CONNECTING YOU TO WHAT MATTERS MOST

digi

LET'S INSPIRE

Annual Report 2017

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4. Click the start button from the Digi AR App to launch the AR scanner
5. Look for the ‘AR Icon’ in the Annual Report and scan it with the AR scanner to enjoy the interactive AR content
6. You may click on the interactive button to explore additional content

WHAT’S INSIDE

21ST ANNUAL GENERAL MEETING

NEXUS BALLROOM 2 & 3, CONNEXION @ NEXUS, NO. 7, JALAN KERINCHI, BANGSAR SOUTH CITY, 59200 KUALA LUMPUR, MALAYSIA MONDAY, 14 MAY 2018 AT 10.00 A.M.

OVERVIEW

BUSINESS REVIEW

SUSTAINABILITY

GOVERNANCE

FINANCIALS

ADDITIONAL INFORMATION

Our Annual Report is also available at www.digi.com.my/annualreport

OUR BUSINESS

Our purpose

Connecting you to what matters most

Our vision

To become the preferred digital provider for Malaysians

We have positioned ourselves well for sustainable long-term growth and value creation with a clear strategy to succeed...

Page 03

GROWTH

EFFICIENCY & SIMPLIFICATION

RESPONSIBLE BUSINESS

WINNING TEAM

...anchored by well-defined strategic growth drivers

Page 18

Drive growth from our Core

Digitise our Core

Grow new Digital Businesses

...and the responsible way we drive our business and engage our community

Sustainability

Pages 32 to 41

Governance

Pages 60 to 86

OUR STRATEGY

WE HAVE A SHARPER, MORE FOCUSED VIEW OF DRIVING OUR BUSINESS MOVING FORWARD SO WE CONTINUE BEING A HIGH-QUALITY DIGITAL PROVIDER THAT CONNECTS YOU TO WHAT MATTERS MOST.

GROWTH (pages 18 to 23)

Our goal is to deliver profitable growth ahead of the industry by driving more value from our core business, and activating growth from new digital ventures for the long-term. Driving this is our relentless focus on delivering great connectivity and digital services to our customers, made increasingly accessible through robust digital channels, and supported by a high-quality, consistent network experience across the nation.

EFFICIENCY & SIMPLIFICATION (pages 18 to 23)

We are focused on managing our resources in a smarter, more efficient way. We do this by exploring and adopting new operating models and digital tools that optimise our network and IT assets, prioritise financial discipline, pursue process simplification and streamline the way we work.

RESPONSIBLE BUSINESS (pages 32 to 39)

We believe approaching our purpose in a responsible, sustainable way creates value for all stakeholders within our ecosystem. We aim to be a trusted partner, conducting our business with the highest standards of integrity and governance, delivering services to our customers that guarantee their safety and privacy, and leveraging our expertise to reduce inequalities faced by society and the environment.

WINNING TEAM (pages 35 to 37)

Our people are key to our performance and success. We are determined to continue building an inclusive, dynamic workplace that nurtures a learning, agile, collaborative and innovation 360° culture; where high-performing talent continue developing digital competencies and exercise the freedom to innovate to deliver on our purpose to connect our customers to what matters most to them.

OUR CHALLENGES AND OPPORTUNITIES

WE LIVE IN A WORLD OF UNPRECEDENTED TECHNOLOGICAL DISRUPTION, WHERE THE SCOPE AND REACH OF DIGITISATION IS ALTERING EVERY ASPECT OF OUR CUSTOMERS' LIVES. WE HAVE POSITIONED OURSELVES WELL FOR CONTINUED GROWTH AND PERFORMANCE IN THE LIGHT OF THE FAST-EVOLVING MARKET ENVIRONMENT, GROWING CUSTOMER DEMANDS FOR DATA AND BETTER NETWORKS, AND CHANGES IN SOCIETY.

1 Growing need for telecommunications services

Telecommunications services remain essential to 32 million people in the country. Malaysia continues very much to be a mobile-oriented society with close to 70% smartphone penetration and over 131% mobile penetration over population; numbers that are expected to continue rising at a rapid pace. In the past year, the local mobile industry generated around RM21.5 billion in service revenue, a major portion of which was derived from the increasing demand for and monetisation of data. Key factors point towards the continued opportunity for growth in this sector: with smartphones remaining the most popular means for internet access, the affordability of devices and connectivity services, and close to 10 million more Malaysians who are yet to be connected.

Positioned for growth: We are the largest mobile operator by subscriber base in Malaysia with a clear ambition to become the country's preferred digital partner; connecting customers to what matters most to them with a wide range of connectivity and digital services.

2 Surging data demand and next-generation networks

Asia as a region is expected to add around 1.6 billion smartphone connections by 2020, indicating the vast volume of data traffic and information that will be shared over our networks. In 2017, South East Asia and Oceania saw sheer total data traffic of 1.3 Exabytes equivalent to a substantial 65% growth in traffic within just a year, and this number is expected to grow to 12 Exabytes in 2023[1]. Network technologies will also mature to support the required capacity growth of data traffic and new digital services, with the next evolution in mobile technology – 5G – anticipated to be ready for commercial use in a few years bringing a dramatic shift towards higher speed mobile connectivity.

Positioned for growth: Our widest 4G plus network footprint stands at: 4G LTE: 87%, LTE-A: 55% and 8,000km fiber network delivering high-quality, consistent experiences on the back of our stronger spectrum portfolio. Having already activated VoWiFi & VoLTE network technologies, we will be opportunistic to invest in new network technologies in the near future.

3 Changing customer behaviour and new uses for data

With digital life converging on the smartphone, we already see customers expect to do more than just communications and commerce with their internet services. We will see mainstreaming and exponential growth for the Internet of Things, with increasing adoption of new technologies such as augmented reality, virtual reality, AI and Big Data. Added to the arrival of 5G in the coming years, these technologies will dramatically transform how our customers experience digital, and change business models for us.

Positioned for growth: Our investments to digitise our business 360° have provided us with new digital capabilities to activate growth opportunities from and beyond our core business. More details are available in our Management Discussion and Analysis Section on pages 18 to 23.

4 Highly Competitive Landscape

Malaysia's telecommunications market continues to be highly competitive with four major players and several MVNOs providing customers with a wide choice of providers, services and solutions. Not to mention competition from over-the-top (OTT) players offering digital services that impinge into data and voice revenue segments. The competitive market environment caused a downward pressure on the price of services over the past three years while the industry's service revenue has collectively contracted in tandem with the high level of competition. This competitive pressure is expected to rationalise in the near future, with industry service revenues anticipated to recover and grow in the single digit percentage range in 2018.

Positioned for growth: Our sharper, more focused strategy and investments, underpinned by operational and financial discipline positions us well to deliver sustainable long-term growth. We will do this by providing solid internet services over a high-quality network to activate further growth from our core, and new opportunities from digital ventures close to the core.

5 Digital talent pipeline for future growth

With today's rapidly changing digital landscape and customer demands, transforming into a digital business requires changes in business models, network and IT infrastructures to position ourselves to take advantage of emerging technologies for future growth. An equally important equation to succeeding is the organisation's ability to up skill its existing talent base, recruit and retain talent who understand, lead and deliver on these new capabilities, and develop new ways of sourcing and managing digital talent. It is expected that demand for talent with these new competencies will quadruple in a few short years, with ways of working changing to be more reliant on multidisciplinary, collaborative and agile teams more suited to fast-changing environments instead of the strengths from any one individual.

Positioned for growth: We have activated development programmes designed to build a strong pipeline of leaders and experts in digital, and broad base up skilling in core and digital expertise, built on our fundamental culture of permission-less learning and innovation 360 every day. More details are available in the Sustainability section on pages 32 to 41.

6 Data Privacy when sharing is intuitive

In the past decade, we have witnessed a wide adoption of connected mobile devices, and rich social and contextual mobile apps, that are able to capture the context, locations, and social activities of their owners from embedded sensors (GPS, WiFi, Bluetooth, Social Media, etc.). While the use of such technologies is meaningful and convenient for the different aspects of life, it also raises privacy issues and challenges. The importance of establishing trust in a data-centric world is even more paramount in view of the recent high-profile data breaches reported globally, and mounting intelligence in mobile data threats whether driven by internal or external factors.

Positioned for growth: We have stringent internal controls in governing and monitoring our business processes, technical systems and policies for managing data to ensure compliance to the Personal Data Protection Act 2010. Our technology systems are certified ISO 27001 benchmarked against security systems standards globally. More details are available in the Sustainability section on pages 32 to 41.

7 Cyber safety in a hyperconnected world

Broad scale adoption and usage of digital technologies is an important catalyst for economic, social and cultural benefits. These socio-economic advantages are numerous and include measurable outcomes such as increased productivity, employment, education, improved access, and the ability to tackle social and environmental issues in a more effective, scalable way. While it is undoubtedly one of the best resources available to us, the internet also poses a challenge to users who are unaware of how to use it safely, who are in danger of exposing themselves to the risks associated to using the internet – in particular, the most vulnerable members of our society, our children. In Malaysia, over 83.2% of children between the ages of 5 to 17 years of age are internet users, of which 93% use smartphones to access the internet.[2] In this context, organisations like us need to ensure we operate responsibly to address these areas of public concern as we work to deliver on our business objectives.

Positioned for growth: Our leadership in responsible and sustainable business practices is rooted in building trust and creating shared value for all segments of society. This includes advocating the safe use of the internet and building digital resilience among youths and their ecosystem, an initiative we have committed to for the past seven years and ongoing. Details of our advocacy programmes are set out in the Sustainability section on pages 32 to 41.

[1] Source: Ericsson, Ericsson Mobility Report November 2017
[2] Source: Malaysian Communications and Multimedia Commission, Internet Users Survey 2017

AN INSPIRING 2017

CONNECTING OUR CUSTOMERS TO WHAT MATTERS MOST TO THEM BY BEING A RESPONSIBLE, PEOPLE-ORIENTED COMPANY FOCUSED ON GROWTH AND INNOVATION.

RM5.91 billion
Service Revenue

46%
EBITDA Margin

RM1.48 billion
Profit After Tax

RM1.46 billion
Dividend Payout

11.7 million
Customers

8.7 million
Internet customers

6.8 GB
average monthly data usage by customers

Customers watch **1.5 million** hours of YouTube a day = 45 times round trip to the Sun and back!

#1
Net Promoter Score

#1
Telco Brand Insisted by Malaysians

2.5 million
active MyDigi users

63.1 million
total upsell transactions on MyDigi

61%
bill payments on digital

>RM200 million
sales on digital channels

128 million
page views on Digi Online Store

100%
dealerships powered by Mobile Sales App

>1.0 million
LIKES across our top three social media channels

New digital solutions:
vcash
iFleet

More than
15,000
retail touchpoints nationwide

More than
2,000
engaged employees across Malaysia

74%
Employee Engagement scores

45%
Women Leaders

43%
Women at Board

80%
increase in self-serve transactions in stores

coursera

36
employees with Coursera expert certifications

UDACITY

93
employees with Udacity nanodegrees

lynda.com

>8,100
hours of learning on Lynda.com

87%
4G LTE footprint

55%
4G LTE-A footprint

8,000km
Fibre network

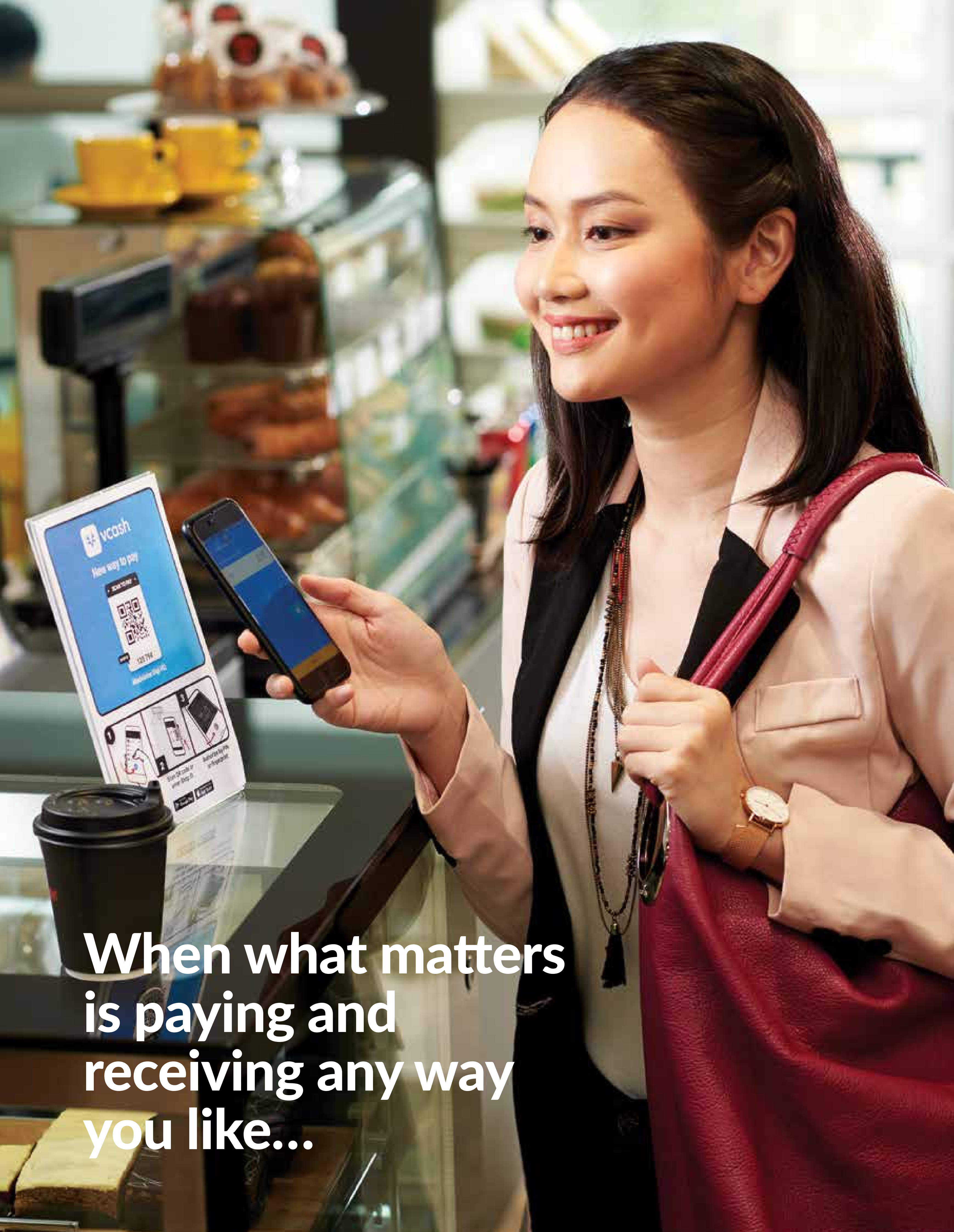
Stronger spectrum portfolio with
900MHz

VoWiFi & VoLTE
Enabled

#1
Operator in Asia:
Completed UNICEF Mobile Operator Child Rights Self-Impact Assessment (MO-CRIA)

#1
Operator in Malaysia:
LEEDS Gold Certification for sustainable buildings

Engaged
>140,000
students on cybersafety and digital resilience



When what matters is paying and receiving any way you like...


vcash
E-WALLET MADE
FOR EVERYONE
Scan and Pay with your Smartphone
Pay, send or receive money in a few taps
Every transaction secured by PIN or fingerprint
Anytime, anywhere for anything
Keep an eye on your expenditure


vcash
SMART PAYMENTS
FOR BUSINESSES
Easiest,
Fastest way to
get paid
Zero investment to start up
No integration or extra
hardware required
Affordable rates
Real-time transaction
information
When what matters
is paying and
receiving any way
you like...
vcash
New way to pay


Salads
Breakfast

CHAIR OF THE BOARD STATEM

LARS-AKE VALDEMAR NORLING

DEAR SHAREHOLDERS,

Good progress in implementing our strategy

As responsible leaders invested in the future of Digi, the Board spent a healthy proportion of its time in the past year on governance areas that most contribute to the success of the Company. We focused on sharpening our strategy and examining its potential in creating value for our respective stakeholders, positioning able leaders, people and the right processes to deliver on these plans, and managing the risks related to our fast growing digital world, the global economy and our customers' expectations.

On behalf of the Board, I am pleased to report that Digi has delivered another year of steady financial and operational performance in the context of a highly competitive, fast-paced and dynamic market environment that is Malaysia. Across the business, we have made solid progress in implementing our well-defined digital strategy that has enabled new and organic sources of growth for us in the past year while we continue to make significant investments for the future. As a result, our robust data network now serves over 11.7 million customers, of which 8.7 million are active internet users. This healthy 7.1% growth in our internet customer base during the year reflects that we are very much on track in our efforts to connect our customers to what matters most to them.

> **"...WE HAVE MADE SOLID PROGRESS IN IMPLEMENTING OUR WELL-DEFINED DIGITAL STRATEGY THAT HAS ENABLED NEW AND ORGANIC SOURCES OF GROWTH FOR US IN THE PAST YEAR..."**

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CHAIR OF THE BOARD'S STATEMENT

CONTINUED

Healthy returns on capital a continued priority

Our confidence in this respect also bears out in our strong balance sheet for the year, indicating the business' solid ability to fund our operations and ongoing investment commitments. The financial strength of our business has led the Board to announce close to a 100% dividend payout with a net dividend of 18.8 sen per share, returning a total of RM1.46 billion to shareholders in 2017. Yet again, in managing to exceed the Company's dividend policy of distributing a minimum 80% of net profits, we exhibit steady determination to perform and hold to our remuneration policies to create long-term value for our shareholders.

In planning for the longer term, the Board recognises the importance of maintaining financial flexibility to fund current and future investments. In 2017, the Company ventured into Islamic financing by establishing our RM5.0 billion Sukuk Programmes, tapping into the growing Shariah-compliant debt and capital markets. Proceeds from the Sukuk Programmes' issuance can be utilised to finance capital expenditure, working capital and other general funding requirements in support of future growth opportunities. I am pleased to note that RAM Rating Services Berhad has reaffirmed the AAA/Stable/P1 ratings of our Sukuk Programmes in recognition of our strong performance and financial profile.

It is always rewarding to see instances where our steady performance and good governance practices are acknowledged externally. This is the fourth consecutive year The Edge Billion Ringgit Club Corporate Awards 2017 has credited us for having the highest return on equity over three years in the Big Cap Companies category, and the Trading and Services sector. Our focus on holding to high corporate governance standards has also been noticed by Asia's Best Managed Companies 2017 by FinanceAsia, and the MALAYSIA-ASEAN Corporate Governance Transparency Index, Findings and Recognition 2017 by the Minority Shareholder Watchdog Group. These acknowledgements bear witness to the rigour we place on implementing strategies, policies and practices that result in a two-fold outcome for the business: to maximise earnings while we run a responsible, sustainable operations.

THE FINANCIAL STRENGTH OF OUR BUSINESS HAS LED THE BOARD TO ANNOUNCE CLOSE TO A 100% DIVIDEND PAYOUT WITH A NET DIVIDEND OF 18.8 SEN PER SHARE, RETURNING A TOTAL OF RM1.46 BILLION TO SHAREHOLDERS IN 2017.

Delivering on our purpose, responsibly and sustainably

The Board recognises that the way we work is as crucial as what we achieve, and has established, in our commitment to practicing the highest standards of ethics, a solid governance framework that affords trust and transparency in the way we conduct our business. Across the organisation, we have an uncompromising focus on compliance and integrity when seizing opportunities and mitigating challenges we face in the market. Our governance approach and processes are benchmarked against the latest in industry best practices, and a complete disclosure on these exercises is available in the Governance section on pages 60 to 86.

Our fortitude in being a leader in responsible business is also determined by having regard for all stakeholders within the ecosystem we operate. And in this respect, we have laid a strong foundation for sustainable business practices built on the tenets of trust and creating shared value. This is reflected in the way we provide safe, trustworthy services to our customers, build an inclusive workplace for our people, instill integrity into every aspect of managing our supply chain, reducing inequalities faced by society by advocating digital inclusion and resilience, as well as considerately managing our environmental impact. We believe that our aim to deliver on our goals sustainably will make us an outstanding organisation to work for, to do business with and to invest in. More information on the work carried out in this area are summarised in the Sustainability section on pages 32 to 41, and a full disclosure of our responsible leadership initiatives is detailed in Digi's 2017 Sustainability Report at www.digi.com.my/sustainability.

Solid strategy to thrive in an evolving market

As we leave a good year behind us and turn the page to the future, we believe we have the right purpose and strategy to take us forward in the dynamic landscape we operate in. In the year, we refined our strategy to have a sharper focus on the key growth drivers for our business to position us well to compete. While the changes in our strategy were not major, it signals our priority to deliver solid services to our customers, our discipline to operate efficiently and invest in our growth businesses.

The Board and I feel we have the right balance of skills, experience and backgrounds to support and challenge the management team in implementing this strategy. The recent appointments of Haakon Bruaset Kjoel, Torstein Pedersen and Tone Ripel as additional Non-Independent Non-executive Directors have further strengthened the Board, and we look forward to leveraging their wealth of experiences in the coming years. I would also like to take this opportunity to express our deepest appreciation to four esteemed colleagues, my predecessor Morten Karlsen Sorby, Tore Johnsen, Kristin Muri Moller and Morten Loeken Edvardsen respectively, for their invaluable contribution to the Board and wish them the best for their futures.

