# MAKING INTERNET FOR ALL A REALITY

**DiGi.COM BERHAD** (425190-X)
ANNUAL REPORT **2012**

# IN OUR 2012 REPORT

## Business Review



## Sustainability



## Governance

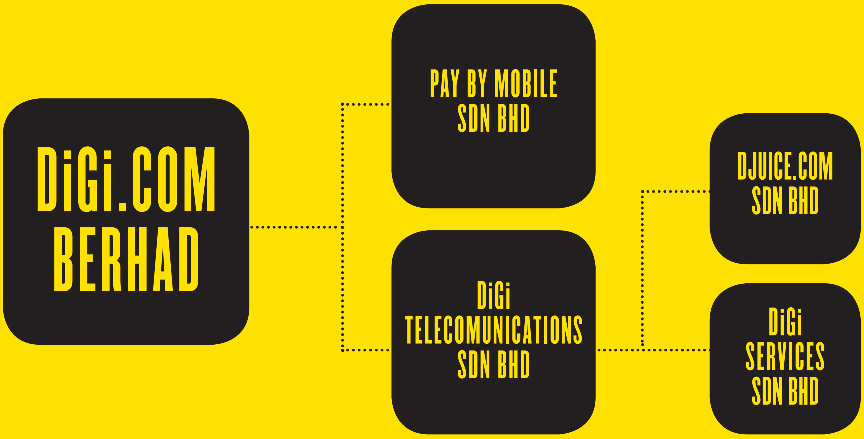


## Financial Statements



## Additional Information

# 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**

**Morten Karlsen Sørby**
(Appointed with effect from 15 March 2013)

**Tore Johnsen**
Director and Alternate Director to Sigve Brekke
(Appointed with effect from 15 March 2013)

**Lars Erik Tellmann**
(Resigned with effect from 15 March 2013)

**Morten Tengs**
Director and Alternate Director to Sigve Brekke
(Resigned with effect from 15 March 2013)

## Audit & Risk Committee

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

**Dato' Saw Choo Boon**
Independent Non-Executive Director

**Tore Johnsen**
Non-Independent Non-Executive Director
(Appointed with effect from 15 March 2013)

**Lars Erik Tellmann**
Non-Independent Non-Executive Director
(Resigned with effect from 15 March 2013)

## Nomination Committee

**Tan Sri Leo Moggie**
Chairman/Senior Independent Non-Executive Director
(Appointed as Chairman with effect from 4 July 2012)

**Hakon Bruaset Kjol**
Non-Independent Non-Executive Director
(Relinquished Chairmanship with effect from 4 July 2012)

**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

**Tore Johnsen**
Non-Independent Non-Executive Director
(Appointed with effect from 15 March 2013)

**Morten Tengs**
Non-Independent Non-Executive Director
(Resigned with effect from 15 March 2013)

## Secretaries

**Choo Mun Lai** (MAICSA 7039980)
(Appointed with effect from 15 March 2013)

**Tai Yit Chan** (MAICSA No.7009143)
**Liew Irene** (MAICSA No.7022609)

**Hee Chew Yun** (MAICSA No.7006609)
(Resigned with effect from 12 December 2012)

**Domicile and Country of Incorporation**
Malaysia

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

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

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

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

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

"DiGi has invested RM700 million on its telecommunications network this year, and will further beef up its investment next year to spur its mobile internet business. Plans are also underway to expand the number of DiGi stores nationwide, as part of the company's strategy to meet the growing demands and needs of customers."

*The Star: 'DiGi to further expand network', 29 December 2012*

# CONNECTING MORE PEOPLE TO THE INTERNET

Malaysia is going mobile. We aim to put the internet into the hands of all Malaysians, giving them the power to change the way they work, learn, play and live. We will do this by offering the right combination of devices, new digital services and applications, value pricing, and best usage experience of mobile internet.

This is our *Internet For All* promise.

**DiGi Telecommunications**
Yesterday at 12:53pm

In 2012, we made mobile internet more accessible and affordable through the introduction of new plans and device bundles.

Like . Comment

3,756 people like this.

**Choo Ming Tee**
DiGi brings a high-definition smartphone experience with the Sony Xperia S bundle.
Like . Mar 10 at 12:58pm

**Sulaiman Mohd**
DiGi customers now enjoy bundles with the first quad-core HTC smartphone and new phones from the HTC One series.
Like . Apr 2 at 12:59pm

**Sangeeta Kaur**
The innovative Samsung Galaxy SIII is now available with more smart plans.
Like . May 28 at 1:05pm

**Lee Hui Xin**
DiGi customers can now enjoy the first prepaid smartphone plan in Malaysia with DG Prepaid Smart Plan.
Like . May 31 at 1:07pm

**Nurhidayah Abd Malek**
Customers get more out of DiGi's brand new Tablet Data Plans from only RM15/month.
Like . Oct 2 at 1:10pm

**Sivakumar Ratnam**
Samsung Galaxy Note II now available to DiGi customers through DG Smart 48, 68 and 88 plans.
Like . Oct 12 at 1:12pm

**Jeanette Loh**
DiGi is the first to offer Nokia's dynamic duo, the Lumia 920 and 820, with the DG Smart Plan.
Like . Dec 7 at 1:15pm

**Jackson Cheong Kok Peng**
DiGi brings the eagerly-anticipated iPhone 5, iPad mini and fourth generation iPad with the best bundle deals in town.
Like . Dec 17 at 1:20pm

# MAKING INTERNET FOR ALL A REALITY

We are connecting customers to new data applications and services every day, and inspiring positive and meaningful adoption of mobile internet through various empowerment initiatives.

**Tweets**

| | | |
|---|---|---|
| DiGiLIVE zero | **DiGi Live Zero** @DiGi_Telco<br>Free mobile surfing via DiGiLive Zero portal. | Jan 16 |
| DiGi CyberSAFE Programme | **DiGi CyberSAFE Programme** @DiGi_Telco<br>Driving awareness for a safe, family-friendly internet environment. | Mar 7 |
| | **DiGi WWWoW Internet For All Awards** @DiGi_Telco<br>Celebrating Malaysian online innovators. | Mar 24 |
| DiGiLIVE zero | **DiGi Live Zero** @DiGi_Telco<br>Free mobile internet access to Wikipedia content via Wikipedia Zero. | May 21 |
| DiGi easy PREPAID | **DiGi Easy** @DiGi_Telco<br>Exclusive Whatsapp services with DiGi Easy Prepaid and DG Prepaid Smart Plan. | Nov 9 |
| DiGiLIVE Facebook USSD | **DiGi Live** @DiGi_Telco<br>Internet access for non-smartphone users with DiGiLive Web Pass and DiGi Facebook USSD services. | Nov 19 |
| | **DiGi Challenge for Change** @DiGi_Telco<br>Discovering ideas that bring Malaysians together, one app at a time! | Nov 28 |

# PUTTING THE FUTURE RIGHT IN YOUR HANDS

The rising uptake of mobile internet services will be the biggest growth driver for our industry. This will be accelerated by the increased usage of the latest smart devices, stronger networks, and faster connection speeds.

We aim to deliver the best usage experience to help our customers across Malaysia leverage the potential of mobile internet services anytime, anywhere, and on any device.


## We are building a strong internet business to tap into future growth opportunities

playDiGi · 148 videos

DiGi

Subscribe 581

530,718

934 0

Like | About | Share | Add to

2013: 6.8 billion mobile subscriptions globally
2014: Average mobile connection speed >1 Mbps
2015: Smartphone shipments globally >900 million
2016: Global app downloads > 310 billion
2017: Global mobile data traffic >10 million gigabytes monthly

*Published information from International Telecommunication Union (ITU), Cisco[2], Frost & Sullivan[3], Gartner[4] and Cisco[5].

# DELIVERING SHAREHOLDER VALUE AS WE GROW OUR BUSINESS

## REVENUE

| 2012 : 6.7% | 2011 : 10.3% |
|---|---|
| **RM6.4** BILLION | **RM6.0** BILLION |

## OPERATING CASH-FLOW

| 2012 | 2011 |
|---|---|
| **RM2.2** BILLION | **RM2.2** BILLION |

## EBITDA

| 2012 | 2011 |
|---|---|
| **RM2.9** BILLION | **RM2.8** BILLION |

## CUSTOMER BASE

**OVERALL BASE**

| 2012 | 2011 |
|---|---|
| **10.5** MILLION | **9.9** MILLION |

**MOBILE INTERNET BASE**

| 2012 | 2011 |
|---|---|
| **5.7** MILLION | **5.2** MILLION |

## EBITDA MARGIN

| 2012 | 2011 |
|---|---|
| **46.0%** | **46.4%** |

## RETURN TO SHAREHOLDERS

| 2012 | 2011 |
|---|---|
| RM2.0 BILLION | RM1.4 BILLION |
| **26.3 SEN** | **17.5 SEN** |


Kuala Lumpur
30°C
SUNNY
9:05a.m. 9 MAY
6:30a.m.
7:00p.m.

"The twin boost in coverage and capacity from the network modernisation exercise and expanded 3G coverage will allow DiGi to tap into new market segments - and gain market share."

*Insider Asia, 22 February 2013*

# Chairman's Statement

Dear Shareholders,

On behalf of the Board of Directors, I am proud to share that DiGi continued to perform strongly in 2012, and made significant steps towards delivering on its *Internet For All* mission. Growth was driven by a larger subscriber base and a steady increase in mobile data revenues, which now accounts for a growing portion of the company's overall service revenues.

These achievements were accomplished against a backdrop of intense competition, increasingly challenging market conditions, and while the company shifted into full-scale implementation of a holistic business transformation programme. All these factors further underscore DiGi's resilience and ability to deliver long-term value in a vibrant Malaysian market.

**Increasing demand for mobile internet will fuel data revenue growth**

The mobile industry is in a phase of intense change. Devices, networks, content and services, and competition from traditional and new players are all evolving at a high pace, as the global economy and consumer behaviour become increasingly digital. In 2012, demand for smartphones grew by 50% in volume over the previous year, while sales of tablets doubled across the Southeast Asia region[1]. Mobile internet services and new digital applications continue to drive internet usage in Malaysia, with smartphone ownership around 27% of the population[2].

I believe that these trends represent a significant opportunity for our business, and that mobile internet adoption in Malaysia will sharply increase in the coming years. Two years ago, DiGi crystallised its mission to deliver *Internet For All*, enabling access to mobile internet services for all Malaysians through the right combination of devices, new digital services and applications, value pricing, and the best usage experience. In 2012, the company shifted into full-scale implementation of its business transformation programme, which includes modernising its network and information technology landscape, putting in place next-generation go-to-market structures and processes, and significantly enhancing its human resource capabilities.

I am pleased with the steady progress made in 2012, and I am confident that this transformation – one of the biggest periods of change in DiGi's history - will strengthen the company's long-term position as a leading mobile internet operator in Malaysia.

**Continued commitment to responsible business practices**

DiGi's corporate responsibility focus is built around extending the benefits of mobile internet and communications to Malaysians in all parts of the country, providing a safe experience of our products and services, minimising our impact on the environment, and creating a wholesome work culture and environment for our people. DiGi, together with Telenor Group is a member of the United Nations Global Compact (UNGC), and adheres to the UNGC principles for corporate responsibility within human and labour rights, environmental protection, and anti-corruption.

[1] *GfK Asia*
[2] *Nielsen; as at Q1 2012*

# Chairman's Statement

***Board of Directors***
*(From left to right) Morten Karlsen Sørby, Dato' Saw Choo Boon, Sigve Brekke, Tan Sri Leo Moggie, Dato' Ab. Halim Mohyiddin, Tore Johnsen, Hakon Bruaset Kjol*

DiGi's corporate responsibility efforts are also focused on ensuring exemplary business practices in all aspects of its operations. The company actively engages employees and business partners around its Code of Conduct and Agreement for Business Conduct respectively, with mandatory compliance to all principles.

**Rewarding our shareholders**

During the year, DiGi was also listed as a Forbes Asia Fab 50 company, the only Malaysian organisation selected from over 1,000 publicly-traded companies in Asia Pacific. The list takes into account companies with exceptional track records for revenue, results, return on capital (ROC), share price, and outlook, among others.

On this note, I am pleased to report that our shareholders were rewarded with net dividend per share of 26.3 sen or total dividend of RM2.0 billion for the financial year 2012. The dividend pay-out ratio of 170% exceeds our dividend policy of distributing a minimum 80% of our net profits. We are committed to maintaining our long-term dividend policy, and will continuously review it based on the availability of distributable reserves as well as the Group's future cash-flow requirements.

**Farewell and welcome**

On behalf of the Board of Directors, I would like to take this opportunity to thank and say farewell to my colleagues Lars Erik Tellmann and Morten Tengs for their contribution to the Board in 2012, and wish them the very best in their future undertakings with Telenor Group.

I would also like to welcome to the Board, Tore Johnsen, who was DiGi's Chief Executive Officer from 2000 to 2004, and Morten Karslen Sørby, who has served in various senior executive positions in Telenor Group. We look forward to leveraging their wealth of experience in this industry in the years to come.

**Thank you**

Our success in 2012 was made possible through the tireless effort of our dedicated employees, the sound leadership and perseverance of the management team, and the good cooperation of our business partners. My deepest thanks to everyone involved for their commitment and contribution during the year.

The Board would also like to extend our appreciation to the government of Malaysia, and to the various agencies we continue to work with in creating a world-class ICT ecosystem for Malaysians.

Finally, I would like to express our sincere appreciation to all our shareholders for your commitment towards DiGi. We look forward to your continued support in 2013.

**Sigve Brekke**
*Chairman*

# CEO's Message

Dear Shareholders,

2012 was a year of good growth for DiGi. We closed the year on a solid financial footing, with total revenue growing by 6.7% over 2011, to RM6.4 billion. This growth was driven by strong mobile internet usage from a larger customer base, as well as higher take-up of smartphone plans and bundles. EBITDA and EBITDA margin were RM2.9 billion and 46.0% respectively, while operating cash-flow stood at RM2.2 billion at end 2012.

We continued to attract more mobile internet customers in the year, reaching 5.7 million customers from a total base of 10.5 million, with data revenue contributions amounting to 31.3% of our service revenues.

We also shifted into full-scale implementation of our business transformation programme that we launched a year earlier. In an increasingly data-centric market, I believe the fundamental changes we have made will bring us closer to delivering on our *Internet For All* mission.

**Making *Internet For All* a reality**

In 2012, we increased our capital expenditure to RM700 million, and a majority of this investment was spent on our ongoing network modernisation efforts, coverage expansion, and capacity upgrades. We have swapped more than 3,200 sites or approximately 60% of our total network, and expanded our 3G network to more than 67% of populated areas in Malaysia, from 54% a year ago. We also made good progress on the site sharing and fiber build initiative with Celcom-Axiata, with the near completion of a combined 1,000km of owned and jointly built fiber in the north and south of Peninsular Malaysia.

A key focus in the year was to enhance the overall quality and performance of our network. We have recorded quality improvements in all swapped areas, including the entire Klang Valley. These efforts, together with the modernisation and expansion initiatives above, will ensure that we continue to deliver high quality voice, internet and next-generation services to our customers across Malaysia.

We also took major steps to modernise our information technology landscape and core processes. Working with other Telenor Group business units in Asia, we have made significant progress on enhancing our billing platform, and on establishing a common IT operating model across the region. We now have a clear roadmap for the implementation of key initiatives in 2013, and believe that these changes will improve our overall IT cost and operational efficiency, and our ability to respond to market needs in the coming years.

The rapid introduction of devices and changing consumer purchase patterns have created challenges as well as fresh opportunities in the areas of sales and distribution. In 2012, we made solid progress on shaping our next-generation go-to-market ecosystem. We improved our supply chain efficiency and business intelligence capabilities, and have strengthened our retail presence to create more effective, customer-focused sales channels. Our new e-Commerce platform will also provide customers with new and convenient ways of accessing our services, and strengthen our go-to-market capabilities in the digital space.

Lastly, we have worked hard to improve our human resource processes, bringing us closer to our

# CEO's Message

***DiGi Management Team***
*(From left to right) Ole Martin Gunhildsbu, Albern Murty, Henrik Clausen, Suriahni Abdul Hamid, Christian Thrane, Chan Nam Kiong, Terje Borge*

aspiration of being Best on People. This aspiration is built on creating a challenging and supportive work culture and environment, providing the most attractive development at all levels, and offering competitive, performance-based rewards to all DiGizens. This will continue to be a focus in the coming years, to ensure that DiGi remains amongst the most preferred places to work in Malaysia.

We aspire to be Malaysia's most inspiring company, and to play a key role in advocating meaningful adoption of the internet across all segments of our community. During the year, we deepened our Empowerment Through Connectivity focus with the fourth edition of our Challenge for Change programme, where we work with the general public and with talented mobile developers to unearth and realise new ideas around mobile applications. We also increased our efforts in driving awareness for a safe, family-friendly internet environment, working with the Ministry of Education and CyberSecurity Malaysia to bring this awareness to students, teachers and parents nationwide. More details on these and other initiatives are available in our 2012 Sustainability Report, now available in a full digital format at www.digi.com.my/sustainability.

**Positive outlook for the year ahead**

My vision is for DiGi to be the 'game changer' in the Malaysian mobile industry. The completion of key initiatives in 2013 will allow us to further strengthen our position, with a quality network across Malaysia, clear value propositions to customers in all segments, a comprehensive and customer-focused distribution system, and an organisation that can strongly deliver on our *Internet For All* mission.

For 2013, our ambition is to outperform the industry in terms of revenue growth, and maintain EBITDA and cash-flow margins at 2012 levels. Based on our track record of delivering growth and operational efficiency, I believe we will achieve these ambitions and continue delivering shareholder value.

**Terima kasih**

I thank all DiGizens for their commitment and resilience in a challenging, but well-fought 2012. I would also like to express my appreciation to my former colleagues Khor Choo Lin and Zaiton Hj. Idrus for their contribution as members of my management team, and wish them the very best for the future.

Finally, on behalf of all DiGizens, I want to thank all our customers for their continued support and trust. We look forward to serving you better in 2013, as we continue making *Internet For All* a reality.

**Henrik Clausen**
*Chief Executive Officer*

# Management Discussion & Analysis

### 2012 Key Highlights

In 2012, DiGi recorded revenue growth of 6.7% over 2011 to RM6,361 million (2011: RM5,964 million), with net profits of RM1,206 million (2011: RM1,254 million). In line with our *Internet For All* mission, we continued to attract more mobile internet customers in the year, which totaled 5.7 million at end 2012 (2011: 5.2 million). This increase resulted in larger data revenue contributions to our total revenues.

After two consecutive quarters of strong growth in Q1 and Q2, we reported moderate revenue growth in Q3 as a result of post network swap optimisation challenges. Network quality improvement measures, coupled with the accelerated rollout of new 3G sites had a positive impact on revenues in Q4. Consequently, we met all financial targets for the year.

| 2012 FINANCIAL TARGETS | ... DELIVERED |
|---|---|
| Mid to high single digit revenue growth | = +6.7% revenue growth |
| Sustained EBITDA and operating cash-flow margins | = 46.0% and 35.0% respectively |
| Capex at lower end of RM700 – RM750 million | = Capex of RM700 million |

**Customers and Average Revenue Per User (ARPU)**

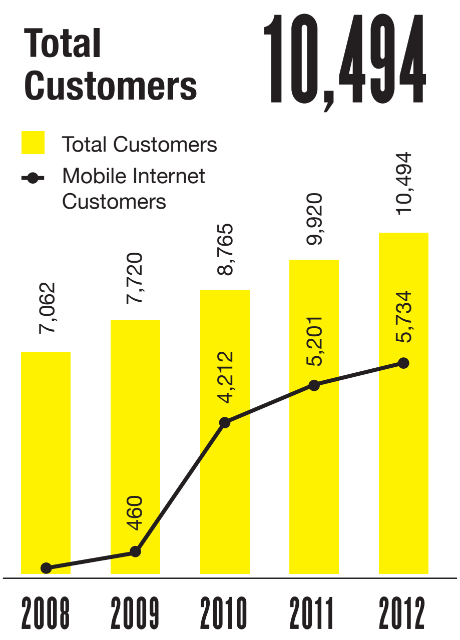
DiGi added 574,000 (2011: 1,155,000) new customers in 2012. In the highly competitive prepaid segment, net additions amounted to 505,000, lower than the previous year (2011: 987,000) given our focus on acquiring higher quality customers. Due to competitive pressures within domestic voice and IDD, we saw a slight decline in prepaid ARPU at RM41 for the year (2011: RM43).

In the postpaid segment, we added 69,000 new customers, which was also lower than the previous year (2011: 168,000) given the focus on re-contracting higher-end customers. Postpaid ARPU remained at 2011 levels, at RM84.

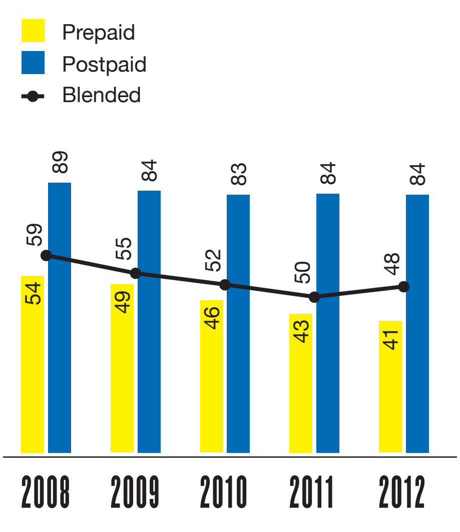
Broadband customers stood at 273,000 at end 2012 (2011: 313,000), as a result of our cautious stance on broadband customer acquisition.

We expect to improve customer acquisition and drive revenue growth in 2013 from a larger network footprint, from quality and capacity improvements in our modernised network, and through realising the benefits of our next-generation go-to-market efforts.

## Customers ('000)




## ARPU (RM)



# Management Discussion & Analysis

### Revenue Performance

Total revenues reached RM6,361 million in 2012 (2011: RM5,964 million), a growth of 6.7% over the previous year. This was driven by a combination of service revenue growth and higher handset sales in the year.

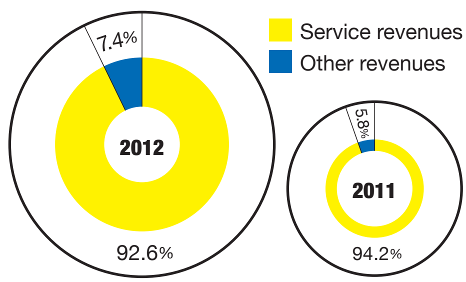
Service revenues grew by 4.8% in 2012, to RM5,891 million (2011: RM5,619 million), with positive contributions from both data and voice.

- Data revenues grew by RM226 million for the year to RM1,841 million (2011: RM1,615 million). At end 2012, data revenues accounted for 31.3% (2011: 28.7%) of our service revenues, driven by strong mobile internet usage from higher take-up of smartphone plans and bundles, and as a result of the increase in smartphone users on our network, which rose to 26.4% in 2012 (2011: 22.0%).

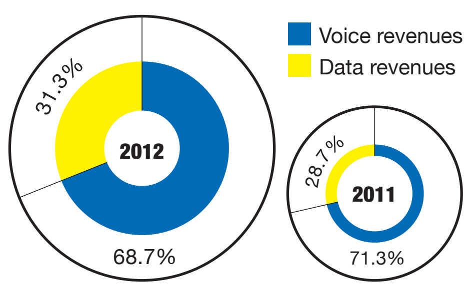
- Voice revenues increased by RM47 million to RM4,050 million (2011: RM4,003 million), from higher domestic and international voice traffic.

Handset revenues were significantly higher in the year, driven largely by the strong demand for popular smart devices.

