Creating inclusive internet experiences

We believe the internet is for everyone, and that we play a crucial role to ensure every Malaysian has equal access to it. Our Yellow Heart Privileges seeks to lower barriers for senior citizens, persons with disabilities and more to access countless opportunities enabled through connectivity.

BOARD OF DIRECTORS' PROFILES

Key to Committee membership:

- B Board
- N Nomination Committee
- A Audit and Risk Committee
- R Remuneration Committee
- Committee Chair

Haakon Bruaset Kjoel
Non-Independent
Non-Executive Director

Member B R

Tan Sri Saw Choo Boon
Senior Independent
Non-Executive Director

Member B N A

Yasmin Binti Aladad Khan
Independent
Non-Executive Director

Member B N A R

Vimala V.R. Menon
Independent
Non-Executive Director

Member B A

Anne Karin Kvam
Non-Independent
Non-Executive Director

Member B

Torstein Pedersen
Non-Independent
Non-Executive Director

Member B A R

Lars Erik Tellmann
Non-Independent
Non-Executive Director

Member B

HAAKON BRUASET KJOEL

Nationality Norwegian | **Age** 48 | **Gender** Male

APPOINTED TO THE BOARD:

11 July 2017

MEETINGS ATTENDED:

10 out of 10

LENGTH OF SERVICE (AS AT 31 MARCH 2020):

2 years 8 months

PRESENT DIRECTORSHIP(S):

Listed Entities:
- Nil

Other Public Companies:
- Nil

AREA OF EXPERTISE:
- Telecommunications
- Strategy Development
- Leadership
- Legal and Regulatory
- Environmental Sustainability

RELEVANT EXPERIENCE:

Mr Kjoel joined Telenor Group in 1995, beginning his career in the domestic mobile operation in Norway. Since then, he has contributed to Telenor Group's growing international presence through his involvement in Telenor's international mobile operations where he played significant roles in operational development, and merger and acquisition activities both in Europe and Asia. For the last 19 years, he has been based in Asia where he has played a key role in the development of Telenor Group's strategy for Asia, and managing the Asia business environment including in the areas of public affairs, government relations, strategic communications and corporate responsibility. Mr Kjoel was Acting Executive Vice President and Chief Corporate Affairs Officer for Telenor Group from July until October 2018 in addition to his global responsibility for Telenor Group's public and regulatory affairs activities, a role he undertook in September 2016.

Mr Kjoel is a senior corporate and public affairs professional with extensive experience from telecom and digital industries in Europe and Asia.

Mr Kjoel has since December 2019 served as the Chief Strategy and Transformation Officer at Total Access Communication Public Company Limited, Thailand, dtac. He serves on the Board of Directors of several Telenor Group Companies in Singapore, Grameenphone Limited in Bangladesh, Telenor Pakistan Limited and Telenor Myammar Ltd and Digi Telecommunications Sdn Bhd. Mr Kjoel is also a non-executive Director of the global architect and design company Snøhetta which is headquartered in Oslo, Norway.

ACADEMIC/PROFESSIONAL QUALIFICATION/MEMBERSHIP(S):
- Master of Business Administration degree from BI Norwegian Business School, Oslo
- Studies in public relations at BI Norwegian Business School, Oslo

TAN SRI SAW CHOO BOON

Nationality Malaysian | **Age** 73 | **Gender** Male

APPOINTED TO THE BOARD:

9 December 2010

MEETINGS ATTENDED:

10 out of 10

LENGTH OF SERVICE (AS AT 31 MARCH 2020):

9 years 2 months

PRESENT DIRECTORSHIP(S):

Listed Entities:
- RHB Bank Berhad
- Wah Seong Corporation Berhad

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

AREA OF EXPERTISE:
- Leadership
- Strategy Development
- Environmental Sustainability
- Human Resources
- Accounting and Finance

RELEVANT EXPERIENCE:

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

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

In addition, he is a Director on the Socio-Economic Research Centre Board of the Associated Chinese Chambers of Commerce and Industry Malaysia and a Council Member of the Federation of Malaysian Manufacturers Council.

ACADEMIC/PROFESSIONAL QUALIFICATION/MEMBERSHIP(S):
- Bachelor of Science Hons (Chemistry) from University of Malaya

BOARD OF DIRECTORS' PROFILES

YASMIN BINTI ALADAD KHAN

Nationality Malaysian | **Age** 61 | **Gender** Female

APPOINTED TO THE BOARD:

23 July 2013

MEETINGS ATTENDED:

9 out of 10

LENGTH OF SERVICE (AS AT 31 MARCH 2020):

6 years 8 months

PRESENT DIRECTORSHIP(S):

Listed Entities:
- Nil

Other Public Companies:
- Nil

AREA OF EXPERTISE:
- Leadership
- Commercial Marketing
- Strategy Development
- Human Resources
- Telecommunications

RELEVANT EXPERIENCE:

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

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

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

ACADEMIC/PROFESSIONAL QUALIFICATION/MEMBERSHIP(S):
- Master of Business Administration from Aston University
- Member of the Advisory Board of Singapore Management University

VIMALA V.R. MENON

Nationality Malaysian | **Age** 65 | **Gender** Female

APPOINTED TO THE BOARD:

1 July 2015

MEETINGS ATTENDED:

10 out of 10

LENGTH OF SERVICE (AS AT 31 MARCH 2020):

4 years 8 months

PRESENT DIRECTORSHIP(S):

Listed Entities:
- Petronas Dagangan Berhad

Other Public Companies:
- Nil

AREA OF EXPERTISE:
- Leadership
- Accounting and Finance
- Legal and Regulatory
- Strategy Development
- Commercial Marketing

RELEVANT EXPERIENCE:

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

Ms Menon served as a member of the Board of Trustees of Pemandu Corporation from July 2014 to January 2017 and a Board member of Prince Court Medical Centre Sdn Bhd from 2011 to July 2018. She served as Senior Independent Director and Chairman of the Board Audit Committee for Petronas Chemical Group Berhad.

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

ACADEMIC/PROFESSIONAL QUALIFICATION/MEMBERSHIP(S):
- Fellow of the Institute of Chartered Accountants in England and Wales
- Member of the Malaysian Institute of Accountants (MIA)

ANNE KARIN KVAM

Nationality	Age	Gender
Norwegian	52	Female

APPOINTED TO THE BOARD:

16 October 2018

MEETINGS ATTENDED:

10 out of 10

LENGTH OF SERVICE (AS AT 31 MARCH 2020):

1 year 5 months

PRESENT DIRECTORSHIP(S):

Listed Entities:
- Nil

Other Public Companies:
- Nil

AREA OF EXPERTISE:

- Leadership
- Telecommunications
- Environmental Sustainability
- Legal and Regulatory
- Corporate Governance

RELEVANT EXPERIENCE:

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

Ms Kvam was appointed as the Executive Vice President, Corporate Affairs of Telenor Group on 1 October 2018. She is also a Director of Digi Telecommunications Sdn Bhd.

ACADEMIC/PROFESSIONAL QUALIFICATION/MEMBERSHIP(S):

- Master of Business Administration from University College Dublin, Ireland
- Licensed solicitor with a Law Degree from University of Oslo, Norway

TORSTEIN PEDERSEN

Nationality	Age	Gender
Norwegian	53	Male

APPOINTED TO THE BOARD:

12 December 2017

MEETINGS ATTENDED:

10 out of 10

LENGTH OF SERVICE (AS AT 31 MARCH 2020):

2 years 3 months

PRESENT DIRECTORSHIP(S):

Listed Entities:
- Nil

Other Public Companies:
- Nil

AREA OF EXPERTISE:

- Telecommunications
- Strategy Development
- Environmental Sustainability
- Leadership
- Accounting and Finance

RELEVANT EXPERIENCE:

Mr Pedersen has more than 23 years of international management experience in the telecommunications sector, covering strategic, financial, commercial and technology areas of business. He started his professional career in 1992 as an Engineer in Telenor Broadcast, Norway, and subsequently served as Senior Engineer in Telenor Norway. In 1997, he joined Viag Interkom, Germany, as a Virtual Private Network Planner and was appointed as Manager in Corporate Strategy in 1998. From 2001 to 2002, Mr Pedersen served as Project Director, Head of the CEO Office in UCOM, Thailand. He joined Telenor Norway in 2003 to 2008 as a Product Manager and was then appointed as Strategic Director. From 2013 to 2014, he acted as Vice President in Telenor ASA and then as Chief Strategy Officer in Globul Bulgaria. He later assumed the Project Director position for a Telenor-Telia merger project in Denmark in 2014 to 2015. From 2015 to 2017, he served as Vice President M&A and subsequently as Senior Business Manager in Telenor ASA until 2019.

Mr Pedersen is currently Head of Operational Efficiency in Total Access Communication Public Company Limited, Thailand, dtac and a Director of Digi Telecommunications Sdn Bhd.

ACADEMIC/PROFESSIONAL QUALIFICATION/MEMBERSHIP(S):

- Master of Business Administration from IESE Business School, Spain
- Master of Science in Electrical Engineering from University of Karlsruhe, Germany

BOARD OF DIRECTORS' PROFILES

LARS ERIK TELLMANN

Nationality
Norwegian

Age
48

Gender
Male

APPOINTED TO THE BOARD:

12 July 2019

MEETINGS ATTENDED:

4 out of 4

LENGTH OF SERVICE (AS AT 31 MARCH 2020):

8 months

PRESENT DIRECTORSHIP(S):

Listed Entities:
- Nil

Other Public Companies:
- Nil

AREA OF EXPERTISE:

- Leadership
- Telecommunications
- Strategy Development
- Accounting and Finance
- General Management

RELEVANT EXPERIENCE:

Mr Tellmann joined Telenor Group in 2001 and has since served in various leadership positions in both Norway, Malaysia, Thailand and Myanmar. Mr Tellmann is currently Senior Vice President and Head of Business Development and Portfolio Management in Telenor Asia Ltd., and the Head of Telenor Financial Services in Singapore. Prior to this, he was the Chief Financial Officer of Telenor Myanmar Ltd. from 2013 to 2016, and Chief Executive Officer of Telenor Myanmar Ltd. from 2016 to 2018. Prior to joining Telenor, Mr Tellmann had his initial career in the Software industry with Agresso Group ASA in Norway.

Mr Tellmann has served as a Director in several public listed Telecom companies, including Grameenphone Ltd. in Bangladesh and Total Access Communication Public Company Limited, Thailand, dtac. At present he is a Director in Grameenphone Ltd., Telenor Pakistan Ltd., Telenor Health AS, Digital Money Myanmar Ltd., and Digi Telecommunications Sdn Bhd.

ACADEMIC/PROFESSIONAL QUALIFICATION/MEMBERSHIP(S):

- Master of Science in Business (M.Sc/Siviløkonom) degree from NORD University in Norway
- Master in Business Administration from Heriot-Watt University, Edinburgh

Save as disclosed, none of the Directors have any:-
1. Family relationship with any Director and/or major shareholders of the Company;
2. Conflict of interest with the Company; and
3. Conviction for offences within the past 5 years other than traffic offences

MANAGEMENT PROFILES

Albern Murty
Chief Executive Officer

Inger Gløersen Folkeson
Chief Financial Officer

Loh Keh Jiat
Chief Marketing Officer

Eugene Teh
Chief Business Officer

Kesavan Sivabalan
Chief Technology Officer

Elisabeth Melander Stene
Chief Human Resource Officer

Praveen Rajan
Chief Digital Officer

Joachim Rajaram
Chief Corporate Affairs Officer

MANAGEMENT PROFILES

ALBERN MURTY

Chief Executive Officer

Nationality Malaysian | **Age** 47 | **Gender** Male

CAREER HISTORY

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

SKILLS AND EXPERIENCE

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

INGER GLØERSEN FOLKESON

Chief Financial Officer

Nationality Norwegian | **Age** 38 | **Gender** Female

CAREER HISTORY

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

SKILLS AND EXPERIENCE

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

LOH KEH JIAT

Chief Marketing Officer

Nationality Malaysian | **Age** 48 | **Gender** Male

CAREER HISTORY

Loh was appointed Chief Marketing Officer on 30 March 2016. Prior to that, he was Chief Sales Officer. He has held other various senior positions within the Marketing Division in his 12 years with Digi Telecommunications Sdn Bhd. These include Head of Postpaid, Head of Corporate Strategy and Broadband, Head of Product Marketing, and Head of Channels and Regional Management. He has more than 20 years of experience in the telecommunications and accounting industries, having held roles at PT Mobile-8 Tbk Indonesia and PricewaterhouseCoopers prior to joining Digi.

SKILLS AND EXPERIENCE

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

EUGENE TEH

Chief Business Officer

Nationality Malaysian | **Age** 45 | **Gender** Male

CAREER HISTORY

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

SKILLS AND EXPERIENCE

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

ELISABETH MELANDER STENE

Chief Human Resource Officer

Nationality Norwegian | **Age** 54 | **Gender** Female

CAREER HISTORY

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

SKILLS AND EXPERIENCE

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

KESAVAN SIVABALAN

Chief Technology Officer

Nationality Malaysian | **Age** 51 | **Gender** Male

CAREER HISTORY

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

SKILLS AND EXPERIENCE

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

JOACHIM RAJARAM

Chief Corporate Affairs Officer

Nationality Malaysian | **Age** 43 | **Gender** Male

CAREER HISTORY

Joachim was appointed Chief Corporate Affairs Officer on 1 February 2018. He was formerly Growth and Partnerships Lead at Digi's venture building arm, Digi-X, where he drove business development, and partner and stakeholder engagement for the company's FinTech, IoT, and eCommerce offerings. He has been with Telenor for close to 11 years, and has held various senior roles in this period including VP – Head of Corporate Communications in Telenor Myanmar, and Head of Communications and Sustainability at Digi. Joachim has two decades of experience in corporate communications, sustainability planning and governance, public affairs, and business environment management.

SKILLS AND EXPERIENCE

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

PRAVEEN RAJAN

Chief Digital Officer

Nationality Malaysian | **Age** 41 | **Gender** Male

CAREER HISTORY

Praveen was appointed Chief Digital Officer on 1 June 2016. He joined Digi in 2007, and brings more than 16 years of experience in the internet and mobile industries. He has held multiple leadership positions in his 11 year stint with Digi, and these include Head of Advanced Data Services, Head of Products – Internet and Services, and Head of Postpaid and Digital Services. Prior to joining Digi, Praveen co-founded a social networking startup called LifeLogger in 2003, where he served as the Chief Technology Officer.

SKILLS AND EXPERIENCE

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

The CEO has:

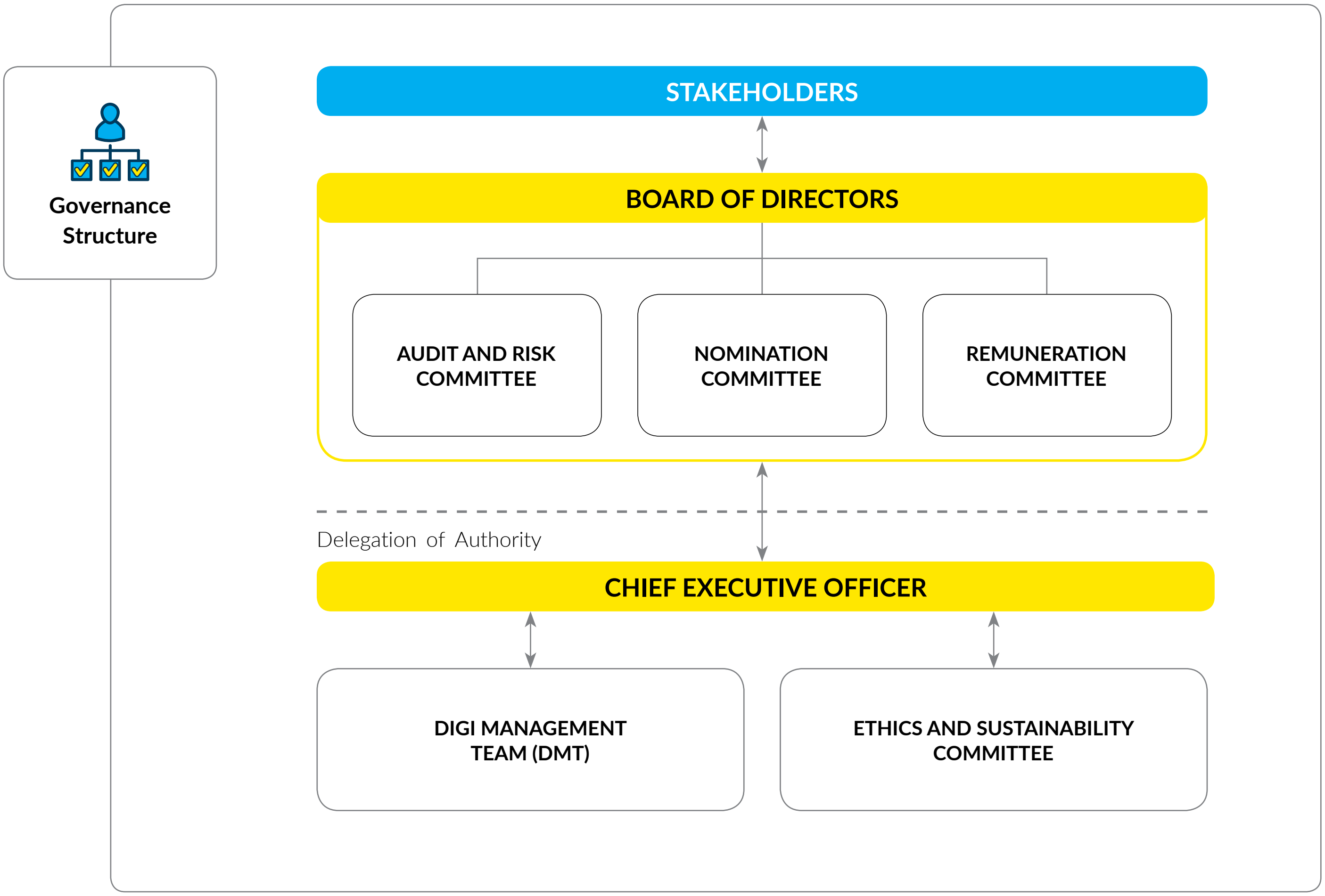
4,600 interest in shares of Digi.Com Berhad.

The Management Team do not have any of the following:

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

CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Board of Directors (the Board, Digi Board or our Board) sets and steers the direction of Digi Group and brings independent, informed and effective judgement on material decisions reserved for the Board. The Board also ensures that strategy, risk, performance and sustainable development considerations are effectively integrated and appropriately balanced. Recognising the importance of good corporate governance, the Board is committed to uphold high standards of business integrity and ethics, and has worked to maintain these standards through the course of the year. For a fair view of the Board's priorities and the Company's corporate governance practices in 2019, this statement is to be read together with the Corporate Governance Report (CG Report). The CG Report elaborates on the Company's application of each Principle of the Malaysian Code of Corporate Governance 2017 (MCCG) for the financial year under review.



Please refer to Digi's website at www.digi.com.my/investors for detailed information on the Code and policies and the Corporate Governance Report.

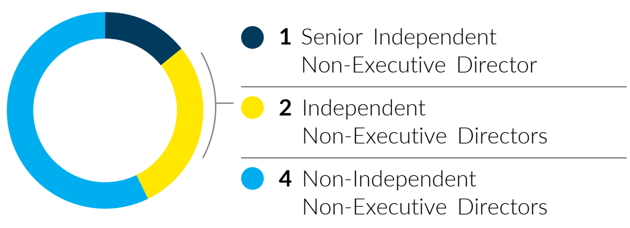
Principle A – Board Leadership and Effectiveness

Board Leadership and Effectiveness

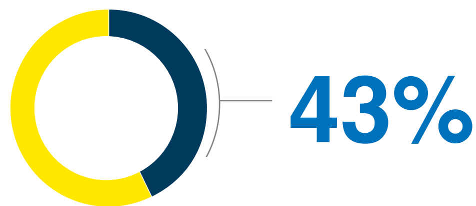
Our Board has the appropriate balance of knowledge, skills, experience, diversity and independence to objectively and effectively discharge its governance role and responsibilities.

The diversity in its membership creates value by promoting better decision-making and effective governance and the Board has escalated its efforts to establish a diverse Board with a variety of skills, experience, age, cultural background and gender. Similarly, the Board is committed to developing a corporate culture that embraces all aspects of diversity and inclusion practices in the Group.

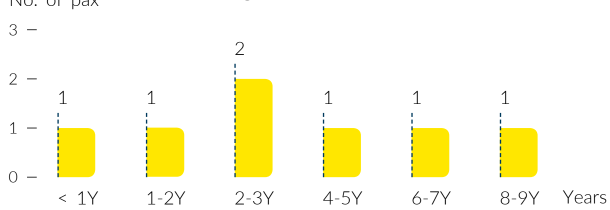
Board Balance and Composition



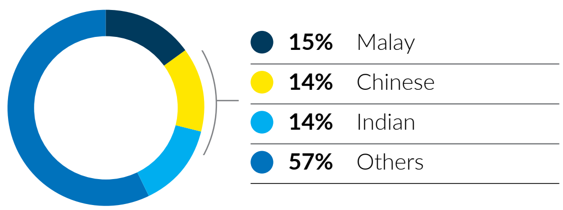
Female Representation



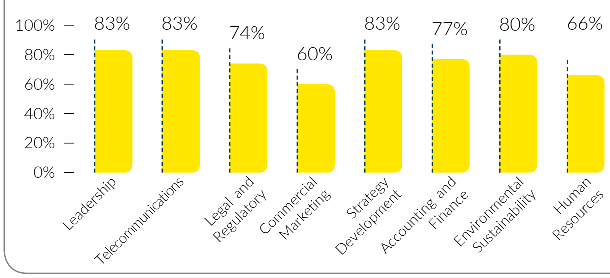
Length of Tenure



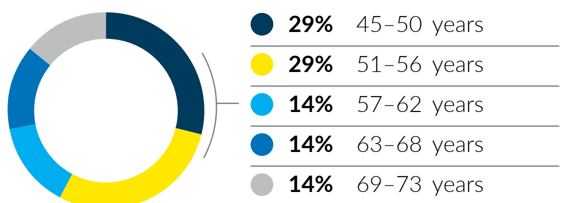
Ethnic Diversity



Directors Core Area of Expertise



Age Diversity



CORPORATE GOVERNANCE OVERVIEW STATEMENT

Board Roles and Responsibilities

The roles of the Chair of the Board and CEO are separated and held by different individuals. Whilst the Chair of the Board provides leadership of the Board, the CEO heads the Management team for the day-to-day management of the business. The CEO has been given certain powers to execute transactions guided by the rules and procedures for the CEO and in accordance with the authority limits as defined and formalised.

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

Audit and Risk Committee (ARC)

Nomination Committee (NC)

Remuneration Committee (RC)

It should however be noted that at all times, the Board has collective oversight over the Board Committees. These Board Committees have been constituted with clear Terms of Reference (TOR).