Everyone who is a part of Digi has a deep interest in our success, and we are able to achieve it because they all play an active role in our exciting journey. The Board and I would like to recognise how hard they have worked this past year, and thank our management team and Digizens for their ongoing commitment to support our strategy.

We extend our appreciation also 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 work with us to ensure that digital Malaysia is a shared and inclusive reality for all segments of society.

I would also like to thank our shareholders for your continued interest and investment in Digi. You have our deepest assurance that we work to remain highly regarded as an investment grade and dividend paying company, creating value for you.

Close to
100%
dividend payout

#1
Most Committed to Corporate Governance
Asia's Best Managed Companies 2017

100%
Code of conduct acknowledgement

As I take my leave from Telenor and Digi, I remain extremely positive and confident about the future of this great business. There is every reason for optimism as Digi has the right priorities and able leadership to achieve the goals it has set out for itself, for the benefit of all its stakeholders.

Lars-Ake Valdemar Norling
Chair of the Board

> "IN THE FACE OF THIS DIGITAL REVOLUTION, WE HAVE CONTINUED TO PUT OUR CUSTOMERS AT THE HEART OF EVERYTHING WE DO..."

CEO STATEME

ALBERN MURTY

DEAR SHAREHOLDERS,

In one of the most active business environments in our history, Digi delivered steady results capitalising on the opportunities afforded to us by the solid foundation of digital capabilities and infrastructure we have built over the last few years. Our 2017 results reflect the attributes that have become hallmarks for the Company: a high-quality advanced data network; a healthy base of loyal customers; innovation in connectivity and digital services; and new growth platforms in the digital economy.

In the face of this digital revolution, we have continued to put our customers at the heart of everything we do and we have seen more than 11.7 million customers choose us as their digital partner across all key segments of our business. For this, I would like to thank all our loyal customers for their continued trust in Digi. It is your confidence that spurs us on to deliver our purpose of connecting you to what matters most in this digital world.

Steady performance in the new digital economy

I am pleased to share that our overall business has stayed resilient in 2017 showing the continued vibrancy of our business in this highly competitive environment by activating organic growth from the core, and new growth from digital businesses close to the core. We capped a year of solid progress implementing our strategy with RM5.91 billion in service revenues while investing in network, spectrum and new businesses. This performance was underlined by a record high 16.5 percent growth in internet revenues over an expanded active internet user base of 8.7 million; a positive indication of our customers' growing confidence in our high-quality network services and value offerings. Our cash generation aptitude has remained strong with operating cash flow totaling RM2.14 billion, registering a healthy 34 percent margin. EBITDA margins improved 0.7 percentage points to 46 percent in the year, reflecting the relentless focus on operational and financial discipline the entire company was geared towards throughout 2017.

Perpetual innovation to connect customers to what matters most

With so much of our customers' lives and commerce dependent on connectivity, we take every opportunity to deliver on our customers digital needs very seriously. And with the unprecedented rate of technological advancement, the potential and possibilities to create value for our customers gets more exciting. In this respect, we have kept a healthy stream of innovation to provide our customers with inspiring, high-quality experiences with Digi.

Our customers have responded strongly to our wide range of *Freedom to Internet* innovations, a host of differentiated services rolled out to win over customers who want to enjoy more time on the internet. Data plans that provide flexibility for the entire family, more entertainment on-the-go, borderless roaming and a wide-range of time-based data passes were some of the new offerings introduced.

We have also increasingly become a trusted partner in helping enterprises position themselves to take full advantage of the changing digital landscape; rolling out all-in-one connectivity and digital solutions for enterprises to easily digitise their business.

We have innovated not only *what* we offer our customers, but also *how* we deliver these services by digitising our processes and customer interaction points. In the year, we introduced our upgraded MyDigi app that does more than managing lines for our customers. The self-care app is now feature-rich, giving full control to our customers to manage their bills, usage and subscriptions, make payments and reload, and take advantage of rewards on-the-go. MyDigi is now a staple app for 2.5 million Digi customers, with 63.1 million upsell transactions managed on the app for the year.

CEO'S STATEMENT
CONTINUED

Digitising our customer care has made tremendous improvements to our customer experience across our digital and retail touchpoints. Our MyDigi app Live Chat support and website ChatBot has allowed us to serve our customers more efficiently online. We see similar experiences in-store, with low value transactions now self-served on our eKiosks, almost immediate new line registrations completed on our Mobile Sales App (MSA), and eQueue systems managing lines more proficiently to name a few examples. These digital engagements are a major contributor to our #1 NPS rating, positioning us ahead of the industry in this area. We will continue to improve our touch points with customers so we earn their loyalty every day.

To drive future growth, we have developed platforms and solutions that will enable increased usage on our network and monetise our investments in advanced network infrastructures. In particular, we have introduced a telematics or connected vehicles solution named iFleet, a QR-based e-Wallet solution known as vcash, and ijual, an e-commerce platform for micro-sellers. These new initiatives are aimed at creating new growth engines for us, and our focus now is to gain scale and adoption for each of these businesses so they contribute meaningfully to our future. We expect that these digital ventures, in tandem with our digital services offerings, will contribute 10% to our revenues by the year 2020.

Over the year, we invested in accelerating the strategic deployment of our stronger spectrum portfolio to improve the quality, performance and capacity of our network. Malaysia's widest LTE-A network now reaches 55% of the Malaysian population, with a solid 87% 4G LTE footprint backed by over 8,000km of fiber network. Our robust network has supported a 16.2% growth in data traffic this year, stimulated by more than half a million additional internet users in our base.

Our people's innovative mindset, capabilities and agility are essential to delivering on our purpose, which is why we have continued to focus on building a growth mindset through a culture steeped in 'permission-less learning' and innovation 360. Digizens have full ownership of their development with 24/7 access to credible online learning platforms to build core, hard-tech and expert competencies. They are also empowered with innovation tools and platforms to solve all types of customer and business-related issues at their own initiative; from ideating, prototyping to fully executing new products and services to market. I am proud that Digizens spent an estimated 30,000 hours of learning this year, and quality time innovating every day to deliver on our ambitions.

One of our key priorities in building the right mix of competencies to activate our future growth included a number of changes to our management team and the roles they play. During the year, we welcomed new additions to our leadership team: Nakul Sehgal and Joachim Rajaram as Chief Financial Officer and Chief Corporate Affairs Officer respectively. And Eugene Teh who was previously Chief Corporate Affairs Officer assumed the role of Chief Business Officer, signaling our increased focus on growing our enterprise customer business. These announcements signify the importance we place on nurturing and providing development opportunities for our own high-performing talent, and are designed to help us fully realise the long-term value of our growth opportunities in the near future.

A more comprehensive report on these activities is available in the Management Discussion and Analysis section on pages 18 to 23.

Connectivity a powerful driver for reducing inequalities

Equally important to creating value for our customers is our responsibility to ensure connectivity and innovation remains accessible for all. Our work to actively build a more inclusive society saw us jointly develop a sign language mobile app called Eddy. Designed as an education aide for the deaf community, the app is made available for free on the Play Store, effectively making sign language easy to learn and to translate for everyone. Another notable inclusion effort was a pilot digital learning programme for hospitalised children, established in partnership with technology social enterprise, SOLS 24/7. Together, we connected 15 Sekolah Dalam Hospital nationwide with smart devices and data connectivity to help over 700 children undergoing long-term treatment at hospitals gain equal access to education.

For the seventh consecutive year, we matured our work to build digitally resilient children who are instinctively responsible in their internet use. In 2017, our expanded private and public partners collective advocated safer online experiences through cybersafety, and cybergrooming and cyberbullying intervention programmes, engaging over 60,000 students nationwide. More details of these Empower Societies initiatives are available in the Sustainability section on pages 32 to 41, and in our 2017 Sustainability Report at www.digi.com.my/sustainability.

Primed for sustainable long-term growth

I firmly believe we are primed for future growth as evident in the progress we have made over the past three years, and the horizon of opportunities open to us from the strong, emergent demand for data services and connected solutions. Achieving growth and profitability in our challenging environment remains a top priority, and our strategy for this is clear: deliver great internet services to activate opportunities from our core, build scale for our new digital platforms and stay unwavering in our commitment to operational and financial discipline.

Our company is only as great as our people, and I am deeply appreciative for the Board and management team's able leadership as we chart our future ahead of us. Our employees have shown true grit and tenacity in executing our strategy this year, and we thank you for your hard work and dedication to proving we can hold our own in this new digital economy. Our collective effort to deliver a solid performance in 2017 is truly evidence of our trademark DNA: that we are a company that thrives in the face of change.

To our customers and our shareholders, we stay steadfast in our purpose to connect you to what matters most. And believe that if we pursue this ambition in a responsible and sustainable manner, we will continue to create long-term value for you.

Albern Murty
Chief Executive Officer

RM5.91 billion
in service revenue

Top 10
Constituents
FTSE4Good Bursa Malaysia Index 2017

16.2% growth
in data traffic

Estimated
30,000
hours of learning by Digizens

OUR ROBUST NETWORK HAS SUPPORTED A 16.2% GROWTH IN DATA TRAFFIC THIS YEAR, STIMULATED BY MORE THAN HALF A MILLION ADDITIONAL INTERNET USERS IN OUR BASE.

MANAGEMENT DISCUSSION AND ANALYSIS

GROWTH

+12.1%
Postpaid Revenue

+16.5%
Internet Revenue
(+571K Internet Subscribers)

+0.7pp
EBITDA[1] margin to 46%

EFFICIENCY

-2.8%
Opex[1]
(-RM57 million)

RM748 million Capex
(12.6% of service revenue)

+40%
call reduction to Contact Center
(vs 2015 baseline)

DIGITAL TRANSFORMATION

2.5 million MyDigi users
(63.1 million upsell transaction)

100% Mobile Sales App adoption

Digital solutions
iFleet | vcash | CS Chatbot

[1] Exclude settlement cost and exit fee of RM6 million

2017 MARKED ANOTHER RECORD YEAR FOR DIGI WITH THE HIGHEST EVER POSTPAID REVENUE GROWTH OF 12.1%, SOLID INTERNET REVENUE GROWTH OF 16.5% AND CONTINUED MARKET LEADERSHIP ON SUBSCRIBER BASE UNDERPINNED BY OUR ROBUST 4G PLUS NETWORK.

During the year, we continued to challenge ourselves to deliver a consistent 4G internet experience on our 4G Plus network with internet speeds of at least 10Mbps for 4G LTE and 20Mbps for LTE-A, 80% of the time to more Malaysians nationwide.

Our relentless efforts on spectrum re-farming, rapid deployment of LTE 900MHz and 2600MHz overlay sites, and nationwide 4G upgrades fuelled strategic coverage expansion of our LTE-A network from 41% to 55% alongside an increased 4G LTE network footprint to 87% of population nationwide, backed by over 8,000km of fiber network.

Our robust 4G Plus network, now enhanced with stronger indoor quality, wider outdoor coverage, and enhanced capacity, together with our Freedom to Internet product proposition continued to attract a fast growing internet subscriber base to 8.7 million, an increase of 571,000 from a year ago.

Our smartphone users rose from 64.7% to 72.7% of our 11.7 million subscriber base while 4G LTE adoption surged 46% or 1.9 million to 6.2 million subscribers. With the stronger 4G Plus network post LTE 900Mhz deployment, average monthly data usage among our internet subscribers exponentially increased 2.3 times from 3.0GB to 6.8GB.

Freedom to Internet – Focusing on Mobile Entertainment and Borderless Roaming

Leveraging on a solid 4G Plus network nationwide, we strategically focused on growing postpaid, sustainable prepaid services and digital opportunities.

In 2017, we sharpened our internet positioning in prepaid via affordable hourly, daily, weekly and monthly internet passes enriched with time-based internet quota incentives. Our internet centric prepaid plans continued to be the preferred choice among customers for a worry-free, reliable internet and digital entertainment experience.

To drive stronger internet adoption and usage among our prepaid subscribers, we introduced new monthly internet plus call plans, namely Super Tererrr RM38 and RM58, and BiGBonus proposition, with time-based internet quota incentives during off-peak hours.

As part of our *Freedom to Internet* proposition, we introduced new easy entry and Digi Family postpaid plans enriched with Borderless Roaming convenience. Our innovative postpaid plans featured unique data proposition on weekends, enriched voice bundles and border roaming flexibility. We also leveraged on online channels and cyber sales campaigns to enable exclusive deals to fuel postpaid acquisition momentum and growth.

Advancing Well on Digitising Our Core Businesses

We continued to track well in our efforts to digitise our core business with a rapid surge of monthly active users on our digital self-serve channel – MyDigi - to over 2.5 million, with solid up-sell transactions of 63.1 million for the year.

With the introduction of Digi direct billing on the Apple App Store and Google Play Store, our subscribers can conveniently purchase items on these digital marketplaces and charge these purchases to their Digi account.

During the year, we enabled digital customer interactions with our subscribers via MyDigi Live Chat and Digi Chatbot which allowed us to serve our customers better and more efficiently. As a result, total call volumes to our Contact Center reduced by 40% when compared to 2015 levels.

At the same time, we achieved 100% dealer adoption of the Mobile Sales App (MSA) platform in 2017, enabling more efficient customer sign-ups and account activations with accurate identity (ID) and credit verification on-the-go via the convenience of a smartphone or tablet.

Enabling Digital Solutions and Innovations To Drive Growth Opportunities

Digi continued to progress well on unlocking new business opportunities in the connected vehicles and Fintech solutions space via our Digi-X division. Since the commercial rollout in June 2017, iFleet, an all-in-one fleet tracking solution for commercial vehicles, has successfully acquired over 60 corporate customers, spanning various industries (e.g. haulier operators, grocery retailers, vehicle leasing, etc.).

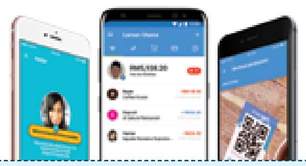
MANAGEMENT DISCUSSION AND ANALYSIS

CONTINUED

During the same period, Digi also launched vcash, a QR-based mobile payment solution that works with any bank, smartphone or telecommunication provider. The e-wallet solution can now be used at over 500 physical touchpoints in addition to over 240 Digi branded stores nationwide, and will soon be a payment option to more than 20,000 merchants under Digi's online payment gateway partners, MOLPay and iPay88.

Fintech

vcash



Commercially launched vcash mobile payment app

Growing active users and merchant base

Connected Vehicles

All-in-one fleet tracking solution for commercial vehicles which includes comprehensive data insights and actionable options to increase fleet's efficiency

Won over 60 corporates in 6 months

- Haulier operator / Grocery retailer / Vehicle leasing services

Evaluating entering private vehicles space in 2018

iFleet

Being part of Telenor allows us to leverage on scale and opportunities in areas such as acquisition of global platforms and capabilities, strategic partnerships with global digital players and the development of adjacent digital businesses opportunities. This includes being able to tap into potential areas for growth in financial and cloud storage services, as well as analytics capabilities for personalisation of digital services, and recommendation engines for product development and digital distribution. With this, we believe we have the necessary resources to support our digital transformation journey.

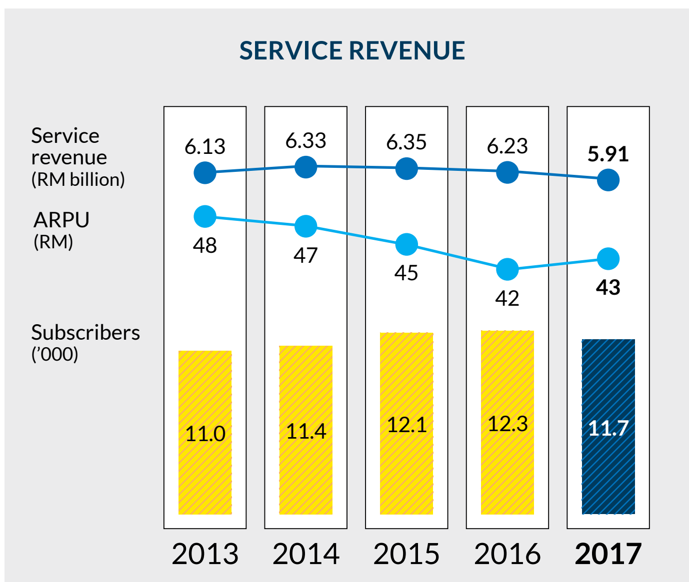
Resilient Service Revenue At RM5.91 billion

We have our best performing postpaid revenue growth of 12.1%, a further improvement from 2016 where postpaid revenues grew 10.2%. Service revenue remained resilient at RM5.91 billion, albeit single digit decline at 5.0%, in line with guidance.

Our internet revenue strengthened 16.5% to RM2.70 billion or 45.6% of service revenue, alongside the increase in smartphone adoption to 72.7% and active internet subscribers to 73.7%, representing 8.7 million subscribers. The solid growth in internet revenue significantly cushioned adverse service revenue impact from the challenging market conditions and evolving customer usage behaviour.

Stronger data monetisation efforts as well as favourable prepaid to postpaid conversions led to stronger blended ARPU from RM42 to RM43.

Meanwhile, full year sales of device and other revenue improved 15.1% from RM371 million to RM427 million.

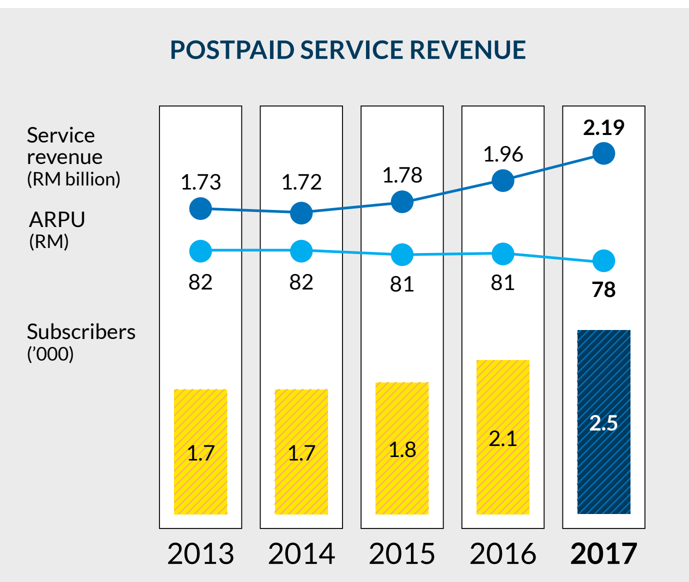


Record High Postpaid Revenue Growth Of 12.1%

Digi registered record high postpaid revenue growth of 12.1% to RM2.19 billion anchored by stronger postpaid subscribers from 2.1 million to 2.5 million. ARPU declined slightly to RM78 as a result of higher acquisition mix at the easy entry and affordable postpaid segment.

The solid growth in active postpaid internet subscribers to 2.2 million or to 90.6% of postpaid subscribers has been instrumental in fuelling postpaid internet revenue growth by 30.8% to RM1.26 billion.

Our strong postpaid revenue growth in 2017 stemmed from the solid take up of Digi Family postpaid plans as well as easy entry plans with enriched voice bundle propositions. Digi remained well positioned to unlock opportunities for continued postpaid growth.



Sustained Prepaid With Stronger Internet Growth

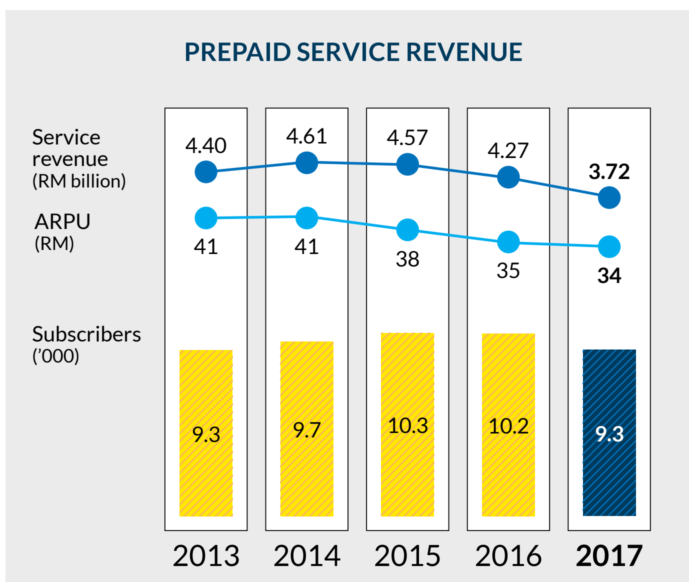
The intense competition in the prepaid market continued to put pressure on data monetisation opportunities alongside weak consumer sentiment and declining demand for prepaid legacy services. Acknowledging these challenges, we have taken a targeted segment approach to compete sustainably and strengthen our resilience in the prepaid market.

We streamlined our prepaid internet portfolio with stronger focus on driving internet adoption and usage among our prepaid subscribers through affordable internet passes and recurring internet subscriptions to help stabilise prepaid ARPU and margins amid the decline in legacy prepaid services.

In 2017, we increased our prepaid internet revenue by 6.1% to RM1.43 billion or 38.5% of prepaid revenue, increased active internet subscribers from 6.3 million to 6.4 million subscribers. We have also taken strong mitigation actions to address the prepaid challenges with higher postpaid conversions and focused on sustainable prepaid revenue and margins.

Towards H2 2017, prepaid revenue momentum showed better performance with more stable development and sustainable revenue mix from internet. Prepaid revenue ended the year at RM3.72 billion, a 12.9% decline from a year ago, mainly due to weaker revenue contribution from prepaid legacy services.