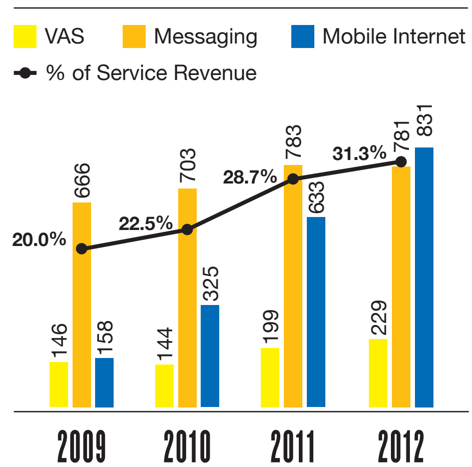
## Revenue Composition (%)




## Service Revenue Composition (%)




## Data Revenue Composition (RM'000)



### Cost and Margin Review

For the year under review, our total cost base increased by 7.3% to RM3,455 million (2011: RM3,220 million), mainly due to higher handset- and traffic-related expenses.

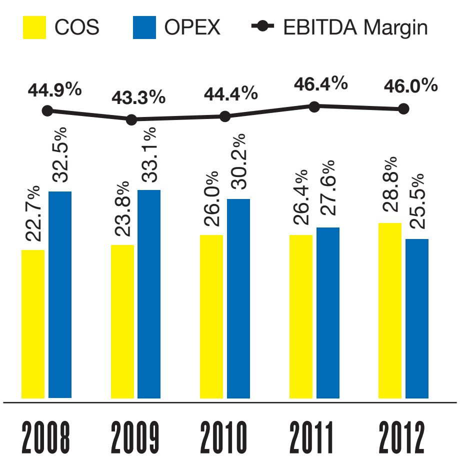
The increase in handset-related expenses was principally due to higher handset volumes. Clearance of slow moving stock and a change in the mix of handsets sold towards upfront subsidy also had an adverse impact on margins.

Higher traffic-related expenses were mainly due to the increase in international traffic volumes.

We recorded lower overall operating expenses (OPEX) for the year, which stood at RM1,625 million (2011: RM1,646 million), driven by our prudent cost management efforts and continued focus on operational efficiency.

EBITDA rose by 5.9% over the previous year to RM2,929 million (2011: RM2,765 million), mainly driven by higher revenues and well managed costs. EBITDA margin was slightly lower at 46.0% (2011: 46.4%), as a result of competitive IDD pricing and higher handset-related expenses.

## Cost Component and EBITDA Margin (%)



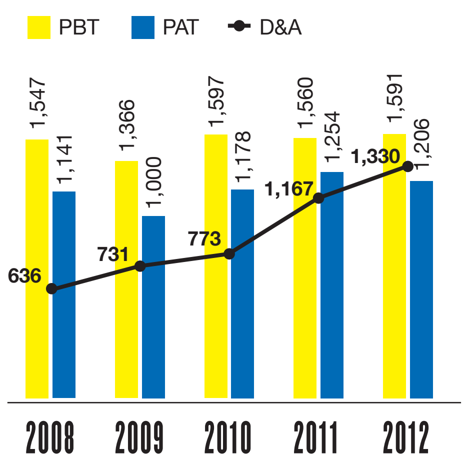

### Profit After Tax

We reported slightly lower profit after tax of RM1,206 million in 2012 (2011: RM1,254 million), on the back of higher accelerated depreciation and amortisation charges, and higher tax expense.

DiGi accounted for higher accelerated depreciation and amortisation charges compared to the previous year. These charges were related to our ongoing network modernisation programme, which will be completed by Q3 2013. We expect to book a balance of between RM150 million and RM160 million in accelerated depreciation and amortisation charges in 2013.

The higher tax expense in the year was a result of lower broadband tax incentives compared to 2011, and we expect the effective tax rate in 2013 to be slightly below the statutory tax rate.

## Profit Before Tax (PBT), Profit After Tax (PAT) and Depreciation & Amortisation (D&A) (RM'000)



# Management Discussion & Analysis

**Capital Expenditure (Capex) and Network Updates**

Capex amounted to RM700 million (2011: RM610 million) in 2012, and a majority of this was spent on ongoing network modernisation efforts, coverage expansion, and capacity upgrades.

At end 2012, our 2G coverage stood at 95% of populated areas, whilst 3G coverage increased to 67% (2011: 54%).

As part of our ongoing network modernisation programme, we had upgraded more than 3,200 sites by the end of 2012, representing close to 60% of all sites. Upgrades and optimisation works in the Klang Valley has been completed, and have resulted in significant improvements in voice and data quality across the board.

We are also making good progress on the site sharing and the fiber build initiative with Celcom Axiata, with the near completion of a combined 1,000km of owned and jointly built fiber in the north and south of Peninsular Malaysia.

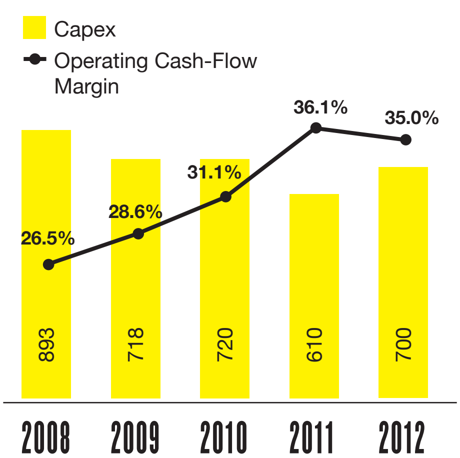
**Balance Sheet and Shareholder Returns**

Our operating cash-flow in the year amounted to RM2,229 million (2011: RM2,154 million), driven by higher revenues and cost efficiency measures, and stable capex.

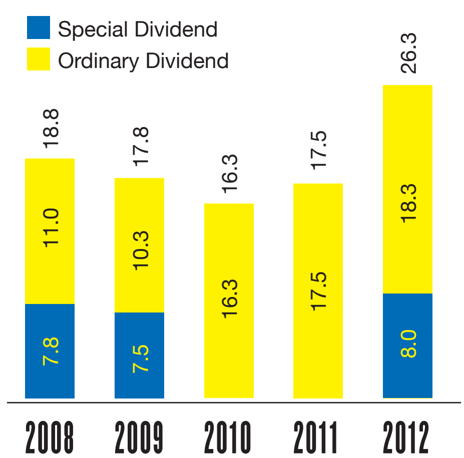
On the back of our continued strong operational performance for the year in review, we decided to pay out to shareholders a total net dividend of 26.3 sen per share, including a special net dividend of 8 sen per share.

We will continue to ensure active management of the Group's balance sheet, and explore new ways of returning excess cash to shareholders, including assessing the viability of the new business trust guidelines introduced by the Securities Commission of Malaysia in December 2012.

## Capex (RM'000) and Operating Cash-Flow Margin (%)




## Dividends (Net Sen/Share)



**Regulatory**

We have received an allocation of 2x10 MHz of the 2600 MHz spectrum by the Malaysian Communications and Multimedia Commission (SKMM). This spectrum allocation will be used to deliver LTE services, which we will launch in 2013.

On access pricing, SKMM implemented lower termination rates as of 1st January 2013. There will be further reductions in these rates in 2014 and 2015, as follows:

| | 2013 | 2014 | 2015 |
|---|---|---|---|
| Mobile Termination Rates (MTR) | 4.63 sen | 4.25 sen | 3.88 sen |
| Fixed Termination Rates (FTR) | 4.70 sen | 4.40 sen | 4.10 sen |

These new rates will only have a minimal impact on our margins, based on current traffic patterns.

SKMM has also issued guidelines in December 2012 for all operators to implement accounting separation, and we are currently working with SKMM on the proposed approach, methodology and implementation requirements.

**Outlook for 2013**

We expect higher data revenue contribution to service revenues in 2013, aided by a larger network footprint and the rising adoption of smartphones by our customers. Voice and messaging will still remain important revenue contributors, and we will continue to work on strengthening our market positions in these two segments.

We are on a gradual rise towards fully realising the benefits of our business transformation programme, which includes the completion of our network modernisation exercise in Q3 2013. We will expand our 3G network footprint concurrently, and expect to reach 80% population coverage by end 2013. Finally, we will launch LTE services in 2013, with the ambition of capturing a bigger share of data revenues going forward.

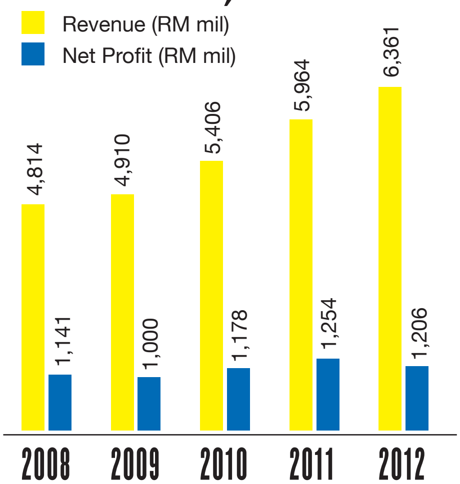
In addition, we will also continue to manage our cost base proactively and prudently, to ensure we can compete effectively in the market.

We believe we can deliver revenue growth in the range of 5% to 7% in 2013, with EBITDA and operating cash-flow margins at 2012 levels. This will enable us to continue delivering strong returns to our shareholders in 2013.

# Performance at a Glance

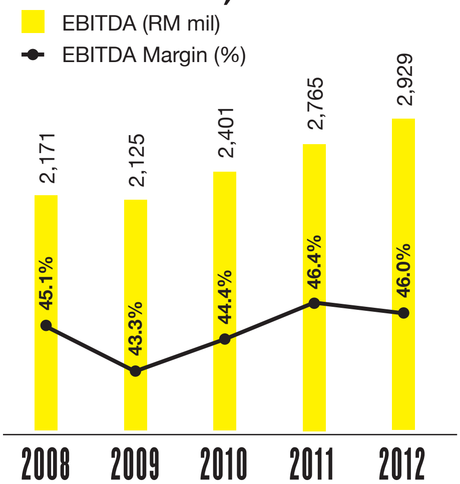
## Solid Revenue Growth

Revenue (RM mil) **6,361**



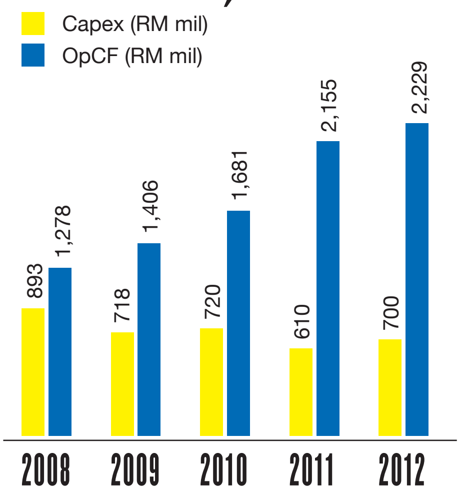

## Stable Margin

EBITDA (RM mil) **2,929**



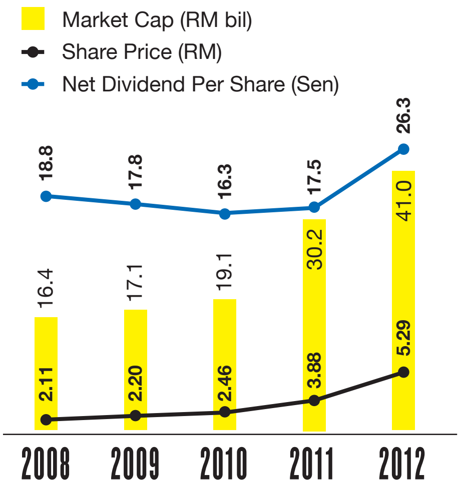

## Healthy Operating Cash-Flow (OpCF)

OpCF (RM mil) **2,229**




## Strong Share-holders Return

Net Dividend Per Share (sen) **26.3**



# Group Financial Summary

| (RM mil) | 2012 | 2011 | 2010 | 2009 | 2008 |
|---|---|---|---|---|---|
| Revenue | **6,361** | 5,964 | 5,406 | 4,910 | 4,814 |
| Earnings before interest, taxes, depreciation and amortisation (EBITDA) | **2,929** | 2,765 | 2,401 | 2,125 | 2,171 |
| Earnings before interest and taxes (EBIT) | **1,599** | 1,597 | 1,628 | 1,393 | 1,535 |
| Interest cost | **52** | 66 | 52 | 41 | 12 |
| Profit before tax | **1,591** | 1,560 | 1,597 | 1,366 | 1,547 |
| Net profit attributable to equity shareholders (PAT) | **1,206** | 1,254 | 1,178 | 1,000 | 1,141 |
| Capital expenditure* | **700** | 610 | 720 | 718 | 1,588 |
| Net operating cash-flow* | **2,229** | 2,155 | 1,681 | 1,406 | 583 |
| Total assets | **4,014** | 4,863 | 5,137 | 4,732 | 4,656 |
| Non-current liabilities | **1,030** | 859 | 1,518 | 1,185 | 492 |
| Total borrowings | **1,080** | 728 | 1,077 | 922 | 398 |
| Shareholders' equity | **261** | 1,411 | 1,347 | 1,521 | 1,897 |
| | | | | | |
| Return on equity | **462.1%** | 88.9% | 87.5% | 65.7% | 60.1% |
| Return on total assets | **30.0%** | 25.8% | 22.9% | 21.1% | 24.5% |
| Earnings per share (sen) - adjusted for share split | **15.5** | 16.1 | 15.2 | 12.9 | 14.9 |
| Dividend per share (sen) - adjusted for share split | **26.3** | 17.5 | 16.3 | 17.8 | 18.8 |
| | | | | | |
| Net assets per share (sen) - adjusted for share split | **3.4** | 18.0 | 17.3 | 19.6 | 24.4 |
| Gearing ratio (debts/share equity) (x) | **4.1** | 0.5 | 0.8 | 0.6 | 0.2 |
| Interest cover (x) | **30.8** | 24.2 | 31.3 | 34.0 | 127.9 |

* 2008 capital expenditure and net operating cash-flow includes cost of spectrum

# Awards & Accolades


## 2012 FORBES ASIA FAB 50

Top 50 best publicly traded companies in Asia-Pacific

*by Forbes Asia*

## ASIA'S BEST COMPANIES 2012

- No. 2, Best Investor Relations Category
- No. 5, Best Managed Company Category
- No. 5, Best Corporate Governance Category
- No. 5, Most Committed to a Strong Dividend Policy Category
- No. 6, Best Corporate Social Responsibility Category

*by FinanceAsia*

## BRAND FINANCE TELECOM 500 REPORT

Most Valuable Telecom Brand

*by Brand Finance*

## BILLION RINGGIT CLUB 2012

- Second Place, Best CSR Initiatives Category
- Best Performing Stock Category

*by The EDGE Malaysia*

## MALAYSIA'S MOST VALUABLE BRANDS

Ranked No. 6

*by Association of Accredited Advertising Agents Malaysia (4As)*

## KANCIL AWARDS

- Bronze Award, Film-Single Category for 'Son to Mother' DiGi Postpaid Plus Campaign
- Merit Award, Film-Single Category for 'Father to Daughter' DiGi Postpaid Plus Campaign
- Merit Award, Film-Campaign Category for DiGi Postpaid Plus Campaign
- Merit Award, Film-Non-Broadcast Category for 'Finger' DiGi Internet Campaign
- Bronze Award, Craft-Copywriting Category for DiGi Postpaid Plus Campaign
- Bronze Award, Craft-Copywriting Category for 'Thumb' DiGi Internet Campaign
- Bronze Award, Craft-Sound/Music Category for 'Simfoni Malaysia' Campaign

*by the Association of Accredited Advertising Agents Malaysia (4As)*

## PUTRA BRAND AWARDS 2012

Silver Award,
Communication Networks

*by Association of Accredited Advertising Agents Malaysia (4As)*

## Awards & Accolades

### MALAYSIAN MEDIA AWARDS 2012

Gold Award, Best Use of Digital Category for DiGi WWWoW Awards

*by Media Specialists Association (MSA)*

### MALAYSIA CYBER SECURITY AWARDS 2012

- Information Security Outreach Provider of the Year
- Cybersafe Ambassador for the Year

*by CyberSecurity Malaysia*

### MASTERCARD HALL OF FAME AWARDS 2011

'Everyday Merchant of the Year' Award

*by MasterCard Worldwide*

### 2012 EFFIE AWARDS MALAYSIA

- Gold Award, 'Dear Malaysians' Campaign
- Silver Award, DiGi 'Gila Internet Sale' Campaign
- Bronze Award, DiGi WWWOW Awards Campaign

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

### GOMOBILE AWARDS 2012

The Best Prepaid Service Award

*by GoMobile*

### PC.COM AWARDS

Best Prepaid Telco Award

*by PC.Com Malaysia*

### EUROPA AWARDS 2011

Highest Excellence Award (by a European investor in Malaysia)

*by EU-Malaysia Chamber of Commerce and Industry (EUMCCI)*

“DiGi is renowned for its CSR projects, which reflect its corporate responsibility pillars of Empowerment Through Connectivity, Ethical and Responsible Business, and Climate Change and Environment.”

*The Edge: ‘DiGi.Com on a mission to deliver high-quality internet for all Malaysians’, 23 July 2012*

# Sustainability

## Our Approach to Sustainability

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

Our philosophy on sustainable business practices is expressed through a set of comprehensive policies and processes, monitored across key business functions, and periodically reported to senior management and our Board of Directors. We also regularly review our approach to ensure that relevant sustainability challenges are addressed across our value chain.

DiGi's Sustainability approach is aligned to Telenor Group's Corporate Responsibility Strategy, Bursa Malaysia's CSR Framework, and the United Nations Global Compact (UNGC) Principles.

## Sustainability Strategy

The four focus areas under our Sustainability strategy are Empowerment Through Connectivity, Ethical and Responsible Business, Climate Change and Environment, and Best on People.


## Empowerment Through Connectivity


DiGi Challenge for Change will culminate in 2013 with the best ideas being developed into mobile applications. For more information, please visit www.dgcfc.my.

DiGi has a mission of delivering *Internet For All*. Apart from enabling mobile internet access for all Malaysians, we also aim to inspire the positive adoption of mobile internet through various empowerment initiatives.

In November 2012, we launched the fourth edition of our Challenge for Change programme, which was focused on unearthing ideas that foster a spirit of community amongst Malaysians, and turning these ideas into mobile applications.

We received more than 2,000 ideas from the Malaysian public in the Ideation phase. The winning ideas are now being developed into mobile applications.

DiGi will support the commercialisation of these applications by promoting them on various customer touchpoints, and through partnerships with Microsoft Malaysia, Google Malaysia, Multimedia Development Corporation's ICON programme, and selected platforms under the Economic Transformation Programme.

We also increased our efforts in driving awareness for a safe, family-friendly internet environment. Partnering with the Ministry of Education and CyberSecurity Malaysia, we reached out to 272 schools and 14 1Malaysia Internet Centers *(Pusat Internet 1Malaysia)*, addressing close to 7,000 students, teachers and parents. During the year, DiGi was awarded the 2012 Best Information Security Organisation and Cybersafe Ambassador of the Year awards by CyberSecurity Malaysia, for our work in raising awareness on online safety.


The DiGi CyberSAFE Programme is aligned to the Malaysian Communication and Multimedia Commission's *Klik Dengan Bijak* campaign, which aims to enhance public awareness on the safe and secure use of the internet.

In line with our *Internet For All* mission, we also hosted the second edition of the DiGi WWWoW Internet For All Awards – Malaysia first 'by the people, for the people' internet awards, paying tribute to ordinary Malaysians who utilise the power of the internet to do extraordinary things.

**Ethical and Responsible Business**

We uphold high corporate governance standards and ethics across our organisation, guided by the DiGi 'Way of Work' governance framework which encapsulates our corporate values, codes of conduct, and various governing policies and procedures.

In 2012, we launched the DiGi Governance Programme, aimed at streamlining all policies, processes and internal controls, and strengthening compliance to local laws and regulations. Under this programme we reviewed and updated 18 policies covering Finance and Control, Asset Management, Operational Excellence, and Sustainable Business Practices.

Through the Supplier Conduct Principles (SCP) framework, we extend local and international standards on health, safety, security, environment, human rights and ethics to all business partners. DiGi's Supply Chain Risk indicator improved from 70% at the start of the year to 3% by end 2012, indicating a significant reduction in the risk of non-compliance among our suppliers.

We have taken internal measures to ensure compliance to the Personal Data Protection Act (PDPA) 2010. Beyond basic requirements contained in the Act, we also launched a holistic Information Security Management Programme, addressing broader issues of information management and security across the organisation.

# Sustainability

We continue to adhere to stringent requirements of the International Commission on Non-Ionizing Radiation Protection (ICNIRP) standards in managing concerns on health risks arising from Radio Frequency (RF) emissions from mobile phones and transmission sites. We are also part of an industry-led initiative to raise public awareness on this issue.

Our ability to uphold ethical and responsible business practices is highly dependent on the mindset and buy-in from employees and business partners. Therefore, all our policies and processes are strongly supported through awareness and training sessions for internal and external stakeholders.

**Climate Change and Environment**

We continue to drive energy efficiency initiatives in our network and facilities, and address broader issues across our operations to minimise our environmental impact.

We expect to see an increase in energy consumption and carbon dioxide ($CO_2$) emissions as more customers enter the digital age and demand higher capacity mobile internet services. Our main focus therefore is on improving the efficiency of our network, which represents more than 80% of our total energy consumption. We expect that our ongoing network modernisation initiative will deliver energy savings on a gradual basis; early results indicate a slight stabilisation of electricity consumption year-on-year, with greater efficiencies expected following the completion of the modernisation exercise.

We aim to reduce the use of diesel by converting off-grid base transmission sites from diesel-generated energy to electricity or hybrid solar-diesel energy sites. Despite the rise in number of converted sites in 2012, we experienced an increase in diesel consumption due to the larger number of new 3G sites built in off-grid locations under the national Universal Service Provision initiative.

DiGi's Technical Operations Center achieved full Gold Certification from the Green Building Index (GBI). In 2012, GBI auditors verified that various eco-friendly features indicated in the planning and design stages of the building were effectively implemented.

We take a proactive approach in managing potential environmental risks and impacts across our operations, and comply with global standards such as ISO14001 for environmental management in handling obsolete electrical and electronic equipments. We have also put in place processes to facilitate the disposal of swapped equipment and unused handsets in accordance with global environmental and safety standards. In addition to these efforts, we also organise an annual recycling campaign to promote recycling of unused handsets among our customers.

Climate and environment risks remain a key concern for DiGi, from both an operational efficiency standpoint and as part of our overall corporate responsibility focus. In this regard, we constantly look for new and emerging technologies and opportunities to drive improvements in this area.

# Sustainability



**Best on People**

Our Best on People aspiration is built on creating an engaged and supportive work culture and environment, providing the most attractive development at all levels, and offering competitive, performance-based rewards for all employees. By end 2012 we successfully implemented several strategic human resource transformation initiatives that support these goals.

Our efforts in addressing employee feeback from the 2011 Employee Engagement Survey resulted in a higher Employee Engagement Index at 73% in 2012 (2011: 68%). Formal engagement platforms have been further strengthened with the establishment of the Best on People Council, an official forum for employee representatives to discuss work-related matters or employee grievances, by means of regular consultation between the senior management team and employees. These include matters relating to the welfare of employees, benefits and rewards, improvements to working conditions, career development, health, amenities, safety, and the environment.

In fostering an engaging work culture, more than 1,400 DiGizens - led by DiGi's Management Team - came together to spread the word on DiGi's internet offerings, as part of the Company's annual gathering.

We also developed a Competency Framework to provide employees at all levels with the right guidance around career advancement in DiGi. This is complemented with targeted training and development platforms for all employees, and programmes to enhance the leadership skills of all managers and leaders in DiGi.

We continue to offer competitive compensation that is benchmarked against the best performing companies in Malaysia, and a rewards framework that is closely linked to employees' performance. In 2012, we introduced a flexible benefits plan which empowers employees to choose from a range of benefits that best suit their needs and lifestyles, including parental healthcare, childcare, post-graduate education, purchase of communications devices, and internet access fees, among others.

