

Inspiring Your Digital Life

Annual Report 2016



LET'S INSPIRE

Every year, we connect more and more people, and now serve **12.3 million** mobile customers who are increasingly digital savvy.

As your digital life partner, our commitment is to innovate services to meet your needs now and for the future. We listen to you to ensure you have the best experience on our consistent 4G+ network, and the freedom to do everything you want, anytime, anywhere on your mobile.

Our focus on transforming our business is so we continue being a high-quality digital provider for you. And this makes us well-positioned for continued growth.



Welcome to the Digi Augmented Reality App

Enjoy the interactive content in **6 easy steps:**



Search for the Digi AR (Augmented Reality) App on the Apple App Store or Google Play Store with your smart device



Click the app and install (Please check your device compatibility before installing)



Once installed, launch the Digi AR App



Click the start button from the Digi AR App to launch the AR scanner



Look for the 'AR Icon' in the Annual Report and scan it with the AR scanner to enjoy the interactive AR content



You may click on the interactive button to explore additional content

Welcome to our 2016 Annual Report

20th Annual General Meeting

Nexus Ballroom 2 & 3,
Connexion @ Nexus, No. 7,
Jalan Kerinchi, Bangsar South City,
59200 Kuala Lumpur, Malaysia

Tuesday, 9 May 2017 at 10.00 a.m.

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2016 At A Glance

Inspiring our customers' digital lifestyles by innovating across every area of our business, built on strong foundations in being a responsible, people-oriented company



RM6.23 billion
Service Revenue

45%
EBITDA Margin

RM1.67 billion
Normalised
Profit After Tax



RM1.63 billion
Dividend Payout



12.3 million
Customers

8.1 million
Internet customers

3 - 4GB
average monthly data usage
by customers



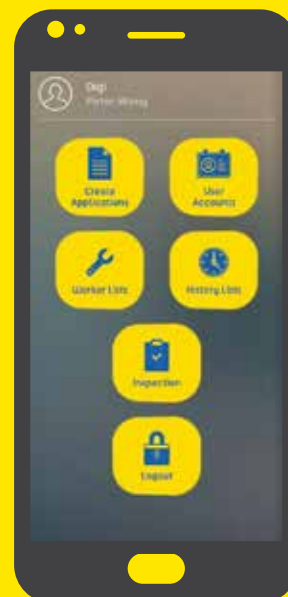
12.00 p.m.
power down electricity for an hour
at lunch time to conserve energy



Smart Meeting Rooms
powered by sensor to conserve
energy when empty



More than
6 million
customer interactions
on our social media
channels daily



DIGITISING SAFETY

Digi's Permit To Work is Malaysia's first location-based app to strengthen HSE governance at sites



1.5 million active users on MyDigi App



Rated **Best Local App** on



10% bill payments now on MyDigi



More than **10 million** visits per month to digi.com.my

close to **130,000** Malaysians engaged through Empower Societies programmes



100% digital and paperless experience in new retail stores



More than **1.6 million** visits to Digi Stores nationwide

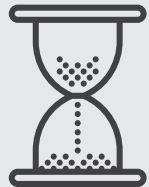


86% dealerships powered by Mobile Sales App



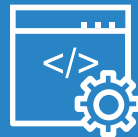
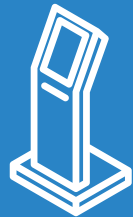
eQMS virtual queue system gives customers more freedom

more than **15,000** retail touchpoints nationwide



Registering new lines as fast as **20 seconds**

42 self-service kiosks enabling SIM replacements



180 participated in employee innovation programmes

founded **2 startups** to build new digital ventures

76% Employee Engagement Scores

More than **2,000** happy employees nationwide



40% women leaders



43% women at Board

Chairman's Statement



Morten Karlsen Sorby

Chairman

Dear Shareholders,

Across the globe, telecommunications companies are reinventing themselves to adapt to the fast growing digital world. And as responsible, forward-looking leaders in these disruptive times, we too, consistently ask ourselves the all-important question: whether we are the company we need to be to succeed in the future.

We have confidently responded with a well-defined strategy we believe will create new sources of growth as we continue to deliver the fundamentals on which our business is built on. Similar to the many key inflection points in our history, our clear future-forward actions have positioned Digi well to compete, grow and outpace this new data-centric digital world, and keep us ahead of our industry.

Steady performance delivering valuable shareholder returns

Our 2016 results bear this out in an increasingly competitive and tough market environment, where traditional revenue streams are threatened, beset further by global economic challenges. Taking stock of the good, durable progress we have made within this climate, the Board of Directors are pleased to share that Digi has recorded steady financial and operational performance for the year with an advanced data network that now serves 8.1 million internet customers. This, from a broader 12.3 million customers enjoying our wide portfolio of market-leading, mobile connectivity and data services. We are surely making positive strides in our ambition to become Malaysians' preferred digital partner in their everyday lives.

Our balance sheet remains robust with solid financial capability and flexibility to fund our investments and operational commitments. And as a result of our strong financial framework, I am pleased to share that Digi's shareholders were rewarded a net dividend of 20.9 sen per share equivalent to RM1.63 billion for the year. The 100% dividend payout ratio exceeds the company's dividend policy of distributing a minimum 80% of our net profits. These results show that we remain consistent in delivering our long-term shareholder value commitment, a policy that will continue to have the highest attention of the Board.

Chairman's Statement

Our ability to perform and hold to our remuneration policies have not gone unnoticed, having received recognition from the broader corporate community. In particular, from The Edge Billion Ringgit Club Awards 2016 for having the highest return on equity over three years among companies with an overall market capitalisation of RM10 billion and also being recognised in our Trading and Services sector. Our steadfast commitment to good corporate governance has also received acknowledgements in Asia's Best Managed Companies 2016 awards by FinanceAsia, and the MALAYSIA-ASEAN Corporate Governance Transparency Index, Findings and Recognition 2016 by the Minority Shareholder Watchdog Group. This is an excellent testament to the practices, policies and strategy we have in place to succeed in this new and rapidly changing time.

Taking a bolder position in our digital reality

We live in a world of unprecedented constant technological disruption, where the scope and reach of digitisation is altering every aspect of our lives. Asia as a region is expected to add around 1.6 billion smartphone connections by 2020, over half of total connections globally; a trend that indicates the sheer amount of data traffic and information that will be shared over our networks. And this is only the beginning. We will see mainstreaming of more objects connecting to the internet, spelling out exponential growth for the Internet of Things, new technologies such as augmented reality, virtual reality, and robotics emerge, to name a few, as well as the advent of 5G in the next decade, that will dramatically transform our customers' digital experiences, and change existing business models.

For all these reasons, we are excited about our future as connectivity will be the enabler and the centre of all this disruption. And we have a clear strategy built around Telenor's ambition to be our customers' favourite digital life partner, to take a bold, leadership position in the industry to facilitate and capture the opportunities offered by this digital revolution. Being a part of the Telenor Group, one of the world's major mobile operators shaping digital globally, is a significant advantage for Digi. Leveraging the shared experience, scale, and transfer of innovation within the 13 markets in the Telenor network means our customers assuredly stand to benefit from the innovations we quickly bring to Malaysia, in addition to those we innovate ourselves.

Maintaining a responsible, transparent and trustworthy business

While we have set ambitious goals to succeed, we recognise that our success lies not only in our ability to provide services that are valuable to our customers but also with the high ethical standards we uphold for the way we conduct our business. This relationship

of trust is even more essential in our digital world. And we have sharpened our strategy to further emphasise the need to maintain a culture that safeguards the responsible and sustainable business practices we are known for, built on a solid foundation of strong moral values and a deep sense of integrity.

This underscores our determination to be a trusted company, delivering services to our customers that guarantee their safety and privacy, creating an inclusive, dynamic workplace for our people, building trust with our stakeholders across our entire value chain, digitally empower communities and respectfully manage our impact on the environment to create a better future for all Malaysians. The details of our responsible leadership efforts and commitment to set the standard for excellence in our industry are summarised in the Sustainability section of this Annual Report. A full disclosure of these initiatives is also laid out in Digi's 2016 Sustainability Report online at www.digi.com.my/sustainability.

Delivering future growth together

Considering all we have accomplished in 2016, it is safe to say that we are at an excellent point from which to continue our journey forward. The motivations that set us on this path remain the same, that we adapt our business to meet our customers' evolving needs. We intend to deliver on this, and the goals we have set for ourselves to contribute meaningfully to our growth in the coming years. I am confident that our success will be achieved through the concerted effort and collective energy from everyone who is a part of this inspiring organisation.

On behalf of the Board, I would like to thank our management team and Digizens for their commitment to and courage throughout our digital transformation, undoubtedly a very exciting period of our history.

Our appreciation also extends to the government of Malaysia, Ministry of Communications and Multimedia (KKMM), Malaysia Communications and Multimedia Commission (SKMM), various other agencies and our partner ecosystem who share in our steadfastness to realise Malaysia's digital future, and expand the widespread benefits of digitisation for every part of society, every industry and everyone.

Before concluding, I would like to thank you, our shareholders, personally and on behalf of the Board of Directors for all the support and trust you have placed in Digi to succeed. I look forward to sharing more of our strategy with you at our Annual General Meeting in May.

Morten Karlsen Sorby
Chairman

Making Digital Beneficial for Everyone

For our Customers

Delivering the most consistent

4G+ network experience



We have invested **RM780mil** capex in our advanced data network

Widest LTE-A network **41%** footprint



Solid **85%** 4G LTE coverage



We serve **580,000** more internet users than before

#1 Network Latency



Inspiring digital services

Across music, video, games, cloud and sharing.



Capture



My Contacts



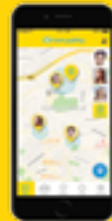
Visual Voice Mail



Our customers online **privacy and safety** remains a priority

Our security systems are **ISO 27000 Information Security Management Systems certified** to ensure robustness of our processes

Digi Family Safety App to safeguard families



Give customers **full control** by digitising the customer journey



All-new MyDigi App



Mobile Sales App



Digital Retail Store

For our Investors



100% dividend payout

20.9 sen per share

5-year total shareholder returns **+57.3%**



Malaysian shareholdings at 41.1%

(2015: 40.9%)

steady foreign shareholding at 9.9%

(2015: 10.1%)

Telenor ASA **49%**



#1 Most Committed to Corporate Governance

Asia's Best Managed Companies by FinanceAsia

Brand Finance's **Top 100 Malaysia Brands 2016**



Top 100 Companies for Overall CG & Performance



MALAYSIA-ASEAN Corporate Governance Transparency Index, Findings and Recognition 2016

Making Digital Beneficial for Everyone

For our Employees

Invested close to **RM4 million** in people development



29,000 total hours of learning



close to 100 employees underdoing a Udacity nanodegree

Introduced new digital learning platforms



Building a strong talent pipeline

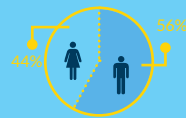


Mentoring 8 CXO Apprentices to accelerate early leadership development



Hired **121** interns

Belief in an inclusive workplace



- 12 nationalities
- 20-62 age range
- 56% men | 44% women



Best Malaysian Organisation by TalentCorp Malaysia

Employee Innovation



Platforms for generating new ideas and improving customer experiences



Digitised workplace



Building a mobile first culture with employee interactions on digital

- HR services
- Communications
- Mobile payments
- ... and more

For our Society and Environment

Empowering digital communities

Equipping communities with internet access, skills, and online safety habits



- ACCA Malaysia Sustainability Reporting Awards (MaSRA) 2016
- FTSE4Good Emerging Markets Index 2016
- FTSE4Good Bursa Malaysia Index 2016
- Channel NewsAsia Sustainability Ranking 2016



Acknowledged for **Sustainability leadership**

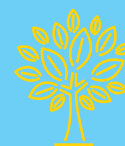
Supported Malaysian entrepreneurship



Pioneered HSE industry collaboration



to standardise health & safety practices



Impact on **Environment** 2013-2016

- < 1% growth in CO2 emissions per customer vs 11.8% increase in customers
- Average 1.25% growth per KWh per customer

CEO's Statement

Dear Shareholders,

Over the past year, we have been laying the foundation to capture growth potential of the digital ecosystem, reshaping our business and taking the necessary digital leaps to innovate and evolve around what our customers increasingly want.

Before I share the highlights of this transformational year, I would like to take the opportunity to thank all our customers for their confidence in Digi as their preferred digital partner. Their openness and trust inspires us to continue building out our digital strategy and make ongoing improvements across all areas of Digi to deliver on their growing mobile connectivity and digital needs.



Albern Murty

Chief Executive Officer



CEO's Statement

Accelerating innovation to inspire our customers' digital lives

In light of the explosion in data usage and emergence of multiple technologies all converging on the smartphone, we have stepped up to the challenge of positioning Digi as an innovator, not merely to keep up with trends but as a competitive advantage to stay ahead of this new wave of digital disruption.

Our strategy for continued growth and profitability is clear: deliver great internet services over our advanced data network, drive opportunities in digital services and applications, and develop new business models in platforms such as music, video and the Internet of Things (IoT). We delivered on these in 2016 by focusing on what is essential to our customers to bring them an incomparable, high-quality experience with us.

We listened carefully and delivered flexible data plans, and innovative internet features to woo customers with highly data-centric lifestyles, who want more music and video streaming, gaming, cloud and sharing services on-the-go. Our customers' growing confidence in our digital offerings is seeing their usage patterns averaging 3GB a month on our network.

We are also enabling our enterprise customers' digitisation journey, becoming a trusted partner in providing them more than just connectivity services.

We reinvented the customer relationship journey, bringing an experience that is continually improved at every interaction point with us, whether digital or physical. Our all-new self-care MyDigi app today empowers 1.5 million customers with full control of their accounts anytime, anywhere, and this feature-rich platform will be a key point of interaction with customers moving forward. Social media is also a popular point of customer interaction with us, and where we continue to build our customer care capabilities and experience.

Our in-store experiences have also improved tremendously, digitising frontline engagements with our Mobile Sales App (MSA), which completes new line registrations as fast as 20 seconds. And we are ready to roll out a new digital retail store, a completely paperless digital playground for customers this year.

We have also begun pursuing promising new areas such as IoT, connected cars and mobile financial services to enable a steady stream of innovative services for our customers, now and in the future. I believe these ventures will also contribute to new and more equitable business models for us in the long-term.

These innovations are delivered with an enriched connectivity experience on our consistent 4G+ nationwide network. Here, we have remained steadfast in investing to reinforce the quality, performance and future capacity of our network. In 2016, we accelerated the expansion of Malaysia's widest LTE-A network now covering 41% of the population, added to a solid 85% 4G LTE footprint, supported by 7,600km of fibre network. Our consistent, stable network today connects 8.1 million mobile internet customers of which 4.2 million are LTE subscribers.

Our leadership in network technologies has enabled us to introduce new innovations such as Voice over LTE (VoLTE), enabling HD quality audio experience, faster call connections and simultaneous use of data for our customers. This year, we intend to further enhance our seamless connectivity experience with Voice over WiFi (VoWiFi) services. More importantly, when we deploy services on our recently acquired 900Mhz spectrum, a key addition to our spectrum portfolio, it will provide stronger indoor service, wider coverage and better network capacity for the benefit our customers.

Our people have been essential to the innovation process. We have built an inclusive, fast, adaptive mobile-first culture to support them through our digital transformation, and to fully understand why creating engaging digital experiences for our customers is critical to our success and makes perfect sense in building a long-term future for ourselves. This is reflected in all areas of our Digizens' every day experience in Digi, from the time they tap into work, use mobile money to pay for meals, learn on-the-go, engage HR services on their mobiles, to ideating and innovating on processes, products and services like never before. Here's an empowered digital workforce having the freedom to innovate every day, and I am truly proud of this.

A more comprehensive assessment of these activities is available in the following Strategy and Performance Review section of this Annual Report.

Delivering digital for the benefit of all

We have also come together around a simple, powerful purpose: to deliver the promise of a digital world for all. While we deliver on this promise every day to our millions of customers, we are equally and deeply committed to empower more segments of society to benefit from digitisation. The aim is to create a more sustainable future for everyone, centered on connectivity. In 2016, we committed our resources to extend our impact in this area through our six Empower Societies community programmes.

CEO's Statement

In particular, we introduced our Wanita Era Digital programme earlier in the year in efforts to bridge the digital gender gap by equipping women with basic internet and e-commerce skills. There is an opportunity here to impact 6 million unconnected women to benefit from the freedom to connect not only as an internet consumer but an active participant in the digital economy. And contributing to Malaysia's digital growth, we have also actively worked to develop the next generation of innovators and local content creation through our flagship incubator and accelerator efforts, Digi Incub8 and Digi Accelerate, as well as our social enterprise innovation programme, Digi Challenge for Change.

As important is our continued work to safeguard the digital lives of our children, innovating new ways to build greater digital resilience and responsible use of the internet with our Digi CyberSAFE programme. Our approach in 2016 focused on building a strong peer-to-peer cybersafe network, with the understanding that children are more likely to heed their friends' advice instead of adults. This was aided by relevant projects that generated interest among our youths, in the form of video challenges, youth camps, and more, supported further by practical content on the topic made available online. More on this and details of our Empower Societies initiatives are available in the Sustainability section of this report, and in our online 2016 Sustainability Report at www.digi.com.my/sustainability.

Staying resilient in the face of change

In delivering our customer, innovation and empower societies agenda, we have kept close attention to the fundamentals of our business. This has been a strong year of execution for Digi, where our entire organisation has been unrelenting with their operational discipline and in efficiently delivering high-quality network and customer experiences across the board. I am pleased to report that the result is a year of steady performance with service revenues totaling RM6.23 billion, over a solid 12.3 customer base. This cements Digi's position as the second largest operator in terms of revenue market share, and our subscriber market leadership.

Cash flows from operating activities in 2016 totaled RM2.18 billion, registering a 4.6% growth. EBITDA margins increased 1.7 percentage points to 45 percent over the year, bearing testimony to our diligent attention to improve the efficiency of our operating model and our emphasis on freeing up resources to move our business forward. Our performance is evidence of our overall digitisation efforts, focus on excellent execution and our financial strength.

Well positioned to win in a digital world

We expect to see digital technologies continue to disrupt the market and business models in 2017. We are ready, and we have the agility, reach and infrastructure to respond to these changes quickly. Entering into the next phase of our ongoing digital transformation, we are shifting our focus from building the solid foundation of digital capabilities needed for the future, to delivering on the opportunities that are provided by that foundation. And I am confident we will succeed, because we have been brave to willingly disrupt our business and the industry, rather than wait to be disrupted.

I am grateful to our leadership team and our Board for their tenacity and guidance through this new and exciting time. And to our employees who embody our Let's Inspire credo, I thank each of them for their dedication to our customers, and willingness to embrace and lead change as we reshape our company for the future. Together, we have done well in maintaining a strong core business, bringing new products and technologies to market, remained financially sound, and stayed true to our DNA to deliver a steady 2016.

To our customers and our shareholders, we are committed to continue delivering value for you as we move forward in our journey to become your trusted, inspiring digital life partner.

Albern Murty
Chief Executive Officer

A lifestyle-changing app

With the all-new MyDigi app, you can now pay bills, reload and top up your Internet virtually anytime, anywhere. You even get rewards and app-exclusive deals every day!



LET'S INSPIRE



Download Now
Get Rewarded



Terms and Conditions apply. Digi Telecommunications Sdn. Bhd. (201283-M)

Strategy and Performance Review

+10.2%
**POSTPAID
 REVENUE**
 2.1 million
 postpaid
 subscribers

RM6.23
**BILLION SERVICE
 REVENUE**
 12.3 million
 subscribers

45%
EBITDA MARGIN
 +1.7pp stronger
 than a year ago

**INDUSTRY-
 LEADING 4G+
 NETWORK**
 41% LTE-A
 85% 4G LTE
 population coverage

**EFFICIENT
 CAPEX**
 RM780 million

**900Mhz
 AND
 1800Mhz**
 spectrum access
 for 15 years

**DIGITISATION
 OF CORE
 BUSINESS**
 >1.5 million active
 users on MyDigi

**HEALTHY
 DIVIDENDS**
 above 4% dividend yield*
 or 20.9 sen

**WINNING
 TEAM**
 Best Malaysian
 Organisation

* Dividend yield derived on 12 months rolling basis in 2016

Strategy and Performance Review

Digi is a part of Telenor Group, a leading telecommunications provider shaping digital globally. Our innovative mobile connectivity and digital services benefit over 12.3 million Malaysians in 2016; making us the largest operator in terms of subscriber market share in Malaysia and the second largest in terms of service revenue. Among our total subscriber base, 64.7% are smartphone users and 65.8% are active internet users.

We aspire to transform into an increasingly digital company with a broader set of engaging products and services to inspire more Malaysians towards a digital future, yet being deeply rooted in highly efficient mobile telecommunication operations. We take our role as a digital enabler seriously, impacting millions in the way they live, work, play and everything in between.

Our approach to delivering the best customer experience, efficient cost management and investing for growth is central to what we do. We have a strong combination of people, technology, networks and other physical assets that set us apart from our competitors. Our innovation culture is crucial to us – and to the wider society. We have pioneered innovations in Malaysia’s telecommunication arena, advancing our technologies, and establishing new ways of working to benefit our customers. Importantly, we have the financial strength to invest in these areas to stay ahead of competition.

The Malaysian mobile telecommunications market is extremely dynamic and very competitive. There are risks and also exciting growth opportunities within this industry. Our Enterprise Risk Management framework (see page 70) helps us identify and mitigate the challenges and risks we face. Every year, we undertake a materiality review to understand the societal and environmental issues that are important to our stakeholders. We have a flexible and sustainable business model, enabling us to anticipate and respond to changes in our markets. This model underpins our

assessment of Digi’s future prospects and business viability (see pages 36 to 44).

We see increasing demand for our products and services because they play an integral role in our customers’ digital life. We leverage analytics and in-depth customer insights to make sure we stay in tune with market developments and customer expectations. And we use governance committees, such as the Investment Committee, Commercial Forum and various digital innovation platforms to make sure we are making the right investments and go-to-market products and services to deliver value over the short, medium and long-term.

Our Strategy

Becoming our customers’ favourite partner in their digital lives is important for our future value creation and growth. Mobile is expected to be the primary channel of accessibility for almost everything in our customers’ lives, and we are deeply committed to creating value in our business by developing and providing engaging products and services that satisfy our customers’ digital needs. We will deploy scalable and commercial models for digital services opportunities while leveraging digital tools, technologies and ways of work to operate in the most cost efficient manner.

We are relentless in our drive to deliver the most stable and expansive 4G+ network (4G LTE and LTE-A) in Malaysia to ensure our growing customer base enjoys quality, consistent high-speed internet on Digi’s network anywhere across the country. This has resulted in the robust growth in data consumption across our postpaid and prepaid customers, contributing to Digi’s resilient financial performance, stronger EBITDA margin and healthy shareholders’ returns. Consequently, this provides Digi the necessary flexibility and capability to invest for future data and digital growth opportunities to continue creating value for our stakeholders.



Strategy and Performance Review

Customers' Favourite Partner

Internet-loving Malaysians spend a considerable amount of time on digital products and services daily to stay connected on their social networks, and frequently enjoying real-time music and video entertainment online. This change in consumer behaviour is an opportunity for growth, but is also a challenge as increased connectivity changes the social and safety landscape of digital living. Recognising this new wave of rapid digital adoption and usage among Malaysians, we have geared our business priorities, investments and innovations to become our customers' favourite partner at every stage of their digital journey.

Industry-Leading 4G+ Network

In 2016, we accelerated the nationwide expansion of our industry-leading 4G+ network to serve more of Malaysia's 32 million population. Our LTE-A network footprint, now the widest in Malaysia, grew from 29% to 41% of the population, covering a total of 61 towns nationwide while our 4G LTE network extended significantly from 65% to 85% population coverage, serving 275 towns. This is supported by our widespread fiber network that registered a solid 1,200km build out within the year, bringing our fiber network to 7,600km.



Our strategic investment in our 4G+ network has been instrumental in fuelling adoption of our LTE services. We saw a sharp 81% growth of LTE subscribers to 4.2 million in the year, and an additional 586,000 new internet subscribers bringing our base of active internet customers to 8.1 million.

Two out of every three new internet subscribers are from our postpaid base. This growing confidence in our network has seen a significant growth in our customers' data usage, with monthly average usage surging by 0.9 times for prepaid and 1.4 times for postpaid compared to last year.

As part of our commitment to 4G innovation, we introduced voice over LTE (VoLTE) services in the year for our customers to enjoy better call experiences through high-definition quality audio, faster call connections and simultaneous use of data.

During the year, the Malaysian Communications and Multimedia Commission (SKMM) assigned 2 x 5Mhz of 900Mhz and 2 x 20Mhz of 1800Mhz spectrum bands to Digi for a tenure of 15 years, for an upfront fee of RM598.5 million and annual fee of RM51.5 million with full implementation starting 1 July 2017. The spectrum allocation process and pricing on 900Mhz and 1800Mhz spectrum bands have been fair and reasonable to enable operators to optimise network planning, deployment and quality coverage for our customers.

In addition to the 4G+ network deployment, we commenced work on network readiness for the new spectrum assignment. Our strategic access to the new 900MHz spectrum portfolio will allow Digi to provide improved indoor coverage and quality service experience for our customers, and bridge the spectrum portfolio gap between industry players for a more level playing field to deliver affordable and quality internet services to more Malaysians.

Engaging Digital Products and Services

With a solid 4G+ network nationwide, we continued to strengthen our internet positioning in prepaid with our Digi Prepaid LiVE and Digi Prepaid Best plans. Our prepaid products draw strong appeal among young, entertainment-oriented customers who choose Digi to enjoy worry-free digital services and the best video and music streaming experience on our robust 4G+ network.

As part of a tactical campaign to drive internet adoption among prepaid subscribers, we offered competitive data quotas on our monthly internet passes, and innovative digital services passes such as the unlimited SD video streaming for RM1 per day. Positive uptake of these new prepaid plans, in particular Digi Prepaid LiVE and internet passes, spurred stronger growth in prepaid internet adoption and data usage on our network. However, the adverse impact from aggressive IDD pricing, intense competition and weaker consumer sentiment counterbalanced this favourable development. Nonetheless, we have taken bold steps to stabilise our prepaid base with more sustainable earnings prospects, and focused on the opportunities arising from prepaid to postpaid conversions.

On the postpaid front, we intensified our focus on driving growth with our new, simplified postpaid plans. Our customers have shown genuine interest in the innovative features we have delivered in our postpaid products, including our unique weekend internet propositions to border roaming flexibility. This has fueled solid acquisition momentum in this segment and a record high postpaid revenue growth for the year.

Strategy and Performance Review

Over and above our core product offerings, we augmented our home broadband plans with enticing non-stop entertainment proposition to maximise the capabilities of our 4G+ network. This strategically positioned Digi as the choice provider for entertainment, empowering customers with the flexibility of enjoying consistent high-speed internet at home and on-the-go.

Digitisation of Core Business

In the year, we focused on building a solid foundation of digital capabilities needed for our future, innovating around what our digital-first customers' want to consume and how they want to engage with us. One of our key enablers in this respect is our MyDigi app, an intuitive and efficient self-serve digital channel that puts customers in full control of their accounts. It enables basic and frequently used functions such as account balance status reports, bill payments, reloads, add-on subscriptions and rewards - all at our customers' fingertips. We have received positive response from our customers on the app, of which more than 1.5 million now actively use, a number that is growing by the day. MyDigi will serve as a key point of interaction with customers moving forward, and will see a rich feature upgrade in 2017 to better serve our growing user base.

Another key milestone in revolutionising and digitising our core mobile operations was the deployment of our Mobile Sales App (MSA). A mobile solution that now empowers our Digi Store consultants and dealers to efficiently manage frontline customer interactions, in particular for new line registrations. The app enables account activation with accurate identity and credit verification all at the convenience of a smartphone or tablet. At end 2016, more than 86% of our dealers adopted our MSA platform.

We have also reinvented our in-store experience, and are ready to roll out a new digital retail store concept for customers. The new store format enriches the retail experience, using digital capabilities to serve our customers better and faster, from paperless transactions to efficient payment and self-serve channels, focusing on minimising wait times and delivering more value creating engagements with customers. Our new virtual queue management system (eQMS), for example, gives customers greater convenience when visiting our store. It has notification capabilities that allow customers to queue virtually, returning to the store only when notified that they are next in line to be served.

We will continue to digitise our customer journey, sharpening capabilities from these new digital services, supported by an agile core mobile operation to bring improved experiences at every interaction point for more Malaysians nationwide.

Digi-X And Digital Innovations

Advancing our efforts to capture growth in the digital ecosystem, we formed a new digital venture-building division named Digi-X, led by our newly appointed Chief Digital Officer. The new organisation is mandated to spearhead the development of digitally adjacent businesses and competencies, and unlock new business models and partnerships to generate alternative revenue streams for Digi. Digi-X is given full autonomy to pace itself like a start-up, challenge conventions, explore and innovate quickly within a sandbox environment.

Being a part of Telenor is a significant advantage for us. We are leveraging the global operator's scale, experience and investments in areas such as the acquisition of global platforms and capabilities, strategic partnerships with global digital players and development of adjacent digital business prospects, for example, financial services and IoT. We will also tap on the analytics capabilities across Telenor to enable personalisation of digital services, recommendation engines for product development, digital distribution as well as smart planning and investment as part of our digital transformation journey.

Most Efficient Operator

We remain committed to being operationally disciplined, and work to drive aggressive cost transformation through solid governance and processes. We prioritise building network and IT ecosystems that are open, agile and intelligent, and drive new technology operating models that focus on common or shared platforms across Telenor Group and other business units.

We have the financial strength to make bold decisions to invest in the things that set us apart. Our goal is to deliver sustainable profitable revenue growth. With our focus on transforming our cost structures, we aim to grow our EBITDA and cash flow over the long-term.

We have a prudent financial policy and strong governance over our decisions to make investments, manage our debt, grow our business, and reward our employees and investors. To build our business, we continue to make daring, informed decisions and undertake strategic investments to support growth in our core mobile business and new digital revenue streams. We intend to manage our net debt to EBITDA in a responsible way, below 2.0x in the next three years while delivering healthy annual dividends to our shareholders.

Strategy and Performance Review

This approach gives us the financial flexibility to make long-term investments in the best interests of Digi, our stakeholders and for the communities where we operate. Our financial strength underpins the investments we make and enable us to continue to innovate and stay at the forefront of a rapidly-changing industry.

Financial Performance for The Year

2016 has been an exciting and interesting year for us, where we achieved a number of new milestones: our record high growth on postpaid, 4G+ network leadership on the back of highly efficient capex spending and emerging as Malaysia's largest mobile operator with 12.3 million subscribers.

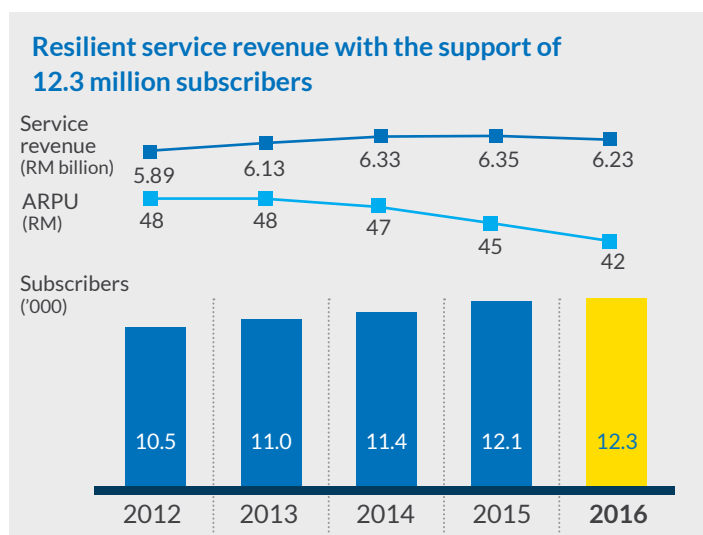
Resilient Service Revenue at RM6.23 billion

We had our best performing postpaid revenue growth of 10.2% with a solid acquisition trajectory to seal 2016 with service revenue at RM6.23 billion, a low single digit decline at 1.9%, in line with guidance.

Our internet revenue strengthened 11.4% to RM2.31 billion or 37.2% of service revenue, alongside the increase in smartphone adoption to 64.7% and active internet subscribers to 65.8%, representing 8.1 million subscribers. The solid growth in internet revenue significantly cushioned adverse service revenue impact from challenging market conditions and evolving customer usage behaviour.

Robust postpaid acquisitions during the year fortified our subscriber base at 12.3 million, however weaker prepaid revenue development trimmed blended ARPU from RM45 to RM42.

In line with the higher demand for sim-only subscriptions during the year, full year sales of devices and other revenue moderated 34.5% from RM566 million to RM371 million.

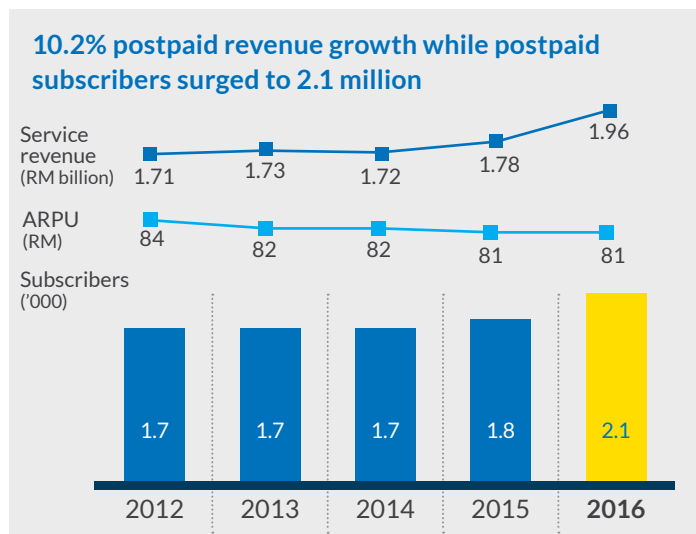


Record High Postpaid Revenue Growth of 10.2%

Postpaid revenue grew 10.2% to RM1.96 billion, the highest recorded growth in the last five years, alongside a stronger postpaid subscriber base that maintained a steady ARPU at RM81.

Our postpaid subscribers expanded to 2.1 million, an increase of 259,000 subscribers from a year ago. 86.8% of postpaid subscribers or 1.8 million are active internet users and have been instrumental in fuelling postpaid internet revenue growth by 26.5% to RM966 million.

Our strong postpaid revenue growth in 2016 stems from the solid execution of innovative internet offerings, meeting the needs of our customers' increasing digital lifestyle on the back of Digi's robust 4G+ network nationwide.



Defensive Prepaid Development in a Challenging Year

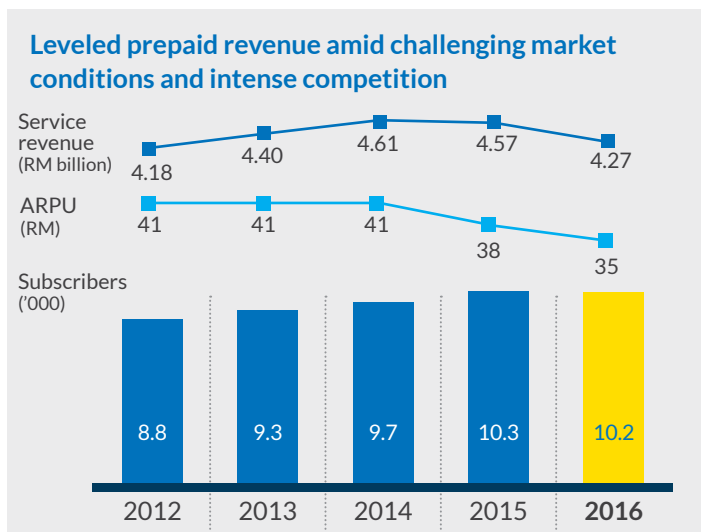
We experienced encouraging take-up of our new prepaid plans especially Digi Prepaid LiVE and internet passes during the year. Our move to rationalise the IDD pricing and step up on our internet value propositions favourably increased internet usage among our prepaid base and helped stabilise prepaid ARPU and margins.