Key features of the Board

- Separation of roles between the Chair of the Board and CEO
- The Chair of the NC and ARC are Independent Non-Executive Directors
- Meets Board Diversity requirements, in particular gender diversity with three (3) women serving as members of the Board (43% female representation)
- Senior Independent Director provides a sounding board to the Chair
- Management do not sit on the Board
- The Chair of the ARC is not the Chair of the Board

OVERVIEW OF THE ROLES OF THE BOARD

Chair of the Board

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

Non-Executive Directors

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

Senior Independent Director

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

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

Matters reserved for the Board

- Review, approve and adopt the Group's strategic plans and annual targets
- Overseeing and evaluating the conduct and performance of the Group's business
- Declaration of dividends, approval of financial statements, Annual and quarterly reports of the Company
- Strategic investment, mergers and acquisition, divestment and any corporate exercises
- Material acquisitions and disposition of assets not in the ordinary course of business
- Reviewing the adequacy and integrity of the Group's internal control system
- Changes in the Group's policies, procedures and delegated authority limits
- Identifying and managing principal risks affecting the Company

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

In Digi, sustainability is governed across various levels in the organisation – the Board, Management, and across various functions including Sustainability, Strategy, Labor Law and Compliance, Supply Chain Sustainability, Privacy, Legal, Security, Finance, Network, Marketing and Human Resources. A Sustainability team has been established within the Corporate Affairs division. The Head of Sustainability oversees the daily operations of the team to meet the non-financial Key Performance Indicators (KPIs) established jointly with Telenor Group Sustainability.

Subsequently, Sustainability KPIs are reported quarterly to the Ethics and Sustainability Committee (ESC) which is chaired by the Chief Executive Officer, alongside key members including the Chief Human Resource Officer, Chief Technology Officer, Chief Corporate Affairs Officer and other senior leadership members.

Board Meetings

The Board held ten (10) meetings during the year. Members of the Management Team were invited, when appropriate to attend Board meetings. Management provides Directors with complete, adequate and timely information prior to meetings and on an ongoing basis to enable them to make informed decisions. On 6 December 2019, a Board meeting was held in Malacca and a local market visit was organised as part of business orientation.

	Board Meetings	
Current Directors	**Attendance**	**%**
Haakon Bruaset Kjoel (Chair of the Board)	10/10	100
Tan Sri Saw Choo Boon	10/10	100
Yasmin Binti Aladad Khan	9/10	90
Vimala V.R. Menon	10/10	100
Anne Karin Kvam	10/10	100
Torstein Pedersen	10/10	100
Lars Erik Tellmann[1]	4/4	100
Former Directors		
Tone Ripel[2]	6/7	86

Notes:

[1] *Appointed as Director on 12 July 2019*

[2] *Resigned as Director on 12 July 2019*

24.80
Total hours of the Board meetings

98.57%
Overall percentage of the Board meetings attended by Directors

38.83
Total hours of the Board and Board Committee Meetings

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

CORPORATE GOVERNANCE OVERVIEW STATEMENT

Board Activities

During the financial year 2019, the Board focused on a number of specific areas in line with our strategic goals and principal risks as outlined in the table below:

Strategy

- Reviewed and approved Digi's Group strategy plan, ambitions and targets
- Oversaw the implementation of Digi's Group strategic and business plan through quarterly updates with the CEO
- Reviewed and approved Digi's Group capital investments

Financial

- Reviewed and approved the cumulative full year results for the financial year ended 31 December 2018
- Reviewed and approved the Director's Report and Audited Accounts for the financial year ended 31 December 2018
- Reviewed and approved the Quarterly Results
- Approved the Dividend payments and reviewed the solvency position of the Company
- Reviewed the Group's compliance with the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (MMLR), Malaysian Accounting Standards and other relevant legal and regulatory requirements with regards to the quarterly and year end financial statements
- Reviewed updates on the Recurrent Related Party Transactions (RRPT) by the Group
- Reviewed and approved the Capital Expenditure budget
- Received updates on the impact of the Sales and Service Tax 2018 and Tax matters

Risk and Internal Controls

- Identified principal risks following in-depth risk assessment with all operating units, encompassing divisional risks from financial and non-financial aspects
- Ensure efficient implementation of appropriate internal controls and mitigation measures
- Reviewed the adequacy and integrity of the management of information and internal control systems
- Quarterly enterprise risk and opportunities status update
- Reviewed the internal controls over financials with substantial financial impact
- Reviewed and approved the Statement of Risk Management and Internal Control for the Annual Report
- Reviewed the Internal Audit Report, the recommendations and Management's responses
- Reviewed the report of the external auditor

Governance

- Approved 2018 Annual Report Statements
- Approved the draft Circular to shareholders in relation to the Proposed Renewal of Shareholders' Mandates and New Shareholders' Mandate for RRPT of a revenue or trading nature
- Approved the Board and Board Committees restructuring
- Approved the revised Charter for the Board and CEO and TOR for Board Committees
- Approved revised Digi policies
- Established and identified succession plan for leadership within the Digi Group
- Received Ethics and Sustainability and Material Sustainability updates
- Received human resources updates
- Reviewed training sessions for the Board
- Analysed performance evaluation for Board of Directors and Board Committees
- Reviewed the tenure of the Directors
- Reviewed and approved the recommendation for the fees and benefits to be paid to the Independent Non-Executive Directors
- Reviewed and approved the remuneration structure for the Independent Non-Executive Directors
- Reviewed and approved the scorecards, benefits and remuneration of the CEO
- Reviewed the composition of the Board

Directors' Remuneration

The Board has adopted Digi's Remuneration Policy for Non-Executive Directors, and Remuneration Policy and Procedure for Senior Management which are designed to support its objectives.

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

Following a benchmarking exercise conducted in January 2019 by AON Hewitt on the remuneration packages including benefits payable to the Independent Non-Executive Directors, the Board has approved the revised remuneration structure as follows:-

- Discontinuance of meeting allowance for the ARC;
- Introduction of Board Committee retainer fees and adjustment of fees for all categories based on role within the Board Committee (Chair or Member); and
- Continuance of the current cashless components of the fee structure, such as staff phone line and devices.

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

The breakdown of the Directors' remuneration paid in 2019 is as follows:

	Directors' Fees (RM)		Board Committees' Fee (RM)	Benefit-in-kind (RM)	TOTAL (RM)
Independent Non-Executive Directors	**Company**	**Subsidiaries**	**Company**		
Tan Sri Saw Choo Boon	214,733	31,992	59,582	300	306,607
Vimala V.R. Menon	214,733	Nil	46,885	5,300	266,918
Yasmin Binti Aladad Khan	214,733	Nil	65,339	300	280,372
TOTAL		**847,997**		**5,900**	**853,897**

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

The remuneration packages for Senior Management are set based on industry standards, reflects a Senior Management's roles, responsibilities, level of skills and experience, and motivates performance. The reward matrix is assessed based on the Company's performance indicators under our four strategic pillars.

Embracing the Corporate Governance Culture

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

Digi's culture is defined through the Digi Way, the Code of Conduct (the Code), Whistle Blowing Policy and Manual, Anti-Corruption Policy, No Gift Policy, and Health, Safety and Environmental Policy. There are various activities to increase awareness and these activities are essential towards instilling a compliance culture in the Digi Group.

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

CORPORATE GOVERNANCE OVERVIEW STATEMENT

Principle B – Accountability and Effective Audit and Risk Management

Audit and Risk Committee (ARC)

The ARC acknowledges its responsibility for establishing and overseeing the effectiveness of the Company's system and framework of risk management and internal controls, and has appointed the ARC to undertake the governance oversight responsibility. The ARC comprises of four (4) Non-Executive Directors, three (3) of whom are Independent Directors, and is chaired by Ms Vimala V.R. Menon. The ARC's responsibilities in overseeing Digi's financial reporting process, internal controls, risk management and governance are guided by its Terms of Reference, which is reviewed and approved by the Board annually.

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

Risk Management and Internal Control Framework

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

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

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

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

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

Principle C – Integrity in Corporate Reporting and Meaningful Relationship with Stakeholders

Communication with Stakeholders and Conduct of AGM

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

Sustainability Management

Responsible business and sustainability are integral parts of Digi's business strategy as it reaffirms the way we conduct business. We believe in a structured governance to identify and manage our business systematically to address risks and to maximise the positive impact of our business, whilst conforming to global sustainability standards. Our approach is one of continuous improvement.

We commit to the highest standards of transparency and to be accountable for the impact of our operations, products and services, environmental footprint and the value chain we operate in. We have zero tolerance for corruption and our corporate values and ethical standards represent an important foundation for implementing our governance framework as we believe that upholding high standards of corporate ethics is key to long-term value creation and contributes directly to improved business performance.

We continue in our commitment to all United Nations Sustainable Development Goals with a focus on goal #10 Reduced Inequalities as we believe that our innovative use of digital communication can help improve people's lives, close the inequality gap and empower societies.

More information on Digi's principles and practices for corporate governance can be found at the Governance section at www.digi.com.my/investors.

2020 PRIORITIES

Moving forward, the Board will allocate additional time to understand and address factors that contribute to sustainable long-term value creation while meeting urgent challenges stemming from economic, geopolitical, technology, social and environmental developments. The Board has identified the following priorities for 2020:

- Strategically prepare for growth amid increased uncertainty
- Accelerate the talent agenda and activate culture as a strategic asset
- Evolve enterprise risk management
- Prioritise cybersecurity and data privacy
- Embrace environmental, social and governance (ESG) as a business imperative
- Redefine and better communicate long-term value
- Take a continuous improvement approach to board effectiveness

STATEMENT BY THE BOARD ON COMPLIANCE

The Board has reviewed, deliberated and approved this Statement on 11 March 2020. The Board is pleased to report to its shareholders that to the best of its knowledge, Digi has complied with and shall remain committed to attaining the highest possible standards of corporate governance through the continuous adoption of the principles and best practices of the MCCG 2017, and all other applicable laws. The status of the Company's application is reported in our CG report, which is accessible to the public at Digi's website at www.digi.com.my/investors.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

Pursuant to Paragraph 15.26 (b) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (Bursa Securities), the Board of Directors of listed companies is required to include in their annual report, a statement about the state of risk management and internal control of the listed issuer as a group. Digi's Board of Directors (the Board) is pleased to provide the following statement that has been prepared in accordance with the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers endorsed by Bursa Securities. The Statement outlines the nature and scope of risk management and internal control within Digi during the financial year under review.

RESPONSIBILITIES AND ACCOUNTABILITIES

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

The Board, through the Audit and Risk Committee (ARC) periodically reviews the effectiveness and adequacy of the risk management framework and internal controls by identifying, assessing, monitoring and reporting key business risks with the objective to safeguard shareholders' investments and Digi's assets.

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

RISK MANAGEMENT

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

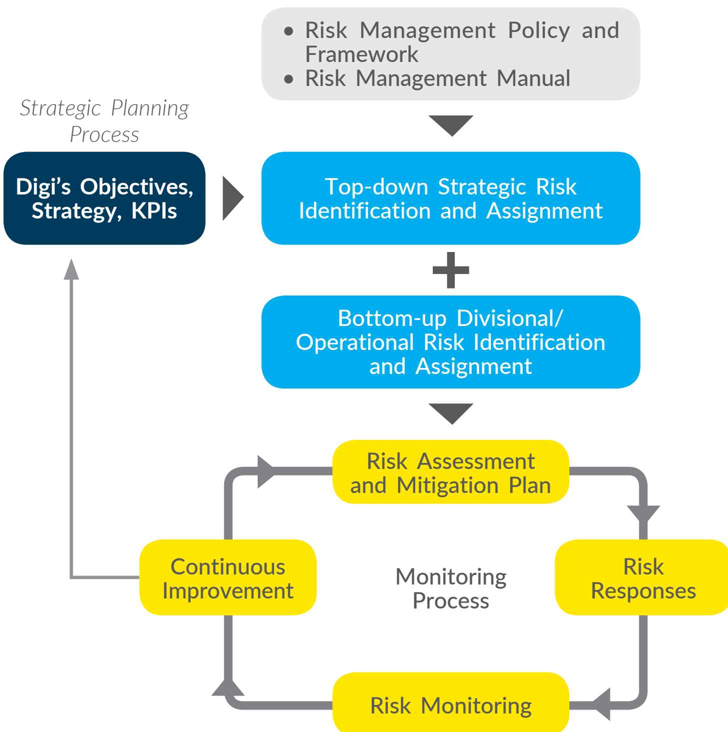
Risk management responsibilities in Digi are defined in the framework where Risk Management function is responsible to implement the enterprise risk management process. The Digi Management Team (Management)'s key role is to identify significant threats and opportunities, evaluate the risk profile and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

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

To strengthen our risk management framework, we have continuously improved to enhance our risk management practices and increase the scope across Digi.

Refer to the diagram below for an overview of the risk management framework and processes implemented in Digi:

Risk management framework:



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

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

Competitive threats and market pressure

As competition intensifies amongst competitors, digital service providers and new entrants, price and market erosion may impact both revenues and margin.

Agile digital transformation to deliver differentiated services

As the technology landscape and consumers' demand on mobile data evolve, we could be impacted if we are unable to shift and transform our services to deliver the relevant customer experience.

Capital allocation and operational efficiencies

Failure to maximise profitability for shareholders' return if we are not robust in capital allocation, operational efficiencies and free cash flow management.

Regulatory, legal and compliance

Regulatory and compliance risk due to changes in laws, policies or requirements on spectrum, licenses, access, registration, business ethics or tax laws.

Data protection and management

Vast amount of data are subject to numerous compliance, security, and privacy requirements. Effective data governance is critical to fulfil increasing customers' expectation.

Cyber threats and security risk

As the technology landscape changes and business models evolve, we could be more susceptible to external security attack, insider threats or network vulnerability.

Supply chain management to prevent service disruptions

International trade war sanctions will impede supply of system or network equipment. We could be impacted if we do not have effective supply chain management process.

Technology resiliency and recovery management

Failure to recover or continue services in the event of technology site loss caused by natural calamity, extreme technology failure or disaster.

Talent and succession management

Inability to manage succession planning, attract new talents and retain top talents amidst stiff market competition from start ups and fight for talent by leading organisations.

Sustainability and responsible business conduct

Rapid technological changes, large scale network infrastructure expansion and roll out to meet consumers' growing demand are causing increased carbon emission, e-waste and climate change threats.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

INTERNAL CONTROL SYSTEMS

The key elements of the internal control systems established by the Board that provide effective governance and oversight of internal controls include:

Policies and Operating Procedures

Policies and operating procedures are in place to ensure compliance with internal controls and the prescribed laws and regulations. These policies and procedures provide guidance and direction for proper management and governance of operations and business activities. The documents are published in the communication portal which is made available to all employees.

Profitability Assurance

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

Security

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

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

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

Other activities performed to ensure network security protection include conducting security awareness sessions, running vulnerability management and security posture assessments, and continuous security monitoring and security compliance audits. Digi complies with the MS/ISO 27001:2013 – Information Security Management System, ISO 14001: 2015 – Environmental Management System, ISO 45001:2018 – Occupational Health and Safety Management System and Payment Card Industry/Data Security Standard (PCIDSS) standards.

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

Business Continuity Management

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

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

Controls over Financial Reporting

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

Organisational Structure

Digi has established a well-defined organisational structure with clear lines of responsibility and accountability, proper segregation of duties and assignment of authority to ensure effective and independent stewardship.

Board and Management Committees

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

Various committees comprising key Management members have been established to assist and support the Board Committees to oversee core areas of business operations under their respective documented mandates. These Management Committees are:

Vendor and Investment Committee (VIC)

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

Regulatory Steering Committee (RSC)

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

Risk Management Forum

- Forum member consists of Management who meets on a quarterly basis.
- Reviews and deliberates on significant risks (threats and opportunities) in Digi.
- Makes decisions on the coordinated action plans to mitigate risks.

Assignment of Authority

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

Code of Conduct and Agreement of Responsible Business Conduct

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

Compliance

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

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

Management and Board Meetings

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

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

Internal Audit

The Internal Audit function is established to undertake independent review and assessment on the adequacy, efficiency and effectiveness of risk management, internal control and governance processes implemented by Management. To maintain its impartiality, proficiency and due professional care, the Internal Audit function reports functionally to the ARC and administratively to the CEO. The purpose, authority and responsibility of the Internal Audit function are reflected in the Internal Audit Charter, which is reviewed and approved by the ARC annually.

The annual audit plan, established on a risk-based approach, is reviewed and approved by the Board annually. The audit reports, including the audit recommendations, Management's responses and action plans for improvement and/or rectification are reported to the ARC on a quarterly basis. The status of the implementation are monitored by the ARC to ensure they are addressed timely.

The Internal Audit activities and practices conform to The Institute of Internal Auditor (IIA)'s International Standards for the Professional Practice of Internal Auditing. Further information on the Internal Audit department's activities are detailed in the Audit and Risk Committee Report of this Annual Report.

REVIEW OF THIS STATEMENT BY EXTERNAL AUDITORS

The external auditors have performed limited assurance procedures on this Statement on Risk Management and Internal Control pursuant to the scope set out in Audit and Assurance Practice Guide 3, Guidance for Auditors on Engagements to Report on the Statement on Risk Management and Internal Control included in the Annual Report issued by the Malaysian Institute of Accountants (MIA) for inclusion in the Annual Report of the Group for the year ended 31 December 2019, and reported to the Board that nothing has come to their attention that cause them to believe the statement intended to be included in the Annual Report is not prepared, in all material respects, in accordance with the disclosures required by paragraphs 41 and 42 of the Guidelines, nor is the Statement factually inaccurate.

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

CONCLUSION

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

AUDIT AND RISK COMMITTEE REPORT

Composition and Terms of Reference

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

Chair
Vimala V.R. Menon
Independent Non-Executive Director

Members
Tan Sri Saw Choo Boon
Senior Independent Non-Executive Director

Yasmin Binti Aladad Khan
Independent Non-Executive Director

Torstein Pedersen
Non-Independent Non-Executive Director

No alternate Directors were appointed as members of the ARC.

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

During the financial year ended 31 December 2019, Vimala V.R. Menon was appointed as the Chair of the ARC on 1 June 2019 in place of Tan Sri Saw Choo Boon ('Tan Sri Saw') who relinquished his Chair. However, Tan Sri Saw remains a member of the ARC.

The Board of Directors (the Board), via the Nomination Committee (NC), annually reviews the terms of office and performance of the ARC and its members through an effectiveness evaluation exercise. In early 2020, the NC assessed the ARC's performance for the financial year ended 31 December 2019 and was satisfied that the ARC and its members have discharged their functions, duties and responsibilities in accordance to the ARC's Terms of Reference.

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

The ARC held six (6) meetings during the financial year ended 31 December 2019 which were attended by all members.

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

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

SUMMARY OF ACTIVITIES OF THE ARC

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

Risk Management and Internal Control

(a) Reviewed Digi's quarterly top risk profiles and deliberated on the significant threats and opportunities, including status and adequacy of mitigation strategies.

(b) Discussed the improvements to the Enterprise Risk Management process to ensure proactive and holistic risk identification, and monitoring of mitigation actions to reduce risk impact to an acceptable level.

(c) Evaluated the overall adequacy and effectiveness of internal controls through review of the work performed by both internal and external auditors, other assurance providers within Digi, and discussions with Management.

AUDIT AND RISK COMMITTEE REPORT

Internal Audit

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

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

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

(d) Discussions with the Head of Internal Audit, to assure itself of the soundness of internal control systems and activities of the Internal Audit Department, and to provide guidance on ad hoc matters arising from on-going internal audit activities.

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

(f) Reviewed and approved the Internal Audit Charter to reflect inclusion of investigation function and responsibilities.

(g) Received updates on the status of investigation cases handled by Internal Audit to provide guidance where relevant.

Compliance Programme

(a) Monitored the status of internal misconduct cases reported to Board and ARC on a quarterly basis, including on-going investigations, in accordance with Digi's Code of Conduct and Governing Documents.

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

(c) Reviewed the status of the planned mitigation actions developed from the results of the Compliance risk assessment performed in 2018.

Financial Reporting

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

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

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

External Audit

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

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

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

(d) Met privately with the external auditors at the ARC meetings held on 23 January 2019 and 17 October 2019 to ensure there were no restrictions to the scope of their audit and to discuss significant matters that arose during the course of audit.

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

Related Party Transactions

(a) Reviewed the annual mandate compiled for recurrent related party transactions.

(b) Reviewed related party transactions as disclosed in the financial statements and performed quarterly monitoring of the mandate for recurrent related party transactions to ensure compliance with the MMLR and Digi's policies and procedures.

(c) Reviewed and deliberated on any new related party transactions to ensure that the terms and conditions of the transactions are commercially based and at arm's length.

Other Activities

(a) Reviewed and recommended to the Board; the ARC Report, Corporate Governance Overview Statement, Corporate Governance Report, and Statement on Risk Management and Internal Control, for inclusion in the Annual Report.

(b) Reviewed the proposed dividend payout on a quarterly basis, taking into consideration the cash flow requirements before recommending for the Board's approval.

Internal Audit Function

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

The Internal Audit Department comprises seven (7) members, led by Anushia Ganason, who has over 20 years of experience in operations and audit in various industries. Anushia is a Certified Internal Auditor (CIA) and is a member of the Malaysian Institute of Accountants. To further preserve the independence of the Internal Audit function, the Head of Internal Audit's performance is appraised by the Chair of the ARC.

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

In 2019, the Internal Audit Department executed a total of 16 reviews, including advisory services. The reviews covered business priority and key risk areas, focusing on the efficiency and effectiveness of governance and controls within inventory management, trade receivables management, business marketing and operations, incentives management, managed service partner management, supply chain sustainability, accuracy of accrual, as well as IT maintenance, monitoring and system recovery. The Internal Audit Department had also conducted internal investigations into allegations of misconduct or breach of Code of Conduct (the Code) by senior management.

Internal Audit staff perform an annual declaration on the adherence to the Code of Ethics, and any non-compliance and/or conflicts are reported to either the Head of Internal Audit or Chair of the ARC. The total costs incurred for the Internal Audit Department in respect of the financial year ended 31 December 2019 amounted to RM1.8 million (2018: RM1.4 million).

The ARC Report is made in accordance with the resolution of the Board dated 11 March 2020.

NOMINATION COMMITTEE REPORT

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

Committee membership	Number of meetings in 2019
Director	**Attendance**
Tan Sri Saw Choo Boon (Chair)	4/4
Yasmin Binti Aladad Khan	4/4
Haakon Bruaset Kjoel	3/4

Main committee responsibilities

- Regularly review the structure, size and composition (including the skills, knowledge, experience and diversity) of the Board and make recommendations to the Board with regard to any changes.
- Give full consideration to succession planning for directors and other senior executives in the course of its work.
- Responsible for identifying and nominating for the approval of the Board, candidates to fill Board vacancies as and when they arise.

The NC consists of a majority of Independent Non-Executive Directors in compliance with the requirement of the MMLR, which provides that the NC must comprise exclusively Non-Executive Directors, a majority of whom must be Independent. The composition also observed MCCG 2017 where the NC is chaired by a Senior Independent Director.

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

APPOINTMENT TO THE BOARD

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

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

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

Pursuant to Practice 4.2 of the MCCG 2017, upon completion of nine (9) years, an Independent Director may continue to serve on board as a Non-Independent Director. If the Board intends to retain an Independent Director beyond nine (9) years, it should justify and seek annual shareholders' approval.

