of that gift, to ensure that it cannot reasonably be considered a bribe or be construed as being likely to improperly influence a business outcome.

Trading on Insiders Information

DiGi's Directors and employees who possess price sensitive information which is not available to the public are not allowed to trade in securities, consistent with the Capital Market and Services Act 2007 which prohibits insider trading. Insider trading is an offence under the Capital Market and Services Act 2007.

Notices on the closed period for trading in the Company's shares are sent to Directors and principal officers and the relevant employees on a quarterly basis specifying the timeframe during which they are prohibited from dealing in the Company's shares. Trading during these closed periods is not permitted by any person who possesses price sensitive information. In 2011, none of the Directors dealt in securities of the Company during the closed period.

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(D) Shareholders

Communication with Shareholders and Investors

We are committed to a proactive and continuous dialogue with all shareholders and investors including appropriate disclosure and transparency of information to ensure that they can make informed assessment of the Company's value and prospects. In this respect, the Company has in place a disclosure policy entitled Corporate Disclosure Procedures and Policies ("CDPP") which outlines how the Company identifies and releases material information in a complete, timely and accurate manner to the Bursa Malaysia and consequently to the market. This CDPP embraces the "Best Practices in Corporate Disclosure" issued by Bursa Malaysia.

Information Disclosure

In accordance with the disclosure requirement and the Bursa Securities Listing Requirements, the Company follows these three main forms of information disclosure:

- Continuous disclosure – which is its core disclosure obligation and primary method of informing the market and shareholders
- Periodic disclosure – in the form of full year and quarterly reporting of financial results and major investments, capital expenditure and funding activities proposed by the Company and the Annual Report to 31 Dec
- Specific information disclosure – as and when required, of administrative and corporate developments, usually in the form of Bursa releases

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

Annual General Meetings ("AGM")

The Company recognizes the rights of shareholders and encourages the effective exercise of those rights in the Company'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 for the AGM is sent to shareholders with an explanatory memorandum providing information to shareholders to help them decide how they should vote on each item of business. In addition, a full copy of the Notice of Meeting and Proxy Form are posted on the Company's website and lodge with Bursa Malaysia. It is also advertised in major local newspapers.

In every AGM, the Management of the Company presents a comprehensive review of the Company's financial performance for the year and outlines the prospects of the Company for the subsequent financial year with time being specifically set aside for shareholders' queries. Where it is not possible to provide immediate answers, the Company will undertake to furnish shareholders with a written answer after the AGM. Copies of the review are posted on the Company's website immediately. The Company also requires its auditor to attend each AGM so as to be available to answer questions on the conduct of the audit and the preparation and content of the auditor's reports. In 2011, all the Company's Directors attended the AGM.

Since 2006, DiGi's AGM has been opened to the financial media to observe the AGM proceedings. The same was done in 2011.

Investor Meetings and Presentations

On a regular basis, outside the Company's "closed period", DiGi's management holds one-on-one meetings with analysts, fund managers and shareholders to provide updates on financial performance, corporate and regulatory developments besides addressing issues they may have with respect to the business or operations of the Company. Where applicable, all materials used in our investor presentations are made available on the Company's website as stated above as soon as it can be done.

DiGi is also an active participant in various investor conferences held both locally and in major financial centers around the world throughout each financial year. In 2011, DiGi completed five non-deal road-shows that covered the United States, Hong Kong, Singapore and London to update shareholders and investors on the Company's outlook and strategies moving forward.

As one of the founding board members of MIRA (the Malaysian Investor Relations Association), DiGi continued to be an active participant and contributor to the development of investor relations as a key driver of greater corporate transparency in Malaysia. As of February 2009, DiGi's Head of Investor Relations was appointed as the Chairperson of MIRA and currently also heads the Membership Committee of MIRA.

Our proactive efforts in reaching out to stakeholders and the investment community have been acknowledged and recognized judging by the various nominations and awards presented to the Company on the key areas related to shareholder value creation as well as corporate governance.

The Company's financial results as well as other relevant financial data are posted on the Investor Relations section of the Company's website. These include announcements to Bursa Malaysia, media releases, investor briefings, quarterly results, annual reports and other relevant information. We will continue our efforts to bring increased transparency to our financial reporting, and will continually add new interactive capabilities to the site.

Shareholders/Investor Queries

Whilst the Company aims to provide sufficient information to shareholders and investors about the Company and its activities, it also recognizes 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, these queries may be directed to:

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

(E) Accountability and Audit

1. Financial Reporting

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

Statement of Directors' Responsibilities in Respect of the Financial Statements

The Directors are required by the Companies Act, 1965 to prepare financial statements for each financial year which have been made-out in accordance with the applicable Financial Reporting Standards in Malaysia and the provisions of the Companies Act, 1965, so as to give a true and fair view of the financial position of the Group and of the Company as at the reporting date, and of their financial performance and cash flows for the year then-ended. The Directors have prepared the information set-out in Note 34 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 the Bursa Malaysia Securities Berhad Listing Requirements, 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 that are 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 judgements and estimates that are reasonable in the circumstances

- employed the going-concern assumption unless it is inappropriate to presume that the Company will continue its business

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

2. Internal Control

The Board has the ultimate responsibility for the Group'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 the Group.

The Statement on Internal Control and Risk Management are set out on pages 57 to 59 and on pages 60 to 61 respectively of the Annual Report provides an overview on the state of internal controls within the Group.

3. Related Party Transactions

The Board through its Audit 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 of the transactions 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 119 to 121 and 130 of the Annual Report.

4 Relationship with the Auditors

Key features underlying the relationship of the Audit Committee with the internal audit function and external auditors are detailed on pages 57 to 59 of the Annual Report. A summary of the activities of the Audit Committee during the year are set out on pages 62 to 63 of the Annual Report.

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

The external auditors have confirmed their independence in providing both audit and non-audit services up to the date of this statement.

During the year, Ernst and Young charged the Group RM297,000 (2010: RM282,000) for audit and RM78,000 for non-audit services/assignments (2010: RM64,000)

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

Compliance Statement

The Board has deliberated, reviewed and approved the Corporate Governance Statement on 20 March 2012.

The Board is satisfied that in 2011, the Company has complied with the Best Practices of the Code.

Statement on Internal Control

The Board of Directors ("Board") affirms its commitment to maintain a sound system of internal control in DiGi.Com Berhad Group ("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 2011.

Board responsibility

The Board is responsible and accountable for the Group'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. 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 the Group's desired objectives. Accordingly, it can only provide reasonable, rather than absolute, assurance against material misstatement or loss. Management is required to apply good judgement in assessing the risks facing the Group, identifying the Group'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 Committee, observed that measures were taken on areas identified for improvement, as part of management's continued efforts to strengthen the Group's internal control.

Risk Management

The Group has in place an on-going process for identifying, evaluating and managing significant risks that may affect the achievement of the business objectives of the Group. The Board through the Audit Committee reviews the key risks identified on a regular basis to ensure proper management of risks and that measures are taken to mitigate any weaknesses in the control environment. The risk management process, and practical guidance on its application, has been documented in the Risk Management Standard Operating Policy and Procedures. DiGi Management Team ("DMT"), which comprises the Chief Executive Officer ("CEO"), Chief Financial Officer ("CFO"), Chief Technology Officer ("CTO") and senior members of management, is responsible for ensuring that key risks to the Group's business are identified and evaluated, and responses are developed to mitigate these risks. This risk management process covers, inter alia, strategic, financial, operational, network and systems, health, safety and environment, employees and regulatory matters. The Audit Committee is also provided with periodic updates on the progress of risk management activities and action plans to manage the key risks identified. Further information on Risk Management is provided on pages 60 to 61 of the Annual Report.

Key elements of the system of internal control

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

Control Environment

(a) Organisation structure

- There is a defined organisational structure within the Group, with clear lines of responsibility, authority and accountability, to ensure that management acts in the best interests of shareholders.

(b) Assignment of authority

- The Delegation Authority Matrix ("DAM") describes the system of delegation of authority for the Group. The main objective of the DAM is to ensure efficient use of the Group'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 the Group.

- The Group has adopted a set of values to act as a framework for its employees to exercise judgment and make decisions on a consistent basis.

- The Group is practising segregation of duties to ensure that conflicting tasks are apportioned between different employees, to reduce the scope for error and fraud.

Statement on Internal Control

(c) Board and Management Committees

- The various Board Committees, namely the Audit Committee, the Nomination Committee, and the Remuneration Committee, are all governed by clearly defined terms of reference.

- The roles and responsibilities of the Audit Committee are detailed in the Audit Committee Report, whilst those of the other two committees are detailed in the Statement of Corporate Governance.

- DMT meetings identify, discuss, approve and resolve strategic, operational, financial and key management issues.

- The Investment Committee governs the approval process regarding material capital investments and operating expenditure for the Group. Its members comprise the CEO, CFO, CTO, the Heads of Marketing, Strategy & Business Transformation, Procurement & Logistics, and Business Performance & Reporting and the Investment Controller.

- The Commercial Forum governs the decision-making process for commercial issues, and is managed by Marketing. The CEO, CFO, CTO, Heads of Marketing, Customer & Channels, and Strategy & Business Transformation sit on this forum.

(d) Employee Code of Conduct

- Employees and Directors are required to sign and confirm that they have read, understood and adhere to the Code of Conduct. More information of the Code are set out in the Statement of Corporate Governance.

- Communication channels are established through which concerns on Code of Conduct issues can be reported anonymously. This is further described in part (f) under "Whistleblower" program.

(e) Health, Safety, Security and Environmental (HSSE) Policy

Employees

- The Group continues to inculcate awareness and build commitment on HSSE throughout the whole organization. The Group also strives to improve internal environmental standard and conformance through various initiatives in our management system and programs. DiGi is now fully certified companywide for both ISO14001 and OHSAS 18001.

Suppliers

- The Group has a persistent focus on Supply Chain through implementation and follow up of responsible business conduct with suppliers. Necessary initiatives are taken to ensure vendors / suppliers with a direct contractual relationship sign the Agreement on Responsible Business Conduct (ABC). We work with them to establish responsible HSSE standards through Supplier Conduct Principle (SCP) risk assessments, monitoring of Suppliers and Sub-suppliers via inspections and awareness programs.

(f) Other policies

- All key policies and procedures are available via the Group's Way of Work (WoW) site, which are revised periodically to meet changing business, operational and statutory reporting needs.

  The Anti-Corruption Policy and the Anti-Corruption Procedures set out the scope, definitions and main principles of anti-corruption, and the related procedures in identifying, preventing, monitoring and reporting corrupt practices. Employees are encouraged to discuss or seek clarification on any issues or concerns they might have in relation to the policies with the Legal and Compliance function in DiGi.

- The Group has in place a "Whistleblower" program which provides employees and other stakeholders a channel for communicating alleged or suspected violations of the Group's Code of Conduct, prevailing laws, regulations

Statement on Internal Control

and good business and corporate governance practices. Communication with the whistleblower will be done confidentially and can remain anonymous, if requested by the whistleblower.

- Other main polices include Information Technology (IT), Physical Asset Security, Intellectual Property, Business Continuity and Crisis Management policies. These policies outline the policies and procedures for the control of IT systems, protection of physical assets owned and/or operated by the Group, identification and monitoring of intellectual property rights, continuity and availability of services in the event of a crisis.

Monitoring Activities

(a) Management and Board meetings

- DMT meetings are held on a regular basis to monitor and address key issues.
- 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.
- Quarterly financial results and other information are provided to the Audit Committee and the Board to enable Board to monitor and evaluate the business performance.
- The Group's performance management model provides a comprehensive review of business performance, which includes a review of actual and expected performance against targets.