Intense competition in the prepaid market continued to put pressure on data monetisation opportunities while the industry faced relatively weaker consumer sentiment, and declining demand on traditional voice and messaging services which still forms a large proportion of prepaid revenue. Acknowledging these challenges, we took a targeted segment approach to compete sustainably and reinforce our resilience in the prepaid market.

Strategy and Performance Review

In 2016, we strengthened our prepaid internet revenue by 2.7% to RM1.35 billion or 31.6% of prepaid revenue. We took aggressive steps to mitigate challenges in prepaid, focusing on higher postpaid conversions, and driving sustainable prepaid revenue and margins during the year.

At year end, prepaid revenue stood at RM4.27 billion, a 6.6% decline from a year ago as prepaid ARPU weakened to RM35 amid various headwinds while our prepaid subscriber base remained relatively stable.



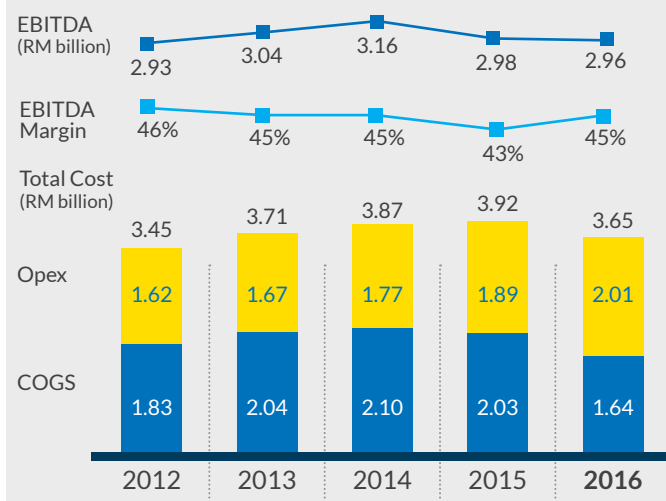
Highly Efficient Cost Management with Stronger EBITDA Margin

Cost of goods sold (COGS) improved by 19.3% to RM1.64 billion from lower device costs and traffic costs during the year. Our relentless cost focus led to higher gross profit at RM4.96 billion, an increase of 1.6% amid weaker service revenue.

Opex for the year included the recognition of shared site rental costs of RM54 million that had a corresponding rental income in other revenue resulting in zero net impact on EBITDA. Excluding the shared site rental impact, our annual opex increment marked a solid improvement with 3.9% annual increment versus 6.6%, a year ago.

The solid cost and operational discipline provided us the firepower to fuel robust subscriber acquisitions, progressive 4G+ network expansion as well as deliver affordable products and service innovations to our customers.

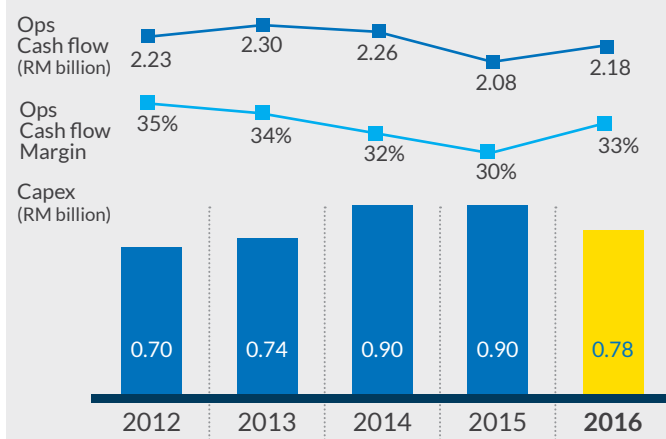
Solid operational efficiency to support robust acquisition activities and 4G+ network expansions



We delivered a stronger EBITDA margin at 45%, up 1.7pp from a year ago as a flow through from stronger gross profit, higher internet revenue contribution alongside efficient cost management. Meanwhile, absolute EBITDA tracked marginally lower at RM2.96 billion.

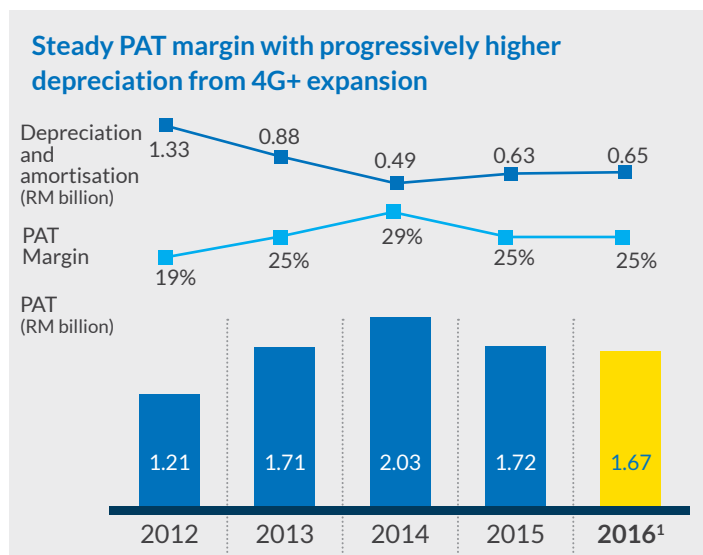
During the year, we invested RM780 million capex - net of RM73 million savings from the fixed asset register review undertaken as part of good governance - to improve the quality, capacity and coverage of our 4G+ network to support our core business digitisation roadmap. Our efficient capex management uplifted ops cash flow by 4.6% to RM2.18 billion or 33% margin.

Robust ops cash flow alongside efficient capex to deliver industry 4G+ network

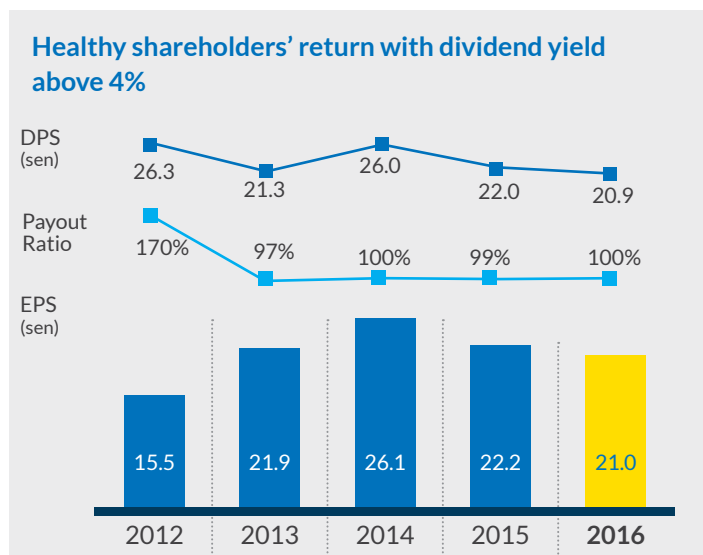


Strategy and Performance Review

Normalised profit after tax (PAT)¹ moderated 3.1% to RM1.67 billion as a flow through from weaker EBITDA and progressively higher depreciation from our 4G+ network expansion.



Healthy Shareholders' Return with New Capabilities to tap on Growth Opportunities



Normalised earnings per share (EPS)¹ for the year remained healthy at 21.4 sen but trimmed lower to 21.0 sen after accounting for RM35 million prior year tax provision.

The Board of Directors declared an interim dividend of 20.9 sen per share equivalent to RM1,625 million or almost 100% payout for 2016.

¹ Exclude prior year tax provision of RM35 million

The balance sheet remains robust with solid financial capability and flexibility to fund future investments and operational commitments. Total assets strengthened 17.9% to RM5.50 billion after the upfront spectrum payment fees of RM598.5 million in November 2016 and investments for 4G+ network expansions.

Our net debt to EBITDA ratio stayed healthy at 0.6x level, post upfront spectrum fees payment for 900Mhz and 1800Mhz.

All in all, we delivered 2016 financial performance within the guidance and at a higher EBITDA margin of 45% while delivering innovative data and digital services to more internet-loving Malaysians.

| | 2016 Updated Guidance | 2016 Actual |
|------------------------|-------------------------------|-------------|
| Service revenue growth | Low single digit decline | -1.9% |
| EBITDA margin | Slightly below 45% | 45% |
| Capex | Around 13% of service revenue | 12.5% |

Winning Team

Cultivating a Culture of Innovation 360

As we reshape our business to become a digital company, we recognise the importance to inculcate a culture of everyday innovation across every aspect of our way of work within the organisation. During the year, we established several platforms to encourage employees to innovate like never before. This included Disrupt@Digi, a 30-hour idea hackathon that challenged Digizens to explore new ideas for products and services. The programme required employees to experience and understand the process of ideation, customer validation, service design, prototyping and pitching their digital innovation ideas. Beta Labs was another such platform, an ongoing innovation programme that encouraged Digizens to pitch and test the feasibility of going to market with their ideas.

We also organised a series of Digital Days, engaging the entire organisation to explore existing and new technologies disrupting the market and transforming our customers' lives in order for employees to understand the need to create great digital products, and drive change in the way we work.

Strategy and Performance Review

A big part of our innovation agenda included contributing to Malaysia's digital growth by actively developing the next generation of innovators via our newly established incubator and accelerator programmes, Digi Incub8 and Digi Accelerate. These programmes support budding entrepreneurs to build business fundamentals through guided mentorship, ideation and marketing platforms, seed funding as well as opportunities for commercialisation.

This similar support is extended to budding social enterprises through our Digi Challenge For Change (DigiCFC) programme, in collaboration with Agensi Inovasi Malaysia, MDec, MaGIC, Unicef, Google, Microsoft and Facebook. Here, we continue to enable the development of mobile solutions to address social issues concerning children, youth and women in Malaysia.

People Development Towards a Digital Future

Digitising our employees' every day experience was an important aspect of reshaping our business. We invested to make available three new digital learning platforms – Lynda.com, Udacity and Coursera – to enable Digizens to do bite-sized learning on-the-go, very similar to how our customers consume media today. This new way of learning gives employees access to a diverse range of topics, for any type of learning pattern to develop relevant skills and knowledge to be a part of our digital journey.

Recognition for Best Workplace in Malaysia

In 2016, we made big strides in establishing an inclusive, diverse and family-friendly workplace. For two consecutive years, we delivered on our Board Diversity Policy, maintaining women participation in the board at 43% ahead of the 30% ambition laid out by the Government. Similarly, we established a Women Inspirational Network (WIN) to support the development, growth and retention of more women leaders within the organisation. Here, we have managed to maintain close to 40% of women in leadership over the past few years.

We also introduced our industry-leading 6-month paid maternity policy as a means to continue building a very attractive place to work, where women can build careers, continue to fill the ranks of our leadership and play a key role in supporting their families. We are an organisation committed to supporting our employees and their families through every stage of their lives.

Our ability to hold fast to these progressive policies has not gone unnoticed, earning us recognition from various stakeholders; the latest being named the Best Malaysian Organisation by TalentCorp's LIFE@WORK Awards 2016 for pioneering best practices in this area.

Responsible Business Conduct

We are deeply committed to doing business responsibly and transparently. At the core of bringing mobile and internet connectivity that is easily accessible, affordable and meaningful to different customer groups, we believe it is our responsibility to operate our business and value chain, in an accountable and sustainable manner.

2016 Customer First Day Celebration to Nurture Awareness for Safer Internet

Together with 12 other business units in Telenor Group, we celebrated Customer First Day (CFD) on 29 September 2016, mobilising more than 1,400 Digizens across six major cities to learn, share and interact with customers.

During the event, we took the opportunity to do a few important things: empowered customers to have full-control over their accounts with our digital self-serve MyDigi app, engaged with customers for their valuable feedback on our services, and raised awareness to combat cyberbullying and promote a safer internet experience for Malaysians. This stems from our commitment to safeguard the digital lives of our children while empowering more segments of society to benefit from being connected.



Our Integrity Practices Protects Our Brand and Helps Build A Competitive Advantage

We believe that conducting business in a responsible, accountable and transparent manner across our operations makes good business sense. Having integrity in our interactions and engagement with each other, our customers, partners, vendors and industry stakeholders enable us to nurture a credible brand and help us build a competitive advantage based on strong moral values and ethics.

Strategy and Performance Review

In this respect, we focused our efforts in the year to empower employees to report compliance incidents. We rolled out mandatory online modules on anti-corruption and privacy to raise awareness among Digizens on this issue. We launched a face-to-face scenario training which was cascaded down by management to our employees to allow for active conversations on how to handle incidents. We also launched an independent integrity hotline, which has resulted in an increase in the number and complexity of cases reported.

We believe in working with stakeholders to raise the level of responsible business conduct in our sphere of influence. Our Supplier Conduct Principles and Agreement on Responsible Business Conduct require business partners and vendors to meet international labour standards, provide a safe workplace, and protect the environment. We conducted 984 supplier inspections, and took strict action on contractors who failed to meet our safety standards. We are also a pioneering member of the Business Integrity Alliance, a private sector initiative focused on engaging relevant government agencies and stakeholders to combat corruption affecting the business environment.

More detailed information on our responsible business practices can be found on pages 36 to 44.

2017 Outlook and Priorities

The strong foundations we have laid in 2016 with our innovative internet and digital services offerings, and robust infrastructure capability has given us a good head start in 2017 to deliver on the opportunities provided by this same foundation.

The year ahead holds new opportunities and similar challenges as 2016, and we are committed to continue driving resilient performance and sustainable returns in 2017.

The key priorities in 2017 will focus on relentlessly growing postpaid and Malaysian prepaid opportunities while defending core service revenue streams. Digi will also continue to drive:

- Stronger 4G+ adoption and usage with better monetisation,
- New digital revenue opportunities beyond the immediate future,
- Digitisation of core business, and
- Operational efficiency.

We aspire to turn in stronger performance than industry with solid development in operational efficiencies, service revenue and EBITDA margin at around 2016 level alongside maintaining capex to service revenue ratio at 11% - 13%.

The 2017 financial guidance is as follows:

| | 2017 Guidance | 2016 Actual |
|---------------------------------------|-------------------|----------------|
| Service revenue (RM) | Around 2016 level | 6.23 billion |
| EBITDA margin | | 45% |
| Capex to service revenue ratio | 11% - 13% | 12.5% |

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

Our persistent focus on products and service innovations, retail experience reforms, and digitisation of core business for future growth gives us the agility and foundation to capitalise on new opportunities in 2017.

Digi Postpaid™

Long live the weekend

With Digi Postpaid™ 80, you can finally make the most out of your weekends. Because now, you get 10GB of 4G Internet to surf, stream and chat as you please – on top of 10GB on weekdays, Unlimited Calls and roaming in 8 countries at an exclusive rate!

20GB TOTAL

10GB 4G Weekend
10GB All Day

UNLIMITED CALLS

So you can talk to your heart's desire.

ROAM IN 8 COUNTRIES

Enjoy roaming with 5GB and 60mins.



LET'S INSPIRE

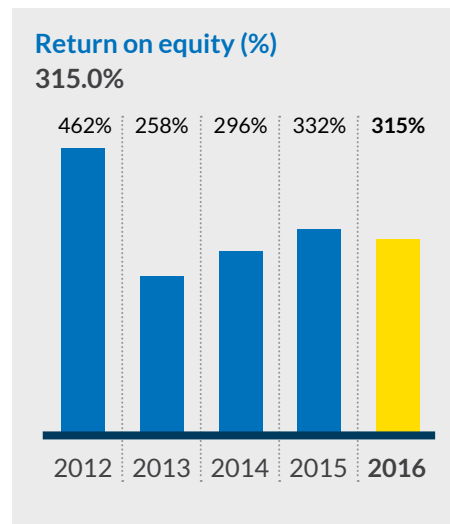
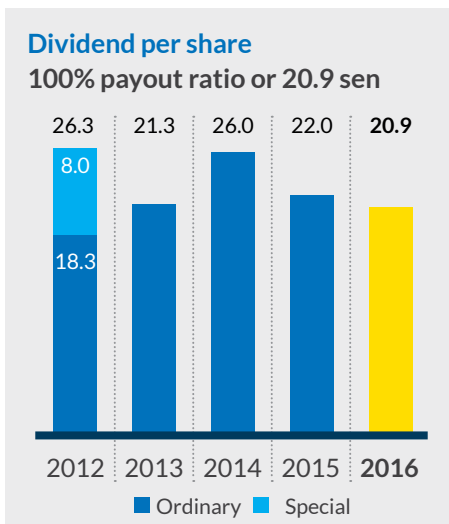
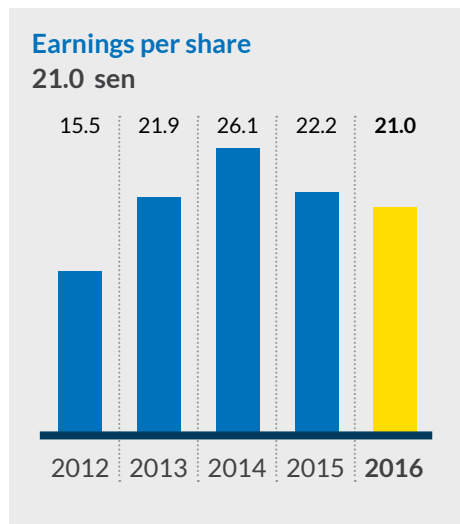
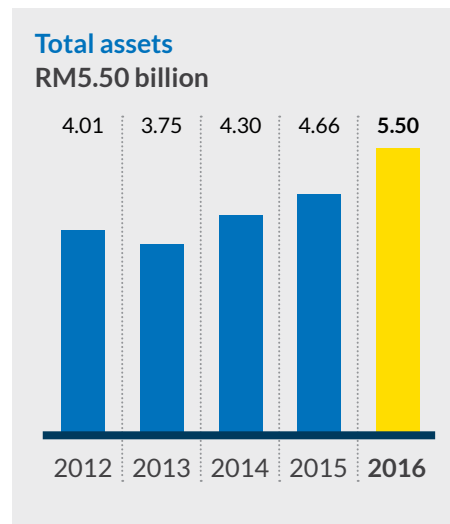
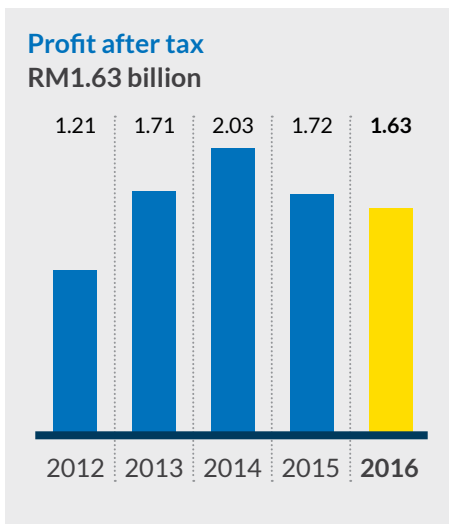
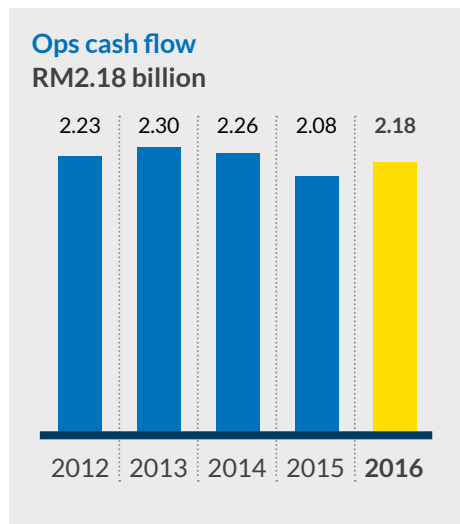
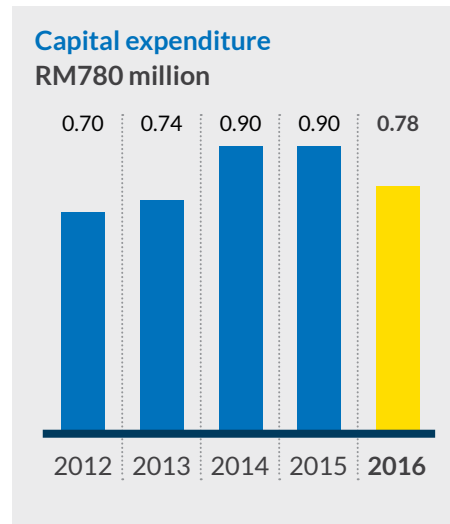
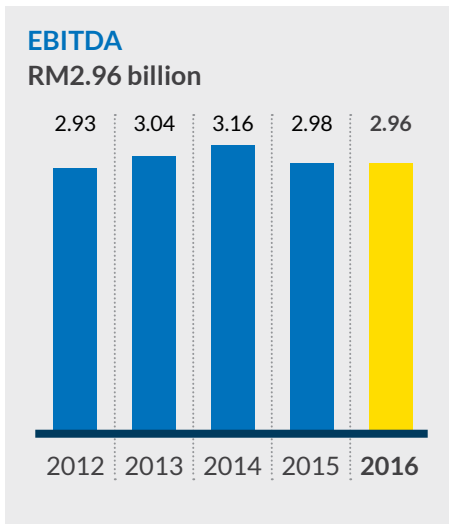
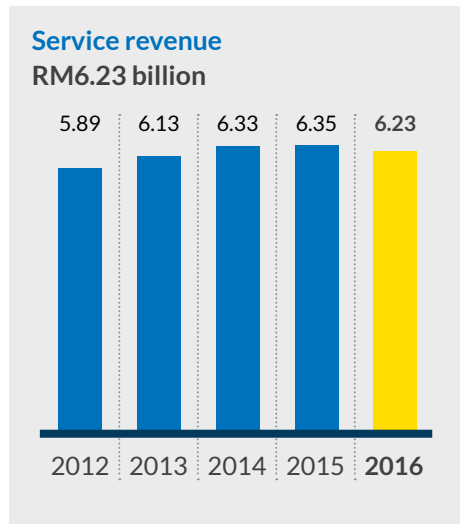


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5-Year Financial Summary



5-Year Financial Summary

| | 2016 | 2015 | 2014 | 2013 | 2012 |
|--|--------|--------|--------|--------|--------|
| Financial results (RM million) | | | | | |
| Revenue | 6,597 | 6,914 | 7,019 | 6,733 | 6,361 |
| - Telecommunication revenue | | | | | |
| - Service revenue | 6,226 | 6,348 | 6,333 | 6,131 | 5,891 |
| - Others | 100 | 64 | 67 | 64 | 65 |
| - Sales of device | 271 | 502 | 619 | 538 | 405 |
| Earnings before interest, taxes, depreciation and amortisation (EBITDA) | 2,955 | 2,983 | 3,163 | 3,043 | 2,929 |
| Earnings before interest and taxes (EBIT) | 2,304 | 2,354 | 2,671 | 2,165 | 1,599 |
| Interest cost | 78 | 56 | 39 | 43 | 52 |
| Profit before tax | 2,238 | 2,309 | 2,645 | 2,140 | 1,591 |
| Profit after tax | 1,633 | 1,723 | 2,031 | 1,706 | 1,206 |
| Capital expenditure (Capex) | 780 | 904 | 904 | 741 | 700 |
| Ops cash flow | 2,175 | 2,079 | 2,259 | 2,302 | 2,229 |
| Financial positions (RM million) | | | | | |
| Total assets | 5,498 | 4,662 | 4,303 | 3,752 | 4,014 |
| Non-current liabilities | 2,150 | 386 | 534 | 657 | 1,030 |
| Total borrowings | 2,282 | 1,294 | 1,048 | 749 | 1,080 |
| Shareholders' equity | 519 | 519 | 686 | 661 | 261 |
| Financial ratios | | | | | |
| EBITDA margin | 45% | 43% | 45% | 45% | 46% |
| Return on equity | 314.6% | 332.0% | 296.1% | 258.1% | 462.1% |
| Return on total assets | 29.7% | 37.0% | 47.2% | 45.5% | 30.0% |
| Earnings per share (sen) | 21.0 | 22.2 | 26.1 | 21.9 | 15.5 |
| Dividend per share (sen) | 20.9 | 22.0 | 26.0 | 21.3 | 26.3 |
| Dividend yield ¹ | 4.3% | 4.1% | 4.2% | 4.3% | 3.5% |
| Net assets per share (sen) | 6.7 | 6.7 | 8.8 | 8.5 | 3.4 |
| Net debt/EBITDA (x) | 0.6 | 0.4 | 0.2 | 0.1 | 0.1 |
| Interest cover (x) | 29.5 | 42.0 | 68.5 | 50.3 | 30.8 |

¹ Yield calculated based on share price at year end

Share Development and Shareholdings

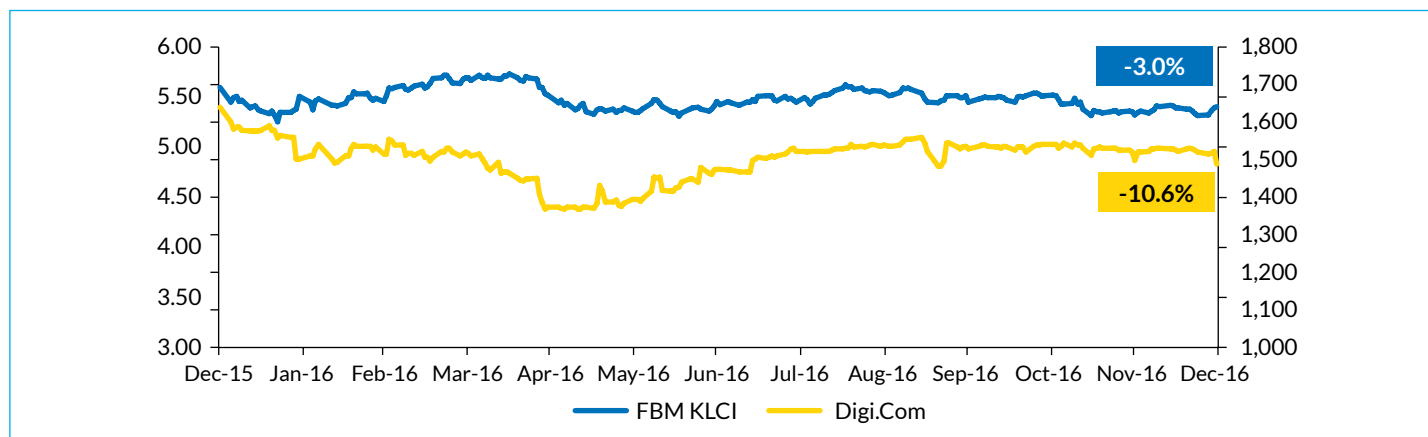
Share Development

In 2016, Digi's share price performed weaker than FBM KLCI but relatively resilient compared to industry peers, who registered an average of 16.3% decline as the Malaysian mobile telecom stocks underwent a series of bearish sentiment on concerns over the uncertainties surrounding the spectrum fee obligation and increasingly challenging market conditions that may pose downside risks on industry earnings.

Digi's share continued to garner robust shareholdings support with 41.1% Malaysian shareholdings (2015: 40.9%) and steady foreign shareholdings at 9.9% (2015: 10.1%) to deliver market capitalisation of RM37.6 billion at end 2016.

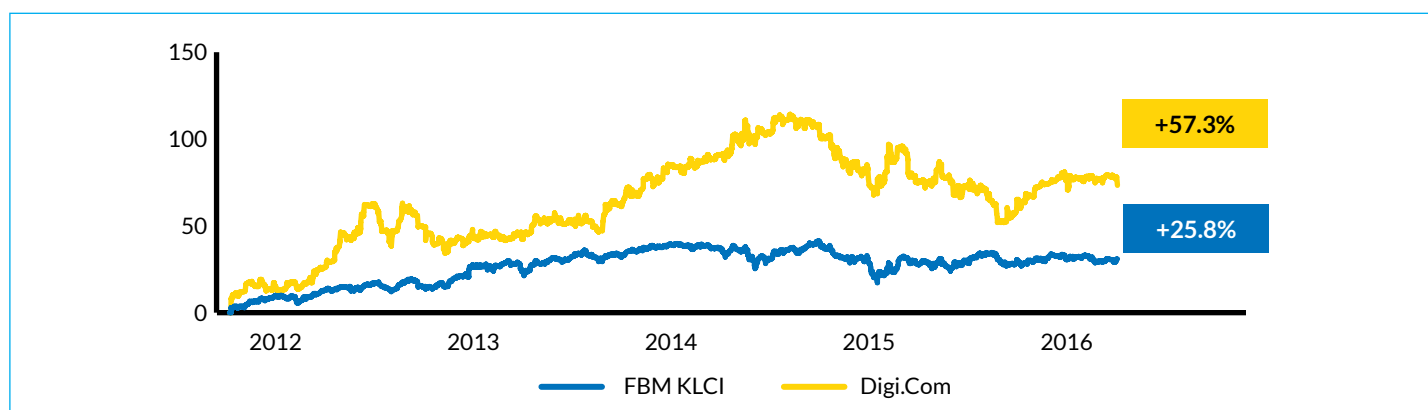
| Share price | 1Q16 | 2Q16 | 3Q16 | 4Q16 | FY 2016 |
|-------------------------------|-------------|-------------|-------------|-------------|-------------|
| High Price | 5.39 | 4.96 | 5.11 | 5.05 | 5.39 |
| Low Price | 4.76 | 4.31 | 4.64 | 4.83 | 4.31 |
| Last Price | 4.94 | 4.78 | 4.98 | 4.83 | 4.83 |
| Period-over-Period Change (%) | -8.5 | -3.2 | 4.2 | -3.0 | -10.6 |
| Average Daily Volume ('000) | 8,299 | 6,672 | 6,109 | 5,843 | 6,720 |

Share Price – Digi.Com vs FTSE Bursa Malaysia KLCI



Digi's total shareholders' return continued to outperform the benchmark indices, supported by solid financial performance and higher dividend payout.

Total Shareholders' Return (%) over 5 years (2012 -2016)



Total Shareholders' Return (TSR) measures total return arising from capital gains (share price increase) and dividends.

Share Development and Shareholdings

Statistics on Shareholdings

as at 3 March 2017

Issued and Paid up Share Capital : RM77,750,000 comprising 7,775,000,000 ordinary shares
 Class of Shares : Ordinary shares
 Voting Rights : One vote per share

Analysis by Size of Holdings as at 3 March 2017

| Size of Holdings | No. of Holders | % | No. of Shares | % |
|----------------------------|----------------|---------------|----------------------|---------------|
| 1 - 99 | 890 | 3.05 | 10,770 | 0.00 |
| 100 - 1,000 | 12,838 | 43.99 | 7,516,135 | 0.10 |
| 1,001 - 10,000 | 12,344 | 42.29 | 49,245,468 | 0.63 |
| 10,001 - 100,000 | 2,346 | 8.04 | 65,741,762 | 0.85 |
| 100,001 - 388,749,999 (*) | 766 | 2.62 | 2,422,165,813 | 31.15 |
| 388,750,000 and above (**) | 3 | 0.01 | 5,230,320,052 | 67.27 |
| Total | 29,187 | 100.00 | 7,775,000,000 | 100.00 |

Remark : * - Less than 5% of Issued Shares
 ** - 5% and above of Issued Shares

Substantial Shareholders as per Register of Substantial Shareholders as at 3 March 2017

| Name | Number of Shares | | | |
|--|------------------|-------|------------------------------|-------|
| | 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 | 863,129,052 | 11.10 | - | - |
| 6. AmanahRaya Trustees Berhad - Amanah Saham Bumiputera | 557,440,700 | 7.17 | - | - |
| 7. Kumpulan Wang Persaraan (Diperbadankan) | 359,466,200 | 4.62 | 40,507,200 | 0.52 |

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.

Share Development and Shareholdings

List of Thirty (30) Largest Shareholders as at 3 March 2017

| | 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 | 863,129,052 | 11.10 |
| 3 | Amanahraya Trustees Berhad Amanah Saham Bumiputera | 557,440,700 | 7.17 |
| 4 | Kumpulan Wang Persaraan (Diperbadankan) | 358,371,200 | 4.61 |
| 5 | Lembaga Tabung Haji | 106,503,200 | 1.37 |
| 6 | Amanahraya Trustees Berhad Amanah Saham Wawasan 2020 | 85,544,300 | 1.10 |
| 7 | Cartaban Nominees (Asing) Sdn Bhd Exempt an for State Street Bank & Trust Company (West CLT OD67) | 78,244,810 | 1.01 |
| 8 | Amanahraya Trustees Berhad Amanah Saham Bumiputera 2 | 68,500,000 | 0.88 |
| 9 | HSBC Nominees (Asing) Sdn Bhd BBH and Co Boston for Vanguard Emerging Markets Stock Index Fund | 60,347,550 | 0.78 |
| 10 | Dato Ahmad Sebi Bin Bakar | 58,100,230 | 0.75 |
| 11 | HSBC Nominees (Asing) Sdn Bhd Exempt an for JPMorgan Chase Bank, National Association (U.S.A.) | 52,616,065 | 0.68 |
| 12 | Amanahraya Trustees Berhad Amanah Saham Malaysia | 48,540,000 | 0.62 |
| 13 | Maybank Nominees (Tempatan) Sdn Bhd Maybank Trustees Berhad for Public Regular Savings Fund (N14011940100) | 43,653,700 | 0.56 |
| 14 | Cartaban Nominees (Tempatan) Sdn Bhd PAMB for Prulink Equity Fund | 42,933,300 | 0.55 |
| 15 | Citigroup Nominees (Tempatan) Sdn Bhd Employees Provident Fund Board (Nomura) | 41,675,490 | 0.54 |
| 16 | Amanahraya Trustees Berhad As 1Malaysia | 41,020,100 | 0.53 |
| 17 | Amanahraya Trustees Berhad Public Islamic Dividend Fund | 40,851,600 | 0.53 |

Share Development and Shareholdings

List of Thirty (30) Largest Shareholders as at 3 March 2017 (cont'd)

| Name of Shareholders | No. of Shares | % |
|--|----------------------|--------------|
| 18 Maybank Nominees (Tempatan) Sdn Bhd Maybank Trustees Berhad for Public Ittikal Fund (N14011970240) | 39,500,000 | 0.51 |
| 19 Amanahraya Trustees Berhad Amanah Saham Didik | 36,536,260 | 0.47 |
| 20 Cartaban Nominees (Asing) Sdn Bhd GIC Private Limited for Government of Singapore (C) | 33,514,700 | 0.43 |
| 21 Amsec Nominees (Tempatan) Sdn Bhd MTrustee Berhad for CIMB Islamic DALI Equity Growth Fund (UT-CIMB-DALI) | 28,718,800 | 0.37 |
| 22 Amanahraya Trustees Berhad Public Islamic Select Enterprises Fund | 27,576,800 | 0.35 |
| 23 Citigroup Nominees (Tempatan) Sdn Bhd Exempt an for AIA Bhd | 27,370,490 | 0.35 |
| 24 Malaysia Nominees (Tempatan) Sendirian Berhad Great Eastern Life Assurance (Malaysia) Berhad (PAR 1) | 25,902,800 | 0.30 |
| 25 Amanahraya Trustees Berhad Public Ittikal Sequel Fund | 24,762,300 | 0.32 |
| 26 Amanahraya Trustees Berhad Public Islamic Sector Select Fund | 22,134,600 | 0.28 |
| 27 Valuecap Sdn Bhd | 21,311,700 | 0.27 |
| 28 Amanahraya Trustees Berhad Public Islamic Equity Fund | 21,248,800 | 0.27 |
| 29 Citigroup Nominees (Tempatan) Sdn Bhd Employees Provident Fund Board (CIMB PRIN) | 17,831,100 | 0.23 |
| 30 Cimb Group Nominees (Tempatan) Sdn Bhd Yayasan Hasanah (AUR-VCAM) | 16,910,100 | 0.22 |
| Total | 6,700,540,047 | 86.15 |

Event Highlights

Quarter 1

January

11 January

Announced Dialogue in the Dark as season six winner of our flagship community innovation programme, Digi Challenge for Change (DigiCFC6).