We will continue these efforts to ensure our employees have clear and equal opportunities to realise their full potential in DiGi, and that DiGi continues to be among the most preferred places to work in Malaysia.

*We strive to continuously improve the disclosure standards of our sustainability performance. This section serves as a summary of our fourth Sustainability Report, now available in a fully digital version at www.digi.com.my/sustainability.*

# Sustainability

**Performance Data Highlights**

## Empowerment Through Connectivity

### Community Engagement

| | 2010 | 2011 | 2012 |
|---|---|---|---|
| Schools | 121 | 189 | **645** |
| NGOs | NA | 45 | **96** |
| Universities | 19 | 30 | **116** |
| Underprivileged communities | 5 | 36 | **45** |
| **Total** | **145** | **300** | **902** |

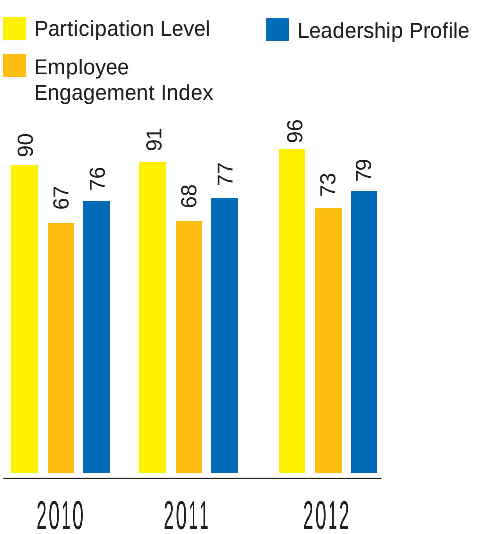
## Ethical & Responsible Business

### Supply Chain Sustainability

| | 2010 | 2011 | 2012 |
|---|---|---|---|
| Suppliers signed an Agreement on Responsible Business Conduct (%) | 58 | 98 | **99** |
| Systematic SCP risk reduction during the year based on supplier Self Assessment Questionnaire (% point) | 76 | 43 | **67** |
| Number of sustainability inspections and audits | 107 | 153 | **199** |

## Best on People

### Employee Engagement Survey (%)

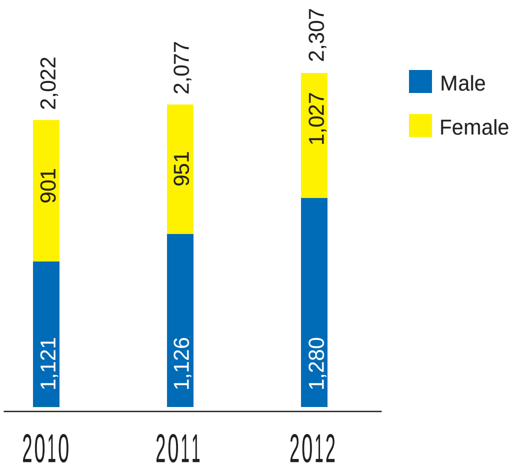



## Climate Change and Environment

### $CO_2$ Emissions (Tonnes)

| | 2010 | 2011 | 2012 |
|---|---|---|---|
| Total $CO_2$ emissions | 102,498 | 113,824 | **126,882** |
| Direct $CO_2$ emissions (Scope 1) | 15,831 | 14,846 | **18,508** |
| Indirect $CO_2$ emissions (Scope 2) | 85,310 | 97,531 | **107,002** |
| Other indirect $CO_2$ emissions (Scope 3) | 1,357 | 1,447 | **1,372** |

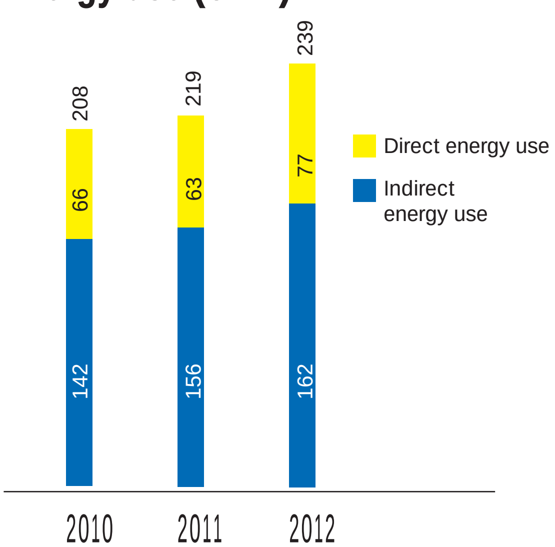
## Diversity & Inclusion




## Health and Safety

| | 2010 | 2011 | 2012 |
|---|---|---|---|
| Total Recordable Injury Frequency (TRIF) *Number of cases in 1 million worked hours* | 0.85 | 0.85 | **1.01** |
| Lost Time Injury Frequency (LTIF) *Number of cases in 1 million worked hours* | 0.64 | 0.64 | **0.81** |
| Sickness Absence Frequency *(%)* | 1.00 | 0.99 | **1.22** |

## Energy use (GwH)




## Other Environmental Impact (Tonnes)

| | 2010 | 2011 | 2012 |
|---|---|---|---|
| **Obsolete electrical & electronic equipments** | | | |
| Total | NA | 346 | **495** |
| E-waste | NA | NA | **125** |
| **Municipal waste** | | | |
| Total | 252 | 445 | **393** |
| Recycled | 10 | 5 | **11** |

"DiGi continues to remain our favourite pick in the mobile operator segment due to its consistent earnings, better corporate governance and having the highest ROE in the industry."

*Kenanga Research, 2 October 2012*

# Directors' Profiles

## SIGVE BREKKE

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

**Appointed to Board:** 21 August 2008

**Career History:** Sigve 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. He has served as the Deputy Minister (State Secretary) of Defence in Norway in 1993, and has held positions at the Norwegian Defence Research Establishment. He also held an associate position at John F. Kennedy School of Government, Harvard University in the USA.

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

**Skills & Experience:** Sigve holds a Master of Public Administration from John F. Kennedy School of Government, Harvard University, USA and a Bachelor of Business and Administration from Telemark College, Norway.

**None of the Directors have any:-**
1. **Family relationship with any Director and/or major shareholders of the Company;**
2. **Conflict of interest with the Company; and**
3. **Conviction for offences within the past 10 years other than traffic offences.**

**The details of attendance of each Director at Board meetings are set out on page 54 of the Annual Report.**

## TAN SRI LEO MOGGIE

*(Senior Independent Non-Executive Director, Chairman of the Nomination Committee)*
71 years of age, Malaysian

**Appointed to Board:** 10 May 2005

**Career History:** Tan Sri Leo was elected as a Member of Parliament and Member of the Sarawak Legislative Assembly in 1974. He also served as a Minister in the State Government of Sarawak from 1976 to 1978, and as a Federal Cabinet Minister for 26 years from 1978 to 2004.

**Other Commitments:** Chairman of Tenaga Nasional Berhad and a number of its subsidiary companies, and Director of ACE Jerneh Insurance Berhad.

**Skills & Experience:** Tan Sri Leo holds an Honorary Doctorate of Laws by Otago University, New Zealand in 2000, an Honorary Doctorate of Science by Multimedia University Malaysia in 2003, and 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 & Risk Committee, and member of the Nomination Committee)*
67 years of age, Malaysian

**Appointed to Board:** 23 November 2001

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

**Other Commitments:** Director of HeiTech Padu Berhad, Utusan Melayu (Malaysia) Berhad, Kumpulan Peransang Selangor Berhad, Amway (Malaysia) Holdings Berhad, KNM Group Berhad, ECM Libra Financial Group Berhad, AmCorp Properties Berhad, RCE Capital Berhad, Petronas Gas Berhad and DiGi Telecommunications Sdn Bhd.

**Skills & Experience:** Dato' Ab. Halim holds a Bachelor of Economics in Accounting from University of Malaya and a Master of Business Administration from University of Alberta, Canada.

# Directors' Profiles

## DATO' SAW CHOO BOON

*(Independent Non-Executive Director, member of the Audit & Risk Committee)*
66 years of age, Malaysian

**Appointed to Board:** 9 December 2010

**Career History:** Dato' Saw joined Shell in 1970 as a Refinery Technologist in Shell Refining Company (Federation of Malaya) Bhd. He then served in various capacities in Manufacturing, Supply, Trading and Planning in Malaysia, Singapore and Netherlands. In 1996, Dato' Saw was appointed Managing Director of Shell MDS (Malaysia) Sdn Bhd, and in 1998 he assumed the position of Managing Director for Oil Products (Downstream) at Shell Malaysia. In 1999, with the globalisation of the Shell Oil Products business, he was appointed the Vice-President of the Commercial business in the Asia-Pacific region. In 2005, he assumed the position of Vice-President of the Global Marine division to manage the marketing of oil products to shipping companies globally. He was appointed the Chairman of Shell Malaysia from 2006 until 2009, and Senior Advisor until 30 June 2010, when he retired after 40 years of continuous service.

**Other Commitments:** Director of Shell Refining Company (Federation of Malaya) Bhd, RHB Capital Bhd, RHB Investment Bank Bhd and Guinness Anchor Berhad.

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

## HAKON BRUASET KJOL

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

**Appointed to Board:** 16 March 2010

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

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

**Skills & Experience:** Hakon is a former student of the Norwegian School of Management.

# Directors' Profiles

## TORE JOHNSEN

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

**Appointed to Board:** 15 March 2013

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

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

**Skills & Experience:** Tore holds a Master of Science from University of Trondheim in addition to Studies in International Business Management at Norwegian School of Economics and Business Management.

## MORTEN KARLSEN SØRBY

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

**Appointed to Board:** 15 March 2013

**Career History:** Morten joined Telenor in 1993 where he has held a number of senior positions, including Head of Telenor Nordic from 2005 to 2009, and Deputy Chief Executive Officer of Telenor Mobile. He was appointed Executive Vice-President and member of the Group Executive Management team in 2003. Morten has in his capacity as Executive Vice-President served as Head of Norwegian Market from 2003 to 2005. He previously worked at Arthur Andersen & Co in Oslo, Norway.

**Other Commitments:** Executive Vice-President and Head of Strategy and Regulatory Affairs of Telenor ASA, and a Director of DiGi Telecommunications Sdn Bhd.

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

# Management Profiles

## HENRIK CLAUSEN*

*Chief Executive Officer*
49, Danish

**Career History:**
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 No. 2 fixed Broadband and ISP provider in 2000. Throughout his career, he has also worked in IBM, AT Kearney and Accenture, where he was a partner.

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

## ALBERN MURTY

*Chief Marketing Officer*

**Career History:**
Albern was appointed Chief Marketing Officer in April 2012. Since joining DiGi in 2002, he has held roles in Project Planning & Controls, Product Management & Product Development, Acting Co-Chief Marketing Officer and Head of Strategy & New Business. Before DiGi, his previous experience includes business and commercial management roles in Lucent Technologies across the Asian region.

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

## CHRISTIAN THRANE

*Chief Strategy and Corporate Affairs Officer*

**Career History:**
Christian joined DiGi in June 2010 as the 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.

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

## SURIAHNI ABDUL HAMID

*Head of Human Resource Development*

**Career History:**
Suriahni was appointed Head of Human Resource Development and member of the DiGi Management Team in January 2010. Before joining DiGi in 2005, she was 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.

**Skills and experience:**
Suriahni holds a Bachelor of 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).

## OLE MARTIN GUNHILDSBU

*Chief Technology Officer*

**Career History:**
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.

**Skills and experience:**
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.

## CHAN NAM KIONG

*Advisor*

**Career History:**
Nam Kiong was appointed Advisor to the DiGi Management team in April 2012. Previously, he was the Head of Customer and Channels, and was responsible for driving business results and customer experience at the points of sales and 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.

**Skills and experience:**
Nam Kiong holds a Bachelor of Science in Electronic Engineering from Sussex University, UK.

## TERJE BORGE

*Chief Financal Officer*

**Career History:**
Terje joined DiGi as Chief Financial Officer in August 2010. Prior to this, he was Chief Financial Officer for Total Access Communication (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.

**Skills and experience:**
Terje holds a Master of Science in Business Administration from the Norwegian School of Economics and Business Administration.

*** 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.**

# Statement on Corporate Governance

The Board of Directors ("the Board") of DiGi.Com Berhad ("DiGi") remain committed to high standards of corporate governance in cultivating a responsible organisation that adopts practices in accordance to the Principles and Recommendations of the Malaysian Code on Corporate Governance 2012 (the "MCCG 2012") and Telenor ASA's Corporate Governance Principles.

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

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

**Establish Clear Roles and Responsibilities of the Board and Management**

**1.1 Clear functions of the Board and Management**

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

Beyond the matters reserved for the Board's decision, the Board has delegated the authority to achieve the corporate objective to the Chief Executive Officer ("CEO") in accordance to the Rules of Procedure for the CEO. The CEO remains accountable to the Board for the authority that is delegated to him, and for the performance of the Group.

The Board monitors the decisions and actions of the CEO, and the performance of the Group to gain assurance that progress is being made towards the corporate objective, within the limits it has imposed. The Rules of Procedure for the CEO were reviewed and revised by the Board in October 2012.

**1.2 Clear roles and responsibilities**

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, overseeing succession planning, and sound financial and operational management to ensure that obligations to shareholders and other stakeholders are understood and met.

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

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

- Appointment to the Board
- Appointment to the positions of CEO and Chief Financial Officer ("CFO")
- Approval of strategies, ambitions and targets
- Approval of annual and quarterly financial results
- Decision on capital investment and disposal of tangible assets from existing business to third parties
- Decision on major investments and contracts with significant profit impact
- Decision on changes to control structure of DiGi, including key policies and authority limits
- Approval on key strategic commercial and business decisions
- Plan for succession of CEO and senior management
- Plan annual strategy
- Establishment of new business

# Statement on Corporate Governance

The Board has established Board Committees, namely the Audit & Risk Committee, Remuneration Committee and Nomination Committee to examine specific matters within their respective terms of reference as approved by the Board and will report to the Board with their recommendations. The ultimate responsibility for decision making, however, lies with the Board.

**1.3 Formalised ethical standards through Code of Ethics**

***Code of Conduct***

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

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

The Code governs the conduct of all DiGi employees including the Board members. All employees have certified in writing that they have read and understood the Code. Ongoing training is provided to employees on the Code, in particular on how to deal with situations involving ethical dilemma to ensure that they continuously uphold high standard of conduct while performing their duties.

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

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

***Whistle-Blowing Policy***

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

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

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

***Supplier Conduct Principles***

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

***Anti-Corruption Policy***

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

# Statement on Corporate Governance

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

***Trading on Insider Information***

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

Notices on the closed period for trading in DiGi's shares are sent to Directors, principal officers and relevant employees on a quarterly basis. In 2012, none of the Directors dealt in DiGi securities during closed period.

### 1.4 Strategies promoting sustainability

The Board is mindful of the importance of building a sustainable business, therefore takes into consideration its environmental, social and governance impact when developing DiGi's corporate strategy. DiGi's sustainability agenda for the year under review are disclosed on page 30 to page 35 of this Annual Report.

### 1.5 Access to information and advice

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

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

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

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

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

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

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

***Access to Independent and Professional Advice***

The Board or an individual Director may seek professional expert advice at DiGi's expense with prior approval from the Board on any matters in relation to the discharge of their responsibilities. No Director availed himself to this right during the year.

### 1.6 Qualified and competent Company Secretaries

The Company Secretaries ensure the flow of information to the Board and its Committees. Ms Choo Mun Lai 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, ensure compliance with Board procedures and advise the Board on all governance matters.

The Board is regularly updated and advised by the Company Secretaries who are qualified, experienced and competent on new statutory and regulatory requirements, and the resultant implications to DiGi and the Directors in relation to their duties and responsibilities. The Company Secretaries, who oversee adherence with board policies and procedures, brief the Board on the proposed contents and timing of material announcements to be made to regulators. The Company Secretaries attend all Board and Board Committee meetings to ensure that meetings are properly convened, that accurate and proper records of the proceedings and resolutions passed are taken and maintained accordingly.

All Directors have access to the advice and services of the Company Secretaries.

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

**1.7 Board Charter**

The Board is guided by the principles contained in the Code and by the Board's Charter ("Rules of Procedure for the Board"), and a Delegation Authority Matrix which set out the practices and processes in the discharge of its responsibilities; the matters that are reserved for consideration and decision-making; the authority it has delegated to the CEO, including the limits which the CEO can execute the authority; and provides guidance on the division of responsibilities between the Board and CEO.

The Rules of Procedure for the Board and the Delegation Authority Matrix were reviewed and revised by the Board in October 2012.

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

**Strengthen Composition of the board**

**2.1 Nomination Committee**

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

In observance with the MCCG 2012, Tan Sri Leo Moggie who is also the Senior Independent Non-Executive Director was appointed on 4 July 2012 as Chairman of the Nomination Committee, replacing Mr Hakon Bruaset Kjol.

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

| Name | Attendance |
|---|---|
| Tan Sri Leo Moggie | 1/1 |
| Hakon Bruaset Kjol | 1/1 |
| Dato' Ab. Halim Bin Mohyiddin | 1/1 |

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

- Leads the process for identifying and making recommendations for the Board's approval on suitable candidates for directorship to the Board and Board Committees;
- Conducts annual review of the structure, size and composition of the Board, including the balance mix of skills, knowledge, experience and independence of the Non-Executive Directors;
- Regularly reviews profiles of the required skills, expertise, attributes and core competencies for membership to the Board;

# Statement on Corporate Governance

- Oversees the assessment of the annual performance of the Board, Committees and the contribution of each Director;
- Assess and makes recommendations to the Board concerning the re-election of Directors;
- Assess the training needs of each Director;
- Reviews the character, experience, integrity, competence and time to effectively discharge the roles of CEO and CFO, and
- Reviews succession plans for members of the Board.

***Activities Undertaken***

The Nomination Committee assessed the overall effectiveness of the Board, its Committees and the contribution and performance of each individual Director in 2012 including its size, structure and composition. The Board's performance evaluation is discussed in more detail in the section under "Performance evaluation" on page 49.

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

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

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

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

***Appointments to the Board and Re-election of Directors***

The Nomination Committee is responsible to ensure that the procedures for appointing new Directors are transparent and rigorous, and that appointments are made on merit. In 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 meets its future needs.

DiGi's Articles of Association requires a minimum of two (2) Directors and not more than thirteen (13) unless otherwise determined by shareholders in an Annual General Meeting ("AGM"). 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 AGM.

Other than those Directors appointed during the year, one-third of remaining Directors are required to retire by rotation and all Directors must submit themselves for re-election at each AGM at least once every three (3) years. Retiring Directors who are seeking re-election are subject to a Director assessment overseen by the Nomination Committee. The re-election of each Director is voted as a separate resolution during DiGi's AGM.

Following the assessment, the Board, on the recommendation of the Nomination Committee, determines 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 2013 assessed and recommended the appointment of Mr Tore Johnsen and Mr Morten Karlsen Sørby as new Directors to the Board. Pursuant to the Articles of Association of the Company, Mr Tore Johnsen and Mr Morten Karlsen Sørby will retire at the coming AGM following their appointment. Tan Sri Leo Moggie who has attained the age of 70, will retire and has expressed his intention not to seek for re-appointment in accordance with Section 129(6) of the Companies Act, 1965. He will retain office until the conclusion of DiGi's 16th AGM.

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 16th AGM.

***Performance Evaluation***

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

For the financial year 2012, the Board assessed the effectiveness of the Board, its Committees and the contribution of each Director. The evaluation includes a review of the administration of the Board and its Committees covering the operation of the Board and its Committees, agendas, reports and information produced for consideration and the Board's relationship with its Committees and Management.

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

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

The evaluation process is led by the Nomination Committee Chairman and supported by the Company Secretary. The evaluation results were considered by the Nomination Committee, which then made 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 actions were taken based on the feedback.

During the meeting held in March 2013, the Nomination Committee reviewed and assessed the mix of skills, expertise, composition, size and experience of the Board, including the core-competencies of the Directors; the contribution of each individual Director; independence of the Independent Directors; effectiveness of the Board, as a whole, and the Board Committees; and also the retirement of Directors eligible for re-election.

# Statement on Corporate Governance

### 2.3 Remuneration policies and procedures

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

| Name | Attendance |
|---|---|
| Sigve Brekke | 1/1 |
| Hakon Bruaset Kjol | 1/1 |
| Tore Johnsen *(appointed on 15 March 2013)* | Not Applicable |
| Morten Tengs *(resigned on 15 March 2013)* | 1/1 |

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

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

The Remuneration Committee evaluated the CEO against the set performance criteria and reviewed the compensation package for the CEO.

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

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

***Directors' Remuneration***

The objective of DiGi's policy on Director's remuneration is 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 Non-Executive Directors comprises fixed monthly allowance and meeting allowance for the Audit & Risk Committee meeting. The aggregate Directors' remuneration paid to the Non-Executive Directors of DiGi for the financial year ended 31 December 2012 was as follows:

| Non-Executive Directors | Fixed Allowances (RM) | Meeting Allowances^ (RM) | Total (RM) |
|---|---|---|---|
| Tan Sri Leo Moggie | 172,000 | Nil | 172,000 |
| Dato' Ab. Halim Bin Mohyiddin*^ | 196,000 | 2,500 | 198,500 |
| Dato' Saw Choo Boon ^ | 172,000 | 1,500 | 173,500 |
| Total | 540,000 | 4,000 | 544,000 |

* Included allowance received from a subsidiary company.

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

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

**Reinforce Independence**

**3.1 Annual Assessment of Independence**

The Board recognises the importance of independence and objectivity in the decision-making process. The Independent Directors bring the knowledge and experience of the regulatory environment and accounting regime in Malaysia. The Board considers that it should include significant representation by Directors who are capable and willing to make decisions in the best interests of the shareholders free from interests or influences which conflict with their duties and are also independent of the Management.

Tan Sri Leo Moggie, Dato' Ab. Halim Bin Mohyiddin and Dato' Saw Choo Boon are the Independent Directors. The Independent Directors fulfill the criteria of "Independence" as prescribed under Chapter 1 of the Listing Requirements. DiGi fulfills the requirement to have at least one-third of the Board comprised of Independent Non-Executive Directors.

**3.2 Tenure of Independent Directors**

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

# Statement on Corporate Governance

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

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

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

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

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

Therefore, based on the recommendation by the Nomination Committee, the Board recommended that Dato' Ab Halim bin Mohyiddin continue to act as Independent Non-Executive Director of DiGi subject to shareholders' approval at DiGi's forthcoming 16th AGM as he has fulfilled the criteria under the definition on Independent Director as stated in the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities").

**3.4 Separation of positions of the Chairman and Chief Executive Officer**

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

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

**3.5 Board Composition and Balance**

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

# Statement on Corporate Governance

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

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

Several of the Directors have the relevant experience in the telecommunications industry. A brief description of the background of each Director is presented on pages 38 to 41 of the Annual Report.

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

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

Other aspects of diversity within the Board are also important, and this includes a mix of skills, experience, perspective and gender. The Board recognises that the evolution of this mix is a long-term process that is deliberated each time a vacancy arises to ensure a balanced and diverse Board composition is maintained. Gender diversity remains an essential aspect of this composition and the Board expects to take necessary steps to ensure compliance to this requirement. Further information on diversity within the organisation is included in 2012 sustainability report at www.digi.com.my/sustainability.

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

Tan Sri Leo Moggie is the Senior Independent Non-Executive Director and he is available to shareholders who have concerns that cannot be addressed through the Chairman and CEO. During the year, there were no shareholders who have requested to meet with Tan Sri Leo Moggie.

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

# Statement on Corporate Governance

## Foster Commitment

### 4.1 Time Commitment

Meetings for the year are scheduled at the end of the preceding year to enable the Directors to plan ahead and ensure that the Board and its Committee meetings are accounted for in their respective schedules. The Board meets for both scheduled meetings and on other occasions to deal with urgent matters. Due notice is given for all scheduled and additional meetings.