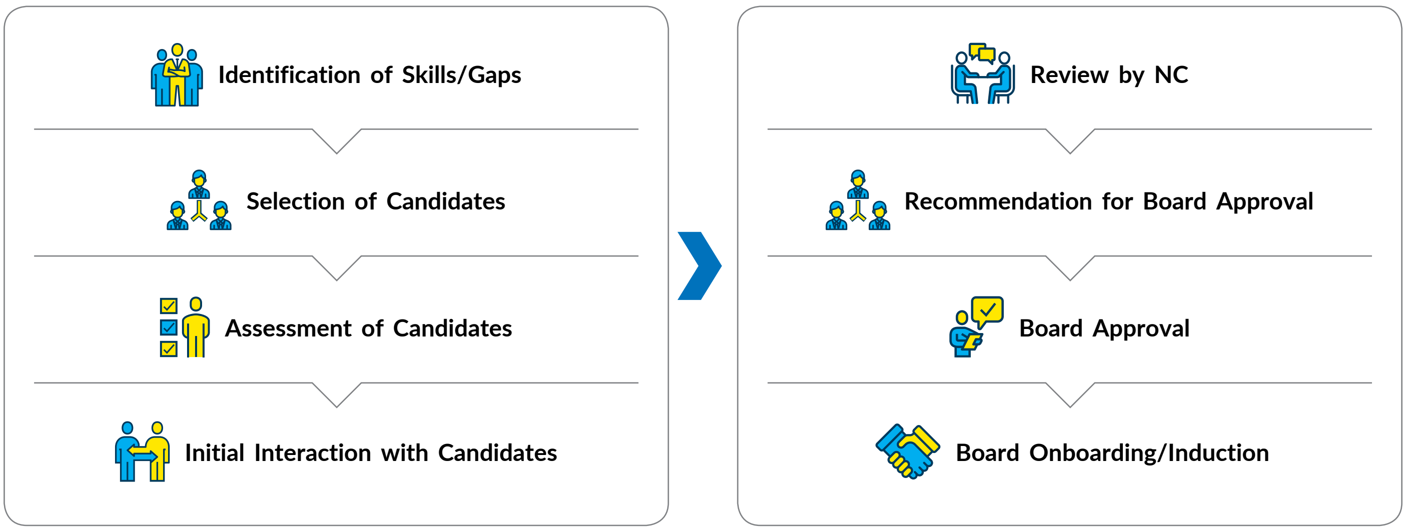
The NC is responsible for assessing and recommending to the Board the eligibility of retiring Directors for re-election and retention of Independent Directors who has served the Board for more than nine (9) years.

During the NC and Board Meetings held on 9 March 2020 and 11 March 2020 respectively, the NC and Board, through their annual assessment, has reviewed and recommended the retention of Tan Sri Saw Choo Boon who has served the Board for more than nine (9) years as a Senior Independent Non-Executive Director of the Company to the shareholders for approval at the forthcoming Annual General Meeting based on the following justifications:

- He fulfilled the criteria under the definition of Independent Director as stated in the MMLR;
- His experience enables him to provide the Board with a diverse set of experience, expertise, skills and competence. His good understanding of the industry and Company's business operations enable him to participate actively and contribute effectively during deliberations for robust discussion at the Audit and Risk Committee, NC and Board Meetings without compromising his independence and objective judgement;
- He demonstrated high commitment and devoted sufficient time to his responsibilities as Senior Independent Non-Executive Director of the Company; and
- Sufficient time is required by the Company to find a suitable successor for Tan Sri Saw Choo Boon as an Independent Director, who is also a member of Audit and Risk Committee, to ensure an orderly succession plan.

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

The Company is guided by the following process and procedures for nomination of new candidates



TRAINING AND DEVELOPMENT

All existing Directors have completed the Mandatory Accreditation Programme (MAP). Mr Lars Erik Tellmann, who was appointed on 12 July 2019 completed his MAP in January 2012.

The Directors are encouraged to attend continuous education programmes, talks, seminars, workshops and conferences to enhance their skills and knowledge and to ensure that the Directors are kept abreast with new developments in the business environment, corporate governance and enhance their skills and knowledge. The NC also assessed the training needs of each Director and recommended to the Board the appropriate training list for respective Directors. In addition, the Directors received face-to-face briefings, training and presentations on matters which are relevant to the Company's operation. The Company from time-to-time provides reading materials to the Directors on key corporate governance development, any salient changes to the Listing Requirements, laws and regulations and on matters pertaining to the latest development in areas relating to the Directors' roles and responsibilities.

NOMINATION COMMITTEE REPORT

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

Name of Director	Training Programme/Conference/Seminar
Haakon Bruaset Kjoel	• Directors Certification Programme, Thailand Institute of Directors • Telenor Global Forum 2019, Bangkok • Telenor Strategy Execution Programme 3 • Agile online training • Telecommunications and Media Forum Asia 2019 • ICDM International Director Summit • PNB Corporate Summit 2019 • Digi Performance Deep Dive
Tan Sri Saw Choo Boon	• Ratifying the CTPP – What's in it for Malaysia? • New Malaysia, New Beginning, New Opportunities Forum • Islamic Finance for Boards • The Next Financial Crisis and Its Potential Impact on Asia • BNM Governor's Address on the Malaysian Economy • Economic Developments in the US • Market Manipulation and Securities Fraud • Industry 4.0 and It's Impact of Malaysian Capital Market • MOPB Seminar on Biodiesel Implementation in Industrial Sector • BNM's AML/CFT Policies and Guidelines • Independent Directors' Programme – The Essence of Independence • IT Risk Management for Insurance Boards • Transfer Pricing – Next Phase in Malaysia • Understanding Fintech and It's Implications for Banks • National Economic Forum • Role of Board in Risk Management of Legal Issues of M&A • Integrated Accounting • Sustainability by Design – Practical Steps by Malaysian Businesses • New Business Directions 2025 • Industry 4.0 Conference • Islamic Banking Case Studies on Court Decisions • Digital to the Core • Implications of Acquisition and Restructuring • SCM Audit Oversight Board Conversation with Audit Committees • Regulatory Framework: Pre/Post IPO • Seminar on Business Ethics and Integrity • Digi Performance Deep Dive
Vimala V.R. Menon	• The Essence of Independence • 20th Asia Oil and Gas Conference 2019 • Petronas Board Excellence Programme – Effective Strategy for Stakeholder Management • MFRS updates for Public Listed Companies • Digi Performance Deep Dive

Name of Director	Training Programme/Conference/Seminar
Yasmin Binti Aladad Khan	• Deutsche Post DHL Data Protection • Deutsche Post DHL Information Security Awareness • Deutsche Post DHL Data Private Policy • Deutsche Post DHL Insider Trading Laws • DHL B2B Sales Training • Digi Performance Deep Dive
Anne Karin Kvam	• Mandatory Accreditation Programme • The Confederation of Norwegian Enterprise (NHO) Year Conference • Group Executive Management gathering and Strategy Session • Group Executive Management workshop on Privacy Position • Telenor Group Forum • Information and Communication Technology (ICT) Norway Year Conference • Telenor Youth Forum – Jury duty • Group Executive Management workshop on 5G and Security • Arendalsuka Conference • Extended Management Meeting – Strategy Execution • Board of Directors' Strategy Seminar • Crisis Management Training • Group Executive Management Strategy Seminar • Telenor Security Day • Financial Times/European Telecommunications Network Operator's (FT/ETNO) Conference Brussels • Digi Performance Deep Dive
Torstein Pedersen	• Agile Way of Work Seminar • 5G Business Models, Talk and Test • Robotics Process Automation (RPA) Show Case and Approach to Scaling RPA • 5G Talk and Test • Amazon Web Services (AWS) Innovation Process • Agile Awareness Workshop • Robotics Process Automation – Automation Anywhere • 5G Seminar • Digi Performance Deep Dive
Lars Erik Tellmann (Appointed on 12 July 2019)	• INSEAD • Digi Performance Deep Dive

NOMINATION COMMITTEE REPORT

EVALUATING THE BOARD

Every year, a formal evaluation is undertaken to assess the effectiveness of the Board, its Committees, the contribution of each Director (Peer and Self-evaluation) and independence of Independent Directors with the aim of improving individual contribution by identifying gaps, maximising strengths and addressing weaknesses of the Board. The evaluation process is led by the NC Chair and assisted by the Company Secretaries.

The Board has adopted Practice 5.1 of MCCG by engaging external Company Secretary who is from an independent external secretarial firm to facilitate the Board evaluation via evaluation forms. Our external Company Secretary from Boardroom Corporate Services Sdn Bhd assists in the preparation of documents for the annual evaluation and facilitates the evaluation which includes self and peer evaluation.

The Board evaluation questionnaires towards an Effective Board cover the following parameters:

Areas of Assessment

Responsibility and Conduct
- Business Strategy governance and implementation
- Risk management and Internal control
- Company's value creation

Structure and Composition
- Diversity
- Members competency
- Board and Committee composition

Process and Administration
- Board focus, agenda and frequency of meetings
- Sufficient information availability on timely basis
- Relationship with Management

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

Upon collation, the results were presented to the NC, featuring the findings, areas of improvement and development opportunities for deliberation

A summarised report was tabled to the Board by the NC's Chair with a view to discuss on areas of improvement

During the meeting held on 9 March 2020, the NC reviewed and assessed the mix of skills, knowledge, expertise, industry experience, professionalism, integrity, competencies, time commitment, composition, size and background of the Board. This included the core competencies of the Directors, contribution of each individual Director, independence of the Independent Directors, Board diversity in terms of gender and age, effectiveness of the Board and Board Committees, as well as the retirement of Directors eligible for re-election.

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

Main Activities of the NC for the Year

- Assessment on the effectiveness of the Board as a whole, Board Committees, as well as the contribution of each individual Director through the Board evaluation
- Facilitated the 2019 Board evaluation and validate the results thereof
- Reviewed the size, structure, function, balance and composition of the Board and Board Committees
- Assessed the independence and time commitment of each Independent Director
- Reviewed the tenure of Independent Directors
- Reviewed the term of office, competency and performance of the Audit and Risk Committee and its members
- Reviewed the Board's Skills and Experience Matrix
- Recommended the appointment of Lars Erik Tellmann as a Director of the Company
- Conducted induction programmes for newly appointed Director assisted by Company Secretary
- Reviewed the Directors' training requirements
- Conducted annual review on the NC Terms of Reference and Board Diversity Policy
- Reviewed Performance Planning and Key Performance Indicators for CEO
- Assess the retirement of Directors by rotation, the re-election and continuance of office of Directors and eligibility for re-election and continuance of office
- Reviewed the NC Report for inclusion in the 2018 Annual Report

SUCCESSION PLANNING

The NC is responsible for developing plans to identify the necessary and desirable competencies and skills of Directors and succession plans to ensure there is an appropriate dynamic of skills, experience and diversity on the Board. The Board also oversees the appointment as well as the succession planning of the Management team. The Board had a closed door discussion on the succession planning of the Management team in December 2019.

The Board has deliberated, reviewed and approved the Nomination Committee Report on 11 March 2020.

ADDITIONAL COMPLIANCE INFORMATION

OTHER DISCLOSURES

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

1. Non-Audit Fees

During the financial year, the amount incurred by Digi and the Group with respect to audit fees and non-audit related fees paid to external auditors for the financial year ended 31 December 2019 are as follows:-

	Company (RM)	Group (RM)
Audit Services	44,000	503,000
Non-Audit Services	53.000	463,515
Total Fees	97,000	966,515

The non-audit services comprised the following assignments:-
(a) Attestation of non-financial reporting
(b) Review of regulatory reporting
(c) Review of quarterly and year end reporting packages
(d) Review of the Statement on Risk Management and Internal Control
(e) Performance of agreed upon procedures
(f) Tax compliance services

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

There were no material contracts by Digi and/or its subsidiaries involving Directors' and major shareholders' interests either subsisting as at 31 December 2019 or entered into since the end of the previous financial year.

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

At the Annual General Meeting held on 14 May 2019, Digi obtained a shareholders' mandate to allow the Group to enter into recurrent related party transactions of a revenue or trading nature.

The disclosure of the recurrent related party transactions conducted during the financial year ended 31 December 2019 are set out in the Annual Report.

4. There were no proceeds raised from corporate proposals during the financial year.

5. There were no material public sanctions and/or penalties imposed on the Company, Directors or Management by the relevant regulatory bodies during the financial year.

STATEMENT OF RESPONSIBILITY BY DIRECTORS

In respect of the preparation of the annual audited financial statements

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

The Directors are also responsible for ensuring that the annual audited financial statements of the Group are prepared with reasonable accuracy from the accounting records of the Group so as to give a true and fair view of the financial position of the Group as of 31 December 2019 and of their financial performance and cash flows for the year.

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

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

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

DIRECTORS' REPORT

The directors have pleasure in presenting their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2019.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding.

The principal activities and other information relating to subsidiaries are disclosed in Note 15 to the financial statements.

RESULTS

	Group RM'000	Company RM'000
Profit for the year, attributable to owners of the parent	1,432,949	1,445,901

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 2018:	
Fourth interim tax exempt (single-tier) dividend of 4.8 sen per ordinary share, declared on 23 January 2019 and paid on 29 March 2019	373,200
In respect of the financial year ended 31 December 2019:	
First interim tax exempt (single-tier) dividend of 4.3 sen per ordinary share, declared on 22 April 2019 and paid on 28 June 2019	334,325
Second interim tax exempt (single-tier) dividend of 5.0 sen per ordinary share, declared on 12 July 2019 and paid on 27 September 2019	388,750
Third interim tax exempt (single-tier) dividend of 4.5 sen per ordinary share, declared on 17 October 2019 and paid on 19 December 2019	349,875

The board of directors had on 22 January 2020, declared a fourth interim tax exempt (single-tier) dividend of 4.4 sen per ordinary share in respect of the financial year ended 31 December 2019 amounting to RM342.1 million. The financial statements for the current financial year do not reflect this fourth interim dividend. Such dividend will be accounted for in equity as an appropriation of retained earnings in the financial year ending 31 December 2020.

DIRECTORS

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

Haakon Bruaset Kjoel	
Tan Sri Saw Choo Boon	
Yasmin Binti Aladad Khan	
Vimala A/P V.R. Menon	
Torstein Pedersen	
Anne Karin Kvam	
Lars Erik Tellmann	(Appointed on 12 July 2019)
Tone Ripel	(Resigned on 12 July 2019)

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

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

DIRECTORS' BENEFITS

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

Since the end of the previous financial year, no director has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the directors as shown below) 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.

The directors' benefits are as follows:

	Group RM'000	Company RM'000
Non-executive:		
Fees	882	88
Benefits-in-kind	6	–
	888	88

INDEMNITY AND INSURANCE FOR DIRECTORS AND OFFICERS

The Group maintains a Directors' and Officers' Liability Insurance for any legal liability incurred by the directors and officers in discharging their duties while holding office for the Group and the Company. In respect of the above, the total amount of insurance premium paid for the financial year ended 31 December 2019 was RM10,312 (31 December 2018: RM10,429). The directors and officers shall not be indemnified by such insurance for any deliberate negligence, fraud, intentional breach of law or breach of trust proven against them.

DIRECTORS' REPORT

HOLDING COMPANY

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

DIRECTORS' INTEREST

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

	<---------- Number of ordinary shares of NOK6 each ---------->			
	1 January 2019/date of appointment	Acquired	Sold	31 December 2019
Ultimate holding company				
Telenor ASA				
Direct interest:				
Haakon Bruaset Kjoel	14,948	2,074	–	17,022
Torstein Pedersen	36	254	–	290
Anne Karin Kvam	–	3,180	–	3,180
Lars Erik Tellmann	24,761	231	–	24,992

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

OTHER STATUTORY INFORMATION

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

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

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

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

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

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

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

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

OTHER STATUTORY INFORMATION (CONT'D.)

(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 twelve months after the end of the financial year which will or may affect the ability of the Group or of the Company to meet their obligations as and when they fall due; and

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

AUDITORS

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

The auditors' remuneration for the statutory audit for the financial year ended 31 December 2019 for the Group and the Company are RM503,000 and RM44,000 respectively.

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

Signed on behalf of the board in accordance with a resolution of the directors dated 11 March 2020.

Tan Sri Saw Choo Boon
Director

Vimala A/P V.R. Menon
Director

STATEMENT BY DIRECTORS

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

We, Tan Sri Saw Choo Boon and Vimala A/P V.R. Menon, 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 94 to 156 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2019 and of their financial performance and cash flows for the financial year then ended.

Signed on behalf of the board in accordance with a resolution of the directors dated 11 March 2020.

Tan Sri Saw Choo Boon
Director

Vimala A/P V.R. Menon
Director

STATUTORY DECLARATION

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

I, Ng Kim Chuan, 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 94 to 156 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 Ng Kim Chuan at
Kuala Lumpur in Wilayah Persekutuan
on 11 March 2020

Ng Kim Chuan

Before me,

INDEPENDENT AUDITORS' REPORT

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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Digi.Com Berhad, which comprise the statements of financial position as at 31 December 2019 of the Group and of the Company, and statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 94 to 156.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2019 and of their financial performance and their cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Basis for opinion

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

Independence and other ethical responsibilities

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

Key audit matters

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

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

ACCURACY OF REVENUE RECOGNITION

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

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

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

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

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

INDEPENDENT AUDITORS' REPORT

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

ACCURACY OF REVENUE RECOGNITION (CONT'D.)

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

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

Information other than the financial statements and auditors' report thereon

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

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

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

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

Responsibilities of the directors for the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

ACCURACY OF REVENUE RECOGNITION (CONT'D.)

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

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

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

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

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

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

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

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

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

OTHER MATTERS

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

Ernst & Young PLT
202006000003 (LLP0022760-LCA) & AF 0039
Chartered Accountants

Chong Tse Heng
No. 03179/05/2021 J
Chartered Accountant

Kuala Lumpur, Malaysia
11 March 2020

STATEMENTS OF COMPREHENSIVE INCOME

for the financial year ended 31 December 2019

	Note	Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
Revenue	5	**6,297,358**	6,527,111	**1,446,000**	1,508,000
Other income		**16,304**	19,499	**1,235**	1,387
Cost of materials and traffic expenses		**(1,434,390)**	(1,543,003)	**–**	–
Sales and marketing expenses		**(453,961)**	(489,787)	**–**	–
Operations and maintenance expenses		**(112,623)**	(116,261)	**–**	–
Rental expenses		**(57,475)**	(355,758)	**–**	–
Staff expenses		**(224,628)**	(253,779)	**–**	–
Depreciation expenses		**(1,124,874)**	(657,319)	**–**	–
Amortisation expenses	12	**(72,425)**	(147,471)	**–**	–
Other expenses		**(727,224)**	(754,946)	**(1,488)**	(1,443)
Finance costs	6	**(231,076)**	(129,984)	**–**	–
Interest income		**25,694**	20,778	**202**	229
Operating model transition costs	7(d)	**(8,359)**	(39,638)	**–**	–
Profit before tax	7	**1,892,321**	2,079,442	**1,445,949**	1,508,173
Taxation	8	**(459,372)**	(538,654)	**(48)**	(55)
Profit for the year, representing total comprehensive income for the year		**1,432,949**	1,540,788	**1,445,901**	1,508,118
Attributable to:					
Owners of the parent		**1,432,949**	1,540,788	**1,445,901**	1,508,118

	Note	Group 2019	Group 2018
Earnings per share attributable to owners of the parent (sen per share)	9	**18.4**	19.8

The accompanying accounting policies and explanatory information form an integral part of the financial statements. The Group and the Company have adopted MFRS 16 using the modified retrospective method of adoption on 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application. Accordingly, comparatives have not been restated.

STATEMENTS OF FINANCIAL POSITION
as at 31 December 2019

	Note	Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
Non-current assets					
Property, plant and equipment	11	**2,852,110**	2,881,172	**–**	–
Intangible assets	12	**305,986**	981,683	**–**	–
Right of use assets	13	**2,595,088**	–	**–**	–
Investments in subsidiaries	15	**–**	–	**772,751**	772,751
Other investment	16	**78**	78	**–**	–
Trade and other receivables	18	**427,565**	140,762	**–**	–
Contract costs	14	**66,170**	71,130	**–**	–
Contract assets	5	**26,661**	40,900	**–**	–
Derivative financial assets	19	**18,605**	569	**–**	–
		6,292,263	4,116,294	**772,751**	772,751
Current assets					
Inventories	17	**90,501**	61,135	**–**	–
Trade and other receivables	18	**1,220,923**	1,460,709	**4**	4
Contract assets	5	**79,590**	134,800	**–**	–
Tax recoverable		**8,448**	–	**–**	–
Cash and short-term deposits	20	**457,716**	433,118	**828**	776
		1,857,178	2,089,762	**832**	780
Total assets		**8,149,441**	6,206,056	**773,583**	773,531
Non-current liabilities					
Loans and borrowings	21	**4,461,043**	2,512,683	**–**	–
Deferred tax liabilities	22	**217,628**	276,063	**–**	–
Other liabilities	23	**53,295**	48,964	**–**	–
		4,731,966	2,837,710	**–**	–
Current liabilities					
Trade and other payables	24	**1,784,308**	2,144,070	**1,380**	1,071
Contract liabilities	5	**283,572**	315,386	**–**	–
Derivative financial liabilities	19	**419**	301	**–**	–
Other liabilities	23	**420**	5,373	**–**	–
Loans and borrowings	21	**688,756**	181,371	**–**	–
Tax payable		**13**	48,657	**13**	21
		2,757,488	2,695,158	**1,393**	1,092
Total liabilities		**7,489,454**	5,532,868	**1,393**	1,092
Equity					
Share capital	25	**769,655**	769,655	**769,655**	769,655
(Accumulated losses)/retained earnings	27	**(109,668)**	(96,467)	**2,535**	2,784
Total equity		**659,987**	673,188	**772,190**	772,439
Total equity and liabilities		**8,149,441**	6,206,056	**773,583**	773,531

The accompanying accounting policies and explanatory information form an integral part of the financial statements. The Group and the Company have adopted MFRS 16 using the modified retrospective method of adoption on 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application. Accordingly, comparatives have not been restated.