22 January

Launched a new community programme, Digi Wanita Era Digital (DigiWED), to bridge the digital gender gap by equipping women with basic internet and e-commerce skills nationwide.



26 January

Partnered iflix to bring more video content streaming to Digi Postpaid customers.

February

4 February

Conducted a workshop with Childline Malaysia to develop advocacy of safe internet use among children in conjunction with Safer Internet Day 2016.

18 February

Rolled out promised 4G LTE sites in the North: Lunas, Batu Gajah, Jejawi and Arau as voted by Malaysians with the #DigiWeWant4G You Tweet, We Build Twitter campaign.



25 February

Only Malaysian telco and pioneering GSMA member operators to support the GSMA Connected Women Commitment initiative to extend mobile internet and mobile money services to more women.

March

1 March

Introduced the all-new Digi Postpaid packed with new features from extra internet quota, internet rollover, new internet roaming rates and a wider range of digital services.

2 March

Launched our flagship Digi CXO Apprentice challenge; a twist from the conventional management trainee programme in search of young talents to benefit from a year of direct mentorship with Digi's CXOs.

8 March

Celebrated International Women's Day with inspiring speakers, from topic experts to industry leaders in the Advancing Women in Digital panel, and pledged our support for the global #HeForShe movement.

10 March

First in Malaysia to rollout GSMA's Mobile Connect authentication solution for select Digi customers, a universal digital identity using mobile numbers as ID links.

23 March

Launched Digi Accelerate, our flagship accelerator programme to fast track development of local startups, building strong fundamentals to position them for global success.



25 March

Delivering on our promise to customers by installing the latest nominated 4G LTE sites in Papar and Tenom, Sabah as part of the #DigiWeWant4G You Tweet, We Build Twitter campaign.

Event Highlights

BUSINESS REVIEW

31 March

Introduced our latest slew of LTE-A capable mobile broadband device bundles that give customers access to high-speed internet on-the-go with a MoBiFi device.

31 March

Expanded our network of retail touchpoints by opening a Digi Store Express in Taipan, Inanam, Sabah.

Quarter 2

April

1 April

Loh Keh Jiat appointed as Chief Marketing Officer to manage an expanded Sales and Marketing function with the overall mandate to drive end-to-end customer focus and delivery.

3 April

Opened Digi's third Kampung IFA (Internet For All) in Kg Sampadi, Lundu, Sarawak, an internet centre to empower rural communities with connectivity and basic internet skills.

6 April

Rolled out new 4G LTE towers for customers in Bau and Limbang, Sarawak to enjoy quality, high-speed internet as part of the #DigiWeWant4G You Tweet, We Build Twitter campaign

6 April

Announced our industry-leading 6-months fully-paid maternity leave policy for employees, affirming our commitment to build an inclusive, family-friendly workplace in Digi.

14 April

Introduced Digi Video Freedom, a range of bite-sized internet video streaming passes that help customers stream their favourite video content without using up their internet quota.



30 April

Enabled connectivity for residents in the remote village of Long Urun, Bintulu with a SmallCell tower system piloted with the Malaysian Communications and Multimedia Commission (MCMC).

30 April

Opened a new Digi Store Express in Lahad Datu, bringing our total retail touchpoints in Sabah to over 1,800 as part of making our services more accessible to more Sabahans.

May

1 May

Introduced the new Internet Sharing feature for all postpaid plans, helping customers share their quota with up to six supplementary lines by simply adding RM10 to their bill.

13 May

Five Malaysians join peers from Bangladesh, Myanmar, India, Pakistan and Thailand for the Telenor Youth Forum Asia 2016 to solve some of the most pressing issues facing Asia's youth, from unemployment, mental health to equal access to education.

18 May

The Digi 4G LTE Carnival opened across our 150 Digi Stores and Digi Stores Express nationwide, giving customers the opportunity to enjoy internet offers designed for all types of usage needs.

30 May

Praveen Rajan appointed as Chief Digital Officer to head Digi-X, the company's new venture-building division mandated to create new digital businesses for Digi.

31 May

Launched our first incubator programme, Digi Incub8, adding to our spectrum of startup programmes focused on building basic entrepreneurship skills in East Malaysia.

Event Highlights

June

16 June

Initiated the search for mobile app ideas to benefit underserved communities with the seventh edition of our community innovation programme, Digi Challenge for Change (DigiCFC7).

Quarter 3

July

4 July

Partnered popular mobile game developer Supercell, to introduce limited edition co-branded collectible reload cards where prepaid customers enjoy 10% discounts and postpaid customers enjoy RM10 off when purchasing any in-app Supercell content on Google Play via Direct Carrier Billing.

27 July

Underscored our commitment to safeguard our customers' digital life with the launch of a new Digi Family Safety app, and an online safety workbook #SafeWeb4Kids in partnership with PS the Children.



August

1 August

Introduced our all-new prepaid internet plans customised to suit different internet needs, with Digi Prepaid Best being the ideal internet starter pack, and Digi Prepaid Live, the ultimate streaming pack that offers free video and music streaming quotas every month.



1 August

Opened a Digi Store in Tawau, Sabah adding to our wide network of retail touchpoints in the state.

3 August

Our first batch of eight CXO Apprentices started their mentorship programme with us. They were selected from over 800 peers for this opportunity.

9 August

Launched the 'Be Smart, Use Heart' Video contest, a CyberSAFE in Schools initiative in search of youth influencers to advocate the need to be smart online and to exercise cyber rights among their peers.

12 August

Announced three winning ideas for Digi Challenge for Change (DigiCFC7), and simultaneously kicked-off the app development phase that invites local developers to turn these ideas into full-fledged mobile apps.

31 August

In conjunction with Merdeka Day, kicked-off our #BukaLaHati campaign with a video themed 'Connect to be Free', a heartwarming story to inspire and remind Malaysians of the hope and camaraderie we share.

September

8 September

Opened a Digi Store Express at The Hub in Kuching, to make it more accessible for Sarawakians to enjoy our services.

9 September

Expanded the retail distribution network for our Digi Prepaid Live packs through a partnership with Bison Stores, a chain that operates retail press and convenience stores in high traffic areas under trade names such as myNEWS.com, newsplus, MAGBIT and The Front Page.

Event Highlights

13 September

Pioneered an industry collaboration to standardise Health, Safety and Environment (HSE) requirements for all contractors undertaking network infrastructure works in efforts to establish a safer working culture across the industry.

21 September

Launched Kreative Crew, a new creative content crowdsourcing community platform to facilitate the development of local content producers.

29 September

Annual Customer First Day event, mobilising over 1,400 Digizens across six major cities nationwide to appreciate customers and raise awareness against Cyberbullying.



Quarter 4

October

1 October

Hosted 3,000 youths and families at the 'Us vs. Cyberbullying' mega-event to advocate widespread internet safety practices for children to combat Cyberbullying in Malaysia.

12 October

Introduced Digi RoamBorder, an international roaming service for postpaid customers to use voice and internet services worry-free when traveling in Singapore.

13 October

Announced two winners to represent Malaysia at the 2016 Telenor Youth Forum in Norway themed 'Digitalisation for Peace', which calls for inspiring youths to tackle social challenges using digital solutions.

18 October

Made annual phone upgrades possible for customers with Digi Easy Up, a new service feature that gives customers the option to swap to a new smartphone annually, for life.

26 October

Introduced VoLTE, the next-generation voice call technology that enables customers to enjoy high definition call quality on Digi's 4G+ network. It also allows customers to simultaneously surf the web, download or stream content from the internet at 4G LTE speeds while engaged on a voice call.

28 October

Concluded Malaysia's first on-ground Clash Royale tournament where students from 18 universities compete to win prizes up to RM10,000, delivering our promise to enable relevant internet content for our customers.

November

2 November

Hosted our first Digital Day to mark our move to become a digital company; a full-day tech showcase for employees to explore new technologies. Also announced tie-ups with GreenTech Malaysia for M2M connectivity in Tesla cars, and Telenor's acquisition of Prabhu as a move into the IOT and financial services space.



Event Highlights

4 November

Named the Best Malaysian Organisation at TalentCorp Malaysia's LIFE@WORK awards, for pioneering best practices in 2016 creating an inclusive, diverse and family-friendly workplace for women.

15 November

Launched our all-new Digi Broadband plans, offering customers internet quota for streaming movies, TV shows and music from the comfort of their living rooms.



21 November

Announced partnership with CSE Group to deliver automotive and insurance telematics solutions for Malaysian enterprises as part of making Internet of Things (IoT) services more accessible to all customers.

26 November

Hosted the Digi CyberSAFE Digital Citizen Camp to spread positive use of internet among youths, and build a strong network of peer influencers.

28 November

Sponsored the local qualifier leg of the ESL One championship, hailed as the World Cup of e-sports as part of our commitment to participate in and enable internet content that our customers love.

December

1 December

Joined the Malaysian Business Integrity Alliance as a pioneering partner, reflecting our deep commitment to uphold high standards of ethical behavior in our business conduct.

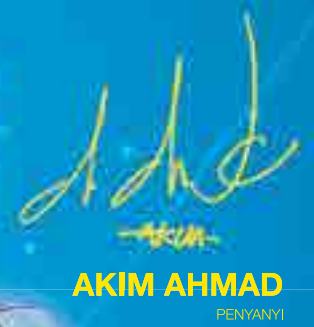
14 December

Announced support for three social entrepreneurs as DigiCFC7 winners, namely grand prize winner EDDY, and consolation prize winners Good People Today and Food Ninja Innovation, in the form of a RM150,000 seed grant to develop their mobile solutions for social good.

Internet tanpa batasan

Nikmati Internet yang pantas dan konsisten dengan rangkaian Internet 4G Plus. Strim video dan muzik dalam HD di mana saja, setiap masa.

MUSIC  FREEDOM™



JOM BERINSPIRASI



Muat Turun Sekarang
Nikmati Ganjaran



Accolades

Asia's Best Managed Companies 2016

- No. 1, Most Committed to Corporate Governance Category
- No. 1, Best Investor Relations Category
- No. 2, Best CEO Category
- No. 3, Best Managed Company Category
- No. 3, Corporate Social Responsibility Category

by *FinanceAsia*

Billion Ringgit Club 2016

- Highest Return on Equity Over Three Years, Big Cap Companies Category (Companies with RM10 Billion to RM40 Billion Market Cap)
- Highest Return on Equity Over Three Years, Trading/Services, Hotels, IPC and Technology Sectors Category

by *The EDGE Malaysia*



Brand Finance Top 100 Malaysia Brands 2016

- Ranked No. 11, Malaysia's Top 100 Brands

by *Brand Finance*

MALAYSIA-ASEAN Corporate Governance Transparency Index, Findings and Recognition 2016

- Ranked No. 18, List of Top 100 Companies for Overall Corporate Governance and Performance
- Ranked No. 31, List of Top 100 Companies with Good Disclosures

by *Minority Shareholder Watchdog Group*

Charlton EastColes Corporate Performance Awards 2016

- Silver, Malaysia Company of the Year 2016
- Malaysia Diversified Telecommunication Services Company of the Year 2016

by *Charlton East Coles*

MIRA IR Awards 2016

- Best IR Website, Large-Cap Companies Category

by *Malaysian Investor Relations Association*

LIFE@WORK Awards 2016

- Best Malaysian Organisation, (pioneering increasingly diverse, inclusive and family-friendly best practices)

by *TalentCorp Malaysia*



Accolades

ACCA Malaysia Sustainability Reporting Awards (MaSRA) 2016

- Commendation Award, Enterprise of the Future Category
by ACCA Malaysia



FTSE4Good Bursa Malaysia Index 2016

- Recognised for transparent disclosure on corporate responsibility practices
by FTSE Group

FTSE4Good Emerging Markets Index 2016

- Recognised for ESG inclusion standards and practices
by FTSE Group

Channel NewsAsia Sustainability Ranking 2016

- Top 100 Companies in Asia
by Channel NewsAsia

MGBC Leadership in Sustainability Awards 2016

- Winner, Commercial Project Leadership Category for the Digi Technology Operations Centre
by the International Union of Architects (IUA), Malaysian Green Building Confederation (MGBC), Persatuan Akitik Malaysia (PAM) and Solar Research Malaysia UKM

Sustainability

Our commitment to sustainability leadership is deeply embedded in our business strategy. We believe our position, governance and management of material issues have an impact on the long term success of our business, and are also what's important to our stakeholders. This approach gives us the competitive advantage to attract the best talent, remain agile in delivering our services, build trust with stakeholders in future proofing our operations, while engaging communities to create a better future together.

Our sustainability framework underscores our commitment to operate an accountable, transparent business. It steers our focus to uphold ethical and responsible conduct across our operations, build a highly motivated, skilled and collaborative workforce, and reduce our environmental impact. It also guides our broader purpose of empowering communities to address social, economic and environment inequalities by working with like-minded partners to scale and accelerate the rollout of relevant digital solutions for the betterment of local communities.

In 2016, we mapped our sustainability framework to the Sustainable Development Goals (SDG), a landmark global commitment to collectively end poverty, protect the planet, and ensure prosperity for all by 2030. Launched in September 2016, the SDG accelerates expectations for the private sector to join the international community in taking meaningful action. As part of Telenor Group, we have prioritised Goal 10 in Reducing Inequalities, leveraging on our digital competencies and strength.



Ethics and Compliance

We believe in conducting business in a responsible manner by establishing a business environment with partners who share our commitment to high standards of ethics and integrity. This is maintained by ensuring the right principles of anti-corruption, customer privacy, consumer responsibility, supply chain sustainability, and safe use of equipment are upheld across our business.

Anti-Corruption

All Digizens are guided by the Code of Conduct that set the standard for proper business conduct with customers, stakeholders and partners. It defines the culture and the main principles by which we create value. All employees must read, acknowledge and sign the Code of Conduct annually.

Sustainability

Building awareness: Following the Integrity and Ethics Survey 2015, we conducted focus group sessions and roadshows with Division leaders and employees to discuss findings and solutions. Key focus areas include managing exposure to corruption, conflict of interest, gifts and business courtesies, and improving trust in the whistle blowing policy. These engagements allowed us to better understand ethical dilemmas faced by our employees, and for them to have more confidence to report compliance incidents and understand management’s expectations of behaving with integrity.

Training and support: We developed and launched the ‘Say No to Corruption Training’, consisting of an e-learning module and a face-to-face scenario workshop based on ethical dilemmas. The integrity scenario training began with the Digi Management team, and all people managers had the responsibility to engage and train their respective teams once they were trained by their immediate managers. As at 31 December 2016, 86% of Digizens had completed the scenario workshop.

Enabling reporting: The launch of an independent integrity hotline contributed to the reporting of compliance issues that were more complex, substantive, and led to a 37% year-on-year increase of issues reported. Almost half of the reports were related to business integrity.

Broadening due diligence: Business managers are now required to conduct an Integrity Due Diligence (IDD) assessment for all business partners. The IDD serves to measure the level of integrity held by potential business partners. The IDD findings are reviewed by the Ethics and Compliance, and the Sourcing and Logistics teams before contracts are awarded.

Building like-minded alliances: We are a member of the Business Integrity Alliance (BIA), a private sector initiative comprising companies committed to doing business with integrity. Through collective action, the BIA allows members to engage relevant government agencies and stakeholders to address corruption affecting the business environment, and at the same time create value in the preservation of business integrity.

Protecting Privacy

Respecting and safeguarding our customers’ privacy is a strong commitment we make in enabling trust in our services. We are committed to keeping our customer’s personal data safe and

secure, and be transparent in how we collect and use their data. Our security systems are ISO 27000 Information Security Management Systems certified to ensure robustness of our processes.

Raising awareness: Over 60 privacy ambassadors from various functions help drive the privacy agenda within their divisions. We rolled out a mandatory e-learning information handling training to ensure all Digizens understand the importance of privacy, and to live the values of safeguarding customers’ data at all times.

Improving compliance: Privacy by design ensures that protocols regulating the collection, use and disposal of personal data are built into all our systems and processes before it is rolled out. We tightened privacy governance and compliance in the year, and incorporated privacy by design protocol into all operational activities, and business and vendor selection processes.

Increasing transparency: We are committed to analysing customers’ data to provide them with better value and relevant services with their consent. The launch of a new privacy notice ensures we are data network analysis compliant, and that we help customers understand their rights to the use of their data.

Consumer Responsibility

We want to deliver experiences that delight our customers. Every customer interaction across key channels are rated, and detractors are engaged to improve services. Our extensive customer engagement at stores, quarterly network drive tests, and annual Customer First Day engagement ensure we have a constant pulse on creating experiences that delight customers.



SUSTAINABILITY

Sustainability

Engaging network detractors: Our network and technical backend teams take responsibility of customers' experience by engaging and understanding the challenges faced by our customers. Members of the teams volunteer to call detractors to deep dive on issues and attempt to provide resolutions. Information collated from this Network Net Promoter Score (NPS) exercise is then cross-referenced against our network performance KPIs by the network quality team.

Resolving disputes: Bill disputes were one of the top three issues raised by customers across the industry. We were the first in the industry to introduce a customer guarantee to resolve a customer's bill dispute within 24 hours, or they will receive a full waiver on the disputed amount. We have seen a reduction in escalation of cases, a significant drop in repeated calls on billing, and improvement in NPS on billing adjustment.

Innovating services: The MyDigi app was designed as an intuitive self-management of relevant Digi services such as bill payment, services subscription, and account status. Over 75% of the 1.5 million active users log on at least once a month, and is rated consistently as one of the Top 5 apps on Google Play Store Malaysia. The digital Mobile Sales App (MSA) has reduced customers' average waiting and handling time at stores by 35% and 16% respectively. Average registration time is now only 20 seconds for prepaid and 3 minutes for postpaid.

Supply Chain Sustainability

We expect business partners to adopt our high standards of business conduct, working conditions and environmental management. Through our Supplier Conduct Principles, we help business partners build capacity and reduce inequalities by ensuring that their workers' rights and safety are protected.

Training: We conducted 2,050 man hours of supplier training with our contractors and sub-contractors. The training focused on safety awareness, proper skills and use of equipments, and instilling a safety culture among network rollout partners.

Digitising governance: We completed the rollout of the Digi Permit to Work (D'PTW) app to all our main contractors and their sub-contractors. This digital location-based app has allowed us to strengthen the governance of monitoring compliance to safety

requirements of workers at our base stations and technical sites. For the first time, the app allows our inspection team to have a real-time overview of when, and where our contractors and sub-contractors are working. This enables efficient deployment of inspectors to sites.

We conducted 984 inspections, of which 99% were unannounced. Though major non-compliance was reported in less than one per cent of inspections, we had two more cases of major non-compliance compared to the year before. In 2016, we terminated eight sub-contractors and suspended three sub-contractors for failing to meet our safety standards. We saw a 40% year-on-year reduction in minor non-compliance cases.

Internalising safety: We apply the same high level of safety standards to our employees. Our health and safety management systems are OHSAS 18001:2007 certified, and regional health and safety committees roll out safety inspections and health programmes. Having achieved three years of zero lost time injury frequency (LTIF), we recorded our first significant employee injury in 2016. Our LTIF was 0.23 per million hours of work.

Promoting collaboration: We partnered with industry peers to conduct a baseline calibration of health and safety requirements. This baseline led to the development of a common industry safety standard, which was endorsed by five industry CEOs. This common standard will transform the industry's safety culture, allow for cost savings, and increase efficiencies for all stakeholders.



Sustainability

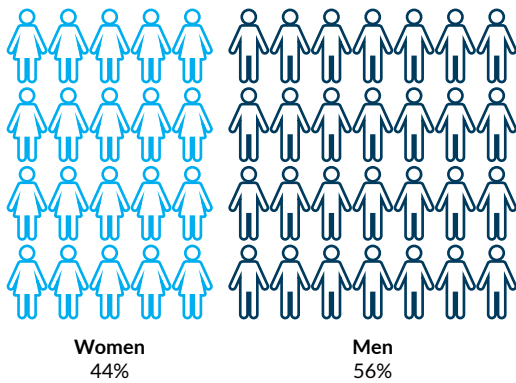
Winning Team

Our employer promise of 'Freedom to inspire the next' is a belief in creating a workplace where everyone's voice is heard, and aspirations fulfilled, regardless of their position in Digi. It is this freedom that attracts and retains top talent, and innovates the next generation of products and services in our drive to be our customers' favourite partner in digital life.

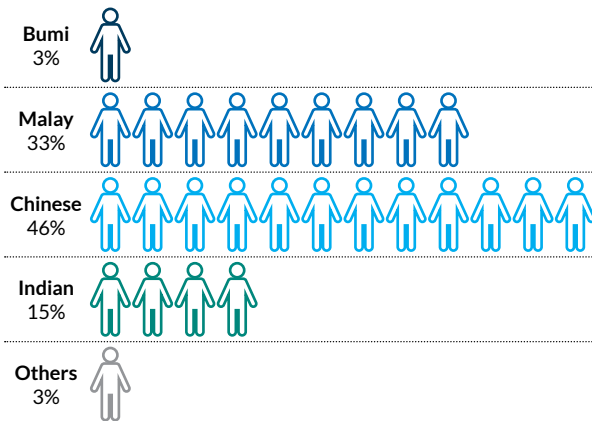
Inclusive and engaged culture

We celebrate a workforce that is diverse, inclusive and engaged. We promote a workplace where all employees feel a sense of belonging, everyone is respected, differences embraced, and there are equal opportunities for all.

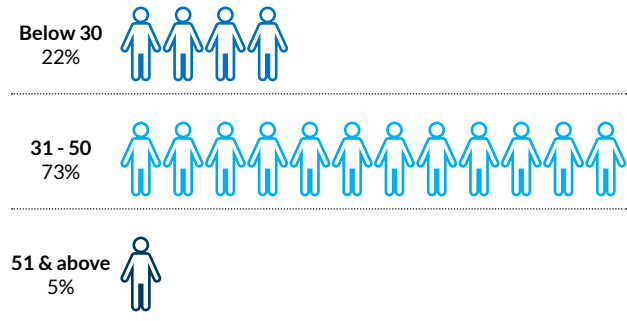
Gender (%)



Ethnicity (%)



Age (%)



Diversity in leadership: Women comprise 43% of our current Board of Directors, which is above the ambitions set by the Malaysian government. Women also represented 39% of the Digi leadership team, which comprise of CXOs and their direct reports. Today, roles traditionally held by men, such as in network and information technology, are led by women of equal capability.

The Women Inspirational Network (WIN) is a platform to strengthen the management leadership pipeline. An initial group of 20 top performing women were identified and provided with a CXO mentor. Members of WIN are provided diverse opportunities to develop, share, and network with other corporate women leaders.



Sustainability

Supporting work life balance: In January 2016, we launched a six months fully paid maternity policy for all full time employees. Sixty five Digizens have gone on maternity under this new policy, and 37 have returned to their positions while the remaining are still on maternity leave.

Attracting future-ready talent: We created unique opportunities to accelerate learning of young talent as part of building our future talent pipeline. The CXO Apprentice Challenge attracted over

800 young adults with the unique opportunity to spend a year shadowing and being mentored by a CXO. Following a rigorous online recruitment, a workshop to observe and shortlist potential candidates, eight individuals were selected to apprentice with the respective CXOs.

Employee Engagement Index (EEI): EEI measures percentage of employees committed to the organisation and willingness to apply discretionary effort in their work. Our EEI averaged 76% over the last three years, which is above the benchmark of high performing, and Malaysian companies. The results point towards a strong culture of customer centricity and higher employee net promoter score.



Innovation Everyday

We have established a culture of everyday innovation where Digizens are provided a conducive, enabling environment to try new things. Various platforms are offered to allow to Digizens to ideate, understand customer needs, validate, prototype, and pitch their ideas. Winners are given time off from their duties to dedicate time to bring their ideas to market.

Innovation Platforms



Telenor Ignite Incubator

Team Alfredz, a team of three Digizens, was one of the five winners at the inaugural Telenor Ignite Incubator. Alfredz is a wireless intercom system to connect security guards with residents in high-rise condominiums and gated communities. The team is now embedded within Digi-X to further develop and commercialise their product.



Disrupt@Digi

Over 80 Digizens formed 15 teams to create the next innovative product or service over a non-stop 30 hour event. Connect Kindie, an app to enable better communications between kindergarten teachers and parents, was selected to be commercialised.



Beta Labs

An intrapreneurial platform designed to harness collective validated learning through small, autonomous teams. Supported by an Innovation Catalyst, teams win approval from the monthly Beta Council to prototype and test their ideas. Thirty five ideas were submitted, and five are being beta tested with customers. One idea has garnered interest from the Marketing team, and may be turned into a Digi product.

Sustainability

Transformation Catalyst

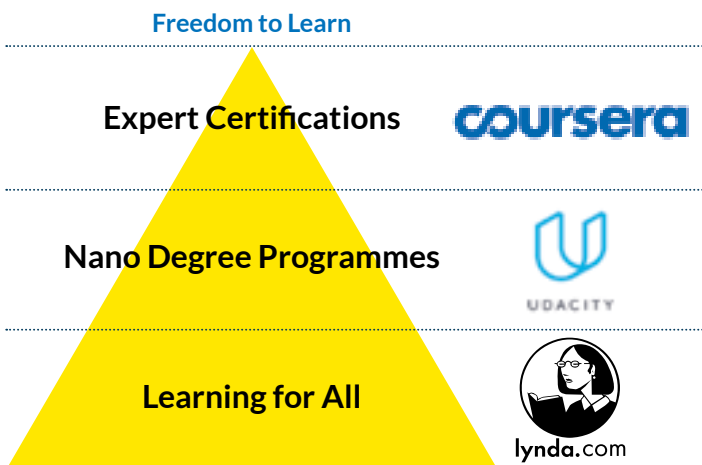
We believe every Digizen should have a pathway to be part of our digital transformation. Ensuring they understand their role, adopt new skills, and transform their mindset to embrace new ways of work.

Transforming leaders: We developed a partnership with the Asia School of Business, a collaboration of the Massachusetts Institute of Technology Sloane and Bank Negara, to develop a customised programme on financial valuation on digital business modelling. The first of its kind in the region, the programme is being rolled out across Telenor business units in Asia.

In collaboration with Telenor Group and INSEAD Business School, we launched the 'Strategic Execution Programme' for all head of sections and senior experts. The six-week online course exposes leaders to the external disruptive forces and trends shaping our industry, inspires new ways of work and thinking, and instills skills to lead their teams to make the digital shift. Leaders need to demonstrate and reflect execution of the new knowledge by completing a project over three months.

Future-ready: 'What's your Next' is a half day workshop that engages all Digizens to understand and embrace our new digital ambition. The workshop explains why and how the business is changing, enabling Digizens to chart their next step within Digi, freely challenge conventions, experiment with new opportunities, and urgently commit to learning a future related skill to remain future-ready.

Freedom to learn: We launched our new Digital D'Academy allowing every Digizen to freely access three world class online learning platforms anytime and anywhere. Ninety eight Digizens have enrolled for a six months nanodegree on Udacity. Five have graduated having undergone on average of 72.4 online learning hours per nanodegree. Digizens on average completed 14.2 hours of training.



Climate Change and Environment

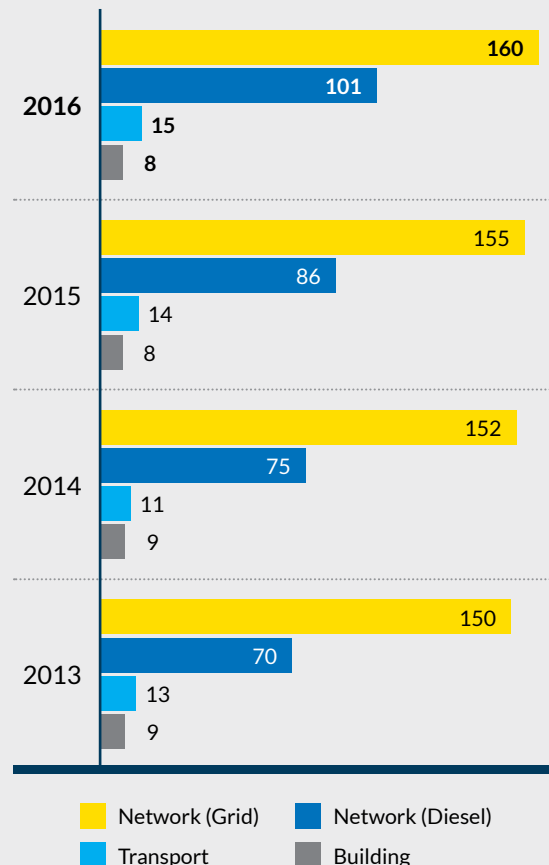
Our primary climate measure has been to stabilise the energy consumption in our network while increasing our coverage footprint. In 2017, Telenor Group will formulate a new strategic climate ambition with localised climate roadmaps working towards 2030 that are aligned with the Paris Climate Agreement.

Energy Efficiency

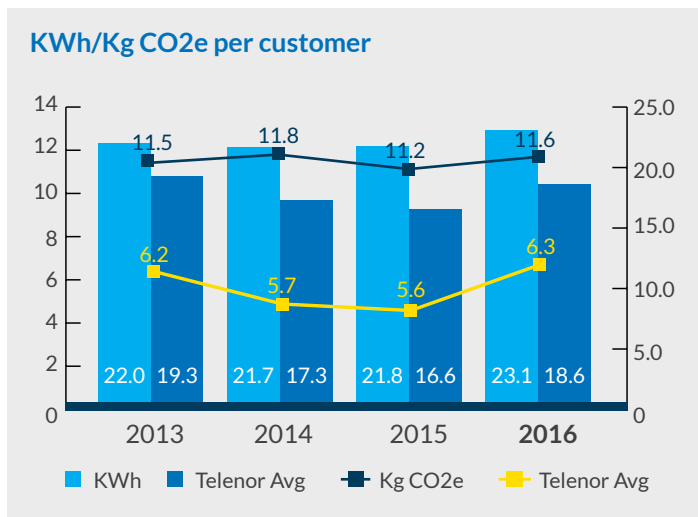
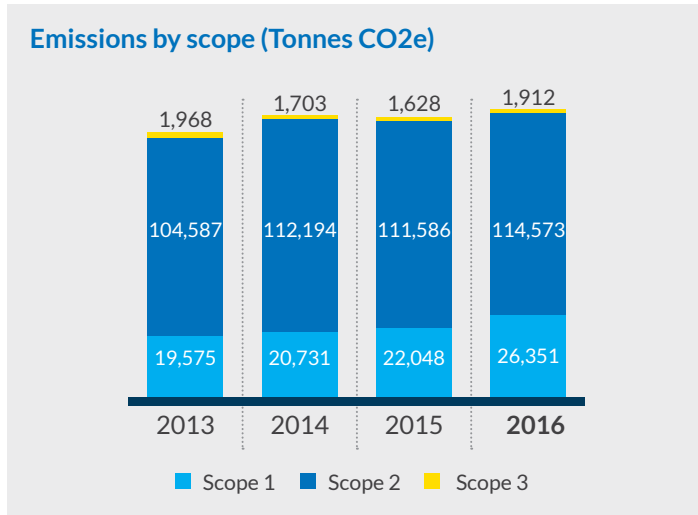
In 2016, we utilised 284 GWh of energy across our operations, a 7.4% increase year-on-year. The increase in energy use is primarily from our network, which saw a 102% year-on-year growth in data traffic. Our energy intensity per RM revenue rose 19% to 0.046 KWh due to lower revenues, and our KWh per customer is marginally above the Telenor Group average of 18.6 KWh.

Our total carbon emission is 142,835 tonnes, a 5.6% year-on-year increase, and our carbon intensity per RM value added increased 4.5% to 0.044 tonnes, while our carbon emission per customer is above the Telenor Group average of 6.3 kg CO₂e.

Total Energy Use By Type (GWh)



Sustainability



Network: Energy used to power our network accounts for 92% of our total energy usage. Our 2017 - 2020 network energy use is forecasted to increase as we strengthen and broaden our reach to provide better service to our customers. Emissions from generators accounted for the most significant increase of 17% year-on-year as we rolled out our 4G LTE network to reach 85% population coverage, and provide rural coverage through rollout of over 100 T3 sites.

Over the years, we have invested in infrastructure and capital projects to deliver a network that is environmentally efficient. In 2016, we optimised and reduced the size of generators appropriate to its related network coverage. We rolled out a Charge Discharge Cycle Genset and Battery, which allows for reduction in diesel consumption. We installed Base Transceiver Systems in 3G equipments in all base stations to allow for more savings. We overlaid 4G LTE network cards on existing equipment to reduce the need of installing additional equipment.

Renewable energy: Green energy contributes less than 1% of energy to power our network. There was a slight reduction of renewable energy output due to vandalism at ten sites. The 64 operational sites generated an estimated 0.52GWh.

The ongoing industry proof of concept (POC) self-sustaining hydrogen fuel cell at our base station with 2G and 3G technologies, continues to operate within the established parameters and passed several stress tests. The hybrid system extracts moisture from the atmosphere and extracts hydrogen molecules, reducing carbon emissions and maintenance cost. Results from the POC will guide future energy system optimisation to fit different variations of base stations.

Buildings and travel: Energy used in our buildings and travel account for 8% of total energy use and has remained stable over past 3 years. We completed the renovation of D'House, which is in the process of being certified Leadership in Energy and Environmental Design Gold (Commercial Interior). As part of the certification process, we have assessed and recalibrated air-conditioning units and installed LED lightings to maximise energy savings.

Managing E-waste

The increasing tonnage of e-waste not properly disposed of has health and environmental implications. E-waste directly produced from our operations is managed under the Environmental Quality (Scheduled Wastes) Regulation 2005 and our E-Waste Guidelines.

Recycling redundant equipment: Decommissioned network equipment constitutes the largest tonnage of our e-waste generated. As we complete our network upgrade, the amount of e-waste from decommissioned network equipment has declined. In 2016, we collected only 18 tonnes of equipment, down from the peak of 343 tonnes year-on-year.

Collaborating with partners: Collection of old mobile phones constitutes a small amount of e-waste as there are currently no regulations on domestic e-waste in Malaysia. We offer 'take back' schemes of selected phone models and make available e-recycling boxes in all Digi stores.

The Mobile e-Waste: Old Phone, New Life, is a joint recycling and awareness programme by the Malaysian Communications and Multimedia Commission, Malaysian Technical and Standards Forum Berhad, and industry peers. In its second year, a media awareness tour of a recycling centre was initiated, explaining how e-waste is recycled and the potential dangers if not disposed off responsibly.

Sustainability

Empower Societies

A connected society is an empowered society. Building on our core values and leveraging on our digital ambition, we believe digital services and platforms can bring many benefits to the lives of individuals and communities. Digi's CyberSAFE™, Challenge for Change, and Wanita Era Digital are core programmes to empower societies. We also support other digital empowerment initiatives such as the Telenor Youth Forum, Digital Winners Asia, and Kampung Internet For All.

Safe Internet

Over the six years of Digi's CyberSAFE™ programme, more than 100,000 students and 7,000 teachers nationwide have been trained and engaged. We have curated the nation's largest repository of information on schoolchildren's online behaviour through biennial national quantitative and qualitative surveys.

In 2016, our focus was on creating mass awareness by deepening our strategic partnerships with the Ministry of Education, CyberSecurity Malaysia, UNICEF, the Royal Malaysia Police and The Star R.AGE.

SUSTAINABILITY

With our partners, we launched a public campaign, 'Us vs Cyberbullying', that reached over 3,000 people with the Mayor of Petaling Jaya.



More than 60 videos on anti-cyberbullying were created by school children to raise awareness on the issue. We trained 64 school debaters in the national ICT security school discourse.