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

| Name | Attendance |
|---|---|
| Sigve Brekke<br>*Chairman/Non-Independent Non-Executive Director* | 4/5 |
| Tan Sri Leo Moggie<br>*Senior Independent Non-Executive Director* | 4/5 |
| Dato' Ab. Halim bin Mohyiddin<br>*Independent Non-Executive Director* | 5/5 |
| Dato' Saw Choo Boon<br>*Independent Non-Executive Director* | 5/5 |
| Hakon Bruaset Kjol<br>*Non-Independent Non-Executive Director* | 4/5 |
| Tore Johnsen<br>*(Appointed on 15 March 2013) Non-Independent Non-Executive Director* | Not Applicable |
| Morten Karlsen Sørby<br>*(Appointed on 15 March 2013) Non-Independent Non-Executive Director* | Not Applicable |
| Lars Erik Tellmann<br>*(Resigned on 15 March 2013) Non-Independent Non-Executive Director* | 5/5 |
| Morten Tengs<br>*(Resigned on 15 March 2013) Non-Independent Non-Executive Director* | 5/5 |





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

Directors are to devote sufficient time and effort to carry out their responsibilities. The Board obtains this commitment from Directors at the time of appointment. It is also the Board's policy for Directors to notify the Chairman before accepting any new directorships notwithstanding that the Listing Requirements allow a Director to sit on the board of 5 listed issuers. Such notification is expected to include an indication of time that will be spent on the new appointment.

### 4.2 Directors' Training and Induction

All existing Directors have completed the Mandatory Accreditation Programme (MAP) except for Mr Tore Johnsen who will complete the MAP within the required timeline. The Board continues to evaluate and determine the training needs of its members to assist them in the discharge of their duties as Directors. DiGi also provided internal briefings to the Directors on key Corporate Governance developments and updated them on changes to the Listing Requirements, laws and regulations. The Directors were fully informed of the impact of such developments or changes.

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

The Chairman is responsible for ensuring that induction and training programmes are provided and the Company Secretary organises the induction process. This includes briefings on DiGi's business, its governance process, meetings with senior management and visit to the business operation.

During the financial year end 31 December 2012, the Directors have attended conferences, seminars and trainings in the areas of Leadership, Corporate Governance, Finance, Regulatory Development, Corporate Responsibility, Information Security and Business Interest as follows:-

| Name of Director | Training Programme/ Conference Seminar |
|---|---|
| Sigve Brekke | • Mobile World Congress in Barcelona |
| Tan Sri Leo Moggie | • Board's role and Corporate Governance (The impact of recent developments on the role of Directors)<br>• Board Development Programme 2012 – Electricity Industry Reform, Markets and Strategy Discussions on Maintaining the Vertically Integrated Utility<br>• Financial Institutions Directors' Education Programme (FIDE) Module A Group 7 (Insurance) |
| Dato' Ab Halim bin Mohyiddin | • Board's role and Corporate Governance (The impact of recent developments on the role of Directors)<br>• The New Corporate Governance Blueprint and Regulatory update<br>• Amendments to the Listing Requirements of Bursa Securities – New Corporate Disclosure Guide & Corporate Governance Blueprint 2011<br>• 4th PETRONAS BAC Forum 2012 (Board Audit Committee of PETRONAS Group of Companies) – Concentration on convergence IFRS & MFRS<br>• Effective Dispute Resolution for Corporate Malaysia<br>• The Malaysian Code on Corporate Governance 2012 – The Implication and Challenges to Public Listed Companies<br>• Disclosure Obligations of Directors and Substantial Shareholders<br>• MFRS Update 2012/2013<br>• BDO Tax Forum: Time for Action Driving Transformation Towards Developed Nation<br>• ICAA-MICPA Audit Forum – Role of Audit Committee<br>• MICPA-Bursa Securities Business Forum |

# Statement on Corporate Governance

| Name of Director | Training Programme/ Conference Seminar |
| --- | --- |
| Dato' Saw Choo Boon | • Board's role and Corporate Governance (The impact of recent developments on the role of Directors)<br>• FIDE Core 2012: Module B<br>• FIDE Elective Programme- Financial Statement Fundamentals "What's in the Numbers?"<br>• FIDE Elective Programme – ICAAP<br>• Competition Act<br>• ICAAP Directors Workshop<br>• ICLIF Strategic Development Programme<br>• Commercial Law, Corporate Fraud, Corporate Governance & Whistleblowing<br>• ICAAP Training<br>• Internal Technology Update Training |
| Hakon Bruaset Kjol | • Board's role and Corporate Governance (The impact of recent developments on the role of Directors) |
| Lars Erik Tellmann *(Resigned on 15 March 2013)* | • Board's role and Corporate Governance (The impact of recent developments on the role of Directors)<br>• Director Certification Programme (DCP165/2012) accredited by the Australian Institute of Company Directors |
| Morten Tengs *(Resigned on 15 March 2013)* | • Board's role and Corporate Governance (The impact of recent developments on the role of Directors) |
| Tore Johnsen *(Appointed on 15 March 2013)* | Not Applicable |
| Morten Karlsen Sørby *(Appointed on 15 March 2013)* | Not Applicable |

**Uphold Integrity In Financial Reporting**

**5.1 Compliance with applicable financial reporting standards**

***Financial Reporting***

The Board is committed to providing a balanced, clear and meaningful assessment of the financial performance and prospects in all the disclosures made to the stakeholders and the regulatory authorities.

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

***Statement of Directors' Responsibilities in Respect of the Financial Statements***

The Directors are required by the Companies Act, 1965 to prepare financial statements for each financial year which have been made out in accordance with the applicable Financial Reporting Standards in Malaysia and the provisions of the Companies Act, 1965, so as to give a true and fair view of the financial position of DiGi as of the reporting date, and financial performance and cash flow for the year. The Directors have prepared the information set out in Note 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 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 free from material misstatement, whether due to fraud or error
- adopted suitable accounting policies and applied them consistently
- stated whether applicable Financial Reporting Standards in Malaysia have been followed, subject to material departures disclosed and explained in the financial statements, if any
- made judgments and estimates that are reasonable in the circumstances
- employed the going-concern principle unless it is inappropriate to presume that DiGi will continue its business

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

***Conflict of Interest and Related Party Transactions***

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

The Board through its Audit & Risk Committee reviews all the related party transactions on a quarterly basis. A Director who has an interest in a transaction must abstain from deliberation and voting on the relevant resolutions in respect to the transaction at the Board meetings.

Details of these transactions are set out under Notes to the Financial Statements and also the List of related party transactions on pages 130 to 131 and 143 of the Annual Report.

**5.2 Assessment of suitability and independence of external auditors**

Key features underlying the relationship of the Audit & Risk Committee with the internal audit function and external auditors are detailed on pages 61 to 65 of the Annual Report. A summary of the activities of the Audit & Risk Committee during the year are set out in pages 69 to 70 of the Annual Report.

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

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

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

During the year, Ernst and Young charged DiGi RM311,000 (2011: RM297,000) for audit and RM53,000 for non-audit services/assignments (2011:RM78,000).

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

# Statement on Corporate Governance

## Recognise and Manage Risks

### 6.1 Sound framework to manage risks

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

DiGi has in place an on-going process for identifying, evaluating and managing significant risks that may affect the achievement of the business objectives of DiGi. The Board through its Audit & Risk Committee reviews the key risks identified on a regular basis to ensure proper management and mitigation of risks within its control.

The key features of the Risk Management framework and policy set out in pages 66 to 68 of the Annual Report provide an overview on the Risk Management functions within DiGi.

### 6.2 Internal audit function

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

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

The Statement on Internal Control set out in pages 61 to 64 of the Annual Report provides an overview on the state of internal controls within DiGi.

## Ensure Timely and High Quality Disclosure

### 7.1 Corporate disclosure policy

***Communications with Shareholders and Investors***

DiGi recognises the importance of effective and timely communication with shareholders and the investment community at large to ensure they make informed decisions in the trading of DiGi securities.

Therefore, DiGi is committed to a proactive and continuous dialogue with all shareholders and investors which include appropriate disclosure and transparency of information to ensure that they make informed assessments of DiGi's value and prospects.

In this respect, DiGi has in place a disclosure policy entitled Corporate Disclosure Procedures and Policies which outlines how DiGi identifies and releases material information in a complete, timely and accurate manner to Bursa Securities and consequently to the market.

We are also pleased to highlight that DiGi has maintained the policy of proactive engagement with shareholders and investors throughout the past year. After each results announcement and any resultant major corporate exercise, DiGi has made appropriate disclosures to our investors and other financial intermediaries through disclosures to Bursa Securities, media, DiGi's Investor Relations website and other channels.

***Information Disclosure***

In accordance with the disclosure requirements and the Bursa Securities Listing Requirements, DiGi follows these three (3) main forms of information disclosure:

- Continuous disclosure – timely disclosure of events as they take place and this is our primary method of informing shareholders and the market
- Periodic disclosure – in the form of full year and quarterly reporting of financial results and major investments, capital expenditure and funding activities proposed by DiGi and the Annual Report as at 31 December 2012

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

**7.2 Leverage on information technology for effective dissemination of information**

***Investor Relations Website***

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

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

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

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

**Strengthened relationship between Company and shareholders**

**8.1 Encourage shareholders participation at general meetings**

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

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

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

The Chairman shared with the shareholders at the 15th AGM the responses to questions submitted in advance by the Minority Shareholder Watchdog Group, which was also posted on the Investor Relations section of DiGi's website.

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

# Statement on Corporate Governance

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

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

**8.2 Encourage poll voting**

All resolutions put forth for shareholders approval at the 15th AGM held on 8 May 2012 were voted by a show of hands.

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

**8.3 Effective communication and proactive engagement**

***Investor Meetings and Presentations***

On a regular basis, outside DiGi's closed period, the Management holds one-on-one meetings with analysts, fund managers and shareholders to provide updates on financial performance, corporate and regulatory developments. In these meetings, DiGi's management also addresses any issues with respect to the business outlook or operations. All materials used in our investor presentations are published on DiGi's Investor Relations website.

DiGi is also an active participant in various investor conferences held locally and in major financial centers globally throughout each financial year. In 2012, DiGi completed four non-deal roadshows that covered the United States, London, Singapore and Hong Kong.

Our proactive efforts in reaching out to shareholders and the investment community at large have been acknowledged and recognised through the many nominations and awards presented to DiGi for shareholder value creation as well as corporate governance.

The Board has deliberated, reviewed and approved the Statement on Corporate Governance on 15 March 2013.

# Statement on Internal Control

The Board of Directors ("Board") affirms its commitment to maintain a sound system of risk management and internal control in DiGi.Com Berhad Group ("DiGi Group") and is pleased to provide the following statement, which outlines the nature and scope of internal controls of DiGi Group during the financial year ended 31 December 2012.

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

**Board Responsibility**

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

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

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

**Risk Management**

DiGi Group has implemented a Risk Management framework to identify, evaluate and manage significant risks that may affect the achievement of DiGi Group's business objectives. The Board through the Audit & Risk Committee reviews the key risks identified on a regular basis to ensure that adequate measures are taken to mitigate key weaknesses in a controlled environment. The risk management process, and practical guidance on its application, has been documented in the Risk Management Standard Operating Policy and Procedures.

DiGi Management Team ("DMT"), which comprises the Chief Executive Officer ("CEO"), Chief Financial Officer ("CFO"), Chief Technology Officer ("CTO"), Chief Marketing Officer ("CMO"), Chief Strategy and Corporate Affairs Officer ("CSCAO") and Head of Human Resource Development, is responsible for ensuring that key risks to DiGi Group's business are identified, evaluated, and responses are developed to mitigate these risks. This risk management scope covers, inter alia, strategic, financial, operational, network and systems, health, safety and environment, employees and regulatory matters. Further information on Risk Management is provided on pages 66 to 68 of the Annual Report.

# Statement on Internal Control

**Control Environment And Structure**

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

**a) Organisation Structure**

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

There were restructuring exercises that took place across Marketing and Strategy and Corporate Affairs divisions throughout the year in enhancing DiGi Group's ability to achieve its strategic and operational objectives.

**b) Board and Management Committees**

Board Committees have been set up to assist the Board to perform its oversight function, namely the Audit & Risk Committee, the Nomination Committee, and the Remuneration Committee. These Board Committees have been delegated specific responsibilities of which, are all governed by clearly defined terms of reference. The roles and responsibilities of the Audit & Risk Committee are detailed in the Audit & Risk Committee Report on pages 69 to 74, whilst those of the other two committees are detailed in the Statement of Corporate Governance on pages 47 to 50.

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

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

**c) Assignment of Authority**

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

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

**d) Code of Conduct**

The Code of Conduct is a vital and integral part of DiGi Group's governance regime that defines the core principles and ethical standards in conducting business and engagements with all key stakeholders, and compliance with the law and regulations. The Code of Conduct applies to the members of the Board, employees and those acting on behalf of DiGi Group. All employees are required to sign and confirm that they have read, understood and will adhere to the Code of Conduct. Communication channels are established through which concerns on non-adherence to the Code of Conduct can be safely reported under the "Whistle-blowing" policy. More information of the Code and the "Whistle-blowing" policy are set out in the Statement of Corporate Governance on pages 45.

**e) Policies and Procedures**

DiGi Group has set out core business policies and procedures containing key business principles and requirements for the attainment of goals and objectives on the subject areas. This includes, but not limited to, Accounting and Financial Reporting Policy, Anti Corruption Policy, Brand Management Policy, Safety and Security Policy, People Policy, Supply Chain Sustainability, Information Management Policy, Privacy Policy, Whistle-blowing Policy and Regulatory Policy. These key policies and procedures are communicated Group-wide, made available to employees and revised periodically to meet changing business, operational and statutory reporting needs.

During the year, in enhancing our internal control systems, DiGi Group also obtained external attestation in complying with Payment Card Industry Data Security Standard (PCI-DSS) requirements.

**f) Revenue Assurance**

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

**g) Fraud Management**

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

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

# Statement on Internal Control

**h) Controls Over Financial Reporting**

The Risk and Revenue Management department plays a key role in identifying and evaluating the effectiveness of key controls surrounding the Financial Reporting process to provide reasonable assurance regarding the reliability of financial reporting and preparation of financial statements. It operates a structured and documented model of detection and monitoring of risks connected to the financial information which refers to the COSO framework.

**i) Legal and Compliance**

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

The Compliance Officer is responsible for facilitating compliance and ensuring effectiveness of the Code of Conduct, through compliance programmes. The Compliance Officer reports on findings and status of actions to the Audit & Risk Committee on a quarterly basis.

**Monitoring Activities**

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

**a) Board and Management Committees**

- DMT meetings are held on a weekly basis to monitor and address key issues on a timely manner.
- Significant changes in the business and the external environment are reported by the DMT to the Board on an ongoing basis and/or during Board meetings.
- DiGi Group's performance management model provides a comprehensive review of business performance, which includes a review of actual performance against targets.
- Quarterly financial results and other information are provided to the Audit & Risk Committee and the Board to enable the Board to monitor and evaluate the business performance.
- The Audit & Risk Committee monitors major internal and external audit issues to ensure they are promptly addressed and resolved.
- The Regulatory Steering Committee monitors compliance on regulatory or industry related projects and/or topics and tracks the progress of action plans. The Regulatory Steering Committee meets on a monthly basis.
- Risk and Control Forum meetings are held on a monthly basis to monitor mitigation of key risks to ensure that robust mitigation actions are implemented on a timely manner by Management.

b) **Internal Audit Function**

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

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

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

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

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

**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 in accordance with Recommended Practice Guide 5, *Guidance for Auditors on the Review of Directors' Statement on Internal Control,* for inclusion in the Annual Report and have reported to the Board that nothing has come to their attention that causes them to believe that this Statement is inconsistent with their understanding of the process adopted by the Board in reviewing the adequacy and integrity of the system of internal control of DiGi Group.

**Conclusion**

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

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

# Risk Management

Risk takes on many forms and can have material adverse impact on DiGi.Com Berhad Group's ("DiGi") ability to achieve the stated business objectives by potentially impacting the financial performance, business operations, reputation and human capital. DiGi faces a variety of such risks due to the dynamic environment which the business is operating in and the effective management of these risks is critical in ensuring business objectives are not adversely impacted. Recognising this, DiGi works to improve its approach in managing these uncertainties through continuous review of processes for effective identification, quantification, monitoring, mitigating and management of risks.

The risk management framework is integrated into business processes such as investment analysis, business planning, corporate strategy development, procurement, project management, and operations management. In addition, specific forums like Risk and Control Forum have been established to manage and follow up on selected operational risks. DiGi also seeks to build a strong risk management culture by setting the appropriate tone from the top of the organisation, and by promoting awareness, ownership and accountability of risks.

Risks are managed at all levels of the organisation. Business units or functional groups have primary responsibility and accountability for the proactive identification, ownership and management of risks in their day-to-day operations. The DiGi Management Team assists the Board of Directors in the oversight of DiGi's risk profile and policies, effectiveness of the risk management system including identification and management of significant risks and reports to the Board and Audit & Risk Committee on material matters, findings and recommendations pertaining to risk management. The roles and responsibilities are as depicted in the diagram below:





**Business Units/ Functional Groups**
- Day-to-Day Risk Management of Business Unit Level
- Ensure Alignment between Risk Strategy & Organisation Goals
- Risk Follow-Up
- Reporting to Risk Management Function

**DiGi Risk Management Function**
- Implement Risk Management Strategies
- Conduct Risk Awareness Programs
- Provide Facilitation & Supervisory Assistance in Risk Management Methodology
- Risk Monitoring & Reporting to the Board, Senior Management Team & Other Stakeholders

**DiGi Management Team**
- Perform Risk Oversight & Review Risk Profiles
- Reviews the Risk Management Process
- Ensure Alignment in Risk Management Activities
- Provide Guidance on Risk Appetite & Tolerance Level

**Board of Directors/ Audit & Risk Committee**
- Overall Risk Management
- Approve Risk Management Framework & Policy
- Review Group's Risk Profile
- Monitor Risk Mitigation Action

# Risk Management

## Risk Profile

**Key Risk Factor:**
DiGi's business operations, liquidity, financial position and future performance are affected by a vast range of risk factors. Some of these risks are beyond DiGi's control. However we aim to mitigate these exposures via appropriate risk management strategies and internal controls.

## Economic Risks

Changes in domestic, regional and global economic conditions may have a material adverse impact on the demand for telecommunication services, IT and related services, and hence, on DiGi's financial performance and operations. DiGi monitors the local and global economic situation closely and takes necessary actions to minimise the adverse impact.

## Competition Risks

The Malaysian telecommunications market remains competitive with data being the key growth driver in the industry. Service providers continue to offer various bundled smartphone plans to compete for additional market share while defending their traditional source of revenues via innovative pricing plans. Competition is expected to remain intense with the continuous emergence of new technologies, new players in the market and change of regulations which could lead to lower market share and lower average revenue per user. DiGi is well aware of this situation and has established the appropriate measures to effectively compete in this environment.

## Regulatory Risks

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

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

DiGi requires 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 DiGi's business, financial performance and growth plans.

To manage the above uncertainties, DiGi is constantly engaging with the relevant government authorities to understand the regulatory requirements. Also, regular dialogues with industry players are being conducted in order to have a better working relationship with the regulatory body.

## Project Delivery Risks

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

# Risk Management

## Service Disruption Risks

DiGi is highly dependent on the availability of these key systems and uninterrupted network service in order to provide excellent service to its subscribers.

Prolonged system downtime or network outages may severely affect customer experience resulting in subscriber churn from the network in addition to not meeting requirements set by the regulatory bodies. In managing these risks, DiGi 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.

## IT Security Breach Risks

The introduction of new products, online provisioning of services and customer service exposes the group to IT security risks. Unauthorised users may exploit security vulnerabilities in DiGi's product offerings, billing systems or customer support systems, compromising service continuity and/or the security of customer and company information and assets. This could potentially result in:

- Service or product failures leading to financial loss and customer churn;
- Reputation damage;
- Legal or regulatory breaches resulting in financial penalties or damages claims; or
- Fraudulent misappropriation of funds.

A serious security incident or breach could adversely impact DiGi's reputation and lead to a loss of customer confidence, termination of contracts and financial loss. DiGi has put in place several controls and necessary infrastructure to minimise such incidents from occurring.

# Audit & Risk Committee Report

The Audit Committee of DiGi.Com Berhad ("DiGi") was established with the objective of assisting the Board of Directors ("Board") in the areas of corporate governance, system of internal control, risk management and financial reporting of DiGi.Com Berhad Group ("DiGi Group"). On 15 March 2013, the Board approved the re-naming of the Audit Committee to Audit & Risk Committee ("ARC") to better reflect the dual roles which are currently undertaken by this Committee.

**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)

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

Lars Erik Tellmann
(Resigned on 15 March 2013)
(Member/Non-Independent Non-Executive Director)

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

**Meetings**

The ARC met four (4) times during the financial year ended 31 December 2012 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 the ARC meetings in 2012 to present the auditors' report on the annual audited financial statements for 2011 and auditors' review report on the unaudited quarterly financial statements. The ARC met twice 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 ARC 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 early 2013, the Board assessed the effectiveness of the ARC performance for the financial year ended 31 December 2012 and was satisfied that it was operating in an effective manner.

During the year, the principal activities of the ARC were as follows:

**Financial Reporting**

(a) Reviewed the quarterly unaudited financial results of DiGi Group before recommending them for approval by the Board of Directors.
(b) Reviewed the annual audited financial statements of DiGi Group for 2011 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 the activities of DiGi Group.
(b) Reviewed and deliberated on internal audit reports tabled during the year, the audit recommendations made and Management's response to these recommendations.
(c) Monitored the implementation of recommendations by Management on outstanding issues on a quarterly basis to ensure that all key risks and control weaknesses are being properly addressed.
(d) Reviewed and monitored the results and status of actions of internal misconduct cases in relation to DiGi Group's Code of Conduct.
(e) Held private meetings with the Head of Assurance for discussions on the activities, findings and recommendations of the Assurance Department.

# Audit & Risk Committee Report

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

**External Audit**

(a) Reviewed the scope of work and tabled to the Board for approval the engagement letter from the External 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 DiGi's shareholders at the general meeting. Shareholders in a general meeting authorise the Directors to fix the remuneration of external auditors.
(e) Held two (2) private meetings with the external auditors 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.
(b) Reviewed the effectiveness of the process for identifying, evaluating and managing business risks and reviewed reports on Risk Management activities and annual and quarterly risk profiles.
(c) Reviewed controls relating to revenue assurance and fraud management activities.

**Related Party Transactions**

Reviewed the related party transactions entered into by DiGi Group.

**Internal Audit Function**

Internal Audit activities are carried out in-house by the Assurance Department. The Head of Assurance reports directly to the ARC and assists the Committee in the discharge of its duties and responsibilities. The Assurance Department's role is to provide independent and reasonable assurance on the adequacy, integrity and effectiveness of DiGi Group's overall system of internal control, risk management and governance. The ARC determines the adequacy of the scope, functions, competency and resources of the Assurance Department, which comprises 11 staff members as at 31 December 2012 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 DiGi Group.

As part of its activities to provide reasonable assurance on the state of internal control in DiGi Group, the Assurance Department carried out its reviews based on the annual Assurance plan for 2012 which was developed using a risk-based approach and in line with DiGi Group's objectives. In 2012, the Assurance Department conducted a wide range of audit assignments covering operational audits, IT and technical audits, and compliance with established procedures and regulatory requirements. To ensure continuous relevance to the business units and to add value, the Assurance Department also participated in the review of major projects covering new business products and system implementations to ensure that there is adequate governance over the processes and procedures in deploying the products and systems. The Assurance Department also undertook special reviews at the request of the ARC and/or Management over and above the planned reviews. Follow-up reviews were performed on the implementation of audit recommendations and the status of implementation was reported to the ARC accordingly.

The total costs incurred for the Assurance Department for 2012 was RM 2,350,975.81.