(b) Internal Audit

- The internal audit function carried out by the Assurance Department assists both the Board and the Audit Committee by conducting appropriate reviews to ensure that key financial, operational, system and compliance controls established by the Board and Management are operating effectively. To ensure independence from Management, the Head of Assurance reports directly to the Audit Committee.
- The Audit Plan is approved by Audit Committee on an annual basis. On a quarterly basis, audit reports and the status of the audit plan are presented to the Audit Committee. The Audit Committee also monitors major internal and external audit issues to ensure they are promptly addressed and resolved.
- Significant findings and recommendations for improvements are highlighted to DMT and the Audit Committee, with periodic follow-up and reviews of action plans.
- The Assurance Department's practices and conduct are governed by the Assurance Charter.
- The Assurance Department had undergone a 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.

Review of this Statement by External Auditors

Pursuant to paragraph 15.23 of the Bursa Securities Main Market Listing Requirements, the external auditors have reviewed this Statement for inclusion in the Annual Report and have reported to the Board that nothing has come to their attention that causes them to believe that this Statement is inconsistent with their understanding of the process adopted by the Board in reviewing the adequacy and integrity of the system of internal control of the Group.

Conclusion

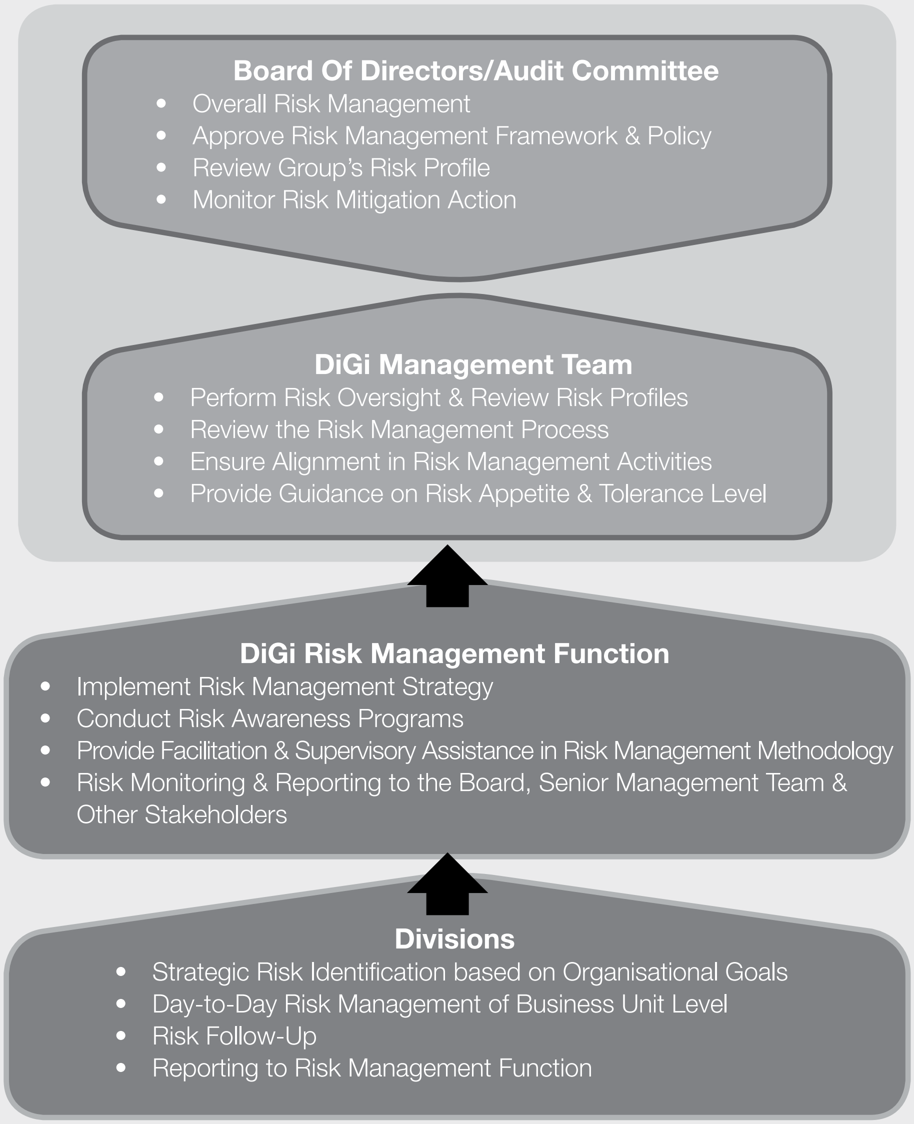
The system of internal control and risk management are embedded into the operations of the Group, and actions taken to mitigate any weaknesses are carefully monitored.

The Board is of the view that the system of 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 the Group's assets.

Risk Management

The ability to identify and manage risk reduces the uncertainty associated with the execution of the Company's business strategies, allowing the Group to maximise opportunities that may arise as well as minimise effects on the Company from adverse developments around us. To do this, the Group employs a Risk Management framework to manage existing and potential risks, taking into consideration the changing risk profile driven by changes in business environment and strategies throughout the year. The framework comprises an on-going process of identifying, evaluating, reporting, managing and monitoring of significant risks to the senior management, Audit Committee and the Board of Directors.

Risks are managed at all levels of the organisation. The various divisions in the Group have primary responsibility and accountability for the proactive identification, ownership and management of risks in their day-to-day operations. In addition, groups and committees are involved in the management of risks, each having their respective roles and responsibilities as depicted in the diagram below:



Risk Management

Key Risk Factors

Key risk factor that may affect the Groups' business operations, liquidity, financial position or future performance is as follows:

(1) Competition Risks

Telecommunication market in Malaysia remains highly competitive as service providers continue to ride on the launches of new devices such as smart phones to capture market share. Intense competition is expected to continue with emergence of new technologies, new competitors and changed or new regulations. The Group is well aware of this situation and has established the appropriate measures to compete in this environment.

(2) Regulatory Risks

The Group's operation 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. Some government decision to establish new policies or changing its existing policies may have a material adverse effect on the Group's financial performance and operations.

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

The Group needs to have access to additional spectrum to support both organic growth and development of new services. The issuance of spectrum is heavily regulated by government authorities and failure to acquire access to the necessary spectrums on reasonable terms could have material adverse effect on the Group's business, financial performance and growth plans.

To manage the above uncertainties, the Group is constantly engaging with the relevant government authorities to work out win-win strategies which benefit the Group, consumers and the nation as a whole.

(3) Project Risks

The Group has invested a substantial amount on capital expenditure to upgrade the network coverage, capacity and systems infrastructure in preparation for market expansion. All these projects are subject to risks associated with construction, supply, installation and systems or equipment operations. In terms of project management, the Group is exposed to risk of project cost increase, unexpected implementation delays, deliverables not meeting requirements, any of which can result in the inability to meet projected completion dates of which may have an impact to business growth. The Group has a comprehensive project risk management framework in place, with regular risk assessment, performance monitoring and reporting of key projects to the management team to ensure all key risks are addressed.

(4) Vendor Risks

The Group is dependent/relies on vendors on many aspects of its business ranging from the construction of network, supply of handsets and equipments, developing business support systems, consulting services, systems and application development to content provisioning. The Group's performance can be affected by the vendors if they fail to perform their obligations, especially if the industry is dominated by a few key vendors to provide selected services and equipment. The Group monitors relationship with strategic vendors closely and take timely action to address the supply risks.

(5) Network and System Failure Risks

The Group is highly dependent on technology i.e. key systems availability and uninterrupted network service in order to provide excellent service to its subscribers. Prolonged system downtime or network outages may affect customer experience and Group revenue besides not meeting regulatory bodies' requirement. In managing these risks, the Group continually works towards improving the availability of these key systems and network elements to ensure good customer experience and to exceed requirements set by the regulatory bodies.

(6) Investment Risks

The Group has invested substantially in both the network infrastructure and state of the art technology systems in order to stay competitive and relevant with the new product and service offerings. The Group will continue investing to improve the network quality and coverage, and its related systems to cater for the increasing demand for data usage and vast variety of product/services offerings. However, there is no assurance that the demand for these services will justify the cost of investment and eventually yield the projected revenue due to unforeseen adverse market development.

Audit Committee Report

Composition

The members of the Committee are:

Dato' Ab. Halim Bin Mohyiddin
(Chairman/Independent Non-Executive Director)

Dato' Saw Choo Boon
(Member/Independent Non-Executive Director)

Lars Erik Tellmann
(Appointed on 27 September 2011)
(Member/Non-Independent Non-Executive Director)

Hilde Merete Tonne
(Appointed on 21 April 2011 and resigned on 27 September 2011)
(Member/Non-Independent Non-Executive Director)

Jan Edvard Thygesen
(Resigned on 21 April 2011)
(Member/Non-Independent Non-Executive Director)

Dato' Ab. Halim Bin Mohyiddin, the current Chairman of the Audit Committee, an Independent Non-Executive Director, is a council member of the Malaysian Institute of Certified Public Accountants (MICPA).

Meetings

The Audit Committee met five (5) times during the financial year ended 31 December 2011 and these meetings were attended by all the members. The Chief Executive Officer, Chief Financial Officer, Head of Assurance and senior members of the Assurance Department were also invited to attend and brief the members on specific issues.

The external auditors attended all the Audit Committee meetings in 2011 to present the auditors' report on the annual audited financial statements for 2010 and auditors' review report on the unaudited quarterly financial statements. The Audit Committee met once with the external auditors separately, without the presence of management or members of the Assurance Department, to make enquiries on internal controls and the scope and resources of the Assurance Department. During the year, the Audit Committee Chairman held a number of meetings with the Head and senior members of the Assurance Department to obtain updates on the activities of the function without the presence of management.

Summary of Activities

In January 2012, the Board assessed the effectiveness of the Audit Committee performance for the financial year ended 31 December 2011 and is satisfied that it is operating in an effective manner.

During the year, the principal activities of the Audit Committee were as follows:

Financial Reporting

(a) Reviewed the quarterly unaudited financial results of the Group before recommending them for approval by the Board of Directors.

(b) Reviewed the annual audited financial statements of the Group for 2010 with the external auditors prior to submission to the Board of Directors for their approval.

Internal Audit

(a) Reviewed and approved the annual Assurance Plan to ensure adequate scope and comprehensive coverage of activities of the Group.

(b) Reviewed and deliberated on internal audit reports which were 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 deliberated major cases of internal misconduct in relation to the Group's Code of Conduct and whistleblower program.

(e) Held private meetings with the Head of Assurance for discussions on the activities, findings and recommendations of the Assurance Department.

(f) Reviewed the performance, scope, functions, adequacy and competency of Assurance Department.

External Audit

(a) Reviewed the scope of work and tabled to Board for approval the engagement letter from the External Auditor 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 findings 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 reappointment and remuneration, subject to the approval of the Company's shareholders at general meeting. Shareholders in a general meeting authorise the Directors to fix the remuneration of external auditors.

(e) Held one (1) private meeting with the External Auditors 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.

Internal Control

(a) Received and reviewed reports on the adequacy, effectiveness and reliability of controls over financial reporting which previously were activities to comply with the Sarbanes Oxley Act requirements.

(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 the Group.

Internal Audit Function

Internal Audit activities are carried out in-house by the Assurance Department. The Head of Assurance reports directly to the Audit Committee 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 the Group's overall system of internal control, risk management and governance. The Audit Committee determines the adequacy of the scope, functions, competency and resources of the Assurance Department, which comprises 11 staff as at 31 December 2011 and that it has the necessary authority to carry out its work.

The Assurance Department practises 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 the Group.