Partnering with UNICEF, The Star R.AGE and Women:girls, we kicked off the 'ReplyForAll' public townhall to trigger a conversation on online child sexual exploitation and the call to action for anti-grooming laws in Malaysia.



Together with UNICEF Malaysia, we organised the first ever Digi CyberSAFE™ Digital Citizen Camp in D'House. Held over 3 days 2 nights, the educational and interactive camp was aimed at building capacity of young ambassadors who would instil digital citizenship among their peers.



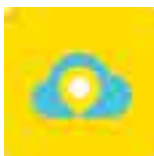
Digi's CyberSAFE™ Champion, Philip Ling, was awarded the Cybersafe Professional 2016 by Cybersecurity Malaysia, an agency under the Ministry of Science, Technology and Innovation. The award recognises an individual's contribution and commitment to Malaysia's cyber and information security.

Sustainability

Digital Enablement

We continue to work with partners who have the vision of how digital services can bring meaningful impact to their communities. With our partners, we developed scalable solutions which underscore our vision to leverage digital connectivity and services for good.

Keeping families safe: The Digi Family Safety app allows a subscriber to keep track and connect in real time with up to seven family members. The app allows customers to create a geo-fence alert, check-in upon arrival, parental control on time and apps used, and to remotely lock and erase information on a stolen phone. <https://familysafety.digi.com.my/>



Accessing safer child care: Working alongside Childline Malaysia and The Association of Registered Childcare Providers Malaysia, we developed asuhan.my to help families identify and review over 3,000 child care centres registered under the Child Care Centre Act 1984. It also identifies care centres that are not registered with local authorities, provides an avenue to report suspected abuse, and to locate the nearest support systems. www.asuhan.my



Creating a digital identity: In partnership with the United Nations Global Compact (UNGC) Malaysia, we developed an app to support the rollout of Blunumbers, a free self-generated registry of basic information volunteered by farmers and agri-suppliers to identify themselves in the supply chain. Businesses will be able to tap into this big data repository for analytics, connect deeper into their supply chain, and to evidence impact. www.blunumbers.org



Enhancing learning of sign language: Eddy, an edutainment app which intends to gamify the learning of sign language emerged as the winner of Digi Challenge for Change 7. Eddy utilises 3D animation, localised content and games to make learning sign language easier and more fun for everyone. The Eddy team won a RM50,000 cash prize, and an additional RM70,000 from Digi and Agensi Inovasi Malaysia as they meet development milestones over the next six months.

Empowering women: Wanita Era Digital project reached out to rural and urban poor communities to engage women and to close the gender digital divide. The programme equips women with basic internet and e-commerce skills, and online safety awareness.



This is a summary of key sustainability initiatives undertaken by Digi in 2016. For more detailed information on sustainability governance, material issues, stakeholder engagement, management approach, initiatives, and data trends, please go to www.digi.com.my/sustainability.

Deloitte PLT has provided a limited external assurance of select indicators presented in this section of the Annual Report. The limited external assurance opinion can be found on page 153 to 155 of this Annual Report.

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Digi全新商务配套提供无限量拨电及SMS、附送智能手机于每条新线及免费漫游至8个国家，让您随时随地与客户保持联系。价格包含消费税。


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至中国、新加坡等
8个国家


每签购新线附送
智能手机


无限量
拨电及SMS

每月
RM 198*

- 无限量拨电及SMS
- 15GB 互联网数据

每月
RM 138*

- 无限量拨电及SMS
- 10GB 互联网数据

每月
RM 78*

- 无限量拨电及SMS
- 5GB 互联网数据

联络号码: 016 299 8388
电邮: bsc@digi.com.my



启发生活



*必须遵守特定条例。Digi Telecommunications Sdn. Bhd. (201283-M)

Board of Directors

**Tan Sri
Saw Choo Boon**
*Independent Non-
Executive Director,
Chairman of the Audit &
Risk Committee, Member
of the Nomination
Committee*

Morten Karlsen Sorby
*Non-Independent Non-
Executive Director,
Chairman of the
Board of Directors and
Remuneration Committee*

Kristin Muri Moller
*Non-Independent
Non-Executive Director*



Decisive.

Our Board has set clear directions for our business moving forward; a well-defined digital strategy focused on securing Digi's long-term growth and continued attractive returns to shareholders.

Yasmin Binti Aladad Khan
Independent Non-Executive Director,
Chairman of the
Nomination Committee

Tore Johnsen
Non-Independent
Non-Executive Director,
Member of the Audit
& Risk Committee and
Remuneration Committee

Lars-Ake Valdemar Norling
Non-Independent
Non-Executive Director,
Member of the
Nomination Committee
and Remuneration
Committee

Vimala A/P V.R. Menon
Independent Non-Executive Director,
Member of the
Audit & Risk Committee



Directors' Profile

Morten Karlsen Sorby

58 years of age, Norwegian, Male

Non-Independent Non-Executive Director
Chairman of the Board of Directors
Chairman of the Remuneration Committee

Appointed to Board: 15 March 2013

Career History

Mr Sorby joined Telenor ASA in 1993 where he held a number of senior positions. He was appointed Executive Vice President and member of the Group Executive Management team in 2003. Mr Sorby, in his capacity as Executive Vice President, served as Head of Norwegian Market from 2003 to 2005, Head of Nordic Operations from 2005 to 2009, Executive Vice President and Head of Corporate Development from 2009 to 2011, and Head of Strategy and Regulatory Affairs from 2011 to 2013. He was Chief Executive Officer of Uninor, India in 2014. Mr Sorby served as Executive Vice President and Acting CFO of Telenor Group from November 2015 until November 2016. He previously worked at Arthur Andersen & Co in Oslo, Norway.

Other Commitments

Mr Sorby is an Executive Vice President in Telenor Group and Chief Transformation Officer. He is a Director of Digi Telecommunications Sdn Bhd, Board Member Telenor Norway, Total Access Communication Public Company Limited, Thailand and Posten Norge.

Skills & Experience

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

Tan Sri Saw Choo Boon

70 years of age, Malaysian, Male

Independent Non-Executive Director
Chairman of the Audit & Risk Committee
Member of the Nomination Committee

Appointed to Board: 9 December 2010

Career History

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, and Senior Advisor until 30 June 2010, when he retired from Shell after 40 years of continuous service.

Other Commitments

Tan Sri Saw is an Independent Director of RHB Bank Berhad and Ranhill Holdings Bhd, and Director of some private companies. He is also the Chairman of MRCB Quill Management Sdn Bhd.

In addition, he is the co-chairman of the Government's Public-Private Sector Special Task Force on Facilitating Business (PEMUDAH), Immediate Past President of the Federation of Malaysian Manufacturers Council and a director on the Socio-Economic Research Centre Board of the Associated Chinese Chambers of Commerce and Industry Malaysia.

Skills & Experience

Tan Sri Saw holds a Bachelor of Science Hons (Chemistry) from University of Malaya.

Directors' Profile

Tore Johnsen

69 years of age, Norwegian, Male

Non-Independent Non-Executive Director
Member of the Audit & Risk Committee
Member of the Remuneration Committee

Appointed to Board: 15 March 2013

Career History

Mr Johnsen started his career in Televerket (Norway) in 1974 and held various managerial positions including Head of Telenor Broadcast for four (4) years. He acquired extensive experience in start-up ventures after joining the mobile business in 1988 and has international experience from various mobile operators both in Europe and South East Asia. He served as the Chief Executive Officer (CEO) of Digi.Com Berhad and Chief Operating Officer of Digi Telecommunications Sdn Bhd from February 2001 to July 2004. Prior to joining Digi as the Head of Corporate Strategy in January 2000, he served as the Mobile Product Director at Telenor Asia Pte Ltd in Singapore. Mr Johnsen was also CEO of Telenor Pakistan Ltd from August 2004 to August 2008, CEO of Total Access Communications Public Company Limited, Thailand from August 2008 to March 2011, and CEO of Grameenphone Ltd, Bangladesh from March 2011 to January 2013.

Other Commitments

Mr Johnsen is currently a Senior Advisor for Telenor ASA, and Director of Total Access Communications Public Company Limited, Thailand, Grameenphone Ltd, Bangladesh and Digi Telecommunications Sdn Bhd.

Skills & Experience

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

Yasmin Binti Aladad Khan

59 years of age, Malaysian, Female

Independent Non-Executive Director
Chairman of the Nomination Committee

Appointed to Board: 23 July 2013

Career History

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

She was the Senior Vice President, South East Asia & South Asia for DHL Express overseeing 14 countries with more than 14,000 employees and 160,000 customers until December 2015. Prior to this, she was DHL Singapore's Country Manager in 2003 and Country Manager in Malaysia in 2001.

Other Commitments

Puan Yasmin is a Director of DHL's subsidiaries in Asia Pacific and she also holds the role as Executive Vice President, Asia Pacific (excluding China) and Managing Director, Emerging Markets.

Skills & Experience

Puan Yasmin holds a Master in Business Administration from Aston University, and is currently a member of the Advisory Board of Singapore Management University.

Directors' Profile

Lars-Ake Valdemar Norling

47 years of age, Swedish, Male

Non-Independent Non-Executive Director
Member of the Nomination Committee
Member of the Remuneration Committee

Appointed to Board: 19 August 2015

Career History

Mr Norling was CEO of Digi Telecommunications Sdn Bhd from August 2014 to March 2015. He served as CEO of Telenor Sweden from April 2009 to July 2014 and as a Chief Technology Officer of Telenor Sweden from September 2007 to March 2009. He also served as Chief Operating Officer for the Fixed Network and Products within Telenor Sweden from September 2006 to August 2007. Mr Norling joined the fixed broadband provider Bredbandsbolaget in 1999, where he held a number of executive positions such as Chief Information Officer, Chief Technology Officer and Chief Operating Officer. He has also worked at Ericsson Business Consulting both as a manager and a management consultant. He started his career as a trainee at ASEA Brown Boveri in 1993.

Other Commitments

Mr Norling is currently a Director and CEO of Total Access Communication Public Company Limited, Thailand and Director of Digi Telecommunications Sdn Bhd.

Skills & Experience

Mr Norling holds a Master of Business Administration from Gothenburg School of Economics, Sweden, a Master of Science in Engineering Physics from Uppsala University and a Master of Science in Engineering from Case Western Reserve University, USA.

Kristin Muri Moller

50 years of age, Norwegian, Female

Non-Independent Non-Executive Director

Appointed to Board: 4 February 2016

Career History

Ms Moller joined Telenor Group in 1996 as Head of Accounting in Telenor Satellite Services. Since then, she has held various finance positions in Telenor Group businesses primarily related to media and broadcast, building her vast experience in the areas of accounting, controlling, performance management, governance and internal control, treasury, risk management as well as driving business transformations. She served as Chief Financial Officer (CFO) of Broadcast and Canal Digital, a business of Telenor Broadcast from April 2010 to November 2014 and CFO of Telenor Denmark from 1 December 2014 to 1 December 2016.

Other Commitments

Ms Moller is currently the CFO of Telenor Norway with key responsibilities in financial quality, assurance and reporting, business performance management and sourcing. She is also a Director of Digi Telecommunications Sdn Bhd.

Skills & Experience

Ms Moller holds a Bachelor of Commerce/Business studies at Norwegian School of Management.

Directors' Profile

Vimala A/P V.R. Menon

62 years of age, Malaysian, Female

Independent Non-Executive Director
Member of the Audit & Risk Committee

Appointed to Board: 1 July 2015

Career History

Ms Menon is a Chartered Accountant and has 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.

From July 2014 to Jan 2017, Ms Menon served as a member of the Board of Trustees of Pemandu Corporation.

Other Commitments

Ms Menon is currently the Senior Independent Director and Chairman of the Board Audit Committee for Petronas Chemical Group Berhad and Cycle & Carriage Bintang Berhad, and Independent Director and Chairman of the Board Audit Committee for Petronas Dagangan Berhad. She is also a Board member of Prince Court Medical Centre Sdn Bhd.

Skills & Experience

Ms Menon is a Fellow of the Institute of Chartered Accountants in England and Wales, and a Member of the Malaysian Institute of Accountants (MIA).

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



Active.

Our leaders are committed to executing our strategy and achieving our ambitious goals to capture growth opportunities in digital; deeply driven by a customer-first, and innovation-led approach to everything.

left to right

1. **Kesavan Sivabalan** *Chief Network Officer*
2. **Loh Keh Jiat** *Chief Marketing Officer*
3. **Haroon Bhatti** *Chief Human Resource Officer*
4. **Eugene Teh** *Chief Corporate Affairs Officer*
5. **Albern Murty** *Chief Executive Officer*
6. **Praveen Rajan** *Chief Digital Officer*
7. **Orsolya Sekerka** *Chief IT Officer*
8. **Karl Erik Broten** *Chief Financial Officer*



Management Profiles

Albern Murty

Chief Executive Officer
Male, 44, Malaysian

Career History

Albern was appointed Chief Executive Officer on 1 April 2015. Prior to that, he was the Chief Operating Officer of Digi Telecommunications Sdn Bhd. Since joining Digi Telecommunications Sdn Bhd 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 & Experience

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

Karl Erik Broten

Chief Financial Officer
Male, 49, Norwegian

Career History

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

Skills & Experience

Karl holds a Master of Science in Business Administration, majoring in International Management from Agder University College, Norway.

Loh Keh Jiat

Chief Marketing Officer
Male, 45, Malaysian

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 10 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 & Experience

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

Eugene Teh

Chief Corporate Affairs Officer
Male, 42, Malaysian

Career History

Eugene was appointed Chief Corporate Affairs Officer on 1 January 2014. Formerly, 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 & Experience

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

Orsolya Sekerka

Chief IT Officer
Female, 44, Hungarian

Career History

Orsolya was appointed Chief IT Officer on 13 April 2015. She joined Digi Telecommunications Sdn Bhd in June 2013 as Head of IT Development. Orsolya was formerly the Network Sharing Project Director in Telenor Hungary. There, she also held many different leadership roles in Technology and Business Coordination such as Head of Development, Head of Business Analysis and Project Management, and Head of IT Operations. She has been with Telenor Group since 1999.

Skills & Experience

Orsolya holds a Master of Science in Business Administration from Budapest University of Economic Sciences, Hungary.

Management Profiles

Kesavan Sivabalan

Chief Network Officer
Male, 48, Malaysian

Career History

Kesavan was appointed Chief Network Officer on 13 April 2015. He joined Digi Telecommunications Sdn Bhd as the Head of Technology Operations in August 2013. Prior to Digi Telecommunications Sdn Bhd, 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 & 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.

Haroon Bhatti

Chief Human Resource Officer
Male, 41, Pakistani Canadian

Career History

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

Skills & Experience

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

Praveen Rajan

Chief Digital Officer
Male, 38, Malaysian

Career History:

Praveen was appointed Chief Digital Officer on 1 June 2016. He joined Digi Telecommunications Sdn Bhd in 2007, and brings more than 15 years of experience in the internet and mobile industries. He has held multiple leadership positions in his ten year stint with Digi Telecommunications Sdn Bhd, and these include Head of Advanced Data Services, Head of Products – Internet & Services, and Head of Postpaid & 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 & 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.

Statement on Corporate Governance

The Board of Directors (the Board) of Digi.Com Berhad and its Group of Companies (Digi or the Group) integrates business integrity into the strategies and operations of the Group because the Board believes that maintaining good corporate ethics is key to delivering shareholders' value.

Digi is guided by the principles of the Malaysian Code on Corporate Governance 2012 (MCCG 2012) and the Corporate Governance Guide issued by Bursa Malaysia Securities Berhad (Bursa Securities) in its corporate governance practices, and continues to strive towards achieving a high standard of corporate governance.

This statement describes how Digi has applied the principles and in general complied with the recommendations of the MCCG 2012 during the financial year under review.

| Board Structure | Board Effectiveness | Financial Reporting | Stakeholder Engagement |
|---|--|---|---|
| <ul style="list-style-type: none"> • Board Composition & Balance • Annual Assessment of Directors • Annual Assessment of Independence • Tenure of Independent Directors • Board Diversity • Board Committees • Roles & Responsibilities • Separation of positions of the Chairman & CEO | <ul style="list-style-type: none"> • Board Charter • Time Commitment • Directors' Training & Induction • Compliance Framework • Company Secretaries • Sustainability | <ul style="list-style-type: none"> • Compliance of Financial Statements with Applicable Financial Reporting Standards • Related Party Transactions • Independence of External Auditors • Risk Management & Internal Control | <ul style="list-style-type: none"> • Analyst Briefings • Annual General Meeting • Website • Share Register Analysis • Investor Conferences and Roadshows |

I. Board Structure

Board Composition and Balance

In leading a telecommunications company, the Board seeks to continually evolve its membership by seeking Non-Executive Directors equipped with diverse and complementary skills and perspectives, as well as extensive experience in international operations.

The Board currently has seven (7) Directors, comprising four (4) Non-Independent Directors and three (3) Independent Directors. They are all Non-Executive Directors.

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

Statement on Corporate Governance

Annual Assessment of Directors

The Board assesses annually the effectiveness of the Board as a whole, Board Committees and Directors individually through the NC. Further details are shared in the NC report from pages 78 to 79. In January 2017, the NC conducted an assessment of the Board's effectiveness and recommended the re-election of Puan Yasmin Binti Aladad Khan and Tan Sri Saw Choo Boon, the Directors who are retiring by rotation in accordance with Article 98(A) of the Company's Articles of Association at the forthcoming AGM to be held in May 2017. The Board (save for the interested Directors who have abstained from deliberations) is satisfied that they have continued to contribute to the Board's effectiveness and have discharged their responsibilities as Directors. Therefore, their re-election to the Board is recommended for shareholders' approval.

The Board is satisfied that the current composition of Directors provides the appropriate mix of relevant skills and knowledge, experience, balance and size necessary to promote shareholders' interests and govern Digi effectively. It also fairly represents the ownership structure of Digi, with appropriate representation of minority interests through the Independent Non-Executive Directors. The Non-Executive Directors contribute international and operational experience, and understanding of the financial and capital markets.

Most of the Directors have experience in the telecommunications industry. A brief description of the background of each Director is presented in pages 48 to 51 of the Annual Report.

Annual Assessment of Independence

Tan Sri Saw Choo Boon, Puan Yasmin Binti Aladad Khan and Ms Vimala A/P V.R. Menon are Independent Directors. Based on the independence assessment in 2017, the Board is satisfied with the level of independence demonstrated through their engagement in meetings, providing objective challenges to Management and bringing independent judgment to decisions taken by the Board. The Independent Directors fulfill the criteria of "Independence" as prescribed under Chapter 1 of the Main Market Listing Requirements of Bursa Securities (MMLR). Digi fulfills the requirement to have at least one-third of the Board comprising Independent Non-Executive Directors.

Tenure of Independent Directors

The Independent Directors are assessed annually based on the criteria established by the Board. In assessing independence, the Board has considered the recommendations of the MCCG 2012 regarding the tenure of Independent Directors to be limited to nine (9) years, and hence, do not encourage a Director whose term of appointment has exceeded a cumulative period of 9 years to be retained as an Independent Director. At this juncture, there is no such Director who has served on the Board for more than 9 years. However, if and when such an occasion arises, the experience and knowledge of long-service Directors would be taken into consideration and the Board has authorised the NC to conduct an assessment of the Independence of such Directors prior to seeking shareholders' approval to retain such Independent non-Executive Directors on the Board.

Board Diversity

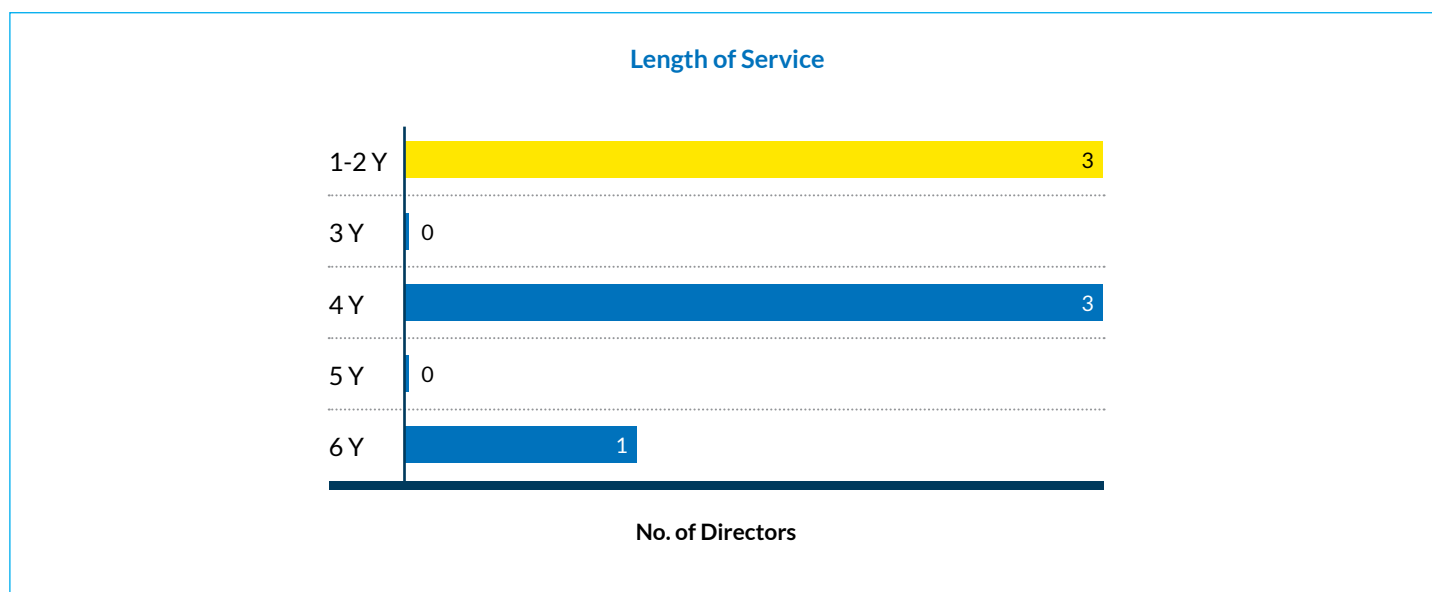
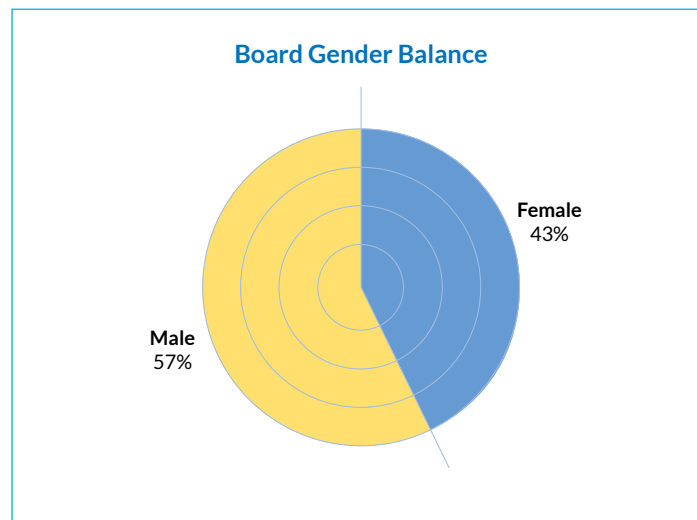
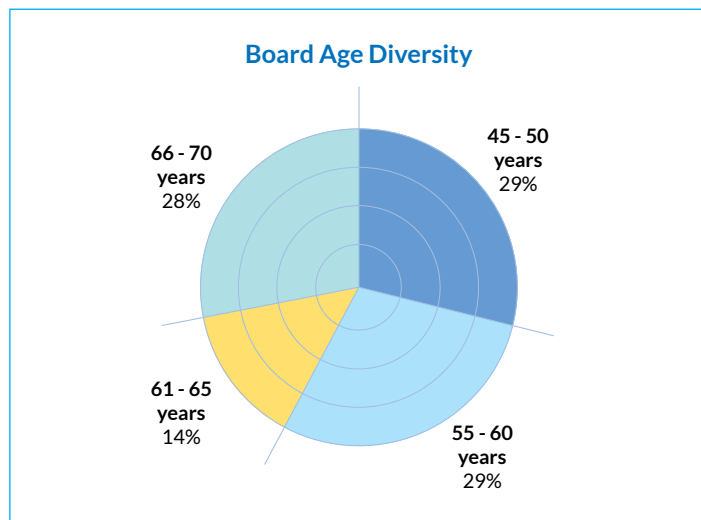
The Board recognises that other aspects of diversity within the Board are also important, and this includes a mix of skills, experience, perspective, gender and age. The evolution of this mix is a long-term process that is deliberated each time a vacancy arises to ensure a balanced and diverse Board composition is maintained. The Diversity Policy aims to set the approach to achieve diversity on Digi's Board and its workforce.

Currently, there are three (3) women serving as members of the Board, reflecting a 43% female representation among Non-Executive Directors on the Board which exceeds the Malaysian government's target of 30% women participation on boards of public listed companies.

Further information on diversity within the organisation is included in Digi's 2016 Sustainability Report, available at www.digi.com.my/sustainability.

The Diversity policy is accessible on Digi's website at digi.listedcompany.com/misc/factsheet.

Statement on Corporate Governance



Board Committees

The Board has established three (3) Board Committees, namely the Audit & Risk Committee (ARC), Remuneration Committee (RC) and NC which are entrusted with specific responsibilities to oversee Digi’s affairs, with authority to act on behalf of the Board in accordance with their respective Terms of Reference (TOR). The Board Committees review matters within their TORs and make recommendations to the Board for approval. The Board is kept apprised of the activities of the Board Committees through circulation of minutes of the Board Committees meetings and update by the respective Chairman of the Board Committees.

Although the Board has granted discretionary authority to these Committees to deliberate and decide on certain operational matters as set out in their respective charter, the ultimate responsibility for final decision on all matters lies with the Board.

Statement on Corporate Governance

The composition of the Board Committees is as follows:

| Audit & Risk Committee | Nomination Committee | Remuneration Committee |
|--|--|--|
| Tan Sri Saw Choo Boon Chairman, Independent Non-Executive Director | Yasmin Binti Aladad Khan Chairman, Independent Non-Executive Director | Morten Karlsen Sorby Chairman, Non-Independent Non-Executive Director |
| Tore Johnsen Member, Non-Independent Non-Executive Director | Tan Sri Saw Choo Boon Member, Independent Non-Executive Director | Tore Johnsen Member, Non-Independent Non-Executive Director |
| Vimala A/P V.R. Menon Member, Independent Non-Executive Director | Lars-Ake Valdemar Norling Member, Non-Independent Non-Executive Director | Lars-Ake Valdemar Norling Member, Non-Independent Non-Executive Director |

The TOR for each of the Committees is accessible on Digi's website at digi.listedcompany.com/misc/factsheet.

- All Board Committees consist of members who are Non-Executive Directors, a majority of whom are independent except for the RC where all its members are non-independent.
- All Board Committees meet as and when necessary. Decisions can also be made via circular resolutions.
- In carrying out its duties and responsibilities, the Board Committees have:
 - (i) full access to any information, records, properties and personnel of Digi, and
 - (ii) power to obtain independent professional advice and expertise necessary in order to enable them to discharge their duties effectively.
- All members of the Board Committees have access to the advice and services of the Company Secretaries.

Details of the attendance at Board Committees meetings are set out on page 62.

Audit & Risk Committee (ARC)

The summary of activities of the ARC can be found in the ARC Report from pages 75 to 77 of this Annual Report.

Nomination Committee (NC)

The NC oversees matters related to Board structure in ensuring the existence of the right mix of experience, skills, knowledge, expertise, professionalism, integrity, competence, time commitment and other factors with regard to the leadership needs of the Company. A summary of the activities of the NC is set out in the NC Report from page 78 to 79.

Remuneration Committee (RC)

During the year, the RC met once and all members of the Committee attended the meeting.

The RC evaluated Mr Albern Murty as CEO against his set performance criteria and reviewed his compensation package thereof. The Chairman of the RC was authorised by the Board to determine the compensation package for the CEO.

The Board established formal and transparent remuneration policies and procedures for the Board and its Committees, to attract, retain and motivate the Directors. Non-Executive Directors' remuneration is structured to link with their contributions to the overall performance of the Company and commensurate with their experience, expertise and level of responsibilities.

Statement on Corporate Governance

The Board collectively determined the remuneration for the Independent Directors based on the recommendation of the RC. Each of the Independent Directors abstained from deliberating and voting on their own remuneration. The Non-Independent Non-Executive Directors receive their remuneration from their employing companies within Telenor Group and do not receive any form of remuneration from Digi. The Board is of the view that the current remuneration level suffices to attract, retain and motivate qualified Directors to serve on the Board.

The details of the remuneration of Directors (both the Company and the Group) comprising fixed monthly fees and ARC meeting allowances for the financial year 2016 are as follows:

| Non-Executive Directors | Company | | Group | | Total (RM) |
|--------------------------|----------------|------------------------|---------------|------------------------|----------------|
| | Fees (RM) | Benefits in Kind^ (RM) | Fees (RM) | Benefits in Kind^ (RM) | |
| Tan Sri Saw Choo Boon | 240,000 | 3,334 | 31,992 | Nil | 275,326 |
| Yasmin Binti Aladad Khan | 240,000 | Nil | Nil | Nil | 240,000 |
| Vimala A/P V.R. Menon | 240,000 | 2,000 | Nil | Nil | 242,000 |
| Total | 725,334 | | 31,992 | | 757,326 |

^ Meeting Allowance only applicable for ARC meetings

The number of Directors of the Company in each remuneration band is as follows:-

| | Non-Executive Directors |
|-----------------------|-------------------------|
| Not applicable | 4 |
| RM200,000 – RM250,000 | 2 |
| RM250,001 – RM300,000 | 1 |
| Total | 7 |

Roles and Responsibilities

The Board is cognizant of the need to promote and protect the interests of shareholders and stakeholders of Digi. The Board also shoulders the ultimate responsibility of determining the direction of the Group, assisting in the fine-tuning of corporate strategies and ensuring effective execution of these strategies.

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

Statement on Corporate Governance

During the financial year 2016, the Board carried out the following activities:

- approved the appointment of Ms Kristin Muri Moller as a member of the Board;
- reviewed and approved the annual strategy plan, ambitions and targets for the Group, including addressing the Group's business strategies on promoting sustainability;
- oversaw the implementation of the Group's strategic and business plan through quarterly updates with the CEO;
- identified the principal business risks faced by the Group and ensured the implementation of appropriate internal controls and mitigating measures to address such risks;
- reviewed the adequacy and integrity of the Group's internal controls and management information systems, including systems for compliance with applicable laws, regulations, rules, directives, and guidelines;
- reviewed and approved on the Group's capital investment;
- reviewed significant operational and financial issues to ensure that the financial statements are true and fair, and conform with accounting standards;
- reviewed and approved the quarterly financial results for the financial year 2016 for announcement to Bursa Securities and year-end audited financial statements for 2015;
- approved the quarterly interim dividends for the financial year 2016;
- approved the Audit & Risk Committee Report, Statement on Corporate Governance and Statement on Risk Management and Internal Control for disclosure in the annual report;
- reviewed and approved the revision of the TORs of the Board Committees;
- received minutes of the Board Committees meetings and kept updated on the activities of the Board Committees on a regular basis;
- approved the Circular to Shareholders in relation to recurrent related party transactions;
- reviewed and approved Group expenditure which exceeds the authority limits of the CEO and Management as defined in the Delegation Authority Matrix;
- approved the revision of the Group's policies;
- received updates on tax that impacts the Groups' businesses; and
- reviewed the evaluation results of the Board, Board Committees, Directors Self/Peer and Independent Directors for the financial year ended 2016.

Separation of Positions of the Chairman and CEO

There is a clear division of responsibility between the Chairman and the CEO to ensure that there is a balance of power and authority, where no individual has complete autonomy over decision making. The Chairman leads the Board with a keen focus on governance and compliance, ensuring its effectiveness. He principally ensures that the Board fulfills its obligations under the Board Charter and as required under the relevant legislations. He engages directly with the CEO to monitor business performance and oversees the implementation of strategies.

The CEO ensures effective implementation of the Board's policies, achieves strategic and performance targets, exercises high levels of business judgment and manages the relationship with stakeholders and the public. The Board has delegated the authority to achieve the Company's corporate objectives to the CEO in accordance with the Rules of Procedure for the CEO and he remains accountable to the Board. The CEO is not a Board member of Digi.Com Berhad to ensure there is a clear distinction between the roles of the CEO and the Board, and to prevent conflict of interest. He is supported by seven other members of the Management team.

Statement on Corporate Governance

II. Board Effectiveness

Board Charter

The Board is guided by the principles contained in the MCCG 2012, the Board Charter and the Delegation Authority Matrix, which set out the practices and processes in the discharge of its responsibilities, the matters that are reserved for consideration and decision making, the authority that has been delegated to the CEO including the authority limits which the CEO can execute, and provides guidance on the division of responsibilities between the Board and the CEO.

The Board Charter and the Delegation Authority Matrix are reviewed and revised, as and when required, to ensure an optimal structure for efficient and effective decision making in the organisation.

The Board Charter is accessible on Digi's website at digi.listedcompany.com/misc/factsheet.

Time Commitment

The Directors are aware of the time commitment expected from them to attend to matters of the Group in general, including attending meetings of the Board, Board Committees and AGM. As such, meetings are scheduled one year in advance and due notice is given for additional meetings.

Technology is effectively used in Board Meetings and in communication with the Board, where Directors may participate in meetings by audio or video conferencing.

The Board is satisfied with the level of time commitment given by the Directors in the discharge of their roles and responsibilities. The breakdown of the Directors' attendance at the Board, various Board Committee meetings and the AGM during the year are set out below:

| Name of Directors | Board meetings 7 | ARC Meetings 5 | NC Meetings 1 | RC Meetings 1 | AGM 1 |
|--|---------------------|-------------------|------------------|------------------|---------------|
| Morten Karlsen Sorby <i>Chairman/Non-Independent Non-Executive Director</i> | 7/7 (100%) | N/A | N/A | 1/1 (100%) | 1/1 (100%) |
| Tan Sri Saw Choo Boon <i>Independent Non-Executive Director</i> | 7/7 (100%) | 5/5 (100%) | 1/1 (100%) | N/A | 1/1 (100%) |
| Tore Johnsen <i>Non-Independent Non-Executive Director</i> | 6/7 (86%) | 5/5 (100%) | N/A | 1/1 (100%) | 1/1 (100%) |
| Yasmin Binti Aladad Khan <i>Independent Non-Executive Director</i> | 7/7 (100%) | N/A | 1/1 (100%) | N/A | 1/1 (100%) |
| Vimala A/P V.R. Menon <i>Independent Non-Executive Director</i> | 7/7 (100%) | 5/5 (100%) | N/A | N/A | 1/1 (100%) |
| Lars-Ake Valdemar Norling <i>Non-Independent Non-Executive Director</i> | 7/7 (100%) | N/A | 1/1 (100%) | 1/1 (100%) | 1/1 (100%) |
| Kristin Muri Moller <i>Non-Independent Non-Executive Director (Appointed on 4 February 2016)</i> | 6/6 (100%) | N/A | N/A | N/A | 1/1 (100%) |

Statement on Corporate Governance

At Board meetings, the Chairman encourages constructive and healthy debates, and Directors are free to express their views. Any Director who has a direct or deemed interest in the subject matter abstains from deliberation and voting on the respective resolution. Decisions of the Board are made unanimously or by consensus. Where appropriate, decisions may be taken by way of Directors' Circular Resolutions between scheduled and special meetings. In 2016, six resolutions, ranging from administrative to operational in nature, were approved by Directors via Circular Resolutions.

The agenda for the meeting of the Board is set by the Company Secretaries in consultation with the Chairman and the CEO. The agenda, the relevant reports and Board papers are furnished to Directors in advance to allow the Directors sufficient time to peruse the materials, thereby facilitating effective discussion and decision making during the meeting. The Board has a regular schedule of matters which are typically on the agenda and is reviewed during the course of the year.