### Training

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

| Name of ARC member | Training/Conference/Seminar |
|---|---|
| Dato' Ab Halim bin Mohyiddin | • Board's role and Corporate Governance (The impact of recent developments on the role of Directors)<br>• The new Corporate Governance Blueprint and Regulatory update seminar<br>• Amendment to Listing Requirements of Bursa Securities New Corporate Guide and Corporate Governance Blueprint 2011<br>• 4th PETRONAS BAC Forum 2012 (Board Audit Committee of PETRONAS Group of Companies) – Concentration on convergence IFRS & MFRS<br>• Effective Dispute Resolution for Corporate Malaysia<br>• The Malaysia Code of Corporate Governance 2012 – The implication and challenges to Public Listed Companies<br>• Disclosure Obligations of Directors and Substantial Shareholders<br>• ICAA-MICPA Audit Forum- Role of Audit Committee<br>• Director: An Impossible Task? Impact of recent developments on the role of Directors<br>• BDO Tax Forum: Time for Action Driving Transformation Towards Developed Nation<br>• MFRS Update 2012/2013 Seminar<br>• MICPA- Bursa Securities Business Forum |
| Dato' Saw Choo Boon | • Board's role and Corporate Governance (The impact of recent developments on the role of Directors)<br>• FIDE Core 2012: Module B<br>• FIDE Elective Program-Financial Statement Fundamentals "What's in the Numbers?"<br>• FIDE Elective Program –ICAAP<br>• Competition Act<br>• ICAAP Directors Workshop<br>• ICLIF Strategic Development Program<br>• Commercial Law, Corporate Fraud, Corporate Governance & Whistleblowing<br>• ICAAP Training<br>• Internal Technology Update Training |
| Lars Erik Tellmann<br>*(Resigned on 15 March 2013)* | • Board's role and Corporate Governance (The impact of recent developments on the role of Directors)<br>• Director Certification Program (DCP165/2012) accredited by the Australian Institute of Company Directors |
| Tore Johnsen<br>*(Appointed on 15 March 2013)* | • Not Applicable |

The full Terms of Reference of ARC is set out on pages 72 to 74 of the Annual Report.

The ARC Report is made in accordance with the resolution of the Board of Directors dated 15 March 2013.

# Audit & Risk Committee Terms of Reference

**Purpose**

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

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

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

**Authority**

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

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

**Chairman**

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

**Secretary**

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

**Meetings**

Meetings shall be held not less than four times a year and will normally be attended by the Chief Financial Officer and the Head of Assurance. The presence of external auditors will be requested if required and the external auditors may also request a meeting if they consider it necessary. The ARC shall meet with the external auditors without the presence of management at least twice a year. By request of the ARC, the Head of Assurance and/or his team members, if required, shall meet with the ARC without the presence of management. The ARC may regulate its own procedure in lieu of convening a formal meeting by means of video or teleconferencing or any other means of audio or audio-visual communications.

# Audit & Risk Committee Terms of Reference

**Responsibilities**

The ARC shall undertake the following responsibilities:

Financial Reporting

- Review the quarterly results, year-end financial statements and any formal announcements affecting DiGi Group in accordance with Main Market Bursa Securities Listing Requirements, in consultation with management and the external auditors prior to the approval by the Board, focusing on but not limited to, the following:
  - Going concern assumption.
  - Compliance with accounting standards and regulatory requirements.
  - The consistency of any changes to the accounting policies and practices.
  - Significant or unusual transactions, major accounting estimates and judgmental areas, taking into account of the views of the external auditors; and
  - The clarity of disclosures.

- Review any related party transactions and conflict of interest situations that may arise within DiGi 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).
- Ensure timely submission of the financial statements by Management.

Risk Management and Internal Control

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

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 and is free of management and other restrictions.
- Have final authority to review and approve the annual Assurance plan and all major changes to the plan.
- Ensure there are no unjustified restrictions or limitations, and review and concur in the appointment, replacement, or dismissal of the Head of Assurance.
- At least once per year, review the performance of the Head of Assurance and concur with the annual remuneration and salary adjustment.
- Review promptly key observations and corrective actions on DiGi from Assurance.

*(ii) External Audit*
- Review the external auditors' proposed audit scope and approach, including coordination of audit effort with Assurance.
- Review the competency and performance of the external auditors.
- Consider and recommend the appointment, re-appointment, resignation, dismissal and remuneration of external auditors.
- Review and confirm the independence and objectivity of the external auditors, taking into consideration the local professional and regulatory requirements.
- To develop and implement a policy on the engagement of the external auditor to supply non-audit services, 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 & Risk 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 the Bursa Securities Listing Requirements, where the ARC is of the view that a matter reported by it to the Board has not been satisfactorily resolved resulting in a breach of the Bursa Securities Listing Requirements, the ARC must promptly report such matter to Bursa Securities.
- Prepare the ARC Report at the end of each financial year.
- Perform other activities related to this Terms of Reference, as requested by the Board of Directors.

# Additional Compliance Information

**Other Disclosures**
The following information is provided in accordance with Paragraph 9.25 of Main Market Listing Requirements 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 2012 is RM53,000.

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 2012.

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 2012 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 8 May 2012, 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 2012 are set out on page 143 of the Annual Report.

# FINANCIAL STATEMENTS

"DiGi.Com Bhd has been generous in rewarding its shareholders, and expectations are that it can continue to surprise on the upside. What makes DiGi's phenomenal share price ascent special relative to its peers is the many capital management strategies the company has come up with in recent years to unlock more value for shareholders."

*The Edge: 'DiGi's track record keeps shareholders interested', 4 February 2013*

# 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 2012.

## 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**<br>RM'000 | **Company**<br>RM'000 |
|---|---|---|
| Profit for the year | 1,205,715 | 1,889,956 |
| Attributable to:<br>Owners of the parent | 1,205,715 | 1,889,956 |

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 2011: | |
| - Fourth interim tax exempt (single-tier) dividend of 6.5 sen per ordinary share, declared on 19 January 2012 and paid on 9 March 2012 | 505,375 |

**Dividends (cont'd.)**

| | RM'000 |
|---|---|
| In respect of the financial year ended 31 December 2012: | |
| - First interim tax exempt (single-tier) dividend of 5.9 sen per ordinary share, declared on 25 April 2012 and paid on 8 June 2012 | 458,725 |
| - Second interim tax exempt (single-tier) dividend of 5.9 sen per ordinary share, declared on 23 July 2012 and paid on 7 September 2012 | 458,725 |
| - Third interim tax exempt (single-tier) dividend of 4.0 sen per ordinary share, declared on 23 October 2012 and paid on 7 December 2012 | 311,000 |
| - Special interim tax exempt (single-tier) dividend of 8.0 sen per ordinary share, declared on 23 October 2012 and paid on 7 December 2012 | 622,000 |

The Board of Directors had on 6 February 2013, declared a fourth interim tax exempt (single-tier) dividend of 2.5 sen per ordinary share in respect of the financial year ended 31 December 2012. 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 2013.

**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
Morten Karlsen Sørby (Appointed as Director on 15 March 2013)
Tore Johnsen (Appointed as Director and Alternate Director to Sigve Brekke on 15 March 2013)
Lars Erik Tellmann (Resigned as Director on 15 March 2013)
Morten Tengs (Resigned as Director and Alternate Director to Sigve Brekke on 15 March 2013)

**Directors' benefits**

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

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

# Directors' Report

**Directors' interest**

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

| | Number of ordinary shares of NOK6 each | | | |
|---|---|---|---|---|
| | 1 January 2012 | Acquired | Sold | 31 December 2012 |
| **Ultimate holding company** | | | | |
| **Telenor ASA** | | | | |
| Direct Interest: | | | | |
| - Sigve Brekke | 62,824 | 17,753 | – | 80,577 |
| - Hakon Bruaset Kjol | 1,814 | 2,587 | – | 4,401 |
| - Lars Erik Tellmann | 3,897 | 108 | – | 4,005 |
| - Morten Tengs | 5,021 | 1,771 | – | 6,792 |

| | Number of options over ordinary shares of NOK6 each | | | |
|---|---|---|---|---|
| | 1 January 2012 | Granted | Exercised | 31 December 2012 |
| **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.

**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 15 March 2013.

**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 86 to 136 are drawn-up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2012 and of their financial performance and cash flows for the financial year then-ended.

The information set out in Note 34 to the financial statements on page 137 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 15 March 2013.

**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 86 to 137 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 15 March 2013

**Terje Borge**

Before me,

**Lee Chin Hin**
License No. W493
Commissioner for Oaths
Kuala Lumpur

# Independent Auditors' Report to the Members of DiGi.Com Berhad (Incorporated in Malaysia)

**Report on the financial statements**

We have audited the financial statements of DiGi.Com Berhad, which comprise statements of financial position as at 31 December 2012 of the Group and of the Company, and statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 86 to 136.

*Directors' responsibility for the financial statements*

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

*Auditors' responsibility*

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

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

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

*Opinion*

In our opinion, the financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2012 and of their financial performance and cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

# Independent Auditors' Report

**Report on other legal and regulatory requirements**

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

(a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries have been properly kept in accordance with the provisions of the Act.

(b) We are satisfied that the financial statements of the subsidiaries that have been consolidated with the financial statements of the Company are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements and we have received satisfactory information and explanations required by us for those purposes.

(c) The auditors' reports on the financial statements of the subsidiaries were not subject to any qualification and did not include any comment required to be made under Section 174(3) of the Act.

**Other reporting responsibilities**

The supplementary information set out in Note 34 on page 137 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

**Other matters**

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

**Ernst & Young**
AF: 0039
Chartered Accountants

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

Kuala Lumpur, Malaysia
15 March 2013

# Statements of Comprehensive Income for the financial year ended 31 December 2012

| | Note | Group 2012 RM'000 | Group 2011 RM'000 | Company 2012 RM'000 | Company 2011 RM'000 |
|---|---|---|---|---|---|
| **Revenue** | 5 | 6,360,913 | 5,963,954 | 1,890,000 | 1,698,763 |
| Other income | | 22,820 | 21,302 | 1,259 | 786 |
| Cost of materials and traffic expenses | | (1,829,615) | (1,574,277) | – | – |
| Sales and marketing expenses | | (505,274) | (530,614) | – | – |
| Operations and maintenance expenses | | (98,615) | (80,747) | – | – |
| Rental expenses | | (196,609) | (209,387) | – | – |
| Staff expenses | | (230,850) | (256,190) | – | – |
| Depreciation expenses | | (1,157,143) | (1,011,854) | – | – |
| Amortisation expenses | | (172,696) | (155,715) | – | – |
| Other expenses | | (593,673) | (569,129) | (1,567) | (825) |
| Finance costs | 6 | (51,805) | (66,125) | – | – |
| Interest income | | 43,496 | 29,044 | 343 | 76 |
| **Profit before tax** | 7 | 1,590,949 | 1,560,262 | 1,890,035 | 1,698,800 |
| Taxation | 8 | (385,234) | (305,878) | (79) | (30) |
| **Profit for the year, representing total comprehensive income for the year** | | 1,205,715 | 1,254,384 | 1,889,956 | 1,698,770 |
| Attributable to: | | | | | |
| Owners of the parent | | 1,205,715 | 1,254,384 | 1,889,956 | 1,698,770 |

| | Note | Group 2012 | Group 2011 |
|---|---|---|---|
| Earnings per share attributable to owners of the parent (sen per share) | 9 | 15.5 | 16.1 |

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

# Statements of Financial Position as at 31 December 2012

| | | Group | | | Company | | |
|---|---|---|---|---|---|---|---|
| | Note | 31 December 2012 RM'000 | 31 December 2011 RM'000 | 1 January 2011 RM'000 | 31 December 2012 RM'000 | 31 December 2011 RM'000 | 1 January 2011 RM'000 |
| **Non-current assets** | | | | | | | |
| Property, plant and equipment | 11 | 2,007,816 | 2,508,633 | 2,959,894 | – | – | – |
| Intangible assets | 12 | 601,861 | 731,881 | 845,957 | – | – | – |
| Investments in subsidiaries | 13 | – | – | – | 772,751 | 772,751 | 772,751 |
| | | 2,609,677 | 3,240,514 | 3,805,851 | 772,751 | 772,751 | 772,751 |
| **Current assets** | | | | | | | |
| Inventories | 14 | 69,289 | 67,797 | 43,099 | – | – | – |
| Trade and other receivables | 15 | 621,248 | 456,865 | 437,099 | 13 | 75 | 75 |
| Dividend receivable from a subsidiary | | – | – | – | 42,000 | – | – |
| Investment securities | 16 | – | – | – | – | 509,001 | – |
| Tax recoverable | | 4,848 | – | – | – | – | – |
| Cash and cash equivalents | 17 | 708,856 | 1,098,170 | 850,584 | 2,157 | 638 | 369 |
| | | 1,404,241 | 1,622,832 | 1,330,782 | 44,170 | 509,714 | 444 |
| **TOTAL ASSETS** | | 4,013,918 | 4,863,346 | 5,136,633 | 816,921 | 1,282,465 | 773,195 |
| **Non-current liabilities** | | | | | | | |
| Loans and borrowings | 18 | 894,276 | 578,031 | 1,076,863 | – | – | – |
| Deferred tax liabilities | 19 | 115,299 | 262,341 | 424,491 | – | – | – |
| Provision for liabilities | 20 | 20,102 | 18,286 | 17,068 | – | – | – |
| | | 1,029,677 | 858,658 | 1,518,422 | – | – | – |

# Statements of Financial Position

| | Note | Group 31 December 2012 RM'000 | 31 December 2011 RM'000 | 1 January 2011 RM'000 | Company 31 December 2012 RM'000 | 31 December 2011 RM'000 | 1 January 2011 RM'000 |
|---|---|---|---|---|---|---|---|
| **Current liabilities** | | | | | | | |
| Trade and other payables | 21 | 2,091,210 | 1,916,922 | 1,838,378 | 809 | 484 | 409 |
| Derivative financial instruments | 22 | 151 | 17 | 1,345 | – | – | – |
| Provision for liabilities | 20 | 40,450 | 46,036 | 42,217 | – | – | – |
| Deferred revenue | | 405,236 | 410,977 | 343,187 | – | – | – |
| Loans and borrowings | 18 | 185,873 | 149,978 | – | – | – | – |
| Taxation | | – | 69,327 | 46,462 | – | – | – |
| | | 2,722,920 | 2,593,257 | 2,271,589 | 809 | 484 | 409 |
| **Total liabilities** | | 3,752,597 | 3,451,915 | 3,790,011 | 809 | 484 | 409 |
| **Equity** | | | | | | | |
| Share capital | 23 | 77,750 | 77,750 | 77,750 | 77,750 | 77,750 | 77,750 |
| Reserves | | 183,571 | 1,333,681 | 1,268,872 | 738,362 | 1,204,231 | 695,036 |
| Total equity - attributable to owners of the parent | | 261,321 | 1,411,431 | 1,346,622 | 816,112 | 1,281,981 | 772,786 |
| **TOTAL EQUITY AND LIABILITIES** | | 4,013,918 | 4,863,346 | 5,136,633 | 816,921 | 1,282,465 | 773,195 |

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

# Statements of Changes in Equity for the financial year ended 31 December 2012

| | Note | Share capital RM'000 | Share premium RM'000 | Retained earnings/ (deficit) RM'000 | Total RM'000 |
|---|---|---|---|---|---|
| **Group** | | | | | |
| **At 1 January 2011** | | 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 |
| Total comprehensive income | | – | – | 1,205,715 | 1,205,715 |
| Transaction with owners: | | | | | |
| Dividends on ordinary shares | 10 | – | – | (2,355,825) | (2,355,825) |
| **At 31 December 2012** | | 77,750 | 691,905 | (508,334)[1] | 261,321 |

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

| | | **Attributable to owners of the parent** | | | |
|---|---|---|---|---|---|
| | Note | Share capital RM'000 | Non-Distributable Share premium RM'000 | Distributable Retained earnings RM'000 (Note 25) | Total RM'000 |
| **Company** | | | | | |
| **At 1 January 2011** | | 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 |
| Total comprehensive income | | – | – | 1,889,956 | 1,889,956 |
| Transaction with owners: | | | | | |
| Dividends on ordinary shares | 10 | – | – | (2,355,825) | (2,355,825) |
| **At 31 December 2012** | | 77,750 | 691,905 | 46,457 | 816,112 |

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

# Statements of Cash Flows

for the financial year ended 31 December 2012

| | Note | Group 2012 RM'000 | Group 2011 RM'000 | Company 2012 RM'000 | Company 2011 RM'000 |
|---|---|---|---|---|---|
| **Cash flows from operating activities** | | | | | |
| Profit before tax | | 1,590,949 | 1,560,262 | 1,890,035 | 1,698,800 |
| Adjustments for: | | | | | |
| Amortisation of intangible assets | 12 | 172,696 | 155,715 | – | – |
| Allowance for impairment on trade receivables | 15 | 37,831 | 44,559 | – | – |
| Inventories written-down | | 1,937 | 2,714 | – | – |
| Dividend income | | – | – | (1,890,000) | (1,698,763) |
| Depreciation of property, plant and equipment | 11 | 1,157,143 | 1,011,854 | – | – |
| Finance costs | 6 | 51,805 | 66,125 | – | – |
| (Gain)/loss on disposal of property, plant and equipment | | (25) | 4,697 | – | – |
| Interest income | | (43,496) | (29,044) | (343) | (76) |
| Property, plant and equipment written-off | | – | 434 | – | – |
| Intangible assets written-off | | – | 611 | – | – |
| Provision for liabilities | 20 | 186,435 | 199,255 | – | – |
| Share-based payment | | 380 | 999 | – | – |
| Fair value loss/(gain)on derivative financial instruments | | 134 | (1,328) | – | – |
| Unrealised foreign exchange (gain)/loss | | (5,229) | 7,071 | – | – |
| Operating profit/(loss) before working capital changes | | 3,150,560 | 3,023,924 | (308) | (39) |
| Increase in inventories | | (3,429) | (27,412) | – | – |
| (Increase)/decrease in trade and other receivables | | (229,372) | (93,698) | 62 | – |
| Increase in trade and other payables | | 171,192 | 75,664 | 325 | 75 |
| (Decrease)/increase in deferred revenue | | (5,741) | 67,790 | – | – |
| Cash generated from operations | | 3,083,210 | 3,046,268 | 79 | 36 |
| Interest paid | | (40,868) | (68,936) | – | – |
| Proceeds from government grants | | 26,209 | 30,901 | – | – |
| Payments for provisions | 20 | (192,115) | (195,714) | – | – |
| Taxes paid | | (606,451) | (445,133) | (79) | (30) |
| Net cash generated from operating activities | | 2,269,985 | 2,367,386 | – | 6 |

# Statements of Cash Flows

| | Note | Group 2012 RM'000 | Group 2011 RM'000 | Company 2012 RM'000 | Company 2011 RM'000 |
|---|---|---|---|---|---|
| **Cash flows from investing activities** | | | | | |
| Purchase of property, plant and equipment and intangible assets | | (698,642) | (603,871) | – | – |
| Dividends received from a subsidiary | | – | – | 2,357,001 | 1,189,762 |
| Interest received | | 44,254 | 28,694 | 343 | 76 |
| Proceeds from disposal of property, plant and equipment | | 914 | 1,239 | – | – |
| Net cash (used in)/generated from investing activities | | (653,474) | (573,938) | 2,357,344 | 1,189,838 |
| **Cash flows from financing activities** | | | | | |
| Repayment of loan and borrowings | 18 | (150,000) | (550,000) | – | – |
| Repayment of obligations under finance lease | | – | (6,287) | – | – |
| Draw-down of loan | 18 | 500,000 | 200,000 | – | – |
| Dividends paid | 10 | (2,355,825) | (1,189,575) | (2,355,825) | (1,189,575) |
| Net cash used in financing activities | | (2,005,825) | (1,545,862) | (2,355,825) | (1,189,575) |
| **Net (decrease)/increase in cash and cash equivalents** | | (389,314) | 247,586 | 1,519 | 269 |
| **Cash and cash equivalents at beginning of financial year** | | 1,098,170 | 850,584 | 638 | 369 |
| **Cash and cash equivalents at end of financial year** | 17 | 708,856 | 1,098,170 | 2,157 | 638 |

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

# Notes to the Financial Statements - 31 December 2012

## 1. Corporate Information

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

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

The principal activity of the Company is investment holding.

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

## 2. Significant Accounting Policies

### (a) Basis of preparation

The financial statements of the Group and of the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards ("IFRS") and the requirements of the Companies Act, 1965 in Malaysia.

For all periods up to and including period ended 31 December 2011, the Group and the Company prepared their financial statements in accordance with Financial Reporting Standards ("FRS") in Malaysia. These financial statements for the financial year ended 31 December 2012 are the first the Group and the Company have prepared in accordance with MFRS, IFRS and the requirements of the Companies Act, 1965 in Malaysia. The effects of the first-time adoption of MFRS Framework are disclosed in Note 3.

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

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

### (b) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and 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.

# Notes to the Financial Statements

## 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.

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

# Notes to the Financial Statements



**2. Significant Accounting Policies (cont'd.)**

**(g) Inventories**

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

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

**(h) Financial assets**

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

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

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

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

The Group and the Company classify their financial assets in the following categories - at fair value through profit or loss, 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.

**(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.

2. **Significant Accounting Policies (cont'd.)**

(h) **Financial assets (cont'd.)**

(ii) **Loans and receivables**

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

(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.

(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.

# Notes to the Financial Statements

**2. Significant Accounting Policies (cont'd.)**

**(i) Impairment of financial assets (cont'd.)**

**(i) Trade and other receivables and other financial assets carried at amortised cost (cont'd.)**

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.

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.

2. **Significant Accounting Policies (cont'd.)**

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

(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.

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.

# Notes to the Financial Statements

**2. Significant Accounting Policies (cont'd.)**

**(k) Financial liabilities (cont'd.)**

**(i) Financial liabilities at fair value through profit or loss (cont'd.)**

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.

**(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.

2. **Significant Accounting Policies (cont'd.)**

**(m) Leases (cont'd.)**

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.

**(iii) Defined benefit plan**

The Group operates an unfunded defined benefit plan for its eligible employees. The benefits are calculated based on the length of service and the agreed percentages of eligible employees' salaries over the period of their employment and are payable upon resignation after completion of the minimum employment period of ten years or upon retirement age of 60 years. The Group's obligations under the retirement benefit scheme, calculated using the Projected Unit Credit Method, is determined based on actuarial computations by independent actuaries, through which the amount of benefit that employees have earned in return for their service in the current and prior years is estimated. That benefit is discounted in order to determine its present value. Actuarial gains and losses are recognised in profit or loss over the expected average remaining working lives of the eligible employees when the cumulative unrecognised actuarial gains or losses for the retirement benefit scheme exceed 10% of the higher of the present value of the defined benefit obligation and the fair value of the plan assets. Past service costs are recognised immediately to the extent that the benefits are already vested, and otherwise amortised on a straight-line basis over the average period until the amended benefits become vested.

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

# Notes to the Financial Statements

**2. Significant Accounting Policies (cont'd.)**

**(n) Employee benefits (cont'd.)**

**(iii) Defined benefit plan (cont'd.)**

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.

**(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.

2. **Significant Accounting Policies (cont'd.)**

(o) **Income taxes (cont'd.)**

(ii) **Deferred tax (cont'd.)**

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

(p) **Contingencies**

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

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

(q) **Revenue recognition**

Revenue is measured at the fair value of the consideration received or receivable for the sales of goods and services in the ordinary course of the Group's business activities, net of discounts and service taxes. The Group recognises revenue when it is probable that the economic benefits associated with the transaction will flow to the Group and the amount of the revenue can be measured reliably. The following specific recognition criteria must also be met before revenue is recognised:

(i) **Telecommunication revenue**

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

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

(ii) **Interest income**

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

(iii) **Dividend income**

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

# Notes to the Financial Statements

**2. Significant Accounting Policies (cont'd.)**

**(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**

**(a) First-time adoption of MFRS**

The adoption of the MFRS Framework as issued by the Malaysian Accounting Standards Board ("MASB") as at 1 January 2012 by the Group and by the Company requires the Group's and the Company's financial statements to also be fully compliant with IFRS Framework. These financial statements of the Group and of the Company for the financial year ended 31 December 2012 are the first set of financial statements prepared in accordance with MFRS and IFRS including the application of MFRS 1 First-time Adoption of Malaysian Financial Reporting Standards.