STATEMENTS OF CHANGES IN EQUITY

for the financial year ended 31 December 2019

	Note	Share capital RM'000	Non-distributable accumulated losses/ distributable retained earnings RM'000 (Note 27)	Total RM'000
		<----- Attributable to owners of the parent ----->		
Group				
At 1 January 2018		769,655	(128,905)	640,750
Total comprehensive income		–	1,540,788	1,540,788
Transaction with owners:				
Dividends on ordinary shares	10	–	(1,508,350)	(1,508,350)
At 31 December 2018		**769,655**	**(96,467)[1]**	**673,188**
Total comprehensive income		**–**	**1,432,949**	**1,432,949**
Transaction with owners:				
Dividends on ordinary shares	10	**–**	**(1,446,150)**	**(1,446,150)**
At 31 December 2019		**769,655**	**(109,668)[1]**	**659,987**
Company				
At 1 January 2018		769,655	3,016	772,671
Total comprehensive income		–	1,508,118	1,508,118
Transaction with owners:				
Dividends on ordinary shares	10	–	(1,508,350)	(1,508,350)
At 31 December 2018		**769,655**	**2,784**	**772,439**
Total comprehensive income		**–**	**1,445,901**	**1,445,901**
Transaction with owners:				
Dividends on ordinary shares	10	**–**	**(1,446,150)**	**(1,446,150)**
At 31 December 2019		**769,655**	**2,535**	**772,190**

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

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

STATEMENTS OF CASH FLOWS

for the financial year ended 31 December 2019

	Note	Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
Cash flows from operating activities					
Profit before tax		**1,892,321**	2,079,442	**1,445,949**	1,508,173
Adjustments for:					
Amortisation of intangible assets	12	**72,425**	147,471	**–**	–
Depreciation					
– property, plant and equipment	11	**693,643**	657,319	**–**	–
– right of use assets	13	**431,231**	–	**–**	–
Allowance for expected credit loss on trade receivables and contract assets		**77,660**	48,020	**–**	–
Inventories written down		**3,104**	804	**–**	–
Dividend income		**–**	–	**(1,446,000)**	(1,508,000)
Finance costs	6	**231,076**	129,984	**–**	–
Loss/(gain) on disposal of property, plant and equipment		**15**	(560)	**–**	–
Gain on termination of lease		**(57)**	–	**–**	–
Other investment written off		**–**	100	**–**	–
Write-off of property, plant and equipment		**625**	204	**–**	–
Write-off of intangible assets		**53**	–	**–**	–
Interest income		**(25,694)**	(20,778)	**(202)**	(229)
Reversal of provision for employee leave entitlements	23.1	**(4,953)**	(541)	**–**	–
Employee benefits					
– share-based payment		**367**	603	**–**	–
– defined benefit plan	26	**70**	65	**–**	–
Fair value loss/(gain) on derivative financial instruments		**118**	(1,146)	**–**	–
Unrealised foreign exchange (gain)/loss		**(1,722)**	1,852	**–**	–
Operating cash flows before working capital changes		**3,370,282**	3,042,839	**(253)**	(56)
Increase in inventories		**(32,470)**	(2,801)	**–**	–
Increase in trade and other receivables		**(358,565)**	(517,129)	**–**	–
Decrease/(increase) in contract asset		**71,764**	(89,518)	**–**	–
Decrease in contract costs		**4,960**	4,220	**–**	–
(Decrease)/increase in trade and other payables		**(373,903)**	225,395	**309**	106
(Decrease)/increase in contract liabilities		**(31,814)**	318,862	**–**	–
Decrease in deferred revenue		**–**	(333,343)	**–**	–
Cash generated from operations		**2,650,254**	2,648,525	**56**	50
Advance payment for bandwidth		**(57,881)**	(21,418)	**–**	–
Interest paid		**(234,311)**	(138,469)	**–**	–
Proceeds from government grants		**278,572**	203,383	**–**	–
Payments for provisions	23.1	**(93)**	(621)	**–**	–
Taxes paid		**(574,899)**	(515,316)	**(56)**	(50)
Net cash generated from operating activities		**2,061,642**	2,176,084	**–**	–

STATEMENTS OF CASH FLOWS
for the financial year ended 31 December 2019

	Note	Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
Cash flows from investing activities					
Purchase of property, plant and equipment		**(696,708)**	(626,398)	**–**	–
Purchase of intangible assets		**(54,004)**	(192,054)	**–**	–
Purchase of unquoted investment		**–**	(15)	**–**	–
Dividends received from a subsidiary	5	**–**	–	**1,446,000**	1,508,000
Interest received		**24,781**	20,895	**202**	229
Proceeds from disposal of property, plant and equipment		**612**	659	**–**	–
Net cash (used in)/generated from investing activities		**(725,319)**	(796,913)	**1,446,202**	1,508,229
Cash flows from financing activities					
Repayment of loans and borrowings		**(587,500)**	–	**–**	–
Proceeds from issuance of Sukuk Programme		**1,000,000**	–	**–**	–
Repayment of lease liabilities		**(278,427)**	(12,767)	**–**	–
Dividends paid	10	**(1,446,150)**	(1,508,350)	**(1,446,150)**	(1,508,350)
Net cash used in financing activities		**(1,312,077)**	(1,521,117)	**(1,446,150)**	(1,508,350)
Net increase/(decrease) in cash and cash equivalents		**24,246**	(141,946)	**52**	(121)
Effect of exchange rate changes on cash and cash equivalents		**352**	19	**–**	–
Cash and cash equivalents at beginning of financial year		**433,118**	575,045	**776**	897
Cash and cash equivalents at end of financial year	20	**457,716**	433,118	**828**	776

The accompanying accounting policies and explanatory information form an integral part of the financial statements. The Group has adopted MFRS 16 using the modified retrospective method of adoption on 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application. Accordingly, comparatives are not restated.

NOTES TO THE FINANCIAL STATEMENTS
– 31 December 2019

1. CORPORATE INFORMATION

The Company is a public limited liability company, incorporated and domiciled in Malaysia, and is listed on the Main Market of Bursa Malaysia Securities Berhad ("Bursa Securities"). The principal place of business is located at Lot 10, Jalan Delima 1/1, Subang Hi-Tech Industrial Park, 40000 Subang Jaya, Selangor Darul Ehsan. The registered office of the Company is located at 12th Floor, Menara Symphony, No. 5, Jalan Professor Khoo Kay Kim, Seksyen 13, 46200 Petaling Jaya, Selangor.

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

The principal activity of the Company is investment holding, whilst the principal activities of the subsidiaries are stated in Note 15. There has been no significant change in the nature of the principal activities during the financial year.

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

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The financial statements of the Group and of the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards ("IFRS") and the requirements of the Companies Act 2016 in Malaysia. At the beginning of the current financial year, the Group and the Company adopted new and amended MFRSs and interpretation which are mandatory for annual financial periods beginning on or after 1 January 2019 as described fully in Note 3.1.

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

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

2.2 Basis of consolidation

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

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS
– 31 December 2019

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Basis of consolidation (cont'd.)

Business combinations

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

2.3 Investment in subsidiaries

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

2.4 Property, plant and equipment, and depreciation

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

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

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

Buildings	2.0%
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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.5 Intangible assets

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

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

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

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

(a) Spectrum bandwidths

In prior years, the expenditure for the acquisition of the spectrum bandwidths were capitalised under intangible assets. The amount was amortised using the straight-line method over the spectrum assignment period which ranged from 1.5 to 16 years.

Upon adoption of MFRS 16 in the current year, the Group has elected to apply MFRS 16 to its spectrum bandwidths. Accordingly, spectrum bandwidths is now presented within the right of use ("ROU") assets category.

(b) Computer software

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

2.6 Impairment of non-financial assets

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

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

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

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.

NOTES TO THE FINANCIAL STATEMENTS
– 31 December 2019

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

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

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

2.7 Inventories

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

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

2.8 Financial assets

2.8.1 Initial recognition and measurement

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

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.8 Financial assets (cont'd.)

2.8.2 Subsequent measurement

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

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

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

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

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

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

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS
– 31 December 2019

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.8 Financial assets (cont'd.)

2.8.2 Subsequent measurement (cont'd.)

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

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

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

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

2.8.3 Derecognition

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.9 Impairment of financial assets and contract assets

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

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

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

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

2.10 Cash and cash equivalents

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

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

2.11 Provision for liabilities

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

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

NOTES TO THE FINANCIAL STATEMENTS
– 31 December 2019

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.11 Provision for liabilities (cont'd.)

(a) Employee leave entitlements

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

(b) Site decommissioning and restoration costs

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

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

(c) Defined benefit plan

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

2.12 Financial liabilities

2.12.1 Initial recognition and measurement

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

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

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

2.12.2 Subsequent measurement

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

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

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.12 Financial liabilities (cont'd.)

2.12.2 Subsequent measurement (cont'd.)

The measurement of financial liabilities depends on their classification, as described below (cont'd.):

(b) Other financial liabilities

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

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

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

This category generally applies to interest-bearing loans and borrowings and trade and other payables. For more information, refer to Note 21 and Note 24.

2.12.3 Derecogniton

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

2.13 Borrowing costs

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

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

2.14 Share capital and share issuance expenses

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

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

2.15 Leases

<u>Current financial year</u>

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right of use ("ROU") assets representing the right to use the underlying assets.

NOTES TO THE FINANCIAL STATEMENTS
– 31 December 2019

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.15 Leases (cont'd.)

Current financial year (cont'd.)

Group as a lessee (cont'd.)

(a) ROU assets

The Group recognises ROU assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). ROU assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of ROU assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received.

The Group elected to apply the practical expedient not to separate out non-lease components from lease components and instead account for the lease and non-lease component as a single component.

ROU assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

Leasehold land and buildings	1% – 3%
Telecommunication network sites	10% – 33.3%
Transmission facilities	10% – 20%
Spectrum bandwidths	6.3% – 66.7%
Stores, office buildings and kiosks	33.3%

The ROU assets are also subject to impairment. Refer to Note 2.6 for accounting policy on impairment of non-financial assets.

(b) Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate and are dependant on a future activity are recognised as expenses in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification or a change in the lease term.

The Group's lease liabilities are included in loans and borrowings. Please refer to Note 21.

(c) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of telecommunication network sites, equipment and billboard spaces (i.e., those leases that have a lease term of 12 months or less from the commencement date). It also applies the lease of low-value assets recognition exemption to leases of office equipment and storage spaces that are considered to be low value. Lease payments on short-term leases and leases of low value assets are recognised as an expense on a straight-line basis over the lease term.

Group as a lessor

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.15 Leases (cont'd.)

Previous financial year

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

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

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

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

2.16 Employee benefits

(a) Short-term benefits

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

(b) Defined contribution plan

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

(c) Defined benefit plan

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

NOTES TO THE FINANCIAL STATEMENTS
– 31 December 2019

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.16 Employee benefits (cont'd.)

(c) Defined benefit plan (cont'd.)

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

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

- The date of the plan amendment or curtailment; or
- The date that the Group recognises restructuring related costs.

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

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

2.17 Income taxes

(a) Current tax

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

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

(b) Deferred tax

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

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

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

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.17 Income taxes (cont'd.)

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

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

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

2.18 Contingencies

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

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

2.19 Revenue recognition

2.19.1 Revenue from contracts with customers

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

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

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

(a) Telecommunication revenue

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS
– 31 December 2019

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.19 Revenue recognition (cont'd.)

2.19.1 Revenue from contracts with customers (cont'd.)

(b) Sale of device

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

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

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

(c) Contract balances

(i) Contract assets

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

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

(ii) Trade receivables

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

(iii) Contract liabilities

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.19 Revenue recognition (cont'd.)

2.19.1 Revenue from contracts with customers (cont'd.)

(d) Cost to obtain a contract

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

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

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

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

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

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

2.19.2 Dividend income

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

2.19.3 Lease income

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

2.20 Government grants

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

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

NOTES TO THE FINANCIAL STATEMENTS
– 31 December 2019

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.21 Foreign currency transactions

(a) Functional and presentation currency

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

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

(b) Foreign currency trsansactions

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

2.22 Fair value measurement

The Group measures financial instruments such as derivatives at fair value at each reporting date. The fair values of financial instruments measured at amortised cost are disclosed in Note 31.6.

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

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

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

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.22 Fair value measurement (cont'd.)

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

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

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

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

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

2.23 Current versus non-current classification

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

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

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

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

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

2.24 Segment reporting

The Group provides telecommunication and related services to customers across the country and its services and products essentially have a similar risk profile. Business activities of the Group are not organised by product or geographical components and its operating result is reviewed as a whole by its management. Accordingly, there is no separate segment, as disclosed in Note 33.

NOTES TO THE FINANCIAL STATEMENTS
– 31 December 2019

3. CHANGES IN ACCOUNTING POLICIES

3.1 Adoption of new and amended MFRSs and interpretation

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

On 1 January 2019, the Group and the Company adopted the following new and amended MFRSs and interpretation mandatory for annual financial periods beginning on or after 1 January 2019.

Description	Effective for annual periods beginning on or after
MFRS 16: Leases	1 January 2019
MFRS 9: Prepayment Features with Negative Compensation (Amendments to MFRS 9)	1 January 2019
MFRS 128: Long-term Interests in Associates and Joint Ventures (Amendments to MFRS 128)	1 January 2019
MFRS 119 Plan Amendment, Curtailment or Settlement (Amendments to MFRS 119)	1 January 2019
IC Interpretation 23: Uncertainty over Income Tax Treatments	1 January 2019
Annual Improvements to MFRS Standards 2015–2017 Cycle	1 January 2019

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

MFRS 16 Leases

MFRS 16 supersedes MFRS 117: Leases, IC Interpretation 4: Determining whether an Arrangement contains a Lease, IC Interpretation 115: Operating Leases-Incentives and IC Interpretation 127: Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise most leases on the balance sheet.

Lessor accounting under MFRS 16 is substantially unchanged from MFRS 117. Lessors will continue to classify leases as either operating or finance leases using similar principles as in MFRS 117. Therefore, MFRS 16 did not have an impact for leases where the Group is the lessor.

The Group and the Company adopted MFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of the initial application. Accordingly, comparatives are not restated.

3. CHANGES IN ACCOUNTING POLICIES (CONT'D.)

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

The effect of adopting MFRS 16 to the statement of financial position of the Group as at 1 January 2019 is as follows:

Statement of financial position – 1 January 2019

		Impact of change in accounting policies		
Group		**As previously reported RM'000**	**MFRS 16 adjustments RM'000**	**After adjustments RM'000**
Non-current assets				
Property, plant and equipment	(a)	2,881,172	(33,034)	2,848,138
Intangible assets	(b)	981,683	(657,223)	324,460
Right of use assets	(c)	–	2,857,320	2,857,320
Impact to non-current assets		3,862,855	2,167,063	6,029,918
Current assets				
Trade and other receivables		1,460,709	(10,660)	1,450,049
Impact to current assets		1,460,709	(10,660)	1,450,049
Non-current liabilities				
Lease liabilities	(a), (b), (c)	(2,081)	(1,907,549)	(1,909,630)
Impact to non-current liabilities		(2,081)	(1,907,549)	(1,909,630)
Current liabilities				
Lease liabilities	(a), (b), (c)	(6,371)	(298,411)	(304,782)
Trade and other payables		(2,144,070)	49,557	(2,094,513)
Impact to current liabilities		(2,150,441)	(248,854)	(2,399,295)

Upon adoption of MFRS 16, the Group applied a single recognition and measurement approach for all leases except for short-term leases and leases of low-value assets. Please refer to Note 2.15 for the accounting policy on leases beginning 1 January 2019. The standard provides specific transition requirements and practical expedients, which have been applied by the Group.

(a) *Leases previously accounted for as finance leases*

The Group did not change the initial carrying amounts of recognised assets and liabilities at the date of initial application for leases previously classified as finance leases (i.e., the ROU assets and lease liabilities equal the lease assets and liabilities recognised under MFRS 117) and these finance leases which were previously presented as part of property, plant and equipment are now presented within ROU assets. Accordingly, the finance lease liabilities have also been reclassified to lease liabilities. The requirements of MFRS 16 were applied to these leases from 1 January 2019.

(b) *Leases of intangible assets*

The Group elected to apply MFRS 16 to leases of intangible assets, such as the assigned spectrum bandwidths. The carrying amounts of spectrum bandwidths which were previously presented within intangible assets is now presented within ROU assets, adjusted for by adding the amount equal to the corresponding lease liabilities recognised at the date of initial application with the fixed annual fee payments discounted using the incremental borrowing rate.

NOTES TO THE FINANCIAL STATEMENTS
– 31 December 2019

3. CHANGES IN ACCOUNTING POLICIES (CONT'D.)

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

(c) Leases previously accounted for as operating leases

The Group recognised ROU assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets. Lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application and the Group has opted for the ROU assets to be carried at an amount equal to the lease liabilities, adjusted by the amount of the prepaid lease payments. Subsequently, accrued operating lease liabilities have also been reclassified to lease liabilities.

The Group applied the following practical expedients permitted under the initial application of MFRS 16:

- used a single discount rate to a portfolio of leases with reasonably similar characteristics (ie. leases with a similar remaining lease term for a similar class of underlying assets);
- relied on its assessment of whether leases are onerous before the date of initial application as an alternative to performing an impairment review; and
- excluded the initial direct costs from the measurement of the ROU assets at the date of initial application.

The operating lease commitments as at 31 December 2018 is reconciled to arrive at the lease liabilities as at 1 January 2019 as follows:

	RM'000
Operating lease commitments disclosed as at 31 December 2018	840,536
Less: commitments relating to short-term leases and low-value leases	(818)
	839,718
Weighted average incremental borrowing rate as at 1 January 2019	5%
Discounted using the lessee's incremental borrowing rate at the date of initial application	733,154
Add: finance lease liabilities relating to leases previously classified as finance leases	8,452
Add: accrued operating lease liabilities recognised as at 31 December 2018	49,557
Add: lease payments for existing contracts assessed to contain a lease under MFRS 16 and election to apply MFRS 16 to leases of intangible assets (ie. spectrum bandwidths)	1,267,851
Add: lease payments relating to lease term for termination options unlikely to be exercised	155,398
Lease liabilities recognised as at 1 January 2019	2,214,412

3. CHANGES IN ACCOUNTING POLICIES (CONT'D.)

3.2 Standards and interpretation issued but not yet effective

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

Description	Effective for annual periods beginning on or after
MFRS 101 and MFRS 108: Definition of Material (Amendments to MFRS 101 and MFRS 108)	1 January 2020
MFRS 3: Definition of a Business (Amendments to MFRS 3)	1 January 2020
MFRS 9, MFRS 139 and MFRS 7: Interest Rate Benchmark Reform (Amendments to MFRS 9, MFRS 139 and MFRS 7)	1 January 2020
Conceptual Framework: Amendments to References to the Conceptual Framework in MFRS Standards	1 January 2020
MFRS 17: Insurance Contracts	1 January 2021
MFRS 10 and MFRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to MFRS 10 and MFRS 128)	Deferred

The directors expect that the adoption of the above standards will not have a material impact on the financial statements in the period of initial application.

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

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

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

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

4.1 Useful lives of property, plant and equipment and intangible assets

Depreciation and amortisation are based on management's estimates of the future estimated useful lives and residual values of property, plant and equipment and intangible assets. Estimates may change due to technological developments, modernisation initiatives, expected level of usage, competition, market conditions and other factors, which could potentially impact the average useful lives and the residual values of these assets. This may result in future changes in the estimated useful lives and in the depreciation or amortisation expenses. A 5.0% difference in the expected useful lives of these assets from management's estimates would result in approximately 2.7% (2018: 2.4%) variance in the Group's profit for the year. The carrying amounts of property, plant and equipment and intangible assets at the reporting date are disclosed in Note 11 and Note 12 respectively.

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– 31 December 2019

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONT'D.)

4.2 Provision for expected credit losses of trade receivables and contract assets

The Group uses a provision matrix to calculate ECLs for trade receivables and contract assets. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e. customer type and rating).

The provision matrix is initially based on the Group's historical observed default rates. The Group then adjusts the historical credit loss experience taking into consideration the forward-looking information. For example, if the Group's view of the forecasted economic conditions (i.e. inflation rate, unemployment rate, interest rate and economic outlook for Malaysia) are expected to significantly deteriorate over the next year which may lead to an increase in the unrecoverable rate of the receivables and contract assets. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The Group estimates the relationship between historical observed default rates, forecast economic conditions and ECL which may not be representative of customer's actual default in the future. The information about the provision matrix on the Group's trade receivables and contract assets is disclosed in Note 31.2.

If the historical observed default rates varies by 5.0% from management's estimates, the Group's allowance for expected credit loss on trade receivables and contract assets will cause either a 0.2% (2018: 0.1%) increase or 0.2% (2018: 0.2%) decrease respectively in the Group's profit for the year.

4.3 Deferred tax

Deferred tax implications arising from the changes in corporate income tax rates are measured with reference to the estimated realisation and settlement of temporary differences in the future periods in which the tax rates are expected to apply, based on the tax rates enacted or substantively enacted at the reporting date. While management's estimates on the realisation and settlement of temporary differences are based on the available information at the reporting date, changes in business strategy, future operating performance and other factors could potentially impact the actual timing and amount of temporary differences realised and settled. Any difference between the actual amount and the estimated amount would be recognised in profit and loss in the period in which actual realisation and settlement occurs. The carrying amount of deferred tax liabilities is disclosed in Note 22.

4.4 Income taxes

Significant estimation is involved in determining the Group's provision for income taxes as there are certain transactions and computations for which the final tax treatment is uncertain at the reporting date.

Where the final tax treatment of these matters are different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which determination of final tax treatment is made.

4.5 Provisions for liabilities

Provision for site decommissioning and restoration costs are provided based on the present value of the estimated future expenditure to be incurred for dismantling the inactive sites. Significant management assumption and estimation are required in determining the discount rate, the estimated life cycle and the expenditure to be incurred for dismantling each network infrastructure sites. Where expectations differ from the original estimates, the differences will impact the carrying amount of provision for site decommissioning and restoration costs. The carrying amount of provision for site decommissioning and restoration costs at the reporting date is disclosed in Note 23.

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONT'D.)

4.6 Revenue recognition – determining stand-alone selling price ("SSP")

The Group has assessed that there are two performance obligations for bundled contracts where the Group needs to allocate the transaction price between the postpaid service and mobile device based on their relative SSP.

SSP for postpaid packages and mobile devices are based on observable sales prices; however, where certain SSP are not directly observable, estimates will be made maximising the use of observable inputs.

The estimation of SSP is a significant estimate as it will directly determine the amount of revenue to be recognised up front (sale of device) and amount of revenue to be recognised over time (telecommunication revenue). For example, a lower SSP for mobile device will result in a lower amount of revenue recognised upfront and higher amount of revenue recognised over the contract period.

The revenue recognised in the current year in relation to sale of device and telecommunication revenue is detailed in Note 5.

4.7 Estimating the lease term – Group as a lessee

In determining the lease term and assessing the length of the non-cancellable period of a lease, the Group applies the definition of a contract and determines the period for which the contract is enforceable. However, for leases of certain telecommunication network sites, the contract contains an exit clause that is exercisable by both the lessee and lessor with a short notification period. For such contracts, the Group considers whether lessee and lessor each has the right to terminate the lease without the permission from the other party with no more than an insignificant penalty, in assessing and estimating the lease term.

The carrying amount of the ROU for these telecommunication network sites included within the telecommunication network sites category in Note 13 is RM110.0 million (1 January 2019: RM158.7 million).

4.8 Estimating the incremental borrowing rate for leases

In measuring its lease liabilities, the Group has used its incremental borrowing rate ("IBR") to present value the future lease payments, as the interest rate implicit in the lease cannot be readily determined.

The IBR is the rate of interest that a lessee would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment.

To determine the incremental borrowing rate for its leases, the Group makes adjustments to the existing rates received from financial institutions, taking into consideration the lease term and leased assets. The Group also considers changes in the financing condition since the last offered rates from the financing institutions.

The carrying amount of lease liabilities is disclosed in Note 13.

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5. REVENUE

	Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
Revenue from contracts with customers (Note 5.1)	**6,210,845**	6,452,285	**–**	–
Lease income (Note 5.4)	**86,513**	74,826	**–**	–
Dividend income from a subsidiary	**–**	–	**1,446,000**	1,508,000
	6,297,358	6,527,111	**1,446,000**	1,508,000

5.1 Disaggregation of revenue from contracts with customers

In the following table, revenue is disaggregated by major products or service lines (which also represents the Group's defined performance obligations).

Group	Note	2019 RM'000	2018 RM'000
Major products/service lines			
Telecommunication revenue	(a)	**5,644,111**	5,827,450
Sales of devices	(b)	**566,734**	624,835
Total revenue from contracts with customers		**6,210,845**	6,452,285

The timing of revenue recognition for respective major products/service lines are as follows:

(a) Services transferred over time
(b) Products transferred at a point in time

5.2 Contract balances

	Note	Group 2019 RM'000	Group 2018 RM'000
Non-current assets			
Trade receivables	18	**101,098**	40,596
Contract assets		**26,661**	40,900
Current assets/(liabilities)			
Trade receivables	18	**471,813**	439,381
Contract assets		**79,590**	134,800
Contract liabilities		**(283,572)**	(315,386)

5. REVENUE (CONT'D.)

5.2 Contract balances (cont'd.)

Contract assets primarily relate to rights to consideration for mobile devices transferred to subscribers but not billed at the reporting date. Contract assets are transferred to receivables when the rights become unconditional. As at 31 December 2019, the Group has contract assets of RM106.2 million (2018: RM175.7 million) which is net of an allowance for expected credit losses of RM2.4 million (2018: RM3.7 million). The decrease was mainly due to lower sales of mobile devices bundled with a contractual postpaid service plan during the financial year.