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

Directors' Training and Induction

The Board emphasises the importance of continuing education for its Directors to ensure that they are equipped with the necessary skills and knowledge to meet the challenges of the Board. All existing Directors have completed the Mandatory Accreditation Programme (MAP). The NC continues to evaluate and determine the training needs of its members to assist them in the discharge of their duties as Directors. The Company Secretaries arranges for the Directors' attendance at the training programmes, which are conducted either in-house or by external service providers. All Directors attended training programmes during the year.

Orientation and familiarisation programmes including market visits to Digi's business operations and meetings with the Management were organised for the newly appointed Directors during the year to facilitate the new Director's understanding of Digi's operations and businesses. Regular briefings and workshops were scheduled on various topics for the Board and these sessions were held together with the Management team to encourage open discussion on these topics.

Set out below are the training programmes attended by the Directors, individually or collectively, during the financial year 2016:

| Date | Courses |
|----------------|--|
| 13 Jan 2016 | The New Auditor's Report – Sharing the UK Experience |
| 22-25 Feb 2016 | Mobile World Congress |
| 26 Feb 2016 | Corporate Governance Breakfast Series – Improving Board Risk Oversight Effectiveness |
| 3 Mar 2016 | Crisis Management Seminar |
| 15 Mar 2016 | EMC workshop |
| 22 Mar 2016 | DTAC & Ericsson workshop |
| 31 Mar 2016 | Sustainability Engagement Series for Directors |
| 28 April 2016 | National Start-up Expo |
| 4-5 May 2016 | Mandatory Accreditation Programme |
| 5 May 2016 | Digi Orientation Programme |
| 27 May 2016 | Ethical Leadership Programme |
| 30 May 2016 | Shell Global Scenarios |
| 31 May 2016 | SERC Global Economic Conference – The New Normal |
| 30 Jun 2016 | World Bank Malaysia Economic Monitor – Leveraging Trade Agreements |
| 11 July 2016 | Ensuring Organisation's Sustainability through Integrated Strategic Risk Management Program - IERP |
| 23 July 2016 | Site Visit to RAPID Project Site, Pengerang |

Statement on Corporate Governance

| Date | Courses |
|----------------|---|
| 25 July 2016 | <ul style="list-style-type: none"> • Introduction to MFRS9 – Ernst & Young • General and Detailed Sustainability Statements in Annual Report 2017 |
| 3 Aug 2016 | Best Practices for Board Excellence |
| 16 Aug 2016 | <ul style="list-style-type: none"> • International Blue Ocean Conference • 5th PETRONAS BAC Forum • Quality Awareness Certification |
| 4-6 Sep 2016 | Telenor Strategy Execution Programme |
| 14 Sep 2016 | Identify Right Board Talent |
| 15 Sep 2016 | Shariah Islamic Banking Awareness Program |
| 27 Oct 2016 | Security Awareness Recertification |
| 31 Oct 2016 | Anti-Money Laundering/Counter Terrorism Training |
| 8 Nov 2016 | <ul style="list-style-type: none"> • Director Training – New Company Act, Security & Terrorism in Malaysia, The Power of Social Media • Dangerous Good Awareness Training |
| 15-17 Nov 2016 | Certified International Manager – Coaching for Success Program |
| 15 Dec 2016 | 4-Year Strategy Workshop |
| 19 Dec 2016 | World Bank Malaysia Economic Monitor – Quest for Productivity Growth |

Compliance Framework

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

All employees including the Board members are required to read and acknowledge the Code. Digi's Ethics and Compliance Officer reports regularly to the ARC on the compliance of the Code by Digi and its employees. Ongoing training is provided to employees on the Code, in particular on how to deal with situations involving ethical dilemmas to ensure that they continuously uphold high standards of conduct while performing their duties. In January 2016, a new Ethics & Compliance Hotline service was made available to all employees and the public to allow the opportunity to speak up on misconduct and/or wrong doing by Digi employees.

The Ethics and Compliance Officer also handles whistle-blowing cases according to a well-defined process, outlined in the Whistle-blowing Manual. Digi employees, suppliers, business partners and customers are encouraged to raise their concerns about any malpractices involving Digi without any fear of repercussions. In case of illegal or unethical conduct in the workplace, employees can choose to report it through the Ethics & Compliance Hotline, their respective leaders or directly to the Ethics and Compliance Officer.

A copy of the Code is accessible on Digi's website at www.digi.com.my/aboutus/corporate_overview/governance.do.

Statement on Corporate Governance

Company Secretaries

The Board is satisfied with the performance and support rendered by the Company Secretaries in discharging their functions. The Company Secretaries play an advisory role to the Board and are qualified, experienced, and competent in performing their duty. The Company Secretaries carry out, among others, the following tasks:

- statutory duties as specified under the new Companies Act, 2016, MMLR and other relevant laws and regulations;
- updating and advising the Board on relevant guidelines on statutory and regulatory requirements periodically and the resultant implications to Digi and the Directors in relation to their duties and responsibilities;
- attending and ensuring that all Board and Shareholders' meetings are properly convened, pertinent issues discussed and decided upon, and conclusions are properly recorded;
- following-up on the action points and implementation of the Board's decisions to Management;
- facilitating the provision of information to the Board and Board Committees, and between Directors and Management from time to time; and
- supporting the Board in ensuring adherence to Board policies and procedures.

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

Sustainability

The Board is mindful of the importance of sustainability. It therefore takes necessary steps to ensure high standards of governance across Digi's operations, managing its environmental, social and governance impact as well as future risks and opportunities in continuing to build a responsible, sustainable business. A summary of Digi's sustainability agenda for the year under review is disclosed from pages 36 to 44 of this Annual Report.

Digi's 2016 Sustainability Report is accessible online at www.digi.com.my/sustainability.

III. Financial Reporting

Compliance of Financial Statements with Applicable Financial Reporting Standards

The Board is responsible for ensuring that the financial statements are prepared in accordance with the Companies Act, 1965 and are applicable to the Financial Reporting Standards in Malaysia so as to give a true and fair view of Digi's financial state of affairs.

The Board is assisted by the ARC in overseeing and governing Digi's financial reporting processes and the quality of its financial reporting. The ARC meets on a quarterly basis to review the quarterly reports and annual financial statements focusing particularly on compliance with applicable financial reporting standards and other legal requirements, changes in major accounting policies and practices, significant adjustments arising from audit and significant and unusual events. A summary of the ARC's activities during the year are set out on pages 75 to 77 of this Annual Report.

Related Party Transactions

Details of these transactions are set out under Notes 28 to the Financial Statements and also the list of Related Party Transactions from pages 132 to 134 and 145 of this Annual Report.

Statement on Corporate Governance

Independence of External Auditors

All Quarterly Results and Financial Statements were reviewed by external auditors prior to the tabling to the ARC for review. The External Auditors also participated in the discussions relating to financial results at all ARC meetings. The ARC discussed key concerns with and obtained feedback from the external auditors on matters relating to the company's affairs without the presence of the Management.

The ARC conducted an annual assessment of the external auditors. Areas of assessment include technical competencies, adequacy of specialist support and senior audit partners' accessibility and time commitment, independence and objectivity, audit scope and planning, audit and non-audit fees and audit communications to the ARC. The external auditors confirmed to the Board their independence in providing both audit and non-audit services up to the date of this statement. Following the review of the assessment, the ARC was satisfied with Messrs Ernst and Young's technical competency and audit independence and recommended the re-appointment of Messrs Ernst & Young (EY) for shareholder approval at the coming AGM.

To reinforce the independence and objectivity of the external auditors, the ARC assessed all non-audit services that were above 50% of the statutory audit fees for the financial year 2016 that the auditors may be called upon to perform. This was so in those circumstances where the auditors were best qualified and suitable to provide the required services given their comprehensive knowledge of Digi's business operations, systems and processes. During the financial year, the amount incurred by Digi and by the Group in respect of audit fees and non-audit related fees for services rendered by EY are as follows:-

| | Company (RM) | Group (RM) |
|--------------------|--------------|------------|
| Audit Services | 35,000 | 376,000 |
| Non-Audit Services | 9,000 | 403,000 |
| Total Fees | 44,000 | 779,000 |

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 of Risk Management and Internal Control
- (e) Tax compliance services

Risk Management and Internal Control

The Statement on Risk Management and Internal Control is set out from pages 69 to 74 of this Annual Report.

IV. Stakeholder Engagement

Digi's Investor Relations function continued to strengthen the quality of corporate disclosures during the year to address the increasing demand for more detailed and relevant information from the investment community. The solid teamwork between the Investor Relations team and various functional leaders within Digi enabled timely, accurate, transparent, effective and relevant communication of Digi's business strategies, financial performance and current business initiatives to be made available for Digi's investors and stakeholders and where necessary, filed with regulators in accordance with applicable legal and regulatory requirements.

Statement on Corporate Governance

In 2016, Digi's Investor Relations team continued its strategy of diversifying its shareholder base by targeting more emerging market funds, long-term funds as well as prospective investors with exposure in industry peers. With that objective in mind, Digi participated in 4 ASEAN or telecommunications themed conferences and 6 non-deal roadshows. In addition, Digi also augmented its Investor Relations engagement efforts with analysts and investors by organising two Analyst Days to engage with local, regional as well as Telenor Group's analysts and fund managers on a regular basis.

Analyst Briefings

Digi's Investor Relations team organised quarterly analyst briefings via conference calls on the same day it released its quarterly earnings announcement. Prior to the quarterly analyst briefing, an earnings call briefing pack is emailed to relevant parties within the investment community and is made available on Digi's website immediately after the announcement is made to Bursa Malaysia to ensure that investors and analysts are provided with comprehensive and equal access to the results announcements. The briefing pack includes the financial statements to the exchange, management discussion and analysis report, earnings call presentation and press release, which together provide information on Digi's quarterly financial performance and financial position as well as non-financial KPIs and other information deemed useful to the investment community.

Annual General Meeting (AGM)

Digi's 19th AGM was held on 13 May 2016 in Kuala Lumpur, Malaysia. During the AGM, the Management presented a comprehensive review of Digi's financial performance for the year and outlined Digi's prospects for the subsequent financial year. Sufficient time was also set aside for shareholders' and Minority Shareholder Watchdog Group (MSWG) to raise questions and provide feedback to the Board and Management.

Moving forward, in line with the revised Paragraph 8.29A of the MMLR, all resolutions put to general meetings will be voted by poll. Arising thereon, Digi would conduct its AGM by poll/e-voting instead of voting by show of hands as practiced previously. An independent scrutineer will be appointed to validate the votes cast at the AGM.

The outcomes of voting on the proposed resolutions will be disclosed to the market and posted on Digi's website after the AGM.

Website

Digi's website (www.digi.com.my) is a key communication channel for the Company to connect with its shareholders, the investment community and the general public. Digi's Investor Relations team regularly updates the Investor Relations section of the website to ensure investor-related corporate disclosures, such as current information on Digi's activities, quarterly financial results, corporate presentations, annual reports, announcements to Bursa Malaysia as well as information on Digi's business principles and Corporate Governance framework, are up-to-date.

Share Register Analysis

Digi has a diversified shareholder base with 29,074 shareholders across the globe as at 31 December 2016, out of which 41.1% (2015: 40.9%) are from Malaysia while foreign shareholding remained relatively steady at 9.9% (2015: 10.1%). A total of 98.0% of Digi's shares are held by institutional or corporate investors and the remaining 2.0% by private investors or individuals.

The Investor Relations team periodically analyses and monitors Digi's shareholding structure including the breakdown of shareholders by type, investment styles and geographical location, including shareholders' buying and selling activities during the year to facilitate investor targeting and planning of investor programmes.

Statement on Corporate Governance

Investor Conferences and Roadshows

Other than regular meetings, conference calls and site visits, Digi maintains a close connection with its institutional investors, fund managers and analyst networks through investor conferences and non-deal road shows where Management meets with existing and potential investors to provide updates on Digi's strategic focus, recent performance and future prospects.

| Venue | Event | Date | Organiser |
|----------------------|---|----------------|----------------|
| Bangkok | Investor conference | 9-10 Mar 2016 | CLSA |
| London | Investor conference | 16 May 2016 | Maybank |
| London and Edinburgh | Non-deal road show | 17-20 May 2016 | UBS |
| Kuala Lumpur | Non-deal road show | 24 May 2016 | RHB |
| Hong Kong | Investor conference Non-deal road show | 6-8 Jun 2016 | UBS |
| Kuala Lumpur | Analyst day | 22 July 2016 | Digi |
| Singapore | Non-deal road show | 9 Sep 2016 | Macquarie |
| Kuala Lumpur | Non-deal road show | 8 Nov 2016 | CIMB |
| Singapore | Investor conference Non-deal road show | 16-18 Nov 2016 | Morgan Stanley |
| Kuala Lumpur | Telenor - Asia Field Trip Analyst day | 29 Nov 2016 | Telenor/Digi |

In addition to the above, shareholders and investors can make inquiries about Investor Relations matters with Digi throughout the year via Investor_Relations@digi.com.my.

Regular dialogues between Digi and the investment community has been instrumental to facilitate a clear, fair and holistic appreciation on Digi's performance, business strategies and prospects among research analysts, fund managers, investors and other stakeholders.

The Investor Relations team provides regular updates to Management on feedback received from Investor Relations activities, recommendations by analysts, commentary on share price information and changes to the holdings of substantial shareholders of Digi.

The Board has deliberated, reviewed and approved the Statement on Corporate Governance on 13 March 2017.

Statement on Risk Management and Internal Control

In accordance with Paragraph 15.26 (b) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (Bursa Securities), the Board of Directors of listed companies are 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”. The revised Malaysian Code on Corporate Governance 2012 issued by Securities Commission Malaysia requires the Board to establish a sound risk management framework and internal control system. Digi’s Board of Directors (the Board) is pleased to provide the following statement that is prepared in accordance with the “Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers” endorsed by Bursa Securities which 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 establishing and overseeing Digi’s risk management framework and internal control systems. The risk management framework is 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 loss or fraud.

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

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 has a Risk Management framework in place to identify, evaluate and manage significant risks that may affect the achievement of Digi’s business objectives. An established structured process has been set-up for this purpose where significant risks are reviewed and reported at the Risk Management Forum and ARC meetings on a regular basis. Continuous effort is being taken to enhance the effectiveness of the risk management process.

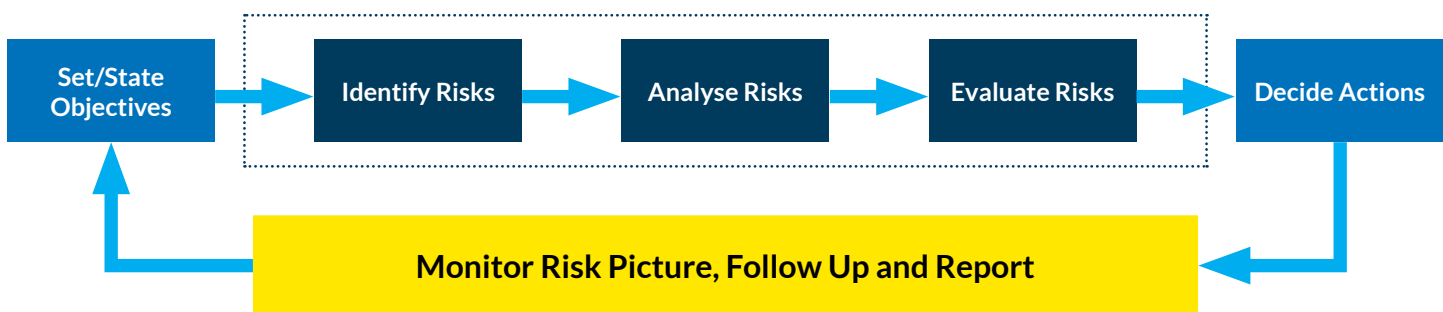
The overall scope of risk management process encompasses, inter alia, strategic, financial, operational, network, information systems, health, safety, security and environment (HSSE), employees and regulatory matters.

Statement on Risk Management and Internal Control

Risk management responsibilities are defined in the framework where the Board takes an oversight role while the Digi Management Team (DMT) drives risk response and evaluates the organisation's risk profile on a regular basis. The Risk Management team provides support to facilitate risk identification, assessment, monitoring and reporting. Details of risk management responsibilities are depicted in the diagram below:



The risk management cycle is depicted in the process flow diagram.



Statement on Risk Management and Internal Control

Control Environment and Structure

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



1. Control Activities

- **Policies and Procedures**

Digi has documented policies and procedures designed to assist and guide operations to implement various requirements as prescribed by law and/or considered best practices. This also ensures consistency in practice whilst providing guidance and direction for proper management and governance of operations and business activities. These policies and procedures are communicated company-wide and made available on the intranet for employees.

- **Profitability Assurance**

The Profitability Assurance function carried out by the Business Planning department firstly ensures that revenue leakage is minimised by implementing adequate controls and processes through 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 the DMT on a monthly basis. Processes and controls within the revenue cycle are reviewed regularly to ensure its effectiveness and efficiency. In addition to assuring minimal revenue leakage, the Profitability Assurance team also monitors site and store profitability, providing key feedback to optimise the management of Digi's key assets.

- **Security**

The Security department is in charge of compliance investigations, fraud management, authority requests, information security and physical security.

Statement on Risk Management and Internal Control

The Fraud Management function manages and mitigates the risk of relevant fraud and fraud losses. Some of the key activities involve developing and designing internal fraud controls and these controls 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 the business processes.

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

- **Controls over Financial Reporting**

The Controls over Financial Reporting (CFR) function in the Accounting and Financial Reporting department 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. Review on internal control over financial reporting is performed in accordance to Digi's Internal Control over Financial Reporting Framework, which requires assessment on significant accounts and processes based on materiality level, testing and evaluation of the design and operational effectiveness of internal controls included in the scope. The function has a robust and continuous monitoring routine to follow up on unaddressed risks and non-operating controls, including periodic reporting to DMT and the ARC on status of controls on financial reporting processes.

2. Authority

- **Organisation Structure**

There is a defined organisational structure with clear lines of reporting and responsibility to ensure proper segregation of duties, assignment of authority and accountability within Digi.

As part of Digi's aim to drive end-to-end customer focus and delivery, and enable deeper collaboration and faster execution, the Sales and Marketing divisions were consolidated in April 2016 and led by the Chief Marketing Officer.

Additionally, a new division, Digi-X, was formed in May 2016 which is responsible for building digitally adjacent businesses and core competencies in the digital arena. This division is led by the Chief Digital Officer.

- **Board and Management Committees**

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

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

- The Vendor and Investment Committee governs the approval process regarding material capital investments and operating expenditure for Digi including the review and approval of the vendor evaluation criteria and vendor selection. The Commercial Forum governs the decision-making process for commercial issues, and is managed by Marketing.
- The Regulatory Steering Committee provides direction and makes decisions on regulatory matters and/or related topics that have a significant impact on Digi. The Risk Management Forum reviews and deliberates on the significant risks reported across Digi and makes decisions on the coordinated action plans necessary to mitigate risks. The monthly Forum is chaired by the CFO with DMT as members of the Forum.

Statement on Risk Management and Internal Control

- **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.

3. Ethics and Compliance

- **Code of Conduct**

The Code of Conduct is a vital and integral part of Digi's governance regime that defines the core principles and ethical standards in conducting business and engagements with all key stakeholders, and compliance with the law and regulations. The Code of Conduct applies to the members of the Board, employees and those acting on behalf of Digi. All employees are required to sign and confirm that they have read, understood and will adhere to the Code of Conduct. Communication channels are established through which concerns on non-adherence to the Code of Conduct can be safely reported.

- **Legal and Compliance**

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

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

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

Reports on material breaches of the Code of Conduct are made to the ARC on a quarterly basis.

4. Monitoring

- **Board and Management Committees**

- DMT 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 DMT to the Board on an ongoing basis and/or during Board meetings.
- Digi's performance management model provides a comprehensive review of business performance, which includes a review of actual performance against targets.
- Quarterly financial results and other information are provided to the ARC to monitor and evaluate business performance.
- The ARC monitors significant internal and external audit issues to ensure they are promptly addressed and resolved.

- **Internal Audit Function**

The Internal Audit department assists both the Board and the ARC by conducting appropriate reviews of key business processes to assess the adequacy and effectiveness of internal control and risk management, and compliance with regulations and Digi's policies and procedures. To ensure independence from Management, the Internal Audit department reports directly to the ARC. The purpose, authority and responsibility of the Internal Audit department are reflected in the Internal Audit Charter, which is reviewed and approved by the ARC annually.

Statement on Risk Management and Internal Control

Audit reviews are carried out on areas that are identified through a risk-based approach, in line with Digi's objectives and policies. Adjustments are made to the audit coverage as required, with any amendments to the Audit Plan being presented to the ARC for approval.

The audit reports, including significant findings and recommendations for improvements, and management's responses to the recommendations, are highlighted to DMT and on a quarterly basis reported to the ARC. Status of actions taken by management to address improvement areas highlighted are also monitored and followed up until closure. The Internal Audit's activities and practices conform with The Institute of Internal Auditor's International Standards for the Professional Practice of Internal Auditing.

Further information on the Internal Audit department's activities is detailed in the Audit & Risk Committee Report on page 77 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 Recommended Practice Guide (RPG) 5 (Revised), 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 2016, 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.

RPG 5 does not require 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 Malaysia Securities Berhad 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 is of the view that the risk management and internal control practices and processes in place for the year under review and up to the date of this report are sound and sufficient to safeguard the shareholders' investment, the interests of customers, regulators and employees, and Digi's assets, and have received the same assurance from both the CEO and CFO.

Audit and Risk Committee Report

Composition and Meetings

The Audit & Risk Committee (ARC) has three members, all of whom are non-executive directors and a majority of whom are independent, including the Chairman of the ARC. No alternate directors shall be a member of the ARC.

Ms Vimala A/P V.R. Menon is a Fellow of the Institute of Chartered Accountants in England and Wales, United Kingdom and a member of the Malaysian Institute of Accountants. The ARC, therefore, meets the requirement of Paragraph 15.09(1)(c)(i) of the Main Market Listing Requirements of Bursa Securities (MMLR), which stipulates that at least (1) member of the ARC must be a qualified accountant.

The Board of Directors (the Board) via the Nomination Committee (NC), reviews the terms of office and performance of the ARC and each of its members annually through an annual Board Committee effectiveness evaluation exercise to determine whether the ARC and its members have discharged their functions, duties and responsibilities in accordance to the Terms of Reference of the ARC.

The ARC held five (5) meetings during the financial year ended 31 December 2016. Details of the ARC members and the attendance of each member at ARC meetings are as follows:

| Name | Designation | Meetings attended |
|-----------------------|--|-------------------|
| Tan Sri Saw Choo Boon | Chairman, Independent Non-Executive Director | 5/5 |
| Tore Johnsen | Member, Non-Independent Non-Executive Director | 5/5 |
| Vimala A/P V.R. Menon | Member, Independent Non-Executive Director | 5/5 |

The CEO, CFO and Head of Internal Audit attended all meetings of the ARC to make known their views on any matter under consideration by the ARC, or which, in their opinion, should be brought to the attention of the ARC. Relevant Management team members were invited to attend the meetings to provide further information or details on matters that were discussed.

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 ARC Chairman reported to the Board the significant matters discussed at each ARC meeting.

Summary of Work Performed

In early 2017, the Board through the NC assessed the effectiveness of the ARC performance for the financial year ended 31 December 2016 and was satisfied that it was operating in an effective manner.

Principal works performed by the ARC in 2016 were as follows:

Financial results

- (a) Reviewed the unaudited quarterly financial results and audited annual financial statements of Digi before recommending them for approval by the Board, 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 accounting standards and policies.

Audit and Risk Committee Report

Related Party Transactions

- (a) Reviewed related party transactions and mandate for recurrent related party transactions to ensure compliance with MMLR and Digi's policies and procedures.

Risk Management and Internal Control

- (a) Reviewed Digi's quarterly risk profile and discussed key risks highlighted including mitigating actions.
- (b) Evaluated the overall adequacy and effectiveness of the system of internal controls through review of the work performed by both internal and external auditors and in discussions with the Management.

External Audit

- (a) Reviewed the scope of work of the external auditors confirming their independence and objectivity.
- (b) Reviewed external auditor's Management Letter together with Management's responses, in ensuring that appropriate actions have been taken.
- (c) Reviewed all non-audit services that were above 50% of the statutory audit fees for the financial year 2016 in which the external auditors may be called upon to perform. 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 are disclosed in the Statement on Corporate Governance on page 66.
- (d) Had private meetings with the external auditors on two (2) occasions to ensure there were no restrictions on the scope of their audit and to discuss significant matters that arose during the course of audit.
- (e) Evaluated the effectiveness 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.

Internal Audit

- (a) Reviewed and approved the proposed revisions to the Internal Audit Charter.
- (b) Reviewed and approved the annual Audit Plan to ensure adequate scope and comprehensive coverage of Digi's activities.
- (c) Reviewed and deliberated on internal audit reports tabled during the year, the audit recommendations made and Management's response to these recommendations. Significant issues were discussed at length with the presence of relevant Management team members to ensure satisfactory response to address identified risks.
- (d) Monitored the implementation of mitigating actions by Management on outstanding issues on a quarterly basis to ensure that all key risks and control weaknesses were properly and timely addressed.
- (e) Had private meetings with the Head of Internal Audit for discussions on audit related matters and activities of the Internal Audit Department without the presence of Management.
- (f) Reviewed the Key Performance Indicators, performance, competency and resources of the Internal Audit functions to ensure that it has the required expertise and professionalism to discharge its duties.

Compliance

- (a) Reviewed and monitored the results and status of actions of internal misconduct cases in accordance to Digi's Code of Conduct.
- (b) Reviewed the results of the Anti-Corruption risk assessment exercise performed in 2016.

Other Matters

- (a) Reviewed and recommended to the Board the ARC Report, Statement on Corporate Governance and Statement on Risk Management and Internal Control for inclusion in the Annual Report.
- (b) Reviewed and recommended the declaration of interim dividend to the Board.

Audit and Risk Committee Report

Internal Audit Function

Internal Audit activities are carried out by the Internal Audit department led by the Head of Internal Audit who reports directly to the ARC. The ARC determines the adequacy of the scope, functions, competency and resources of the Internal Audit department, which comprises 7 members as at 31 December 2016 and ensures that it has the necessary authority to carry out its work. In 2016, the internal auditors attended various internal and external training programmes, aimed at maintaining and enhancing the desired competency levels.

The Internal audit department provides independent and reasonable assurance, as well as advisory services designed to add value and improve the operations of Digi. Its scope encompasses the examination and evaluation of the adequacy, integrity and effectiveness of Digi's overall system of internal control, risk management and governance. In order to maintain its independence and objectivity, the Internal Audit department has no operational responsibility and authority over the activities it audits.

The Internal Audit department practices risk-based auditing, which provides the flexibility needed to address current risks as well as potential future risks. This allows its resources and skills to be focused on ensuring alignment with business strategy and goals, thus maintaining relevance and ability to drive continuous improvements within Digi. Reviews are carried out based on the approved Audit Plan for 2016, which was developed using a risk-based approach and in line with Digi's strategic ambitions. The Audit Plan was assessed on a quarterly basis in alignment with the business and risk environment. Any deviations to the plan were reviewed and approved by the ARC on a quarterly basis.

In 2016, the Internal Audit department executed a total of 18 audits, including ad-hoc requests. The audits conducted covered a wide range of areas, which included amongst others, Procurement, Accounting and Financial activities, Asset Management, Network Delivery and Marketing, aimed at providing assurance over the adequacy and effectiveness of controls within the processes reviewed.

All audit findings were highlighted to relevant Management team members responsible for ensuring that corrective actions on reported weaknesses are taken within the required timeframe. Audit reports were issued to the ARC, quarterly incorporating findings and Management's remediation actions. An established system has been put in place to ensure all actions agreed by Management are followed up on and the status of implementation is reported to the ARC on quarterly basis.

The Internal Audit department complies with the Institute of Internal Auditors International Standards for the Professional Practice of Internal Auditing and continues to maintain a quality assurance and improvement programme covering its internal audit processes, which is subject to an annual internal assessment and an external assessment by a certified body once in 5 years.

The total costs incurred for the Internal Audit department for the financial year 2016 was RM1,494,905 (2015: RM1,250,680).

The ARC Report is made in accordance with the resolution of the Board dated 13 March 2017.

ARC Terms of Reference

The ARC Terms of Reference clearly set out the purpose, authority, composition and responsibilities of the ARC. The Terms of Reference seek to ensure that ARC members are aware of their roles and duties and also serve as a clear source of reference to all stakeholders. In order to ensure the continuous relevance of the Terms of Reference, the ARC conducts periodic review of the Terms of Reference when necessary. The full Terms of Reference are available to the public on the Company website at digi.listedcompany.com/misc/factsheet.

Nomination Committee Report

The Nomination Committee (NC) was established on 27 February 2002 and comprises three (3) members who are exclusively Non-Executive Directors, with the majority of them being Independent Directors.

The Board of Directors (the Board) takes note that the MCCG 2012 recommends that the Chairman of the NC should be a senior independent director identified by the Board. The Board has decided that it is not necessary for Digi to appoint a senior independent director as all the Independent Directors are well qualified and experienced. The Board will, from time to time, review the recommendation and make the necessary appointment as and when it deems fit.

The composition of the NC is set out below:-

| Name of Committee Member | Appointment Date | Designation |
|---------------------------|------------------|--|
| Yasmin Binti Aladad Khan | 1 July 2015 | Chairman, Independent Non-Executive Director |
| Tan Sri Saw Choo Boon | 1 July 2015 | Member, Independent Non-Executive Director |
| Lars-Ake Valdemar Norling | 4 January 2016 | Member, Non-Independent Non-Executive Director |

During the year, the NC met once and all members of the Committee attended the meeting.

The Terms of Reference of the NC is accessible on Digi's website at digi.listedcompany.com/misc/factsheet.

Nomination, Election and Selection of Directors

The NC is responsible to ensure that the procedures for appointing new Directors are transparent and rigorous. The Board composition is reviewed to identify and close any gaps 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.

When a vacancy on the Board arises, the NC will meet to discuss the profile of the position to be filled. The NC will go through the search process, including soliciting recommendations from existing Directors, major shareholder and/or engaging in external search for candidates. The NC will then shortlist candidates and conduct interviews together with the other Directors. An invitation will be extended to the selected candidate to join the Board and upon acceptance, the Board will approve the appointment and make the necessary announcement to Bursa Malaysia Securities Berhad.

Any new Director appointed by the Board during the year is required to stand for re-election at the 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. The NC is responsible for assessing and recommending to the Board the eligibility of retiring Directors for re-election.

Upon the Board 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 Digi's AGM.

Board and Board Committees Evaluation

The NC assesses the effectiveness of the Board, its Committees and the contribution of each Director with the aim of improving individual contribution by identifying gaps, maximising strengths and addressing weaknesses of the Board. The evaluation includes a review of the administration of the Board and its Committees covering their operations agendas, reports, information produced for consideration and relationship with Management.

The Board Committees are assessed based on their roles and scope, frequency and length of meetings, supply of sufficient and timely information to the Board and overall effectiveness and efficiency in discharging their function.

Nomination Committee Report

Each Director undertakes a self-assessment of their individual performance during the financial year based on the criteria of integrity and ethics, experience, knowledge, judgment and decision making, teamwork and character, leadership and competence, understanding of role, and time commitment in discharging their respective roles as Directors of Digi.

The evaluation process is led by the NC Chairman and assisted by the Company Secretaries. The evaluation process is conducted via questionnaires.

In the financial year 2016, the NC carried out the following activities:

- Reviewed NC terms of reference and Diversity Policy.
- Assessed and recommended the appointment of Ms Kristin Muri Moller in February 2016 to the Board.
- Conducted induction programme for newly appointed Director, Ms Kristin Muri Moller.
- Evaluated training needs of Directors and reviewed training programmes for Directors.
- Reviewed the results of the annual evaluations and areas for continuous improvement were recommended to the Board.
- Conducted a review of the term of office and performance of the Audit & Risk Committee and its members, and was satisfied with their performance.
- Reviewed and recommended re-election of Directors who were due for retirement by rotation.

During the meeting held on 7 March 2017, the NC reviewed and assessed the mix of skills, knowledge, expertise and experience, professionalism, integrity, competencies, time commitment, composition, size and experience of the Board, including the core competencies of the Directors, the contribution of each individual Director, the independence of the Independent Directors, Board diversity in terms of gender and age, the effectiveness of the Board and the Board Committees, as well as the retirement of Directors eligible for re-election. The NC had also assessed the training needs by Directors and recommended the appropriate training list for Directors to the Board.

CEO and CFO Evaluation

The NC had evaluated the performance of the CEO and CFO for the year under review and concluded that they possess the desired character, experience and competency and have demonstrated their time commitment and integrity in discharging their duties and responsibilities.

The Board has deliberated, reviewed and approved the Nomination Committee Report on 13 March 2017.

Additional Compliance Information

Other Disclosures

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

1. Non-Audit Fees

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 2016 are disclosed in the Statement on Corporate Governance on page 66.

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

There were no material contract by Digi and/or its subsidiaries involving Directors' and major shareholders' interests either subsisting as at 31 December 2016 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 13 May 2016, 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 2016 are set out on page 145 of the Annual Report.

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Directors' Report

The directors have pleasure in presenting their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2016.

Principal activities

The principal activity of the Company is investment holding.

The principal activities and other information relating to subsidiaries are disclosed in Note 13 to the financial statements.

Results

| | Group RM'000 | Company RM'000 |
|---|-----------------|-------------------|
| Profit for the year, attributable to owners of the parent | 1,632,658 | 1,632,797 |

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 2015: | |
| - Fourth interim tax exempt (single-tier) dividend of 4.9 sen per ordinary share, declared on 5 February 2016 and paid on 25 March 2016 | 380,975 |
| In respect of the financial year ended 31 December 2016: | |
| - First interim tax exempt (single-tier) dividend of 5.1 sen per ordinary share, declared on 22 April 2016 and paid on 24 June 2016 | 396,525 |
| - Second interim tax exempt (single-tier) dividend of 5.4 sen per ordinary share, declared on 11 July 2016 and paid on 30 September 2016 | 419,850 |
| - Third interim tax exempt (single-tier) dividend of 5.6 sen per ordinary share, declared on 19 October 2016 and paid on 30 December 2016 | 435,400 |

The Board of Directors had on 23 January 2017, declared a fourth interim tax exempt (single-tier) dividend of 4.8 sen per ordinary share in respect of the financial year ended 31 December 2016 amounting to RM373,200,000. 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 2017.

Directors' Report

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:

Tan Sri Saw Choo Boon
Morten Karlsen Sorby
Tore Johnsen
Yasmin Binti Aladad Khan
Vimala A/P.V.R. Menon
Lars-Ake Valdemar Norling
Kristin Muri Moller

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:

Karl Erik Broten
Albern A/L Murty
Eugene Teh Yee (Appointed on 31 May 2016)
Praveen Rajan A/L Nadarajan (Appointed on 31 May 2016)

Directors' benefits

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

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

Directors' interest

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

| | ← Number of ordinary shares of NOK6 each → | | | |
|---------------------------------|--|----------|------|---------------------|
| | 1 January 2016/ date of appointment | Acquired | Sold | 31 December 2016 |
| Ultimate holding company | | | | |
| Telenor ASA | | | | |
| Direct interest: | | | | |
| - Morten Karlsen Sorby | 81,080 | 2,385 | - | 83,465 |
| - Tore Johnsen | 39,306 | - | - | 39,306 |
| - Lars-Ake Valdemar Norling | 26,903 | 3,932 | - | 30,835 |
| - Kristin Muri Moller | 17,857 | 810 | - | 18,667 |
| Indirect interest: | | | | |
| - Morten Karlsen Sorby * | 682 | - | - | 682 |

* Deemed interest through shares held by his spouse pursuant to Section 59(11)(c) of the Companies Act 2016.

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.

Directors' Report

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.
- (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.