As part of its activities to provide reasonable assurance on the state of internal control in the Group, the Assurance Department carried out its reviews based on the annual Assurance plan for 2011 which was developed using a risk-based approach and in line with the Group's objectives. In 2011, 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 products and system implementations to ensure adequate controls are in place before these products and systems are launched. The Assurance Department also undertook special reviews at the request of the Audit Committee 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 Audit Committee accordingly.

The total costs incurred for the Assurance Department for 2011 was RM1,591,784.

Audit Committee Report

Training

During the year, the Audit Committee members attended the following conferences, seminars and training programs:

Name of Director	Training/Conference/Seminar
Dato'Ab. Halim Bin Mohyiddin	Malaysia's Distinctive Corporate Governance Strategy
	Mobile Technology
	Sustainability Programme for Corporate Malaysia
	Updates of 2011 new & revised FRSs and New Bursa Listing Requirements
	ICAA-MICPA Forum: Improving Corporate Governance in Malaysian Capital Markets – The role of Audit Committee
	Forensic Accounting
	Budget 2012 - National Transformation Policy
	Budget 2012 Tax Seminar
Dato' Saw Choo Boon	Malaysia's Distinctive Corporate Governance Strategy
	Mobile Technology
	Strategic IT Workshop For Board Of Directors and Top Management
	Implementation of IRB and Management of Risk Going Forward
	Anti-Money Laundering/ Counter Financing Of Terrorism
	Financial Institutions Directors' Education (FIDE) Core Program
	Shell General Business Principles, Anti Bribery and Corruption and Anti Competition Law
	Managing Corporate Reputation in Digital Age
	ICAAP Training For Directors
Lars Erik Tellmann (Appointed on 27.9.11)	Harvard Business School's training program "Making Corporate Boards More Effective program"
	Mandatory Accreditation Programme (Attended in Jan 2012)
	Malaysia's Distinctive Corporate Governance Strategy
Hilde Merete Tonne (Appointed on 22.3.11 and resigned on 27.9.11)	Mandatory Accreditation Programme

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

This Audit Committee Report is made in a accordance with the resolution of the Board of Directors dated 20 March 2012.

Audit 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 internal control.
- The audit process.
- The process for monitoring compliance with laws and regulations and the Group's Code of Conduct.

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

Authority

The Audit Committee shall have unrestricted access to external auditors, Assurance and employees of the Group 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, compensate, and oversee the work of any registered public accounting firm employed by the Group.
- 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 Audit Committee shall be appointed by the Board from amongst the Directors and shall consist of not less than three members. All members shall be non-executive directors, a majority of whom shall be Independent Directors. All members shall be financially literate and at least one member must be a member of the Malaysian Institute of Accountants or possess such other qualifications and experience as approved by Bursa Malaysia Securities Berhad.

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

Chairman

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

Secretary

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

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 Audit Committee shall meet with the external auditors without the presence of management at least twice a year. By request of the Audit Committee, the Head of Assurance and/or his team members, if required, shall meet with the Committee without the presence of management. The Audit Committee may regulate its own

Audit Committee
Terms of Reference

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 Audit Committee shall undertake the following responsibilities:

Financial Reporting

- Review the quarterly results, year-end financial statements and any formal announcements relating to the Group's financial performance prior to the approval by the Board, focusing on:
  - Going concern assumption.
  - Compliance with accounting standards and regulatory requirements.
  - Any changes in accounting policies and practices.
  - Significant issues arising from the audit.
  - Major judgmental areas.
- Review any related party transactions and conflict of interest situations that may arise within the Group, 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).

Internal Control

- Review the adequacy and effectiveness of risk management, internal control and governance systems put in place in the Group, including information technology security and control, and to evaluate the systems with the external auditors.

The Audit Process

(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.
- 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.
- At least once per year, review the performance of the Head of Assurance and concur with the annual compensation and salary adjustment.

(ii) External Audit

- Review the external auditors' proposed audit scope and approach, including coordination of audit effort with Assurance.
- Review the performance of the external auditors.
- Consider and recommend the appointment, re-appointment, resignation, dismissal and compensation 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, taking into account relevant ethical guidance regarding the provision of non-audit services by the external audit firm; and to report to the board, identifying any matters in respect of which it considers that action or improvement is needed and making recommendations as to the steps to be taken.

Audit Committee Terms of Reference

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 Main Market Bursa Malaysia Securities Berhad ('Bursa Securities') Listing Requirements, where the Audit Committee is of the view that a matter reported by it to the Board has not been satisfactorily resolved resulting in a breach of the Bursa Securities Listing Requirements, the Committee must promptly report such matter to Bursa Securities.

- Prepare the Audit Committee 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 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 2011 is RM78,000.

2. Share Buy-Back

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

3. Depository Receipt Programme

The Company did not sponsor any depository receipt programme during the financial year.

4. Imposition Of Sanctions/Penalties

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

5. Options, Warrants Or Convertible Securities

The Company did not issue any options, warrants or convertible securities during the financial year ended 31 December 2011.

6. Variation In Results

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

7. Profit Guarantee

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

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

There were no material contracts (not being contracts entered into in the ordinary course of business) entered into by the Company and/or its subsidiaries involving directors and major shareholders' interests either subsisting as at 31 December 2011 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 12 May 2011, the Company obtained a shareholders' mandate to allow the Group to enter into recurrent related party transactions of a revenue or trading nature.

The disclosure of the recurrent related party transactions conducted during the financial year ended 31 December 2011 is set out on page130 of the Annual Report.

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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 2011.

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	1,254,384	1,698,770
Attributable to:		
Owners of the parent	1,254,384	1,698,770

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 2010:	
- Fourth interim tax exempt (single-tier) dividend of 43.0 sen per ordinary share, declared on 28 January 2011 and paid on 11 March 2011	334,325
In respect of the financial year ended 31 December 2011:	
- First interim tax exempt (single-tier) dividend of 43.0 sen per ordinary share, declared on 29 April 2011 and paid on 9 June 2011	334,325
- Second interim tax exempt (single-tier) dividend of 30.0 sen per ordinary share, declared on 20 July 2011 and paid on 7 September 2011	233,250
- Third interim tax exempt (single-tier) dividend of 37.0 sen per ordinary share, declared on 24 October 2011 and paid on 8 December 2011	287,675

Dividends (cont'd.)

The Board of Directors had on 19 January 2012, declared a fourth interim tax exempt (single-tier) dividend of 6.5[1] sen per ordinary share in respect of the financial year ended 31 December 2011. 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 2012.

Note: [1] On 24 November 2011, every exisiting ordinary share of the Company of RM0.10 each was sub-divided into ten ordinary shares of RM0.01 each.

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	
Tan Sri Leo Moggie	
Dato' Ab. Halim bin Mohyiddin	
Hakon Bruaset Kjol	
Dato' Saw Choo Boon	
Lars Erik Tellmann	(Appointed as Director on 27 September 2011)
Morten Tengs	(Appointed as Director and Alternate Director to Sigve Brekke on 16 December 2011)
Hilde Merete Tonne	(Resigned as Director on 27 September 2011)
Jan Edvard Thygesen	(Resigned as Director and Alternate Director to Sigve Brekke on 16 December 2011)

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' 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 2011/ date of appointment	Acquired	Sold	31 December 2011
Ultimate holding company				
Telenor ASA				
Direct Interest:				
- Sigve Brekke	46,461	16,363	–	62,824
- Hakon Bruaset Kjol	1,814	–	–	1,814
- Lars Erik Tellmann	3,897	–	–	3,897
- Morten Tengs	5,021	–	–	5,021

	Number of options over ordinary shares of NOK6 each			
	1 January 2011	Granted	Exercised	31 December 2011
Ultimate holding company				
Telenor ASA				
Direct Interest:				
- Sigve Brekke	40,000	–	–	40,000
- 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, other than the sub-division of ordinary shares from every one existing ordinary share of RM0.10 each into ten ordinary shares of RM0.01 each in the Company on 24 November 2011. As at the reporting date, the issued and paid up share capital of the Company remains at RM77.8 million comprising 7,775,000,000 ordinary shares of RM0.01 each.

Issue of debentures

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

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 occuring after the reporting date are disclosed in Note 32 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 20 March 2012.

Dato' Ab. Halim bin Mohyiddin
Director

Sigve Brekke
Director

Statement by Directors

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

We, Dato' Ab. Halim bin Mohyiddin 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 125 are drawn-up in accordance with the provisions of the Companies Act, 1965 and applicable Financial Reporting Standards in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2011 and of their financial performance and cash flows for the year then-ended.

The information set out in Note 34 to the financial statements on page 126 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 20 March 2012.

Dato' Ab. Halim bin Mohyiddin
Director

Sigve Brekke
Director

Statutory Declaration

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

I, Terje Borge, 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 126 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 Terje Borge at
Kuala Lumpur in Wilayah Persekutuan
on 20 March 2012

Terje Borge

Before me,

Independent Auditors' Report

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

Report on the financial statements

We have audited the financial statements of DiGi.Com Berhad, which comprise the statements of financial position as at 31 December 2011 of the Group and of the Company, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 78 to 125.

Directors' responsibility for the financial statements

The directors of the Company are responsible for the preparation of financial statements that give a true and fair view in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia, and for such internal control as the directors determine are 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 whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2011 and of their financial performance and cash flows for the year then ended.

Independent Auditors' Report

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 matters

The supplementary information set out in Note 34 to the financial statements on page 126 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad. 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.

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

Nik Rahmat Kamarulzaman bin Nik Ab. Rahman
No. 1759/02/14(J)
Chartered Accountant

Kuala Lumpur, Malaysia
20 March 2012

Statements of Comprehensive Income

For the year ended 31 December 2011

	Note	Group 2011 RM'000	Group 2010 RM'000	Company 2011 RM'000	Company 2010 RM'000
Revenue	5	5,963,954	5,406,457	1,698,763	1,353,000
Other income		21,302	32,586	786	693
Cost of materials and traffic expenses		(1,574,277)	(1,404,195)	–	–
Sales and marketing expenses		(530,614)	(512,456)	–	–
Operations and maintenance expenses		(80,747)	(103,108)	–	–
Rental expenses		(209,387)	(218,366)	–	–
Staff expenses		(256,190)	(273,866)	–	–
Depreciation expenses		(1,011,854)	(618,604)	–	–
Amortisation expenses		(155,715)	(154,759)	–	–
Other expenses		(569,129)	(525,584)	(825)	(704)
Finance costs	6	(66,125)	(51,665)	–	–
Interest income		29,044	20,808	76	105
Profit before tax	7	1,560,262	1,597,248	1,698,800	1,353,094
Taxation	8	(305,878)	(419,244)	(30)	(41)
Profit for the year, representing total comprehensive income for the year		1,254,384	1,178,004	1,698,770	1,353,053
Attributable to:					
Owners of the parent		1,254,384	1,178,004	1,698,770	1,353,053

	Note	Group 2011	Group 2010 (Restated)
Earnings per share attributable to owners of the parent (sen per share)[1]	9	16.1	15.2

Note: [1] On 24 November 2011, every exisiting ordinary share of the Company of RM0.10 each was sub-divided into ten ordinary shares of RM0.01 each.