Prepaid ARPU trimmed to RM34 while prepaid subscriber base traced to 9.3 million, albeit partially cushioned by effects from prepaid to postpaid conversion.



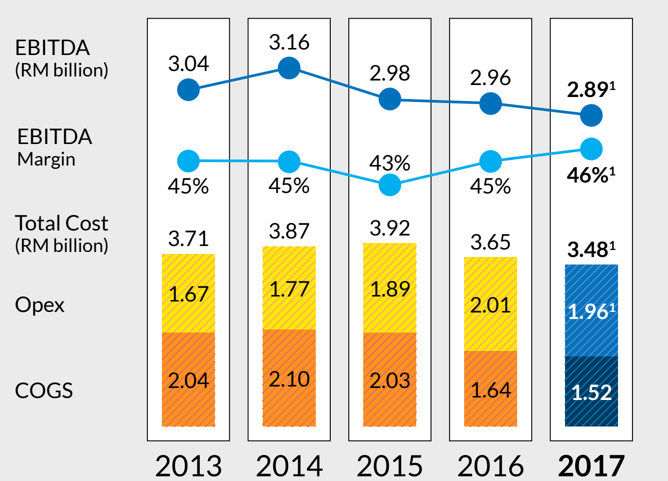
MANAGEMENT DISCUSSION AND ANALYSIS
CONTINUED

Efficient Cost Management with Stronger EBITDA Margin

Cost of goods sold (COGS) improved 7.7% to RM1.52 billion as a result of lower traffic cost from legacy prepaid services. Our relentless cost focus led to resilient gross profit at RM4.83 billion or 76.1% gross margin, an uplift of 1.0pp from a year ago.

Excluding settlement costs and exit fees of RM6 million, Opex reduced by 2.8% from RM2.01 million to RM1.96 million, marking the first time annual opex has reduced. The solid cost discipline and operational efficiencies provided us the firepower to fuel robust subscriber acquisitions, progressive 4G Plus network expansions as well as deliver affordable products and service innovations to our customers.

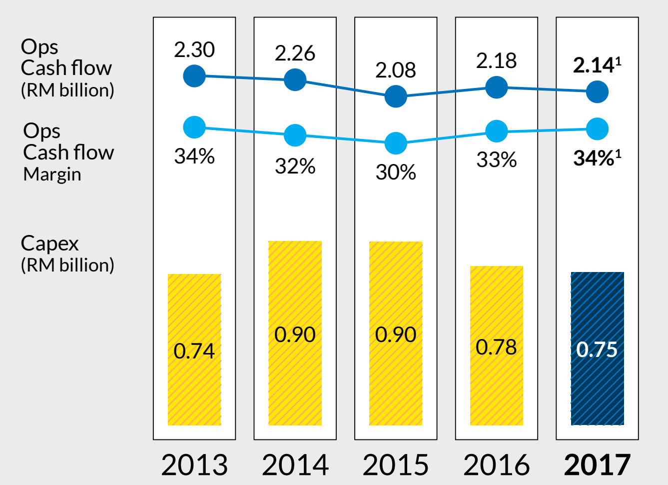
TOTAL COST & EBITDA



We delivered a stronger EBITDA margin at 46%, up 0.7pp from a year ago as a flow through from higher internet revenue contribution, efficient cost management, and ongoing efforts to pursue sustainable revenue growth. Meanwhile, absolute EBITDA tracked lower at RM2.89 billion.

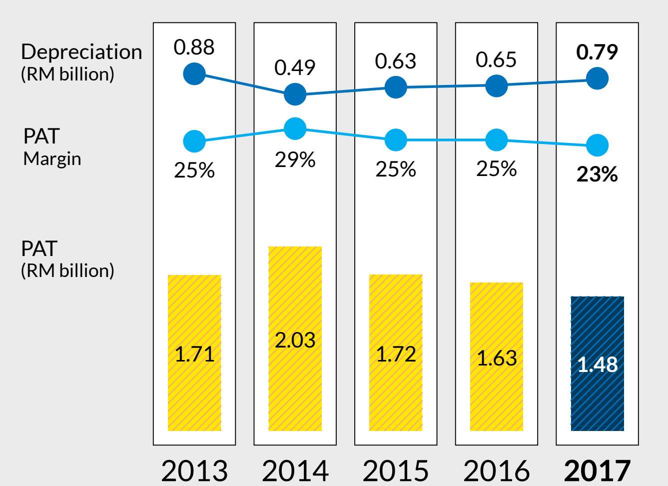
During the year, we invested RM748 million Capex or 12.6% of service revenue as per guidance to expand our 4G Plus network with stronger capacity and quality as well as to support our roadmap to digitise our core business and enable digital capabilities. Our efficient Capex management helped to maintain a healthy Ops cash flow at RM2.14 billion or 34% margin.

OPS CASH FLOW & CAPEX



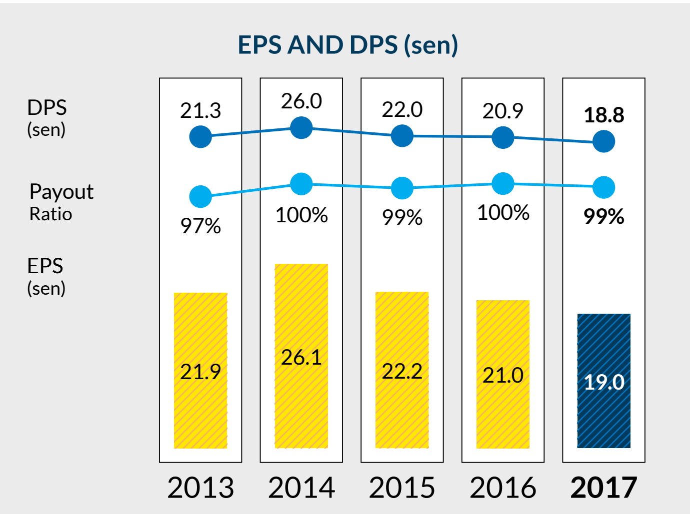
Profit after tax (PAT) trimmed 9.6% to RM1.48 billion as a flow through from weaker EBITDA and RM135 million higher depreciation from robust network and digital capabilities investments in addition to spectrum assets.

PAT MARGIN



[1] Exclude settlement costs and exit fee of RM6 million

Healthy Shareholders' Return With New Capabilities To Tap On Growth Opportunities



Earnings per share (EPS) for the year remained healthy at 19.0 sen per share. The Board of Directors declared an interim dividend of 18.8 sen per share equivalent to RM1.46 billion or almost 100% payout for 2017.

Our balance sheet remained robust with solid financial capability and flexibility to fund future investments and operational commitments. Total assets strengthened 6.1% to RM5.83 billion.

Our net debt to EBITDA ratio stayed healthy at 0.7x level with conventional debt over total asset ratio at 22% (2016: 41%), remaining within the Shariah compliance threshold of 33%.

All in all, Digi delivered 2017 financial performance within guidance with higher EBITDA margin of 46% while serving an increasing demand for data and digital services.

	2017 Guidance	FY2017
Service revenue growth	Low - mid single digit decline	-5.0%
EBITDA margin	Around 2016 level (45%)	46%
Capex to service revenue ratio	11% - 13%	12.6%

2018 Outlook and Priorities

The stronger internet and digital services positioning and robust infrastructure capability in 2017 will establish strong foundations for Digi in 2018 to pursue innovations amid customers' evolving needs in their digital life. We will continue our relentless focus to drive resilient performance and sustainable returns in 2018.

Key priorities in 2018 are to focus on accelerating consumer postpaid and enterprise revenue growth, growing Malaysian prepaid and postpaid opportunities whilst increasing internet adoption and usage amongst migrant subscribers. Digi will also continue to drive:

- Sustainable growth from core telco revenue streams and resilient performance,
- Deliver on cost agenda on a platform of sustainable and efficient cost structure,
- Continue our journey of digitisation of core business, and
- Build or grow new digital revenue streams.

Our persistent focus on products and service innovations, retail experience reforms, digitisation of core business for future growth will set the stage for us to capitalise on new growth opportunities in 2018.

Although market conditions remain challenging, Digi aims to improve 2018 service revenue growth development and to sustain EBITDA at around 2017 levels, leveraging on sustainable growth, disciplined cost management and innovating on operational efficiencies. The 2018 financial guidance is as follows:

	2018 Guidance[1]
Service revenue growth	Flat - low single digit decline
EBITDA	Around 2017 level
Capex to service revenue ratio	10% - 12%

[1] Guidance based on old accounting principles

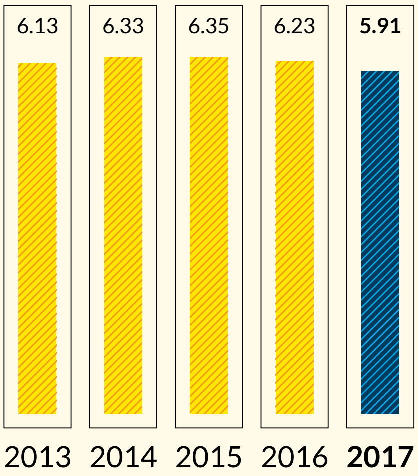
These are internal management targets which will be reviewed periodically by the Board of Directors. Hence, these internal targets have not been reviewed by our external auditors.

5-YEAR FINANCIAL SUMMARY

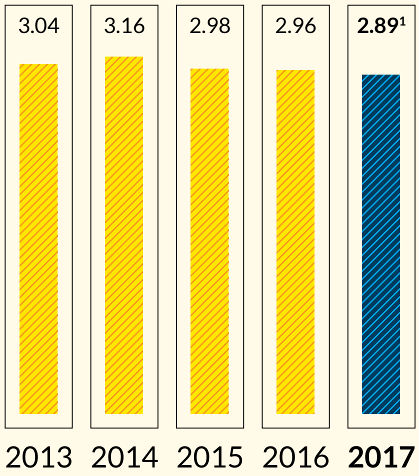
RM Mil	2017	2016	2015	2014	2013
Financial results (RM mn)					
Revenue	**6,340**	6,597	6,914	7,019	6,733
- Telecommunication revenue					
- Service revenue	**5,913**	6,226	6,348	6,333	6,131
- Others	**121**	100	64	67	64
- Sales of device	**306**	271	502	619	538
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	**2,886**[1]	2,955	2,983	3,163	3,043
Earnings before interest and taxes (EBIT)	**2,100**[1]	2,304	2,354	2,671	2,165
Interest cost	**132**	78	56	39	43
Profit before tax	**1,985**	2,238	2,309	2,645	2,140
Profit after tax	**1,477**	1,633	1,723	2,031	1,706
Capital expenditure (Capex)	**748**	780	904	904	741
Ops cash flow	**2,138**[1]	2,175	2,079	2,259	2,302
Total assets	**5,834**	5,498	4,662	4,303	3,752
Non-current liabilities	**3,033**	2,150	386	534	657
Total borrowings	**2,704**	2,282	1,294	1,048	749
- Conventional borrowings	**1,805**	2,282	1,294	1,048	749
- Islamic medium term notes	**899**	-	-	-	-
Shareholders' equity	**519**	519	519	686	661
EBITDA margin	**46%**[1]	45%	43%	45%	45%
Return on equity	**284.6%**	314.6%	332.0%	296.1%	258.1%
Return on total assets	**25.3%**	29.7%	37.0%	47.2%	45.5%
Earnings per share (sen)	**19.0**	21.0	22.2	26.1	21.9
Dividend per share (sen)	**18.8**	20.9	22.0	26.0	21.3
Dividend yield[2]	**3.7%**	4.3%	4.1%	4.2%	4.3%
Net assets per share (sen)	**6.7**	6.7	6.7	8.8	8.5
Net debt/EBITDA (x)	**0.7**	0.6	0.4	0.2	0.1
Interest cover (x)	**15.9**	29.5	42.0	68.5	50.3

[1] Exclude settlement costs and exit fee of RM6 million
[2] Yield calculated based on share price at year end

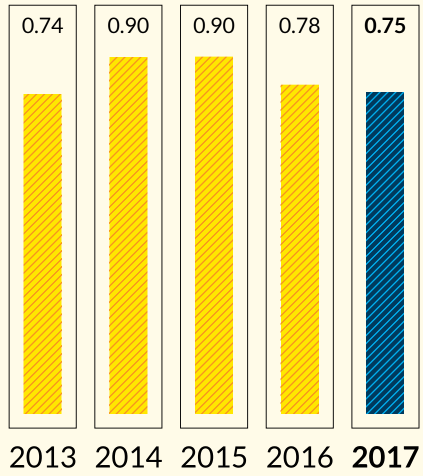
Service revenue
RM5.91 billion



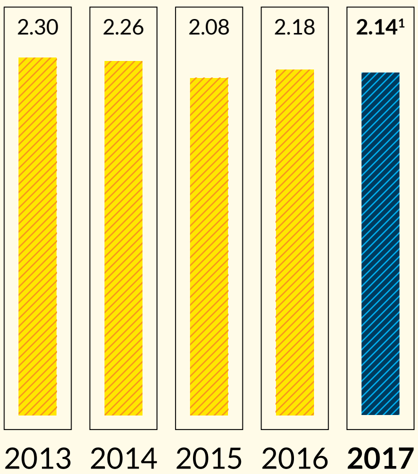
EBITDA
RM2.89 billion



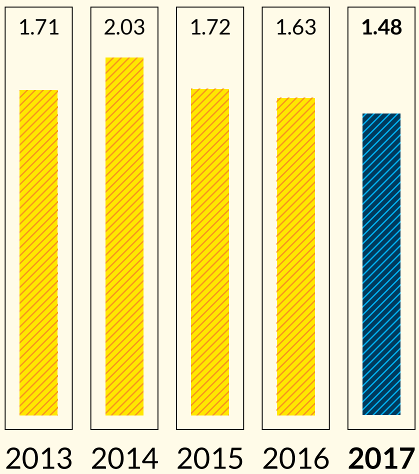
Capital expenditure
RM748 million



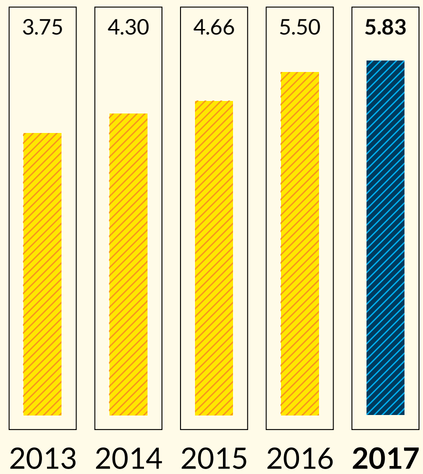
Ops cash flow
RM2.14 billion



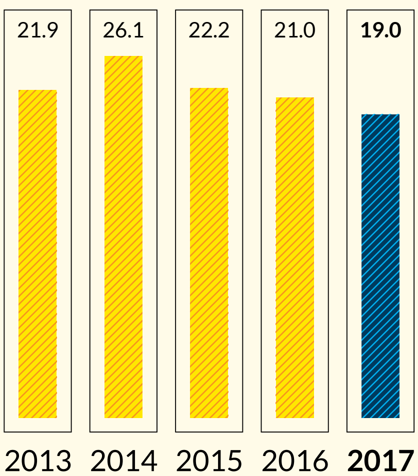
Profit after tax
RM1.48 billion



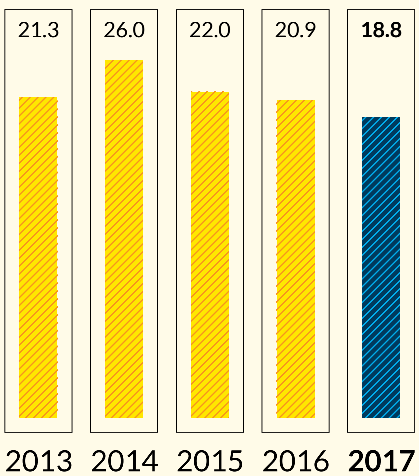
Total assets
RM5.83 billion



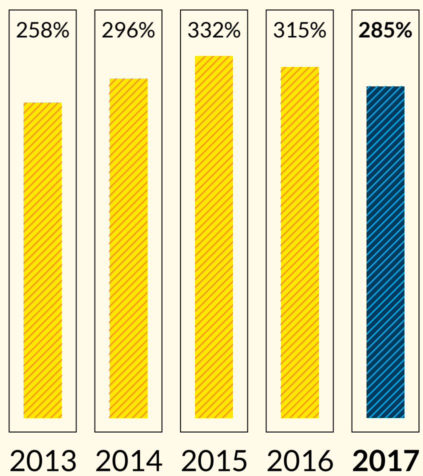
Earnings per share
19.0 sen



Dividend per share
100% payout ratio or 18.8 sen



Return on equity (%)
285.0%



[1] Exclude settlement costs and exit fee of RM6 million

SHARE DEVELOPMENT AND SHAREHOLDINGS

Share Development

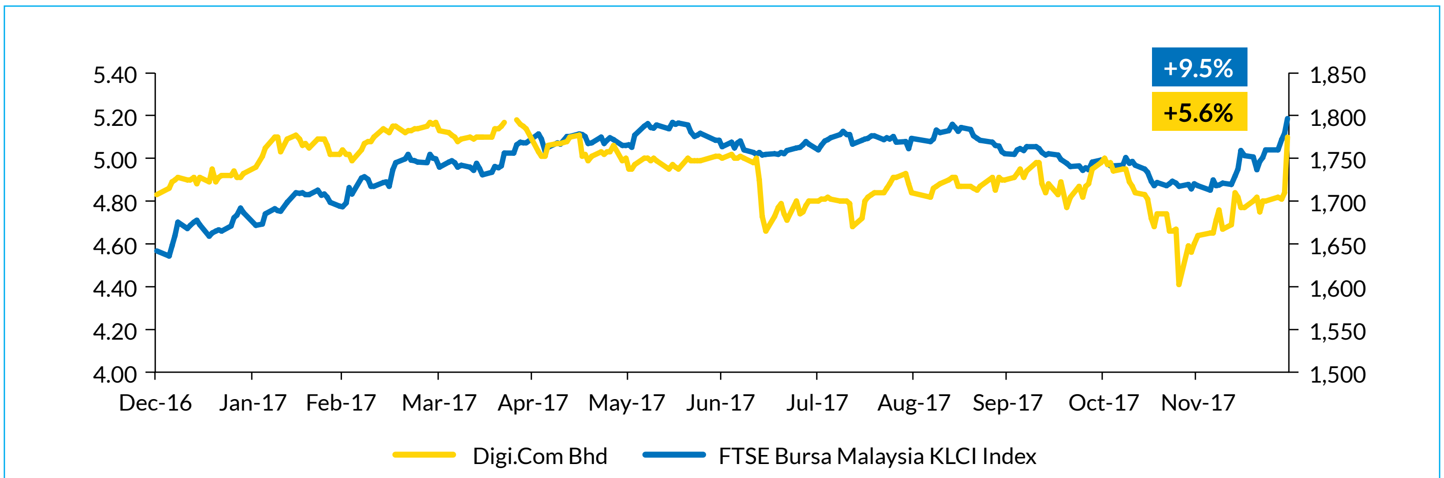
In 2017, our share price strengthened 5.6%, relatively resilient when compared to listed Malaysian mobile operators, although lower than gains registered on FBM KLCI of 9.5% during the year.

Digi's share price fell sharply to RM4.36 when it was removed from Securities Commission's Shariah Compliant list dated 24 November 2017 but promptly supported with strong buying support from investors, considering Digi's business fundamentals remained unchanged, strong funding flexibility from its AAA/Stable/P1 rated RM5.0 billion Sukuk programmes and conventional debt over total assets ratio which has regularised within the 33% threshold since 2Q17.

Digi continued to garner robust support from local investors with a total of 41.9% Malaysians shareholdings (2016: 41.1%) and relatively resilient foreign shareholdings at 9.1% (2016: 9.9%) to deliver market capitalisation of RM39.7 billion at end 2017.