Subsequent events

Details of events occurring after the reporting date are disclosed in Note 32 to the financial statements.

Auditors and auditors' remuneration

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

Auditors' remuneration are disclosed in Note 7 to the financial statements.

Signed on behalf of the Board in accordance with a resolution of the directors dated 13 March 2017.

Tan Sri Saw Choo Boon
Director

Morten Karlsen Sorby
Director

Statement by Directors

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

We, Tan Sri Saw Choo Boon and Morten Karlsen Sorby, 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 91 to 140 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2016 and of their financial performance and cash flows for the financial year then ended.

The information set out in Note 34 on page 141 to the financial statements have been prepared in accordance with the Guidance on Special Matter No.1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants.

Signed on behalf of the Board in accordance with a resolution of the directors dated 13 March 2017.

Tan Sri Saw Choo Boon
Director

Morten Karlsen Sorby
Director

Statutory Declaration

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

I, Karl Erik Broten, being the officer primarily responsible for the financial management of Digi.Com Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 91 to 141 are in my opinion correct, and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by
the above-named Karl Erik Broten at
Kuala Lumpur in Wilayah Persekutuan
on 13 March 2017

Karl Erik Broten

Before me,

Commissioner for Oaths
Kuala Lumpur

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 2016 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 91 to 140.

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 2016 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, 1965 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 Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (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. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company 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.

Independent Auditors' Report to the members of Digi.Com Berhad (Incorporated in Malaysia)

| Key Risk | Our audit response |
|---|---|
| <p>Accuracy of revenue recognition</p> <p>Refer to Note 2 (r) (i) – Revenue Recognition (Telecommunication Revenue), and Note 5 – Revenue</p> <p>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.</p> <p>In addition, significant estimates and judgements are involved in:</p> <ul style="list-style-type: none"> (a) accounting for unbilled revenue at the reporting date; and (b) allocating the transaction price between the multiple products sold in bundled transactions. <p>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.</p> | <p>Our audit sought to place a high level of reliance on the Group's information technology systems and key controls which the management rely in recording telecommunication revenue, where we:</p> <ul style="list-style-type: none"> (a) involved 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 (b) tested the non-automated controls in place to ensure accuracy of revenue recognised, including timely updating of approved rate changes in the billing system. <p>Our substantive procedures, included amongst others, the following:</p> <ul style="list-style-type: none"> (a) testing the reconciliation between the billing system and the general ledger, including validating material manual journals processed; and (b) evaluating management's estimate of unbilled revenue by comparing such amount to the billings raised subsequent to the reporting period. <p>In respect of the allocation of transaction price between multiple products sold in bundled transactions, we performed the following:</p> <ul style="list-style-type: none"> (a) Obtained an understanding of the management's basis of allocation and assessed whether such allocation basis is consistent with those used in the industry; (b) Evaluated management's estimate of standalone selling prices used in allocating the transaction price; and (c) Tested the computation of revenue to be recognised in respect of each product sold in bundled transactions. |

Independent Auditors' Report to the members of Digi.Com Berhad (Incorporated in Malaysia)

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, 1965 in Malaysia. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements 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.
- (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.

Independent Auditors' Report to the members of Digi.Com Berhad (Incorporated in Malaysia)

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

We also (cont'd):

- (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 reporting responsibilities

The supplementary information set out in Note 34 on page 141 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants (MIA Guidance) and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

Independent Auditors' Report

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

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

AF: 0039

Chartered Accountants

Kuala Lumpur, Malaysia

13 March 2017

Chong Tse Heng

No. 3179/05/17(J)

Chartered Accountant

Statements of Comprehensive Income

For the financial year ended 31 December 2016

| | Note | Group | | Company | |
|--|------|--------------------|----------------|------------------|----------------|
| | | 2016 RM'000 | 2015 RM'000 | 2016 RM'000 | 2015 RM'000 |
| Revenue | 5 | 6,597,102 | 6,913,984 | 1,632,500 | 1,888,750 |
| Other income | | 18,556 | 25,881 | 1,472 | 1,559 |
| Cost of materials and traffic expenses | | (1,640,585) | (2,034,062) | - | - |
| Sales and marketing expenses | | (572,482) | (578,820) | - | - |
| Operations and maintenance expenses | | (111,517) | (103,793) | - | - |
| Rental expenses | | (355,181) | (260,608) | - | - |
| Staff expenses | | (254,917) | (262,036) | - | - |
| Depreciation expenses | 11 | (520,211) | (512,226) | - | - |
| Amortisation expenses | 12 | (130,970) | (129,517) | - | - |
| Impairment reversal on property, plant and equipment | 11 | - | 13,869 | - | - |
| Other expenses | | (726,069) | (718,204) | (1,379) | (1,726) |
| Finance costs | 6 | (78,078) | (56,232) | - | - |
| Interest income | | 12,536 | 10,509 | 265 | 284 |
| Profit before tax | 7 | 2,238,184 | 2,308,745 | 1,632,858 | 1,888,867 |
| Taxation | 8 | (605,526) | (586,195) | (61) | (59) |
| Profit for the year, representing total comprehensive income for the year | | 1,632,658 | 1,722,550 | 1,632,797 | 1,888,808 |
| Attributable to: Owners of the parent | | 1,632,658 | 1,722,550 | 1,632,797 | 1,888,808 |

| | Note | Group | |
|--|------|-------------|------|
| | | 2016 | 2015 |
| Earnings per share attributable to owners of the parent (sen per share) | 9 | 21.0 | 22.2 |

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

Statements of Financial Position

As at 31 December 2016

| | Note | Group | | Company | |
|-------------------------------------|------|------------------|----------------|----------------|----------------|
| | | 2016 RM'000 | 2015 RM'000 | 2016 RM'000 | 2015 RM'000 |
| Non-current assets | | | | | |
| Property, plant and equipment | 11 | 2,832,265 | 2,643,214 | - | - |
| Intangible assets | 12 | 453,777 | 516,684 | - | - |
| Investments in subsidiaries | 13 | - | - | 772,751 | 772,751 |
| Other investment | 14 | 100 | - | - | - |
| Other receivable | 16 | 62,572 | 82,005 | - | - |
| | | 3,348,714 | 3,241,903 | 772,751 | 772,751 |
| Current assets | | | | | |
| Inventories | 15 | 47,822 | 116,794 | - | - |
| Trade and other receivables | 16 | 1,707,679 | 921,924 | 5 | 9 |
| Derivative financial instruments | 17 | 4,034 | - | - | - |
| Tax recoverable | | 13,121 | 148,140 | - | - |
| Cash and short-term deposits | 18 | 376,588 | 233,557 | 940 | 925 |
| | | 2,149,244 | 1,420,415 | 945 | 934 |
| Total assets | | 5,497,958 | 4,662,318 | 773,696 | 773,685 |
| Non-current liabilities | | | | | |
| Loans and borrowings | 19 | 1,798,837 | 25,376 | - | - |
| Deferred tax liabilities | 20 | 311,285 | 325,030 | - | - |
| Other liabilities | 21 | 40,034 | 35,283 | - | - |
| | | 2,150,156 | 385,689 | - | - |
| Current liabilities | | | | | |
| Trade and other payables | 22 | 1,947,851 | 2,056,176 | 945 | 981 |
| Derivative financial instruments | 17 | - | 118 | - | - |
| Other liabilities | 21 | 397,621 | 432,418 | - | - |
| Loans and borrowings | 19 | 483,036 | 1,268,531 | - | - |
| Tax payable | | 24 | 24 | 24 | 24 |
| | | 2,828,532 | 3,757,267 | 969 | 1,005 |
| Total liabilities | | 4,978,688 | 4,142,956 | 969 | 1,005 |
| Equity | | | | | |
| Share capital | 23 | 77,750 | 77,750 | 77,750 | 77,750 |
| Reserves | | 441,520 | 441,612 | 694,977 | 694,930 |
| Total equity | | 519,270 | 519,362 | 772,727 | 772,680 |
| Total equity and liabilities | | 5,497,958 | 4,662,318 | 773,696 | 773,685 |

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

Statements of Changes in Equity

For the financial year ended 31 December 2016

| | Note | Attributable to owners of the parent | | | Total RM'000 |
|--|------|--------------------------------------|---|--|--------------------|
| | | Share capital RM'000 | Non- distributable share premium RM'000 | Non- distributable accumulated losses RM'000 | |
| Group | | | | | |
| At 1 January 2015 | | 77,750 | 691,905 | (83,518) | 686,137 |
| Total comprehensive income | | - | - | 1,722,550 | 1,722,550 |
| Transaction with owners: | | | | | |
| Dividends on ordinary shares | 10 | - | - | (1,889,325) | (1,889,325) |
| At 31 December 2015/ 1 January 2016 | | 77,750 | 691,905 | (250,293) ¹ | 519,362 |
| Total comprehensive income | | - | - | 1,632,658 | 1,632,658 |
| Transaction with owners: | | | | | |
| Dividends on ordinary shares | 10 | - | - | (1,632,750) | (1,632,750) |
| At 31 December 2016 | | 77,750 | 691,905 | (250,385)¹ | 519,270 |

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.

Statements of Changes in Equity

For the financial year ended 31 December 2016

| | Note | Attributable to owners of the parent | | | Total RM'000 |
|--|------|--------------------------------------|---|--|--------------------|
| | | Share capital RM'000 | Non- distributable share premium RM'000 | Distributable retained earnings RM'000 (Note 25) | |
| Company | | | | | |
| At 1 January 2015 | | 77,750 | 691,905 | 3,542 | 773,197 |
| Total comprehensive income | | - | - | 1,888,808 | 1,888,808 |
| Transaction with owners: | | | | | |
| Dividends on ordinary shares | 10 | - | - | (1,889,325) | (1,889,325) |
| At 31 December 2015/ 1 January 2016 | | 77,750 | 691,905 | 3,025 | 772,680 |
| Total comprehensive income | | - | - | 1,632,797 | 1,632,797 |
| Transaction with owners: | | | | | |
| Dividends on ordinary shares | 10 | - | - | (1,632,750) | (1,632,750) |
| At 31 December 2016 | | 77,750 | 691,905 | 3,072 | 772,727 |

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 2016

| | Note | Group | | Company | |
|--|-------|------------------|----------------|--------------------|----------------|
| | | 2016 RM'000 | 2015 RM'000 | 2016 RM'000 | 2015 RM'000 |
| Cash flows from operating activities | | | | | |
| Profit before tax | | 2,238,184 | 2,308,745 | 1,632,858 | 1,888,867 |
| Adjustments for: | | | | | |
| Amortisation of intangible assets | 12 | 130,970 | 129,517 | - | - |
| Allowance for impairment on trade receivables | 16(a) | 50,704 | 42,407 | - | - |
| Provision for inventories written down | | - | 2,289 | - | - |
| Dividend income | | - | - | (1,632,500) | (1,888,750) |
| Depreciation of property, plant and equipment | 11 | 520,211 | 512,226 | - | - |
| Impairment reversal on property, plant and equipment | 11 | - | (13,869) | - | - |
| Finance costs | 6 | 78,078 | 56,232 | - | - |
| Gain on disposal of property, plant and equipment | | (345) | (311) | - | - |
| Loss on disposal of intangible asset - computer software | | 1,052 | - | - | - |
| Reversal of provision for site decommissioning and restoration costs | 21(a) | (340) | - | - | - |
| Property, plant and equipment written off | | - | 62 | - | - |
| Interest income | | (12,536) | (10,509) | (265) | (284) |
| Provision for employee leave entitlements | 21(a) | 1,352 | 1,536 | - | - |
| Employee benefits | | | | | |
| - share-based payment | | 398 | 1,628 | - | - |
| - defined benefit plan | 24 | 80 | 80 | - | - |
| Fair value (gain)/loss on derivative financial instruments | | (4,152) | 384 | - | - |
| Unrealised foreign exchange loss/(gain) | | 2,526 | (12,526) | - | - |
| Operating cash flows before working capital changes | | 3,006,182 | 3,017,891 | 93 | (167) |
| Decrease/(increase) in inventories | | 68,972 | (54,541) | - | - |
| (Increase)/decrease in trade and other receivables | | (917,910) | (306,954) | 4 | 1 |
| (Decrease)/increase in trade and other payables | | (119,254) | 218,652 | (36) | 229 |
| (Decrease)/increase in deferred revenue | | (36,149) | 14,601 | - | - |
| Cash generated from operations | | 2,001,841 | 2,889,649 | 61 | 63 |
| Advance payment for bandwidth | | - | (83,125) | - | - |
| Interest paid | | (85,602) | (56,392) | - | - |
| Proceeds from government grants | | 100,576 | 75,859 | - | - |
| Payments for provisions | | (244) | (177) | - | - |
| Taxes paid | | (484,252) | (600,752) | (61) | (63) |
| Net cash generated from operating activities | | 1,532,319 | 2,225,062 | - | - |

Statements of Cash Flows

For the financial year ended 31 December 2016

| | Note | Group | | Company | |
|---|------|----------------|------------------|----------------|----------------|
| | | 2016 RM'000 | 2015 RM'000 | 2016 RM'000 | 2015 RM'000 |
| Cash flows from investing activities | | | | | |
| Purchase of property, plant and equipment and intangible assets | | (775,684) | (896,535) | - | - |
| Purchase of unquoted investment | | (100) | - | - | - |
| Dividends received from a subsidiary | 5 | - | - | 1,632,500 | 1,888,750 |
| Interest received | | 12,438 | 10,681 | 265 | 284 |
| Proceeds from disposal of property, plant and equipment | | 405 | 315 | - | - |
| Proceeds from disposal of intangible asset | | 1,481 | - | - | - |
| Proceeds from disposal of short-term investment | | 28 | - | - | - |
| Net cash (used in)/generated from investing activities | | (761,432) | (885,539) | 1,632,765 | 1,889,034 |
| Cash flows from financing activities | | | | | |
| Repayment of loans and borrowings | | (1,010,000) | (746,000) | - | - |
| Repayment of obligations under finance lease | | (8,808) | (7,739) | - | - |
| Drawdown of loans and borrowings | | 2,025,000 | 1,000,000 | - | - |
| Dividends paid | 10 | (1,632,750) | (1,889,325) | (1,632,750) | (1,889,325) |
| Net cash used in financing activities | | (626,558) | (1,643,064) | (1,632,750) | (1,889,325) |
| Net increase/(decrease) in cash and cash equivalents | | 144,329 | (303,541) | 15 | (291) |
| Effect of exchange rate changes on cash and cash equivalents | | (1,298) | 10,820 | - | - |
| Cash and cash equivalents at beginning of financial year | | 233,557 | 526,278 | 925 | 1,216 |
| Cash and cash equivalents at end of financial year | 18 | 376,588 | 233,557 | 940 | 925 |

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

Notes to the Financial Statements

31 December 2016

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 Lot 6.05, Level 6, KPMG Tower, 8 First Avenue, Bandar Utama, 47800 Petaling Jaya, Selangor Darul Ehsan.

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

The principal activity of the Company is investment holding, whilst the principal activities of the subsidiaries are stated in Note 13.

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

There has been no significant change in the nature of the principal activities during the financial year.

2. Significant accounting policies

(a) Basis of preparation

The financial statements of the Group and of the Company have been prepared in accordance with Malaysian Financial Reporting Standards (MFRS), International Financial Reporting Standards (IFRS) and the requirements of the Companies Act, 1965 in Malaysia. At the beginning of the current financial year, the Group and the Company adopted new and amended MFRSs which are mandatory for annual financial periods beginning on or after 1 January 2016 as described fully in Note 3(a).

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

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

(b) Basis of consolidation

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

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

- (i) Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- (ii) Exposure, or rights, to variable returns from its investment with the investee; and
- (iii) The ability to use its power over the investee to affect its returns.

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 2016

2. Significant accounting policies (cont'd)

(b) 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.

(c) 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.

(d) 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:

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

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

Notes to the Financial Statements

31 December 2016

2. Significant accounting policies (cont'd)

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

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

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

(e) Intangible assets

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

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

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

Any gain or loss arising from derecognition of an intangible asset 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.

(i) 3G spectrum

Expenditure for the acquisition of the 3G spectrum are capitalised under intangible assets. The amount is amortised using the straight-line method over the shorter of the asset's estimated useful life or remaining spectrum period up to 1 April 2018.

(ii) Computer software

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

(iii) License fee

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

Notes to the Financial Statements

31 December 2016

2. Significant accounting policies (cont'd)

(f) Impairment of non-financial assets

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

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

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.

(g) Inventories

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

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

(h) Financial assets

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

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

Notes to the Financial Statements

31 December 2016

2. Significant accounting policies (cont'd)

(h) Financial assets (cont'd)

The Group and the Company determine the classification of financial assets at initial recognition and classify their financial assets in the following categories - at fair value through profit or loss, loans and receivables and available-for-sale financial assets, as appropriate. The Group and the Company do not have any financial assets that are held-to-maturity investments.

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

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

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

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

(ii) Loans and receivables

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

(iii) Available-for-sale financial assets

Available-for-sale financial assets are financial assets that are designated as available for sale or are not classified as financial assets at fair value through profit or loss or loans and receivables.

After initial recognition, available-for-sale financial assets are measured at fair value. Any gains or losses from changes in fair value of the financial assets are recognised in other comprehensive income, except that impairment losses, foreign exchange gains and losses on monetary instruments and interest calculated using the effective interest method are recognised in profit or loss. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment when the financial asset is derecognised. Interest income calculated using the effective interest method is recognised in profit or loss. Dividends on an available-for-sale equity instrument are recognised in profit or loss when the Group's and the Company's rights to receive payment is established.

Investments in equity instruments whose fair value cannot be reliably measured are measured at cost less impairment loss, if any.

Available-for-sale financial assets are classified as non-current assets unless they are expected to be realised within 12 months after the reporting date.

Notes to the Financial Statements

31 December 2016

2. Significant accounting policies (cont'd)

(h) Financial assets (cont'd)

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

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

(i) Impairment of financial assets

The Group and the Company assess at each reporting date whether there is any objective evidence that a financial asset is impaired.

(i) Trade and other receivables and other financial assets carried at amortised cost

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

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

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

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

(ii) Available-for-sale financial assets (unquoted equity securities carried at cost)

If there is objective evidence (such as significant adverse changes in the business environment where the issuer operates, probability of insolvency or significant financial difficulties of the issuer) that an impairment loss on financial assets carried at cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed in subsequent periods.

Notes to the Financial Statements

31 December 2016

2. Significant accounting policies (cont'd)

(j) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and at banks and licensed banks deposits 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.

(k) Provision for liabilities

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

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

(i) 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.

(ii) 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.

(iii) Defined benefit plan

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

(l) Financial liabilities

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

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

Notes to the Financial Statements

31 December 2016

2. Significant accounting policies (cont'd)

(l) Financial liabilities (cont'd)

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

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

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

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

(ii) Other financial liabilities

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

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

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

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

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

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

(m) 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.

Notes to the Financial Statements

31 December 2016

2. Significant accounting policies (cont'd)

(n) Leases

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.

(o) Employee benefits

(i) Short-term benefits

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

(ii) Defined contribution plan

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

(iii) Defined benefit plan

The Group operates an unfunded defined benefit plan for its eligible employees. The benefits are calculated based on the length of service and the agreed percentages of eligible employees' salaries over the period of their employment and are payable upon resignation after completion of the minimum employment period of ten years or upon retirement age of fifty five 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 2016

2. Significant accounting policies (cont'd)

(o) Employee benefits (cont'd)

(iii) 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.

(iv) Share-based payment

The Group operates a scheme to award its eligible employees with the Company's shares. The eligible employees, who have served for more than ten years, are entitled to a certain number of shares which are directly acquired under the employees' names in the open market. The maximum entitlement of this benefit is capped to a certain amount as determined by the Group. The transactions are recorded as share-based cash-settled transactions, and the expense recognised under this scheme is determined by-way of reference to the number of employees qualifying for the scheme, the number of shares entitled and the market price of the shares; the total of which is capped at the maximum entitlement during the financial year. This scheme has been discontinued during the financial year.

(p) Income taxes

Income tax recognised for the year comprises of current and deferred tax.

(i) Current tax

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

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

(ii) Deferred tax

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

Notes to the Financial Statements

31 December 2016

2. Significant accounting policies (cont'd)

(p) Income taxes (cont'd)

(ii) Deferred tax (cont'd)

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.

(q) 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.

(r) Revenue recognition

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

(i) Telecommunication revenue

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

(ii) Sales of device

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

(iii) Interest income

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

(iv) Dividend income

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

Notes to the Financial Statements

31 December 2016

2. Significant accounting policies (cont'd)

(s) 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 will comply 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.

(t) Foreign currency transactions

(i) Functional and presentation currency

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

(ii) Foreign currency transactions

Transactions in foreign currencies are initially converted into RM at exchange rates 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.

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.

(u) Fair value measurement

The Group measures financial instruments, such as, derivatives at fair value at each reporting date. Also, fair values of financial instruments measured at amortised cost are disclosed in Note 29(f).

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

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

The principal or the most advantageous market must be accessible 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.

Notes to the Financial Statements

31 December 2016

2. Significant accounting policies (cont'd)

(u) Fair value measurement (cont'd)

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

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

- (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.

(v) 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.

Notes to the Financial Statements

31 December 2016

2. Significant accounting policies (cont'd)

(w) Segment reporting

The Group provides mobile communication services and related products to customers across the country and its services and products essentially have 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 31.

3. Changes in accounting policies

(a) Adoption of new and revised MFRSs

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

On 1 January 2016, the Group and the Company adopted the following new and amended MFRSs mandatory for annual financial periods beginning on or after 1 January 2016.

| Description | Effective for annual periods beginning on or after |
|---|---|
| Annual Improvements to MFRSs 2012–2014 Cycle | 1 January 2016 |
| Amendments to MFRS 116 and MFRS 138: Clarification of Acceptable Methods of Depreciation and Amortisation | 1 January 2016 |
| Amendments to MFRS 116 and MFRS 141: Agriculture: Bearer Plants | 1 January 2016 |
| Amendments to MFRS 11: Accounting for Acquisitions of Interests in Joint Operations | 1 January 2016 |
| Amendments to MFRS 127: Equity Method in Separate Financial Statements | 1 January 2016 |
| Amendments to MFRS 101: Disclosure Initiatives | 1 January 2016 |
| Amendments to MFRS 10, MFRS 12 and MFRS 128: Investment Entities: Applying the Consolidation Exception | 1 January 2016 |
| MFRS 14: Regulatory Deferral Accounts | 1 January 2016 |

The adoption of the above standards did not have any significant effect on the financial statements of the Group and of the Company.

(b) Standards issued but not yet effective

The standards and interpretation 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 |
|--|---|
| Annual Improvements to MFRSs 2014 - 2016 Cycle | 1 January 2017 |
| Amendments to MFRS 107: Disclosure Initiative | 1 January 2017 |
| Amendments to MFRS 112: Recognition of Deferred Tax Assets for Unrealised Losses | 1 January 2017 |
| Amendments to MFRS 12: Disclosure of Interests in Other Entities | 1 January 2017 |
| MFRS 15: Revenue from Contracts with Customers | 1 January 2018 |

Notes to the Financial Statements

31 December 2016

3. Changes in accounting policies (cont'd)

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

The standards and interpretation 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. (cont'd)

| Description | Effective for annual periods beginning on or after |
|---|---|
| MFRS 9: Financial Instruments | 1 January 2018 |
| Annual Improvements to MFRS 2014–2016 Cycle | 1 January 2018 |
| Amendments to MFRS 2: Classification and Measurement of Share-based Payment Transactions | 1 January 2018 |
| Amendments to MFRS 4: Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts | 1 January 2018 |
| Amendments to MFRS 140: Transfers of Investment Property | 1 January 2018 |
| IC Interpretation 22: Foreign Currency Transactions and Advance Consideration | 1 January 2018 |
| MFRS 16: Leases | 1 January 2019 |
| Amendments to MFRS 10 and MFRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture | Deferred |

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

MFRS 15 Revenue from contracts with customers

MFRS 15 establishes a new five-step model that will apply to revenue arising from contracts with customers. MFRS 15 will supersede the current revenue recognition guidance including MFRS 118: Revenue, MFRS 111: Construction Contracts and the related interpretations when it becomes effective.

The core principle of MFRS 15 is that an entity should recognise revenue which depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

Under MFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when “control” of the goods or services underlying the particular performance obligation is transferred to the customer.

Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2018 with early adoption permitted. The directors anticipate that the application of MFRS 15 will have an impact on the amounts reported and disclosures made in the Group's financial statements. The Group is currently assessing the impact of MFRS 15 and plans to adopt the new standard on the required effective date.

MFRS 9 Financial instruments

In November 2014, MASB issued the final version of MFRS 9: Financial Instruments which reflects all phases of the financial instruments project and replaces MFRS 139: Financial Instruments: Recognition and Measurement and all previous versions of MFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. MFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted.

Retrospective application is required, but comparative information is not compulsory. The adoption of MFRS 9 will have an effect on the classification and measurement of the Group's financial assets, but no impact on the classification and measurement of the Group's financial liabilities.

Notes to the Financial Statements

31 December 2016

3. Changes in accounting policies (cont'd)

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

MFRS 16 Leases

MFRS 16 will replace MFRS 117: Leases, IC Interpretation 4: Determining whether an Arrangement contains a Lease, IC Interpretation 115: Operating Lease-Incentives and IC Interpretation 127: Evaluating the Substance of Transactions Involving the Legal Form of a Lease. MFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under MFRS 117.

At the commencement date of a lease, a lessee will recognise a liability to make lease payments and an asset representing the right to use the underlying asset during the lease term. Lessees will be required to recognise interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessor accounting under MFRS 16 is substantially the same as the accounting under MFRS 117. Lessors will continue to classify all leases using the same classification principle as in MFRS 117 and distinguish between two types of leases: operating and finance leases.

MFRS 16 is effective for annual periods beginning on or after 1 January 2019. Early application is permitted but not before an entity applies MFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The Group is assessing the potential effect of MFRS 16 and plans to adopt the new standard on the required effective date.

4. Significant accounting estimates and judgements and key sources of estimation uncertainty

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

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

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

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

Depreciation and amortisation are based on management's estimates of the future estimated 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 1.8% (2015: 1.6%) 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.

Notes to the Financial Statements

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4. Significant accounting estimates and judgements and key sources of estimation uncertainty (cont'd)

(b) Impairment of loans and receivables

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

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. The carrying amounts of the Group's trade and other receivables at the reporting date are disclosed in Note 16. If the present value of estimated future cash flows varies by 5.0% from management's estimates, the Group's allowance for impairment will cause either a 0.1% (2015: 0.1%) increase or 0.2% (2015: 0.2%) decrease respectively in the Group's profit for the year.

(c) 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 on the actual timing and amount of temporary differences realised and settled. Any difference between the actual amount and the estimated amount would be recognised in profit and loss in the period in which actual realisation and settlement occurs. The carrying amount of deferred tax liabilities is disclosed in Note 20.

(d) 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 determination is uncertain at the reporting date.

Where the final tax outcome 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 such determination is made.

(e) 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 21.

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5. Revenue

| | Group | | Company | |
|-----------------------------------|------------------|----------------|------------------|----------------|
| | 2016 RM'000 | 2015 RM'000 | 2016 RM'000 | 2015 RM'000 |
| Telecommunication revenue | 6,326,687 | 6,411,725 | - | - |
| Sales of device | 270,415 | 502,259 | - | - |
| Dividend income from a subsidiary | - | - | 1,632,500 | 1,888,750 |
| | 6,597,102 | 6,913,984 | 1,632,500 | 1,888,750 |

6. Finance costs

| | Group | |
|-----------------------------------|----------------|----------------|
| | 2016 RM'000 | 2015 RM'000 |
| Interest expense on: | | |
| - Loans and borrowings | 74,457 | 51,542 |
| - Obligations under finance lease | 2,602 | 3,366 |
| - Others | 1,019 | 1,324 |
| | 78,078 | 56,232 |

7. Profit before tax

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

| | Note | Group | | Company | |
|--|-------|----------------|----------------|----------------|----------------|
| | | 2016 RM'000 | 2015 RM'000 | 2016 RM'000 | 2015 RM'000 |
| Allowance for impairment on trade receivables | 16(a) | 50,704 | 42,407 | - | - |
| Auditors' remuneration: | | | | | |
| - statutory audit | | 376 | 338 | 35 | 30 |
| - other services* | | 403 | 1,579 | 9 | 8 |
| Non-executive directors' remuneration: | | | | | |
| - fees | | 752 | 621 | 75 | 63 |
| - other emoluments | | 5 | 5 | - | - |
| Employee benefits: | | | | | |
| - wages and salaries | | 181,578 | 188,751 | - | - |
| - defined contribution plan | | 31,505 | 29,124 | - | - |
| - defined benefit plan | 24 | 80 | 80 | - | - |
| - share-based payment | | 398 | 1,628 | - | - |
| - other staff related expenses | | 40,004 | 40,917 | - | - |
| Lease of transmission facilities | | 156,860 | 151,447 | - | - |
| Reversal of provision for site decommissioning and restoration costs | 21(a) | (340) | - | - | - |

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7. Profit before tax (cont'd)

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

| | Note | Group | | Company | |
|--|-------|----------------|----------------|----------------|----------------|
| | | 2016 RM'000 | 2015 RM'000 | 2016 RM'000 | 2015 RM'000 |
| Provision for employee leave entitlements | 21(a) | 1,352 | 1,536 | - | - |
| Provision for inventories written down | | - | 2,289 | - | - |
| Rental of land and buildings | | 337,927 | 241,827 | - | - |
| Realised foreign exchange loss | | 7,142 | 38,262 | - | - |
| Unrealised foreign exchange loss/(gain) | | 2,526 | (12,526) | - | - |
| Fair value (gain)/loss on derivative financial instruments | | (4,152) | 384 | - | - |
| Mark-to-market loss on derivative financial instruments | | 492 | - | - | - |
| Gain on disposal of property, plant and equipment | | (345) | (311) | - | - |
| Loss on disposal of intangible asset - computer software | | 1,052 | - | - | - |
| Property, plant and equipment written off | | - | 62 | - | - |
| Bad debts recovered** | | (17,034) | (11,538) | - | - |
| Waiver of debt | | - | - | (1,472) | (1,559) |
| Interest income from fixed deposits | | (12,536) | (10,509) | (265) | (284) |

* Fees for other services were incurred in connection with performance of agreed upon procedures, regulatory compliance reporting, tax and advisory services paid or payable to member firms of Ernst & Young Global Limited.

** Included in other income is bad debts recovered of RM17.0 million (2015: RM11.5 million).

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

| | Number of directors | |
|---------------------------------|---------------------|------|
| | 2016 | 2015 |
| <u>Non-executive directors:</u> | | |
| - Nil | 4 | 5 |
| - Below RM100,000 | - | 1 |
| - RM100,001 - RM200,000 | - | 1 |
| - RM200,001 - RM300,000 | 3 | 2 |

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8. Taxation

Major components of income tax expense

The major components of income tax expense for the financial years ended 31 December 2016 and 2015 are:

| | Group | | Company | |
|---|-----------------|----------------|----------------|----------------|
| | 2016 RM'000 | 2015 RM'000 | 2016 RM'000 | 2015 RM'000 |
| Statements of comprehensive income: | | | | |
| Income tax: | | | | |
| - Current tax expense | 562,812 | 519,558 | 64 | 73 |
| - Under/(over) accrual in prior years | 56,459 | 5,032 | (3) | (14) |
| Total income tax | 619,271 | 524,590 | 61 | 59 |
| Deferred taxation (Note 20): | | | | |
| - Relating to origination and reversal of temporary differences | (8,397) | 67,004 | - | - |
| - Over accrual in prior years | (5,348) | (5,399) | - | - |
| Total deferred tax | (13,745) | 61,605 | - | - |
| Income tax expense recognised in profit or loss | 605,526 | 586,195 | 61 | 59 |

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:

| | 2016 | | 2015 | |
|---|-------------|----------------|-------------|----------------|
| | % | RM'000 | % | RM'000 |
| Group | | | | |
| Profit before tax | | 2,238,184 | | 2,308,745 |
| Taxation at Malaysian statutory tax rate | 24.0 | 537,164 | 25.0 | 577,186 |
| Effect of changes in statutory tax rate | - | - | (0.6) | (13,542) |
| Effect of expenses not deductible for tax purposes | 1.0 | 17,251 | 1.0 | 22,918 |
| Under accrual of income tax expense in prior years | 2.5 | 56,459 | 0.2 | 5,032 |
| Over accrual of deferred tax expense in prior years | (0.2) | (5,348) | (0.2) | (5,399) |
| Effective tax rate/income tax expense recognised in profit or loss | 27.3 | 605,526 | 25.4 | 586,195 |
| Company | | | | |
| Profit before tax | | 1,632,858 | | 1,888,867 |
| Taxation at Malaysian statutory tax rate | 24.0 | 391,886 | 25.0 | 472,217 |
| Income not subject to tax | (24.0) | (391,822) | (25.0) | (472,144) |
| Over accrual of income tax expense in prior year | (0.0) | (3) | (0.0) | (14) |
| Effective tax rate/income tax expense recognised in profit or loss | 0.0 | 61 | 0.0 | 59 |

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8. Taxation (cont'd)

Domestic current income tax is calculated at the Malaysian statutory tax rate of 24% (2015: 25%) of the estimated taxable profit for the year.

With effect from 1 January 2016, the tax rate of the Group and the Company has been reduced from 25% to 24% due to the change in the Malaysian statutory tax rate that was announced in the 2014 Budget.

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 | |
|--|-----------|-----------|
| | 2016 | 2015 |
| Profit attributable to owners of the parent (RM'000) | 1,632,658 | 1,722,550 |
| Weighted average number of ordinary shares in issue ('000) | 7,775,000 | 7,775,000 |
| Basic earnings per share (sen) | 21.0 | 22.2 |

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 | |
|--|------------------|----------------|
| | 2016 RM'000 | 2015 RM'000 |
| Recognised during the financial year: | | |
| Dividends on ordinary shares: | | |
| - Fourth interim tax exempt (single-tier) dividend (2015: 4.9 sen; 2014: 7.2 sen) | 380,975 | 559,800 |
| - First interim tax exempt (single-tier) dividend (2016: 5.1 sen; 2015: 6.1 sen) | 396,525 | 474,275 |
| - Second interim tax exempt (single-tier) dividend (2016: 5.4 sen; 2015: 5.9 sen) | 419,850 | 458,725 |
| - Third interim tax exempt (single-tier) dividend (2016: 5.6 sen; 2015: 5.1 sen) | 435,400 | 396,525 |
| | 1,632,750 | 1,889,325 |
| 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 (2016: 4.8 sen; 2015: 4.9 sen) | 373,200 | 380,975 |

The Board of Directors had on 23 January 2017, declared a fourth interim tax exempt (single-tier) dividend of 4.8 sen per ordinary share in respect of the financial year ended 31 December 2016 amounting to RM373,200,000. 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 2017.