For periods up to and including the period ended 31 December 2011, the Group and the Company have prepared their financial statements in accordance with Financial Reporting Standards in Malaysia. The Group and the Company have prepared financial statements which comply with MFRS applicable for periods ending on or after 31 December 2012, together with the comparative period information as at and for the period ended 31 December 2011, as described in the Significant Accounting Policies section.

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

**(a) First-time adoption of MFRS (cont'd.)**

There are no adjustments arising from the transition to MFRS. Accordingly, no disclosure notes related to the statements of financial position as at the date of transition to MFRS are presented.

**(b) Standards issued but not yet effective**

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

| Description | Effective for annual periods beginning on or after |
|---|---|
| Amendments to MFRS 101: Presentation of Items of Other Comprehensive Income | 1 July 2012 |
| Amendments to MFRS 101: Presentation of Financial Statements (Annual Improvements 2009-2011 Cycle) | 1 January 2013 |
| MFRS 3: Business Combinations (IFRS 3 Business Combinations issued by IASB in March 2004) | 1 January 2013 |
| MFRS 10: Consolidated Financial Statements | 1 January 2013 |
| MFRS 11: Joint Arrangements | 1 January 2013 |
| MFRS 12: Disclosure of Interests in Other Entities | 1 January 2013 |
| MFRS 13: Fair Value Measurement | 1 January 2013 |
| MFRS 119: Employee Benefits | 1 January 2013 |
| MFRS 127: Separate Financial Statements | 1 January 2013 |
| MFRS 128: Investments in Associates and Joint Ventures | 1 January 2013 |
| MFRS 127: Consolidated and Separate Financial Statements (IAS 27 as revised by IASB in December 2003) | 1 January 2013 |
| Amendment to IC Interpretation 2: Members' Shares in Co-operative Entities and Similar Instruments (Annual Improvements 2009-2011 Cycle) | 1 January 2013 |
| Amendments to MFRS 7: Disclosures – Offsetting Financial Assets and Financial Liabilities | 1 January 2013 |
| Amendments to MFRS 1: First-time Adoption of Malaysian Financial Reporting Standards – Government Loans | 1 January 2013 |
| Amendments to MFRS 1: First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements 2009-2011 Cycle) | 1 January 2013 |
| Amendments to MFRS 116: Property, Plant and Equipment (Annual Improvements 2009-2011 Cycle) | 1 January 2013 |
| Amendments to MFRS 132: Financial Instruments: Presentation (Annual Improvements 2009-2011 Cycle) | 1 January 2013 |
| Amendments to MFRS134: Interim Financial Reporting (Annual Improvements 2009-2011 Cycle) | 1 January 2013 |
| Amendments to MFRS 10: Consolidated Financial Statements: Transition Guidance | 1 January 2013 |
| Amendments to MFRS 11: Joint Arrangements: Transition Guidance | 1 January 2013 |
| Amendments to MFRS 12: Disclosure of Interests in Other Entities: Transition Guidance | 1 January 2013 |

# Notes to the Financial Statements

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

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

| Description | Effective for annual periods beginning on or after |
|---|---|
| Amendments to MFRS 132: Offsetting Financial Assets and Financial Liabilities | 1 January 2014 |
| Amendments to MFRS 10, MFRS 12 and MFRS 127: Investment Entities | 1 January 2014 |
| MFRS 9: Financial Instruments | 1 January 2015 |

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

**MFRS 12: Disclosures of Interests in Other Entities**

MFRS 12 includes all disclosure requirements for interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are required. This standard affects disclosures only and has no impact on the Group's financial position or performance.

**MFRS 127: Separate Financial Statements**

As a consequence of the new MFRS 10 and MFRS 12, MFRS 127 is limited to accounting for subsidiaries, jointly controlled entities and associates in separate financial statements.

**Amendments to MFRS 101: Presentation of Financial Statements (Annual Improvements 2009-2011 Cycle)**

The amendments to MFRS 101 change the grouping of items presented in other comprehensive income. Items that could be reclassified (or recycled) to profit or loss at a future point in time (for example, exchange differences on translation of foreign operations and net loss or gain on available-for-sale financial assets) would be presented separately from items which will never be reclassified (for example, actuarial gains and losses on defined benefit plans and revaluation of land and buildings). The amendment affects presentation only and has no impact on the Group's financial position and performance.

**MFRS 9: Financial Instruments**

MFRS 9 reflects the first phase of the work on the replacement of MFRS 139 Financial Instruments: Recognition and Measurement and applies to classification and measurement of financial assets and financial liabilities as defined in MFRS 139 Financial Instruments: Recognition and Measurement. The Group will quantify the effect in conjunction with the other phases, when the final standard including all phases is issued.

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

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

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

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

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

Depreciation and amortisation are based on management's estimates of the future estimated average useful lives and residual values of property, plant and equipment and intangible assets. Estimates may change due to technological developments, modernisation initiatives, expected level of usage, competition, market conditions and other factors, which could potentially impact the estimated average useful lives and the residual values of these assets. This may result in future changes in the estimated useful lives and in the depreciation or amortisation expenses. A 5.0% difference in the expected useful lives of these assets from management's estimates would result in approximately 4.9% (2011: 4.2%) variance in the Group's profit for the year.

**(b) Impairment of non-financial assets**

The Group assesses whether there are any indicators of impairment on all non-financial assets at each reporting date. Non-financial assets are tested for impairment when indications of potential impairment exist. Indicators of impairment which could trigger an impairment review include evidence of obsolescence or physical damage, significant fall in market values, significant underperformance relative to historical or projected future operating results, significant changes in the use of assets or the strategy of the business, significant adverse industry or economic changes.

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% (2011: 0.1%) increase or 0.2% (2011: 0.2%) decrease respectively in the Group's profit for the year.

# Notes to the Financial Statements

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

### (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 | |
|---|---|---|---|---|
| | 2012 | 2011 | 2012 | 2011 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Telecommunication revenue | 6,360,913 | 5,963,954 | – | – |
| Dividend income from a subsidiary | – | – | 1,890,000 | 1,698,763 |
| | 6,360,913 | 5,963,954 | 1,890,000 | 1,698,763 |

## 6. Finance Costs

| | Group | |
|---|---|---|
| | 2012 | 2011 |
| | RM'000 | RM'000 |
| Interest expense on: | | |
| - Loans and borrowings | 45,767 | 58,202 |
| - Obligations under finance lease | 5,377 | 5,025 |
| - Others | 661 | 2,898 |
| | 51,805 | 66,125 |

### 7. Profit Before Tax

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

| | Group | | Company | |
|---|---|---|---|---|
| | 2012 RM'000 | 2011 RM'000 | 2012 RM'000 | 2011 RM'000 |
| Allowance for impairment on trade receivables (Note 15) | 37,831 | 44,559 | – | – |
| Auditors' remuneration: | | | | |
| - statutory audit | 311 | 297 | 27 | 27 |
| - other services | 53 | 78 | 8 | 8 |
| Non-Executive Directors' emoluments | 544 | 427 | 54 | 43 |
| Employee benefits: | | | | |
| - defined contribution plan | 23,533 | 21,160 | – | – |
| - defined benefit plan (Note 20) | 127 | 133 | – | – |
| - share-based payment | 380 | 999 | – | – |
| Lease of transmission facilities | 106,675 | 100,827 | – | – |
| Provision for: | | | | |
| - customer loyalty programme (Note 20) | 185,567 | 198,784 | – | – |
| - employee leave entitlements (Note 20) | 741 | 338 | – | – |
| - site decommissioning and restoration costs (Note 20) | 661 | 595 | – | – |
| Inventories written-down | 1,937 | 2,714 | – | – |
| Rental of equipment | 1,445 | 2,599 | – | – |
| Rental of land and buildings | 184,258 | 195,352 | – | – |
| Realised foreign exchange gain | (1,216) | (13,490) | – | – |
| Unrealised foreign exchange (gain)/loss | (5,229) | 7,071 | – | – |
| Fair value loss/(gain) on derivative financial instruments | 134 | (1,328) | – | – |
| Amortisation of intangible assets | 172,696 | 155,715 | – | – |
| Depreciation of property, plant and equipment | 1,157,143 | 1,011,854 | – | – |
| Property, plant and equipment written-off | – | 434 | – | – |
| Intangible asset written-off | – | 611 | – | – |
| (Gain)/loss on disposal of property, plant and equipment | (25) | 4,697 | – | – |
| Bad debts recovered | (7,718) | (9,697) | – | – |

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 | |
|---|---|---|
| | 2012 | 2011 |
| Non-Executive Directors: | | |
| - RM100,001 - RM150,000 | – | 3 |
| - RM150,001 - RM200,000 | 3 | – |

# Notes to the Financial Statements

## 8. Taxation

| | Group 2012 RM'000 | Group 2011 RM'000 | Company 2012 RM'000 | Company 2011 RM'000 |
|---|---|---|---|---|
| Income tax: | | | | |
| - Current tax expense | 555,932 | 560,189 | 79 | 30 |
| - Overaccrual in prior years | (23,656) | (92,161) | – | – |
| | 532,276 | 468,028 | 79 | 30 |
| Deferred taxation (Note 19): | | | | |
| - Relating to origination and reversal of temporary differences | (182,779) | (211,667) | – | – |
| - Underaccrual in prior years | 35,737 | 49,517 | – | – |
| | (147,042) | (162,150) | – | – |
| | 385,234 | 305,878 | 79 | 30 |

Current tax is calculated at the Malaysian statutory tax rate of 25% (2011: 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:

| | 2012 % | 2012 RM'000 | 2011 % | 2011 RM'000 |
|---|---|---|---|---|
| **Group** | | | | |
| Profit before tax | | 1,590,949 | | 1,560,262 |
| Taxation at Malaysian statutory tax rate | 25.0 | 397,737 | 25.0 | 390,065 |
| Effect of expenses not deductible | 1.3 | 20,552 | 1.5 | 23,200 |
| Utilisation of tax incentives | (2.8) | (45,136) | (4.2) | (64,743) |
| Underaccrual of deferred tax in prior years | 2.2 | 35,737 | 3.2 | 49,517 |
| Overaccrual of income tax expense in prior years | (1.5) | (23,656) | (5.9) | (92,161) |
| Effective tax rate/income tax for the year | 24.2 | 385,234 | 19.6 | 305,878 |

## 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.):

| | 2012 | | 2011 | |
|---|---|---|---|---|
| | % | RM'000 | % | RM'000 |
| **Company** | | | | |
| Profit before tax | | 1,890,035 | | 1,698,800 |
| Taxation at Malaysian statutory tax rate | 25.0 | 472,509 | 25.0 | 424,700 |
| Effect of expenses not deductible | 0.0 | 70 | 0.0 | 21 |
| Income not subjected to tax | (25.0) | (472,500) | (25.0) | (424,691) |
| Effective tax rate/income tax for the year | 0.0 | 79 | 0.0 | 30 |





## 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 | |
|---|---|---|
| | 2012 | 2011 |
| Profit attributable to owners of the parent (RM'000) | 1,205,715 | 1,254,384 |
| Weighted average number of ordinary shares in issue ('000) [1] | 7,775,000 | 7,775,000 |
| Basic earnings per share (sen) | 15.5 | 16.1 |

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.

# Notes to the Financial Statements

## 10. Dividends

| | Group/Company 2012 RM'000 | Group/Company 2011 RM'000 |
|---|---|---|
| **Recognised during the financial year:** | | |
| Dividends on ordinary shares[1]: | | |
| - Fourth interim tax exempt (single-tier) dividend (2011: 6.5 sen; 2010: 43.0 sen) | 505,375 | 334,325 |
| - First interim tax exempt (single-tier) dividend (2012: 5.9 sen; 2011: 43.0 sen) | 458,725 | 334,325 |
| - Second interim tax exempt (single-tier) dividend (2012: 5.9 sen; 2011: 30.0 sen) | 458,725 | 233,250 |
| - Third interim tax exempt (single-tier) dividend (2012: 4.0 sen; 2011: 37.0 sen) | 311,000 | 287,675 |
| - Special interim tax exempt (single-tier) dividend (2012: 8.0 sen) | 622,000 | – |
| | 2,355,825 | 1,189,575 |
| **Interim dividend declared subsequent to the reporting date (not recognised as a liability as at 31 December):** | | |
| Dividends on ordinary shares[1]: | | |
| - Fourth interim tax exempt (single-tier) dividend (2012: 2.5 sen; 2011: 6.5 sen) | 194,375 | 505,375 |

The Board of Directors had on 6 February 2013, declared a fourth interim tax exempt (single-tier) dividend of 2.5 sen per ordinary share in respect of the financial year ended 31 December 2012. 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 2013.

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.

## 11. Property, Plant and Equipment

| Group | Freehold land RM'000 | Long-term leasehold land RM'000 | Short-term leasehold land RM'000 | Freehold buildings RM'000 | Long-term leasehold buildings RM'000 | Short-term leasehold buildings RM'000 | Motor vehicles RM'000 | Computer systems RM'000 | Furniture and fittings RM'000 | Tele-communi-cations network RM'000 | Capital work-in-progress RM'000 | Total RM'000 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Cost** | | | | | | | | | | | | |
| At 1 January 2012: | 29,638 | 7,502 | 7,578 | 145,993 | 7,365 | 6,866 | 25,291 | 345,910 | 130,741 | 7,250,828 | 292,057 | 8,249,769 |
| Additions | – | – | – | – | – | – | – | – | 502 | 64,234 | 579,865 | 644,601 |
| Reclassification from intangible assets | – | – | – | – | – | – | – | 6,549 | – | – | 6,065 | 12,614 |
| Disposals | – | – | – | – | – | – | (3,513) | (1,298) | (7) | (3,265) | (753) | (8,836) |
| Transfers | – | – | – | – | – | – | 1,348 | 21,674 | 11,861 | 473,714 | (508,597) | – |
| At 31 December 2012 | 29,638 | 7,502 | 7,578 | 145,993 | 7,365 | 6,866 | 23,126 | 372,835 | 143,097 | 7,785,511 | 368,637 | 8,898,148 |
| **Accumulated Depreciation and Impairment Losses** | | | | | | | | | | | | |
| At 1 January 2012: | | | | | | | | | | | | |
| Accumulated depreciation | – | 1,153 | 2,319 | 10,194 | 408 | 2,510 | 18,438 | 260,291 | 102,511 | 5,329,443 | – | 5,727,267 |
| Accumulated impairment losses | – | – | – | – | – | – | – | – | 398 | 13,471 | – | 13,869 |
| | – | 1,153 | 2,319 | 10,194 | 408 | 2,510 | 18,438 | 260,291 | 102,909 | 5,342,914 | – | 5,741,136 |

# Notes to the Financial Statements

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

| Group | Freehold land RM'000 | Long-term leasehold land RM'000 | Short-term leasehold land RM'000 | Freehold buildings RM'000 | Long-term leasehold buildings RM'000 | Short-term leasehold buildings RM'000 | Motor vehicles RM'000 | Computer systems RM'000 | Furniture and fittings RM'000 | Tele-communi-cations network RM'000 | Capital work-in-progress RM'000 | Total RM'000 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Accumulated Depreciation and Impairment Losses (cont'd.)** | | | | | | | | | | | | |
| Depreciation expenses for the year | – | 63 | 128 | 2,999 | 67 | 108 | 936 | 28,546 | 12,286 | 1,112,010 | – | 1,157,143 |
| Disposals | – | – | – | – | – | – | (3,377) | (1,298) | (7) | (3,265) | – | (7,947) |
| At 31 December 2012 | – | 1,216 | 2,447 | 13,193 | 475 | 2,618 | 15,997 | 287,539 | 115,188 | 6,451,659 | – | 6,890,332 |
| Analysed as: | | | | | | | | | | | | |
| Accumulated depreciation | – | 1,216 | 2,447 | 13,193 | 475 | 2,618 | 15,997 | 287,539 | 114,790 | 6,438,188 | – | 6,876,463 |
| Accumulated impairment losses | – | – | – | – | – | – | – | – | 398 | 13,471 | – | 13,869 |
| | – | 1,216 | 2,447 | 13,193 | 475 | 2,618 | 15,997 | 287,539 | 115,188 | 6,451,659 | – | 6,890,332 |
| **Carrying Amount** | | | | | | | | | | | | |
| At 31 December 2012 | 29,638 | 6,286 | 5,131 | 132,800 | 6,890 | 4,248 | 7,129 | 85,296 | 27,909 | 1,333,852 | 368,637 | 2,007,816 |

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

| Group | Freehold land RM'000 | Long-term leasehold land RM'000 | Short-term leasehold land RM'000 | Freehold buildings RM'000 | Long-term leasehold buildings RM'000 | Short-term leasehold buildings RM'000 | Motor vehicles RM'000 | Computer systems RM'000 | Furniture and fittings RM'000 | Tele-communi-cations network RM'000 | Capital work-in-progress RM'000 | Total RM'000 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Cost** | | | | | | | | | | | | |
| At 1 January 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 |

# Notes to the Financial Statements

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

| Group | Freehold land RM'000 | Long-term leasehold land RM'000 | Short-term leasehold land RM'000 | Freehold buildings RM'000 | Long-term leasehold buildings RM'000 | Short-term leasehold buildings RM'000 | Motor vehicles RM'000 | Computer systems RM'000 | Furniture and fittings RM'000 | Tele-communi-cations network RM'000 | Capital work-in-progress RM'000 | Total RM'000 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Accumulated Depreciation and Impairment Losses (cont'd.)** | | | | | | | | | | | | |
| 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.)**

(a) The Group acquired property, plant and equipment with an aggregate cost of RM644.6 million (2011: RM567.0 million) of which RM1,249,000 (2011: RM901,000) relating to the provision for site decommissioning and restoration costs.

(b) Government grants of RM43.0 million (2011: RM12.8 million) relating to assets, were deducted before arriving at the carrying amount of property, plant and equipment as at 31 December 2012.

**12. Intangible Assets**

| Group | 3G spectrum RM'000 | Computer software RM'000 | Licenses RM'000 | Total RM'000 |
|---|---|---|---|---|
| **Cost** | | | | |
| At 1 January 2012 | 695,066 | 792,940 | 1,300 | 1,489,306 |
| Additions | – | 55,290 | – | 55,290 |
| Reclassification to property, plant and equipment | – | (12,614) | – | (12,614) |
| At 31 December 2012 | 695,066 | 835,616 | 1,300 | 1,531,982 |
| **Accumulated Amortisation** | | | | |
| At 1 January 2012 | 221,157 | 534,968 | 1,300 | 757,425 |
| Amortisation expenses for the year | 75,825 | 96,871 | – | 172,696 |
| At 31 December 2012 | 296,982 | 631,839 | 1,300 | 930,121 |
| **Carrying Amount** | | | | |
| At 31 December 2012 | 398,084 | 203,777 | – | 601,861 |
| **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 |

# Notes to the Financial Statements

## 13. Investments in Subsidiaries

| | Company 2012 RM'000 | Company 2011 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 (%) 2012 | Equity interest held (%) 2011 | 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 2012 RM'000 | Group 2011 RM'000 |
|---|---|---|
| Merchandise | | |
| - At cost | 63,116 | 64,006 |
| - At net realisable value | 6,173 | 3,791 |
| | 69,289 | 67,797 |

During the financial year, the amount of inventories recognised as an expense in cost of materials of the Group was RM485.1 million (2011: RM355.4 million).

## 15. Trade and Other Receivables

| | Group | | Company | |
|---|---|---|---|---|
| | 2012 | 2011 | 2012 | 2011 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Trade receivables | 304,054 | 270,983 | – | – |
| Other receivables | 62,999 | 24,143 | 8 | 70 |
| Deposits | 57,638 | 53,987 | 5 | 5 |
| Prepayments | 211,129 | 122,012 | – | – |
| | 635,820 | 471,125 | 13 | 75 |
| Allowance for impairment on trade receivables | (14,572) | (14,260) | – | – |
| | 621,248 | 456,865 | 13 | 75 |

The Group's trade receivables are non-interest bearing, and are subject to normal trade credit terms ranging from 30 to 45 days (2011: 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 | |
|---|---|---|
| | 2012 | 2011 |
| | RM'000 | RM'000 |
| Trade receivables: | | |
| - Neither past due nor impaired | 203,594 | 178,570 |
| - One to 30 days past due not impaired | 55,403 | 44,813 |
| - 31 to 60 days past due not impaired | 14,922 | 10,706 |
| - 61 to 90 days past due not impaired | 2,097 | 3,143 |
| - 91 to 180 days past due not impaired | 2,107 | 10,557 |
| - More than 181 days past due not impaired | 11,359 | 8,934 |
| | 289,482 | 256,723 |

Trade receivables that are neither past due nor impaired, representing 70% (2011: 70%) of the Group's total net trade receivables, are creditworthy debtors with good payment records with the Group. None of the Group's trade receivables that are neither past due nor impaired have been renegotiated during the financial year.

At the reporting date, 30% (2011: 30%) of the Group's trade receivables were past due but not impaired. These relate mostly to corporate customers with slower repayment patterns, for whom there is no history of default.

# Notes to the Financial Statements

## 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 2011 | – | 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 |
| Charge for the year (Note 7) | 37,519 | 312 | 37,831 |
| Write-offs | (37,519) | – | (37,519) |
| At 31 December 2012 | – | 14,572 | 14,572 |

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 2012, the Group's trade receivables balance included exposure to foreign currency denominated in United States Dollar ("USD") and Special Drawing Rights ("SDR") amounting to RM3.1 million (2011: RM11.7 million) and RM18.4 million (2011: RM15.7 million) respectively.

## 16. Investment Securities

| | Group | | Company | |
|---|---|---|---|---|
| | 2012 RM'000 | 2011 RM'000 | 2012 RM'000 | 2011 RM'000 |
| **Loan and receivable** | | | | |
| 100,000 redeemable preference shares ("RPS") | – | – | – | 509,001 |

In previous 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.

## 17. Cash and Cash Equivalents

| | Group | | Company | |
|---|---|---|---|---|
| | 2012<br>RM'000 | 2011<br>RM'000 | 2012<br>RM'000 | 2011<br>RM'000 |
| Cash and bank balances | 131,663 | 33,529 | 2,157 | 638 |
| Deposits with licensed banks | 577,193 | 1,064,641 | – | – |
| | 708,856 | 1,098,170 | 2,157 | 638 |

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

The Group's cash and cash equivalents included amounts of foreign currency denominated in USD totalling RM14.2 million (2011: RM12.9 million) at the reporting date.

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

| | Group | |
|---|---|---|
| | 2012<br>% | 2011<br>% |
| Deposits with licensed banks | 3.2 | 3.3 |

The deposits of the Group placed with licensed banks will mature within one month (2011: one month) from the end of the reporting date.

# Notes to the Financial Statements

## 18. Loans and Borrowings

| | Group 2012 RM'000 | Group 2011 RM'000 |
|---|---|---|
| **Non-current (unsecured)** | | |
| Fixed-rate term loan ("FRTL") | 174,685 | 324,074 |
| Sydincated floating-rate term loan ("SFRTL") | 669,523 | 196,884 |
| Finance lease obligation (Note 26(c)) | 50,068 | 57,073 |
| | 894,276 | 578,031 |
| **Current (unsecured)** | | |
| FRTL | 149,983 | 149,978 |
| SFRTL | 28,000 | – |
| Finance lease obligation (Note 26(c)) | 7,890 | – |
| | 185,873 | 149,978 |
| Total loans and borrowings | 1,080,149 | 728,009 |

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

| | Group 2012 % | Group 2011 % |
|---|---|---|
| FRTL | 5.2 | 5.3 |
| SFRTL | 4.3 | 4.4 |
| Finance lease obligation | 9.3 | 9.3 |

The above loans and borrowings are denominated in RM.