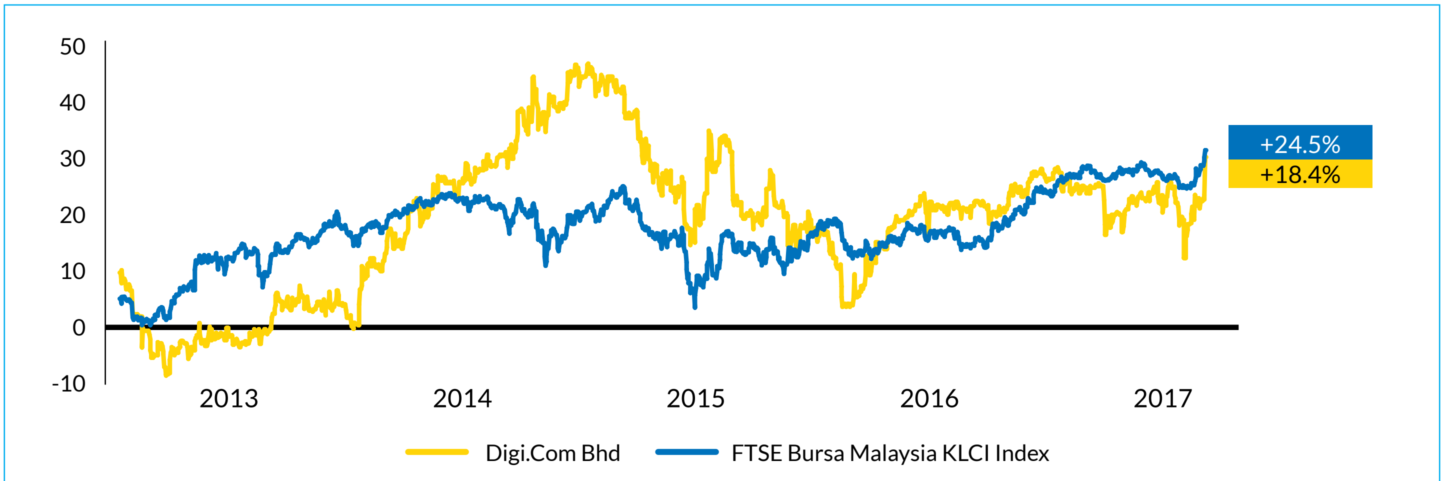
Share price	1Q17	2Q17	3Q17	4Q17	FY 2017
High Price	5.19	5.19	5.03	5.10	5.19
Low Price	4.83	4.93	4.63	4.36	4.36
Last Price	**5.13**	**5.00**	**4.90**	**5.10**	**5.10**
Period-over-Period Change (%)	*6.2*	*(2.5)*	*(2.0)*	*4.1*	*5.6*
Average Daily Volume ('000)	6,842	5,296	3,398	5,179	5,178

Share Price – Digi.Com vs FTSE Bursa Malaysia KLCI



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

Total Shareholder Return (%) over 5 years (2013 -2017)



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

Statistics on Shareholdings

as at 6 March 2018

Total number of Issued Shares	:	7,775,000,000
Class of Shares	:	Ordinary shares
Voting Rights	:	One vote per share

Analysis by Size of Holdings as at 6 March 2018

Size of Holdings	No. of Holders	%	No. of Shares	%
1 - 99	933	3.44	11,431	0.00
100 - 1,000	12,111	44.65	6,961,456	0.09
1,001 - 10,000	11,321	41.74	45,381,283	0.58
10,001 - 100,000	2,080	7.67	57,840,108	0.74
100,001 - 388,749,999 (*)	675	2.49	2,094,848,648	26.94
388,750,000 and above (**)	3	0.01	5,569,957,074	71.64
Total	**27,123**	**100.00**	**7,775,000,000**	**100.00**

Remark : *** - Less Than 5% Of Issued Shares**
**** - 5% And Above Of Issued Shares**

SHARE DEVELOPMENT AND SHAREHOLDINGS
CONTINUED

Substantial Shareholders as per Register of Substantial Shareholders as at 6 March 2018

	Number of Shares			
Name	Direct Interest	%	Deemed Interest	%
1. Telenor Asia Pte Ltd	3,809,750,300	49.00	-	-
2. Telenor Mobile Communications AS	-	-	3,809,750,300 (a)	49.00
3. Telenor Mobile Holding AS	-	-	3,809,750,300 (b)	49.00
4. Telenor ASA	-	-	3,809,750,300 (c)	49.00
5. Employees Provident Fund Board	1,215,775,164	15.64	-	-
6. AmanahRaya Trustees Berhad - Amanah Saham Bumiputera	587,035,200	7.55	-	-
7. Kumpulan Wang Persaraan (Diperbadankan)	383,810,200	4.94	26,244,500	0.34

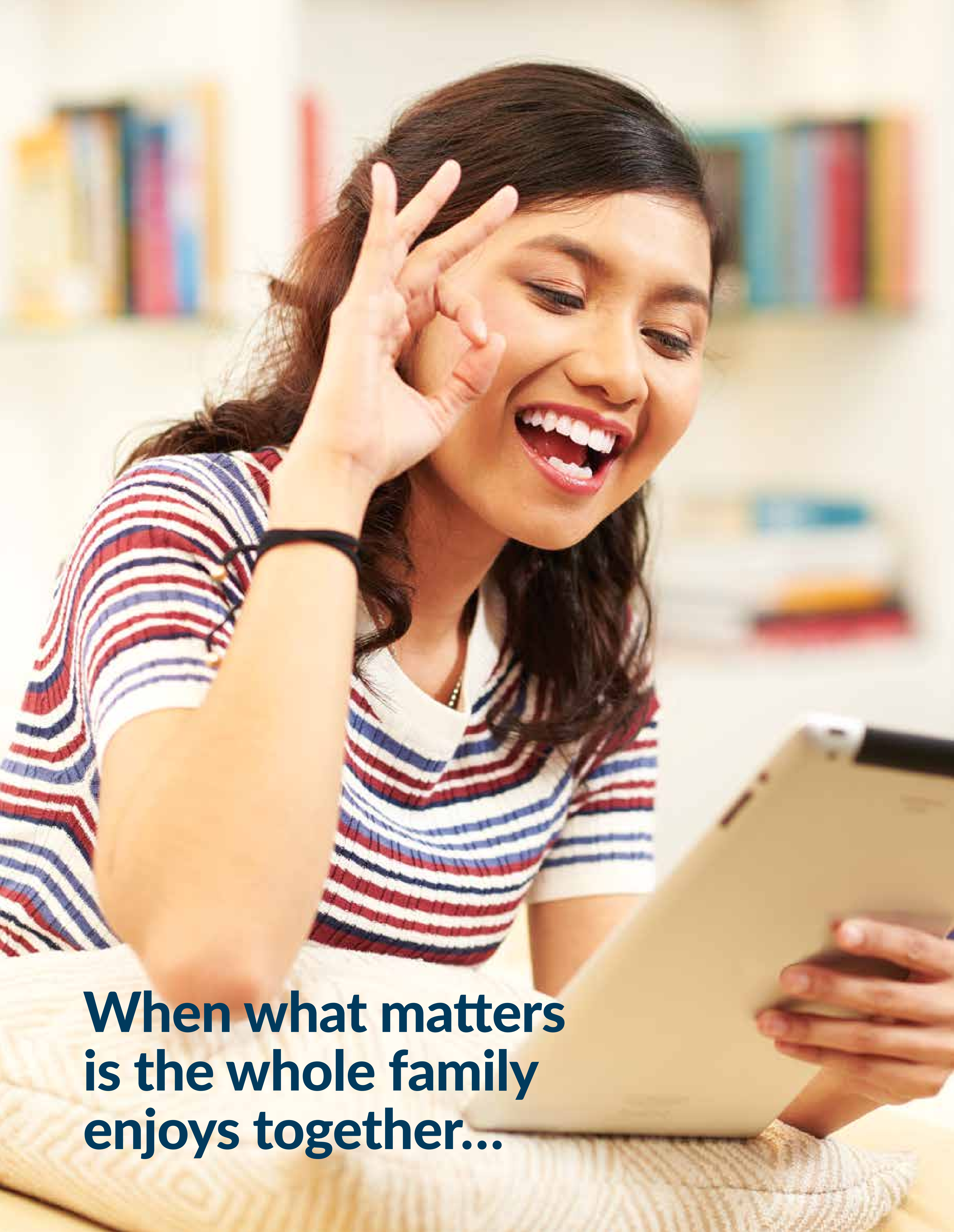
Notes:
(a) Deemed interested by virtue of its 100% interest in Telenor Asia Pte Ltd.
(b) Deemed interested by virtue of its 100% interest in Telenor Mobile Communications AS.
(c) Deemed interested by virtue of its 100% interest in Telenor Mobile Holding AS.

List of Thirty (30) Largest Shareholders as at 6 March 2018

	Name of Shareholders	No. of Shares	%
1	**Citigroup Nominees (Asing) Sdn Bhd** Telenor Asia Pte Ltd (Digi)	3,809,750,300	49.00
2	**Citigroup Nominees (Tempatan) Sdn Bhd** Employees Provident Fund Board	1,173,171,574	15.09
3	**Amanahraya Trustees Berhad** Amanah Saham Bumiputera	587,035,200	7.55
4	**Kumpulan Wang Persaraan (Diperbadankan)**	366,502,950	4.71
5	**Lembaga Tabung Haji**	112,332,500	1.44
6	**Amanahraya Trustees Berhad** Amanah Saham Wawasan 2020	85,000,000	1.09
7	**Cartaban Nominees (Asing) Sdn Bhd** Exempt an For State Street Bank & Trust Company (West CLT OD67)	70,488,370	0.91
8	**Amanahraya Trustees Berhad** Amanah Saham Bumiputera 2	69,745,100	0.90
9	**HSBC Nominees (Asing) Sdn Bhd** BBH and Co Boston for Vanguard Emerging Markets Stock Index Fund	64,598,770	0.83
10	**Amanahraya Trustees Berhad** Amanah Saham Malaysia	56,550,300	0.73
11	**Dato Ahmad Sebi Bin Bakar**	55,394,030	0.71

List of Thirty (30) Largest Shareholders as at 6 March 2018 (cont'd)

	Name of Shareholders	No. of Shares	%
12	**Amanahraya Trustees Berhad** As 1Malaysia	51,265,800	0.66
13	**HSBC Nominees (Asing) Sdn Bhd** JPMCB NA for Vanguard Total International Stock Index Fund	49,569,000	0.64
14	**Cartaban Nominees (Tempatan) Sdn Bhd** PAMB for Prulink Equity Fund	46,252,800	0.59
15	**Maybank Nominees (Tempatan) Sdn Bhd** Maybank Trustees Berhad for Public Regular Savings Fund (N14011940100)	43,653,700	0.56
16	**Maybank Nominees (Tempatan) Sdn Bhd** Maybank Trustees Berhad for Public Ittikal Fund (N14011970240)	39,500,000	0.51
17	**Amanahraya Trustees Berhad** Amanah Saham Didik	30,568,500	0.39
18	**Malaysia Nominees (Tempatan) Sendirian Berhad** Great Eastern Life Assurance (Malaysia) Berhad (PAR 1)	27,102,800	0.35
19	**Citigroup Nominees (Tempatan) Sdn Bhd** Employees Provident Fund Board (Nomura)	25,777,990	0.33
20	**Amanahraya Trustees Berhad** Public Ittikal Sequel Fund	24,762,300	0.32
21	**Citigroup Nominees (Tempatan) Sdn Bhd** Exempt an for AIA Bhd.	21,877,262	0.28
22	**CIMB Group Nominees (Tempatan) Sdn Bhd** Yayasan Hasanah (AUR-VCAM)	20,384,800	0.26
23	**Valuecap Sdn Bhd**	17,448,800	0.23
24	**Amanahraya Trustees Berhad** Public Islamic Dividend Fund	15,906,400	0.20
25	**Cartaban Nominees (Asing) Sdn Bhd** GIC Private Limited for Government of Singapore (C)	15,800,000	0.20
26	**Permodalan Nasional Berhad**	15,381,500	0.20
27	**DB (Malaysia) Nominee (Asing) Sdn Bhd** BNYM SA/NV for People's Bank of China (SICL Asia EM)	15,186,200	0.20
28	**HSBC Nominees (Asing) Sdn Bhd** Exempt an for The Bank of New York Mellon (Mellon ACCT)	14,199,809	0.18
29	**Alam Nusantara Sdn Bhd**	12,215,230	0.16
30	**Amanahraya Trustees Berhad** Amanah Saham Gemilang for Amanah Saham Kesihatan	11,472,300	0.15
	Total	**6,948,894,285**	**89.37**


When what matters
is the whole family
enjoys together...


DIGI PREPAID LIVE
No. 1 4G Plus Internet Pack
Free 10GB of music and video streaming monthly to watch all your favourite content
Free 1,000 min calls and SMS to stay in touch with your favourite 6 Buddyz
Always online with basic internet for free


DIGI POSTPAID
FAMILY PLAN
Greater savings and convenience all under one plan
Up to 5 lines for the whole family
Up to 120GB internet for everyone to share
Unlimited calls for all lines
All in one bill
When what matters is the whole family enjoys together...

SUSTAINABILITY

OUR SUSTAINABILITY COMMITMENT IS ROOTED ON BUILDING TRUST AND CREATING SHARED VALUE. WE CONTINUE TO PRIORITISE AND INCULCATE BEST PRACTICE PRINCIPLES, TRANSPARENCY AND ACCOUNTABILITY IN THE WAY WE OPERATE OUR BUSINESS AND MANAGE OUR SUPPLY CHAIN. CONCURRENTLY, WE HAVE MADE SIGNIFICANT EFFORTS TO EXTEND THE BENEFITS OF MOBILE AND DIGITAL COMMUNICATION TO ENABLE DIGITAL INCLUSION AND TO BUILD DIGITAL RESILIENCE THAT HELP REDUCE INEQUALITIES, IN SUPPORT OF UNITED NATION'S SUSTAINABLE DEVELOPMENT GOAL #10.

RESPONSIBLE BUSINESS

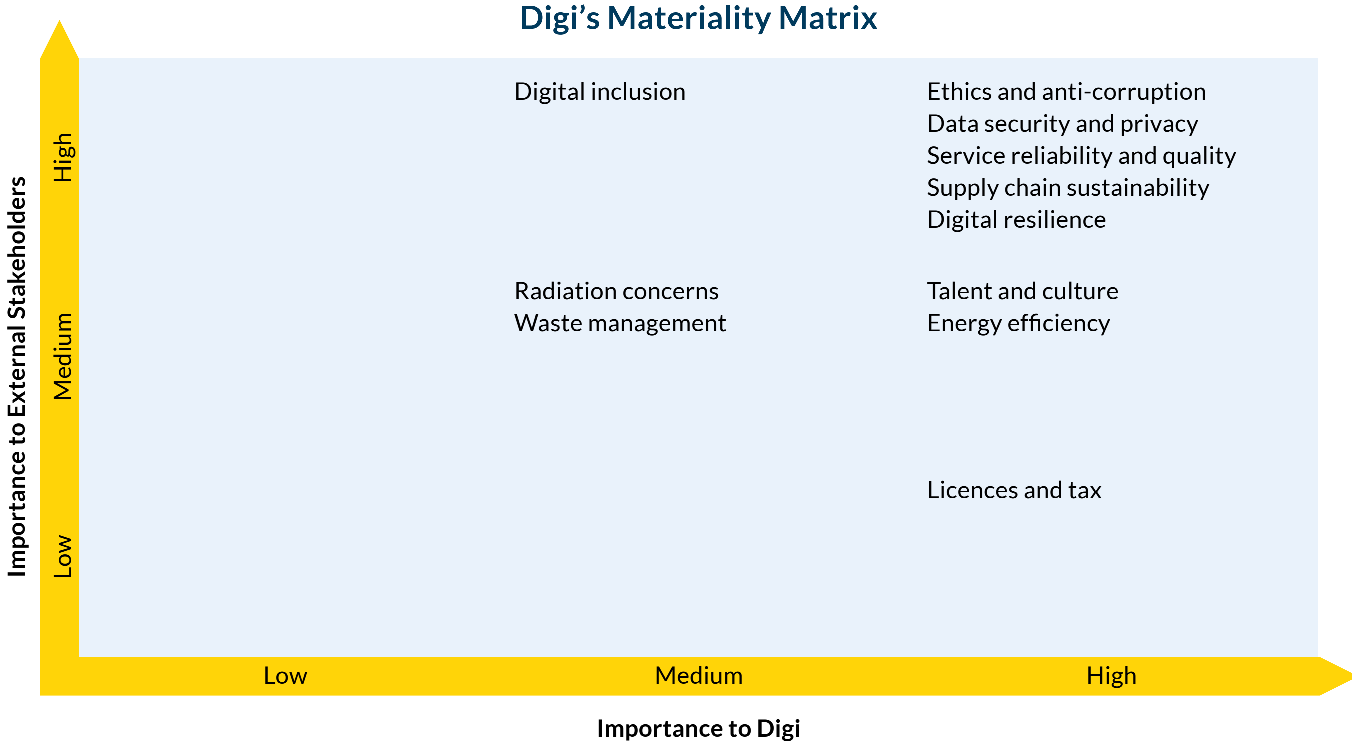
- Ethics and Compliance
- Supply Chain Sustainability
- Winning Team
- Climate Change and Environment

EMPOWER SOCIETIES

- Digital Inclusion
- Digital Resilience

The procedure of compiling Digi's sustainability disclosure is in accordance with Telenor Group's Non-Financial Reporting Procedures, and Digi's Standard Operating Policy and Procedures on Sustainability Reporting. Digi's materiality issues were built on Telenor Group's materiality assessment and mapped against Digi's operational priorities, corporate strategy and stakeholder expectations. Key sustainability issues identified are similar to the ones reported a year ago, with developments in key areas outlined in this section, and more details available in our online Sustainability Report.

Digi's Materiality Matrix



ETHICS AND COMPLIANCE

We uphold the highest standard of ethical behaviour and integrity in everything we do. Our core principles and ethical standards set the foundation that guides employee conduct and the way we engage with our customers, stakeholders and partners, who share similar beliefs and values of ethical business practices.

Creating Awareness: Every employee is guided by the Code of Conduct. The Code of Conduct defines the expected behaviours of a responsible and accountable employee, and underscores the importance of transparency and professionalism in the way we work and conduct business. It is mandatory for all employees to read and acknowledge by signing and resigning the Code of Conduct annually.

In 2017, we introduced a monthly ethics and compliance scenario-based learning, 'Doing Business the RIGHT Way', which highlighted real scenarios related to the Code of Conduct as reference to guide employees in handling work related dilemmas. An internal awareness programme called 'Our Voice of Integrity', was also organised to encourage employees to pledge and uphold the highest level of integrity.

Encouraging Reporting: A 'Speak Up' programme was organised to encourage employees to step forward and report acts of non-compliance via the Ethics and Compliance hotline. During the year, we saw a 30% increase on Ethics and Compliance related issues reported compared to 2016.

We also adopted a new approach for incident handling that includes responding to compliance incidence reports within 48 hours of receiving the report, completing investigations within 30 days and ensuring that implementation of recommendations are followed up within the next 30 days.

Carrying Out Assessments: We carried out a company-wide ethics and compliance risk assessment exercise to identify possible risks and proposed mitigation plans to address them.

Managing Third Party Risks: We implemented a new third party due diligence policy that requires relevant employees to carry out a due diligence assessment on all business partners prior to engagement. This is to ensure that Digi's business relationship with all third parties does not pose unacceptable risks to the company.

Practicing Human Rights: In 2017, in continuation of our commitment to respect human rights, and conducting due diligence requirements, Digi partnered with UNICEF to undertake UNICEF's Mobile Operator Child Rights Self-Impact Assessment Tool (MO-CRIA). The tool provided us with a good framework to assess policies, and identify gaps and opportunities to create better business sustainability in consideration of child rights. Digi is the first mobile operator in Asia to complete the UNICEF MO-CRIA process.

SUSTAINABILITY CONTINUED

SAFEGUARDING PRIVACY

Privacy continues to be an integral part of our responsibility to stakeholders, and we are committed to ensuring that all data is collected and processed securely. In line with this, we continue to place stringent processes and security measures in managing information that is entrusted to us, and have taken steps to further strengthen internal controls in all areas of our operations during the year to safeguard the privacy of our customer data.

Strengthening Processes: In 2017, we further tightened our governance process, and improved monitoring compliance in our business processes and technical systems. Adopting a risk-based approach, we assessed the adequacy of our privacy notice, data handling procedures and operating systems to ensure compliance to the Personal Data Protection Act 2010, and our Privacy Policy.

Creating Awareness: 51 customised training and 68 awareness activities were carried out nationwide in 2017, focusing on employees who deal with personal data on a daily basis in the Contact Center and Retail Stores. Information Handling e-learning continues to be a mandatory training for new employees to understand the importance of safeguarding customer data.

Setting Standards: Digi collaborated with industry peers to prepare the Personal Data Protection Code of Practice 2017 (Code of Practice) for licensees under the Communications and Multimedia Act 1998. This Code of Practice serves as a guide to set effective standards and measures in relation to the processing of a Data Subject's personal data, and to ensure that the processing of personal data does not infringe customers' or employees' rights under the Personal Data Protection Act 2010.

Competition Law: 1,365 employees whose job scope exposes them to potential risks have completed a mandatory, 'Say Yes to Competition' e-learning. This 3-month programme was important to maintain a business environment that promotes fair and healthy competition.

IMPROVING CUSTOMER EXPERIENCE

We continue to engage customers across all touchpoints including Digi Stores, Contact Centre, Social Media and Live Chat for feedback, to better understand their challenges or for ideas on how we can improve user experience and offer them what matters most. Employees are encouraged to participate in various initiatives such as network drive tests and mystery shopper exercises to gain first hand feedback on our network performance and products offered.

Focusing on Service Reliability and Quality: The results of the Malaysian Communications and Multimedia Commission (MCMC)'s Network Performance Report 2017 mirrors Digi's focus on building a network that provides better and more consistent experience. The report outlines a nationwide network performance measurement based on key metrics such as data throughput speeds and network latency (the timing of data transfer on a network), in line with the Mandatory Standards for Quality of Service for Wireless Broadband Access services.

Key Metrics/Year	2017	2016
(Throughput) Average Download Speed	15.57 Mbps	16.55 Mbps
(Throughput) Speeds over 650 Kbps	98.80%	98.88%
(Network Latency) % of the time latency ≤ 250 milliseconds	99.61%	88.18%
(Network Latency) Packet Loss	0.52%	0.52%

Source: MCMC Network Performance QoS Report 2017

Digitising Customer Care: We saw a 40% reduction in total calls to our customer service for all services. This corresponds to the 28% increase in digital interaction via Digi Live Chat, where customers are able to chat with our customer service consultants in real-time. We have also started using a chatbot over our Live Chat channel which looks to address simple customer queries after office hours.