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

Statements of Financial Position

As at 31 December 2011

	Note	Group 2011 RM'000	Group 2010 RM'000	Company 2011 RM'000	Company 2010 RM'000
Non-current assets					
Property, plant and equipment	11	2,508,633	2,959,894	–	–
Intangible assets	12	731,881	845,957	–	–
Investments in subsidiaries	13	–	–	772,751	772,751
		3,240,514	3,805,851	772,751	772,751
Current assets					
Inventories	14	67,797	43,099	–	–
Trade and other receivables	15	456,865	437,099	75	75
Investment securities	16	–	–	509,001	–
Cash and cash equivalents	17	1,098,170	850,584	638	369
		1,622,832	1,330,782	509,714	444
TOTAL ASSETS		4,863,346	5,136,633	1,282,465	773,195
Non-current liabilities					
Loans and borrowings	18	578,031	1,076,863	–	–
Deferred tax liabilities	19	262,341	424,491	–	–
Provision for liabilities	20	18,286	17,068	–	–
		858,658	1,518,422	–	–
Current liabilities					
Trade and other payables	21	1,916,922	1,838,378	484	409
Derivative financial instruments	22	17	1,345	–	–
Provision for liabilities	20	46,036	42,217	–	–
Deferred revenue		410,977	343,187	–	–
Loans and borrowings	18	149,978	–	–	–
Taxation		69,327	46,462	–	–
		2,593,257	2,271,589	484	409
Total liabilities		3,451,915	3,790,011	484	409
Equity					
Share capital	23	77,750	77,750	77,750	77,750
Reserves		1,333,681	1,268,872	1,204,231	695,036
Total equity - attributable to owners of the parent		1,411,431	1,346,622	1,281,981	772,786
TOTAL EQUITY AND LIABILITIES		4,863,346	5,136,633	1,282,465	773,195

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

Statements of Changes in Equity

For the year ended 31 December 2011

	Note	Share capital RM'000	Share premium RM'000	Retained earnings RM'000	Total RM'000
Group					
At 1 January 2010		77,750	691,905	751,813	1,521,468
Total comprehensive income		–	–	1,178,004	1,178,004
Transaction with owners:					
Dividends on ordinary shares	10	–	–	(1,352,850)	(1,352,850)
At 31 December 2010		77,750	691,905	576,967	1,346,622
Total comprehensive income		–	–	1,254,384	1,254,384
Transaction with owners:					
Dividends on ordinary shares	10	–	–	(1,189,575)	(1,189,575)
At 31 December 2011		77,750	691,905	641,776	1,411,431

		Attributable to owners of the parent			
			Non-Distributable	Distributable	
	Note	Share capital RM'000	Share premium RM'000	Retained earnings RM'000	Total RM'000
Company					
At 1 January 2010		77,750	691,905	2,928	772,583
Total comprehensive income		–	–	1,353,053	1,353,053
Transaction with owners:					
Dividends on ordinary shares	10	–	–	(1,352,850)	(1,352,850)
At 31 December 2010		77,750	691,905	3,131	772,786
Total comprehensive income		–	–	1,698,770	1,698,770
Transaction with owners:					
Dividends on ordinary shares	10	–	–	(1,189,575)	(1,189,575)
At 31 December 2011		77,750	691,905	512,326	1,281,981

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

Statements of Cash Flows

For the year ended 31 December 2011

	Note	Group 2011 RM'000	Group 2010 RM'000	Company 2011 RM'000	Company 2010 RM'000
Cash flows from operating activities					
Profit before tax		1,560,262	1,597,248	1,698,800	1,353,094
Adjustments for:					
Amortisation of intangible assets	12	155,715	154,759	–	–
Allowance for impairment on trade receivables	15	44,559	58,893	–	–
Inventories written-down		2,714	1,754	–	–
Dividend income		–	–	(1,698,763)	(1,353,000)
Depreciation of property, plant and equipment	11	1,011,854	618,604	–	–
Dividend income on available-for-sale financial asset		–	(142)	–	–
Finance costs	6	66,125	51,665	–	–
Fair value loss on available-for-sale financial asset		–	7	–	–
Loss on disposal of property, plant and equipment		4,697	290	–	–
Interest income		(29,044)	(20,808)	(76)	(105)
Property, plant and equipment written-off		434	–	–	–
Intangible assets written-off		611	–	–	–
Provision for liabilities		199,255	191,100	–	–
Share-based payment		999	2,033	–	–
Fair value (gain)/loss on derivative financial instruments		(1,328)	1,205	–	–
Unrealised foreign exchange loss/(gain)		7,071	(696)	–	–
Operating profit/(loss) before working capital changes		3,023,924	2,655,912	(39)	(11)
Increase in inventories		(27,412)	(31,792)	–	–
Increase in trade and other receivables		(93,698)	(76,712)	–	(11)
Increase in trade and other payables		75,664	406,920	75	104
Decrease in amount due to a subsidiary		–	–	–	(41)
Increase in deferred revenue		67,790	70,202	–	–
Cash generated from operations		3,046,268	3,024,530	36	41
Interest paid		(68,936)	(47,049)	–	–
Proceeds from government grants		30,901	742	–	–
Payments for provisions		(195,714)	(225,791)	–	–
Taxes paid		(445,133)	(442,660)	(30)	(41)
Net cash generated from operating activities		2,367,386	2,309,772	6	–

Statements of Cash Flows

For the year ended 31 December 2011

	Note	Group 2011 RM'000	Group 2010 RM'000	Company 2011 RM'000	Company 2010 RM'000
Cash flows from investing activities					
Purchase of property, plant and equipment and intangible assets		(603,871)	(642,266)	–	–
Dividends received from a subsidiary		–	–	1,189,762	1,353,000
Proceeds from disposal of available-for-sale financial asset		–	10,649	–	–
Interest received		28,694	19,462	76	105
Proceeds from disposal of property, plant and equipment		1,239	319	–	–
Net cash (used in)/generated from investing activities		(573,938)	(611,836)	1,189,838	1,353,105
Cash flows from financing activities					
Repayment of loan and borrowings	18	(550,000)	(150,000)	–	–
Repayment of obligations under finance lease		(6,287)	(24,687)	–	–
Draw-down of loan	18	200,000	250,000	–	–
Dividends paid	10	(1,189,575)	(1,352,850)	(1,189,575)	(1,352,850)
Net cash used in financing activities		(1,545,862)	(1,277,537)	(1,189,575)	(1,352,850)
Net increase in cash and cash equivalents		247,586	420,399	269	255
Cash and cash equivalents at beginning of year		850,584	430,185	369	114
Cash and cash equivalents at end of year	17	1,098,170	850,584	638	369

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

Notes to the Financial Statements

31 December 2011

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

The 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 Financial Reporting Standards ("FRSs") and the Companies Act, 1965 in Malaysia. At the beginning of the current financial year, the Group and the Company adopted new and revised FRSs which are mandatory for the financial periods beginning on or after 1 January 2011 as described fully in Note 3.

The financial statements 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 all its subsidiaries at the reporting date.

Subsidiaries are consolidated using the purchase method of accounting. Under the purchase method of accounting, the results of subsidiaries acquired or disposed of during the financial year are included in profit and loss from the effective date of acquisition or up to the effective date of disposal, as appropriate. The subsidiaries' identifiable assets acquired, and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the date of acquisition. Adjustments to those fair values relating to previously held interests are treated as a revaluation and recognised in other comprehensive income.

2. Significant Accounting Policies (cont'd.)

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

The cost of a business combination is measured as the aggregate of the fair values, at the date of exchange, of the assets given, liabilities incurred or assumed, and equity instruments issued, plus any costs directly attributable to the business combination. Any excess of the cost of business combination over the Group's share in the net fair values of the identifiable assets, liabilities and contingent liabilities of the acquired subsidiary is recorded as goodwill on the consolidated statement of financial position. Any excess of the Group's share in the net fair values of the identifiable assets, liabilities and contingent liabilities of the acquired subsidiary over the cost of business combination is recognised as income in profit and loss on the date of acquisition.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

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

(c) Investments in subsidiaries

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

The Company's investments in subsidiaries are held for long-term purposes, and are accounted for at cost less accumulated impairment losses, if any, in the Company's separate financial statements. On the disposal of such investments, any gain or loss arising from the difference between net disposal proceeds and their carrying amounts is included in profit and 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. Freehold land and buildings are stated at cost.

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 intended use. Depreciation of other property, plant and equipment is computed on a straight-line basis to write-off the cost of each asset to its residual value over the estimated useful life, at the following annual rates or periods:

Freehold buildings	2.0%
Leasehold 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.

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.

2. Significant Accounting Policies (cont'd.)

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

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.

(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 classifies its financial assets in the following categories - at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. Management determines the classification of its financial assets at initial recognition.

2. Significant Accounting Policies (cont'd.)

(h) Financial assets (cont'd.)

(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.

(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.

(iii) Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held-to-maturity when the Group has the positive intention and ability to hold it to maturity.

Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method. This method uses an effective interest rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset. Gains and losses are recognised in profit and loss when the investments are derecognised or impaired, as well as through the amortisation process.

(iv) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the three preceding categories.

Subsequent to initial recognition, available-for-sale financial assets are measured at fair value with unrealised gains or losses recognised in other comprehensive income, except impairment losses, if any, interest as calculated using the effective interest method, and dividends as recognised when the Group's right to receive payment is established; all of which are recognised in profit or loss.

2. Significant Accounting Policies (cont'd.)

(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.

(i) 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.

(ii) Available-for-sale financial assets

Significant or pro-longed decline in fair value below cost represents one of the considerations to determine whether there is objective evidence that investment securities classified as available-for-sale financial assets are impaired.

If an available-for-sale financial asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss, is transferred from equity to profit or loss.

(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.

2. Significant Accounting Policies (cont'd.)

(j) Provision for liabilities (cont'd.)

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' entitlements 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.

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.

2. Significant Accounting Policies (cont'd.)

(k) Financial liabilities (cont'd.)

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.

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.

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 55 years. The Group's obligations under the retirement benefit scheme, calculated using the Projected Unit Credit Method, is determined based on actuarial computations by independent actuaries, through which the amount of benefit that employees have earned in return for their service in the current and prior years is estimated. That benefit is discounted in order to determine its present value. Actuarial gains and losses are recognised 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.

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 purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, and deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, 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 recognised when it is probable that the economic benefits associated with the transaction will flow to the Group and the amount of the revenue can be measured reliably. The following specific recognition criteria must also be met before revenue is recognised:

(i) Telecommunications 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.

2. Significant Accounting Policies (cont'd.)

(q) Revenue recognition (cont'd.)

(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.

(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.

3. Changes in Accounting Policies and Effects Arising from Adoption of New and Revised FRSs

The accounting policies adopted by the Group and by the Company are consistent with those adopted in the previous year's financial statements, except as follows:

On 1 January 2011, the Group and the Company adopted the following new and amended FRSs and IC Interpretations ("IC Int.") mandatory for annual financial periods beginning on or after 1 January 2011.

		Effective for annual periods beginning on or after
Amendments to FRS 132	Classification of Rights Issues	1 March 2010
FRS 3	Business Combinations (revised)	1 July 2010
Amendments to FRS 2	Share-based Payment	1 July 2010
Amendments to FRS 5	Non-current Assets Held for Sale and Discontinued Operations	1 July 2010
Amendments to FRS 127	Consolidated and Separate Financial Statements	1 July 2010
Amendments to FRS 138	Intangible Assets	1 July 2010
IC Int. 17	Distributions of Non-Cash Assets to Owners	1 July 2010
Amendments to IC Int.9	Reassessment of Embedded Derivatives	1 July 2010
Amendments to FRS 1	Limited Exemption from Comparative FRS 7 Disclosure for First-time Adopters	1 January 2011
Amendments to FRS 7	Improving Disclosures about Financial Instruments	1 January 2011
Amendments to FRSs	Improvements to FRSs issued in 2010	1 January 2011
IC Int. 4	Determining Whether an Arrangement contains a Lease	1 January 2011
Amendments to IC Int.13	Customer Loyalty Programmes	1 January 2011

The adoption of the above FRSs and IC Int. did not have any significant effects on the financial performance and financial position of the Group and of the Company.