During the financial year, the Group had fully repaid the first tranche of FRTL of RM150.0 million. The remaining FRTL comprises two tranches of RM150.0 million and RM175.0 million, repayable in January 2013 and January 2014 respectively.

The initial draw-down of SFRTL amounting to RM200.0 million in September 2011 is repayable in semi-annual installments commencing from September 2013 up to September 2016.

The additional SFRTL drawn-down during the financial year amounting to RM500.0 million is repayable in semi-annual installments commencing from March 2014 up to March 2017.

**18. Loans and Borrowings (cont'd.)**

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

| | Group 2012 RM'000 | Group 2011 RM'000 |
|---|---|---|
| Future instalments payable | 75,831 | 80,323 |
| Less: Unexpired finance lease interest | (17,873) | (23,250) |
| Principal outstanding | 57,958 | 57,073 |

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

| | Group 2012 RM'000 | Group 2011 RM'000 |
|---|---|---|
| Less than one year | 185,873 | 149,978 |
| Between one and two years | 379,108 | 422,196 |
| Between two and five years | 500,060 | 130,736 |
| More than five years | 15,108 | 25,099 |
| | 1,080,149 | 728,009 |

**19. Deferred Tax Liabilities**

| | Group 2012 RM'000 | Group 2011 RM'000 |
|---|---|---|
| At 1 January | 262,341 | 424,491 |
| Recognised in profit and loss (Note 8) | (147,042) | (162,150) |
| At 31 December | 115,299 | 262,341 |
| Presented after appropriate off-setting as follows: | | |
| Deferred tax liability | 363,099 | 444,425 |
| Deferred tax assets | (247,800) | (182,084) |
| | 115,299 | 262,341 |

# Notes to the Financial Statements

## 19. Deferred Tax Liabilities (cont'd.)

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

**Deferred tax liability:**

| | Property, plant and equipment and intangible assets RM'000 |
|---|---|
| At 1 January 2012 | 444,425 |
| Recognised in profit and loss | (81,326) |
| At 31 December 2012 | 363,099 |
| At 1 January 2011 | 508,806 |
| Recognised in profit and loss | (64,381) |
| At 31 December 2011 | 444,425 |

**Deferred tax assets:**

| | Deferred revenue RM'000 | Others RM'000 | Total RM'000 |
|---|---|---|---|
| At 1 January 2012 | (89,638) | (92,446) | (182,084) |
| Recognised in profit and loss | (2,464) | (63,252) | (65,716) |
| At 31 December 2012 | (92,102) | (155,698) | (247,800) |
| 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) |

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 2012 | 16,835 | 1,451 | 18,286 |
| Capitalised as property, plant and equipment | 1,249 | – | 1,249 |
| Recognised in profit and loss | 661 | 127 | 788 |
| Paid during the year | – | (221) | (221) |
| At 31 December 2012 | 18,745 | 1,357 | 20,102 |
| 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 |

| | Customer loyalty programme RM'000 | Employee leave entitlement RM'000 | Total RM'000 |
|---|---|---|---|
| **Group** | | | |
| **Current** | | | |
| At 1 January 2012 | 38,759 | 7,277 | 46,036 |
| Recognised in profit and loss | 185,567 | 741 | 186,308 |
| Paid during the year | (191,894) | – | (191,894) |
| At 31 December 2012 | 32,432 | 8,018 | 40,450 |
| 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 |

# Notes to the Financial Statements

## 21. Trade and Other Payables

| | Group | | Company | |
|---|---|---|---|---|
| | 2012 RM'000 | 2011 RM'000 | 2012 RM'000 | 2011 RM'000 |
| Trade payables | 384,795 | 252,520 | – | – |
| Other payables | 96,678 | 153,487 | – | – |
| Accruals | 1,593,445 | 1,498,734 | 809 | 484 |
| Customer deposits | 16,292 | 12,181 | – | – |
| | 2,091,210 | 1,916,922 | 809 | 484 |

The Group's trade and other payables are non-interest bearing, and are subject to normal credit terms ranging from 30 to 60 days (2011: 30 to 60 days).

At 31 December 2012, the Group's trade and other payables balances included exposure to foreign currency denominated in USD and SDR amounting to RM150.0 million (2011: RM117.2 million) and RM67.0 million (2011: RM4.5 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: | | | | |
| - 2012 | 24,280 | 74,515 | 74,364 | 151 |
| - 2011 | 34,089 | 108,247 | 108,230 | 17 |

The above foreign currency forward contracts were entered into by the Group to minimise its exposure to foreign currency risks as a result of transactions denominated in currencies other than its functional currency, arising from the normal business activities. These contracts are not designated as cash flow or fair value hedges, and are entered into for periods consistent with currency transaction exposure and fair value changes exposure. Such derivatives do not qualify for hedge accounting. Foreign currency forward contracts are used to hedge certain payables denominated in USD for which firm commitments existed at the reporting date, extending to January 2013.

During the financial year, the Group recognised a loss of RM151,000 (2011: RM17,000) arising from fair value changes of derivative financial instruments. The fair value changes are attributable to changes in foreign exchange spot and forward rates respectively. The method and assumptions applied in determining the fair values of derivatives are disclosed in Note 29(f)(v).

## 23. Share Capital

| | Group/Company | | | |
|---|---|---|---|---|
| | Number of ordinary shares of 1 sen each | | Amount | |
| | 2012 ‘000 | 2011 ‘000 | 2012 RM’000 | 2011 RM’000 |
| Authorised | 10,000,000 | 10,000,000 | 1,000,000 | 1,000,000 |
| Issued and fully paid [1] | 7,775,000 | 7,775,000 | 77,750 | 77,750 |

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

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 | |
|---|---|---|
| | 2012 RM’000 | 2011 RM’000 |
| Present value of unfunded obligations (Note 20) | 1,357 | 1,451 |

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

| | Group | |
|---|---|---|
| | 2012 RM’000 | 2011 RM’000 |
| Interest on obligations, representing increase in provision for defined benefit plan | 127 | 133 |

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

| | Group | |
|---|---|---|
| | 2012 % | 2011 % |
| Rate per annum: | | |
| - Discount rate | 6.4 | 6.4 |

# Notes to the Financial Statements

## 25. Retained Earnings

The Company may distribute dividends out of its entire retained earnings as at 31 December 2012 and 2011 respectively, under the single-tier system.

## 26. Commitments

| | Group | |
|---|---|---|
| | 2012<br>RM'000 | 2011<br>RM'000 |
| **(a) Capital commitments** | | |
| Capital expenditure in respect of property, plant and equipment and intangible assets: | | |
| - Approved and contracted for | 454,000 | 385,000 |
| - Approved but not contracted for | 970,000 | 852,000 |
| **(b) Non-cancellable operating lease commitments** | | |
| Future minimum lease payments: | | |
| - Less than one year | 157,434 | 143,809 |
| - Between one and five years | 301,399 | 335,669 |
| - More than five years | 45,611 | 108,533 |
| | 504,444 | 588,011 |

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.

**26. Commitments (cont'd.)**

**(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 | |
|---|---|---|
| | 2012 RM'000 | 2011 RM'000 |
| Minimum lease payments: | | |
| - Less than one year | 13,564 | – |
| - Between one and two years | 11,574 | 18,057 |
| - Between two and five years | 34,241 | 34,088 |
| - More than five years | 16,452 | 28,178 |
| Total minimum lease payments | 75,831 | 80,323 |
| Less: Amounts representing finance charges | (17,873) | (23,250) |
| Present value of minimum lease payments | 57,958 | 57,073 |
| Present value of payments: | | |
| - Less than one year | 7,890 | – |
| - Between one and two years | 8,422 | 7,889 |
| - Between two and five years | 26,538 | 24,085 |
| - More than five years | 15,108 | 25,099 |
| Present value of minimum lease payments | 57,958 | 57,073 |
| Less: Amount due within 12 months (Note 18) | (7,890) | – |
| Amount due after 12 months (Note 18) | 50,068 | 57,073 |

**27. Corporate Guarantees**

| | Group | |
|---|---|---|
| | 2012 RM'000 | 2011 RM'000 |
| **Unsecured** | | |
| Guarantees given to third parties for public infrastructure works | 10,752 | 21,964 |
| Guarantee given to SKMM on the transfer of 3G spectrum | 50,000 | 50,000 |
| | 60,752 | 71,964 |

# Notes to the Financial Statements

## 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.

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

| | Transactions | | Balance due (to)/from at | |
|---|---|---|---|---|
| | 2012 RM'000 | 2011 RM'000 | 2012 RM'000 | 2011 RM'000 |
| With the ultimate holding company and fellow subsidiaries | | | | |
| - *Telenor ASA* | | | (29,687) | (26,532) |
| Consultancy services rendered | 27,988 | 28,196 | | |
| - *Telenor Consult AS* | | | (3,391) | (1,761) |
| Personnel services rendered | 18,085 | 21,861 | | |
| - *Telenor Global Services AS* | | | (1,273) | (2,590) |
| Sales of interconnection services on international traffic | 149 | 178 | | |
| Purchases of interconnection services on international traffic | 9,141 | 7,024 | | |
| Purchases of IP transit | 495 | 724 | | |
| - *Telenor LDI Communication (Private) Limited* | | | – | (59) |
| Sales of interconnection services on international traffic | 84 | 372 | | |
| Purchases of interconnection services on international traffic | 40 | 120 | | |
| - *Total Access Communication Public Company Limited* | | | 2,960 | 2,983 |
| Sales of international roaming services | 890 | 382 | | |
| Purchases of international roaming services | 3,635 | 4,346 | | |
| - *DTAC Network Co. Ltd* | | | (3,215) | (11) |
| Sales of interconnection services on international traffic | 381 | 2,494 | | |
| Purchases of interconnection services on international traffic | 3,853 | 53 | | |

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

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

| | **Transactions** | | **Balance due (to)/from at** | |
|---|---|---|---|---|
| | 2012 RM'000 | 2011 RM'000 | 2012 RM'000 | 2011 RM'000 |
| With the ultimate holding company and fellow subsidiaries (cont'd.) | | | | |
| - *Telenor Norge AS* | | | 283 | 58 |
| Sales of international roaming services | 406 | 468 | | |
| Purchases of international roaming services | 39 | 24 | | |
| Services rendered on application operations and basic operation for data centre | 3,379 | 3,659 | | |
| - *Telenor Shared Services Pakistan (Private Limited)* | | | (1,065) | (455) |
| Purchases of customer centre off-shoring services | 1,956 | 1,243 | | |

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

**(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** | |
|---|---|---|
| | 2012 RM'000 | 2011 RM'000 |
| Short-term employee benefit | 14,865 | 15,033 |
| Post-employment benefits | 427 | 424 |
| Share-based payment | 1,242 | 458 |
| | 16,534 | 15,915 |

Included in the compensation of key management personnel of the Group are other emoluments of RM544,000 (2011: RM427,000) paid to three (2011: three) Non-Executive Directors of the Company.

# Notes to the Financial Statements

## 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, foreign currency, liquidity and interest rate risks. The Group's overall risk management programme seeks to minimise potential adverse effects of these risks on the financial performance of the Group.

### (b) Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counter-party default on its obligations. The Group's credit risk arises in the normal course of business primarily with respect to trade and other receivables and cash and cash equivalents. Credit risk is managed through formalised policies on credit assessment and approvals, credit limits and monitoring procedures. Available-for-sale financial assets 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.

### (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 18% (2011: 17%) 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.

**29. Financial Instruments (cont'd.)**

**(c) Foreign currency risk (cont'd.)**

Details of the Group's outstanding foreign currency forward contracts for the purpose of hedging certain payables denominated in USD for which firm commitments existed at the reporting date, extending to January 2013, 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 RM700.0 million (2011: RM1.2 billion) 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.

**(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 0.8% (2011: 0.1%) 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.

# Notes to the Financial Statements

**29. Financial Instruments (cont'd.)**

**(f) Fair values (cont'd.)**

**(ii) Investment securities**

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

**(iii) Trade and other receivables and payables**

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

**(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.

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 | 2012 RM'000 | 2011 RM'000 | 2012 RM'000 | 2011 RM'000 |
| **Financial liabilities** | | | | | |
| Loans and borrowings (non-current): | | | | | |
| - FRTL | 18 | 174,685 | 324,074 | 165,893 | 309,170 |
| - Finance lease obligation | 18 | 50,068 | 57,073 | 59,825 | 68,194 |

## 29. Financial Instruments (cont'd.)

### (g) Carrying amounts

The carrying amounts of financial instruments under each category of MFRS139, are as follows:

| | | Group | | Company | |
|---|---|---|---|---|---|
| | Note | 2012<br>RM'000 | 2011<br>RM'000 | 2012<br>RM'000 | 2011<br>RM'000 |
| Loans and receivables: | | | | | |
| - Trade receivables | 15 | 289,482 | 256,723 | – | – |
| - Other receivables | 15 | 62,999 | 24,143 | 8 | 70 |
| - Deposits | 15 | 57,638 | 53,987 | 5 | 5 |
| - Investment securities | 16 | – | – | – | 509,001 |
| - Cash and cash equivalents | 17 | 708,856 | 1,098,170 | 2,157 | 638 |
| | | 1,118,975 | 1,433,023 | 2,170 | 509,714 |
| Other financial liabilities: | | | | | |
| - Loans and borrowings | 18 | 1,080,149 | 728,009 | – | – |
| - Trade payables | 21 | 384,795 | 252,520 | – | – |
| - Other payables | 21 | 96,678 | 153,487 | – | – |
| - Accruals | 21 | 1,593,445 | 1,498,734 | 809 | 484 |
| - Customer deposits | 21 | 16,292 | 12,181 | – | – |
| | | 3,171,359 | 2,644,931 | 809 | 484 |
| Non-hedging derivative financial liabilities | 22 | 151 | 17 | – | – |

## 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 2012.

# Notes to the Financial Statements

## 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

In addition to guarantees given to third parties as disclosed in Note 27, the Group has on 25 January 2013 executed a bank guarantee to SKMM amounting RM10.0 million to fulfill SKMM's condition on the allocation of the 2600 MHz spectrum band to the Group.

## 33. Authorisation of Financial Statements for Issue

The financial statements for the financial year ended 31 December 2012 were authorised for issue in accordance with a resolution of the Directors on 15 March 2013.

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

The break-down of the (deficit)/retained earnings of the Group and of the Company as at 31 December 2012 and 2011 into realised and unrealised (loss)/profits is presented in accordance with the directive issued by Bursa Malaysia Securities Berhad, and prepared in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants.

| | **Group** | | **Company** | |
|---|---|---|---|---|
| | 2012<br>RM'000 | 2011<br>RM'000 | 2012<br>RM'000 | 2011<br>RM'000 |
| Total (deficit)/retained profits of the Company and its subsidiaries: | | | | |
| - Realised | (627,361) | 516,925 | 46,457 | 512,326 |
| - Unrealised | 119,027 | 124,851 | – | – |
| | (508,334) | 641,776 | 46,457 | 512,326 |

“DiGi’s stock price has appreciated 38.6% year-to-date, and the company remains a key pick for the telco sector moving into 2013.”

*Affin Research, 2 January 2013*

# List of Properties as at 31 December 2012

| No. | Location | Tenure | Description/ Existing Use | Date of Acquisition | Area | Age of Building (Years) | Net Book Value as at 31.12.2011 RM'000 | Net Book Value as at 31.12.2012 RM'000 |
|---|---|---|---|---|---|---|---|---|
| 1 | H.S. (D) No 92086 & 92087<br>P.T. No. 9 & No.10<br>Pekan Seremban Jaya<br>Daerah Seremban, Negeri Sembilan | Freehold | Land with a building/ Telecommunications Centre | 29.12.1997 | 22,529 sq ft | 15 | 667 | 649 |
| 2 | Unit No 202-4-11<br>Sri Bandar Besi<br>Jalan Sungai Besi<br>Sungai Besi, Kuala Lumpur | Freehold | Apartment/ Housing base transceiver equipment | 26.01.1995 | 802 sq ft | 17 | 90 | 87 |
| 3 | Unit No C16-2<br>Indera Subang UEP<br>Jalan UEP 6/2L<br>UEP Subang Jaya<br>Petaling Jaya, Selangor | Freehold | Apartment/ Housing base transceiver equipment | 04.02.1995 | 2,249 sq ft | 19 | 480 | 466 |
| 4 | No 1-16.2, 16th Floor<br>Union Height, Taman Yan<br>Jalan Klang Lama<br>Kuala Lumpur | Freehold | Apartment/ Housing base transceiver equipment | 25.01.1995 | 1,249 sq ft | 18 | 180 | 175 |
| 5 | 3rd Floor<br>Unit Pt 4888/4786 C<br>Block TC-14<br>Taman Sri Gombak<br>Jalan Batu Caves, Selangor | Freehold | Apartment/ Housing base transceiver equipment | 29.03.1995 | 1,319 sq ft | 17 | 68 | 66 |
| 6 | 4572, 7th Floor<br>Sri Jelatek Condominiums<br>Section 10 , Wangsa Maju<br>Kuala Lumpur | Freehold | Apartment/ Housing base transceiver equipment | 07.02.1995 | 1,115 sq ft | 17 | 140 | 136 |
| 7 | 32 , PLO 151<br>Jln Angkasa Mas Utama<br>Kawasan Perindustrian Tebrau II<br>81100 Johor Bahru, Johor | 30 years lease (expiring in 2023) | Land with a building/ Telecommunications Centre | 12.05.1995 | 1.58 acres | 18 | 789 | 777 |
| 8 | HS (D) 77, No. P.T. PTBM/A/081<br>Mukim 1, Kawasan Perusahaan<br>Perai, District Seberang Perai<br>Tengah, Pulau Pinang | Leasehold 60 years (expiring in 2033) | Land with a building/ Telecommunications Centre | 23.03.1995 | 1 acre | 38 | 1,709 | 1,657 |
| 9 | Lot 36, Sedco Light Industrial<br>Estate, Jalan Kelombong<br>Kota Kinabalu , Sabah | Leasehold 60 years (expiring in 2034) | Land with a building/ Telecommunications Centre | 12.06.1995 | 0.938 acre | 32 | 1,905 | 1,849 |

# List of Properties

| No. | Location | Tenure | Description/ Existing Use | Date of Acquisition | Area | Age of Building (Years) | Net Book Value as at 31.12.2011 RM'000 | Net Book Value as at 31.12.2012 RM'000 |
|---|---|---|---|---|---|---|---|---|
| 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 | 17 | 1,644 | 1,595 |
| 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 | 30 | 1,858 | 1,804 |
| 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 | 24 | 173 | 171 |
| 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 | 21 | 92 | 90 |
| 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 | 19 | 5,670 | 5,601 |
| 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 | 15 | 371 | 366 |
| 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 | 13 | 108 | 107 |
| 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 | 13 | 199 | 197 |
| 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 | 23 | 1,749 | 1,729 |

# List of Properties

| No. | Location | Tenure | Description/ Existing Use | Date of Acquisition | Area | Age of Building (Years) | Net Book Value as at 31.12.2011 RM'000 | Net Book Value as at 31.12.2012 RM'000 |
|---|---|---|---|---|---|---|---|---|
| 19 | Lot 2728<br>Miri Concession Land District<br>Lopeng, Miri, Sarawak | Leasehold 60 years (expiring in 2027) | Land with cabin container/ Telecommunications Centre | 29.09.2000 | 4,937 sq m | N/A | 944 | 920 |
| 20 | Lot 10, Jalan Delima 1/1<br>Subang Hi-Tech Industrial Park<br>40000 Shah Alam, Selangor | Freehold | Land with a building | 19.07.2001 | 284,485 sq ft | 7 | 71,325 | 70,023 |
| 21 | No. 24, Jalan KIP 7<br>Taman Perindustrian KIP<br>52200 Kuala Lumpur | Freehold | Land with a building/ Telecommunications Centre | 21.08.2002 | 17,847 sq ft | 16 | 2,779 | 2,779 |
| 22 | Lot 42, Jalan Delima 1/1<br>Subang Hi-Tech Industrial Park<br>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<br>Subang Hi-Tech Industrial Park<br>40000 Shah Alam, Selangor | Freehold | Land with a building/ Telecommunications Centre | 06.04.2008 | 92,142 sq ft | N/A | 81,339 | 79,692 |
| 24 | 13-1st Floor<br>Gemilang Indah Condominium<br>Geran Mukim 2227/M1/2/7<br>Lot 295, Sek 98, Bandar KL<br>Wilayah Persekutuan | Freehold | Apartment unit | 26.10.2009 | 935 sq ft | 22 | 133 | 131 |
| 25 | H.S.(M) 26928 PT 180 Pekan Serdang<br>Tempat Seri Kembangan<br>Daerah Petaling, Selangor | Leasehold 90 years (expiring in 2099) | Land with a building/ Telecommunications Centre | 03.03.2009 | 1803 sq m | 17 | 4,236 | 4,187 |
| 26 | Title No. PN 89925, Lot 191362<br>No.4, Hala Perusahaan Kledang U5<br>Kawasan Perusahaan Menglembu<br>Daerah Kinta, Perak | Leasehold 90 years (expiring in 2099) | Land with a building/ Telecommunications Centre | 21.09.2009 | 358 sq m | 12 | 709 | 701 |

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

# Disclosure of Recurrent Related Party Transactions

At the Annual General Meeting held on 8 May 2012, the Company obtained a shareholders' mandate to allow the Group to enter into recurrent related party transaction of revenue or trading nature.

In accordance with Practice Note 12 of Main Market Listing Requirements of Bursa Securities, the details of recurrent related party transactions conducted during the financial year ended 31 December 2012 pursuant to the shareholders' mandate are disclosed as follows:

| DiGi Group with the following related parties | DiGi and/or its subsidiary companies | Nature of transaction undertaken by/provided to DiGi and/or its subsidiaries | Amount transacted during the financial year (RM'000) |
|---|---|---|---|
| **Telenor Group of Companies** | | | |
| Telenor Group | DTSB | Business service costs, which include consultancy, training programme and professional fees | 27,988 |
| Telenor Group | DTSB | Personnel services payable and professional fees | 18,085 |
| 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 | 13,648 |
| Telenor Group | DTSB | International Roaming | 5,558 |
| Telenor Group | DTSB | Services rendered on application operations and basic operations for Asian Data Center/Way of Work | 3,379 |
| Telenor Group | DTSB | Customer centre off-shoring services | 1,956 |
| Telenor Group | DTSB | IP Transit (Internet upstream) | 495 |
| **TOTAL** | | | **71,109** |

**Notes:**

1. Telenor Group refers to Telenor ASA and its subsidiary and related companies (including the associated companies). Telenor ASA is the ultimate holding company of DiGi.Com Berhad (DiGi).