Embracing Customer First Mindset: We celebrated our annual Customer First Day 2017 with employees nationwide going out to the streets to engage with customers. Customers were introduced to the various digital entertainment services that are available via affordable subscription plans and were also shared tips on how to make internet safer for their families.

SUPPLY CHAIN SUSTAINABILITY

Our commitment to responsible, fair and safe workplace extends to the over 75,000 individuals estimated to be working in our supply chain. This is aligned to our pledge to reduce inequalities by raising standards and building capacity for our supply chain.

During the year, there was an increase of 38.7% in the number of suppliers signing the Agreement on Responsible Business Conduct (ABC), bringing us to a total of 165 suppliers committing to embrace ethical conduct, best practises in sustainability and environmental responsibility.

Building Capacity through Training: Multiple workshops amounting to 2,690 man-hours were conducted for capacity building among our contractors and sub-contractors on safety awareness, and proper ways to use equipments. We also included the 'Say No to Corruption' learning module in the workshops, including the obligation to report any breach of our Code of Conduct.

Enchancing Standard through Industry Collaboration: Digi continues to lead the industry in driving the highest standards in health and safety. In 2017, industry players began unannounced joint inspections. We also started implementing joint enforcements on non-compliant contractors and sub-contractors, and have terminated or suspended those who failed to meet the agreed safety standards.

HEALTH AND SAFETY

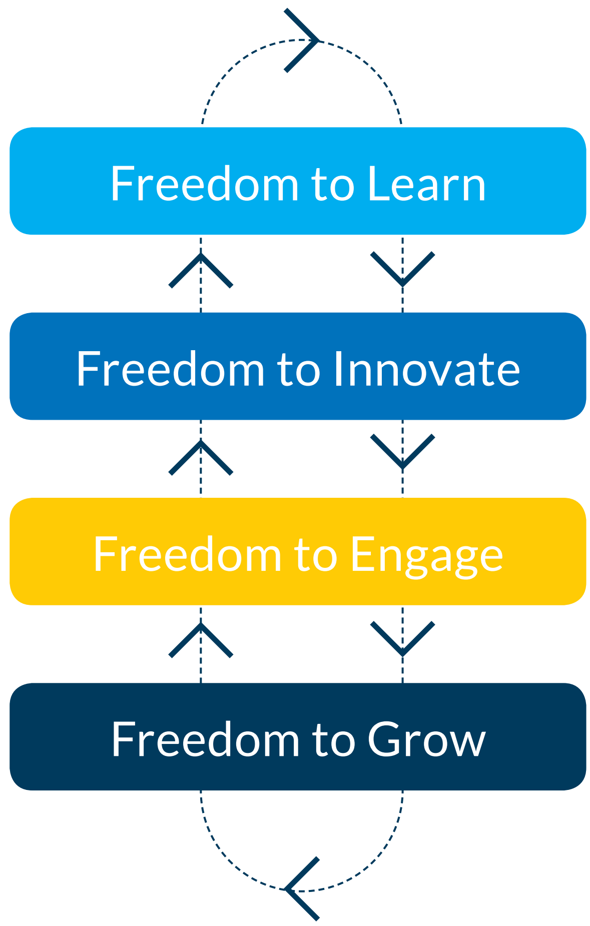
Adopting International Best Practices: We have been certified OHSAS 18001-2007 and recorded zero lost time injury frequency (LTIF) in 2017.

In line with our continuous effort to ensure the health and safety of employees, we introduced a dedicated hotline number, 29588, for emergency incidences such as fire or health related cases with immediate assistance by trained individuals before emergency medical personnels are available on site. 35 employees have been certified as First Aider volunteers.

WINNING TEAM

Our people are our most valuable asset. Our focus in the year was to continue building a work culture that is open, dynamic and nurtures a supportive environment, creating opportunity for each employee to freely voice their opinions and fresh ideas that inspire everyday innovation of new, exciting products and services. This is accomplished through the four pillars of our employer promise of 'Freedom to Inspire The Next'.

Freedom to Inspire The Next



Freedom to Learn

We are purposeful in transforming the way our employees learn and enhance their skills and competencies, with a focus on future relevant functional and leadership skills, whilst creating a culture of 'permission-less' learning.

Functional Learning: Five competence areas namely new product development, digital marketing, service design, applied analytics, and digital channel and partnerships have been identified as critical capabilities for the future workforce and we are providing employees equal opportunity to upskill and grow in any of the identified competencies.

SUSTAINABILITY CONTINUED

Permission-less Learning: With open access to the world's best content provided through three digital learning platforms, employees are empowered to manage their own career growth anytime, anywhere. To date, 36 employees have graduated and received their expert certifications on Coursera and another 93 completed their nanodegrees from Udacity. More than 1,800 employees completed 7,845 hours of learning on Lynda.com.

Freedom to Innovate

We promote a culture of everyday innovation where Digizens are allowed to try new things, experiment with their own ideas and challenge the status quo to create impact across the organisation. To drive this innovation 360° mindset, various platforms are created for employees to explore new products, services and solutions.

Disrupt@Digi: 47 Digizens from 19 departments formed 12 teams and participated in this annual 30-hour hackathon, where they developed growth ideas for Digi and our customers based on three unique business challenges. D'Geek, a recommendation platform that uses predictive analytics to suggest personalised lifestyle offerings to users was selected as the winner in 2017.

Telenor Ignite: An intrapreneur programme for employees across Telenor's 12 business units aimed to identify great ideas for new end-user products and services. Six ideas from Digi were submitted to Telenor, and one team with an idea to develop storage and analysis of drone flight data was shortlisted to pitch at the finale in Singapore.

Maker Lab: A platform created to nurture innovators and drive the innovation 360° culture among Digizens. It encourages critical thinking, problem solving and collaboration through hands-on learning and experimentation on various project-based and cross-disciplinary ideas. Examples of ideas that emerged include Smart Carpark, an Internet-of-Things (IoT) project on real-time carpark availability, and Toilet Kiosk, a quality control project utilising user rating for improvements.

Digital Day: A one-day event to inspire Digizens to learn and discover new technologies and digital services.

Digitising HR Tools: *alt.hr*, a one-stop mobile app for all human resource needs was introduced in line with efforts to digitise our workplace processes and engagement with employees.

Freedom to Engage

At the core of our DNA is a culture of empowerment, trust and fairness that creates a sense of belonging for each of our employees. We value the ideas and commitment that employees can bring to the table regardless of their positions in the company. The open office and hot-desking concept embodies our value of openness, and is a key part of who we are.

Employee Engagement Survey (EES): An annual survey that collects employees' feedback to determine the areas that are critical in encouraging employee engagement at the team or organisational level. We achieved a 74% engagement score in 2017, surpassing the Telenor Group average and the benchmark of high performing companies. The results point towards a strong culture of loyalty and innovation amongst Digizens with a solid understanding of the company's business strategy and governance framework.

Employee Representation: Employees are represented by two platforms, the Best on People Council (BOPC) and the Digi Telecommunications Sdn Bhd Employee Union (DGEU) where elected members will work together with the Management to enable changes that matter to employees. This year, BOPC resolved 38 issues concerning employee welfare, way of work, and work environment which were raised by the employees to the Management.

Management Engagement: Digi Management Team makes regular visits to all regions to engage with employees and stakeholders, and also to deepen understanding of local operations.

Freedom to Grow

It is our ambition to unlock the potential of our employees who are empowered to take charge of their own career development. If Digizens are willing to give their 100% every day, dare to challenge the norm, be willing to take on additional goals and responsibilities, and deliver results, the company will support their growth in every direction – from world-class leadership programmes to accelerating them into positions of responsibility.

Inclusive Talents: Approximately 86% of our top 49 leaders are from our internal succession programme, including four out of the seven Management team members.

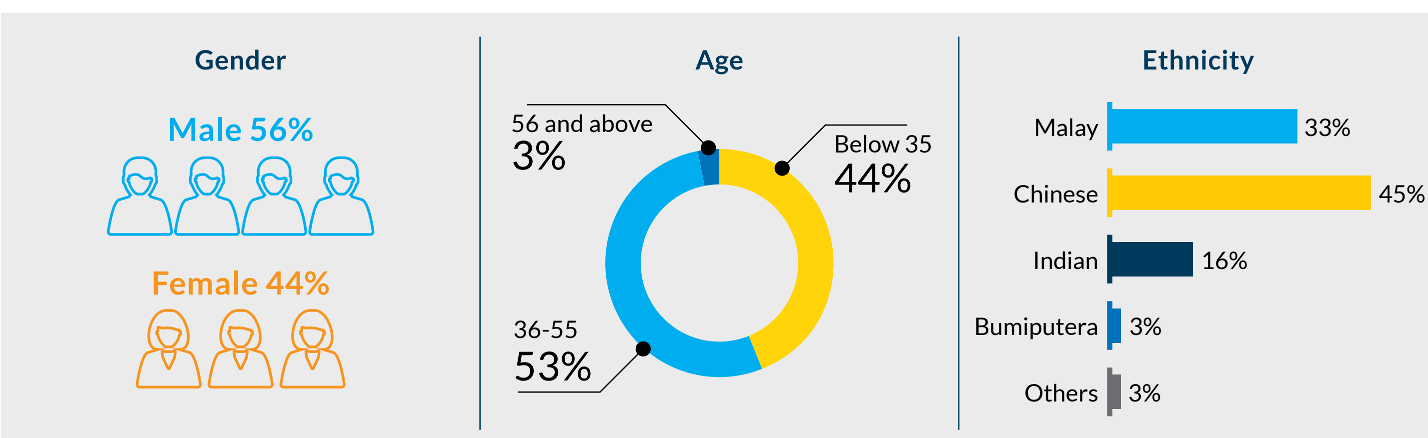
We believe that gender balance and diversity are critical for competitive advantage and shareholder value. Through the Women Inspiration Network (WIN), we continue to groom more women in the company for top management roles. 16 women were selected in 2017 and provided the opportunity to develop to their full potential through exposure and engagement with external women leaders, direct mentorship with senior Management, and a platform to learn and share with other women leaders.

Globalising Local Leaders: Employees are also provided the chance to work in other Telenor business units worldwide through the Mobility Programme. This programme allows selected Digizens to not only share their expertise and knowledge with other business units but more importantly, the chance to develop their professional and leadership skills, contributing to their career development. In 2017, Digi mobilised 11 employees to business units in Bangladesh, Myanmar, Norway and Thailand.

Talent Platforms: The second edition of the Digi CXO Apprentice Programme hit a record high of 1,100 applications, 25% more than the inaugural launch in 2016. Seven individuals were selected to apprentice with our respective Management team members, giving them a 12-month opportunity to experience first-hand high-level decision making, dealing with real business challenges and the empowerment to innovate in a culture that provides the freedom to inspire the next generation of products and services for millions of customers in Malaysia.

Diverse and Dynamic Workforce: Digi believes in a diverse and dynamic workforce at all levels of the organisation regardless of nationality, age, gender or competence. Our goal is to foster a workplace that embraces differences, and provides equal opportunity to everyone.

In 2017, women represented 45% of Digi's leadership team. On 11 July 2017, women representation at the Board dropped from 43% to 29% with the resignation of Ms. Kristin Muri Möller, as the Non-Independent and Non-Executive Director of Digi.Com Bhd. With the appointment of Ms. Tone Ripel to the Board as Non-Independent and Non-Executive Director on the 23 January 2018, the composition of women board members is reinstated to 43%.



SUSTAINABILITY CONTINUED

CLIMATE CHANGE AND ENVIRONMENT

Our commitment towards stabilising Digi's energy consumption continues to drive our energy efficiency initiatives across our network and facilities. Our environmental programmes are governed by internationally recognised management and reporting systems.

Stabilising Energy Growth

In 2017, we worked towards stabilising our energy consumption through various initiatives on the back of expanded network coverage. We continue to track energy used from the grid and generators for our network, buildings, flights, fleet and rental vehicles. We utilised 304 GWh of energy across our operations, a 6.5% increase year-on-year. Being aware of where our most significant emissions are produced, we continue to explore new avenues to reduce our emissions while delivering business goals.

Network: One primary initiative is to reduce our dependency on diesel. We progressively transform a significant number of our transmission sites located off the national electricity grid (off-grid) to run on electricity rather than diesel-powered generator sets. We have also converted more than 600 cabin sites from air-conditioning to fan cooling and utilised more robust outdoor equipment to stabilise our electricity consumption.

Our energy intensity per RM revenue rose to 0.051 KWh due to lower revenues, while our KWh per customer is at 26 KWh, above the Telenor Group average of 17.6 KWh. Our total carbon emission equivalent is at 157,970 tonnes (10.7% year-on-year rise), a direct result of increased electricity usage from our network expansion while our carbon emission per customer rose to 13.5 kg CO2e. However, we achieved carbon savings in Scope 1 and Scope 3 as we reduced our diesel consumption and transportation by flights.

Total Energy Use by Type (GWh)

	2017	2016	2015
Network (Grid)	187	160	155
Network (Diesel)	96	101	86
Building	7	8	8
Transport	13	15	14
TOTAL	**304**	**284**	**263**

Emissions By Scope (Tonnes CO2e)

	2017	2016	2015
Scope 1 Direct emissions from owned or controlled sources (eg. fuel)	24,262	26,351	22,048
Scope 2 Indirect emissions from generation of purchased energy (eg. electricity)	131,926	114,573	111,586
Scope 3 All indirect emissions not included in Scope 2 that occur in the value chain incl. upstream and downstream (eg. transportation, flight)	1,782	1,912	1,628
TOTAL	**157,970**	**142,835**	**135,262**

* Our boundary for carbon reporting only covers emissions from Digi Telecommunications Sdn Bhd. Emissions from our network, which accounts for our largest emissions, operate under this company. It does not include subsidiaries, outsourcing services or joint ventures.

Energy and Carbon Emission Per Customer (KWh/Kg CO2e)

	2017	2016	2015
KWh (Digi)	26.0	23.1	21.8
KWh (Telenor Average*)	17.6	18.6	15.7
Kg CO2e (Digi)	13.5	11.6	11.2
Kg CO2e (Telenor average*)	5.9	6.0	4.9

* Includes recalculation of Telenor Group data (ex-India) for Telenor average for the period 2015-2016

Improving Environmental Management Systems: In 2017, we upgraded our Environmental Management System (EMS) to the latest ISO 14001:2015 standard which includes key improvements to remain relevant in the marketplace and adhere to the best international practice.

Building a Sustainable Workplace: We became the first operator in Malaysia to receive the Leadership in Energy and Environmental Design (LEED) Gold certification from the US Green Building Council (USGBC) for Digi's refurbished headquarters in Subang Jaya. This achievement includes 100% electrical energy star rated equipment and light fittings which have helped reduced power density by 60% annually. We have also seen a 42% saving in water usage per annum by upgrading to water saving closet and toilet flushing systems.

The LEED certification is the second environmental certification Digi has received for our buildings, the first being the Gold Certification from the Green Building Index for Digi's Technology Operations Centre received in 2011, making it the first green data centre in Malaysia.

Improving Waste Management: We continue to manage our water and waste efficiently, resulting in about 15% reduction in water usage across all our operations nationwide in 2017. We also continue to recycle our municipal waste and e-waste by reusing and recycling electrical and electronic equipments through professional service providers who guarantee that the waste is processed, sorted, resold, recycled and disposed in an environmentally sound manner. These include the collection of mobile devices and batteries through our Mobile e-waste collection initiative at our retail stores.

EMPOWER SOCIETIES

We believe that the internet is a great equaliser. Our outreach programmes are designed to enable digital inclusion and to build digital resilience in delivering on our commitment to help reduce inequalities among the underprivileged and underserved communities.

Enabling Digital Inclusion

In enabling digital inclusion, we worked with partners who share our common vision to equip identified communities with internet connectivity and empower them through digital solutions.

Learning Sign Language for Everyone: We jointly developed EDDY, a sign language mobile app for the deaf community and anyone looking to learn the Malaysian Sign Language. EDDY is designed as an education aide, and also a communications tool that is able to translate sign language on-the-go. EDDY is downloadable from the Google Play Store for free.

SUSTAINABILITY
CONTINUED

Easy Access to Local Information for Cancer Patients: In collaboration with the National Cancer Society Malaysia (NCSM), Digi built a virtual resource and support mobile app known as Stronger than Cancer, to empower patients, caregivers, family and friends affected by cancer. It is a one-stop community mobile platform to facilitate quicker, reliable and trustworthy sharing of information related to cancer.

Digital Learning for Hospitalised Children: Together with a Technology social enterprise SOLS 24/7, we equipped 15 Sekolah Dalam Hospital (SDH) nationwide with 30 laptops, 15 tablets, and internet connectivity to enable digital learning for children who are undergoing long-term treatment at hospitals to ensure they are not left behind in their studies. More than 700 children were engaged in the first pilot school programme.

Learning Robotic for Rural Students: In partnership with Petrosains, we organised a robotic programme, Young PI1M Inventors Challenge, to provide secondary school students in rural communities with basic designing, coding and proximity sensor training. Hosted at 1Malaysia Internet Centres (PI1Ms), this eight-month programme engaged about 144 students from 48 schools located around 48 PI1Ms.

Building Digital Resilience

With more children accessing the internet at an early age, we have the responsibility as a connectivity provider to advocate safe and responsible use of the internet. Our goal is to help build digital resilience among children in Malaysia through our cybersafety awareness, and cybergrooming and cyberbullying intervention programmes to create safer online experiences. In 2017, we engaged more than 140,887 students nationwide through different programmes which were carried out in collaboration with the government and partners such as the Ministry of Education, Malaysian Communications and Multimedia Commission (MCMC), CyberSecurity Malaysia, Royal Malaysian Police (PDRM), Federation of Reproductive Health Association Malaysia (FRHAM), UNICEF, R.AGE (TheStar), WOMEN:girls (NGO), Petrosains and NagaDDB Tribal.

Capacity Building on Safe Internet Use: We developed a 'Digital Citizenship' module for use in MyDigitalMaker Clubs in schools, and produced a cyberbullying teaching aide for the Ministry of Education's counseling and discipline unit.

We also launched a national #Be Smart About Cyberbullying Survey 2017 which seeks to gather the largest repository of online bullying behaviour among secondary schoolchildren, including the impact and effectiveness of actions taken to overcome this challenge, sourcing from more than 5,000 secondary school students nationwide.

In a partnership with the Malaysia Digital Economy Corporation (MDEC), we helped built the cybersafety content for their Mobile Learning Unit, a customised bus fitted with digital making tools, and information on digital technology and safe use of the internet, which travelled to 92 rural schools. For the third year, we collaborated with the Ministry of Education and CyberSecurity Malaysia to run a CyberSAFE™ in Schools national video competition and school debate to encourage dialogue on digital citizenship among school children.

Cultivating Digital Citizenship: We established a Digital City Showcase in Petrosains, featuring interactive activities to educate children who visit the science center around the themes of cyberbullying and cybergrooming.

We also jointly created a Public Service Announcement (PSA) video, 'Fight Against Predator', to inform parents on the role they can play in identifying risks and mitigating the increasing prevalence of cybergrooming.

Together with partners such as UNICEF, we organised #SayaSayangSaya townhalls aimed at developing digital resiliency to prevent children from being exploited by online predators. 1,541 students from 318 schools (in addition to the 42,100 viewers who tuned in to our Facebook Live stream) were engaged through eight townhall sessions. Each townhall had expert speakers covering topical issues and a Q&A session where youth were given a safe space to share their experiences, concerns and solutions on internet-related sexual violence.

Spearheading Cybersafe Advocacy: Together with UNICEF and MCMC, Digi organised the ASEAN Child Online Protection (COP) 2D1N youth camp. We also facilitated a child panel discussion and participated as one of the expert panelists alongside Facebook and Google APAC. At the ASEAN Child Online Protection Seminar, Digi was also recognised by the Ministry of Education as an industry leader in advocating safer internet.

Other advocacy initiatives include partnering UNICEF to organise two full day research workshops with 30 youths as part of their global annual publication of the 'State of the World Children's Report', and the participation of Digi's CyberSAFE™ champion, Philip Ling, as one of the speakers at the PERMATA-led #CyberSAFE™ Conference organised by three Ministries.

Digi Digital City Showcase in Petrosains

CyberSAFE™ in Schools Video Competition

ASEAN Child Online Protection Seminar

#SayaSayangSaya Nationwide Townhalls

This is a summary of key sustainability initiatives undertaken by Digi in 2017. For more detailed information on sustainability governance, material issues, stakeholder engagement, management approach, initiatives, and data trends, please go to our Sustainability Report www.digi.com.my/sustainability and our public website www.digi.com.my/aboutus

KPMG 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 pages 171 to 173 of this Annual Report.


When what matters is how your smart vehicles improve your business and lifestyle...

iFleet

ALL-IN-ONE FLEET MANAGEMENT SOLUTION

Drive your business more efficiently

Real-time fleet monitoring on the web, tablet or smartphone

Affordable monthly fee inclusive of support and maintenance

Complete hardware, software and connectivity solution

Comprehensive and actionable data insights to improve fleet productivity

iFleet

USAGE-BASED INSURANCE (UBI) PLATFORM

Affordable premiums for safe drivers

- Access to advanced analytics platform offering over 200 real-time driver data
- Insurers able to fully customise insurance premiums based on vehicle performance
- Choice of insurance premiums for vehicle owners from a competitive panel of insurers
- Driver behaviour insights and scoring help instill safer driving culture

When what matters is how your smart vehicles improve your business and lifestyle...