3. Changes in Accounting Policies and Effects Arising from Adoption of New and Revised FRSs (cont'd.)

Malaysian Financial Reporting Standards

On 19 November 2011, the Malaysian Acccounting Standards Board ("MASB") issued a new MASB approved acounting framework - the Malaysian Financial Reporting Standards ("MFRS Framework").

The MFRS Framework is to be applied by all Entities Other Than Private Entities for annual periods beginning on or after 1 January 2012, with the exception of entities that are within the scope of MFRS 141 Agriculture and IC Int. 15 Agreements for Construction of Real Estate, including its parent, significant investor and venturer.

The Group will be required to prepare financial statements using the MFRS Framework in its first MFRS financial statements for the year ending 31 December 2012. In presenting its first MFRS financial statements, the Group will be required to restate the comparative financial statements to amounts reflecting the application of MFRS Framework. Majority of the adjustments required on transition will be made restrospectively against opening retained earnings.

The Group has estalished a project team to plan and manage the adoption of the MFRS Framework.

The Group has not completed its assessment of the financial effects of the differences between FRSs and accounting standards under the MFRS Framework. Accordingly, the consolidated financial performance and financial position as disclosed in these financial statements for the year ended 31 December 2011 could be different if prepared under the MFRS Framework.

The Group considers that it is achieving its scheduled milestones and expects to be in a position to fully-comply with the requirements of the MFRS Framework for financial year ending 31 December 2012.

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 4.2% (2010: 2.8%) variance in Group's profit for the year.

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

(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.

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

(c) 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% (2010: 0.1%) increase or 0.2% (2010: 0.4%) 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	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Telecommunications revenue	5,963,954	5,406,457	–	–
Dividend income	–	–	1,698,763	1,353,000
	5,963,954	5,406,457	1,698,763	1,353,000

6. Finance Costs

	Group 2011 RM'000	Group 2010 RM'000
Interest expense on:		
- Loans and borrowings	58,202	50,543
- Obligations under finance lease	5,025	2,835
- Others	2,898	(1,713)
	66,125	51,665

7. Profit Before Tax

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

	Group		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Allowance for impairment on trade receivables (Note 15)	44,559	58,893	–	–
Auditors' remuneration:				
- statutory audit	297	282	27	25
- other services	78	64	8	8
Non-Executive Directors' emoluments	427	287	43	29
Employee benefits:				
- defined contribution plan	21,160	20,947	–	–
- defined benefit plan (Note 20)	133	123	–	–
- share-based payment	999	2,033	–	–
Lease of transmission facilities	100,827	87,946	–	–
Provision for:				
- customer loyalty programme (Note 20)	198,784	196,383	–	–
- employee leave entitlements (Note 20)	338	222	–	–
- site decommissioning and restoration costs (Note 20)	595	574	–	–
Inventories written-down	2,714	1,754	–	–
Rental of equipment	2,599	2,921	–	–
Rental of land and buildings	195,352	199,188	–	–
Realised foreign exchange gain	(13,490)	(9,421)	–	–
Unrealised foreign exchange loss/(gain)	7,071	(696)	–	–

7. Profit Before Tax (cont'd.)

Profit before tax is derived after deducting/(crediting) (cont'd.):

	Group		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Fair value (gain)/loss on derivative financial instruments	(1,328)	1,205	–	–
Amortisation of intangible assets	155,715	154,759	–	–
Depreciation of property, plant and equipment	1,011,854	618,604	–	–
Property, plant and equipment written-off	434	–	–	–
Intangible asset written-off	611	–	–	–
Fair value loss on available-for-sale financial asset	–	7	–	–
Loss on disposal of property, plant and equipment	4,697	290	–	–
Dividend income from:				
- a subsidiary	–	–	(1,698,763)	(1,353,000)
- available-for-sale financial asset	–	(142)	–	–
Bad debts recovered	(9,697)	(4,877)	–	–

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

	Number of Directors	
	2011	2010
Non-Executive Directors:		
- RM100,000 - RM150,000	3	2

8. Taxation

	Group 2011 RM'000	Group 2010 RM'000	Company 2011 RM'000	Company 2010 RM'000
Income tax:				
- Current tax expense	560,189	387,466	30	41
- Overaccrual in prior years	(92,161)	(1,250)	–	–
	468,028	386,216	30	41
Deferred taxation (Note 19):				
- Relating to origination and reversal of temporary differences	(211,667)	13,226	–	–
- Underaccrual in prior years	49,517	19,802	–	–
	(162,150)	33,028	–	–
	305,878	419,244	30	41

Current tax is calculated at the Malaysian statutory tax rate of 25% (2010: 25%) of the estimated taxable profit for the year.

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:

	2011 %	2011 RM'000	2010 %	2010 RM'000
Group				
Profit before tax		1,560,262		1,597,248
Taxation at Malaysian statutory tax rate	25.0	390,065	25.0	399,312
Effect of expenses not deductible	1.5	23,200	0.1	1,380
Utilisation of tax incentives	(4.2)	(64,743)	–	–
Underaccrual of deferred tax in prior years	3.2	49,517	1.2	19,802
Overaccrual of income tax expense in prior years	(5.9)	(92,161)	(0.1)	(1,250)
Effective tax rate/income tax for the year	19.6	305,878	26.2	419,244

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 (cont'd.):

	2011		2010	
	%	RM'000	%	RM'000
Company				
Profit before tax		1,698,800		1,353,094
Taxation at Malaysian statutory tax rate	25.0	424,700	25.0	338,274
Effect of expenses not deductible	0.0	21	0.0	17
Income not subjected to tax	(25.0)	(424,691)	(25.0)	(338,250)
Effective tax rate/income tax for the year	0.0	30	0.0	41

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	
	2011	2010 (Restated)
Profit attributable to owners of the parent (RM'000)	1,254,384	1,178,004
Weighted average number of ordinary shares in issue ('000) [1]	7,775,000	7,775,000
Basic earnings per share (sen)	16.1	15.2

Note: [1] On 24 November 2011, every exisiting ordinary share of the Company of RM0.10 each was sub-divided into ten ordinary shares of RM0.01 each.

10. Dividends

	Group/Company 2011 RM'000	2010 RM'000
Recognised during the financial year:		
Dividends on ordinary shares:		
- Fourth interim tax exempt (single-tier) dividend (2010: 43.0 sen)	334,325	–
- First interim tax exempt (single-tier) dividend (2011: 43.0 sen; 2010: 35.0 sen)	334,325	272,125
- Second interim tax exempt (single-tier) dividend (2011: 30.0 sen; 2010: 35.0 sen and 54.0 sen)	233,250	691,975
- Third interim tax exempt (single-tier) dividend (2011: 37.0 sen; 2010: 50.0 sen)	287,675	388,750
	1,189,575	1,352,850
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 (2011: 6.5 sen[1]; 2010: 43.0 sen)	505,375	334,325

The Board of Directors had on 19 January 2012, declared a fourth interim tax exempt (single-tier) dividend of 6.5 sen[1] per ordinary share in respect of the financial year ended 31 December 2011. 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 2012.

Note: [1] On 24 November 2011, every existing ordinary share of the Company of RM0.10 each was sub-divided into ten ordinary shares of RM0.01 each.

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-communications network RM'000	Capital work-in-progress RM'000	Total RM'000
Cost												
At 1 January 2011	29,638	7,502	7,578	145,993	7,365	6,866	24,205	336,794	121,632	6,855,772	153,346	7,696,691
Additions	–	–	–	–	–	–	–	–	247	43,694	523,022	566,963
Reclassification to intangible assets	–	–	–	–	–	–	–	(382)	–	–	–	(382)
Disposals	–	–	–	–	–	–	(1,911)	–	–	(9,683)	(945)	(12,539)
Write-offs	–	–	–	–	–	–	–	–	(9)	(955)	–	(964)
Transfers	–	–	–	–	–	–	2,997	9,498	8,871	362,000	(383,366)	–
At 31 December 2011	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
Accumulated Depreciation and Impairment Losses												
At 1 January 2011:												
Accumulated depreciation	–	1,077	2,172	7,322	328	2,357	18,935	234,368	89,740	4,366,629	–	4,722,928
Accumulated impairment losses	–	–	–	–	–	–	–	–	398	13,471	–	13,869
	–	1,077	2,172	7,322	328	2,357	18,935	234,368	90,138	4,380,100	–	4,736,797
Depreciation expenses for the year	–	76	147	2,872	80	153	890	26,305	12,778	968,553	–	1,011,854
Reclassification to intangible assets	–	–	–	–	–	–	–	(382)	–	–	–	(382)
Disposals	–	–	–	–	–	–	(1,387)	–	–	(5,216)	–	(6,603)
Write-offs	–	–	–	–	–	–	–	–	(7)	(523)	–	(530)
At 31 December 2011	–	1,153	2,319	10,194	408	2,510	18,438	260,291	102,909	5,342,914	–	5,741,136
Analysed as:												
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
Carrying Amount												
At 31 December 2011	29,638	6,349	5,259	135,799	6,957	4,356	6,853	85,619	27,832	1,907,914	292,057	2,508,633

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-communications network RM'000	Capital work-in-progress RM'000	Total RM'000
Cost												
At 1 January 2010:												
- As previously stated	29,638	–	–	69,993	6,641	6,866	25,361	305,782	116,451	6,325,467	135,411	7,021,610
- Effects of adopting the amendments to FRS 117	–	7,502	7,578	–	–	–	–	–	–	–	–	15,080
- As restated	29,638	7,502	7,578	69,993	6,641	6,866	25,361	305,782	116,451	6,325,467	135,411	7,036,690
Additions	–	–	–	–	–	–	–	–	–	101,868	569,065	670,933
Disposals	–	–	–	–	–	–	(1,156)	–	(119)	(9,657)	–	(10,932)
Transfers	–	–	–	76,000	724	–	–	31,012	5,300	438,094	(551,130)	–
At 31 December 2010	29,638	7,502	7,578	145,993	7,365	6,866	24,205	336,794	121,632	6,855,772	153,346	7,696,691
Accumulated Depreciation and Impairment Losses												
At 1 January 2010:												
Accumulated depreciation:												
- As previously stated	–	–	–	5,337	249	2,204	19,310	194,082	76,551	3,813,888	–	4,111,621
- Effects of adopting the amendments to FRS 117	–	1,001	2,025	–	–	–	–	–	–	–	–	3,026
- As restated	–	1,001	2,025	5,337	249	2,204	19,310	194,082	76,551	3,813,888	–	4,114,647
Accumulated impairment losses	–	–	–	–	–	–	–	–	398	13,471	–	13,869
	–	1,001	2,025	5,337	249	2,204	19,310	194,082	76,949	3,827,359	–	4,128,516
Depreciation expenses for the year	–	76	147	1,985	79	153	501	40,286	13,300	562,077	–	618,604
Disposals	–	–	–	–	–	–	(876)	–	(111)	(9,336)	–	(10,323)
At 31 December 2010	–	1,077	2,172	7,322	328	2,357	18,935	234,368	90,138	4,380,100	–	4,736,797

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-communications network RM'000	Capital work-in-progress RM'000	Total RM'000
Accumulated Depreciation and Impairment Losses (cont'd.)												
Analysed as:												
Accumulated depreciation	–	1,077	2,172	7,322	328	2,357	18,935	234,368	89,740	4,366,629	–	4,722,928
Accumulated impairment losses	–	–	–	–	–	–	–	–	398	13,471	–	13,869
	–	1,077	2,172	7,322	328	2,357	18,935	234,368	90,138	4,380,100	–	4,736,797
Carrying Amount												
At 31 December 2010	29,638	6,425	5,406	138,671	7,037	4,509	5,270	102,426	31,494	2,475,672	153,346	2,959,894

(a) The Group acquired property, plant and equipment with an aggregate cost of RM567.0 million (2010: RM670.9 million) of which RM4.4 million (2010: RM78.6 million) were acquired by means of finance lease. Also included in additions for the year was an amount of RM901,000 (2010: RM628,000) relating to the provision for site decommissioning and restoration costs.