2. DiGi Telecommunications Sdn Bhd ("DTSB") is a wholly-owned subsidiary of DiGi.

# Statement of Directors' Shareholdings as at 18 March 2013

| The Company<br>DiGi.Com Berhad | Number of Ordinary Shares of RM0.01 each<br>Direct Interest | % | Deemed Interest | % |
|---|---|---|---|---|
| – | – | – | – | – |

| Ultimate Holding Company<br>Telenor ASA | Number of Ordinary Shares of NOK6 each<br>Direct Interest | % | Deemed Interest | % |
|---|---|---|---|---|
| Sigve Brekke | 86,235 | 0.0055 | – | – |
| Hakon Bruaset Kjol | 4,910 | 0.0003 | – | – |
| Tore Johnsen | 29,386 | 0.0019 | – | – |
| Morten Karlsen Sørby | 63,892 | 0.0041 | – | – |

| Ultimate Holding Company<br>Telenor ASA | Number of Options over Ordinary Shares of NOK6 each<br>Direct Interest | % | Deemed Interest | % |
|---|---|---|---|---|
| Sigve Brekke | – | – | – | – |
| Hakon Bruaset Kjol | – | – | – | – |
| Tore Johnsen | – | – | – | – |
| Morten Karlsen Sørby | – | – | – | – |

# Statistics on Shareholdings as at 18 March 2013

| | | |
|---|---|---|
| Authorised Share Capital | : | RM1,000,000,000 divided into 100,000,000,000 ordinary shares of RM0.01 each |
| Issued and Paid up Share Capital | : | RM77,750,000 comprising 7,775,000,000 ordinary shares of RM0.01 each |
| Class of Shares | : | Ordinary shares of RM0.01 each |
| Voting Rights | : | One vote per share |

**ANALYSIS BY SIZE OF HOLDINGS AS AT 18 MARCH 2013**

| Size of Holdings | No. of Holders | % | No. of Shares | % |
|---|---|---|---|---|
| 1 - 99 | 547 | 2.49 | 8,400 | 0.00 |
| 100 - 1,000 | 6,537 | 29.73 | 5,566,168 | 0.07 |
| 1,001 - 10,000 | 11,788 | 53.61 | 49,935,162 | 0.64 |
| 10,001 - 100,000 | 2,292 | 10.42 | 68,499,609 | 0.88 |
| 100,001 - 388,749,999 (*) | 822 | 3.74 | 2,698,729,011 | 34.71 |
| 388,750,000 AND ABOVE (**) | 2 | 0.01 | 4,952,261,650 | 63.69 |
| TOTAL: | 21,988 | 100.00 | 7,775,000,000 | 100.00 |

Remark:
* - Less than 5% of issued shares
** - 5% And above of issued shares

**Substantial Shareholders as per Register of Substantial Shareholders as at 18 March 2013**

| | 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 | 1,248,879,440 | 16.06 | – | – |

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

# Statistics on Shareholdings

### List of Thirty (30) Largest shareholders as at 18 March 2013

| | Name of Shareholders | Number of Shares | % |
|---|---|---|---|
| 1 | CITIGROUP NOMINEES (ASING) SDN BHD<br>*TELENOR ASIA PTE LTD (DIGI)* | 3,809,750,300 | 49.00 |
| 2 | CITIGROUP NOMINEES (TEMPATAN) SDN BHD<br>*EMPLOYEES PROVIDENT FUND BOARD* | 1,142,511,350 | 14.69 |
| 3 | AMANAHRAYA TRUSTEES BERHAD<br>*SKIM AMANAH SAHAM BUMIPUTERA* | 271,647,500 | 3.49 |
| 4 | CIMSEC NOMINEES (TEMPATAN) SDN BHD<br>*TT DOTCOM SDN BHD* | 237,668,000 | 3.06 |
| 5 | AMANAHRAYA TRUSTEES BERHAD<br>*AMANAH SAHAM MALAYSIA* | 100,000,000 | 1.29 |
| 6 | CARTABAN NOMINEES (ASING) SDN BHD<br>*EXEMPT AN FOR STATE STREET BANK & TRUST COMPANY (WEST CLT OD67)* | 91,022,300 | 1.17 |
| 7 | CARTABAN NOMINEES (TEMPATAN) SDN BHD<br>*EXEMPT AN FOR EASTSPRING INVESTMENTS BERHAD* | 79,367,400 | 1.02 |
| 8 | HSBC NOMINEES (ASING) SDN BHD<br>*BBH AND CO BOSTON FOR VANGUARD EMERGING MARKETS STOCK INDEX FUND* | 78,971,550 | 1.02 |
| 9 | AMANAHRAYA TRUSTEES BERHAD<br>*AMANAH SAHAM WAWASAN 2020* | 78,897,200 | 1.01 |
| 10 | AMANAHRAYA TRUSTEES BERHAD<br>*AS 1MALAYSIA* | 66,863,600 | 0.86 |
| 11 | DATO AHMAD SEBI BIN BAKAR | 65,446,130 | 0.84 |
| 12 | KUMPULAN WANG PERSARAAN (DIPERBADANKAN) | 52,012,100 | 0.67 |
| 13 | AMANAHRAYA TRUSTEES BERHAD<br>*AMANAH SAHAM DIDIK* | 44,505,400 | 0.57 |
| 14 | HSBC NOMINEES (ASING) SDN BHD<br>*EXEMPT AN FOR JPMORGAN CHASE BANK, NATIONAL ASSOCIATION (NORGES BK LEND)* | 43,861,100 | 0.56 |
| 15 | AMANAHRAYA TRUSTEES BERHAD<br>*PUBLIC ISLAMIC DIVIDEND FUND* | 42,591,900 | 0.55 |
| 16 | CITIGROUP NOMINEES (TEMPATAN) SDN BHD<br>*EMPLOYEES PROVIDENT FUND BOARD (NOMURA)* | 37,990,890 | 0.49 |

**List of Thirty (30) Largest shareholders as at 18 March 2013 (cont'd.)**

| | Name of Shareholders | Number of Shares | % |
|---|---|---|---|
| 17 | CITIGROUP NOMINEES (TEMPATAN) SDN BHD<br>*EXEMPT AN FOR AMERICAN INTERNATIONAL ASSURANCE BERHAD* | 34,742,100 | 0.45 |
| 18 | AMSEC NOMINEES (TEMPATAN) SDN BHD<br>*AMTRUSTEE BERHAD FOR CIMB ISLAMIC DALI EQUITY GROWTH FUND (UT-CIMB-DALI)* | 33,879,000 | 0.44 |
| 19 | CARTABAN NOMINEES (ASING) SDN BHD<br>*GOVERNMENT OF SINGAPORE INVESTMENT CORPORATION PTE LTD FOR GOVERNMENT OF SINGAPORE (C)* | 33,221,400 | 0.43 |
| 20 | HSBC NOMINEES (ASING) SDN BHD<br>*EXEMPT AN FOR JPMORGAN CHASE BANK, NATIONAL ASSOCIATION (U.A.E.)* | 32,997,700 | 0.42 |
| 21 | VALUECAP SDN BHD | 32,170,000 | 0.41 |
| 22 | CIMB GROUP NOMINEES (TEMPATAN) SDN BHD<br>*PLEDGED SECURITIES ACCOUNT FOR TT DOTCOM SDN BHD (CB-GROUP 2)* | 29,730,000 | 0.38 |
| 23 | AMANAHRAYA TRUSTEES BERHAD<br>*PUBLIC ISLAMIC EQUITY FUND* | 27,104,000 | 0.35 |
| 24 | HSBC NOMINEES (ASING) SDN BHD<br>*EXEMPT AN FOR THE BANK OF NEW YORK MELLON (MELLON ACCT)* | 26,871,466 | 0.35 |
| 25 | MALAYSIA NOMINEES (TEMPATAN) SENDIRIAN BERHAD<br>*GREAT EASTERN LIFE ASSURANCE (MALAYSIA) BERHAD (PAR 1)* | 25,993,900 | 0.33 |
| 26 | CITIGROUP NOMINEES (ASING) SDN BHD<br>*LEGAL & GENERAL ASSURANCE (PENSIONS MANAGEMENT) LIMITED (A/C 1125250001)* | 25,026,700 | 0.32 |
| 27 | AMANAHRAYA TRUSTEES BERHAD<br>*PUBLIC ISLAMIC SELECT ENTERPRISES FUND* | 24,306,500 | 0.31 |
| 28 | HSBC NOMINEES (ASING) SDN BHD<br>*EXEMPT AN FOR JPMORGAN CHASE BANK, NATIONAL ASSOCIATION (U.S.A.)* | 23,247,700 | 0.30 |
| 29 | ALAM NUSANTARA SDN BHD | 23,015,230 | 0.30 |
| 30 | HSBC NOMINEES (ASING) SDN BHD<br>*BNY BRUSSELS FOR WISDOMTREE EMERGING MARKETS EQUITY INCOME FUND* | 20,744,300 | 0.27 |
| **TOTAL** | | **6,636,156,716** | **85.35** |

# Notice of Annual General Meeting

**NOTICE IS HEREBY GIVEN THAT** the Sixteenth Annual General Meeting ("16th AGM") of DiGi.Com Berhad ("the Company") will be held at Grand Ballroom, Level 1, Mandarin Oriental Kuala Lumpur, Kuala Lumpur City Centre, 50088 Kuala Lumpur on Thursday, 9 May 2013 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 2012 and the Directors' and Auditors' Reports thereon. **(Please refer to Note 1 of the Explanatory Notes)**

2. To re-elect the following Directors of the Company retiring pursuant to the Company's Articles of Association:

   **Under Article 98(A)**

   (i) Mr Hakon Bruaset Kjol **Ordinary Resolution 1**

   (ii) Dato' Ab. Halim bin Mohyiddin **Ordinary Resolution 2**

   **Under Article 98(E)**

   (iii) Mr Tore Johnsen **Ordinary Resolution 3**

   (iv) Mr Morten Karlsen Sørby **Ordinary Resolution 4**

   Tan Sri Leo Moggie who retires pursuant to Section 129(6) of the Companies Act, 1965, has expressed his intention not to seek re-appointment. Hence, he will retain office until the close of the 16th AGM of the Company.

3. To approve the Directors' Allowances of RM540,000 for the financial year ended 31 December 2012. **Ordinary Resolution 5**

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

**As Special Business**

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

5. Proposed Renewal of Existing Shareholders' Mandate For Recurrent Related Party Transactions of a Revenue or Trading Nature 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 16 April 2013 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 7**

# Notice of Annual General Meeting

6. Authority for Dato' Ab. Halim Bin Mohyiddin to continue in office as Independent Non-Executive Director — **Ordinary Resolution 8**

   "THAT authority be and is hereby given to Dato' Ab. Halim Bin Mohyiddin who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than nine years, to continue to act as an Independent Non-Executive Director of the Company until the conclusion of the next Annual General Meeting in accordance with Malaysian Code of Corporate Governance 2012."

7. Proposed Amendments to the Articles of Association — **Special Resolution**

   "THAT the deletions, alterations, modifications, variations and additions to the Articles of Association of the Company as set out in Appendix I attached with the Annual Report for the financial year ended 31 December 2012 be and are hereby approved."

**FURTHER NOTICE IS HEREBY GIVEN THAT** for the purpose of determining a member who shall be entitled to attend this 16th 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 2013*. Only a depositor whose name appears on the Record of Depositors as at *30 April 2013* shall be entitled to attend, speak and vote at the said meeting or appoint proxies to attend, speak and/or vote on his/her behalf.

By Order of the Board

**CHOO MUN LAI** (MAICSA 7039980)
**TAI YIT CHAN** (MAICSA 7009143)
**LIEW IRENE** (MAICSA 7022609)
Company Secretaries

Selangor Darul Ehsan
16 April 2013

**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) EXPLANATORY NOTES**

1. Agenda item no. 1 is meant for discussion only as the provision of Section 169(1) of the Companies Act, 1965 does not require a formal approval of shareholders for the Audited Financial Statements. Hence, this item on the Agenda is **not put forward for voting**.

2. Ordinary Resolution 7 proposed, if passed, will allow the Company and its subsidiaries ("Group") to enter into recurrent related party transactions in accordance with paragraph 10.09 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad and the necessity to convene separate general meetings from time to time to seek shareholders' approval as and when such recurrent related party transactions occur would not arise. This would reduce substantial administrative time and expenses associated with the convening of such meetings without compromising the corporate objectives of the Group or affecting the business opportunities available to the Group. The shareholders' mandate is subject to renewal on an annual basis.

3. In respect of Ordinary Resolution 8, the Board of Directors ("Board") has via the Nomination Committee conducted an evaluation on the re-appointment of Dato' Ab. Halim Bin Mohyiddin, who has served as Independent Non-Executive Director of the Company for a cumulative term of more than nine years, and recommended him to continue to act as Independent Non-Executive Director of the Company. Dato' Ab. Halim Bin Mohyiddin fulfilled the criteria under the definition on Independent Director as stated in the Main Market Listing Requirements of Bursa Malaysia Securities Berhad. His experience in the audit and accounting industries enables him to provide the Board with a diverse set of experience, expertise, skills and competence. As he has been with the Company for more than nine years, he therefore understands the Company's business operations which enable him to participate actively and contribute during deliberations or discussions at Audit & Risk Committee and Board meetings without compromising his independent and objective judgement. He has contributed sufficient time and effort and attended all the Audit & Risk Committee and Board meetings as well as meeting the Head of Assurance prior to Audit & Risk Committee meetings and management prior to Board meetings for informed and balanced decision making.

4. The Special Resolution, if passed, will render the Articles of Association of the Company to be in line with the Main Market Listing Requirements of Bursa Malaysia Securities Berhad and to update the Articles of Association of the Company to be consistent with the prevailing laws, guidelines or requirements of the relevant authorities and to further enhance administrative efficiency of the Company.

# Proposed Amendments to the Articles of Association

The Articles of Association of the Company are proposed to be amended in the following manner:

| Article No. | Existing Articles | Amended Articles |
|---|---|---|
| 2 | **Words** **Meanings** | **Words** **Meanings** |
| | *New definition* | ***Exempt Authorised Nominee*** ***An authorised nominee defined under the Central Depositories Act which is exempted from compliance with the provisions of subsection 25A(1) of Central Depositories Act.*** |
| | *New definition* | ***Share Issuance Scheme*** ***means a scheme involving a new issuance of shares to the employees.*** |
| 5 (a) | No Director shall participate in an issue of shares to employees of the Company unless the shareholders in general meeting have approved of the specific allotment to be made to such Director. | No Director shall participate in ***a Share Issuance Scheme*** unless the shareholders in general meeting have approved of the specific allotment to be made to such Director. |
| 54 (1) | An annual general meeting or a meeting called for the passing of a special resolution shall be called by 21 days' notice in writing at the least. Any other meeting of the Company shall be called by 14 days' notice in writing to all members at the least, specifying the place, the day and hour of meeting. Provided that a meeting of the Company shall, notwithstanding that it is called by shorter notice than that specified in this Article, be deemed to have been duly called if so agreed:<br><br>(a) in the case of a meeting called as the annual general meeting, by all the members entitled to attend and vote thereat; or<br><br>(b) in the case of any other meeting, by a majority in number of the members having a right to attend and vote thereat, being a majority which together holds not less than ninety-five per centum in nominal value of the shares giving a right to attend and vote. | An annual general meeting or a meeting called for the passing of a special resolution shall be called by 21 days' notice in writing at the least. Any other meeting of the Company shall be called by 14 days' notice in writing to all members at the least, specifying the place, the day and hour of meeting. Provided that a meeting of the Company shall, notwithstanding that it is called by shorter notice than that specified in this Article, be deemed to have been duly called if so agreed:<br><br>***(i)*** in the case of a meeting called as the annual general meeting, by all the members entitled to attend and vote thereat; or<br><br>***(ii)*** in the case of any other meeting, by a majority in number of the members having a right to attend and vote thereat, being a majority which together holds not less than ninety-five per centum in nominal value of the shares giving a right to attend and vote. |

# Proposed Amendments to the Articles of Association

| Article No. | Existing Articles | Amended Articles |
|---|---|---|
| 54(5) | In every notice calling a meeting there shall appear with reasonable prominence a statement that a member entitled to attend and vote is entitled to appoint a proxy to attend and vote instead of him and that a proxy need not also be a member. | In every notice calling a meeting there shall appear with reasonable prominence a statement that a member entitled to attend and vote ***at a meeting of the Company, or at a meeting of any class of members of the Company,*** is entitled to appoint ***any person as his*** proxy to attend and vote instead of him and that a proxy need not also be a member ***of the Company and the provision of Section 149(1)(a) and (b) of the Act shall not apply to the Company.*** |
| 58A | *New provision* | <u>***Chairman to promote orderly conduct of the business of all general meetings***</u><br><br>***Without prejudice to any other power which the Chairman may have under the provisions of these Articles or at common law and subject to the Act and the Listing Requirements, the Chairman may take such action as he thinks fit to promote the orderly conduct of the business of all general meetings as specified in the notice of such meetings and the Chairman's decision on matters of procedure or arising incidentally from the business of such meetings shall be final, as shall be his determination as to whether any matter is of such a nature.*** |
| 62 | <u>No</u> poll <u>shall be</u> demanded on the election of a Chairman of a meeting, or on any question of adjournment. | ***Any*** poll ***duly*** demanded on the election of a Chairman of a meeting or on any question of adjournment ***shall be taken forthwith at the meeting and without adjournment.*** |
| 65A | A member may appoint a proxy to attend at a general meeting of the Company and the proxy shall be entitled to vote on a show of hands. A proxy or attorney need not be a member of the Company. The provisions of Section 149(1)(b) of the Act shall not apply. | A member may appoint a proxy to attend at a general meeting of the Company and the proxy shall be entitled to vote on a show of hands ***on any question at any general meeting.*** A proxy or attorney need not be a member of the Company. The provisions of Section 149(1)***(a) and*** (b) of the Act shall not apply. ***There shall be no restriction as to the qualification of the proxy. A proxy appointed to attend and vote at a meeting shall have the same rights as the member to speak at the meeting.*** |
| 65B | Where a member of the Company is an Authorised Nominee, <u>it may appoint at least one proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.</u> | Where a member of the Company is an ***Exempt*** Authorised Nominee ***which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there shall be no limit to the number of proxies which the Exempt Authorised Nominee may appoint in respect of each omnibus account it holds.*** |
| 98 (A) | At the annual general meeting in every year, one-third of the Directors for the time being, or if their number is not a multiple of three, then the number nearest to one-third, shall retire from office. A retiring Director shall be eligible for re-election. PROVIDED ALWAYS that all Directors shall be relieved from office once at least in each three (3) years subject to re-election. | At the annual general meeting in every year, one-third of the Directors for the time being, or if their number is not a multiple of three, then the number nearest to one-third, shall retire from office. A retiring Director shall be eligible for re-election. PROVIDED ALWAYS that all Directors shall be relieved from office once at least in each three (3) years subject to re-election. ***An election of Directors shall take place each year.*** |

# Notes

# Form of Proxy

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

I/We ____________________________________________________________________________
(Name in full)

NRIC No. or Company No. ____________________________________________________________
(New and Old NRIC Nos.)

CDS Account No.__________________________________________ of _________________________

______________________________________________________________________________________
(Address)

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

NRIC No. __________________________________________ of ______________________________
(New and Old NRIC Nos.)

______________________________________________________________________________________
(Address)

or failing him/her, the **Chairman of the meeting* as my/our proxy to vote for me/us on my/our behalf, at the Sixteenth Annual General Meeting of the Company to be held at Grand Ballroom, Level 1, Mandarin Oriental Kuala Lumpur, Kuala Lumpur City Centre, 50088 Kuala Lumpur on Thursday, 9 May 2013 at 10.00 a.m. or any adjournment thereof.

This proxy is to vote on the resolutions set out in the Notice of the Meeting, as indicated with an "X" in the appropriate spaces below. If no specific direction as to voting is given, the proxy will vote or abstain from voting at his/her discretion.

*Please delete the words "Chairman of the meeting" if you wish to appoint some other person to be your proxy.

| **Ordinary Resolutions** | | **For** | **Against** |
|---|---|---|---|
| RESOLUTION 1 | – To re-elect Mr Hakon Bruaset Kjol as Director | | |
| RESOLUTION 2 | – To re-elect Dato' Ab. Halim bin Mohyiddin as Director | | |
| RESOLUTION 3 | – To re-elect Mr Tore Johnsen as Director | | |
| RESOLUTION 4 | – To re-elect Mr Morten Karlsen Sørby as Director | | |
| RESOLUTION 5 | – To approve the Directors' Allowances for the financial year ended 31 December 2012 | | |
| RESOLUTION 6 | – To re-appoint Messrs Ernst & Young as Auditors of the Company and to authorise the Directors to fix their remuneration | | |
| RESOLUTION 7 | – 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 | | |
| RESOLUTION 8 | – Authority for Dato' Ab. Halim Bin Mohyiddin to continue in office as Independent Non-Executive Director | | |
| SPECIAL RESOLUTION | – Proposed Amendments to the Articles of Association | | |

No. of Shares [ ]

Signed this ____________ day of _____________ , 2013.

__________________________________
Signature of Shareholder(s) or Common Seal

Tel. No. _____________________________

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.
3. A power of attorney or certified copy thereof or the instrument appointing a proxy, shall be in writing under the hand of the appointer or his attorney duly authorised in writing, and in the case of a corporation, either under seal or under hand of an officer or attorney duly authorised.
4. The instrument appointing a proxy or the power of attorney or a certified copy thereof, must be deposited at the Company's Share Registrar Office at Level 17, The Gardens North Tower, Mid Valley City, Lingkaran Syed Putra, 59200 Kuala Lumpur at least forty-eight (48) hours before the time appointed for holding the meeting or any adjournment thereof.

PLEASE FOLD HERE TO SEAL

AFFIX
STAMP
HERE

Share Registrars
**TRICOR INVESTOR SERVICES SDN BHD**
Level 17, The Gardens North Tower,
Mid Valley City,
Lingkaran Syed Putra,
59200 Kuala Lumpur,
Malaysia

PLEASE FOLD HERE TO SEAL

# Corporate Directory

**PRINCIPAL PLACE OF BUSINESS/ HEAD OFFICE**

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

**CENTRAL OPERATING OFFICES**

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

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

**REGIONAL OPERATING OFFICES**

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

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

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

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

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

**Sarawak Region**
Level 21, Gateway Kuching,
No.9 Jalan Bukit Mata,
93100 Kuching
Tel : 082-421 800
Fax : 082-427 597

**DIGI STORES**

**Kuala Lumpur**
***DiGi 360º***
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

***Ampang***
No.86G, Lorong Mamanda 1,
Ampang Point,
68000 Selangor

***Alamanda***
Lot LG08, Lower Ground Floor,
Alamanda Putrajaya
Shopping Centre,
Jln Alamanda, Precinct 1,
62000 Putrajaya

**Melaka**
***Melaka***
Lot 1B, Jalan Plaza Merdeka,
Plaza Merdeka,
75000 Melaka

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

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

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

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

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

***De Gardens***
DGR-1A, Ground Floor,
No.1, Persiaran Medan Ipoh,
Medan Ipoh,
31400, Ipoh, Perak

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

**Kelantan**
***Kota Bharu***
Lot G-42, KB Mall,
Jalan Hamzah,
15050 Kota Bharu,
Kelantan

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

***1-Borneo***
No.228, 1 Borneo Hypermall,
Jalan Sulaman,
88400 Kota Kinabalu, Sabah

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

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

**DIGI SERVICE COUNTERS**

**Kuala Lumpur**

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

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

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

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

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

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

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

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

***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 STORE EXPRESS**

**Selangor**
***DSE Seri Kembangan,***
K02N04 Giant Seri Kembangan,
Jalan Putra Permai,
Bandar Putra Permai,
43300 Seri Kembangan, Selangor

***DSE Shaftsbury***
P5-10, Shaftsbury Square,
2350 Persiaran Multimedia,
Cyber 6, 63000 Cyberjaya

***DSE Sunway***
F1.100A, 1st Floor,
No.3, Jalan PJS11/15,
Bandar Sunway Pyramid,
46150 PJ, Selangor

**Penang**
***DSE Suntech***
Unit G-11, Suntech @ Penang
Cybercity, Lintang Mayang Pasir 3,
11950 Bayan Baru, Penang

**Melaka**
***DSE AEON Bandaraya Melaka***
Unit S-10, 2nd Floor,
AEON Bandaraya Melaka,
No.2, Jalan Lagenda,
Taman 1 Lagenda,
75400 Melaka

**Sarawak**
***DSE Plaza Merdeka***
Basement 1,
Unit No.B-41, B-42 & B-43,
Plaza Merdeka, 88, Pearl Street,
93000 Kuching,
Sarawak

**Sabah**
***DSE Suria Sabah***
Lot B-15, Lower Ground Floor,
Suria Sabah Shopping Mall,
88000 KK, Sabah


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