BOARD OF

Left to right

1. VIMALA V.R. MENON
2. TORSTEIN PEDERSEN
3. LARS-AKE VALDEMAR NORLING
4. TAN SRI SAW CHOO BOON
5. HAAKON BRUASET KJOEL
6. TONE RIPEL
7. YASMIN BINTI ALADAD KHAN

DIRECTORS

DIRECTORS' PROFILE

LARS-AKE VALDEMAR NORLING

Age : 49 years	Nationality : Swedish	Gender : Male

Non-Independent Non-Executive Director
Chair of the Board
Chair of the Remuneration Committee

Board Skills Matrix:
- Telecommunications
- Project Management/Engineering
- Information Technology
- Finance/Accounting
- Leadership
- Strategic Planning
- Corporate Governance, Risk Management and Internal Control
- General Management/Business

Industrial Experience:
- Legal and Regulatory
- Sales and Marketing
- Government Relations

Appointed to Board:
19 August 2015

Board meetings attended:
7 out of 7

Length of service (as at 6 March 2018):
2 years 7 months

Working Experience:
Mr Norling is Chief Executive Officer (CEO) of Total Access Communication Public Company Limited, Thailand since April 2015. Mr Norling has been 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. He was the Chief Technology Officer of Telenor Sweden from September 2007 to March 2009. He 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. Mr Norling 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:
Director and CEO of Total Access Communication Public Company Limited, Thailand and Director of Digi Telecommunications Sdn Bhd.

Qualifications:
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.

TAN SRI SAW CHOO BOON

Age : 71 years	Nationality : Malaysian	Gender : Male

Senior Independent Non-Executive Director
Chair of the Audit and Risk Committee
Member of the Nomination Committee

Board Skills Matrix:
- Leadership
- Strategic Planning
- Corporate Governance, Risk Management and Internal Control
- Government Relations
- General Management/Business

Industrial Experience:
- Telecommunications
- Finance/Accounting
- Legal and Regulatory
- Project Management/Engineering
- Information Technology
- Sales and Marketing

Appointed to Board:
9 December 2010

Board meetings attended:
7 out of 7

Length of service (as at 6 March 2018):
7 years and 2 months

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

Other Commitments:
Tan Sri Saw is a Senior Independent Director of RHB Bank Berhad and of Ranhill Holdings Bhd. He is also a Director for some private companies and 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), Council Member 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.

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

DIRECTORS' PROFILE
CONTINUED

YASMIN BINTI ALADAD KHAN

Age : 59 years	Nationality : Malaysian	Gender : Female

Independent Non-Executive Director
Chair of the Nomination Committee
Member of the Audit and Risk Committee
Member of the Remuneration Committee

Board Skills Matrix:
- General Management/Business
- Finance/Accounting
- Leadership
- Strategic Planning
- Corporate Governance, Risk Management and Internal Control

Industrial Experience:
- Telecommunications
- Legal and Regulatory
- Project Management/Engineering
- Government Relations
- Information Technology
- Sales and Marketing

Appointed to Board:
23 July 2013

Board meetings attended:
6 out of 7

Length of service (as at 6 March 2018):
4 years and 7 months

Working Experience:
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 in South East Asia and South Asia, with more than 14,000 employees and 160,000 customers until December 2015. Prior to this, she was DHL Malaysia's Country Manager in 2001 and Country Manager in Singapore in 2003.

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.

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

VIMALA V.R. MENON

Age : 63 years	Nationality : Malaysian	Gender : Female

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

Board Skills Matrix:
- Finance/Accounting
- Leadership
- Strategic Planning
- Corporate Governance, Risk Management and Internal Control
- General Management
- Information Technology

Industrial Experience:
- Sales and Marketing
- Banking and Finance
- Telecommunications

Appointed to Board:
1 July 2015

Board meetings attended:
7 out of 7

Length of service (as at 6 March 2018):
2 years and 8 months

Working Experience:
Ms Menon is a Chartered Accountant and has had more than 30 years of experience in Finance and General management. She started her career in 1982 and after a brief time in practice she joined Edaran Otomobil Nasional Berhad (EON Berhad) as Manager in the Finance Division in 1984. In 1989 she was promoted to General Manager Finance and then to Director of Finance and Corporate Services and served as a Non-Independent Board member of EON Berhad from 1990 to 2006. At various times during this period she also served as a Board member of EON Bank Berhad, Jardine Cycle & Carriage Limited and PT Astra International Tbk. She left EON Berhad in 2007 and subsequently was 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:
Currently Ms Menon is the Senior Independent Director and Chairman of the Board Audit Committee for Petronas Chemical Group 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.

Qualifications:
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).

DIRECTORS' PROFILE

CONTINUED

HAAKON BRUASET KJOEL

Age : 46 years	Nationality : Norwegian	Gender : Male

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

Board Skills Matrix:

- Telecommunications
- Regulatory
- Strategic Planning
- Corporate Governance, Risk Management and Internal Control
- Government Relations and Public Affairs
- General Management/Business

Industrial Experience:

- Project Management
- Information Technology
- Sales and Marketing
- Public Affairs

Appointed to Board:
11 July 2017

Board meetings attended:
3 out of 3

Length of service (as at 6 March 2018):
8 months

Working Experience:

Mr Kjoel joined Telenor Group in 1995, beginning his career in the domestic mobile operation in Norway. Since then, he has contributed to Telenor Group's growing international presence through his involvement in Telenor's international mobile operations where he played significant roles in operational development, and merger and acquisition activities both in Europe and Asia. For the last 17 years, he has been based in Asia where he has played a key role in the development of Telenor's Group strategy for Asia, and managing the Asia business environment including in the areas of public affairs, government relations, strategic communications and corporate responsibility. He assumed his current role, with global responsibility for the Telenor Group's public and regulatory affairs activities in September 2016.

Other Commitments:

Senior Vice President and Head of Group Public and Regulatory Affairs, Telenor Group, Director of Total Access Communication Public Company Limited, Thailand, Grameenphone Limited, Telenor Pakistan Limited, Telenor Asia Pte Ltd, Telenor South Asia Investment Pte Ltd, Telenor South East Asia Investment Pte Ltd, Telenor GO Pte Ltd., Telenor Myammar Ltd, Telenor Asia (IHQ) Ltd and Digi Telecommunications Sdn Bhd.

Qualifications:

Mr Kjoel holds a Master of Business Administration from BI Norwegian Business School, Oslo, Norway. He is a former student of BI Norwegian Business School where he studied economics, management, marketing and public relations and communications from 1991 to 1994.

TORSTEIN PEDERSEN

Age : 51 years	Nationality : Norwegian	Gender : Male

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

Board Skills Matrix:

- Telecommunications
- Project Management/Engineering
- Strategic Planning
- Finance/M&A
- Leadership
- Information Technology
- General Management/Business

Industrial Experience:

- Strategy
- Sales and Marketing
- Finance, Controlling, M&A
- Risk Management
- Network Planning

Appointed to Board:
12 December 2017

Board meetings attended:
N/A

Length of service (as at 6 March 2018):
2.5 months

Working Experience:

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

Other Commitments:

Mr Pedersen is currently Senior Business Manager in Telenor ASA and a Director of Digi Telecommunications Sdn Bhd.

Qualifications:

Mr Pedersen holds a Master of Business Administration from IESE Business School, Spain and a Master of Science in Electrical Engineering from University of Karlsruhe, Germany.

DIRECTORS' PROFILE
CONTINUED

TONE RIPEL

Age : 47 years	Nationality : Norwegian	Gender : Female
Non-Independent Non-Executive Director		

Board Skills Matrix:
- Legal and Regulatory
- Telecommunications
- Corporate Governance, Risk Management and Internal Control
- Strategic Planning
- Leadership
- General Management/Business

Industrial Experience:
- Government Relations
- Project Management
- Information Technology
- Distribution

Appointed to Board:
23 January 2018

Board meetings attended:
N/A

Length of service (as at 6 March 2018):
1.5 months

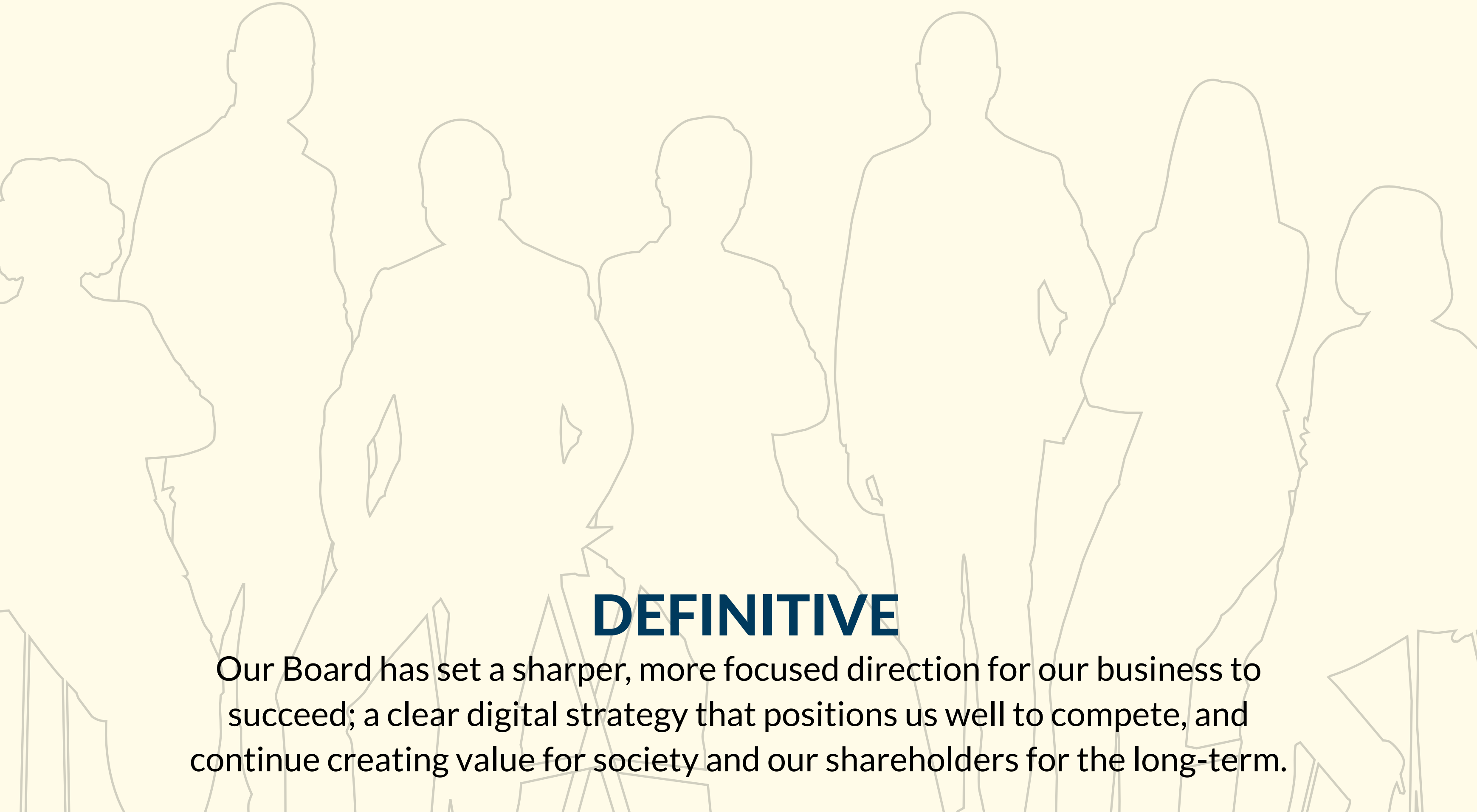
Working Experience:
Ms Ripel started her career as Higher Executive Officer, advisor and senior advisor in Norwegian Competition Authority for three years. In 1999, she joined Wiersholm Law firm in Norway as an Associated Attorney and Senior Attorney working primarily with corporate issues consisting of competition law, corruption issues and regulated markets which included project management of high profile investigations and crises management. She has served as Director of Business Partner Invest AS in Norway from October 2015 to October 2016.

Other Commitments:
Ms Ripel currently holds the position as Attorney at Law in the Group Legal of Telenor ASA. She is also the Director of Networks Holding AS, Norway, Total Access Communication Public Company Limited, Thailand, Telenor Norge AS, Norway and Digi Telecommunications Sdn Bhd.

Qualifications:
Ms Ripel holds a Master of Law from University of Oslo, Norway.

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

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

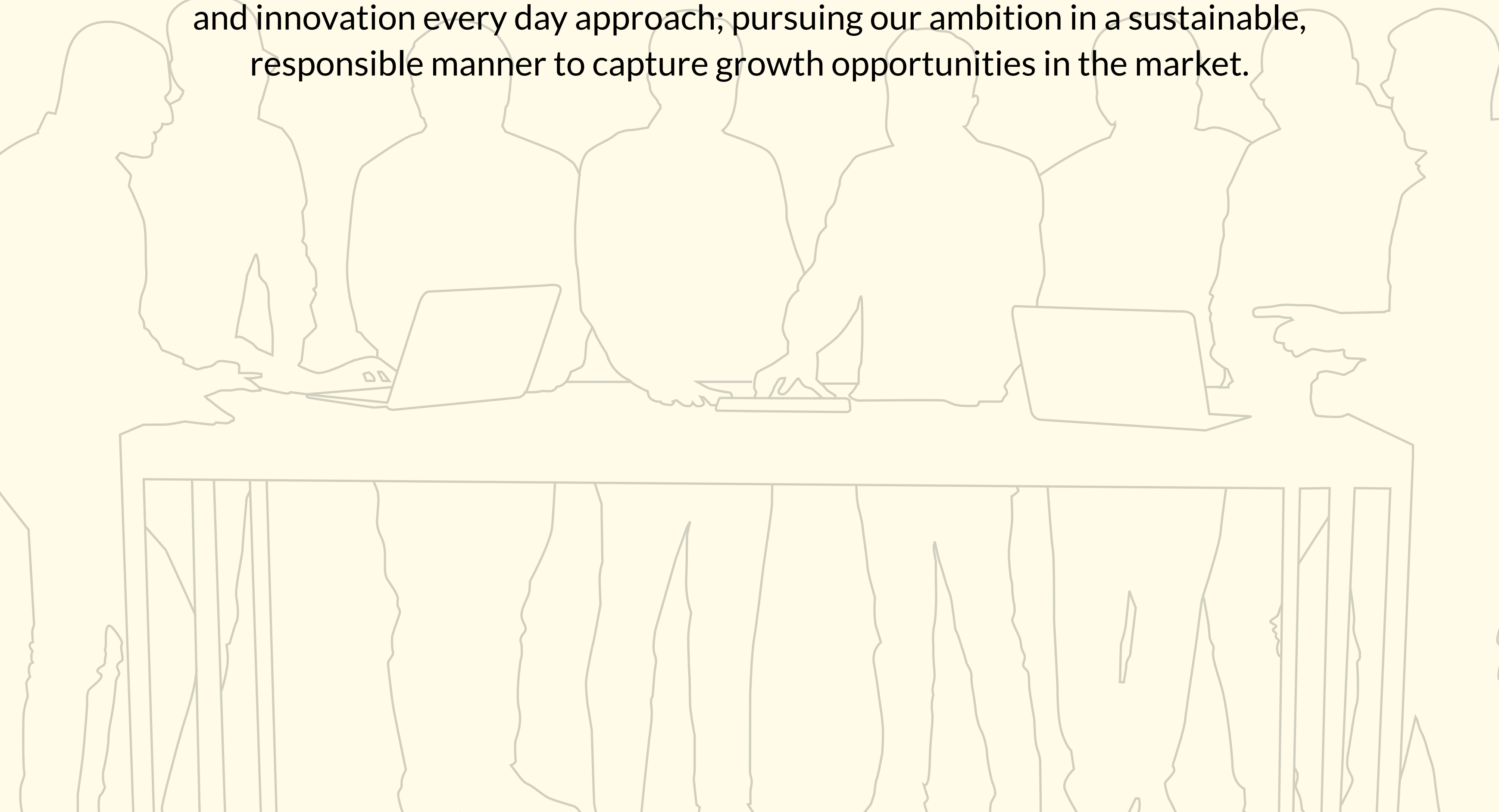


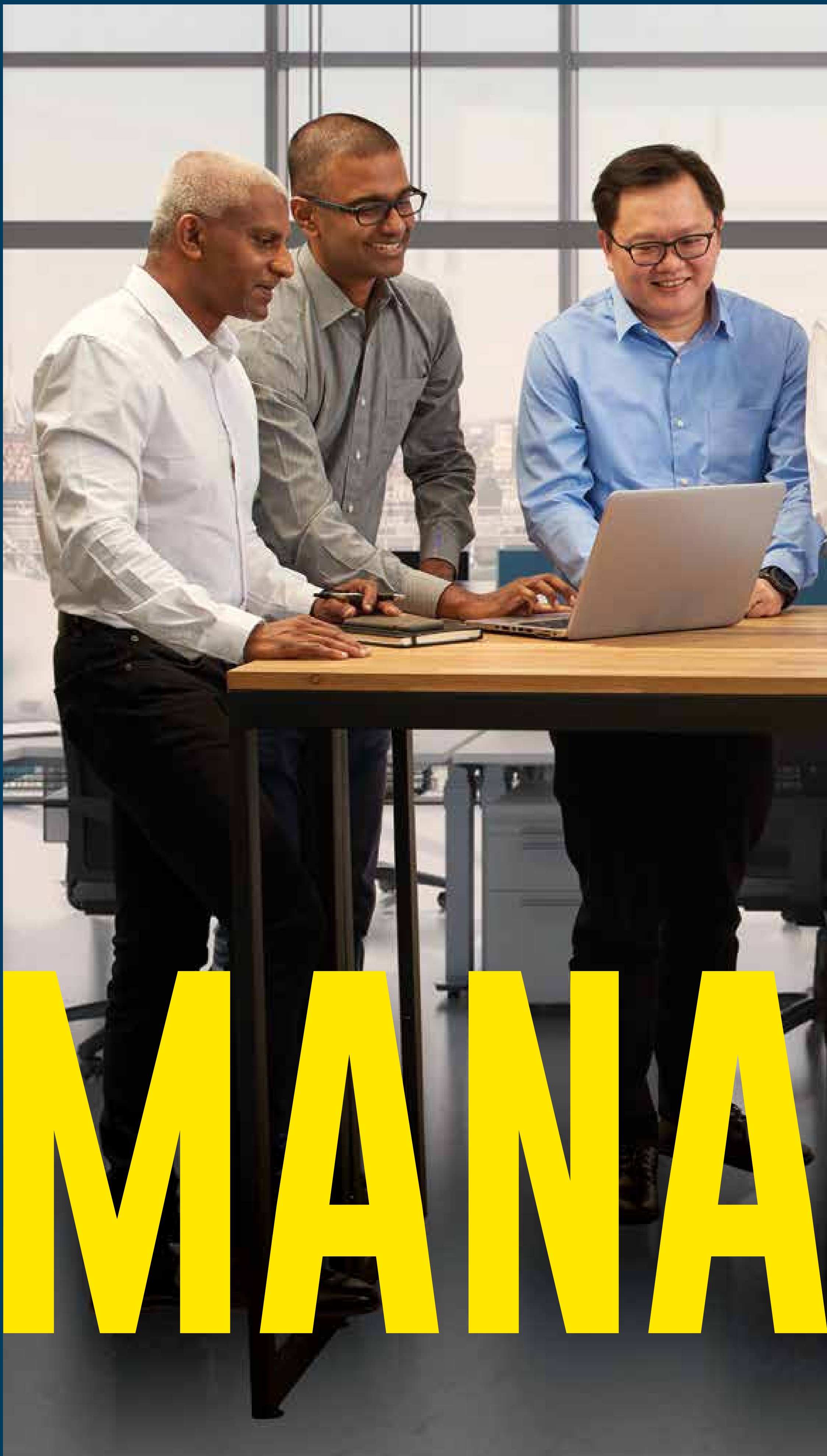
DEFINITIVE

Our Board has set a sharper, more focused direction for our business to succeed; a clear digital strategy that positions us well to compete, and continue creating value for society and our shareholders for the long-term.

DETERMINED

Our leaders are single-minded in executing our strategy with a customer-first and innovation every day approach; pursuing our ambition in a sustainable, responsible manner to capture growth opportunities in the market.





Left to right

1. **Kesavan Sivabalan**
   Chief Technology Officer
2. **Praveen Rajan**
   Chief Digital Officer
3. **Loh Keh Jiat**
   Chief Marketing Officer
4. **Nakul Sehgal**
   Chief Financial Officer
5. **Albern Murty**
   Chief Executive Officer
6. **Eugene Teh**
   Chief Business Officer
7. **Joachim Rajaram**
   Chief Corporate Affairs Officer
8. **Haroon Bhatti**
   Chief Human Resource Officer


GEMENT

MANAGEMENT PROFILES

ALBERN MURTY

Chief Executive Officer

Male **45** **Malaysian**

Career History:

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

Skills & Experience:

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

NAKUL SEHGAL

Chief Financial Officer

Male **37** **Indian**

Career History:

Nakul was appointed Chief Financial Officer on 1 August 2017. He was formerly the Chief Financial Officer of Telenor Hungary, where he also briefly assumed the role of Chief Marketing Officer. Prior to that, he held leadership positions in Telenor India with the most recent being Acting Chief Financial Officer and Head of Business Strategy & Performance Management. Nakul has more than 17 years of experience in financial management and business strategy including an enriching consulting exposure from his time at Ernst & Young and PricewaterhouseCoopers, prior to joining Telenor in 2010.