Contract liabilities mainly relate to advance consideration received from subscribers at inception of contracts, for which revenue is only recognised upon rendering of telecommunication service.

All contract liabilities at the beginning of the year have been recognised as revenue in the current year.

5.3 Right of return asset and refund liabilities

	Group	
	2019 RM'000	**2018 RM'000**
Right of return assets	**16,526**	5,663
Refund liabilities	**(16,526)**	(5,663)

5.4 Group as a lessor

The Group has entered into operating leases on certain network telecommunication sites. These leases have lease terms between one to three years. Lease income recognised by the Group during the year is RM86.5 million (2018: RM74.8 million).

The future minimum rentals receivable under non-cancellable operating leases are as follows:

	2019 RM'000
Within one year	**76,547**
After one year but not more than three years	**153,819**
More than five years	**2,534**
	232,900

NOTES TO THE FINANCIAL STATEMENTS
– 31 December 2019

6. FINANCE COSTS

		Group	
	Note	2019 RM'000	2018 RM'000
Interest expense on:			
– Loans and borrowings		**129,647**	127,208
– Others		**3,406**	301
Unwinding of discount:			
– Lease liabilities	13	**110,506**	1,082
– Site decommissioning and restoration costs	23.1	**2,195**	2,015
Net change in fair value of derivative financial instruments:			
– Interest rate swaps		**(14,678)**	(622)
		231,076	129,984

7. PROFIT BEFORE TAX

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

		Group		Company	
	Note	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Allowance for expected credit losses on trade receivables and contract assets		**77,660**	48,020	**–**	–
Depreciation					
– property, plant and equipment	11	**693,643**	657,319	**–**	–
– ROU asset	13	**431,231**	–	**–**	–
Auditors' remuneration:					
– statutory audit		**503**	430	**44**	44
– other services	7(a)	**464**	428	**–**	–
Staff expenses	7(b)	**224,628**	253,779	**–**	–
Non-executive directors' remuneration excluding benefits-in-kind	7(c)	**882**	762	**88**	76
Transmission facilities services		**140,439**	177,770	**–**	–
Inventories written down		**3,104**	804	**–**	–
Rental of land and buildings		**43,504**	343,547	**–**	–
Rental of equipment and others		**21,373**	19,001	**–**	–
Realised foreign exchange gain		**(843)**	(192)	**–**	–
Unrealised foreign exchange (gain)/loss		**(1,722)**	1,852	**–**	–
Fair value loss/(gain) on derivative financial instruments		**118**	(1,146)	**–**	–
Loss/(gain) on disposal of property, plant and equipment		**15**	(560)	**–**	–

7. PROFIT BEFORE TAX (CONT'D.)

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

		Group		Company	
	Note	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Gain on termination of lease		**(57)**	–	**–**	–
Other investment written off		**–**	100	**–**	–
Write-off of property, plant and equipment		**625**	204	**–**	–
Write-off of intangible asset		**53**	–	**–**	–
Bad debts recovered		**(15,708)**	(17,483)	**–**	–
Waiver of debt		**–**	–	**(1,235)**	(1,387)
Interest income from deposits with licensed banks		**(18,320)**	(20,778)	**(202)**	(229)
Unwinding of significant financing component of revenue contracts with deferred payment scheme		**(7,374)**	–	**–**	–

(a) Fees for other services were incurred in connection with performance of agreed upon procedures and regulatory compliance reporting.

(b) Staff expenses incurred by the Group net of capitalisation of employee benefit expense in property, plant and equipment during the financial year comprises of:

		Group	
	Note	2019 RM'000	2018 RM'000
Wages and salaries		**178,360**	193,304
Defined contribution plan		**23,418**	24,239
Defined benefit plan	26	**70**	65
Share-based payment		**367**	603
Reversal of provision for employee leave entitlements	23.1	**(4,953)**	(541)
Other staff related expenses		**27,366**	36,109
		224,628	253,779

NOTES TO THE FINANCIAL STATEMENTS
– 31 December 2019

7. PROFIT BEFORE TAX (CONT'D.)

(c) Non-executive directors' remuneration during the financial year comprises of:

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Non-executive:				
Fees	**882**	762	**88**	76
Benefits-in-kind	**6**	17	**–**	–
Total	**888**	779	**88**	76

The number of non-executive directors of the Company whose total remuneration during the financial year falls within the following band is analysed below:

	Number of directors	
Non-executive directors:	2019	2018
Nil	**5**	6
RM200,001 – RM300,000	**3**	3

(d) In the current year, the Group collaborated with a managed services provider in establishing a Common Delivery Centre ("CDC") that takes over certain parts of the Group's Information Technology ("IT") operations.

The Group incurred operating model transition costs of RM8.4 million (2018: RM39.6 million) for redeployment exercise of in-house IT team (2018: in-house network team).

With the network and IT CDC operations in effect, the Group made a shift in operating model with the following changes:

- relocation of Group's in-house network team and IT team;
- network and IT support operation externally managed; and
- CDC partner to deliver full turnkey services on network infrastructure.

8. TAXATION

Major components of income tax expense

The major components of income tax expense for the financial years ended 31 December 2019 and 2018 are:

	Group		Company	
	2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
Statements of comprehensive income:				
Income tax:				
– Current tax expense	**522,096**	617,433	**48**	55
– Over provision in prior years	**(4,289)**	(18,783)	**–**	–
Total income tax	**517,807**	598,650	**48**	55
Deferred taxation (Note 22):				
– Relating to origination and reversal of temporary differences	**(46,891)**	(77,647)	**–**	–
– (Over)/under provision in prior years	**(11,544)**	17,651	**–**	–
Total deferred tax	**(58,435)**	(59,996)	**–**	–
Income tax expense recognised in profit or loss	**459,372**	538,654	**48**	55

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:

	%	**2019 RM'000**	**%**	**2018 RM'000**
Group				
Profit before tax		**1,892,321**		2,079,442
Taxation at Malaysian statutory tax rate	**24.0**	**454,157**	24.0	499,066
Effect of expenses not deductible for tax purposes	**1.0**	**21,048**	2.0	40,720
Over provision of income tax expense in prior years	**(0.2)**	**(4,289)**	(0.9)	(18,783)
(Over)/under provision of deferred tax expense in prior years	**(0.6)**	**(11,544)**	0.8	17,651
Effective tax rate/income tax expense recognised in profit or loss	**24.2**	**459,372**	25.9	538,654
Company				
Profit before tax		**1,445,949**		1,508,173
Taxation at Malaysian statutory tax rate	**24.0**	**347,028**	24.0	361,962
Income not subject to tax	**(24.0)**	**(346,980)**	(24.0)	(361,907)
Effective tax rate/income tax expense recognised in profit or loss	**0.0**	**48**	0.0	55

Domestic current income tax is calculated at the Malaysian statutory tax rate of 24% (2018: 24%) of the estimated taxable profit for the year.

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9. EARNINGS PER ORDINARY SHARE

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

	Group	
	2019	**2018**
Profit attributable to owners of the parent (RM'000)	**1,432,949**	1,540,788
Weighted average number of ordinary shares in issue ('000)	**7,775,000**	7,775,000
Basic earnings per share (sen)	**18.4**	19.8

No diluted earnings per ordinary share was presented as the Group does not have any convertible instrument, options, warrants and their equivalents.

10. DIVIDENDS

	Group/Company	
	2019 RM'000	**2018 RM'000**
Recognised during the financial year:		
Dividends on ordinary shares:		
Fourth interim tax exempt (single-tier) dividend (2018: 4.8 sen; 2017: 4.6 sen)	**373,200**	357,650
First interim tax exempt (single-tier) dividend (2019: 4.3 sen; 2018: 4.9 sen)	**334,325**	380,975
Second interim tax exempt (single-tier) dividend (2019: 5.0 sen; 2018: 4.9 sen)	**388,750**	380,975
Third interim tax exempt (single-tier) dividend (2019: 4.5 sen; 2018: 5.0 sen)	**349,875**	388,750
	1,446,150	1,508,350
Interim dividend declared subsequent to the reporting date (not recognised as a liability as at 31 December):		
Dividends on ordinary shares:		
Fourth interim tax exempt (single-tier) dividend (2019: 4.4 sen; 2018: 4.8 sen)	**342,100**	373,200

The board of directors had on 22 January 2020, declared a fourth interim tax exempt (single-tier) dividend of 4.4 sen per ordinary share in respect of the financial year ended 31 December 2019 amounting to RM342.1 million. The financial statements for the current financial year do not reflect this fourth interim dividend. Such dividend will be accounted for in equity as an appropriation of retained earnings in the financial year ending 31 December 2020.

11. PROPERTY, PLANT AND EQUIPMENT

	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
Group												
Cost												
At 1 January 2019	29,638	7,312	7,565	143,295	7,146	6,866	23,216	319,549	254,432	6,220,762	103,512	7,123,293
Adjustments upon adoption of MFRS16	-	(7,312)	(7,565)	-	(7,146)	(6,866)	-	-	-	(80,188)	-	(109,077)
At 1 January 2019 (restated)	29,638	-	-	143,295	-	-	23,216	319,549	254,432	6,140,574	103,512	7,014,216
Additions	-	-	-	-	-	-	-	-	-	21,542	677,325	698,867
Disposals	-	-	-	-	-	-	(790)	(1,477)	(1,192)	(3,372)	-	(6,831)
Write offs	-	-	-	-	-	-	-	(100,093)	(1,351)	(150,183)	(436)	(252,063)
Transfers	-	-	-	37	-	-	1,556	14,100	11,950	521,938	(549,581)	-
At 31 December 2019	29,638	-	-	143,332	-	-	23,982	232,079	263,839	6,530,499	230,820	7,454,189
Accumulated depreciation												
At 1 January 2019	-	1,561	3,211	27,024	814	3,266	19,087	271,883	185,792	3,729,483	-	4,242,121
Adjustments upon adoption of MFRS16	-	(1,561)	(3,211)	-	(814)	(3,266)	-	-	-	(67,191)	-	(76,043)
At 1 January 2019 (restated)	-	-	-	27,024	-	-	19,087	271,883	185,792	3,662,292	-	4,166,078
Depreciation expenses for the year	-	-	-	2,821	-	-	2,451	16,831	26,368	645,172	-	693,643
Disposals	-	-	-	-	-	-	(774)	(1,477)	(960)	(2,993)	-	(6,204)
Write offs	-	-	-	-	-	-	-	(100,067)	(1,351)	(150,020)	-	(251,438)
At 31 December 2019	-	-	-	29,845	-	-	20,764	187,170	209,849	4,154,451	-	4,602,079
Carrying Amount												
At 31 December 2019	29,638	-	-	113,487	-	-	3,218	44,909	53,990	2,376,048	230,820	2,852,110
Cost												
At 1 January 2018	29,638	7,312	7,565	143,295	7,146	6,866	23,325	306,657	232,678	5,612,769	127,020	6,504,271
Additions	-	-	-	-	-	-	381	1,352	744	26,545	600,804	629,826
Disposals	-	-	-	-	-	-	(490)	(4)	-	(5)	(95)	(594)
Write offs	-	-	-	-	-	-	-	-	-	(10,006)	(204)	(10,210)
Transfers	-	-	-	-	-	-	-	11,544	21,010	591,459	(624,013)	-
At 31 December 2018	29,638	7,312	7,565	143,295	7,146	6,866	23,216	319,549	254,432	6,220,762	103,512	7,123,293
Accumulated depreciation												
At 1 January 2018	-	1,500	3,083	24,213	750	3,158	16,685	246,676	159,474	3,139,764	-	3,595,303
Depreciation expenses for the year	-	61	128	2,811	64	108	2,892	25,211	26,318	599,726	-	657,319
Disposals	-	-	-	-	-	-	(490)	(4)	-	(1)	-	(495)
Write offs	-	-	-	-	-	-	-	-	-	(10,006)	-	(10,006)
At 31 December 2018	-	1,561	3,211	27,024	814	3,266	19,087	271,883	185,792	3,729,483	-	4,242,121
Carrying Amount												
At 31 December 2018	29,638	5,751	4,354	116,271	6,332	3,600	4,129	47,666	68,640	2,491,279	103,512	2,881,172

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11. PROPERTY, PLANT AND EQUIPMENT (CONT'D.)

(a) The Group acquired property, plant and equipment with an aggregate cost of RM698.9 million (2018: RM629.8 million) of which RM2.2 million (2018: RM3.4 million) relates to the provision for site decommissioning and restoration costs, as disclosed in Note 23.1.

(b) Government grants of RM147.4 million (2018: RM171.0 million) relating to additions of qualifying property, plant and equipment, were deducted before arriving at the cost of property, plant and equipment during the financial year ended 31 December 2019.

12. INTANGIBLE ASSETS

	Spectrum bandwidths RM'000	Computer software RM'000	Licenses RM'000	Total RM'000
Group				
Cost				
At 1 January 2019	**1,430,011**	**683,075**	**1,300**	**2,114,386**
Adjustments upon adoption of MFRS16	**(1,430,011)**	**–**	**–**	**(1,430,011)**
At 1 January 2019 (restated)	**–**	**683,075**	**1,300**	**684,375**
Additions	**–**	**54,004**	**–**	**54,004**
Write offs	**–**	**(110)**	**(1,300)**	**(1,410)**
At 31 December 2019	**–**	**736,969**	**–**	**736,969**
Accumulated amortisation				
At 1 January 2019	**772,788**	**358,615**	**1,300**	**1,132,703**
Adjustments upon adoption of MFRS16	**(772,788)**	**–**	**–**	**(772,788)**
At 1 January 2019 (restated)	**–**	**358,615**	**1,300**	**359,915**
Amortisation expenses for the year	**–**	**72,425**	**–**	**72,425**
Write offs	**–**	**(57)**	**(1,300)**	**(1,357)**
At 31 December 2019	**–**	**430,983**	**–**	**430,983**
Carrying amount				
At 31 December 2019	**–**	**305,986**	**–**	**305,986**
Cost				
At 1 January 2018	1,293,611	627,421	1,300	1,922,332
Additions	136,400	55,654	–	192,054
At 31 December 2018	1,430,011	683,075	1,300	2,114,386
Accumulated amortisation				
At 1 January 2018	696,060	287,872	1,300	985,232
Amortisation expenses for the year	76,728	70,743	–	147,471
At 31 December 2018	772,788	358,615	1,300	1,132,703
Carrying amount				
At 31 December 2018	657,223	324,460	–	981,683

Included in the cost of computer software are computer software not yet available for use of RM58.6 million as at 31 December 2019 (2018: RM71.3 million).

13. RIGHT OF USE ASSETS

Group as a lessee

	Leasehold land and buildings RM'000	Telecommuni-cations network sites RM'000	Transmission facilities RM'000	Spectrum band-widths RM'000	Stores, office buildings and kiosks RM'000	Total RM'000
Carrying amount						
At 1 January 2019	**20,037**	**1,169,267**	**6,735**	**1,645,071**	**16,210**	**2,857,320**
Additions	**–**	**165,993**	**108**	**–**	**8,011**	**174,112**
Depreciation expenses for the year	**(401)**	**(287,882)**	**(2,633)**	**(128,180)**	**(12,135)**	**(431,231)**
Termination	**–**	**(4,641)**	**(353)**	**–**	**(119)**	**(5,113)**
At 31 December 2019	**19,636**	**1,042,737**	**3,857**	**1,516,891**	**11,967**	**2,595,088**

The Group's lease arrangements are mainly in relation to telecommunication network sites, transmission facilities and spectrum bandwidths which are used to support the Group's telecommunication operations. The lease arrangements generally do not allow for subleasing of the leased asset, unless there is a contractual right for the Group to sublet the leased asset to another party.

The Group also has certain leases with lease terms of 12 months or less and leases that have been determined to be low value. The Group applies the 'short-term lease' and 'lease of low-value assets' recognition exemption for these leases.

Set out below are the carrying amounts of lease liabilities (included under interest-bearing loans and borrowings) and the movements during the year:

Group	**Note**	**2019 RM'000**
At 1 January		**8,452**
Adjustments upon adoption of MFRS 16		**2,205,960**
At 1 January (restated)		**2,214,412**
Additions		**174,112**
Accretion of interest	6	**110,506**
Settlement		**(445,928)**
Termination		**(5,170)**
At 31 December		**2,047,932**
Analysed as:		**313,756**
Current	21	**1,734,176**
Non-current	21	**2,047,932**

The maturity analysis of lease liabilities are disclosed in Note 31.4

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13. RIGHT OF USE ASSETS (CONT'D.)

The following amounts are recognised in profit or loss:

Group	2019 RM'000
Depreciation expense of right of use assets	**431,231**
Interest expense on lease liabilities	**110,506**
Expenses included in sales and marketing expenses:	
– short-term leases	**7,402**
Expenses included in operating and maintenance expenses:	
– short-term leases	**55,849**
– leases of low value assets	**1,626**
	606,614

The Group has total cash outflow for leases amounting to RM453.7 million.

14. CONTRACT COSTS

	Group	
	2019 RM'000	2018 RM'000
Capitalised sales commissions, net of amortisation	**66,170**	71,130

During the financial year, amortisation amounting to RM103.0 million (2018: RM100.7 million) was recognised as an expense in operating expenses of the Group.

15. INVESTMENTS IN SUBSIDIARIES

	Company	
	2019 RM'000	2018 RM'000
Unquoted shares at cost	**772,751**	772,751

15. INVESTMENTS IN SUBSIDIARIES (CONT'D.)

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

Name of company	Percentage of ownership interest held by the Group		Principal activities
	2019 (%)	2018 (%)	
Digi Telecommunications Sdn Bhd ("DTSB")	**100**	100	Establishment, maintenance and provision of telecommunications and related services
Y3llownation Sdn Bhd	**100**	100	Dormant
Subsidiaries held through DTSB			
Digi Services Sdn Bhd	**100**	100	Dormant
Y3llowLabs Sdn Bhd	**100**	100	Provision of e-commerce, digital services and solutions

16. OTHER INVESTMENT

	Group	
	2019 RM'000	2018 RM'000
Non-current		
Financial asset at fair value through OCI		
Unquoted shares	**78**	78

The investment was previously made in relation to a programme initiated by the Group to fund new digital start-ups in Malaysia.

17. INVENTORIES

	Group	
	2019 RM'000	2018 RM'000
Merchandise:		
At cost	**69,234**	39,456
At net realisable value	**21,267**	21,679
	90,501	61,135

During the financial year, the amount of inventories recognised as an expense in cost of materials of the Group was RM679.2 million (2018: RM688.2 million).

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18. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Non-current				
Trade receivables (Note 18.1)	**101,098**	40,596	**–**	–
Other receivables	**77,900**	–	**–**	–
Deposits and prepayments (Note 18.2)	**248,567**	100,166	**–**	–
	427,565	140,762	**–**	–
Current				
Trade receivables (Note 18.1)	**471,813**	439,381	**–**	–
Other receivables	**529,534**	705,582	**4**	4
Deposits and prepayments (Note 18.2)	**250,592**	327,320	**–**	–
	1,251,939	1,472,283	**4**	4
Allowance for expected credit loss (Note 18.1)	**(31,016)**	(11,574)	**–**	–
	1,220,923	1,460,709	**4**	4
Total trade and other receivables	**1,648,488**	1,601,471	**4**	4

18.1 Trade receivables

The Group's trade receivables are non-interest bearing, and are subject to normal trade credit terms ranging from 30 to 45 days (2018: 30 to 45 days). They are recognised at their original invoice amounts which represent their fair value on initial recognition.

The Group's trade receivables include receivables on deferred payment schemes amounting to RM171.2 million (2018: RM86.1 million), which allows eligible customers on bundled packages to make payment for mobile devices over a 24-month period. This deferred payment scheme has also resulted in the increase in trade receivables.

Set out below is the movement in allowance for expected credit losses for trade receivables:

	Group	
	2019 RM'000	2018 RM'000
At 1 January	**11,574**	7,279
Impact arising from adoption of MFRS 9	**–**	8,099
At 1 January (restated)	**11,574**	15,378
Charge for the year	**78,933**	44,361
Write offs	**(59,491)**	(48,165)
At 31 December	**31,016**	11,574

18. TRADE AND OTHER RECEIVABLES

18.2 Deposits and prepayments

Included in deposits and prepayments are non-current and current prepayments which are advances to a network facility provider ("NFP") of RM167.9 million (2018: RM125.1 million) for provision of connectivity services for a period of 10 years and non-current and current deposits given to local city councils of RM124.3 million (2018: RM134.0 million) for public infrastructure works which are refundable upon completion.

18.3 Foreign currency exposures

As at 31 December 2019, the Group's trade receivables balances included exposure to foreign currency denominated in United States Dollar ("USD") and Special Drawing Rights ("SDR") amounting to RM12.5 million (2018: RM4.9 million) and RM25.6 million (2018: RM46.4 million) respectively.

19. DERIVATIVE FINANCIAL ASSETS/(LIABILITIES)

		Group	
		2019 RM'000	**2018 RM'000**
Non-hedging derivative financial assets/(liabilities)			
Non-current			
– Interest rate swaps	19.1	**18,605**	569
Current			
– Foreign currency forward contracts	19.2	**(419)**	(301)

19.1 Interest rate swaps

Interest rate swaps are used to achieve an appropriate fair value change exposure within the Group. The Group entered into interest rate swaps to hedge the fair value risk in relation to the fixed interest rates of the Islamic Medium Term Note ("IMTN"), as disclosed in Note 20 with notional principal amounts of RM750.0 million.

The interest rate swaps entitle the Group to receive interest semi-annually at fixed rates ranging from 4% to 5% per annum, and in return, pays interest quarterly at Kuala Lumpur Interbank Offer Rate ("KLIBOR") plus a spread with a weighted average rate of 4% (2018: 4%). The swaps mature at varying dates based on the maturity of different tranches of the IMTN.

During the financial year, the Group recognised a net gain of RM18.0 million (2018: net gain of RM0.6 million) arising from fair value changes attributable to changes in market interest rates.

NOTES TO THE FINANCIAL STATEMENTS
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19. DERIVATIVE FINANCIAL ASSETS/(LIABILITIES) (CONT'D.)

19.2 Foreign currency forward contracts

	Contract value in foreign currency USD'000	Notional value RM'000	Fair value RM'000	Liabilities RM'000
Foreign currency forward contracts:				
– 2019	**7,600**	**31,578**	**31,159**	**(419)**
– 2018	8,182	34,171	33,870	(301)

The Group uses foreign currency forward contracts to minimise its exposure to foreign currency risks as a result of transactions denominated in currency other than its functional currency, arising from the normal business activities. Foreign currency forward contracts are used to hedge certain payables denominated in USD for which firm commitments existed at the reporting date, extending to January and February 2020.

During the financial year, the Group recognised a loss of RM0.4 million (2018: a loss of RM0.3 million) arising from fair value changes between foreign exchange spot and forward rates.

The foreign currency forward contracts and interest rate swap are not designated as cash flow hedges and are entered into for periods consistent with foreign currency exposure and fair value changes exposure. Any gains or losses arising from changes in the fair value of derivatives are recognised directly in profit or loss.

The method and assumptions applied in determining the fair values of the derivatives above are disclosed in Note 31.6(b).

20. CASH AND SHORT-TERM DEPOSITS

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Cash and bank balances	**72,816**	86,018	**828**	776
Deposits with licensed banks	**384,900**	347,100	**–**	–
Cash and cash equivalents	**457,716**	433,118	**828**	776

Cash and cash equivalents include cash on hand and at banks and deposits with financial institutions. For the purpose of the statements of cash flows, cash and cash equivalents are net of outstanding bank overdrafts, if any.