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11. Property, plant and equipment

| Group | Freehold | Long-term | Short-term | Freehold | Long-term | Short-term | Motor | Computer | Furniture | Tele- | Capital | Total |
|---------------------------------|----------|-----------|------------|-----------|-----------|------------|----------|-----------|-----------|----------------|-----------|-----------|
| | land | leasehold | leasehold | buildings | leasehold | buildings | | | | | | |
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | vehicles | systems | and | communications | work-in- | RM'000 |
| | | | | | | | RM'000 | RM'000 | fittings | network | progress | RM'000 |
| Cost | | | | | | | | | | | | |
| At 1 January | | | | | | | | | | | | |
| 2016 | 29,638 | 7,312 | 7,565 | 128,015 | 7,365 | 6,866 | 26,529 | 428,017 | 167,788 | 4,336,251 | 255,948 | 5,401,294 |
| Additions | - | - | - | - | - | - | 2,835 | - | 1,913 | 26,617 | 677,957 | 709,322 |
| Disposals | - | - | - | - | - | - | (3,097) | (1,737) | (164) | (3) | - | (5,001) |
| Write offs | - | - | - | - | - | - | - | (149,781) | (8,743) | (14,093) | - | (172,617) |
| Transfers | - | - | - | 15,280 | - | - | - | 16,231 | 33,928 | 580,428 | (645,867) | - |
| At 31 | | | | | | | | | | | | |
| December | | | | | | | | | | | | |
| 2016 | 29,638 | 7,312 | 7,565 | 143,295 | 7,365 | 6,866 | 26,267 | 292,730 | 194,722 | 4,929,200 | 288,038 | 5,932,998 |
| Accumulated depreciation | | | | | | | | | | | | |
| At 1 January | | | | | | | | | | | | |
| 2016: | - | 1,378 | 2,827 | 18,919 | 678 | 2,942 | 16,615 | 344,007 | 133,534 | 2,237,180 | - | 2,758,080 |
| Depreciation | | | | | | | | | | | | |
| expenses | | | | | | | | | | | | |
| for the | | | | | | | | | | | | |
| year | - | 61 | 128 | 2,471 | 67 | 108 | 3,037 | 29,825 | 20,393 | 464,121 | - | 520,211 |
| Disposals | - | - | - | - | - | - | (3,039) | (1,735) | (164) | (3) | - | (4,941) |
| Write offs | - | - | - | - | - | - | - | (149,781) | (8,743) | (14,093) | - | (172,617) |
| At 31 | | | | | | | | | | | | |
| December | | | | | | | | | | | | |
| 2016 | - | 1,439 | 2,955 | 21,390 | 745 | 3,050 | 16,613 | 222,316 | 145,020 | 2,687,205 | - | 3,100,733 |
| Carrying Amount | | | | | | | | | | | | |
| At 31 | | | | | | | | | | | | |
| December | | | | | | | | | | | | |
| 2016 | 29,638 | 5,873 | 4,610 | 121,905 | 6,620 | 3,816 | 9,654 | 70,414 | 49,702 | 2,241,995 | 288,038 | 2,832,265 |

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

| Group (cont'd) | Freehold land RM'000 | Long- term leasehold land RM'000 | Short- term leasehold land RM'000 | Freehold buildings RM'000 | Long- term leasehold buildings RM'000 | Short- term leasehold buildings RM'000 | Motor vehicles RM'000 | Computer systems RM'000 | Furniture and fittings RM'000 | Tele- communi- cations network RM'000 | Capital work-in- progress RM'000 | Total RM'000 |
|---|----------------------------|--|---|---------------------------------|---|--|-----------------------------|-------------------------------|--|---|---|-----------------|
| Cost | | | | | | | | | | | | |
| At 1 January | | | | | | | | | | | | |
| 2015 | 29,638 | 7,502 | 7,578 | 138,740 | 7,365 | 6,866 | 21,302 | 409,613 | 174,037 | 3,669,753 | 328,586 | 4,800,980 |
| Additions | - | - | - | - | - | - | 7,456 | - | 1,856 | 65,735 | 684,478 | 759,525 |
| Disposals | - | - | - | - | - | - | (2,229) | (1,583) | (203) | - | - | (4,015) |
| Write offs | - | (190) | (13) | (10,725) | - | - | - | (7,988) | (25,697) | (110,521) | (62) | (155,196) |
| Transfers | - | - | - | - | - | - | - | 27,975 | 17,795 | 711,284 | (757,054) | - |
| At 31 December | | | | | | | | | | | | |
| 2015 | 29,638 | 7,312 | 7,565 | 128,015 | 7,365 | 6,866 | 26,529 | 428,017 | 167,788 | 4,336,251 | 255,948 | 5,401,294 |
| Accumulated depreciation and impairment losses | | | | | | | | | | | | |
| At 1 January | | | | | | | | | | | | |
| 2015: | | | | | | | | | | | | |
| Accumulated depreciation | - | 1,340 | 2,703 | 18,196 | 611 | 2,834 | 16,078 | 319,693 | 138,959 | 1,904,585 | - | 2,404,999 |
| Accumulated impairment losses | - | - | - | - | - | - | - | - | 398 | 13,471 | - | 13,869 |
| | - | 1,340 | 2,703 | 18,196 | 611 | 2,834 | 16,078 | 319,693 | 139,357 | 1,918,056 | - | 2,418,868 |
| Depreciation expenses for the year | - | 228 | 137 | 11,448 | 67 | 108 | 2,766 | 33,882 | 20,474 | 443,116 | - | 512,226 |
| Reversal of impairment loss | - | - | - | - | - | - | - | - | (398) | (13,471) | - | (13,869) |
| Disposals | - | - | - | - | - | - | (2,229) | (1,580) | (202) | - | - | (4,011) |
| Write offs | - | (190) | (13) | (10,725) | - | - | - | (7,988) | (25,697) | (110,521) | - | (155,134) |
| At 31 December | | | | | | | | | | | | |
| 2015 | - | 1,378 | 2,827 | 18,919 | 678 | 2,942 | 16,615 | 344,007 | 133,534 | 2,237,180 | - | 2,758,080 |
| Analysed as: | | | | | | | | | | | | |
| Accumulated depreciation | - | 1,378 | 2,827 | 18,919 | 678 | 2,942 | 16,615 | 344,007 | 133,534 | 2,237,180 | - | 2,758,080 |
| | - | 1,378 | 2,827 | 18,919 | 678 | 2,942 | 16,615 | 344,007 | 133,534 | 2,237,180 | - | 2,758,080 |
| Carrying Amount | | | | | | | | | | | | |
| At 31 December | | | | | | | | | | | | |
| 2015 | 29,638 | 5,934 | 4,738 | 109,096 | 6,687 | 3,924 | 9,914 | 84,010 | 34,254 | 2,099,071 | 255,948 | 2,643,214 |

- (a) The Group acquired property, plant and equipment with an aggregate cost of RM709.3 million (2015: RM759.5 million) of which RM4.2 million (2015: RM7.1 million) relates to the provision for site decommissioning and restoration costs, as disclosed in Note 21.
- (b) Government grants of RM119.2 million (2015: RM93.8 million) relating to additions to property, plant and equipment, were deducted before arriving at the cost of qualifying property, plant and equipment during the financial year ended 31 December 2016.

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12. Intangible assets

| | 3G spectrum RM'000 | Computer software RM'000 | Licenses RM'000 | Total RM'000 |
|------------------------------------|--------------------------|--------------------------------|--------------------|-----------------|
| Group | | | | |
| Cost | | | | |
| At 1 January 2016 | 695,066 | 854,351 | 1,300 | 1,550,717 |
| Additions | - | 70,596 | - | 70,596 |
| Disposals | - | (2,533) | - | (2,533) |
| Write offs | - | (340,543) | - | (340,543) |
| At 31 December 2016 | 695,066 | 581,871 | 1,300 | 1,278,237 |
| Accumulated amortisation | | | | |
| At 1 January 2016 | 524,458 | 508,275 | 1,300 | 1,034,033 |
| Amortisation expenses for the year | 75,825 | 55,145 | - | 130,970 |
| Write offs | - | (340,543) | - | (340,543) |
| At 31 December 2016 | 600,283 | 222,877 | 1,300 | 824,460 |
| Carrying amount | | | | |
| At 31 December 2016 | 94,783 | 358,994 | - | 453,777 |
| Cost | | | | |
| At 1 January 2015 | 695,066 | 711,562 | 1,300 | 1,407,928 |
| Additions | - | 144,117 | - | 144,117 |
| Write offs | - | (1,328) | - | (1,328) |
| At 31 December 2015 | 695,066 | 854,351 | 1,300 | 1,550,717 |
| Accumulated amortisation | | | | |
| At 1 January 2015 | 448,632 | 455,912 | 1,300 | 905,844 |
| Amortisation expenses for the year | 75,826 | 53,691 | - | 129,517 |
| Write offs | - | (1,328) | - | (1,328) |
| At 31 December 2015 | 524,458 | 508,275 | 1,300 | 1,034,033 |
| Carrying amount | | | | |
| At 31 December 2015 | 170,608 | 346,076 | - | 516,684 |

Included in the cost of computer software is capital work-in-progress of RM116.3 million (2015: RM83.0 million).

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13. Investments in subsidiaries

| | Company | |
|-------------------------|----------------|----------------|
| | 2016 RM'000 | 2015 RM'000 |
| Unquoted shares at cost | 772,751 | 772,751 |

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

| Name of company | Percentage of ownership interest held by the Group | | Principal activities |
|--|---|-------------|---|
| | 2016 (%) | 2015 (%) | |
| - Digi Telecommunications Sdn Bhd (DTSB) | 100 | 100 | Establishment, maintenance and provision of telecommunications and related services |
| - Y3llownation Sdn Bhd (formerly known as Pay By Mobile Sdn Bhd) | 100 | 100 | Dormant |
| Subsidiaries of DTSB: | | | |
| - Digi Services Sdn Bhd | 100 | 100 | Dormant |
| - Y3llowLabs Sdn Bhd (formerly known as Djuice.Com Sdn Bhd) | 100 | 100 | Dormant |

14. Other investment

| | Group | |
|-------------------------------------|----------------|----------------|
| | 2016 RM'000 | 2015 RM'000 |
| Non-current | | |
| Available-for-sale financial asset: | | |
| - Unquoted shares at cost | 100 | - |

During the financial year, the Group's wholly owned subsidiary, Y3llownation Sdn Bhd (YN) (formerly known as Pay By Mobile Sdn Bhd), had subscribed to equity interest of approximate 8% in LocalUsher Sdn Bhd (LocalUsher), an entity incorporated in Malaysia. LocalUsher is engaged in operating an online booking platform for leisure trips and activities.

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

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15. Inventories

| | Group | |
|---------------------------|----------------|----------------|
| | 2016 RM'000 | 2015 RM'000 |
| Merchandise: | | |
| - At cost | 45,174 | 111,456 |
| - At net realisable value | 2,648 | 5,338 |
| | 47,822 | 116,794 |

During the financial year, the amount of inventories recognised as an expense in cost of materials of the Group was RM379.1 million (2015: RM639.1 million).

16. Trade and other receivables

| | Group | | Company | |
|---|------------------|----------------|----------------|----------------|
| | 2016 RM'000 | 2015 RM'000 | 2016 RM'000 | 2015 RM'000 |
| Non-current | | | | |
| Prepayments | 62,572 | 82,005 | - | - |
| Current | | | | |
| Trade receivables | 371,156 | 349,386 | - | - |
| Other receivables | 436,797 | 221,139 | 5 | 4 |
| Deposits | 171,423 | 150,096 | - | - |
| Prepayments | 741,680 | 212,421 | - | 5 |
| | 1,721,056 | 933,042 | 5 | 9 |
| Allowance for impairment on trade receivables | (13,377) | (11,118) | - | - |
| | 1,707,679 | 921,924 | 5 | 9 |
| Total trade and other receivables | 1,770,251 | 1,003,929 | 5 | 9 |

The Group's trade receivables are non-interest bearing, and are subject to normal trade credit terms ranging from 30 to 45 days (2015: 30 to 45 days). They are recognised at their original invoice amounts which represent their fair value on initial recognition.

Included in non-current and current prepayments are advances to a network facility provider (NFP) of RM83.4 million (2015: RM98.0 million) to provide connectivity services for a period of 10 years.

Included in current prepayment is an upfront payment made to Malaysian Communications and Multimedia Commission (MCMC) amounting to RM598.5 million for Spectrum Assignment allocated to the Group. The Spectrum Assignment will be effective on 1 July 2017 for a tenure of 15 years.

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16. Trade and other receivables (cont'd)

(a) Trade receivables

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

| | Group | |
|--|----------------|----------------|
| | 2016 RM'000 | 2015 RM'000 |
| Trade receivables: | | |
| - Neither past due nor impaired | 287,835 | 262,198 |
| - 1 to 30 days past due not impaired | 35,107 | 39,102 |
| - 31 to 60 days past due not impaired | 17,235 | 9,075 |
| - 61 to 90 days past due not impaired | 3,210 | 4,891 |
| - 91 to 180 days past due not impaired | 6,485 | 9,959 |
| - More than 181 days past due not impaired | 7,907 | 13,043 |
| | 357,779 | 338,268 |

Trade receivables that are neither past due nor impaired, representing 80% (2015: 78%) of the Group's total net trade receivables, are creditworthy debtors with good payment records with the Group. None of the Group's trade receivables that are neither past due nor impaired have been renegotiated during the financial year.

At the reporting date, 20% (2015: 22%) of the Group's trade receivables were past due but not impaired. These relate mostly to corporate customers with slower repayment patterns, for whom there is no history of default.

The movements of the Group's allowance for impairment on trade receivables are as follows:

| | Note | Individually impaired RM'000 | Collectively impaired RM'000 | Total RM'000 |
|-------------------------------------|------|------------------------------------|------------------------------------|-----------------|
| At 1 January 2015 | | - | 11,855 | 11,855 |
| Charge for the year | 7 | 42,407 | - | 42,407 |
| Write offs | | (42,407) | (737) | (43,144) |
| At 31 December 2015/ 1 January 2016 | | - | 11,118 | 11,118 |
| Charge for the year | 7 | 48,445 | 2,259 | 50,704 |
| Write offs | | (48,445) | - | (48,445) |
| At 31 December 2016 | | - | 13,377 | 13,377 |

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

As at 31 December 2016, Group's trade receivables with an initial carrying value of RM19,012,000 (2015: RM20,143,000) were impaired and provided for allowance for impairment amounting to RM13,377,000 (2015: RM11,118,000).

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16. Trade and other receivables (cont'd)

(b) Foreign currency exposures

At 31 December 2016, the Group's trade receivables balances included exposure to foreign currency denominated in United States Dollar (USD) and Special Drawing Rights (SDR) amounting to RM5.2 million (2015: RM8.8 million) and RM31.6 million (2015: RM32.1 million) respectively.

17. Derivative financial instruments

| | Contract value in foreign currency USD'000 | Notional value RM'000 | Fair value RM'000 | Assets/ (Liabilities) RM'000 |
|-------------------------------------|--|-----------------------------|----------------------|------------------------------------|
| Non-hedging derivatives | | | | |
| Current | | | | |
| Foreign currency forward contracts: | | | | |
| - 2016 | 24,400 | 105,643 | 109,677 | 4,034 |
| - 2015 | 23,000 | 99,054 | 98,936 | (118) |

The above foreign currency forward contracts were entered into by the Group to minimise its exposure to foreign currency risks as a result of transactions denominated in currency other than its functional currency, arising from the normal business activities. These contracts are not designated as cash flow or fair value hedges, and are entered into for periods consistent with currency transaction exposure and fair value changes exposure. Such derivatives do not qualify for hedge accounting. Foreign currency forward contracts are used to hedge certain payables denominated in USD for which firm commitments existed at the reporting date, extending to periods between January and March 2017.

During the financial year, the Group recognised a gain of RM4,034,000 (2015: a loss of RM118,000) arising from fair value changes of derivative financial instruments. The fair value changes are attributable to changes between foreign exchange spot and forward rates. The method and assumptions applied in determining the fair values of derivatives are disclosed in Note 29(f)(iv).

18. Cash and short-term deposits

| | Group | | Company | |
|------------------------------|----------------|----------------|----------------|----------------|
| | 2016 RM'000 | 2015 RM'000 | 2016 RM'000 | 2015 RM'000 |
| Cash and bank balances | 80,688 | 83,022 | 940 | 925 |
| Deposits with licensed banks | 295,900 | 150,535 | - | - |
| Cash and cash equivalents | 376,588 | 233,557 | 940 | 925 |

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

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18. Cash and short-term deposits (cont'd)

The Group's cash and cash equivalents included amounts of foreign currency denominated in USD totalling RM4.5 million (2015: RM15.3 million) at the reporting date.

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 | |
|------------------------------|-----------|-----------|
| | 2016 % | 2015 % |
| Deposits with licensed banks | 3 | 3 |

The deposits of the Group placed with licensed banks will mature within one month (2015: one month) from the end of the reporting date.

19. Loans and borrowings

| | Note | Group | |
|--------------------------------|-------|------------------|----------------|
| | | 2016 RM'000 | 2015 RM'000 |
| Non-current (unsecured) | | | |
| Floating-rate term loans | | 1,783,728 | - |
| Finance lease obligation | 26(c) | 15,109 | 25,376 |
| | | 1,798,837 | 25,376 |
| Current (unsecured) | | | |
| Floating-rate term loans | | - | 210,000 |
| Revolving credits | | 473,046 | 1,050,000 |
| Finance lease obligation | 26(c) | 9,990 | 8,531 |
| | | 483,036 | 1,268,531 |
| Total loans and borrowings | | 2,281,873 | 1,293,907 |

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

| | Group | |
|--------------------------|-----------|-----------|
| | 2016 % | 2015 % |
| Floating-rate term loans | 5 | 5 |
| Finance lease obligation | 9 | 9 |
| Revolving credits | 5 | 4 |

The above loans and borrowings are denominated in RM.

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19. Loans and borrowings (cont'd)

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

| | Group | |
|----------------------------|------------------|----------------|
| | 2016 RM'000 | 2015 RM'000 |
| Less than one year | 483,036 | 1,268,531 |
| Between one and two years | 6,998 | 9,990 |
| Between two and five years | 1,073,313 | 15,386 |
| More than five years | 718,526 | - |
| | 2,281,873 | 1,293,907 |

20. Deferred tax liabilities

| | Group | |
|--|----------------|----------------|
| | 2016 RM'000 | 2015 RM'000 |
| At 1 January | 325,030 | 263,425 |
| Recognised in profit and loss (Note 8) | (13,745) | 61,605 |
| At 31 December | 311,285 | 325,030 |

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

Deferred tax liability:

| | Property, plant and equipment and intangible assets RM'000 |
|-------------------------------|---|
| At 1 January 2016 | 584,123 |
| Recognised in profit and loss | 21,954 |
| At 31 December 2016 | 606,077 |
| At 1 January 2015 | 519,374 |
| Recognised in profit and loss | 64,749 |
| At 31 December 2015 | 584,123 |

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20. Deferred tax liabilities (cont'd)

Deferred tax assets:

| | Deferred revenue RM'000 | Others RM'000 | Total RM'000 |
|-------------------------------|-------------------------------|------------------|-----------------|
| At 1 January 2016 | (98,303) | (160,790) | (259,093) |
| Recognised in profit and loss | 4,680 | (40,379) | (35,699) |
| At 31 December 2016 | (93,623) | (201,169) | (294,792) |
| At 1 January 2015 | (92,753) | (163,196) | (255,949) |
| Recognised in profit and loss | (5,550) | 2,406 | (3,144) |
| At 31 December 2015 | (98,303) | (160,790) | (259,093) |

Others relate to deferred tax assets arising from deductible temporary differences on provisions and unrealised foreign exchange.

21. Other liabilities

| | Group | |
|---------------------------|----------------|----------------|
| | 2016 RM'000 | 2015 RM'000 |
| Non-current | | |
| Provisions (Note a) | 40,034 | 35,283 |
| Current | | |
| Provisions (Note a) | 7,547 | 6,195 |
| Deferred revenue (Note b) | 390,074 | 426,223 |
| | 397,621 | 432,418 |
| Total other liabilities | 437,655 | 467,701 |

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21. Other liabilities (cont'd)

(a) Provisions

| | Note | Site decommissioning and restoration costs RM'000 | Defined benefit plan RM'000 (Note 24) | Total RM'000 |
|--|-------|---|---|-----------------|
| Group | | | | |
| Non-current | | | | |
| At 1 January 2016 | | 34,245 | 1,038 | 35,283 |
| Capitalised as property, plant and equipment | 11(a) | 4,236 | - | 4,236 |
| Recognised in profit and loss | | 1,019 | 80 | 1,099 |
| Paid during the year | | - | (244) | (244) |
| Reversal of provision | 7 | (340) | - | (340) |
| At 31 December 2016 | | 39,160 | 874 | 40,034 |
| At 1 January 2015 | | 25,814 | 1,135 | 26,949 |
| Capitalised as property, plant and equipment | 11(a) | 7,107 | - | 7,107 |
| Recognised in profit and loss | | 1,324 | 80 | 1,404 |
| Paid during the year | | - | (177) | (177) |
| At 31 December 2015 | | 34,245 | 1,038 | 35,283 |
| Employee leave entitlements RM'000 | | | | |
| Group | | | | |
| Current | | | | |
| At 1 January 2016 | | | | 6,195 |
| Recognised in profit and loss | 7 | | | 1,352 |
| At 31 December 2016 | | | | 7,547 |
| At 1 January 2015 | | | | 4,659 |
| Recognised in profit and loss | 7 | | | 1,536 |
| At 31 December 2015 | | | | 6,195 |

Further details on the provisions are disclosed in Note 2(k).

(b) Deferred revenue

Deferred revenue comprises unutilised balance of airtime and data subscriptions in respect of services sold to customers.

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22. Trade and other payables

| | Group | | Company | |
|-------------------|------------------|----------------|----------------|----------------|
| | 2016 RM'000 | 2015 RM'000 | 2016 RM'000 | 2015 RM'000 |
| Trade payables | 225,782 | 399,717 | - | - |
| Other payables | 371,223 | 282,669 | - | - |
| Accruals | 1,335,685 | 1,359,361 | 945 | 981 |
| Customer deposits | 15,161 | 14,429 | - | - |
| | 1,947,851 | 2,056,176 | 945 | 981 |

The Group's trade and other payables are non-interest bearing, and are subject to normal credit terms ranging from 30 to 60 days (2015: 30 to 60 days).

At 31 December 2016, the Group's trade and other payables balances included exposure to foreign currency denominated in USD, SDR and Norwegian Krone (NOK) amounting to RM105.9 million (2015: RM242.1 million), RM27.3 million (2015: RM14.4 million) and RM67.0 million (2015: RM31.2 million) respectively.

23. Share capital

| | Group/Company | | | |
|------------------------------|--|--------------|----------------|----------------|
| | Number of ordinary shares of 1 sen each | | Amount | |
| | 2016 '000 | 2015 '000 | 2016 RM'000 | 2015 RM'000 |
| Authorised | | | | |
| At 1 January/31 December | 100,000,000 | 100,000,000 | 1,000,000 | 1,000,000 |
| Issued and fully paid | | | | |
| At 1 January/31 December | 7,775,000 | 7,775,000 | 77,750 | 77,750 |

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

24. Defined benefit plan

The Group operates an unfunded defined benefit plan for its eligible employees. The estimated obligations under the retirement benefit scheme are determined based on actuarial valuation by a qualified independent actuary on 18 March 2014.

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

| | Note | Group | |
|---------------------------------------|------|----------------|----------------|
| | | 2016 RM'000 | 2015 RM'000 |
| Present value of unfunded obligations | 21 | 874 | 1,038 |

Notes to the Financial Statements

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24. Defined benefit plan (cont'd)

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

| | Note | Group | |
|--|------|----------------|----------------|
| | | 2016 RM'000 | 2015 RM'000 |
| Interest on obligations, representing increase in provision for defined benefit plan | 7 | 80 | 80 |

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

| | Group | |
|------------------------------------|-----------|-----------|
| | 2016 % | 2015 % |
| Rate per annum: - Discount rate | 5 | 5 |

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

25. Retained earnings

The Company may distribute dividends out of its entire retained earnings as at 31 December 2016 and 2015 respectively, under the single-tier system.

26. Commitments

(a) Capital commitments

| | Group | |
|--|----------------|----------------|
| | 2016 RM'000 | 2015 RM'000 |
| Capital expenditure in respect of property, plant and equipment and intangible assets: | | |
| - Approved and contracted for | 1,077,000 | 286,000 |
| - Approved but not contracted for | 1,043,000 | 944,000 |

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26. Commitments (cont'd)

(b) Non-cancellable operating lease commitments

| | Group | |
|--------------------------------|------------------|----------------|
| | 2016 RM'000 | 2015 RM'000 |
| Future minimum lease payments: | | |
| - Less than one year | 355,601 | 241,555 |
| - Between one and five years | 525,763 | 256,258 |
| - More than five years | 201,061 | 75,192 |
| | 1,082,425 | 573,005 |

Operating lease payments represent rentals payable by the Group for lease of transmission facilities and sites to support its telecommunications operations. The tenure of these leases range between one to ten years, with options to renew. None of the leases included contingent rentals.

(c) Finance lease commitments

The Group's finance lease commitment is in relation to the acquired indefeasible right of use (IRU) over purchased fiber 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 | |
|---|----------------|----------------|
| | 2016 RM'000 | 2015 RM'000 |
| Minimum lease payments: | | |
| - Less than one year | 11,726 | 11,410 |
| - Between one and two years | 7,946 | 11,726 |
| - Between two and five years | 8,506 | 16,452 |
| Total minimum lease payments | 28,178 | 39,588 |
| Less: Amounts representing finance charges | (3,079) | (5,681) |
| Present value of minimum lease payments | 25,099 | 33,907 |
| Present value of payments: | | |
| - Less than one year | 9,990 | 8,531 |
| - Between one and two years | 6,998 | 9,990 |
| - Between two and five years | 8,111 | 15,386 |
| Present value of minimum lease payments | 25,099 | 33,907 |
| Less: Amount due within 12 months (Note 19) | (9,990) | (8,531) |
| Amount due after 12 months (Note 19) | 15,109 | 25,376 |

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27. Performance guarantees

| | Group | |
|---|----------------|----------------|
| | 2016 RM'000 | 2015 RM'000 |
| Unsecured | | |
| Guarantees given to third parties for public infrastructure works | 13,484 | 14,985 |
| Guarantee given to MCMC on the allocation of the 2600 MHz spectrum band | 10,000 | 10,000 |
| Guarantee given to MCMC for USP project of constructing and operating the radio access network infrastructure | 24,562 | - |
| | 48,046 | 24,985 |

28. Significant related party disclosures

(a) 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 13.

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

| Group | Transactions | | Balance due (to)/from at | |
|--|----------------|----------------|--------------------------|----------------|
| | 2016 RM'000 | 2015 RM'000 | 2016 RM'000 | 2015 RM'000 |
| With the ultimate holding company and fellow subsidiaries | | | | |
| - <i>Telenor ASA</i> | | | (49,483) | (50,387) |
| Consultancy services rendered | 25,797 | 19,869 | | |
| Fees payable for licenses and trademarks | 10,500 | - | | |
| - <i>Telenor Consult AS</i> | | | 33 | - |
| Personnel services rendered | 199 | 3,634 | | |
| - <i>Telenor GO Pte Ltd</i> | | | 841 | (3,112) |
| Personnel services rendered | 13,234 | 11,094 | | |
| - <i>Telenor Global Services AS</i> | | | (5,791) | (9,232) |
| Sales of interconnection services on international traffic | 2,882 | 652 | | |
| Purchases of interconnection services on international traffic | 24,489 | 27,868 | | |
| Purchases of international roaming services | 2,135 | - | | |
| Purchases of IP transit | 760 | - | | |
| Purchases of global connectivity | 1,343 | 1,252 | | |

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31 December 2016

28. Significant related party disclosures (cont'd)

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

| Group (cont'd) | Transactions | | Balance due (to)/from at | |
|---|----------------|----------------|--------------------------|----------------|
| | 2016 RM'000 | 2015 RM'000 | 2016 RM'000 | 2015 RM'000 |
| With the ultimate holding company and fellow subsidiaries (cont'd) | | | | |
| - <i>Total Access Communication Public Company Limited</i> | | | 415 | (12) |
| Sales of international roaming services | 28 | 81 | | |
| Purchases of international roaming services | (25) | 2,890 | | |
| - <i>dtac TriNet Co. Ltd</i> | | | 1,622 | (15,764) |
| Sales of international roaming services | 421 | 370 | | |
| Purchases of international roaming services | 387 | 958 | | |
| Sales of interconnection services on international traffic | 232 | 264 | | |
| Purchases of interconnection services on international traffic | 5,616 | 18,450 | | |
| Lease income from bandwidth leasing | 5,138 | - | | |
| - <i>Telenor Digital Services AS</i> | | | (705) | (1,093) |
| Consultancy services rendered | 910 | 103 | | |
| - <i>Telenor Shared Services Pakistan (Private Limited)</i> | | | - | (163) |
| Purchases of customer centre offshoring services | - | 1,857 | | |
| - <i>Telenor Global Shared Services AS</i> | | | (7,421) | (6,369) |
| Services rendered on application operations and basic operation for data centre | 9,171 | 5,015 | | |
| Purchases of operation application | 347 | 289 | | |
| Services rendered on IT Infrastructure Shared Services Centre | - | 500 | | |
| Purchases of customer centre offshoring services | 2,378 | 1,133 | | |
| - <i>Telenor IT Asia Sdn Bhd</i> | | | (10,239) | (3,099) |
| Rental income and services rendered for Asian Infrastructure Shared Services Centre | 893 | 688 | | |
| Services rendered on Asian Infrastructure Shared Services Centre | 7,291 | 5,853 | | |
| - <i>Valyou Sdn Bhd (formerly known as Prabhu Money Transfer Sdn Bhd)</i> | | | 10 | - |
| Sales of telecommunication and related services | 1,683 | - | | |

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28. Significant related party disclosures (cont'd)

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

Amounts due (to)/from related companies are trade in nature, 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.

(b) Compensation of key management personnel

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

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

| | Group | |
|-----------------------------|----------------|----------------|
| | 2016 RM'000 | 2015 RM'000 |
| Short-term employee benefit | 11,530 | 14,838 |
| Post-employment benefits | 977 | 1,273 |
| Other employment benefits | 345 | 555 |
| | 12,852 | 16,666 |

29. Financial instruments

(a) Financial risk management objectives and policies

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

(b) Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counter party default on its obligations. The Group's credit risk arises in the normal course of business primarily with respect to trade and other receivables and cash and short-term deposits. Credit risk is managed through formalised policies on credit assessment and approvals, credit limits and monitoring procedures. Deposits are placed only with or only entered into with reputable licensed banks and unit trust funds, if any.

The maximum credit risk exposure in respect of trade receivables is limited to the carrying amount of the receivables less allowance for impairment, whereas the maximum exposure for other receivables, and cash and cash equivalents are the reported carrying values in the financial statements. Information regarding trade receivables that are neither past due nor impaired, and past due but not impaired, are disclosed in Note 16(a).

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

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29. Financial instruments (cont'd)

(c) Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group is exposed to foreign currency risk as a result of transactions denominated in currencies other than its functional currency, arising from the normal business activities. The currencies giving rise to this risk are primarily the USD, SDR and NOK. Although approximately 19% (2015: 21%) of the Group's total expenses are denominated in the above-mentioned foreign currencies, the settlements of these payables are on a net basis, together with revenues earned from the same operators and partners. The Group also holds cash and cash equivalents denominated in USD for working capital purposes. The Group's foreign-denominated cash and cash equivalents at the reporting date is disclosed in Note 18.

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. The cash requirement for settling these foreign currency forward contracts is solely from the Group's working capital.

Details of the Group's outstanding foreign currency forward contracts for the purpose of hedging certain payables denominated in USD for which firm commitments existed at the reporting date, extending to periods between January and March 2017, are disclosed in Note 17. The effects of changes in the fair values of these derivative financial instruments have already been included in the financial statements during the financial year.

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

(d) Liquidity risk

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

The Group's trade and other payables and non-hedging derivative liabilities at the reporting date, are short-term in nature, and are payable either on-demand or within one year. Details of respective maturities for the Group's loans and borrowings are as disclosed in Note 19.

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29. Financial instruments (cont'd)

(d) Liquidity risk (cont'd)

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 | | | | | |
| 2016 | | | | | |
| Financial liabilities | | | | | |
| Trade and other payables | 1,947,851 | - | - | - | 1,947,851 |
| Loans and borrowings | 486,726 | 7,946 | 1,083,506 | 725,000 | 2,303,178 |
| Total undiscounted financial liabilities | 2,434,577 | 7,946 | 1,083,506 | 725,000 | 4,251,029 |
| 2015 | | | | | |
| Financial liabilities | | | | | |
| Trade and other payables | 2,056,176 | - | - | - | 2,056,176 |
| Loans and borrowings | 1,271,410 | 11,726 | 16,452 | - | 1,299,588 |
| Total undiscounted financial liabilities | 3,327,586 | 11,726 | 16,452 | - | 3,355,764 |

(e) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's financial instruments will fluctuate because of changes in market interest rates. The Group's income and operating cash flows are substantially independent of changes in market interest rates. The Group is exposed to interest rate risk primarily from the deposit placements and interest-bearing financial liabilities. The Group manages its interest rate risk for the interest-earning deposit placements by placing such balances on varying maturities and interest rate terms.

The Group's policy in dealing with interest-bearing financial liabilities is to minimise the interest expense by obtaining the most favourable interest rates available. A difference of 20 (2015: 20) basis points in interest rates applicable for the Group's entire loans and borrowings (excluding finance lease obligation) would result in approximately 0.16% (2015: 0.11%) variance in the Group's profit for the year.

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29. Financial instruments (cont'd)

(f) Fair values

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

(i) Cash and short-term deposits

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

(ii) Trade and other receivables and trade and other payables

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

(iii) Loans and borrowings

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

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

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

(iv) Derivative financial instruments

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

At the reporting date, the carrying amounts and fair values of the Group's financial instruments not carried at fair values and whose carrying amounts are not reasonable approximation of fair values, are as follows:

(i) Other investment

Fair value information has not been disclosed for the Group's investment in unquoted equity interest that is carried at cost of RM100,000 because its fair value cannot be measured reliably. The equity instrument represents ordinary shares not quoted on any market and does not have any comparable industry peers that is listed.

(ii) Financial liabilities

| | Note | Group | | | |
|-------------------------------------|------|-----------------|----------------|----------------|----------------|
| | | Carrying amount | | Fair value | |
| | | 2016 RM'000 | 2015 RM'000 | 2016 RM'000 | 2015 RM'000 |
| Loans and borrowings (non-current): | | | | | |
| - Finance lease obligation | 19 | 15,109 | 25,376 | 24,905 | 34,002 |

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31 December 2016

29. Financial instruments (cont'd)

(g) Classification

The carrying amounts of financial instruments under each category of MFRS 139, are as follows:

| | Note | Group | | Company | |
|---|-------|------------------|----------------|----------------|----------------|
| | | 2016 RM'000 | 2015 RM'000 | 2016 RM'000 | 2015 RM'000 |
| Available-for-sale financial assets: | | | | | |
| - Other investments | 14 | 100 | - | - | - |
| Loans and receivables: | | | | | |
| - Trade receivables | 16(a) | 357,779 | 338,268 | - | - |
| - Other receivables | 16 | 436,797 | 221,139 | 5 | 4 |
| - Deposits | 16 | 171,423 | 150,096 | - | - |
| - Cash and short-term deposits | 18 | 376,588 | 233,557 | 940 | 925 |
| | | 1,342,587 | 943,060 | 945 | 929 |
| Non-hedging derivative financial assets/(liabilities) | 17 | 4,034 | (118) | - | - |
| Other financial liabilities: | | | | | |
| - Floating-rate term loan | 19 | 1,783,728 | 210,000 | - | - |
| - Revolving credits | 19 | 473,046 | 1,050,000 | - | - |
| - Finance lease obligation | 19 | 25,099 | 33,907 | - | - |
| - Trade payables | 22 | 225,782 | 399,717 | - | - |
| - Other payables | 22 | 371,223 | 282,669 | - | - |
| - Accruals | 22 | 1,335,685 | 1,359,361 | 945 | 981 |
| - Customer deposits | 22 | 15,161 | 14,429 | - | - |
| | | 4,229,724 | 3,350,083 | 945 | 981 |

Notes to the Financial Statements

31 December 2016

29. Financial instruments (cont'd)

(h) Fair value measurement

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

Quantitative disclosures fair value measurement hierarchy for financial assets/(liabilities) as at 31 December 2016:

| | Note | Date of valuation | Fair value measurement using | | | |
|---|-------|-------------------|------------------------------|---|---|---|
| | | | Total | Quoted prices in active markets (Level 1) | Significant observable inputs (Level 2) | Significant unobservable inputs (Level 3) |
| | | | RM'000 | RM'000 | RM'000 | RM'000 |
| Financial assets measured at fair value: | | | | | | |
| Non-hedging derivative financial assets | 17 | 31 December 2016 | 4,034 | - | 4,034 | - |
| Financial liabilities for which fair values are disclosed: | | | | | | |
| Loans and borrowings (non-current): | | 31 December | | | | |
| - Finance lease obligation | 29(f) | 2016 | (24,905) | - | - | (24,905) |

Quantitative disclosures fair value measurement hierarchy for financial assets/(liabilities) as at 31 December 2015:

| | Note | Date of valuation | Fair value measurement using | | | |
|---|-------|-------------------|------------------------------|---|---|---|
| | | | Total | Quoted prices in active markets (Level 1) | Significant observable inputs (Level 2) | Significant unobservable inputs (Level 3) |
| | | | RM'000 | RM'000 | RM'000 | RM'000 |
| Financial liabilities measured at fair value: | | | | | | |
| Non-hedging derivative financial liabilities | 17 | 31 December 2015 | (118) | - | (118) | - |
| Financial liabilities for which fair values are disclosed: | | | | | | |
| Loans and borrowings (non-current): | | 31 December | | | | |
| - Finance lease obligation | 29(f) | 2015 | (34,002) | - | - | (34,002) |

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

The fair value of finance lease obligation is categorised as level 3 hierarchy as it was estimated by discounting the future contractual cash flow at an adjusted discount rate. The significant unobservable inputs in arriving at the adjusted discount rate are the constant prepayment rate and the own non-performance risk as at 31 December 2016 and at 31 December 2015.