(b) During the financial year, the Group had revised the useful lives of certain telecommunications network equipment as part of the network modernisation exercise which commenced during the financial year. The revision was accounted for prospectively beginning from the date of approval by the Board of Directors, as a change in accounting estimate and had resulted in a total accelerated depreciation charge of RM420.6 million for the current financial year.

(c) Government grants of RM12.8 million (2010: RM18.6 million) relating to assets, were deducted before arriving at the carrying amount of property, plant and equipment as at 31 December 2011.

12. Intangible Assets

Group	3G spectrum RM'000	Computer software RM'000	Licenses RM'000	Total RM'000
Cost				
At 1 January 2011	695,066	751,012	1,300	1,447,378
Additions	–	42,250	–	42,250
Reclassification from property, plant and equipment	–	382	–	382
Write-off	–	(704)	–	(704)
At 31 December 2011	695,066	792,940	1,300	1,489,306
Accumulated Amortisation				
At 1 January 2011	145,332	454,789	1,300	601,421
Amortisation expenses for the year	75,825	79,890	–	155,715
Reclassification from property, plant and equipment	–	382	–	382
Write-off	–	(93)	–	(93)
At 31 December 2011	221,157	534,968	1,300	757,425
Carrying Amount				
At 31 December 2011	473,909	257,972	–	731,881
Cost				
At 1 January 2010	695,066	700,470	1,300	1,396,836
Additions	–	50,542	–	50,542
At 31 December 2010	695,066	751,012	1,300	1,447,378
Accumulated Amortisation				
At 1 January 2010	69,507	375,855	1,300	446,662
Amortisation expenses for the year	75,825	78,934	–	154,759
At 31 December 2010	145,332	454,789	1,300	601,421
Carrying Amount				
At 31 December 2010	549,734	296,223	–	845,957

13. Investments in Subsidiaries

	Company 2011 RM'000	Company 2010 RM'000
Unquoted shares at cost	772,751	772,751

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

Name of company	Equity interest held (%) 2011	Equity interest held (%) 2010	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 2011 RM'000	Group 2010 RM'000
Merchandise		
- At cost	64,006	41,571
- At net realisable value	3,791	1,528
	67,797	43,099

During the financial year, the amount of inventories recognised as an expense in cost of services of the Group was RM355.4 million (2010: RM217.7 million).

15. Trade and Other Receivables

	Group		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Trade receivables	270,983	245,354	–	–
Other receivables	24,143	52,823	70	70
Deposits	53,987	52,536	5	5
Prepayments	122,012	88,997	–	–
	471,125	439,710	75	75
Allowance for impairment on trade receivables	(14,260)	(2,611)	–	–
	456,865	437,099	75	75

The Group's trade receivables are non-interest bearing, and are subject to normal trade credit terms ranging from 30 to 45 days (2010: 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	
	2011 RM'000	2010 RM'000
Trade receivables:		
- Neither past due nor impaired	178,570	188,214
- One to 30 days past due not impaired	44,813	28,956
- 31 to 60 days past due not impaired	10,706	7,864
- 61 to 90 days past due not impaired	3,143	1,430
- 91 to 180 days past due not impaired	10,557	1,449
- More than 181 days past due not impaired	8,934	14,830
	256,723	242,743

Trade receivables that are neither past due nor impaired, representing 70% (2010: 78%) of the Group's total net trade receivables, are credit-worthy 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, 30% (2010: 22%) 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.

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 2010	–	31,305	31,305
Charge for the year/(reversal of impairment) (Note 7)	63,020	(4,127)	58,893
Write-offs	(63,020)	(24,567)	(87,587)
At 31 December 2010	–	2,611	2,611
Charge for the year (Note 7)	32,910	11,649	44,559
Write-offs	(32,910)	–	(32,910)
At 31 December 2011	–	14,260	14,260

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 2011, the Group's trade receivables balance included exposure to foreign currency denominated in United States Dollar ("USD") and Special Drawing Rights ("SDR") amounting to RM11.7 million (2010: RM13.8 million) and RM15.7 million (2010: RM27.1 million) respectively.

16. Investment Securities

	Group		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Loan and receivable				
100,000 redeemable preference shares ("RPS") of RM5,090.01 each	–	–	509,001	–

During the financial year, DTSB had issued 100,000 RPS to the Company at a par value of RM0.01 each. The RPS had subsequently been fully-redeemed by DTSB at a redemption price of RM5,090.01 each on 7 March 2012, as disclosed in Note 32.

17. Cash and Cash Equivalents

	Group		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Cash and bank balances	33,529	99,797	638	369
Money-on-call with licensed banks	–	341,491	–	–
Deposits with licensed banks	1,064,641	409,296	–	–
	1,098,170	850,584	638	369

Cash and cash equivalents include cash in hand and at bank, money-on-call, if any, 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 RM12.9 million (2010: RM12.4 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 money-on-call and deposits at the reporting date are as follows:

	Group	
	2011 %	2010 %
Money-on-call with licensed banks	–	3.0
Deposits with licensed banks	3.3	3.0

The deposits of the Group placed with licensed banks will mature within one month (2010: one month) from the end of the reporting date.

18. Loans and Borrowings

	Group	
	2011 RM'000	2010 RM'000
Non-current (unsecured)		
Fixed-rate term loan ("FRTL")	324,074	473,085
Medium-term notes ("MTN I")	–	299,884
MTN II	–	250,000
Finance lease obligation (Note 26(c))	57,073	53,894
Sydincated floating-rate term loan ("SFRTL")	196,884	–
	578,031	1,076,863

18. Loans and Borrowings (cont'd.)

	Group 2011 RM'000	Group 2010 RM'000
Current (unsecured)		
FRTL	149,978	–
Total loans and borrowings	728,009	1,076,863

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

	Group 2011 %	Group 2010 %
FRTL	5.3	5.3
MTN I	–	4.7
MTN II	–	4.5
Finance lease obligation	9.3	9.3
SFRTL	4.4	–

The above loans and borrowings are denominated in RM.

During the financial year, the Group had fully redeemed both MTNs I and II, at a total of RM550.0 million in nominal value, which were oringinally redeemable at RM100.0 million, RM200.0 million and RM250.0 million in July 2012, July 2014 and February 2015 respectively.

FRTL comprises three tranches of RM150.0 million, RM150.0 million and RM175.0 million respectively, repayable on a bullet basis on January 2012, January 2013 and January 2014 respectively.

During the financial year, the Group had drawn-down the SFRTL amounting to RM200.0 million, which is repayable in semi-annual installments commencing from September 2013 up to September 2016.

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

	Group 2011 RM'000	Group 2010 RM'000
Future instalments payable	80,323	81,762
Less: Unexpired finance lease interest	(23,250)	(27,868)
Principal outstanding	57,073	53,894

18. Loans and Borrowings (cont'd.)

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

	Group	
	2011 RM'000	2010 RM'000
Less than one year	149,978	–
Between one and two years	422,196	246,519
Between two and five years	130,736	797,019
More than five years	25,099	33,325
	728,009	1,076,863

19. Deferred Tax Liabilities

	Group	
	2011 RM'000	2010 RM'000
At 1 January	424,491	391,463
Recognised in profit and loss (Note 8)	(162,150)	33,028
At 31December	262,341	424,491
Presented after appropriate off-setting as follows:		
Deferred tax liability	444,425	508,806
Deferred tax assets	(182,084)	(84,315)
	262,341	424,491

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 2011	508,806
Recognised in profit and loss	(64,381)
At 31 December 2011	444,425
At 1 January 2010	496,342
Recognised in profit and loss	12,464
At 31 December 2010	508,806

19. Deferred Tax Liabilities (cont'd.)

Deferred tax assets:

	Deferred revenue RM'000	Others RM'000	Total RM'000
At 1 January 2011	(74,861)	(9,454)	(84,315)
Recognised in profit and loss	(14,777)	(82,992)	(97,769)
At 31 December 2011	(89,638)	(92,446)	(182,084)
At 1 January 2010	(76,285)	(28,594)	(104,879)
Recognised in profit and loss	1,424	19,140	20,564
At 31 December 2010	(74,861)	(9,454)	(84,315)

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

20. Provision for Liabilities

	Site decommissioning and restoration costs RM'000	Defined benefit plan RM'000 (Note 24)	Total RM'000
Group			
Non-current			
At 1 January 2011	15,339	1,729	17,068
Capitalised as property, plant and equipment	901	–	901
Recognised in profit and loss	595	133	728
Paid during the year	–	(411)	(411)
At 31 December 2011	16,835	1,451	18,286
At 1 January 2010	19,765	1,952	21,717
Capitalised as property, plant and equipment	628	–	628
Recognised in profit and loss	574	123	697
Reversal of unused amounts arising from adjustment of discount rate	(5,628)	–	(5,628)
Paid during the year	–	(346)	(346)
At 31 December 2010	15,339	1,729	17,068

20. Provision for Liabilities (cont'd.)

	Customer loyalty programme RM'000	Employee leave entitlement RM'000	Total RM'000
Group			
Current			
At 1 January 2011	35,278	6,939	42,217
Recognised in profit and loss	198,784	338	199,122
Paid during the year	(195,303)	–	(195,303)
At 31 December 2011	38,759	7,277	46,036
At 1 January 2010	64,340	6,717	71,057
Recognised in profit and loss	196,383	222	196,605
Paid during the year	(225,445)	–	(225,445)
At 31 December 2010	35,278	6,939	42,217

21. Trade and Other Payables

	Group		**Company**	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Trade payables	252,520	186,234	–	–
Other payables	153,487	183,093	–	–
Accruals	1,498,734	1,461,297	484	409
Customer deposits	12,181	7,754	–	–
	1,916,922	1,838,378	484	409

The Group's trade and other payables are non-interest bearing, and are subject to normal credit terms ranging from 30 to 60 days (2010: 30 to 60 days).

At 31 December 2011, the Group's trade and other payables balances included exposure to foreign currency denominated in USD and SDR amounting to RM117.2 million (2010: RM106.1 million) and RM4.5 million (2010: RM5.4 million) respectively.

22. Derivative Financial Instruments

	Contract value in foreign currency USD'000	Notional value RM'000	Fair value RM'000	Loss arising from fair value changes RM'000
Non-hedging derivatives				
Current				
Foreign currency forward contracts:				
- 2011	34,089	108,247	108,230	17
- 2010	36,089	112,993	111,648	1,345

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 March 2012.

During the financial year, the Group recognised a loss of RM17,000 (2010: RM1.3 million) 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 29(f)(v).

23. Share Capital

	Group/Company			
	Number of ordinary shares of 1 sen each		Amount	
	2011 '000	2010 '000	2011 RM'000	2010 RM'000
Authorised	10,000,000	10,000,000	1,000,000	1,000,000
Issued and fully paid[1]	7,775,000	777,500	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 residual assets.

Note: [1] On 24 November 2011, every exisiting ordinary share of the Company of RM0.10 each was sub-divided into ten ordinary shares of RM0.01 each.

24. 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.