The Group's cash and cash equivalents included amounts of foreign currency denominated in USD totalling RM8.5 million (2018: RM15.9 million) at the reporting date.

20. CASH AND SHORT-TERM DEPOSITS (CONT'D.)

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

	Group	
	2019 %	2018 %
Deposits with licensed banks	**3**	4

The deposits with licensed banks of the Group will mature within one month (2018: one month) from the end of the reporting date.

21. LOANS AND BORROWINGS

		Group	
	Note	2019 RM'000	2018 RM'000
Non-current (unsecured)			
Floating-rate term loans		**555,162**	1,180,674
Floating-rate term financing-i		**373,486**	430,945
Islamic medium term notes	21.1	**1,798,219**	898,983
Lease liabilities	13	**1,734,176**	2,081
		4,461,043	2,512,683
Current (unsecured)			
Floating-rate term loans		**225,000**	112,500
Floating-rate term financing-i		**150,000**	62,500
Lease liabilities	13	**313,756**	6,371
		688,756	181,371
Total loans and borrowings		**5,149,799**	2,694,054

The weighted average effective interest/profit rates at the reporting date for borrowings and debt securities are as follows:

	Group	
	2019 %	2018 %
Floating-rate term loans and term financing-i	**4**	5
Islamic medium term notes	**4**	5
Lease liabilities	**5**	9

The above borrowings and debt securities are denominated in RM.

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21. LOANS AND BORROWINGS (CONT'D.)

21.1 Islamic medium term notes

The Group through its wholly-owned subsidiary, DTSB, has established an Islamic medium term note programme of up to RM5.0 billion in nominal value ("IMTN Programme"); and an Islamic commercial papers programme of up to RM1.0 billion in nominal value ("ICP Programme"), which have a combined limit of up to RM5.0 billion in nominal value (collectively referred to as "Sukuk Programme") based on the Islamic principle of Murabahah (via a Tawarruq arrangement).

The tenures of the IMTN and ICP Programme are for 15 and 7 years, respectively from the date of the first issuance.

As at 31 December 2019, the series of IMTN that the Group has in issue consists of:

Tranche	Tenure	Rate %	Maturity date	Nominal value RM'000
001	5 years	4	14 April 2022	300,000
002	7 years	5	12 April 2024	300,000
003	10 years	5	14 April 2027	300,000
004*	7 years	4	18 September 2026	450,000
005*	10 years	4	20 September 2029	450,000
Total				1,800,000

* During the year, the Group issued the second series of IMTN.

The proceeds from IMTN have been partially hedged against interest rate risk using interest rate swaps as disclosed in Note 19.

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

	Group 2019 RM'000	Group 2018 RM'000
Less than one year	**688,756**	181,371
Between one and two years	**693,237**	448,736
Between two and five years	**1,825,655**	1,464,653
More than five years	**1,942,151**	599,294
	5,149,799	2,694,054

21. LOANS AND BORROWINGS (CONT'D.)

Reconciliation of liabilities/(assets) arising from financing activities

	Non-current interest bearing loans and borrowings RM'000	Current interest bearing loans and borrowings RM'000	Non-current lease liabilities RM'000	Current lease liabilities RM'000	Interest rate swaps RM'000	Total RM'000
Group						
At 1 January 2019	**2,512,683**	**181,371**	**–**	**–**	**(569)**	**2,693,485**
Adjustments upon adoption of MFRS 16	**(2,081)**	**(6,371)**	**1,909,630**	**304,782**	**–**	**2,205,960**
At 1 January 2019 (restated)	**2,510,602**	**175,000**	**1,909,630**	**304,782**	**(569)**	**4,899,445**
Repayment	**(237,500)**	**(175,000)**	**–**	**(278,427)**	**–**	**(690,927)**
Non-cash changes:						
Fair value changes	**–**	**–**	**–**	**–**	**(14,678)**	**(14,678)**
Other changes	**453,765**	**375,000**	**(175,454)**	**287,401**	**(3,358)**	**937,354**
At 31 December 2019	**2,726,867**	**375,000**	**1,734,176**	**313,756**	**(18,605)**	**5,131,194**
At 1 January 2018	2,691,438	12,881	–	–	(355)	2,703,964
Repayment	–	(12,767)	–	–	–	(12,767)
Non-cash changes:						
Payment of transaction costs related to loans and borrowings	(1,500)	–	–	–	–	(1,500)
Fair value changes	–	–	–	–	(622)	(622)
Other changes	(177,255)	181,257	–	–	408	4,410
At 31 December 2018	2,512,683	181,371	–	–	(569)	2,693,485

Included in the other changes are the effects of reclassification of non-current portion of loans and borrowings and lease liabilities to current due to the passage of time, transaction costs deducted against carrying amount of loans and borrowings amortised under effective interest rate method, and accrued but not yet paid/(received) interest on interest-bearing loans and borrowings and derivatives. The Group classifies interest paid as cash flows from operating activities.

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22. DEFERRED TAX LIABILITIES

	Group 2019 RM'000	Group 2018 RM'000
At 1 January	**276,063**	297,523
Impact arising from adoption of MFRS 15 and MFRS 9	**–**	38,536
At 1 January (restated)	**276,063**	336,059
Recognised in profit and loss (Note 8)	**(58,435)**	(59,996)
At 31 December	**217,628**	276,063

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

Deferred tax liabilities:	Contract costs RM'000	Contract assets RM'000	Property, plant and equipment and intangible assets RM'000	Right of use assets RM'000	Total RM'000
At 1 January 2019	**17,071**	**42,168**	**509,641**	**–**	**568,880**
Impact arising from adoption of MFRS 16	**–**	**–**	**–**	**517,537**	**517,537**
At 1 January 2019 (restated)	**17,071**	**42,168**	**509,641**	**517,537**	**1,086,417**
Recognised in profit and loss	**(1,190)**	**(12,826)**	**(46,677)**	**(46,694)**	**(107,387)**
At 31 December 2019	**15,881**	**29,342**	**462,964**	**470,843**	**979,030**
At 31 December 2017	–	–	539,900	–	539,900
Impact arising from adoption of MFRS 15	18,084	21,562	–	–	39,646
At 1 January 2018 (restated)	18,084	21,562	539,900	–	579,546
Recognised in profit and loss	(1,013)	20,606	(30,259)	–	(10,666)
At 31 December 2018	17,071	42,168	509,641	–	568,880

22. DEFERRED TAX LIABILITIES (CONT'D.)

The components and movements of recognised deferred tax liabilities and assets of the Group during the financial year prior to offsetting are as follows: (cont'd.)

Deferred tax assets:	Contract liabilities RM'000	Deferred revenue RM'000	Lease liabilities RM'000	Others RM'000	Total RM'000
At 1 January 2019	**(75,693)**	**–**	**–**	**(217,124)**	**(292,817)**
Impact arising from adoption of MFRS 16	**–**	**–**	**(517,537)**	**–**	**(517,537)**
At 1 January 2019 (restated)	**(75,693)**	**–**	**(517,537)**	**(217,124)**	**(810,354)**
Recognised in profit and loss	**(1,550)**	**–**	**28,031**	**22,471**	**48,952**
At 31 December 2019	**(77,243)**	**–**	**(489,506)**	**(194,653)**	**(761,402)**
At 31 December 2017	–	(80,002)	–	(162,375)	(242,377)
Impact arising from adoption of MFRS 15 and MFRS 9	(79,168)	80,002	–	(1,944)	(1,110)
At 1 January 2018 (restated)	(79,168)	–	–	(164,319)	(243,487)
Recognised in profit and loss	3,475	–	–	(52,805)	(49,330)
At 31 December 2018	(75,693)	–	–	(217,124)	(292,817)

Others relate to deferred tax assets mainly arising from deductible temporary differences on provisions.

23. OTHER LIABILITIES

	Group 2019 RM'000	Group 2018 RM'000
Non-current		
Provisions (Note 23.1)	**53,295**	48,964
Current		
Provisions (Note 23.1)	**420**	5,373
Total other liabilities	**53,715**	54,337

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23. OTHER LIABILITIES (CONT'D.)

23.1 Provisions

	Note	Site decommissioning and restoration costs RM'000	Defined benefit plan RM'000 (Note 26)	Total RM'000
Group				
Non-current				
At 1 January 2019		**48,930**	**34**	**48,964**
Capitalised as property, plant and equipment	11(a)	**2,159**	**–**	**2,159**
Recognised in profit and loss		**2,195**	**70**	**2,265**
Paid during the year		**–**	**(93)**	**(93)**
At 31 December 2019		**53,284**	**11**	**53,295**
Non-current				
At 1 January 2018		43,487	590	44,077
Capitalised as property, plant and equipment	11(a)	3,428	–	3,428
Recognised in profit and loss		2,015	65	2,080
Paid during the year		–	(621)	(621)
At 31 December 2018		48,930	34	48,964

	Note	Employee leave entitlements RM'000
Group		
Current		
At 1 January 2019		**5,373**
Recognised in profit and loss	7	**(4,953)**
At 31 December 2019		**420**
At 1 January 2018		5,914
Recognised in profit and loss	7	(541)
At 31 December 2018		5,373

Further details on the provisions are disclosed in Note 2.11.

24. TRADE AND OTHER PAYABLES

	Group		Company	
	2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
Trade payables	**247,686**	200,095	**–**	–
Other payables	**778,114**	383,290	**–**	–
Accruals	**742,658**	1,545,659	**1,380**	1,071
Customer deposits	**15,850**	15,026	**–**	–
	1,784,308	2,144,070	**1,380**	1,071

The Group's trade and other payables are non-interest bearing, and are subject to normal credit terms ranging from 30 to 60 days (2018: 30 to 60 days).

At 31 December 2019, the Group's trade and other payables balances included exposure to foreign currency denominated in USD, SDR and Norwegian Krone ("NOK") amounting to RM51.1 million (2018: RM43.8 million), RM32.0 million (2018: RM20.8 million) and RM22.3 million (2018: RM49.9 million) respectively.

25. SHARE CAPITAL

	Group/Company			
	Number of ordinary shares		Amount	
	2019 Units ('000)	**2018 Units ('000)**	**2019 RM'000**	**2018 RM'000**
Issued and fully paid				
As at 1 January and 31 December	**7,775,000**	7,775,000	**769,655**	769,655

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.

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26. DEFINED BENEFIT PLAN

The Group operates an unfunded defined benefit plan for its eligible employees. The estimated obligations under the retirement benefit scheme are determined based on actuarial valuation by a qualified independent actuary on 24 May 2017.

The amount recognised in the consolidated statement of financial position is determined as follows:

		Group	
	Note	2019 RM'000	2018 RM'000
Present value of unfunded obligations	23.1	**11**	34

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

		Group	
	Note	2019 RM'000	2018 RM'000
Interest on obligations, representing increase in provision for defined benefit plan	7	**70**	65

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

	Group	
	2019 %	2018 %
Rate per annum:		
– Discount rate	**5**	5

Assumption regarding future mortality are based on published statistics and mortality table.

27. RETAINED EARNINGS

The Company may distribute dividends out of its entire retained earnings as at 31 December 2019 and 2018 respectively, under the single-tier system.

28. COMMITMENTS

28.1 Capital commitments

	Group	
	2019 RM'000	**2018 RM'000**
Capital expenditure in respect of property, plant and equipment and intangible assets:		
Approved and contracted for	**227,000**	405,000
Approved but not contracted for	**530,000**	300,000

28.2 Non-cancellable operating lease commitments

Group	**2018 As reported under MFRS 117 RM'000**
Future minimum lease payments:	
– Less than one year	174,330
– Between one and five years	437,910
– More than five years	228,296
	840,536

Upon adoption of MFRS 16 on 1 January 2019, the present value of future minimum lease payments for operating leases have been accounted for as part of lease liabilities on the balance sheet. Please refer to Note 3.1 for further details.

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28. COMMITMENTS (CONT'D.)

28.3 Capital commitments

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

Group	2018 As reported under MFRS 117 RM'000
Minimum lease payments:	
– Less than one year	6,796
– Between one and two years	2,092
Total minimum lease payments	8,888
Less: Amounts representing finance charges	(436)
Present value of minimum lease payments	8,452
Present value of payments:	
– Less than one year	6,371
– Between one and two years	2,081
Present value of minimum lease payments	8,452
Less: Amount due within 12 months (Note 21)	(6,371)
Amount due after 12 months (Note 21)	2,081

Upon adoption of MFRS 16, the maturity analysis and present value of finance lease commitment is included within lease liabilities in Note 21 and Note 31.4 respectively.

29. PERFORMANCE GUARANTEES

	Group	
	2019 RM'000	2018 RM'000
Unsecured		
Guarantees given to city councils for public infrastructure works	**39,819**	53,054
Guarantee given to MCMC on project tender	**10,556**	10,000
	50,375	63,054

30. SIGNIFICANT RELATED PARTY DISCLOSURES

30.1 Sales and purchases of services

Related party relationships are as follows:

(i) The immediate and ultimate holding company are as disclosed in Note 1; and
(ii) The Company's subsidiaries are as disclosed in Note 15.

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

Group	Transactions 2019 RM'000	Transactions 2018 RM'000	Balance due (to)/from at 2019 RM'000	Balance due (to)/from at 2018 RM'000
With the ultimate holding company and fellow subsidiaries				
– *Telenor ASA*			**(3,697)**	(12,389)
Consultancy services received	**47,166**	47,803		
Fees payable for licenses and trademarks	**9,491**	9,507		
– *Telenor GO Pte Ltd*			**(824)**	(200)
Personnel services received	**5,289**	5,613		
– *Telenor Global Services AS*			**(3,067)**	(3,348)
Sales of interconnection services on international traffic	**(9,982)**	(1,674)		
Purchases of interconnection services on international traffic	**8,254**	15,648		
Purchases of international roaming services	**–**	2,049		
Purchases of global connectivity	**2,678**	4,030		
Clearing house services received for international roaming arrangements	**507**	190		
– *Total Access Communication Public Company Limited*			**(433)**	(337)
Sales of international roaming services	**(680)**	(1)		
Purchases of international roaming services	**119**	587		
Device management fee payable	**–**	134		
– *dtac TriNet Co. Ltd*			**(2,099)**	(2,042)
Sales of international roaming services	**(1,824)**	(2,250)		
Purchases of international roaming services	**957**	1,245		
Sales of interconnection services on international traffic	**(245)**	(474)		
Purchases of interconnection services on international traffic	**2,086**	48		
– *Telenor Norge AS*			**(2,249)**	(6,029)
Sales of international roaming services	**(70)**	(47)		
Purchases of international roaming services	**22**	14		
Services rendered on application operations and basic operation for data centre	**–**	656		
Business security strategy execution received	**7,154**	5,439		

NOTES TO THE FINANCIAL STATEMENTS
– 31 December 2019

30. SIGNIFICANT RELATED PARTY DISCLOSURES (CONT'D.)

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

Group	Transactions 2019 RM'000	Transactions 2018 RM'000	Balance due (to)/from at 2019 RM'000	Balance due (to)/from at 2018 RM'000
With the ultimate holding company and fellow subsidiaries (cont'd.)				
– *Telenor Digital Services AS*			**(543)**	(20,844)
Consultancy fees rendered	**(955)**	(414)		
Services received on digital marketing and distribution platform	**156**	1,228		
Purchases of cloud based software infrastructure services	**6,112**	5,480		
Technical services received	**4,637**	15,485		
– *Telenor Global Shared Services AS*			**(7,742)**	(2,002)
Services received on application operations and basic operation for data centre	**7,504**	9,253		
– *Telenor IT Asia Sdn Bhd*			**(63)**	(63)
– *Telenor Myanmar Ltd*			**117**	267
Sales of international roaming services	**(149)**	(24)		
Purchases of international roaming services	**85**	50		
Purchases of interconnection services on international traffic	**49**	458		
Sales of telecommunication and related services	**–**	(64)		
Consultancy fees rendered	**(236)**	(259)		
– *Valyou Sdn Bhd*			**122**	981
Sales of telecommunication and related services	**(289)**	(1,029)		
Consultancy fees rendered	**–**	(48)		
– *Telenor Procurement Company*			**(8,018)**	(4,956)
Managed services received	**19,383**	10,570		
– *Telenor Financial Services AS*			**–**	–
Personnel services rendered	**–**	(247)		
– *Telenor Global Services Singapore Pte Ltd*			**391**	1,014
Lease income from bandwidth leasing	**(5,569)**	(2,707)		
Lease expenses of bandwidth leasing	**3,977**	1,597		
Purchases of IP transit	**388**	1,298		
– *Tapad Inc. US*			**(1,403)**	(665)
Services received on digital marketing and distribution platform	**2,066**	1,896		

30. SIGNIFICANT RELATED PARTY DISCLOSURES (CONT'D.)

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

Amounts due (to)/from related companies which are trade in nature are unsecured, non-interest bearing and are subject to the normal credit terms for trade receivables and trade payables respectively.

The directors are of the opinion that the above transactions are entered into in the normal course of business and at standard commercial terms mutually agreed between both parties.

30.2 Compensation of key management personnel

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

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

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Short-term employee benefits	**16,421**	15,335	**88**	76
Post-employment benefits	**1,580**	1,361	**–**	–
Other employment benefits	**1,267**	1,106	**–**	–
	19,268	17,802	**88**	76

Included in remuneration of key management personnel above are non-executive directors' remuneration as disclosed in Note 7(c).

31. FINANCIAL INSTRUMENTS

31.1 Financial risk management objectives and policies

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

31.2 Credit risk

Credit risk is the risk of loss that may arise if a counterparty default on its obligations under a financial instrument or customer contract, leading to a financial loss. The Group's credit risk arises in the normal course of operations (primarily from trade and other receivables, and contract assets) and from its financing activities, including deposits with approved financial institutions. The maximum credit risk exposure is limited to the carrying amount of each financial asset and contract assets less allowance for impairment.

Trade receivables and contract assets

The credit risk is managed through formalised policies on credit assessment and approvals, credit limits and monitoring procedures. Credit quality of each new customer is assessed based on an internally developed credit scoring model using information such as external ratings and credit agency information. Individual risk limits are set in accordance to the risk profile established for each customer, and are reviewed periodically.

NOTES TO THE FINANCIAL STATEMENTS
– 31 December 2019

31. FINANCIAL INSTRUMENTS (CONT'D.)

31.2 Credit risk (cont'd.)

Trade receivables and contract assets (cont'd.)

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., customer type and rating). The calculation reflects the probability-weighted outcome, and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. The Group evaluates the concentration of risk with respect to trade receivables and contract assets as low, as its customers base is large and diverse.

Trade receivables and contract assets are written off when there is no reasonable expectation of recovery, and are not subject to enforcement activity. They are not secured by any collateral or credit enhancements.

Set out below is the information about the credit risk exposure on the Group's trade receivables and contract assets using a provision matrix:

	Gross carrying amount at default RM'000	Significant expected credit loss RM'000	Total net carrying amount at default RM'000
As at 31 December 2019			
Trade receivables			
– Not past due	**440,461**	**(6,936)**	**433,525**
– 1 to 30 days past due	**22,361**	**(4,256)**	**18,105**
– 31 to 60 days past due	**13,981**	**(3,379)**	**10,602**
– 61 to 90 days past due	**12,949**	**(2,542)**	**10,407**
– 91 to 180 days past due	**25,105**	**(3,750)**	**21,355**
– More than 181 days past due	**58,054**	**(10,153)**	**47,901**
Total trade receivables	**572,911**	**(31,016)**	**541,895**
Contract assets	**108,637**	**(2,386)**	**106,251**
Total trade receivables and contract assets	**681,548**	**(33,402)**	**648,146**
As at 31 December 2018			
Trade receivables			
– Not past due	401,101	(3,280)	397,821
– 1 to 30 days past due	44,933	(3,144)	41,789
– 31 to 60 days past due	15,383	(3,086)	12,297
– 61 to 90 days past due	6,694	(83)	6,611
– 91 to 180 days past due	8,744	(69)	8,675
– More than 181 days past due	3,122	(1,912)	1,210
Total trade receivables	479,977	(11,574)	468,403
Contract assets	179,359	(3,659)	175,700
Total trade receivables and contract assets	659,336	(15,233)	644,103

31. FINANCIAL INSTRUMENTS (CONT'D.)

31.2 Credit risk (cont'd.)

Other receivables and cash and short-term deposits

The Group's credit risk also arises from cash and short-term deposits and other receivables. The credit risk is managed through monitoring procedures.

Cash and short-term deposits are placed only with reputable licensed banks and other receivables mainly consists of amounts due from a governement regulatory body and various city councils. The Group has assessed that the credit risk from these financial instruments are low.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets (net of impairment) disclosed in Note 31.7.

31.3 Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group is exposed to foreign currency risk as a result of transactions denominated in currencies other than its functional currency, arising from the normal business activities. The currencies giving rise to this risk are primarily the USD, SDR and NOK. Although approximately 9% (2018: 9%) of the Group's total expenses are denominated in the above-mentioned foreign currencies, the settlements of these payables are on a net basis through clearing house services, together with revenues earned from the same operators and partners. The Group also holds cash and cash equivalents denominated in USD for working capital purposes. The Group's foreign-denominated cash and cash equivalents at the reporting date is disclosed in Note 20.

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. However, these contracts are not designated as cash flow or fair value hedge.

The Group's foreign currency forward contracts are executed only with creditworthy financial institutions in Malaysia which are governed by appropriate policies and procedures.

Details of the Group's outstanding foreign currency forward contracts for the purpose of hedging certain payables denominated in USD for which firm commitments existed at the reporting date, extends to January and February 2020, are disclosed in Note 19. 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.

31.4 Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting financial obligations due to shortage of funds. The Group monitors and maintains a level of cash and cash equivalents deemed adequate by management, for working capital purposes and to mitigate the effects of fluctuations in cash flows. The Group invests only in highly liquid cash management funds, if any.

NOTES TO THE FINANCIAL STATEMENTS
– 31 December 2019

31. FINANCIAL INSTRUMENTS (CONT'D.)

31.4 Liquidity risk (cont'd.)

The Group's and the Company's trade and other payables and non-hedging derivative liabilities at the reporting date, are short-term in nature, and are payable either on-demand or within one year. Details of maturities for the Group's loans and borrowings are as disclosed in Note 21.

Analysis of financial instruments by remaining contractual maturities

The table below summarises the maturity profile of the Group's and the Company's financial liabilities at the reporting date based on contractual undiscounted repayment obligations.

	On demand or within one year RM'000	One to two years RM'000	Two to five years RM'000	More than five years RM'000	Total RM'000
Group					
2019					
Financial liabilities					
Trade and other payables	**1,784,308**	**–**	**–**	**–**	**1,784,308**
Loans and borrowings	**501,993**	**483,759**	**1,364,796**	**1,347,356**	**3,697,904**
Lease liabilities	**411,557**	**758,225**	**711,989**	**1,280,158**	**3,161,929**
Derivative financial liabilities:					
– Foreign currency forward contracts	**419**	**–**	**–**	**–**	**419**
Total undiscounted financial liabilities	**2,698,277**	**1,241,984**	**2,076,785**	**2,627,514**	**8,644,560**
2018					
Financial liabilities					
Trade and other payables	2,144,070	–	–	–	2,144,070
Loans and borrowings	306,628	562,555	1,660,527	655,583	3,185,293
Derivative financial liabilities:					
– Foreign currency forward contracts	301	–	–	–	301
Total undiscounted financial liabilities	2,450,999	562,555	1,660,527	655,583	5,329,664

31.5 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's financial instruments will fluctuate because of changes in market interest rates. The Group's income and operating cash flows are substantially independent of changes in market interest rates.

The Group is exposed to interest rate risk primarily from floating rate financial liabilities.