Notes to the Financial Statements

31 December 2016

30. Capital management

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

- (i) its commitment to long-term sustainable dividend policy;
- (ii) its financial obligation and ability to maintain financial flexibility; and
- (iii) its ability to support its business requirements and enable future growth.

Going-forward, the Group will continue to actively manage its capital structure to enhance shareholders' value and make adjustments to address changes in the economic environment and its business risk characteristics. The Group had during the financial year ended 31 December 2009, revised its minimum dividend pay-out policy to at least 80% of the Company's profit for the year, and dividend payment frequency. The dividend policy will be maintained subject to on-going assessment, and based on the availability of distributable reserves as well as the Group's future cash flow requirements and market conditions. These revisions and any other revision to its allocation of capital resources are subject to the approval of the Board of Directors. No changes were made in the objectives, policies or processes during the financial year ended 31 December 2016.

31. Segmental information

Segmental information is not presented as the Group is primarily engaged in the provision of mobile communication services and its related products in Malaysia.

32. Subsequent events

- (i) Advance payments for bandwidth connectivity

On 27 January 2017, the Group has made the second tranche of advance payments to a network facilities provider (NFP) amounting to RM56.0 million (First tranche paid in 2015 amounting to RM83.1 million) in order to secure connectivity services for selected network infrastructure sites of the Group for a period of 10 years. The advance payments are charged to profit or loss on a straight-line basis over the service period upon commissioning of the respective sites.

- (ii) Proposed establishment of a Sukuk Programme with combined limit of up to RM5.0 billion in nominal value

On 14 February 2017, the Group announced that its wholly-owned subsidiary, Digi Telecommunications Sdn Bhd (DTSB), has proposed to establish an Islamic medium term notes (IMTN) programme of up to RM5.0 billion in nominal value (IMTN Programme); and an Islamic commercial papers (ICP) 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 tenure of the proposed IMTN and ICP Programme is fifteen (15) and seven (7) years, respectively from the date of the first issuance. RAM Ratings Services Berhad has assigned AAA rating for the proposed IMTN Programme and P1 rating for the proposed ICP Programme. The proceeds from the Sukuk Programme shall be used to finance capital expenditure, working capital requirements, other general funding requirements and/or general corporate purposes of DTSB and/or its subsidiaries, which shall be Shariah-compliant.

33. Authorisation of financial statements for issue

The financial statements for the financial year ended 31 December 2016 were authorised for issue in accordance with a resolution of the directors on 13 March 2017.

Notes to the Financial Statements

31 December 2016

34. Supplementary information – Disclosure of realised and unrealised profits/losses

The break-down of the (accumulated losses)/retained earnings of the Group and of the Company as at 31 December 2016 and 2015 into realised and unrealised (losses)/profits is presented in accordance with the directive issued by Bursa Malaysia Securities Berhad, and prepared in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants.

| | Group | | Company | |
|---|----------------|----------------|----------------|----------------|
| | 2016 RM'000 | 2015 RM'000 | 2016 RM'000 | 2015 RM'000 |
| Total (accumulated losses)/retained earnings of the Company and its subsidiaries: | | | | |
| - Realised | (264,246) | (191,937) | 3,072 | 3,025 |
| - Unrealised | 13,861 | (58,356) | - | - |
| | (250,385) | (250,293) | 3,072 | 3,025 |

List of Properties

as at 31 December 2016

| No. | Location | Tenure | Description/ Existing Use | Date of Acquisition | Area | Age of Building | Net Book Value as at 31.12.2015 | Net Book Value as at 31.12.2016 |
|-----|---|--|---|------------------------|--------------|--------------------|---------------------------------------|---------------------------------------|
| | | | | | | Years | RM'000 | 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 | 19 | 595 | 577 |
| 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 | 21 | 79 | 77 |
| 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 | 23 | 422 | 408 |
| 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 | 22 | 158 | 153 |
| 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 | 21 | 60 | 58 |
| 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 | 21 | 123 | 119 |
| 7 | 32, PLO 151 Jln Angkasa Mas Utama, Kawasan Perindustrian Tebrau II, 81100 Johor Bahru, Johor | Leasehold 30 years (expiring in 2023) | Land with a building/ Telecommunications Centre | 12.05.1995 | 1.58 acres | 22 | 739 | 727 |
| 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 | 42 | 1,502 | 1,450 |
| 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 | 36 | 1,681 | 1,625 |

List of Properties as at 31 December 2016

| No. | Location | Tenure | Description/ Existing Use | Date of Acquisition | Area | Age of Building | Net Book Value as at 31.12.2015 | Net Book Value as at 31.12.2016 |
|-----|---|--|--|------------------------|--------------|--------------------|---------------------------------------|---------------------------------------|
| | | | | | | Years | RM'000 | RM'000 |
| 10 | Lot 1220, Section 66, Kuching Town Land District, Sarawak | Leasehold 60 years (expiring in 2036) | Land with a building/ Telecommunications Centre | 15.08.1995 | 4,124 sq ft | 21 | 1,448 | 1,399 |
| 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 | 34 | 1,639 | 1,584 |
| 12 | Unit 16-12-1, 12th Floor, Cloud View Tower, Taman Supreme, Cheras, Kuala Lumpur | Leasehold 99 years (expiring in 2076) | Apartment/Housing base transceiver equipment | 08.02.1995 | 1,400 sq ft | 28 | 162 | 160 |
| 13 | Unit No M803 8th Floor, Sunrise Park, Ampang, Kuala Lumpur | Leasehold 99 years (expiring in 2088) | Apartment/Housing base transceiver equipment | 22.03.1995 | 1,100 sq ft | 25 | 87 | 86 |
| 14 | H.S.(D) 12776, P.T. No. 15866, Mukim Bentong, District of Bentong, Pahang | Leasehold 99 years (expiring in 2091) | Land with a building/ Earth Station Complex | 07.08.1996 | 7.5 acres | 23 | 5,231 | 5,164 |
| 15 | Plot D-38, Taman Industri Prima Kota Fasa 1, Sector 3, Bandar Indera Mahkota, Kuantan, Pahang | Leasehold 99 years (expiring in 2097) | Land with fixed line switch and base transceiver station | 14.11.1997 | 25,521 sq ft | 19 | 353 | 349 |
| 16 | Ptd 1490, Mukim of Jemaluang, District of Mersing, Johor | Leasehold 99 years (expiring in 2098) | Land with trunk station | 17.08.1999 | 40,000 sq ft | 17 | 103 | 102 |
| 17 | PN 89926, Lot 191363, Mukim Hulu Kinta, Daerah Kinta, Perak | Leasehold 90 years (expiring in 2081) | Land with a building/ Telecommunications Centre | 15.07.1999 | 5,942 sq ft | 17 | 190 | 188 |
| 18 | Lot No 54, Jalan 6/2, Kawasan Perindustrian Seri Kembangan, 43000 Seri Kembangan, Selangor | Leasehold 99 years (expiring in 2091) | Land with a building/ Telecommunications Centre | 23.05.2000 | 18,050 sq ft | 27 | 1,670 | 1,650 |
| 19 | Lot 2728 Miri Concession Land District, Lopeng, Miri, Sarawak | Leasehold 60 years (expiring in 2027) | Land with cabin container/ Telecommunications Centre | 29.09.2000 | 4,937 sq m | N/A | 838 | 814 |

List of Properties

as at 31 December 2016

| No. | Location | Tenure | Description/ Existing Use | Date of Acquisition | Area | Age of Building | Net Book Value as at 31.12.2015 | Net Book Value as at 31.12.2016 |
|-----|---|--|---|---|---------------|--------------------|---------------------------------------|---------------------------------------|
| | | | | | | Years | RM'000 | RM'000 |
| 20 | Lot 10, Jalan Delima 1/1, Subang Hi-Tech Industrial Park, 40000 Subang Jaya, Selangor | Freehold | Land with a building | 19.07.2001 | 284,485 sq ft | 11 | 57,482 | 71,715 |
| 21 | No. 24, Jalan KIP 7, Taman Perindustrian KIP, 52200 Kuala Lumpur | Freehold | Land with a building/ Telecommunications Centre | 21.08.2002 | 17,847 sq ft | 20 | 2,779 | 2,779 |
| 22 | Lot 42, Jalan Delima 1/1, Subang Hi-Tech Industrial Park, 40000 Subang Jaya, Selangor | Freehold | Parking Lot | 28.04.2008 (Title transferred date) | 91,676 sq ft | N/A | 8,234 | 8,234 |
| 23 | Lot 43, Jalan Delima 1/1, Subang Hi-Tech Industrial Park, 40000 Subang Jaya, Selangor | Freehold | Land with a building/ Telecommunications Centre | 06.04.2008 (Title transferred date) | 92,142 sq ft | 7 | 68,678 | 67,303 |
| 24 | 13-1st Floor, Gemilang Indah Condominium, Geran Mukim 2227/M1/2/7, Lot 295, Sek 98, Bandar KL, Wilayah Persekutuan | Freehold | Apartment unit | 26.10.2009 | 935 sq ft | 26 | 122 | 119 |
| 25 | H.S.(M) 26928 PT 180, Pekan Serdang, Tempat Seri Kembangan, Daerah Petaling, Selangor | Leasehold 90 years (expiring in 2099) | Land with a building/ Telecommunications Centre | 03.03.2009 | 1803 sq m | 21 | 4,042 | 3,994 |
| 26 | Title No. PN 89925, Lot 191362, No.4, Hala Perusahaan Kledang U5, Kawasan Perusahaan Menglembu, Daerah Kinta, Perak | Leasehold 90 years (expiring in 2099) | Land with a building/ Telecommunications Centre | 21.09.2009 | 358 sq m | 16 | 677 | 669 |

Notes:

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

Disclosure of Recurrent Related Party Transactions

At the Annual General Meeting held on 13 May 2016, 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 2016 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 | Purchase of goods and services during the financial year |
|---|--------------------------------------|---|---|--|
| | | | RM'000 | RM'000 |
| Telenor Group of Companies | | | | |
| Telenor Group | DTSB | Business service costs, which include consultancy, training programmes and advisory fees (Business Service Costs) | | 25,797 |
| Telenor Group | DTSB | Personnel services and professional fees (Professional Service) | 1,323 | 13,556 |
| Telenor Group | DTSB | International Accounting Settlement. This refers to an arrangement for interconnection services on international traffic between foreign carriers | 3,114 | 30,105 |
| Telenor Group | DTSB | International Roaming | 809 | 2,997 |
| Telenor Group | DTSB | Customer Centre offshoring services | | 2,378 |
| Telenor Group | DTSB | IP Transit (Internet Upstream) | | 760 |
| Telenor Group | DTSB | Global connectivity services with Telenor Business Units (BUs) in Asia and to data centers for common services | | 1,343 |
| Telenor Group | DTSB | Services rendered on Enterprise Resource Planning (ERP) and enterprise applications | | 9,518 |
| Telenor Group | DTSB | Infrastructure Shared Services Centre in Asia (ITSSC) | 893 | 7,291 |
| Telenor Group | DTSB | Licenses and trademarks | | 10,500 |
| Telenor Group | DTSB | Bandwidth leasing | 5,138 | |
| Telenor Group | DTSB | Telecommunication and related services | 1,683 | |
| TOTAL | | | 12,960 | 104,245 |

Notes:

1. Telenor Group refers to Telenor ASA and its subsidiary and related companies (including the associated companies). Telenor ASA is the ultimate holding company of Digi.Com Berhad (Digi).
2. Digi Telecommunications Sdn Bhd (DTSB) is a wholly-owned subsidiary of Digi.

Statement of Directors' Shareholdings

as at 3 March 2017

| 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 | % |
| Tore Johnsen | 39,306 | 0.0026 | - | - |
| Morten Karlsen Sorby | 83,465 | 0.0056 | 682 | 0 |
| Lars-Ake Valdemar Norling | 30,835 | 0.0021 | - | - |
| Kristin Muri Moller | 18,667 | 0.0012 | - | - |

| Number of Options over Ordinary Shares of NOK6 each | | | | |
|---|-----------------|---|-----------------|---|
| Ultimate Holding Company Telenor ASA | Direct Interest | % | Deemed Interest | % |
| Tore Johnsen | - | - | - | - |
| Morten Karlsen Sorby | - | - | - | - |
| Lars-Ake Valdemar Norling | - | - | - | - |
| Kristin Muri Moller | - | - | - | - |

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN THAT the Twentieth Annual General Meeting (20th AGM) of Digi.Com Berhad (the Company) will be held at Nexus Ballroom 2 & 3, Connexion @ Nexus, No. 7 Jalan Kerinchi, Bangsar South City, 59200 Kuala Lumpur, Malaysia on Tuesday, 9 May 2017 at 10.00 a.m. for the following purposes:

Agenda

As Ordinary Business

- | | |
|---|---|
| <p>1. To receive the Audited Financial Statements for the financial year ended 31 December 2016 and the Reports of the Directors and Auditors thereon.</p> | <p>(Please refer to Note 1 of the Explanatory Notes)</p> |
| <p>2. To re-elect the following Directors of the Company retiring pursuant to the Article 98(A) of the Company's Articles of Association:-</p> <p>(i) Tan Sri Saw Choo Boon (ii) Puan Yasmin Binti Aladad Khan</p> | <p>Ordinary Resolution 1 Ordinary Resolution 2</p> |
| <p>3. To approve the payment of Directors' fees of up to RM1,100,000 for the Independent Non-Executive Directors and benefits payable to the Directors up to an aggregate amount of RM40,000 from 1 January 2017 until the next AGM of the Company.</p> | <p>Ordinary Resolution 3</p> |
| <p>4. To appoint Messrs Ernst & Young as Auditors of the Company and to authorise the Directors to fix their remuneration.</p> | <p>Ordinary Resolution 4</p> |

As Special Business

To consider and, if deemed fit, to pass the following resolutions:-

- | | |
|--|-------------------------------------|
| <p>5. Proposed Renewal of Existing Shareholders' Mandate and Proposed New 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)</p> | <p>Ordinary Resolution 5</p> |
|--|-------------------------------------|

"That, subject to the provisions of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, approval be and is hereby given for the Proposed Shareholders' Mandate for the Company and its subsidiaries, to enter into recurrent related party transactions of a revenue or trading nature with Telenor and persons connected with Telenor as specified in Section 2.3 of the Circular to Shareholders dated 10 April 2017, which are necessary for the day-to-day operations and/or in the ordinary course of business of the Company and its subsidiaries on terms not more favourable to the related parties than those generally available to the public and are not detrimental to the minority shareholders of the Company and that such approval shall continue to be in force until:

- (i) the conclusion of the next annual general meeting of the Company following the general meeting at which this Ordinary Resolution shall be passed, at which time it will lapse, unless by a resolution passed at a general meeting, the authority conferred by this resolution is renewed;
- (ii) the expiration of the period within which the next annual general meeting after the date it is required to be held pursuant to Section 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

Notice of Annual General Meeting

(iii) revoked or varied by resolution passed by the shareholders at a general meeting,

whichever is earlier.

And that in making the disclosure of the aggregate value of the recurrent related party transactions conducted pursuant to the proposed shareholders' approval in the Company's annual reports, the Company shall provide a breakdown of the aggregate value of recurrent related party transactions made during the financial year, amongst others, based on:

- (i) the type of the recurrent related party transactions made; and
- (ii) the names of the related parties involved in each type of the recurrent related party transactions made and their relationship with the Company.

And further that authority be and is hereby given to the Directors of the Company and its subsidiaries to complete and do all such acts and things (including executing such documents as may be required) to give effect to the Proposed Shareholders' Mandate."

6. Proposed Amendments to the Articles of Association of the Company

Special Resolution

"That the deletions, alterations, modifications, variations and additions to the Articles of Association of the Company as set out in Appendix II of the Circular to Shareholders dated 10 April 2017 be and are hereby approved."

As Other Business

- 7. To transact any other business of which due notice has been given.

FURTHER NOTICE IS HEREBY GIVEN THAT for the purpose of determining a member who shall be entitled to attend this 20th AGM, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd in accordance with Article 54(1)(b) of the Company's Articles of Association and Section 34(1) of the Securities Industry (Central Depositories) Act, 1991, to issue a General Meeting Record of Depositors as at 28 April 2017. Only a depositor whose name appears on Record of Depositors shall be entitled to attend, speak and vote at the said meeting or appoint proxies to attend, speak and/or vote on his/her behalf.

By Order of the Board

CHOO MUN LAI (MAICSA 7039980)

TAI YIT CHAN (MAICSA 7009143)

Company Secretaries

Selangor Darul Ehsan
10 April 2017

Notice of Annual General Meeting

NOTES:-

(A) APPOINTMENT OF PROXY

- (i) A member entitled to attend and vote at a general meeting of the Company is entitled to appoint a proxy to attend, speak and vote on his behalf. Where more than one proxy is appointed, the appointment shall not be valid unless he specifies the shareholdings to be represented by each proxy. A proxy need not be a member of the Company.
- (ii) Where a member of the Company is an Exempt Authorised Nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account (omnibus account) as defined under the Securities Industry (Central Depositories) Act 1991, there shall be no limit to the number of proxies which the Exempt Authorised Nominee may appoint in respect of each omnibus account it holds.
- (iii) 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 seal or under the hand of an officer or attorney duly authorised.
- (iv) 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 at Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia at least twenty-four (24) hours before the time appointed for the holding of the meeting.

(B) EXPLANATORY NOTES

1. The Audited Financial Statements are laid in accordance with Section 340(1)(a) the Companies Act, 2016 for discussion only under Agenda 1. They do not require shareholders' approval and hence, will **not be put for voting**.
2. Ordinary Resolution 5 proposed under Agenda 5 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 and the necessity to convene separate general meetings from time to time to seek shareholders' approval as and when such recurrent related party transactions occur would not arise. This would reduce substantial administrative time and expenses associated with the convening of such meetings without compromising the corporate objectives of the Group or affecting the business opportunities available to the Group. The shareholders' mandate is subject to renewal on an annual basis.
3. The proposed Special Resolution, if passed, will align the Articles of Association with the new Companies Act, 2016 which came into force on 31 January 2017, the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, and prevailing statutory and regulatory requirements as well as to render clarity and consistency throughout. Details of which as set out in the Circular to Shareholders dated 10 April 2017.

Personal data privacy:

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the AGM and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the 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 member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member 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 member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

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FORM OF PROXY**DIGI.COM BERHAD**

(Company No.: 425190-X)

(Incorporated in Malaysia)

I/We (Name in full) _____

NRIC No. or Company No. (New and Old NRIC No.) _____

CDS Account No. _____ of (Address) _____

being a member of DIGI.COM BERHAD 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 the *Chairman of the Meeting as my/our proxy to vote for me/us on my/our behalf at the Twentieth Annual General Meeting of the Company to be held at Nexus Ballroom 2 & 3, Connexion @ Nexus, No. 7, Jalan Kerinchi, Bangsar South City, 59200 Kuala Lumpur, Malaysia on Tuesday, 9 May 2017 at 10.00 a.m. or any adjournment thereof.

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

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

| ORDINARY RESOLUTIONS | FOR | AGAINST |
|---|------------|----------------|
| RESOLUTION 1 – To re-elect Tan Sri Saw Choo Boon as Director | | |
| RESOLUTION 2 – To re-elect Puan Yasmin Binti Aladad Khan as Director | | |
| RESOLUTION 3 – To approve the payment of Directors' fees and benefits payable to the Directors | | |
| RESOLUTION 4 – To re-appoint Messrs Ernst & Young as Auditors of the Company and authorise the Directors to fix their remuneration | | |
| RESOLUTION 5 – To approve the Proposed Renewal of Existing Shareholders' Mandate, and Proposed New 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 | | |
| SPECIAL RESOLUTION | | |
| To approve the Proposed Amendments to the Articles of Association of the Company | | |

For appointment of two 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 _____

Tel. No. _____

Signed this _____ day of _____, 2017.

Notes:

1. A member entitled to attend and vote at a general meeting of the Company is entitled to appoint a proxy to attend, speak and vote in his stead. Where more than one proxy is appointed, the appointment shall not be valid unless he specifies the shareholdings to be represented by each proxy. A proxy need not be a member of the Company.
2. Where a member of the Company is an Exempt Authorised Nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account (omnibus account) as defined under the Securities Industry (Central Depositories) Act 1991, there shall be no limit to the number of proxies which the Exempt Authorised Nominee may appoint in respect of each omnibus account it holds.
3. 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 seal or under the hand of an officer or attorney duly authorised.
4. 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 at Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia at least twenty-four (24) hours before the time appointed for the holding of the meeting.

Personal Data Privacy:

By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 10 April 2017.

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.

Independent Limited Assurance Statement

Scope of our work

Digi.Com Berhad's wholly owned subsidiary, Digi Telecommunications Sdn Bhd, has engaged Deloitte PLT (LLP0010145-LCA) (we or us) to perform limited assurance procedures on selected subject matter (the Subject Matter) for the year ended December 31, 2016 presented in the Sustainability section of the Annual Report 2016 (the Sustainability Report) in accordance with the reporting criteria (the Criteria).

Subject Matter

The selected Subject Matter chosen by Digi comprises:

| Subject Matter/ Selected Performance Data | Criteria | Page No. |
|--|-------------|---|
| a. Climate & Environment | | |
| • Energy consumption within the organization | GRI G4-EN3 | Climate Change and Environment (Page 41) |
| • Scope 1 CO2 emissions | GRI G4-EN15 | Climate Change and Environment (Page 41 and 42) |
| • Scope 2 CO2 emissions | GRI G4-EN16 | Climate Change and Environment (Page 41 and 42) |
| • Scope 3 CO2 emissions | GRI G4-EN17 | Climate Change and Environment (Page 41 and 42) |
| b. Winning Team | | |
| • Lost time injury frequency (LTIF) | GRI G4-LA6 | Internalising Safety (Page 38) |
| • Training hours recorded by HR | GRI G4-LA9 | Freedom to Learn (Page 41) |

Criteria

The selected Subject Matter above included in the Sustainability section of the annual report 2016 has been assessed according to the reporting principle prepared by Digi which is in accordance with the Global Reporting Initiative's (GRI) G4 "in accordance" option (Core).

Independent Limited Assurance Statement

Basis of our work and level of assurance

We carried out limited assurance in accordance with International Standard for Assurance Engagements 3000 (revised) Assurance Engagements Other Than Audits or Reviews of Historical Financial Information (ISAE 3000). A limited assurance engagement consists of making enquiries and applying analytical, controls testing, and other evidence gathering procedures that are sufficient for us to obtain a meaningful level of assurance. The procedures performed depend on the assurance practitioner's judgement including the risk of material misstatement of the specific activity data, whether due to fraud or error. While we considered the effectiveness of Management's internal controls when determining the nature and extent of our procedures, our review was not designed to provide a basis for our conclusion.

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

We have complied with the independence and other 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 standards and due care, confidentiality and professional behaviour.

The firm applies International Standard on Quality Control 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.

Key assurance procedures

Considering the risk of material error, we planned and performed the work to obtain all the information and explanations considered necessary to provide sufficient evidence to support our assurance conclusion.

Our assurance procedures included, but were not limited to:

- Gaining an understanding of Digi's business and approach to sustainability.
- Visiting to Digi's head offices.
- Interviewing management at Digi's head office, including the Sustainability Team to understand:
 - a. The process for stakeholder engagement across the organization;
 - b. The process for determining material issues and reporting against them; and
 - c. The activities relating to the sustainability priorities during the reporting period.
- Conducting limited assurance procedures for the eight sustainability performance indicators by:
 - a. Checking that methodologies have been correctly applied;
 - b. Performing analytical review procedures to support the reasonableness of the data;
 - c. Performing testing of selected data on sampling basis;
 - d. Identifying and testing assumptions supporting calculations; and
 - e. Assessing the reliability of specific sustainability performance information.
- Checking the Report against the GRI G4 "In accordance with Core" Guidelines.

Independent Limited Assurance Statement

Inherent limitation

Inherent limitation exists in all assurance engagements due to the selective testing of the information being examined. Therefore, fraud, errors and non-compliance may occur and not be detected. Additionally, non-financial data may be subject to more inherent limitations than financial data, given both its nature and the methods used for determining, calculating and estimating such data.

Management's responsibilities

The management of Digi (Management) is responsible for the collection, preparation and presentation of the Subject Matter in the Report in accordance with the above Criteria, and for maintaining adequate records and internal controls that are designed to support the sustainability reporting process.

Our responsibilities

Our responsibility is to express a limited assurance conclusion as to whether the subject matter is presented in accordance with the criteria. Our assurance engagement has been planned and performed in accordance with the ISAE 3000.

Limitation of use

Our review was limited to the information on the select subject matter set out within the Digi Sustainability Report 2016. We do not therefore accept or assume any responsibility for any other purpose or to any other person or organisation. Any reliance that any such third party may place on the Report is entirely at its own risk. No statement is made as to whether the criteria are appropriate for any third party purpose.

Our assurance opinion

Based on the work described above, nothing has come to our attention that causes us to believe that the selected Subject matter for the year ended December 31, 2016 included in the Sustainability section of the annual report 2016 has not been prepared, in all material respects, in accordance with the Criteria.

Deloitte PLT (LLP0010145-LCA)

Kuala Lumpur, Malaysia
27 March 2017

Corporate Information

BOARD OF DIRECTORS

Morten Karlsen Sorby

Chairman

Tan Sri Saw Choo Boon

Tore Johnsen

Director and Alternate Director to Morten Karlsen Sorby

Yasmin Binti Aladad Khan

Vimala A/P V.R. Menon

Lars-Ake Valdemar Norling

Kristin Muri Moller

(Appointed on 4 February 2016)

AUDIT & RISK COMMITTEE

Tan Sri Saw Choo Boon

Chairman/Independent Non-Executive Director

Vimala A/P V.R. Menon

Independent Non-Executive Director

Tore Johnsen

Non-Independent Non-Executive Director

NOMINATION COMMITTEE

Yasmin Binti Aladad Khan

Chairman/Independent Non-Executive Director

Tan Sri Saw Choo Boon

Independent Non-Executive Director

Lars-Ake Valdemar Norling

Non-Independent Non-Executive Director

(Appointed on 4 January 2016)

REMUNERATION COMMITTEE

Morten Karlsen Sorby

Chairman/Non-Independent Non-Executive Director

Tore Johnsen

Non-Independent Non-Executive Director

Lars-Ake Valdemar Norling

Non-Independent Non-Executive Director

(Appointed on 4 January 2016)

SECRETARIES

Choo Mun Lai (MAICSA No. 7039980)

Tai Yit Chan (MAICSA No. 7009143)

DOMICILE AND COUNTRY OF INCORPORATION

Malaysia

REGISTERED OFFICE

Lot 6.05, Level 6, KPMG Tower
8 First Avenue, Bandar Utama
47800 Petaling Jaya
Selangor Darul Ehsan
Malaysia

Tel : 03-7720 1188

Fax : 03-7720 1111

E-mail : Boardroom-KL@boardroomlimited.com

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

Corporate Information

AUDITORS

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

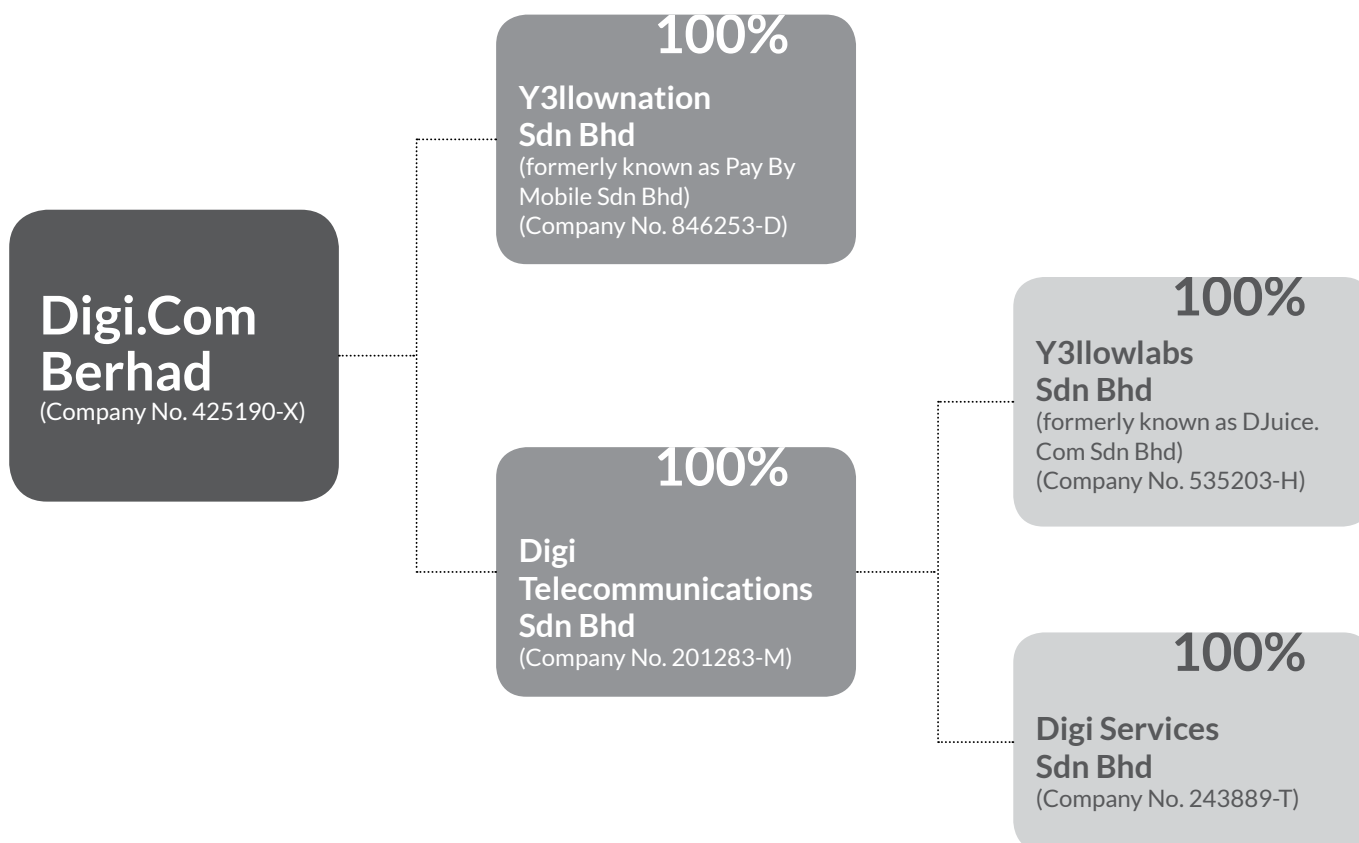
PRINCIPAL BANKERS

CIMB Bank Berhad
Sumitomo Mitsui Banking Corporation Malaysia Berhad
Bank of Tokyo-Mitsubishi UFJ (Malaysia) Berhad
RHB Bank Berhad
Standard Chartered Bank Malaysia Berhad
OCBC Bank (Malaysia) Berhad

STOCK EXCHANGE LISTING

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

Corporate Structure



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
Tel : 04-248 6000
Fax : 04-248 6001

Ipoh Sales Office

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

Southern Region

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

Eastern Region

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

Sabah Region

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

Sarawak Region

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

DIGI STORES

Kuala Lumpur Gardens

S-233, 2nd Floor, Gardens Mall,
Mid Valley City, Lingkaran Syed Putra,
59200 Kuala Lumpur

Bangsar

Lot F122, 1st Floor,
Bangsar Shopping Centre,
285, Jalan Maarof, Bukit Bandaraya,
59000 Kuala Lumpur

Setapak Central

G49, No. 67, Jalan Taman Ibu Kota,
Taman Danau Kota, Setapak,
53300 Kuala Lumpur

Selangor

Klang
Lot B-G-8, BBT One,
Lebuh Batu Nilam 2,
Bandar Bukit Tinggi,
41200 Klang, Selangor

SS2

24, Jalan SS2/66,
47300 Petaling Jaya, Selangor

Sunway Pyramid

Lot LG2.69, Lower Ground 2,
Sunway Pyramid Shopping Mall,
No. 3, Jalan PJS 11/15, Bandar Sunway,
46150 Petaling Jaya, Selangor

Ampang

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

Alamanda

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

KLIA

Lot L2-75, Terminal KLIA2,
KL International Airport, Jalan Klia 2/1,
64000 KLIA Sepang, Selangor

Cheras

No. 3-G, Jalan C180/1,
Dataran C180,
43200 Cheras, Selangor

Melaka

Melaka
No. 2, Jalan Plaza Merdeka,
Plaza Merdeka,
75000 Melaka

Negeri Sembilan

Seremban

No.62A, Jalan Tuanku Munawir,
70000 Seremban, N.Sembilan

Johor

Taman Molek

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

Danga Bay

Blockk 6, G-35, Danga Walk,
Batu 4-1/2, Jalan Skudai,
80200 Johor Bahru, Johor

Batu Pahat

No. 1-1D, Jalan Zabedah,
83000 Batu Pahat, Johor

Penang

Pulau Tikus

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

Seberang Jaya

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

Bayan Baru

8, Ground Floor, Jalan Todak Dua,
1B-G-08 & 1B-G-09, Ground Floor,
One Precinct, Lengkok Mayang Pasir,
11950 Bayan Baru, Penang

Kedah

Alor Setar

No. 2 & 3, Kompleks Perniagaan Pintu,
10, Jalan Pintu Sepuluh,
05100 Alor Setar, Kedah

Perak

Ipoh

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

De Gardens

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

Pahang

Kuantan

No. 91, Jalan Tun Ismail,
25000 Kuantan, Pahang

Kelantan

Kota Bharu

S/16, PT 232,
Lot 1A, Jalan Hamzah,
15050 Kota Bharu, Kelantan

Terengganu

Kuala Terengganu

Lot PT3937, Jalan Sultan Sulaiman,
20000 Kuala Terengganu, Terengganu

Sabah

Api-Api

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

1-Borneo

Lot G612, 1 Borneo Hypermall,
Jalan Sulaman,
88450 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

Bintulu

Lot 18 & 19, Parent Lot 7668,
Blk 31, Kemena Land District,
97000 Bintulu

Sibu

No. 17 & 19, Ground Floor,
Jalan Tong Sang,
Off Jalan Wong King Huo,
96000 Sibu



Digi.Com Berhad (425190-X)

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