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

	Group	
	2011 RM'000	2010 RM'000
Present value of unfunded obligations	1,451	2,059
Unrecognised experience loss	–	(330)
Net liability (Note 20)	1,451	1,729

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

	Group	
	2011 RM'000	2010 RM'000
Interest on obligations, representing increase in provision for defined benefit plan	133	123

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

	Group	
	2011 %	2010 %
Rate per annum:		
- Discount rate	6.4	6.4

25. Retained Earnings

The Company may distribute dividends out of its entire retained earnings as at 31 December 2011 and 2010 respectively, under the single-tier system.

26. Commitments

	Group 2011 RM'000	Group 2010 RM'000
(a) Capital commitments		
Capital expenditure in respect of property, plant and equipment and intangible assets:		
- Approved and contracted for	385,000	104,000
- Approved but not contracted for	852,000	986,000
(b) Non-cancellable operating lease commitments		
Future minimum lease payments:		
- Less than one year	143,809	149,884
- Between one and five years	335,669	370,462
- More than five years	108,533	170,969
	588,011	691,315

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 2011 RM'000	Group 2010 RM'000
Minimum lease payments:		
- Between one and two years	18,057	7,169
- Between two and five years	34,088	35,632
- More than five years	28,178	38,961
Total minimum lease payments	80,323	81,762
Less: Amounts representing finance charges	(23,250)	(27,868)
Present value of minimum lease payments	57,073	53,894

26. Commitments (cont'd.)

	Group 2011 RM'000	Group 2010 RM'000
Present value of payments:		
- Between one and two years	7,889	(3,024)
- Between two and five years	24,085	23,593
- More than five years	25,099	33,325
Present value of minimum lease payments	57,073	53,894
Less: Amount due within 12 months	–	–
Amount due after 12 months (Note 18)	57,073	53,894

27. Contingent Liabilities

	Group 2011 RM'000	Group 2010 RM'000
Unsecured		
Guarantees given to third-parties for public infrastructure works	21,964	9,642
Guarantee given to SKMM on the transfer of 3G spectrum	50,000	50,000
	71,964	59,642

28. 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.

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

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

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

	Transactions		Balance due (to)/from at	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
With the ultimate holding company and fellow subsidiary companies				
- *Telenor ASA*			(26,532)	(20,724)
Consultancy services rendered	28,196	26,131		
- *Telenor Consult AS*			(1,761)	(5,080)
Personnel services rendered	21,861	23,546		
- *Telenor Global Services AS*			(2,590)	(1,002)
Sales of interconnection services on international traffic	178	593		
Purchases of interconnection services on international traffic	7,024	6,701		
Purchases of IP transit	724	803		
- *Telenor LDI Communication (Private) Limited*			(59)	75
Sales of interconnection services on international traffic	372	620		
Purchases of interconnection services on international traffic	120	1,278		
- *Total Access Communication Public Company Limited*			2,983	83
Sales of international roaming services	382	349		
Purchases of international roaming services	4,346	3,961		
- *DTAC Network Co. Ltd*			(11)	881
Sales of interconnection services on international traffic	2,494	2,972		
Purchases of interconnection services on international traffic	53	48		
- *Telenor Norge AS*			58	(61)
Sales of international roaming services	468	491		
Purchases of international roaming services	24	39		
Services rendered on application operations and basic operation for data centre	3,659	2,986		
- *Telenor Shared Services Pakistan (Private) Limited*			(455)	(184)
Purchases of customer centre off-shoring services	1,243	136		

28. 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	
	2011 RM'000	2010 RM'000
Short-term employee benefit	15,033	13,576
Post-employment benefits	424	290
Share-based payment	458	229
	15,915	14,095

Included in the compensation of key management personnel of the Group are other emoluments of RM427,000 (2010: RM287,000) paid to three (2010: two) Non-Executive Directors of the Company.

29. Financial Instruments

(a) Financial risk management objectives and policies

In the normal course of conducting its business activities, the Group is exposed to a variety of financial risks, which include credit, currency, liquidity and interest rate 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. Available-for-sale financial assets, money-on-call and 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.

29. 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 17% (2010: 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 March 2012, are disclosed in Note 22. 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 fixed and floating-rate term loan facilities with an aggregate nominal value of up to RM1.2 billion (2010: RM150.0 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.

29. 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 basis points in interest rates applicable for the Group's entire loans and borrowings (excluding finance lease obligation) would result in approximately 0.1% (2010: 0.2%) 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) Investment securities

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

(iii) Trade receivables and payables

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

(iv) 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 due to that 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.

(v) Derivative financial instruments

Derivatives are stated at fair value which is equivalent to the marking of the derivatives to market, using prevailing market rates.

29. 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	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Financial liabilities					
Loans and borrowings:					
- FRTL	18	324,074	473,085	309,170	450,569
- MTN I	18	–	299,884	–	302,234
- MTN II	18	–	250,000	–	257,837
- Finance lease obligation	18	57,073	53,894	68,194	68,194

(g) Carrying amounts

The carrying amounts of financial instruments under each category of FRS139, are as follows:

		Group		Company	
	Note	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Loans and receivables:					
- Trade receivables	15	256,723	242,743	–	–
- Other receivables	15	24,143	52,823	70	70
- Investment securities	16	–	–	509,001	–
- Cash and cash equivalents	17	1,098,170	850,584	638	369
		1,379,036	1,146,150	509,709	439
Other financial liabilities:					
- Loans and borrowings	18	728,009	1,076,863	–	–
- Trade payables	21	252,520	186,234	–	–
- Other payables	21	153,487	183,093	–	–
- Accruals	21	1,498,734	1,461,297	484	409
		2,632,750	2,907,487	484	409
Non-hedging derivative financial liabilities	22	17	1,345	–	–

30. 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 2011.

31. 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.

32. Event Occurring After the Reporting Date

Subsequent to the reporting date, the RPS as disclosed in Note 16, was fully-redeemed by DTSB at a redemption price of RM5,090.01 each, for a total redemption amount of RM509.0 million on 7 March 2012.

33. Authorisation of Financial Statements for Issue

The financial statements for the year ended 31 December 2011 were authorised for issue in accordance with a resolution of the Directors on 20 March 2012.

34. Supplementary Information – Disclosure of Realised and Unrealised Profits/Losses

The break-down of the retained earnings of the Group and of the Company as at the end of 31 December 2011 and 2010 into realised and unrealised 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**	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Total retained earnings of the Company and its subsidiaries:				
- Realised	516,925	618,754	512,326	3,131
- Unrealised	124,851	(41,787)	–	–
	641,776	576,967	512,326	3,131

List of Properties

as at 31st December 2011

No.	Location	Tenure	Description/ Existing Use	Date of Acquisition	Area	Age of Building (Years)	Net Book Value as at 31.12.2010 RM'000	Net Book Value as at 31.12.2011 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	14	685	667
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	16	93	90
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	18	494	480
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	17	185	180
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	16	70	68
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	16	144	140
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	17	853	789
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	37	1,761	1,709

List of Properties

No.	Location	Tenure	Description/ Existing Use	Date of Acquisition	Area	Age of Building (Years)	Net Book Value as at 31.12.2010 RM'000	Net Book Value as at 31.12.2011 RM'000
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	31	1,961	1,905
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	16	1,693	1,644
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	29	1,913	1,858
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	23	176	173
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	20	93	92
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	18	5,739	5,670
15	Plot D-38 Taman Industri Prima Kota Fasa 1 Sector 3, Bandar Indera Mahkota, Kuantan, Pahang	Leasehold 99 years (expiring in 2097)	Land with Fixed Line switch and base transceiver station	14.11.1997	25,521 sq ft	14	375	371
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	12	109	108
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	12	202	199
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	22	1,769	1,749

List of Properties

No.	Location	Tenure	Description/ Existing Use	Date of Acquisition	Area	Age of Building (Years)	Net Book Value as at 31.12.2010 RM'000	Net Book Value as at 31.12.2011 RM'000
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	968	944
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	6	72,628	71,325
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	15	2,779	2,779
22	Lot 42, Jalan Delima 1/1, Subang Hi-Tech Industrial Park, 40000 Shah Alam, Selangor	Freehold	Vacant Land	28.04.2008	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	92,142 sq ft	N/A	82,859	81,339
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	21	136	133
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	16	4,284	4,236
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	11	717	709

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

Disclosure of Recurrent Related Party Transactions

At the Annual General Meeting held on 12 May 2011, 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 Malaysia, the details of recurrent related party transactions conducted during the financial year ended 31 December 2011 pursuant to the shareholders' mandate are disclosed as follows:

DiGi Group with the following related parties	DiGi and/or its subsidiary companies	Nature of transaction undertaken by/provided to DiGi and/or its subsidiaries	Amount transacted during the financial year (RM'000)
Telenor Group of Companies			
Telenor Group	DTSB	Business service costs, which include consultancy, training programmes and professional fees	28,196
Telenor Group	DTSB	Personnel services payable and professional fees	21,861
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	10,241
Telenor Group	DTSB	International Roaming	6,323
Telenor Group	DTSB	Services rendered on application operations and basic operations for Asian Data Center/Way of Works	3,659
Telenor Group	DTSB	Customer centre off-shoring services	1,243
Total			**71,523**

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 15 March 2012

	Number of Ordinary Shares of RM0.01 each			
The Company DiGi.Com Berhad	Direct Interest	%	Deemed Interest	%
–	–	–	–	–

	Number of Ordinary Shares of NOK6 each			
Ultimate Holding Company Telenor ASA	Direct Interest	%	Deemed Interest	%
Sigve Brekke	68,806	0.0043	–	–
Hakon Bruaset Kjol	2,854	0.0002	–	–
Morten Tengs	5,021	0.0003	–	–
Lars Erik Tellmann	3,897	0.0002	–	–

	Number of Options over Ordinary Shares of NOK6 each			
Ultimate Holding Company Telenor ASA	Direct Interest	%	Deemed Interest	%
Sigve Brekke	40,000	0.0025	–	–
Hakon Bruaset Kjol	10,000	0.0006	–	–
Morten Tengs	–	–	–	–
Lars Erik Tellmann	–	–	–	–

Statistics on Shareholdings

as at 15 March 2012

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 15 March 2012

Size of Holdings	No. of Shareholders	%	No. of Shares	%
1 - 99	397	2.55	7,861	0.00
100 - 1,000	4,167	26.77	3,684,839	0.05
1,001 - 10,000	8,603	55.26	38,537,123	0.50
10,001 - 100,000	1,693	10.88	52,636,310	0.68
100,001 - 388,749,999 (*)	705	4.53	2,652,659,917	34.12
388,750,000 and above (**)	2	0.01	5,027,473,950	64.65
TOTAL :	15,567	100.00	7,775,000,000	100.00

Notes:

* Less than 5% of issued shares

** 5% and above of issued shares

Substantial shareholders as per Register of Substantial Shareholders as at 15 March 2012

	Number of Shares			
Name	Direct Interest	%	Deemed Interest	%
1. Telenor Asia Pte Ltd	3,809,750,300	49.00	–	–
2. Telenor Mobile Communications AS	–	–	3,809,750,300 (a)	49.00
3. Telenor Mobile Holding AS	–	–	3,809,750,300 (b)	49.00
4. Telenor ASA	–	–	3,809,750,300 (c)	49.00
5. Employees Provident Fund Board	1,287,937,740	16.57	–	–

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 Communication AS.

(c) Deemed interested by virtue of its 100% interest in Telenor Mobile Holding AS.