The Group manages its interest rate risk by having a balanced portfolio of fixed and floating rate financial liabilities that is consistent with the interest rates profiles acceptable to the Group. To manage this, the Group enters into interest rate swaps, in which the Group agrees to exchange, at specified intervals, a fixed interest rate for floating rates.

31. FINANCIAL INSTRUMENTS (CONT'D.)

31.5 Interest rate risk (cont'd.)

The notional principal amounts of the outstanding interest rate swaps and its fair value are disclosed in Note 19.1.

The Group's policy in dealing with interest-bearing financial liabilities is to minimise the interest expense by obtaining the most favourable interest rates available. A difference of 20 (2018: 20) basis points in interest rates applicable for the Group's entire loans and borrowings (excluding finance lease obligation) would result in approximately 0.25% (2018: 0.25%) variance in the Group's profit for the year.

31.6 Fair values

The management assessed that the fair values of cash and short-term deposits, trade and other receivables and trade and other payables approximate their carrying amounts largely due to the short-term maturities of these instruments and the insignificant impact of discounting.

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

(a) Loans and borrowings

The carrying amounts of the current portion of loans and borrowings are reasonable approximations of fair values due to the insignificant impact of discounting.

The carrying amounts of floating-rate term loan and term financing-i are reasonable approximations of fair values as they are floating rate instruments that are re-priced to market interest rates on or near the reporting date.

The fair values of non-current portion of borrowings and debt securities are estimated by discounting expected future cash flows at market incremental lending rate for similar types of borrowing, debt instruments or leasing arrangements at the reporting date.

(b) Derivative financial instruments

The fair value of foreign currency forward contracts is determined using quoted forward exchange rates at the balance sheet date.

The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves.

(c) Other investment

Investment in equity instrument represents ordinary shares not quoted on any market and does not have any comparable industry peers that is listed. The investment in unquoted equity instrument is not held for trading.

The initial acquisition cost of the unquoted equity investment is an appropriate estimate of its fair value as the investee's entity is in the start-up stage.

NOTES TO THE FINANCIAL STATEMENTS
– 31 December 2019

31. FINANCIAL INSTRUMENTS (CONT'D.)

31.7 Classification

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

	Note	Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
Financial assets					
Financial assets at fair value through OCI:					
– Other investments	16	**78**	78	**–**	–
Financial assets at amortised cost:					
– Trade receivables		**541,895**	468,403	**–**	–
– Other receivables		**607,434**	705,582	**4**	4
– Deposits and prepayments		**499,159**	427,486	**–**	–
– Cash and short-term deposits	20	**457,716**	433,118	**828**	776
		2,106,204	2,034,589	**832**	780
Less: Prepayments		**(283,403)**	(211,348)		
		1,822,801	1,823,241	**832**	780
Financial assets at fair value through profit or loss:					
Derivative financial assets					
– Interest rate swaps	19	**18,605**	569	**–**	–
Financial liabilities					
Financial liabilities at fair value through profit or loss:					
– Foreign currency forward contracts	19	**419**	301	**–**	–
Other financial liabilities:					
– Floating-rate term loans		**780,162**	1,293,174	**–**	–
– Islamic medium term notes		**1,798,219**	898,983	**–**	–
– Floating-rate term financing-i		**523,486**	493,445	**–**	–
– Lease liabilities		**2,047,932**	8,452	**–**	–
– Trade payables	24	**247,686**	200,095	**–**	–
– Other payables	24	**778,114**	383,290	**–**	–
– Accruals	24	**742,658**	1,545,659	**1,380**	1,071
– Customer deposits	24	**15,850**	15,026	**–**	–
		6,934,107	4,838,124	**1,380**	1,071

31. FINANCIAL INSTRUMENTS (CONT'D.)

31.8 Fair value measurement

The following table provides the fair value measurement hierarchy of the Group's financial assets and liabilities.

Quantitative disclosures fair value measurement hierarchy for financial assets/(liabilities) as at 31 December 2019:

	Note	Date of valuation	Total RM'000	Fair value measurement using: Quoted prices in active markets (Level 1) RM'000	Significant observable inputs (Level 2) RM'000	Significant unobservable inputs (Level 3) RM'000
Financial assets/(liabilities) measured at fair value:						
Unquoted equity investments:						
– Other investment	16	31 December 2019	**78**	**–**	**–**	**78**
Derivative financial assets:						
– Interest rate swaps	19	31 December 2019	**18,605**	**–**	**18,605**	**–**
Derivative financial liabilities:						
– Foreign currency forward contracts	19	31 December 2019	**419**	**–**	**419**	**–**

Quantitative disclosures fair value measurement hierarchy for financial assets/(liabilities) as at 31 December 2018:

	Note	Date of valuation	Total RM'000	Fair value measurement using: Quoted prices in active markets (Level 1) RM'000	Significant observable inputs (Level 2) RM'000	Significant unobservable inputs (Level 3) RM'000
Financial assets/(liabilities) measured at fair value:						
Unquoted equity investments:						
– Other investment	16	31 December 2018	78	–	–	78
Derivative financial assets:						
– Interest rate swaps	19	31 December 2018	569	–	569	–
Derivative financial liabilities:						
– Foreign currency forward contracts	19	31 December 2018	(301)	–	(301)	–

There have been no transfers between Level 2 and Level 3 in the current year and prior year.

The fair value of unquoted equity investment is categorised as Level 3 as cost was estimated to be an appropriate measure of fair value. There was no indicators that cost might not be representative of fair value.

NOTES TO THE FINANCIAL STATEMENTS
– 31 December 2019

32. CAPITAL MANAGEMENT

The essence of the Group's capital management strategy is to support its long-term strategic ambitions including:

(i) its commitment to long-term sustainable dividend policy;

(ii) its financial obligations while maintaining its financial flexibility; and

(iii) its ability to support its business requirements and enable future growth.

Going-forward, the Group will continue to actively manage its capital structure to enhance shareholders' value and make adjustments to address changes in the economic environment and its business risk characteristics. The Group had during the financial year ended 31 December 2009, revised its minimum dividend pay-out policy to at least 80% of the Company's profit for the year, and dividend payment frequency. The dividend policy will be maintained subject to 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 2019.

33. 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.

34. AUTHORISATION OF FINANCIAL STATEMENTS FOR ISSUE

The financial statements for the financial year ended 31 December 2019 were authorised for issue in accordance with a resolution of the directors on 11 March 2020.

INDEPENDENT LIMITED ASSURANCE REPORT

KPMG

Digi.Com Berhad
Independent Limited Assurance Report
14 April 2020

To the Directors of Digi.Com Berhad

In accordance with the terms of our engagement, we, KPMG PLT, have been engaged by the Board of Directors of Digi.Com Berhad, to provide limited assurance on the Selected Sustainability Information for the year ended 31 December 2019 as published by Digi.Com Berhad ("Digi") in the Integrated Annual Report 2019 ("identified as the Selected Sustainability Information"). The boundary of this assurance report is limited to Digi Telecommunications Sdn Bhd's operations in Malaysia, a wholly owned subsidiary of Digi.Com Berhad.

Management's Responsibilities

The Management of Digi Telecommunications Sdn Bhd and Digi.Com Berhad ("Management") is responsible for the preparation and presentation of the Selected Sustainability Information in accordance with Management's calculation methodologies and the information and assertions contained within it and for establishing and maintaining appropriate performance management and internal control systems from which the reported performance information is derived.

Management is responsible for preventing and detecting fraud and for identifying and ensuring that Digi.Com Berhad and its subsidiaries complies with laws and regulations applicable to its activities.

Management is also responsible for ensuring that staff involved with the preparation and presentation of the description and Integrated Annual Report 2019 (the "Report") are properly trained, information systems are properly updated and any changes in reporting encompass all significant business units.

Our Responsibilities

Our responsibility is to carry out a limited assurance engagement and to express a conclusion based on the work performed. We conducted our engagement in accordance with International Standard on Assurance Engagements ("ISAE") 3000 (Revised) Assurance Engagements other than Audits or Reviews of Historical Financial Information and the ISAE 3410 standard for Assurance Engagements on Greenhouse Gas Statements, issued by the International Auditing and Assurance Standards Board ("IAASB"). Those Standards require that we plan and perform the engagement to obtain limited assurance about whether the Selected Sustainability Information is free from material misstatement.

Selected Sustainability Information

Selected Sustainability Information includes the following data for the year ended 31 December 2019:

- Number of suppliers signing the Agreement of Business Conduct ("ABC");
- Energy consumption, excluding diesel consumption used in generators;
- Scope 1 Carbon Emissions, excluding emissions from diesel consumption used in generators;
- Scope 2 Carbon Emissions;
- Scope 3 Carbon Emissions;
- Lost time injury frequency ("LTIF");
- Total online learning hours for employees; and
- Number of students engaged on responsible and resilient digital citizenship.

Procedures Performed over Selected Sustainability Information

Limited assurance on the Selected Sustainability Information consists of making inquiries, primarily of persons responsible for the preparation of information presented in the Report, and applying analytical and other evidence gathering procedures, as appropriate. These procedures include:

- Interviews with Senior Management and relevant staff at corporate level;
- Inquiries about the design and implementation of the systems and methods used to collect and process the information reported, including the aggregation of source data into the Selected Sustainability Information;

INDEPENDENT LIMITED ASSURANCE REPORT

KPMG

Digi.Com Berhad
Independent Limited Assurance Report
14 April 2020

- Visits to Digi's head office in Malaysia; and
- Comparing the information presented in the Selected Sustainability Information to corresponding information in the relevant underlying sources to determine whether all the relevant information has been included in the Selected Sustainability Information and prepared in accordance with Management's calculations methodologies.

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement and consequently the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed.

Our Independence and Quality Control

We have complied with the independence and other relevant ethical requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

KPMG PLT applies the Malaysian Approved Standard on Quality Control, ISQC 1 and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Inherent Limitations

Due to the inherent limitations of any internal control structure it is possible that errors or irregularities in the information presented in the Report may occur and not be detected. Our engagement is not designed to detect all weaknesses in the internal controls over the preparation and presentation of the Report, as the engagement has not been performed continuously throughout the period and the procedures performed were undertaken on a test basis.

Our Conclusion

Our conclusion has been formed based on, and is subject to, the matters outlined in this Independent Limited Assurance Report. We believe the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

Based on the procedures performed and evidence obtained, as described above, nothing has come to our attention that would lead us to believe that the Selected Sustainability Information included in the Report for the year ended 31 December 2019, is not presented, in all material respects, in accordance with Management's calculation methodologies.

Restriction of use of our Independent Limited Assurance Report

Our Independent Limited Assurance Report should not be regarded as suitable to be used or relied on by any party wishing to acquire rights against us other than Digi, for any purpose or in any other context. Any party other than Digi who obtains access to our Independent Limited Assurance Report, or a copy thereof, and chooses to rely on our Independent Limited Assurance Report, will do so at its own risk. To the fullest extent permitted by law, we do not accept nor assume responsibility and deny any liability to any party other than Digi for our work, this Independent Limited Assurance Report, or the conclusions we have reached.

Our Independent Limited Assurance Report is released to Digi on the basis that it shall not be copied, referred to or disclosed, in whole (save for Digi's internal purposes) or in part, without our prior written consent.

KPMG

KPMG PLT (LLP0010081-LCA)
Petaling Jaya
14 April 2020

CORPORATE INFORMATION

BOARD OF DIRECTORS

Haakon Bruaset Kjoel
Chair, Non-Independent Non-Executive Director

Tan Sri Saw Choo Boon
Senior Independent Non-Executive Director

Yasmin Binti Aladad Khan
Independent Non-Executive Director

Vimala V.R. Menon
Independent Non-Executive Director

Anne Karin Kvam
Non-Independent Non-Executive Director

Torstein Pedersen
Non-Independent Non-Executive Director

Lars Erik Tellmann
Non-Independent Non-Executive Director
(Appointed on 12 July 2019)

AUDIT AND RISK COMMITTEE

Vimala V.R. Menon
Chair, Independent Non-Executive Director

Tan Sri Saw Choo Boon
Senior Independent Non-Executive Director

Yasmin Binti Aladad Khan
Independent Non-Executive Director

Torstein Pedersen
Non-Independent Non-Executive Director

NOMINATION COMMITTEE

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

Yasmin Binti Aladad Khan
Independent Non-Executive Director

Haakon Bruaset Kjoel
Non-Independent Non-Executive Director

REMUNERATION COMMITTEE

Haakon Bruaset Kjoel
Chair, Non-Independent Non-Executive Director

Yasmin Binti Aladad Khan
Independent Non-Executive Director

Torstein Pedersen
Non-Independent Non-Executive Director

SECRETARIES

Choo Mun Lai (MAICSA No. 7039980)

Tai Yit Chan (MAICSA No. 7009143)

DOMICILE AND COUNTRY OF INCORPORATION

Malaysia

CORPORATE INFORMATION

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Web: www.boardroomlimited.com

SHARE REGISTRARS

Tricor Investor & Issuing House Services Sdn Bhd

Unit 32-01, Level 32, Tower A
Vertical Business Suite, Avenue 3, Bangsar South
No. 8, Jalan Kerinchi
59200 Kuala Lumpur
Malaysia
Tel: 03-2783 9299
Fax: 03-2783 9222
E-mail: is.enquiry@my.tricorglobal.com
Web: www.tricorglobal.com

Tricor's Customer Service Centre
Unit G-3, Ground Floor
Vertical Podium, Avenue 3
Bangsar South, No. 8 Jalan Kerinchi
59200 Kuala Lumpur
Malaysia

AUDITORS

Messrs Ernst & Young PLT
Chartered Accountants
Level 23A, Menara Milenium
Jalan Damanlela, Pusat Bandar Damansara
50490 Kuala Lumpur
Malaysia
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

CIMB Islamic Bank Berhad
Sumitomo Mitsui Banking Corporation Malaysia Berhad
MUFG Bank (Malaysia) Berhad
RHB Bank Berhad
Standard Chartered Bank Malaysia Berhad
OCBC Bank (Malaysia) Berhad

CORPORATE DIRECTORY

PRINCIPAL PLACE OF BUSINESS/HEAD OFFICE

D'House, Lot 10, Jalan Delima 1/1,
Subang Hi-Tech Industrial Park,
40000 Subang Jaya, Selangor

Tel : 03-5721 1800
Fax : 03-5721 1857

CENTRAL OPERATING OFFICE

Lot 43, Jalan Delima 1/1,
Subang Hi-Tech Industrial Park,
40000 Subang Jaya, Selangor

Tel : 03-5721 1800
Fax : 03-5721 1857

REGIONAL OPERATING OFFICES

Northern Region

1-03-18, E-Gate Commercial Centre,
Lebuh Tunku Kudin 2,
11700 Gelugor, Penang

Ipoh Sales Office

C-G-02, Persiaran Greentown 3,
Greentown Business Centre,
30450 Ipoh, Perak

Southern Region

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

Eastern Region

Lot 112 & 113,
Lorong Industri Semambu 7,
Semambu Industrial Estate,
25350 Kuantan, Pahang

Fax : 09-508 0016

Sabah Region

Digi Telecommunications Sdn Bhd
Lot36, Sedco Light Industrial Estate,
Jln Kilang Kolombong,
88450 Kota Kinabalu,
Sabah

Tel : 088-438800
Fax : 088-436633

Sarawak Region

No. 9, Level 21, Gateway Kuching,
Jalan Bukit Mata,
93100 Kuching, Sarawak

Tel : 082-421 800
Fax : 082-427 597

DIGI STORES

KUALA LUMPUR

Bukit Bintang

Lot 106 & 108,
Jalan Bukit Bintang,
55100 Kuala Lumpur

Bangsar

Lot F122, 1st Floor,
Bangsar Shopping Centre,
285, Jalan Maarof, Bukit Bandaraya,
59000 Kuala Lumpur

Gardens

S-233, 2nd Floor, Gardens Mall,
Mid Valley City, Lingkaran Syed Putra,
59200 Kuala Lumpur

Setapak Central Mall

G49, 67, Jalan Taman Ibu Kota,
Taman Danau Kota, Setapak,
53300 Kuala Lumpur

SELANGOR

Alamanda

Lot LG-70, 71&72, Ground Floor,
Alamanda Putrajaya Shopping Centre,
Jalan Alamanda, Precinct 1,
62000 Putrajaya

Ampang

86G, Lorong Mamanda 1,
Ampang Point,
68000 Selangor

Cheras

3-G, Jalan C180/1,
Dataran C180,
43200 Cheras, Selangor

D'House

Lot 10 Jalan Delima 1/1,
Subang Hi-Tech Industrial Park,
40000 Shah Alam, Selangor

Klang

Lot B-G-8, BBT One Tower,
Lebuh Batu Nilam 2,
Bandar Bukit Tinggi,
41200 Klang, Selangor

SS2

24, Jalan SS2/66,
47300 Petaling Jaya, Selangor

Sunway Pyramid

Lot LG2.69, Lower Ground 2,
Sunway Pyramid Shopping Mall,
3, Jalan PJS 11/15, Bandar Sunway,
46150 Petaling Jaya, Selangor

CORPORATE DIRECTORY

MELAKA

Melaka

2, Plaza Merdeka,
Jalan Plaza Merdeka,
75000 Melaka

NEGERI SEMBILAN

Seremban

62A, Jalan Tuanku Munawir,
70000 Seremban, N.Sembilan

JOHOR

Batu Pahat

1-1D, Jalan Zabedah,
83000 Batu Pahat, Johor

Danga Bay

Block 6-G-35, Danga Walk,
Batu 41/2, Jalan Skudai,
80200 Johor Bahru, Johor

Taman Molek

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

PENANG

Bayan Baru

1B-G-08 & 1B-G-09, Ground Floor,
One Precinct, Lengkok Mayang Pasir,
11950 Bayan Baru, Penang

Pulau Tikus

368-1-05 & 06, Belissa Row,
Jalan Burmah,
10350 Pulau Tikus, Penang

Seberang Jaya

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

KEDAH

Alor Setar

2 & 3, Kompleks Perniagaan Pintu 10,
Jalan Pintu Sepuluh,
05100 Alor Setar, Kedah

PERAK

De Gardens

DGR-1A, Ground Floor,
3, Persiaran Medan Ipoh,
Medan Ipoh,
31400 Ipoh, Perak

Ipoh

C-G-02, Persiaran Greentown 3,
Greentown Business Centre,
30450 Ipoh, Perak

PAHANG

Kuantan

91, Jalan Tun Ismail,
25000 Kuantan, Pahang

Kelantan

Kota Bharu

S/16, PT 232,
Lot 1A, Jalan Hamzah,
15050 Kota Bharu, Kelantan

TERENGGANU

Kuala Terenganu

Lot PT 3937, Jalan Sultan Sulaiman,
20000 Kuala Terengganu, Terengganu

SABAH

1-Borneo

Lot G612, Ground Floor 1 Borneo Hypermall,
Jalan Sulaman,
88450 Kota Kinabalu, Sabah

Api-Api

Lot 5/G3, Ground & 1st Floor,
Api-Api Centre,
88000 Kota Kinabalu, Sabah

SARAWAK

Kuching

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

Miri

Lot 2037, Jalan Datuk Temenggong Oyong Lawai,
Marina Square Phase 1,
98000 Miri, Sarawak

Sibu

17 & 19, Ground Floor,
Jalan Tong Sang,
Off Jalan Wong King Huo,
96000 Sibu

LIST OF PROPERTIES

No.	Location	Tenure	Description/ Existing Use	Date of Acquisition	Area	Age of Building (Years)	Net Book Value as at 31.12.2019 RM'000
1	H.S. (D) No 92086 & 92087 P.T. No 9 & No 10 Pekan Seremban Jaya Daerah Seremban, Negeri Sembilan	Freehold	Land with a building/ Telecommunications Centre	29.12.1997	22,529 sq ft	20	524
2	Unit No 202-4-11 Sri Bandar Besi, Jalan Sungai Besi Sungai Besi, Kuala Lumpur	Freehold	Apartment/ Housing base transceiver equipment	26.01.1995	802 sq ft	22	68
3	Unit No C16-2, Indera Subang UEP Jalan UEP 6/2L, UEP Subang Jaya Petaling Jaya, Selangor	Freehold	Apartment/ Housing base transceiver equipment	04.02.1995	2,249 sq ft	24	365
4	No 1-16.2, 16th Floor, Union Height Taman Yan, Jalan Klang Lama Kuala Lumpur	Freehold	Apartment/ Housing base transceiver equipment	25.01.1995	1,249 sq ft	23	137
5	3rd Floor, Unit Pt 4888/4786 C Block TC-14, Taman Sri Gombak Jalan Batu Caves, Selangor	Freehold	Apartment/ Housing base transceiver equipment	29.03.1995	1,319 sq ft	22	52
6	4572, 7th Floor Sri Jelatek Condominiums Section 10, Wangsa Maju Kuala Lumpur	Freehold	Apartment/ Housing base transceiver equipment	07.02.1995	1,115 sq ft	22	106
7	32, PLO 151 Jln Angkasa Mas Utama Kawasan Perindustrian Tebrau II 81100 Johor Bahru, Johor	Leasehold 30 years lease (expiring in 2023)	Land with a building/ Telecommunications Centre	12.05.1995	1.58 acres	23	690
8	HS (D) 77, No P.T. PTBM/A/081 Mukim 1, Kawasan Perusahaan Perai, District Seberang Perai Tengah, Pulau Pinang	Leasehold 60 years (expiring in 2033)	Land with a building/ Telecommunications Centre	23.03.1995	1 acre	43	1,294
9	Lot 36, Sedco Light Industrial Estate, Jalan Kelombong Kota Kinabalu, Sabah	Leasehold 60 years (expiring in 2034)	Land with a building/ Telecommunications Centre	12.06.1995	0.938 acre	37	1,457
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	22	1,252
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	35	1,420
12	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	26	82
13	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	24	4,964
14	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	20	336

LIST OF PROPERTIES

No.	Location	Tenure	Description/ Existing Use	Date of Acquisition	Area	Age of Building (Years)	Net Book Value as at 31.12.2019 RM'000
15	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	18	98
16	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	18	181
17	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	28	1,590
18	Lot 2728 Miri Concession Land District Lopeng, Miri, Sarawak	Leasehold 60 years (expiring in 2027)	Land with cabin container/ Telecommunications Centre	29.09.2000	4,937 sq m	N/A	742
19	Lot 10, Jalan Delima 1/1 Subang Hi-Tech Industrial Park 40000 Shah Alam, Selangor	Freehold	Land with a building	19.07.2001	284,485 sq ft	12	67,439
20	No 24, Jalan KIP 7 Taman Perindustrian KIP 52200 Kuala Lumpur	Freehold	Land with a building/ Telecommunications Centre	21.08.2002	17,847 sq ft	21	2,779
21	Lot 42, Jalan Delima 1/1 Subang Hi-Tech Industrial Park 40000 Shah Alam, Selangor	Freehold	Parking Lot	28.04.2008 (Title transferred date)	91,676 sq ft	N/A	8,234
22	Lot 43, Jalan Delima 1/1 Subang Hi-Tech Industrial Park 40000 Shah Alam, Selangor	Freehold	Land with a building/ Telecommunications Centre	06.04.2008 (Title transferred date)	92,142 sq ft	8	63,178
23	13-1st Floor Gemilang Indah Condominium Geran Mukim 2227/M1/2/7 Lot 295, Sek 98, Bandar KL Wilayah Persektuan	Freehold	Apartment unit	26.10.2009	935 sq ft	27	111
24	H.S.(M) 26928 PT 180 Pekan Serdang Tempat Seri Kembangan Daerah Petaling, Selangor	Leasehold 90 years (expiring in 2099)	Land with a building/ Telecommunications Centre	03.03.2009	1,803 sq m	22	3,849
25	Title No PN 89925, Lot 191362 No 4, Hala Perusahaan Kledang U5 Kawasan Perusahaan Menglembu Daerah Kinta, Perak	Leasehold 90 years (expiring in 2099)	Land with a building/ Telecommunications Centre	21.09.2009	358 sq m	17	644
							161,592

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

Telecommunications Centre Under Rented Properties

1 Site No. 10341 – MSH Lot 30 SHT
Landlord: Ng Lee Lin

2 Site No. 40521 – MMG Menglembu
Landlord: Jubli Raya Sdn Bhd

3 Site No. 10251 – MKL KL Plaza
Landlord: Sinar Merdu Sdn Bhd

4 Site No. 90142 – MSB Sibu
Landlord: Lee Yau Poh

DISCLOSURE OF RECURRENT RELATED PARTY TRANSACTIONS

At the Annual General Meeting held on 12 May 2019, the Company obtained a shareholders' mandate to allow the Group to enter into recurrent related party transactions of revenue or trading nature.