Skills & Experience:

Nakul is a Chartered Accountant who holds a Masters of Accounting and Finance from the Institute of Chartered Accountants, India, and a Bachelor of Commerce from Delhi University, India.

LOH KEH JIAT

Chief Marketing Officer

Male **46** **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. 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 Business Officer

Male **43** **Malaysian**

Career History:

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

Skills & Experience:

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

JOACHIM RAJARAM

Chief Corporate Affairs Officer

Male **41** **Malaysian**

Career History:

Joachim was appointed Chief Corporate Affairs Officer on 1 February 2018. He was formerly Growth and Partnerships Lead at Digi-X. In his 10 years with Telenor, he has held various senior roles including Vice President-Head of Corporate Communications in Telenor Myanmar, and Head of Communications and Sustainability at Digi. Joachim has two decades of experience in corporate communications, sustainability planning and governance, public affairs, and business environment management.

Skills & Experience:

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

HAROON BHATTI

Chief Human Resource Officer

Male **42** **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, Bangladesh and dtac, Thailand. Haroon began his career with the Telenor Group in 2005 with Telenor Pakistan.

Skills & Experience:

Haroon is a graduate of McGill University in Canada. 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 **39** **Malaysian**

Career History:

Praveen was appointed Chief Digital Officer on 1 June 2016. He joined Digi in 2007, and brings 18 years of experience in the internet and mobile industries. He has held multiple leadership positions in his decade with Digi, 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.

KESAVAN SIVABALAN

Chief Technology Officer

Male **49** **Malaysian**

Career History:

Kesavan was appointed Chief Technology Officer on 1 June 2017. Since joining Digi in August 2013, he has held various senior positions in the company including Chief Network Officer and Head of Technology Operations. Prior to that, 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.

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.


When what matters
is convenience at
your fingertips...

MYDIGI APP

The quickest way to manage your account on-the-go

Manage bills, usage and subscriptions for multiple accounts

Reload and share internet quota

Get rewards every day

Access to Live Chat support

DIGI STORES

Digitised retail experience in stores

Almost instant new line registrations on the Mobile Sales App (MSA)

eQueues help customers go about their day until it's time for them be served

Self-serve e-kiosks for quick and simple transactions

Digital playground to explore new smart devices and digital services

When what matters is convenience at your fingertips...

The new Digi Postpaid
Because how you use the Internet matters.
Up to 100GB Cloud Storage
Unlimited Music Streaming
Please select language
Bahasa Malaysia
English
Credit/Debit Card/ MyKad
Receipt
Insert Cheque
Insert Cash

CORPORATE GOVERNANCE OVERVIEW STATEMENT

THE BOARD OF DIRECTORS (THE BOARD) OF DIGI.COM BERHAD AND ITS SUBSIDIARIES (DIGI OR THE GROUP) RECOGNISES THE IMPORTANCE OF GOOD CORPORATE GOVERNANCE AND IS COMMITTED TO ENSURE THE SUSTAINABILITY OF THE GROUP'S BUSINESS AND OPERATIONS BY INTEGRATING GOOD GOVERNANCE ETHICS AND BUSINESS INTEGRITY INTO THE STRATEGIES AND OPERATIONS OF THE GROUP. THE BOARD BELIEVES THESE PRACTICES ARE KEY TO CONTINUE DELIVERING LONG-TERM SHAREHOLDERS' VALUE.

This Statement is prepared in compliance with Paragraph 15.25(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (MMLR) and guided by Practice Note 9 of the MMLR and the Corporate Governance Guide (3rd edition) issued by Bursa Malaysia. The Statement sets out the principal features of Digi's corporate governance approach, summary of corporate governance practices during the financial year as well as key focus areas and future priorities in relation to corporate governance.

The Corporate Governance Overview Statement is augmented with a Corporate Governance Report, based on a prescribed format as enumerated in Paragraph 15.25(2) of the MMLR so as to provide a detailed articulation on the application of the Group's corporate governance practices vis-à-vis the Malaysian Code on Corporate Governance (MCCG). The Corporate Governance Report is available on the Group's website at www.digi.com.my/investors as well as via an announcement on Bursa Malaysia's website.

This Corporate Governance Overview Statement should also be read in combination with the other statements in the Annual Report (e.g. Statement on Risk Management and Internal Control, Reports on Board Committees and Sustainability) as the application of certain governance enumerations may be more evidently expressed in the context of the respective statements.

Corporate Governance Approach

Digi's overall approach to corporate governance is to:

- Establish structures, policies and procedures which enable the Board to model and advocate good governance practices to ensure long-term sustainability and profitability of the Group;
- Drive application of good corporate governance practices by aligning the interests of shareholders, the Board and the Management; and
- Meet stakeholders' expectations of sound corporate governance as part of Digi's broader responsibility to shareholders, customers and the community in which it operates.

Principle A – Board Leadership and Effectiveness

How the Board operates

Board Responsibility

The Board is responsible for the long-term success of the Company, setting Company strategies, financial objectives and risk appetites, providing leadership to the business, monitoring the overall financial performance of the Company while ensuring effective corporate governance and succession planning. The Chair of the Board leads the Board with a keen focus on governance and compliance, and managing the Board's effectiveness by focusing on strategy, governance and compliance.

In order to ensure effective discharge of the Board's functions, the Board has delegated its specific powers of the Board to the relevant Board Committees, the Chief Executive Officer (CEO), who heads the Digi Management Team (Management) and Management Committees.

As depicted in the following illustration, Board Committees have been established to assist the Board in its oversight function with reference to specific responsibility areas. It should however be noted that at all times, the Board has collective oversight over the Board Committees. These Board Committees have been constituted with clear Terms of Reference and they are actively engaged to ensure that the Group is in adherence with good corporate governance practices.

Leadership Structure and Governance Framework

The Board Responsible for the overall conduct of Digi's business including driving our long-term success, setting our values, standards and strategic objectives, reviewing our performance, and ensuring a successful dialogue with our shareholders.	**Chairman** • Leads the Board, sets the agenda and promotes a culture of open debate between the Directors • Regularly engages with the CEO and the Management team to stay informed of operational matters • Ensures effective communication with shareholders	**Senior Independent Director** • Provides a sounding board to the Chair and appraises his performance • Acts as intermediary for other Directors, if needed • Available to respond to shareholder concerns when contact through the normal channels are inappropriate	**Non-Executive Directors** • Contribute to developing our strategies • Scrutinise and constructively challenge the performance of Management in the execution of our strategies
Board Committees Delegated to by the Board, and are responsible to maintain effective governance in the respective areas.	**Audit and Risk Committee** • Reviews the integrity of Digi's financial reporting • Reviews the adequacy and effectiveness of Digi's internal controls and risk management framework and related compliance activities ## *Audit and Risk Committee Report (Pages 79 to 82)*	**Nomination Committee** • Evaluates the Board's composition and ensures Board diversity, right mix and balance of skills • Sources for and nominates Board members ## *Nomination Committee Report (Pages 83 to 86)*	**Remuneration Committee** • Reviews the policy on remuneration of Non-Executive Directors • Reviews the remuneration of Non-Executive Directors and CEO
Management Responsible for implementing strategic objectives and realising competitive business performance in line with the established risk management framework, compliance policies, internal control systems and reporting requirements.	**Chief Executive Officer** • Responsible to lead the business and implements strategy **Chief Financial Officer** • Responsible for the preparation and integrity of our financial reporting	**Chief Marketing Officer** • Responsible for overseeing the planning, development and execution of our marketing initiatives **Chief Business Officer** • Responsible to lead the growth of our B2B business **Chief Technology Officer** • Responsible for leading the technology aspects of the Group	**Chief Human Resource Officer** • Responsible to lead and implement our people, organisation and culture strategy **Chief Corporate Affairs Officer** • Responsible for management of our business environment and strategic stakeholder engagement **Chief Digital Officer** • Responsible to lead and develop new digital business ventures

CORPORATE GOVERNANCE OVERVIEW STATEMENT CONTINUED

Notwithstanding that, the Board retains full responsibility for guiding and monitoring the strategic direction of the Company. In December 2017 and 29 January 2018, the Board reviewed and approved Digi's 3-Year Strategy Plan, the 2018 Preliminary Financial and Operational Targets, and the 2018 Build Plan and Capital Expenditure Allocation.

Board Charter

The Board is guided by its Board Charter (the Charter) which sets out the ethos of the Group, structure and authority of the Board. The Charter is the primary document that spells out the governance of the Board, Board Committees and individual Directors. The Charter was reviewed on 15 March 2018 in line with MCCG practices and is made available on the Group's website at www.digi.com.my/investors.

Salient features of the Charter:-

• Purpose • Board composition and balance • Matters reserved for the Board • Principal Roles and Responsibility of the Board, Board Committees and individual Directors	• Specific focus areas • Division of work between the Board and CEO • Proceedings of Board meetings • Conflict of interest • Chair of the Board and CEO

There is a clear division of responsibilities between the Chair of the Board and the CEO to ensure that there is a balance of power and authority. Mr Lars-Ake Valdemar Norling is responsible for instilling good corporate governance practices, leadership and effectiveness of the Board. The Chair of the Board maintains open lines of communication with the Management, and acts as a sounding board on strategic and operational matters.

The Board recognises the importance of having a Senior Independent Director to serve as a sounding board for the Chair and as an effective conduit for other Independent Directors to voice their concerns. On 11 July 2017, the Board appointed Tan Sri Saw Choo Boon as Senior Independent Director. The roles and responsibilities of a Senior Independent Director are set out in the Charter.

Key features of our Board

- Separation of the roles of Chair of the Board and CEO
- Chair of the Nomination Committee (NC) and Audit and Risk Committee (ARC) are Independent Non-Executive Directors
- Meets Board Diversity requirements, in particular gender diversity with three (3) women serving as members of the Board (43% female representation)
- Senior Independent Director to provide a sounding board to the Chair
- No Independent Directors have served more than nine (9) years
- Management do not sit on the Board

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

The Directors are aware of the time commitment expected from them to attend to matters of the Group in general, including attending Company meetings in the discharge of their roles and responsibilities. Management provides Directors with complete, adequate and timely information prior to meetings and on an ongoing basis to enable them to make informed decisions.

The breakdown of the Directors' attendance at the Board and Board Committees meetings during the financial year is set out below:-

Name of Directors	Board meetings 7	ARC Meetings 5	NC Meetings 2	RC Meetings 1	General Meeting 1
Lars-Ake Valdemar Norling Chair of the Board and the Remuneration Committee, Non-Independent Non-Executive Director	7/7 (100%)	N/A	1/1 (100%)	1/1 (100%)	1/1 (100%)
Tan Sri Saw Choo Boon Chair of the Audit and Risk Committee, Senior Independent Non-Executive Director	7/7 (100%)	5/5 (100%)	2/2 (100%)	N/A	1/1 (100%)
Yasmin Binti Aladad Khan Chair of the Nomination Committee, Independent Non-Executive Director	6/7 (86%)	N/A	2/2 (100%)	N/A	1/1 (100%)
Vimala V.R. Menon Independent Non-Executive Director	7/7 (100%)	5/5 (100%)	N/A	N/A	1/1 (100%)
Haakon Bruaset Kjoel Non-Independent Non-Executive Director (Appointed on 11 July 2017)	3/3 (100%)	N/A	1/1 (100%)	N/A	N/A
Tore Johnsen Non-Independent Non-Executive Director (Resigned on 23 January 2018)	7/7 (100%)	5/5 (100%)	N/A	1/1 (100%)	1/1 (100%)
Morten Loeken Edvardsen Non-Independent Non-Executive Director (Resigned on 12 December 2017)	3/3 (100%)	N/A	N/A	N/A	N/A
Morten Karlsen Sorby Non-Independent Non-Executive Director (Resigned on 11 July 2017)	4/5 (80%)	N/A	N/A	1/1 (100%)	1/1 (100%)
Kristin Muri Moller Non-Independent Non-Executive Director (Resigned on 11 July 2017)	3/5 (60%)	N/A	N/A	N/A	1/1 (100%)
Torstein Pedersen Non-Independent Non-Executive Director (Appointed on 12 December 2017)	N/A	N/A	N/A	N/A	N/A
Tone Ripel Non-Independent Non-Executive Director (Appointed on 23 January 2018)	N/A	N/A	N/A	N/A	N/A

ARC Audit and Risk Committee
NC Nomination Committee
RC Remuneration Committee

CORPORATE GOVERNANCE OVERVIEW STATEMENT
CONTINUED

Board Composition

As a leader in telecommunications and in driving progressive and responsible business practices, the Board seeks to continually evolve its membership by seeking to appoint Non-Executive Directors equipped with diverse skills and perspectives, and extensive experience in strategic planning and international operations for inclusion to the Board.

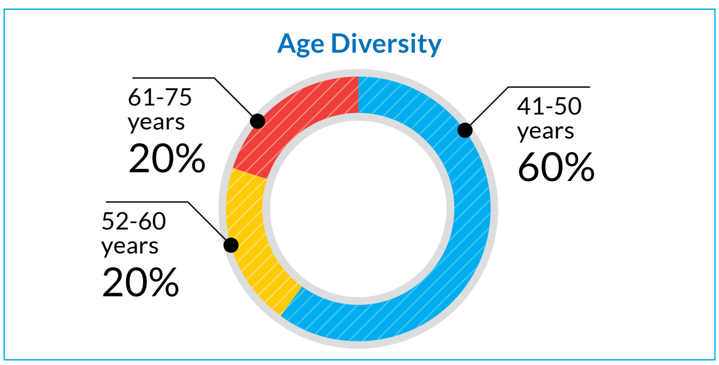
Our Board currently has seven (7) Directors, comprising four (4) Non-Independent Directors and three (3) Independent Directors, all of whom are Non-Executive Directors, with a broad range of experience and in-depth industry knowledge. Digi maintains a good balance between continuity of and fresh perspectives on the Board.

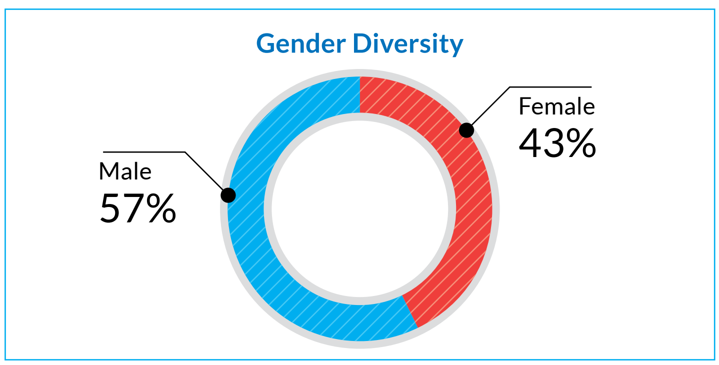
The NC plays a vital role in achieving diversity on the Board and considers the following before making its recommendations of suitable candidates to the Board:

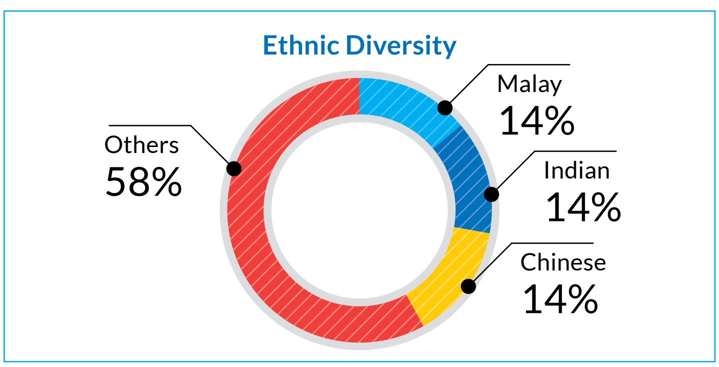
- The benefits of boardroom diversity and to appoint candidates based on merit and without prejudice, when reviewing the Board's composition;
- The balance of skills, experience, independence, knowledge and the diversity of representation on the Board, as part of the annual performance evaluation on the effectiveness of the Board, Board Committees and individual Directors; and
- Implement and monitor the progress of the Diversity Policy towards the achievement of such objectives.

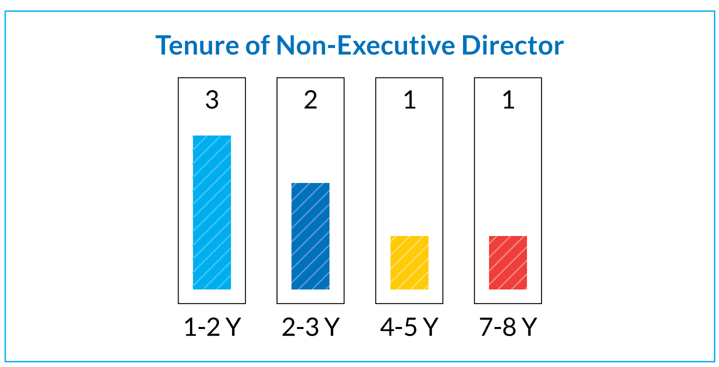
The NC also conducts annual reviews of the Board's size and composition, to determine if the Board has the right size and diversity required to deliver the Company's objectives and strategic goals.

The current Board composition is illustrated below:-

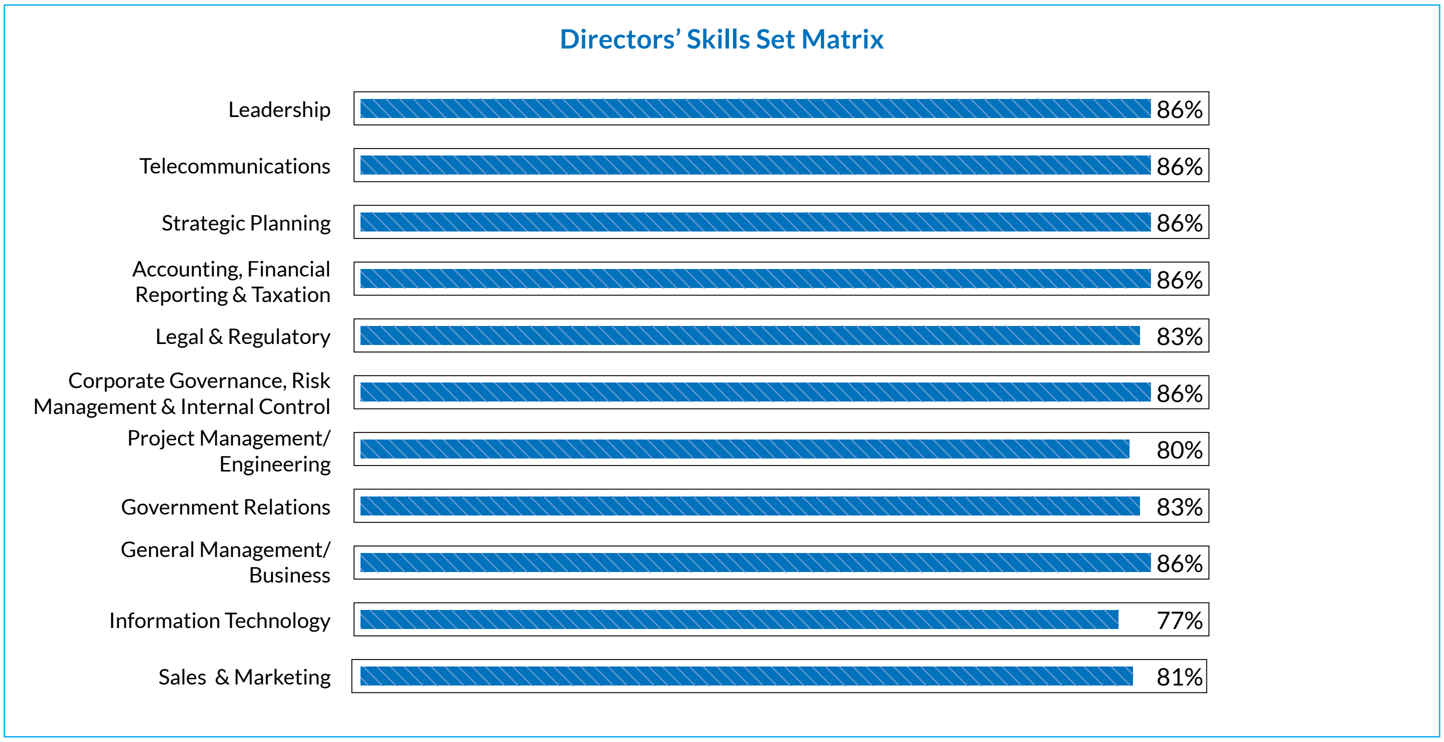








The following chart summarise the average results of Directors' Skill Set assessment on the collective skills of the Board in each respective area:-



 # Please refer to individual Director's Profile on pages 46 to 52 for the Board Skills Matrix.

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

Embracing the Corporate Governance Culture

The Board recognises that upholding high standards of corporate ethics is key to long-term value creation and contributes directly to improved business performance. The Management team plays a critical role in leading and advocating ethical behaviours and values the Board expects to see. The Management led forums and engagements throughout the year to highlight our values, beliefs, business integrity and approach to health and safety.