Statistics on Shareholdings

List of Thirty (30) Largest Shareholders as at 15 March 2012

	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*	1,217,723,650	15.66
3	AMANAHRAYA TRUSTEES BERHAD *SKIM AMANAH SAHAM BUMIPUTERA*	276,868,100	3.56
4	TT DOTCOM SDN BHD	137,500,000	1.77
5	TT DOTCOM SDN BHD	137,500,000	1.77
6	HSBC NOMINEES (ASING) SDN BHD *EXEMPT AN FOR JPMORGAN CHASE BANK, NATIONAL ASSOCIATION (U.S.A.)*	120,460,900	1.55
7	AMANAHRAYA TRUSTEES BERHAD *AMANAH SAHAM WAWASAN 2020*	120,012,200	1.54
8	AMANAHRAYA TRUSTEES BERHAD *AMANAH SAHAM MALAYSIA*	117,000,000	1.50
9	VALUECAP SDN BHD	91,500,000	1.18
10	CITIGROUP NOMINEES (TEMPATAN) SDN BHD *EXEMPT AN FOR EASTSPRING INVESTMENTS BERHAD*	83,960,000	1.08
11	CARTABAN NOMINEES (ASING) SDN BHD *EXEMPT AN FOR STATE STREET BANK & TRUST COMPANY (WEST CLT OD67)*	78,156,100	1.01
12	KUMPULAN WANG PERSARAAN (DIPERBADANKAN)	60,381,700	0.78
13	HSBC NOMINEES (ASING) SDN BHD *BBH AND CO BOSTON FOR VANGUARD EMERGING MARKETS STOCK INDEX FUND*	56,560,250	0.73
14	DATO AHMAD SEBI BIN BAKAR	47,546,130	0.61
15	HSBC NOMINEES (ASING) SDN BHD *EXEMPT AN FOR THE BANK OF NEW YORK MELLON (MELLON ACCT)*	38,288,776	0.49
16	HSBC NOMINEES (ASING) SDN BHD *EXEMPT AN FOR JPMORGAN CHASE BANK, NATIONAL ASSOCIATION (U.A.E.)*	37,118,000	0.48

Statistics on Shareholdings

	Name of Shareholders	Number of Shares	%
17	AMSEC NOMINEES (TEMPATAN) SDN BHD *AMTRUSTEE BERHAD FOR CIMB ISLAMIC DALI EQUITY GROWTH FUND (UT-CIMB-DALI)*	34,946,500	0.45
18	AMANAHRAYA TRUSTEES BERHAD *AS 1MALAYSIA*	34,500,000	0.44
19	AMANAHRAYA TRUSTEES BERHAD *PUBLIC ISLAMIC DIVIDEND FUND*	33,833,000	0.44
20	CARTABAN NOMINEES (ASING) SDN BHD *GOVERNMENT OF SINGAPORE INVESTMENT CORPORATION PTE LTD FOR GOVERNMENT OF SINGAPORE (C)*	32,617,700	0.42
21	CITIGROUP NOMINEES (TEMPATAN) SDN BHD *EXEMPT AN FOR AMERICAN INTERNATIONAL ASSURANCE BERHAD*	30,514,700	0.39
22	HSBC NOMINEES (ASING) SDN BHD *BNY BRUSSELS FOR WISDOMTREE EMERGING MARKETS EQUITY INCOME FUND*	26,912,600	0.35
23	AMANAHRAYA TRUSTEES BERHAD *PUBLIC ISLAMIC EQUITY FUND*	24,209,000	0.31
24	ALAM NUSANTARA SDN BHD	23,515,230	0.30
25	AMANAHRAYA TRUSTEES BERHAD *AMANAH SAHAM DIDIK*	23,338,600	0.30
26	HSBC NOMINEES (ASING) SDN BHD *EXEMPT AN FOR J.P. MORGAN BANK LUXEMBOURG S.A.*	22,020,300	0.28
27	CITIGROUP NOMINEES (ASING) SDN BHD *LEGAL & GENERAL ASSURANCE (PENSIONS MANAGEMENT) LIMITED (A/C 1125250001)*	21,616,900	0.28
28	ABB NOMINEE (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR AHMAD SEBI BIN BAKAR*	20,000,000	0.26
29	CITIGROUP NOMINEES (TEMPATAN) SDN BHD *EMPLOYEES PROVIDENT FUND BOARD (NOMURA)*	19,535,890	0.25
30	HSBC NOMINEES (ASING) SDN BHD *EXEMPT AN FOR JPMORGAN CHASE BANK, NATIONAL ASSOCIATION (U.K.)*	18,000,015	0.23
	TOTAL	**6,795,886,541**	**87.41**

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN THAT the Fifteenth Annual General Meeting (AGM) of DiGi.Com Berhad (the Company) will be held at Sapphire Room, Level 1, Mandarin Oriental Kuala Lumpur, Kuala Lumpur City Centre, 50088 Kuala Lumpur on Tuesday, 8 May 2012 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 2011 and the Directors' and Auditors' Reports thereon. **Ordinary Resolution 1**

2. To re-elect Mr Sigve Brekke as Director of the Company who retires by rotation under Article 98(A) of the Articles of Association of the Company. **Ordinary Resolution 2**

3. To re-elect the following Directors who retire under Article 98(E) of the Articles of Association of the Company:

   (i) Mr Lars Erik Tellmann **Ordinary Resolution 3**

   (ii) Mr Morten Tengs **Ordinary Resolution 4**

4. To consider and, if thought fit, to pass the following resolution pursuant to Section 129(6) of the Companies Act, 1965:- **Ordinary Resolution 5**

   "That pursuant to Section 129(6) of the Companies Act, 1965, Tan Sri Leo Moggie be re-appointed as Director to hold office until the conclusion of the next Annual General Meeting of the Company."

5. To approve the Directors' Allowances of RM423,194 for the financial year ended 31 December 2011. **Ordinary Resolution 6**

6. To re-appoint Messrs Ernst & Young as Auditors of the Company and to authorise the Directors to fix their remuneration. **Ordinary Resolution 7**

As Special Business

To consider and, if thought fit, to pass the following resolution:-

7. Proposed Renewal of Existing Shareholders' Mandate For Recurrent Related Party Transactions of a Revenue or Trading Nature and New Mandate For Additional 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 13 April 2012 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;

   (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 8**

Notice of Annual General Meeting

FURTHER NOTICE IS HEREBY GIVEN THAT for the purpose of determining a member who shall be entitled to attend this Fifteenth 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 2012. Only a depositor whose name appears on the Record of Depositors as at 30 April 2012 shall be entitled to attend the said meeting or appoint proxies to attend and/or vote on his/her behalf.

By Order of the Board

HEE CHEW YUN *(MAICSA 7006609)*
TAI YIT CHAN *(MAICSA 7009143)*
LIEW IRENE *(MAICSA 7022609)*
Company Secretaries

Selangor Darul Ehsan
13 April 2012

NOTES:

(A) APPOINTMENT OF PROXY

(i) A member entitled to attend and vote at a meeting of the Company is entitled to appoint one (1) proxy only to attend and vote in his stead. A proxy may but need not be a member of the Company. The provisions of Section 149(1)(b) of the Companies Act, 1965 shall not apply.

(ii) Where a member of the Company is an exempt authorised nominee which holds 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 is 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) SPECIAL BUSINESS

Ordinary Resolution 8 proposed, if passed, will allow the Company and its subsidiaries 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.

Notes

Form of Proxy

DiGi.COM BERHAD
(Company No.: 425190-X)
(Incorporated in Malaysia)

I/We ____
(Name in full)

NRIC No. or Company No. ______________________________ Tel. 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 Fifteenth Annual General Meeting of the Company to be held at Sapphire Room, Level 1, Mandarin Oriental Kuala Lumpur, Kuala Lumpur City Centre, 50088 Kuala Lumpur on Tuesday, 8 May 2012 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 receive and adopt the Audited Financial Statements		
RESOLUTION 2 – To re-elect Sigve Brekke		
RESOLUTION 3 – To re-elect Lars Erik Tellmann		
RESOLUTION 4 – To re-elect Morten Tengs		
RESOLUTION 5 – To re-elect Tan Sri Leo Moggie		
RESOLUTION 6 – To approve the Directors' Allowances		
RESOLUTION 7 – To re-appoint Messrs Ernst & Young as Auditors of the Company and to authorise the Directors to fix their remuneration		
RESOLUTION 8 – To approve the Proposed Renewal of Existing Shareholders' Mandate and New Mandate for Recurrent Related Party Transactions to be entered with Telenor ASA ("Telenor") and persons connected with Telenor		

No. of Shares	

Signed this ____________ day of _________, 2012.

____
Signature of Shareholder(s) or Common Seal

Notes:

1. A member entitled to attend and vote at a meeting of the Company is entitled to appoint one (1) proxy only to attend and vote in his stead. A proxy may but need not be a member of the Company. The provisions of Section 149(1)(b) of the Companies Act, 1965 shall not apply.
2. Where a member of the Company is an exempt authorised nominee which holds 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 is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.
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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, Malaysia at least forty-eight (48) hours before the time appointed for holding the meeting or any adjournment thereof.

Please fold here to seal

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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

List of Operating Offices

PRINCIPAL PLACE OF BUSINESS/ HEAD OFFICE

D'House, Lot 10, Jalan Delima 1/1,
Subang Hi-Tech Industrial Park,
40000 Shah Alam, Selangor
T 03-5721 1800
F 03-5721 1857

CENTRAL OPERATING OFFICES

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

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

REGIONAL OPERATING OFFICES

Northern Region
1-03-18, E-Gate Commercial Centre,
Lebuh Tunku Kudin 2,
11700 Gelugor, Penang
T 04-248 6000
F 04-248 6001

Ipoh Sales Office
C-G-2 Persiaran Greentown 3,
Greentown Business Centre,
30450 Ipoh, Perak
T 05-242 1616
F 05-242 3800

Southern Region
6 & 8, Jalan Molek 1/12,
Taman Molek,
81100 Johor Bahru, Johor
T 07-351 1800
F 07-352 8016

Eastern Region
Lot 112 & 113,
Lorong Industri Semambu 7,
Semambu Industrial Estate,
25350 Kuantan, Pahang
F 09-508 0016

Sabah Region
4th Floor, Lot 10, Block B,
Warisan Square,
Jalan Tun Fuad Stephens,
88000 Kota Kinabalu
T 088-251 016
F 088-262 016

Sarawak Region
Level 21, Gateway Kuching,
No 9, Jalan Bukit Mata,
93100 Kuching
T 082-421 800
F 082-427 597

RETAIL CENTRES

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

Melaka
Melaka
523, Taman Melaka Raya,
75000 Melaka

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

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

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

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

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

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

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

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

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

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

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

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

Low Yat
Lot No. 4K 18, 4th Floor,
Plaza Low Yat, Jalan Bintang,
55100 Kuala Lumpur

Selangor
One Utama
LG325, Lower Ground,
One Utama Shopping
Centre (New Wing),
Lebuh Bandar Utama,
Bandar Utama,
47800 Petaling Jaya

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

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

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

Kedah
Sungei Petani
24D, Ground Floor,
Jalan Kampung Baru,
08000 Sungai Petani, Kedah

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

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

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

Kinta City
F21, 1st Floor, Kinta City Shopping Centre,
No 2, Jalan Teh Lean Swee,
Off Jalan Sultan Azlan Shah Utara,
31400 Ipoh, Perak

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

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

Terengganu
Kuala Terengganu
63B, Jalan Sultan Ismail,
20200 Kuala Terengganu

Johor
Tebrau
Lot S49, 2nd Floor,
AEON Tebrau City Shopping Centre,
No 1, Jalan Desa Tebrau, Taman Desa Tebrau,
81100 Johor Bahru

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

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

Muar
No 44, Jalan Sisi, 84000 Muar

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

Sabah
Sandakan
Lot 22, Block B, Ground Floor,
Bandar Tyng Mile 6,
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
32, Ground Floor, Jalan Market,
97000 Bintulu, Sarawak

DiGi.COM BERHAD (425190-X)
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