In accordance with Practice Note 12 of Main Market Listing Requirements of Bursa Securities, the details of recurrent related party transactions conducted during the financial year ended 31 December 2019 pursuant to the shareholders' mandate are disclosed as follows:-

Digi Group with the following related parties	Digi and/or its subsidiary companies	Nature of transaction undertaken by/ provided to Digi and/or its subsidiaries	Sales of goods and services during the financial year (RM'000)	Purchase of goods and services during the financial year (RM'000)
Telenor Group of Companies				
Telenor Group	DTSB	Business service costs, which include consultancy, training programmes and advisory fees ("Business Service Costs")		51,803
Telenor Group	DTSB	Personnel services payable and professional fees ("Professional Service")	1,191	5,289
Telenor Group	DTSB	International Accounting Settlement. This refers to an arrangement for interconnection services on international traffic between foreign carriers	10,227	10,389
Telenor Group	DTSB	International Roaming	2,723	1,183
Telenor Group	DTSB	IP Transit (Internet Upstream)		388
Telenor Group	DTSB	Global connectivity services Telenor Business Units (BUs) in Asia and to data centers for common services		2,678
Telenor Group	DTSB	Services rendered on Enterprise Resource Planning ("ERP") and enterprise applications		7,504
Telenor Group	DTSB	License and trademarks		9,491
Telenor Group	DTSB	Managed Services		19,890
Telenor Group	DTSB	Cloud based software infrastructure services		6,112
Telenor Group	DTSB	Digital marketing and distribution platform		2,222
Telenor Group	DTSB	Business Security cost		7,154
Telenor Group	DTSB	Bandwidth leasing	5569	3977
Telenor Group	DTSB	Telecommunication and related services	289	
TOTAL			**19,999**	**128,080**

Notes:

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).

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

STATISTICS ON SHAREHOLDINGS
as at 31 March 2020

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

ANALYSIS BY SIZE OF HOLDINGS

Size of Holdings	No. of Holders	%	No. of Shares	%
1 – 99	1,073	4.288	11,995	0.00
100 – 1,000	11,458	45.799	6,374,878	0.08
1,001 – 10,000	9,791	39.135	39,106,255	0.50
10,001 – 100,000	1,887	7.542	55,352,292	0.71
100,001 – 388,749,999 (less than 5% of issued shares)	806	3.221	2,255,131,693	29.00
388,750,000 and above (5% and above of issued shares)	3	0.011	5,419,022,887	69.70
TOTAL	25,018	100.00	7,775,000,000	100.00

SUBSTANTIAL SHAREHOLDERS AS PER REGISTER OF SUBSTANTIAL SHAREHOLDERS AS AT 31 MARCH 2020

	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	1,076,087,877	13.84	–	–
6. AmanahRaya Trustees Berhad – Amanah Saham Bumiputera	592,035,200	7.61	–	–

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

STATEMENT OF DIRECTORS' SHAREHOLDINGS
as at 31 March 2020

	Number of Ordinary Shares			
The Company **Digi.Com Berhad**	**Direct Interest**	**%**	**Deemed Interest**	**%**
–	–	–	–	–

	Number of Ordinary Shares of NOK6 each			
Ultimate Holding Company **Telenor ASA**	**Direct Interest**	**%**	**Deemed Interest**	**%**
Haakon Bruaset Kjoel	17,077	0.0012	–	–
Torstein Pedersen	386	0	–	–
Lars Erik Tellmann	25,946	0.0018	–	–
Anne Karin Kvam	3,905	0.0003	–	–

	Number of Options over Ordinary Shares of NOK6 each			
Ultimate Holding Company **Telenor ASA**	**Direct Interest**	**%**	**Deemed Interest**	**%**
Haakon Bruaset Kjoel	–	–	–	–
Torstein Pedersen	–	–	–	–
Lars Erik Tellmann	–	–	–	–
Anne Karin Kvam	–	–	–	–

LIST OF THIRTY (30) LARGEST SHAREHOLDERS

as at 31 March 2020

	Name of Shareholders	No. of Shares	%
1	CITIGROUP NOMINEES (ASING) SDN BHD *TELENOR ASIA PTE LTD (DIGI)*	3,809,750,300	49.00
2	CITIGROUP NOMINEES (TEMPATAN) SDN BHD *EMPLOYEES PROVIDENT FUND BOARD*	1,017,237,387	13.08
3	AMANAHRAYA TRUSTEES BERHAD *AMANAH SAHAM BUMIPUTERA*	592,035,200	7.61
4	KUMPULAN WANG PERSARAAN (DIPERBADANKAN)	282,521,000	3.63
5	CITIGROUP NOMINEES (TEMPATAN) SDN BHD *URUSHARTA JAMAAH SDN. BHD. (1)*	112,332,500	1.44
6	AMANAHRAYA TRUSTEES BERHAD *AMANAH SAHAM BUMIPUTERA 2*	63,974,300	0.82
7	AMANAHRAYA TRUSTEES BERHAD *AMANAH SAHAM MALAYSIA 2 – WAWASAN*	62,600,000	0.81
8	HSBC NOMINEES (ASING) SDN BHD *JPMCB NA FOR VANGUARD TOTAL INTERNATIONAL STOCK INDEX FUND*	62,585,480	0.80
9	CARTABAN NOMINEES (ASING) SDN BHD *EXEMPT AN FOR STATE STREET BANK & TRUST COMPANY (WEST CLT OD67)*	60,330,600	0.78
10	LEMBAGA TABUNG HAJI	57,651,050	0.74
11	AMANAHRAYA TRUSTEES BERHAD *AMANAH SAHAM MALAYSIA 3*	56,765,800	0.73
12	CARTABAN NOMINEES (TEMPATAN) SDN BHD *PAMB FOR PRULINK EQUITY FUND*	55,475,000	0.71
13	HSBC NOMINEES (ASING) SDN BHD *JPMCB NA FOR VANGUARD EMERGING MARKETS STOCK INDEX FUND*	54,097,033	0.70
14	AHMAD SEBI BIN BAKAR	50,923,830	0.65
15	MAYBANK NOMINEES (TEMPATAN) SDN BHD *MAYBANK TRUSTEES BERHAD FOR PUBLIC ITTIKAL FUND (N14011970240)*	48,500,000	0.62
16	MAYBANK NOMINEES (TEMPATAN) SDN BHD *MAYBANK TRUSTEES BERHAD FOR PUBLIC REGULAR SAVINGS FUND (N14011940100)*	43,653,700	0.56
17	CITIGROUP NOMINEES (TEMPATAN) SDN BHD *EXEMPT AN FOR AIA BHD*	35,787,262	0.46
18	AMANAHRAYA TRUSTEES BERHAD *PUBLIC ITTIKAL SEQUEL FUND*	31,655,000	0.41

	Name of Shareholders	No. of Shares	%
19	CARTABAN NOMINEES (ASING) SDN BHD *GIC PRIVATE LIMITED FOR GOVERNMENT OF SINGAPORE (C)*	25,165,200	0.32
20	CITIGROUP NOMINEES (TEMPATAN) SDN BHD *GREAT EASTERN LIFE ASSURANCE (MALAYSIA) BERHAD (PAR 1)*	23,182,900	0.30
21	CITIGROUP NOMINEES (TEMPATAN) SDN BHD *GREAT EASTERN LIFE ASSURANCE (MALAYSIA) BERHAD (PAR 3)*	21,816,400	0.28
22	AMANAHRAYA TRUSTEES BERHAD *AMANAH SAHAM BUMIPUTERA 3 – DIDIK*	21,664,200	0.28
23	DB (MALAYSIA) NOMINEE (ASING) SDN BHD *BNYM SA/NV FOR PEOPLE'S BANK OF CHINA (SICL ASIA EM)*	20,552,300	0.26
24	MAYBANK NOMINEES (TEMPATAN) SDN BHD *MTRUSTEE BERHAD FOR PRINCIPAL DALI EQUITY GROWTH FUND (UT-CIMB-DALI) (419455)*	19,482,000	0.25
25	PERMODALAN NASIONAL BERHAD	18,561,900	0.24
26	HSBC NOMINEES (ASING) SDN BHD *J.P. MORGAN SECURITIES PLC*	16,657,899	0.21
27	CITIGROUP NOMINEES (TEMPATAN) SDN BHD *EMPLOYEES PROVIDENT FUND BOARD (AFFIN-HWG)*	16,539,600	0.21
28	HSBC NOMINEES (ASING) SDN BHD *JPMCB NA FOR MSCI EQUITY INDEX FUND B – MALAYSIA*	15,136,200	0.19
29	CITIGROUP NOMINEES (ASING) SDN BHD *EXEMPT AN FOR CITIBANK NEW YORK (NORGES BANK 1)*	14,523,700	0.19
30	HSBC NOMINEES (ASING) SDN BHD *JPMCB NA FOR BLACKROCK INSTITUTIONAL TRUST COMPANY,* *N.A. INVESTMENT FUNDS FOR EMPLOYEE BENEFIT TRUSTS*	13,187,100	0.17
	TOTAL	**6,724,344,841**	**86.49**

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Twenty-Third Annual General Meeting ("23rd AGM") of Digi.Com Berhad ("the Company") will be held on Monday, 1 June 2020 at 10.00 a.m. through a combination of:

- Majority remote participation via Tricor's website https://tiih.online
- Minimal physical participation at Yellow Arena, Digi Telecommunications Sdn Bhd, Lot 10, Jalan Delima 1/1, Subang Hi-Tech Industrial Park, 40000 Subang Jaya, Selangor, Malaysia

The 23rd AGM is held for the following purposes:

AGENDA

As Ordinary Business

1. To receive the Audited Financial Statements for the financial year ended 31 December 2019 and the Reports of the Directors and Auditors thereon. (Please refer to Note 1 of the Explanatory Notes)

2. To re-elect the following Directors who are to retire pursuant to Article 98(A) of the Company's Articles of Association and being eligible, have offered themselves for re-election:

   (i) Mr Haakon Bruaset Kjoel **Resolution 1**
   (ii) Ms Vimala A/P V.R. Menon **Resolution 2**

3. To re-elect Mr Lars Erik Tellmann as a Director who is to retire pursuant to Article 98(E) of the Company's Articles of Association and being eligible, has offered himself for re-election. **Resolution 3**

4. To approve the payment of Directors' fees of up to RM900,000 for the Independent Non-Executive Directors and benefits payable to the Directors up to an aggregate amount of RM16,000 from the date of the forthcoming Annual General Meeting ("AGM") until the next AGM of the Company. **Resolution 4**

5. To re-appoint Messrs Ernst & Young PLT as Auditors of the Company and to authorise the Directors to fix their remuneration. **Resolution 5**

As Special Business

To consider and, if deemed fit, to pass the following resolutions:-

6. **Ordinary Resolution** **Resolution 6**

   Proposed Retention of Tan Sri Saw Choo Boon as a Senior Independent Non-Executive Director (Please refer to Note 2 of the Explanatory Notes)

   "That Tan Sri Saw Choo Boon who has served the Board as a Senior Independent Non-Executive Director of the Company for a cumulative term of more than nine (9) years since 9 December 2010 be and is hereby retained as a Senior Independent Non-Executive Director of the Company until the conclusion of the next AGM in accordance with the Malaysian Code on Corporate Governance."

7. **Ordinary Resolution** **Resolution 7**

Proposed Renewal of Existing Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature, to be entered with Telenor ASA ("Telenor") and Persons Connected with Telenor ("Proposed Shareholders' Mandate")

(Please refer to Note 3 of the Explanatory Notes)

"That, subject to the provisions of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, approval be and is hereby given to the Company and its subsidiaries to enter into recurrent related party transactions of a revenue or trading nature with Telenor and persons connected with Telenor as specified in Section 2.3 of the Circular to Shareholders dated 28 April 2020, which are necessary for the day-to-day operations and/or in the ordinary course of business of the Company and its subsidiaries on terms not more favourable to the related parties than those generally available to the public and are not detrimental to the minority shareholders of the Company and that such approval shall continue to be in force until:

(i) the conclusion of the next AGM of the Company following the forthcoming AGM at which the Proposed Shareholders' Mandate shall be passed, at which time it will lapse, unless by a resolution passed at a general meeting, the authority conferred by this resolution is renewed;

(ii) the expiration of the period within which the next AGM of the Company is required to be held pursuant to Section 340(2) of the Companies Act 2016 (but shall not extend to such extension as may be allowed pursuant to Section 340(4) of the Companies Act 2016); or

(iii) revoked or varied by resolution passed by the shareholders at a general meeting,

whichever is earlier.

And that the Directors of the Company be and are hereby authorised to complete and do all such acts and things (including executing all such documents as may be required) as they may consider expedient or necessary to give effect to the Proposed Shareholders' Mandate."

As Other Business

8. To transact any other business of which due notice has been given in accordance with the Companies Act 2016 and the Company's Articles of Association.

By Order of the Board

CHOO MUN LAI (MAICSA 7039980)
TAI YIT CHAN (MAICSA 7009143)
Company Secretaries

Selangor Darul Ehsan
28 April 2020

NOTICE OF ANNUAL GENERAL MEETING

(A) NOTES

(i) Due to the ongoing Movement Control Order effective since 18 March 2020, there may be some delay in the delivery of the hardcopies of the Company's Integrated Annual Report 2019, as requested by the Shareholders. The hardcopies will be delivered once they are made available to the Company.

(ii) In respect of deposited securities, only Shareholders whose names appear on the Record of Depositors on 20 May 2020 (General Meeting Record of Depositors) shall be eligible to attend, participate, speak and/or vote at the meeting.

(iii) Shareholders and representative of Corporate Shareholders who are not able to attend the meeting in person at the meeting venue may opt to participate and vote remotely at the meeting via the facility which is available on Tricor's TIIH Online website at https://tiih.online. For further information on the remote participation, kindly refer to the annexure of the Administrative Details.

(iv) A shareholder entitled to attend, participate, speak and vote at the AGM is entitled to appoint not more than two (2) proxies to attend, participate, speak and vote on his/her behalf. Where a Shareholder appoints more than one (1) proxy, the appointment shall not be valid unless he specifies the proportions of his/her shareholdings to be represented by each proxy.

(v) A proxy or attorney need not be a Shareholder of the Company. There shall be no restriction as to the qualification of the proxy. A proxy appointed to attend and vote at the meeting shall have the same rights as the Shareholder to speak at the Meeting.

(vi) Where a Shareholder of the Company is an Exempt Authorised Nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account (omnibus account) as defined under the Securities Industry (Central Depositories) Act 1991, there shall be no limit to the number of proxies which the Exempt Authorised Nominee may appoint in respect of each omnibus account it holds.

(vii) The instrument appointing a proxy shall be in writing under the hand of the appointer or his attorney duly authorised in writing, and in the case of a corporation, either under its common seal or under the hand of an officer or attorney duly authorised.

(viii) The instrument appointing a proxy together with the power of attorney (if any) or a certified copy thereof must be deposited at the Company's Share Registrar Office, Tricor Investor & Issuing House Services Sdn Bhd at Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia or alternatively, Tricor's Customer Service Centre, Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia at least forty-eight (48) hours before the time appointed for the holding of the meeting or adjourned meeting, otherwise the instrument of proxy should not be treated as valid. You can also have the option to submit the proxy appointment electronically via TIIH Online at website: https://tiih.online before the proxy form submission cut-off time as mentioned in the above. For further information on the electronic submission of proxy form, kindly refer to the annexure of the Administrative Details.

(ix) Any Notice of Termination of Authority to act as Proxy must be received by the Company before the commencement of the meeting or at any adjournment thereof, failing which, the termination of the authority of a person to act as proxy will not affect the following in accordance with Section 338 of the Companies Act 2016:-

(a) the constitution of the quorum at such meeting;
(b) the validity of anything he did as chairman of such meeting;
(c) the validity of a poll demanded by him at such meeting; or
(d) the validity of the vote exercised by him at such meeting.

(x) Pursuant to Paragraph 8.29A of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, all the resolutions set out in the Notice of AGM will put to vote by way of poll. Poll Administrator and Independent Scrutineers will be appointed to conduct the polling process and verify the results of the poll respectively.

(B) EXPLANATORY NOTES

1. Audited Financial Statements for the financial year ended 31 December 2019

The Audited Financial Statements under Item 1 of the Agenda are laid in accordance with Section 340(1)(a) the Companies Act 2016 for discussion only. They do not require shareholders' approval and hence, this agenda item will **not be put forward for voting**.

2. Ordinary Resolution 6 – Proposed Retention of Tan Sri Saw Choo Boon as a Senior Independent Non-Executive Director

The Board of Directors had on 9 March 2020 via the Nomination Committee conducted an annual performance evaluation and assessment of Tan Sri Saw Choo Boon, who has served the Board as a Senior Independent Non-Executive Director for a cumulative term of more than nine (9) years, and recommended him to continue in office as a Senior Independent Non-Executive Director of the Company based on the following justifications:-

(a) He fulfilled the criteria under the definition of Independent Director as stated in the Main Market Listing Requirements;
(b) His experience enables him to provide the Board with a diverse set of experience, expertise, skills and competence. His good understanding of the industry and Company's business operations enable him to participate actively and contribute effectively during deliberations for robust discussion at the Audit and Risk Committee, Nomination Committee and Board Meetings without compromising his independence and objective judgement;
(c) He demonstrated high commitment and devoted sufficient time to his responsibilities as Senior Independent Non-Executive Director of the Company; and
(d) Sufficient time is required by the Company to find a suitable successor for Tan Sri Saw Choo Boon as an Independent Director, who is also a member of Audit and Risk Committee, to ensure an orderly succession plan.

The Board upon the recommendation from the Nomination Committee of the Company, therefore, considers Tan Sri Saw Choo Boon to be independent and recommends him to be remained as a Senior Independent Non-Executive Director until the conclusion of the next AGM subject to the approval from the shareholders of the Company pursuant to Practice 4.2 of the Malaysian Code on Corporate Governance 2017.

3. Ordinary Resolution 7 – Proposed Shareholders' Mandate

Ordinary Resolution 7 proposed under Item 7 of the Agenda on the shareholders' mandate, if passed, will allow the Company and its subsidiaries (Group) to enter into recurrent related party transactions, in accordance with paragraph 10.09 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, without the necessity to convene separate general meetings from time to time to seek shareholders' approval as and when such recurrent related party transactions occur. This would reduce substantial administrative time and expenses associated with the convening of such meetings without compromising the corporate objectives of the Group or affecting the business opportunities available to the Group. The shareholders' mandate is subject to renewal on an annual basis.

Personal data privacy

*By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, participate, speak and vote at the AGM and/or any adjournment thereof, a Shareholder of the Company (i) consents to the collection, use and disclosure of the Shareholder's personal data by the Company (or its agents) for the purpose of processing and administration by the Company (or its agents) of proxies and representatives appointed for the AGM (including any adjournment thereof), and the preparation and compilation of the attendance lists, minutes and other documents relating to the AGM (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "**Purposes**"), (ii) warrants that where the Shareholder discloses the personal data of the Shareholder's proxy(ies) and/or representative(s) to the Company (or its agents), the Shareholder has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the Shareholder will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the Shareholder's breach of warranty.*

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FORM OF PROXY

DIGI.COM BERHAD
Registration No. 199701009694 (425190-X)
(Incorporated in Malaysia)

I/We ____
(Name in full)

NRIC No./Company No. *(New and Old NRIC No.)* ____________________ CDS Account No. ____________

of ____
(Address)

and telephone no./email address ____________________ being a shareholder/shareholders of DIGI.COM BERHAD

("the Company"), hereby appoint ____
(Name in full)

NRIC No. *(New and Old NRIC No.)* ____________________ of ____________________

____
(Address)

or failing him/her ____
(Name in full)

NRIC No. *(New and Old NRIC No.)* ____________________ of ____________________
(Address)

____

or failing him/her, the **Chair of the Meeting* as my/our proxy to vote for me/us on my/our behalf at the Twenty-Third Annual General Meeting ("AGM") of the Company will be held on Monday, 1 June 2020 at 10.00 a.m. or any adjournment thereof, through a combination of:

- Majority remote participation via Tricor's website https://tiih.online
- Minimal physical participation at Yellow Arena, Digi Telecommunications Sdn Bhd, Lot 10, Jalan Delima 1/1, Subang Hi-Tech Industrial Park, 40000 Subang Jaya, Selangor, Malaysia

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

*Please delete the words 'Chair of the Meeting' if you wish to appoint some other person to be your proxy.

Item No.	Agenda	Resolution	For	Against
1.	To receive the Audited Financial Statements for the financial year ended 31 December 2019 and the Reports of the Directors and Auditors thereon.			
		Resolution	**For**	**Against**
2.	(a) To re-elect Mr Haakon Bruaset Kjoel as Director who is to retire pursuant to Article 98(A) of the Company's Articles of Association.	1		
	(b) To re-elect Ms Vimala A/P V.R. Menon as Director who is to retire pursuant to Article 98(A) of the Company's Articles of Association.	2		
3.	To re-elect Mr Lars Erik Tellmann as a Director who is to retire pursuant to Article 98(E) of the Company's Articles of Association.	3		
4.	To approve the payment of Directors' fees and benefits payable to the Independent Directors.	4		
5.	To re-appoint Messrs Ernst & Young PLT as Auditors of the Company and to authorise the Directors to fix their remuneration.	5		
Special Business				
6.	**Ordinary Resolution:** Proposed Retention of Tan Sri Saw Choo Boon as a Senior Independent Non-Executive Director.	6		
7.	**Ordinary Resolution:** Proposed Renewal of Existing Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature, to be entered with Telenor ASA and Persons Connected with Telenor.	7		

For appointment of two (2) proxies, percentage of shareholdings to be represented by the proxies:

	No. of Shares	Percentage
Proxy 1		%
Proxy 2		%
Total		100%

No. of Shares	

____
Signature of Shareholder(s) or Common Seal

Signed this ____________ day of ____________, 2020.

Tel. No. ____________

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Please fold here to seal

Affix
Stamp
Here

Share Registrars
TRICOR INVESTOR & ISSUING HOUSE SERVICES SDN BHD
Unit 32-01, Level 32, Tower A
Vertical Business Suite, Avenue 3, Bangsar South
No. 8, Jalan Kerinchi
59200 Kuala Lumpur
Malaysia

Please fold here to seal

part of telenor group

Digi.Com Berhad
Reg. No. 199701009694 (425190-X)

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Subang Hi-Tech Industrial Park,
40000 Subang Jaya,
Selangor, Malaysia
Email: Investor_Relations@digi.com.my

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