Digi's culture is defined through the Digi Way, the Code of Conduct (Code), Whistle Blowing Policy and Manual, Anti-Corruption Policy, No Gift Policy, and Health, Safety, Security and Environment Policy. Together this sets out the high standards of behaviour we expect from Digi employees, suppliers, business partners and customers with a clear direction on general workplace behaviour, conducting business, interacting with the community, government and other stakeholders.

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

CORPORATE GOVERNANCE OVERVIEW STATEMENT
CONTINUED

Remuneration

Digi aims to provide attractive and well-structured remuneration which are sufficient to attract, retain and motivate high calibre Directors and Management to drive the Company's strategic objectives, business sustainability and create long-term value for shareholders. The Board has put in place Digi's Remuneration Policy for Non-Executive Directors, and Remuneration Policy and Procedure for Senior Management which are designed to support its objectives. The Remuneration Committee (RC) comprises all Non-Executive Directors who oversee the implementation of the remuneration policy and structure, and reviews and recommends matters relating to the remuneration for Directors and Management to the Board.

The Board collectively determines the remuneration for the Independent Directors based on the RC's recommendation. Each of the Independent Directors abstains from deliberating and voting on their own remuneration. The Non-Independent Non- Executive Directors receive their remuneration from their employing companies within the Telenor Group and do not receive any form of remuneration from Digi.

Details of the remuneration of the Independent Directors for the financial year 2017 are as follows:

Independent 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	3,634^*	31,992	Nil	275,626
Yasmin Binti Aladad Khan	240,000	300*	Nil	Nil	240,300
Vimala V.R. Menon	240,000	4,300^*	Nil	Nil	244,300
Total	**728,234**		**31,992**		**760,226**

^ Meeting Allowance only applicable for Audit and Risk Committee meetings
* Staff Line Benefit

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**

At present, Digi's Board and Management remuneration remains competitive and is benchmarked against industry standards to attract and retain the right talent within Digi to drive the Company's long-term objectives. Further details are set out in the Corporate Governance Report available on Digi's website.

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

Nomination Committee

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. This is achieved through an annual performance evaluation, full induction of new Board members and ongoing Board development activities.

The evaluation process is led by the NC Chair and assisted by the Company Secretaries. Each Director conducts confidential online questionnaires accessible via the Board software portal prepared by Boardroom Corporate Services (KL) Sdn Bhd together with the internal Company Secretary.

Please refer to the Nomination Committee Report (pages 83 to 86), which describes the NC's membership, its responsibilities and summary of its activities.

Principle B – Accountability and Effective Audit and Risk Management

Audit and Risk Committee

The ARC comprises four (4) members, all of whom are Non-Executive Directors and a majority of whom are Independent Directors, and is chaired by Tan Sri Saw Choo Boon, the Senior Independent Director. The ARC's responsibilities in overseeing Digi's financial reporting process, internal controls, risk management and governance are guided by its Terms of Reference, which is reviewed and approved by the Board annually. To ensure the ARC continues to be effective, all its members are committed to continue their professional education to ensure sufficient understanding of Digi's business, and to keep updated with the industry's development, including new statutory and regulatory requirements.

To safeguard the integrity and credibility of the audit process, Digi does not have any former key audit partner as an ARC member. However, Digi has adopted a policy in its Terms of Reference to require a former key audit partner to observe a cooling-off period of at least two (2) years before being appointed as a member of the ARC by the Company or any of its related corporations.

During the financial year, the ARC assessed the suitability, objectivity and independence of our external auditors guided by the procedures on the assessment of external auditors formalised by the ARC on 15 March 2018. Based on the evaluation, the ARC recommends the re-appointment of the external auditors at the forthcoming AGM.

Risk Management and Internal Control Framework

The Board acknowledges its responsibility for establishing and overseeing Digi's effectiveness of internal controls and risk management framework. 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 Management is responsible for implementing Board approved policies and procedures on risk management by identifying and evaluating risks, and monitoring the risks vis-a-vis achievement of business objectives within the risk appetite parameters. The ARC and Board oversee the Company's risks through its quarterly review, and deliberation on the key risks and responses in mitigating the risk exposures.

CORPORATE GOVERNANCE OVERVIEW STATEMENT
CONTINUED

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

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

Please refer to the Audit and Risk Committee Report (pages 79 to 82) for further details on the composition of the ARC, and activities in the discharge of its duties for 2017.

Details of the Risk Management and Internal Control Framework are set out in the Statement on Risk Management and Internal Control (pages 73 to 78).

2018 Priorities

Given the challenging market conditions contributed by the rapid pace of technological advancement and disruptions in the business environment, amongst others, an effective risk management and inculcation of a risk and control culture in the organisation is one of the key priorities for the ARC in 2018. As the risk landscape evolves, the ARC sees a need to shift boardroom discussions from risk prevention to that of detection. The risk and control mind-set should be instilled at every level of the organisation and continued to be embedded into its operations, as the foundation of decision making.

Principle C – Relationship with Stakeholders

Communications with Our Shareholders

Over the years, Digi has established a solid and diversified shareholder base with 27,458 shareholders as at 31 December 2017, out of which 41.9% (2016: 41.1%) of the shareholdings are from Malaysia and 9.1% (2016: 9.9%) from foreign countries. Our shareholder base continued to reflect steady and robust shareholding support from institutional or corporate investors of 98.0% and the remaining 2.0% from private investors or individuals.

We value the importance of effective communication with our shareholders and investors. We believe that effective and timely communication will enhance shareholders' understanding and appreciation of Digi's business strategies, financial performance and current business initiatives in making informed investment decisions and in exercising their rights as shareholders. Therefore, we are highly committed to ensure timely, accurate, transparent and effective communication of relevant and material corporate information is shared with our shareholders and the investment community.

In addition, we have an established Investor Relations team dedicated to provide necessary information and services to, and communicate with, shareholders and investors and other participants in the capital market. The cohesive collaboration between Investor Relations with various information providers within Digi has supported more clear and relevant disclosures on areas of interest by the investment community.

Shareholders and investors can also make inquiries about Investor Relations matters with Digi throughout the year via Investor_Relations@digi.com.my. Further details are set out in the Corporate Governance Report available on Digi's website.

Engagements with Institutional Investors

Our 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 investors targeting and planning of investor relations engagement programmes.

In 2017, we strategically focused our investor relations engagements on investment funds with an Asia mandate; yield and value oriented funds, long-term funds as well as prospective investors with exposure in industry peers. With that objective in mind, Digi participated in four (4) ASEAN or telecommunications themed conferences and six (6) non-deal roadshows.

In addition, we have also organised a series of engagements with analysts and investors during the year with three (3) Analysts Days participated by Management and a briefing session for fixed income investors at the debut of the 15-year Sukuk programme.

Venue	Event	Date	Organiser
Kuala Lumpur	Analyst day	21 February 2017	Digi
Kuala Lumpur	Fixed income investor briefing	9 March 2017	CIMB
Hong Kong	Investor conference	23 May 2017	BNP Paribas
Hong Kong and Tokyo	Non-deal road show	24 - 26 May 2017	JP Morgan
Kuala Lumpur	Investor conference	25 -26 July 2017	CIMB
Kuala Lumpur	Analyst day	7 August 2017	Digi
Kuala Lumpur	Non-deal road show	11 September 2017	Maybank
Kuala Lumpur	Non-deal road show	14 September 2017	UOB Kayhian
Singapore	Investor conference	16 – 17 November 2017	Morgan Stanley
Kuala Lumpur	Analyst day	27 November 2017	Digi
Kuala Lumpur	Non-deal road show	5 December 2017	RHB
Kuala Lumpur	Investor conference	24 January 2018	Bursa Malaysia and Maybank
London	Non-deal road show	6 February 2018	Newstreet
London	Non-deal road show	7 - 9 February 2018	Maybank

Shareholders' and Investors' Feedback

During the various engagement sessions with the investment community, the key topics of interest included amongst others:

- Market competition
- Revenue growth opportunities
- Digi's 4G Plus network
- Digital transformation journey
- Operational efficiency initiatives
- Capital Expenditure guidance
- Earnings and dividend prospects
- Spectrum portfolios
- Debt structure
- Digi's Shariah compliant status

We appreciate the views and feedback from our shareholders and investors, and key concerns are regularly reported to Management for their deliberation and actions, if any.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

CONTINUED

Annual General Meeting (AGM) and Voting

The AGM provides a useful forum for our shareholders to engage directly with Digi's Board of Directors and Management. At the 20th AGM held on 9 May 2017 in Kuala Lumpur, Malaysia, Digi's Management team 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 the Minority Shareholder Watchdog Group (MSWG) to raise questions and provide feedback to the Board and Management.

In order to encourage the participation of shareholders at its general meeting, we organised our 20th AGM at an easily accessible location in Kuala Lumpur alongside with the convenience of voting via electronic polling. Shareholders are allowed to vote via proxy if they are unable to attend the general meetings. The Company will continue to explore leveraging on technology to facilitate shareholders' participation and enhance proceedings of general meetings.

Focus Area on Corporate Governance

Corporate governance is clearly an imperative for the Group against the backdrop of regulatory changes and a relatively challenging business environment.

The Board has therefore directed its focus on the following corporate governance areas during the financial year ended 31 December 2017 as they relate to the creation of long-term value for shareholders and other stakeholders:-

Board Composition

The Board is satisfied that the current composition of Directors provides the appropriate balance and size in the Board necessary to promote all shareholders' interests and to govern the Company effectively. It also fairly represents the ownership structure of the Company, with appropriate representations of minority interests through the Independent Directors. Tan Sri Saw Choo Boon, who was appointed as the Senior Independent Director on 11 July 2017, is to whom concerns on matters relating to Corporate Governance of the Company can be conveyed. The appointment serves to facilitate greater checks and balances during deliberations and decision-making. The Independent Directors fulfills a pivotal role in providing unbiased and independent views, advice and judgement, taking into account not only the interest of the Company but also shareholders, employees, customers and communities in which the Company conducts business.

The profile of each Director is set out on pages 46 to 52 of this Annual Report.

The Board believes that having objectivity in the boardroom extends beyond quantitative measures such as the number of Independent Directors. In order to harness the collective wisdom and benefit from the greater participation of Independent Directors, the Board has set a policy to limit the tenure of Independent Directors to nine (9) years. Digi further held private sessions between Independent Directors with the Management and key gatekeepers of the Group such as external and internal auditors. These sessions provided Independent Directors with the opportunity to candidly share concerns about the Group and exchange views on potential improvements in governance. The Independent Directors who are of high calibre and experience ensure that there are robust discussions during the Board or Committees meetings. They exercise strong independent judgement and do not shy away from asking hard and uncomfortable questions during deliberations, and are willing to challenge Management if answers provided are not satisfactory.

Furthermore, the Non-Independent Non-Executive Directors are subject to a rotation every three (3) years and key Management do not sit on the Board or Board Committees.

Board Diversity

The Board recognises the importance of diversity in deliberations and decision making and has escalated its efforts to establish a diverse Board with a variety of skills, experience, age, cultural background and gender. On gender diversity in particular, the Board currently has three (3) women Directors representing 43% women on Board which has exceeded the Malaysian government's 30% target. The Board is also committed to developing a corporate culture that embraces all aspects of diversity and inclusion practices in the Group.

The Board via the NC has further reviewed the Diversity Policy to align with the MCCG.

Code of Conduct

Digi's Code of Conduct (Code) has been adopted by the Board to support the Group's objectives, vision and values which reflects Digi's purpose, and core values of integrity, respect, trust and openness. The basic principles have been carried out by having appropriate regard to the interests of the Company's customers, shareholders, business partners and the broader community in which the Group operates.

All employees are briefed and provided with a copy of Digi's Code, and are constantly made aware of the principles. The Code is available on the Company's website at www.digi.com.my/aboutus. Digi's Ethics and Compliance Officer reports on a quarterly basis to the Audit and Risk Committee on organisation-wide compliance of the Code.

The Company encourages its employees to provide feedback with any concerns regarding misconduct and/or wrongdoing by Digi employees. Any non-compliance and failure to report non-compliance to the Code may lead to disciplinary action.

The Board will review Digi's Code and all related governing documents with regards to whistle blowing in 2018.

Sustainability Report

The Company produces a yearly sustainability report that outlines our high commitment to uphold ethical and responsible conduct across our operations, build a highly skilled workforce, and reduce our environmental impact while empowering communities to address socio-economic inequalities. The Company has yet to adopt an integrated approach to reporting as the Board acknowledges that integrated reporting goes beyond a mere combination of financial statements and sustainability reporting into a single document.

CORPORATE GOVERNANCE OVERVIEW STATEMENT
CONTINUED

CORPORATE GOVERNANCE PRIORITIES

Moving forward, the Company will continue working towards achieving high standards of corporate governance. The Board has identified the following forward-looking action items that will help it to achieve its corporate governance objectives.

Timeframe: 1 to 3 years

Integrated Reporting

The Company has yet to adopt an integrated reporting approach. The Board acknowledges that integrated reporting encapsulates more than a mere combination of the separate reports in the Annual Report into a single document. Having said this, producing the yearly Annual Report and its various statements is a coordinated effort between cross-functional departments in Digi. The Board may consider adopting integrated reporting in the near future.

Timeframe: 2 to 5 years

Dedicated Risk Committee

Currently, the ARC oversees the Company's risk management framework and policies. The roles and responsibilities in risk management are set out in the ARC's Terms of Reference.

The Company will explore the need to establish a separate Risk Management Committee with dedicated functions on Risk Management in the near future.

Disclosure of Directors and Senior Management's Remuneration

The Board wishes to give the assurance that the remuneration of Directors and Management commensurate with their individual performance, taking into consideration the Group's performance and achievement of its key performance indicators. The remuneration packages of the Management are based on experience, expertise, skills and industry benchmark.

The RC will review the disclosure of the top 5 Management members.

The Board deliberated, reviewed and approved this Corporate Governance Overview Statement on 15 March 2018.

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 IS REQUIRED TO INCLUDE IN THEIR ANNUAL REPORT, A "STATEMENT ABOUT THE STATE OF RISK MANAGEMENT AND INTERNAL CONTROL OF THE LISTED ISSUER AS A GROUP". THE MALAYSIAN CODE ON CORPORATE GOVERNANCE ISSUED BY SECURITIES COMMISSION MALAYSIA REQUIRES THE BOARD TO ESTABLISH AN EFFECTIVE RISK MANAGEMENT AND INTERNAL CONTROL FRAMEWORK. DIGI'S BOARD OF DIRECTORS (BOARD) IS PLEASED TO PROVIDE THE FOLLOWING STATEMENT PREPARED IN ACCORDANCE WITH THE "STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL: GUIDELINES FOR DIRECTORS OF LISTED ISSUERS" ENDORSED BY BURSA SECURITIES. THE STATEMENT OUTLINES THE FEATURES OF DIGI'S RISK MANAGEMENT AND INTERNAL CONTROL FRAMEWORK, AND THE ADEQUACY AND EFFECTIVENESS OF THIS FRAMEWORK 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 losses or fraud.

The Board, through the Audit and 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 the effectiveness of 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's risk management framework provides the foundation and process on how risks are managed across the Company. The process in place is broadly based on ISO 31000:2009 and aims to identify, evaluate and respond to risks that may impede the achievement of Digi's plans and business objectives.

The responsibilities of the Risk Management function, as defined in the framework, are to implement the enterprise risk management process through identifying, monitoring, reporting and/or escalating risks which may impact business objectives. The ARC and Board take an oversight role to review and deliberate on Digi's top risks. Digi's Management is responsible to identify significant risks, evaluate the organisation's risk profile and drive risk responses on a regular basis. All line managers are required to assume responsibility for risk management within their areas of responsibility and ensure that risk management is embedded in their day-to-day business processes.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

CONTINUED

As part of the continuous improvement efforts to strengthen Digi's risk management processes, the effectiveness of risk practises were reviewed. Various enhancements were implemented to ensure more systematic risk identification, monitoring and reporting of new, existing and evolving risks.

Following are the key risks areas reported by Management and discussed with the ARC and Board in the financial year. Appropriate risk responses and strategies have been identified and taken to mitigate the risk exposures. As these key risks are still relevant, status of mitigations are monitored and reported to Management regularly, with oversight reporting to the ARC and Board providing them the visibility and status of key risks across Digi.

Market Risk

Digi operates in a market highly challenged by constant price competition from existing and new operators in the industry. In addition, there is also increased competition from a variety of technology and digital service providers as consumer behaviour and expectations evolve. Failure to respond to these dynamics and drive change to meet consumers' evolving demands will impact Digi's service offerings, key revenue streams and position in the market.

Financial Risk

The main risks arising from the normal course of business are foreign exchange, interest rates, liquidity and credit risks. Clearly documented policies, guidelines and control procedures are important to manage and report exposure of these risks with the objective of preserving Digi's profitability. Other challenges or uncertainties which may cause adverse impact on Digi's cash flow and financial performance includes specific taxes, spectrum fees, and penalties.

Regulatory Risk

Digi's operations are subject to various regulatory requirements like licensing, spectrum, numbering and access regulation requirements. In addition, regulatory bodies may introduce new or reform existing rules or policies to drive industry growth. If Digi fails to fulfil any of these regulatory requirements or developments, it could have a material impact on business prospects, market perception and financial performance.

Legal & Compliance Risk

Digi is required to comply with a multitude of laws and requirements by various governing authorities. These include customer registrations, data privacy and protection, competition law, accounting and financial standards. Non-compliance to these requirements could result in fines or other penalty like revocation of licenses.

Operational Risk

The provision of Digi's services depends on the quality and stability of the network and systems hence there is a risk of service interruptions or outages. In addition, Digi's network and IT systems are also vulnerable to internal and external cyber security attacks that can cause disruptions to the network and services provided to consumers as the company moves into new technologies such as cloud computing, integration of various technologies; and increased used of mobile devices.

Other operational risk which may threaten Digi's reputation and credibility is data privacy risk. Due to the rapid growth, and usage of smart and connected devices, vast amounts of confidential consumer and business data are generated. Loss, mismanagement or unauthorised disclosure of these consumers' personal data may undermine consumer confidence and/or result in regulatory fines and penalties.

1. Control Activities

- **Policies and Procedures**

  Digi has documented policies and manuals that set formal standards on how we operate as a company. It serves to ensure that Digi complies with relevant laws and risks are adequately mitigated, whilst providing guidance and direction for proper management and governance of operations and business activities. These policies and manuals 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 ensures that revenue leakage is minimised by implementing adequate controls and processes through an optimal revenue management framework. It covers the cycle of identification, assessment, mitigation and monitoring. Digi has in place automated controls to ensure that usage and profile integrity between the network, mediation, rating and billing is assured and adequately controlled. Key issues and mitigation actions are reported to Management monthly. The effectiveness and efficiency of processes and controls within the revenue cycle are reviewed regularly. In addition to assuring minimal revenue leakage, the team also monitors site and store profitability, providing key feedback to optimise the management of Digi's key assets.

- **Security**

  The Security department is responsible for compliance investigations, fraud management, authority requests, information security and physical security.

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

  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 Risk Management 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. Reviews on internal controls over financial reporting is performed in accordance to Digi's Internal CFR Framework, which requires assessment on significant accounts based on materiality level; testing and evaluation of the design and operational effectiveness of key controls. The function adopts a continuous monitoring routine to follow up on unaddressed risks and non-operating controls, including periodic reporting to Management and the ARC on the status of controls on the financial reporting processes.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

CONTINUED

2. Authority

- **Organisation Structure**

  Digi's well-defined organisational structure ensures clear lines of reporting, proper segregation of duties, assignment of authority and accountability within the organisation. Aligned to Digi's long-term ambitions, the organisation structure was refreshed to strengthen the overall ability to deliver on the company's next phase of growth. In June 2017, the Network and IT divisions converged to form a larger, more cohesive Technology division to solidify overall technical competencies and services delivery. This division is led by the Chief Technology Officer. In August 2017, a new Chief Financial Officer was appointed to further strengthen the Finance organisation with innovative practices to support Digi's digital ambitions.

- **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 Terms of Reference of these Committees are accessible in the Corporate Governance section of Digi's website at www.digi.com.my/investors.

  Various Management Committees comprising key Management 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 (VIC) 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 VIC meets once every two weeks and is chaired by the Investment Controller with selected Management as participants of the Forum.
  - The Regulatory Steering Committee (RSC) provides direction and makes decisions on regulatory matters and/or related topics that have a significant impact to Digi. The RSC meets monthly, and is chaired by the CEO with key Management as RSC members.
  - 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 quarterly Forum is chaired by the CFO with selected Management participating as Forum members.

- **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 (the Code) is a vital and integral part of Digi's governance regime that defines the core principles and ethical standards in conducting business and engagements with all stakeholders, and compliance with relevant law and regulations. The Code 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. The Company has established communication channels that allow concerns of non-adherence to the Code to be anonymously reported.

- **Compliance**

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

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

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

4. Monitoring

- **Management and Board Oversight**

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

- **Internal Audit Function**

  The Internal Audit department is independent as it has no involvement in Digi's operations and reports directly to the ARC. The Internal Audit function thereby provides independent assurance on the effectiveness of Digi's internal control system. 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.

  The Internal Audit department assists both the ARC and Board by conducting 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 manuals. The audit reports, including significant findings and recommendations for improvements, and Management's responses to the recommendations are highlighted to Management and reported to the ARC on a quarterly basis. Implementation status of actions taken by Management to address improvement areas highlighted is also monitored by the ARC to ensure they are addressed timely.

  The Internal Audit department's activities and practices conform to The Institute of Internal Auditor's International Standards for the Professional Practice of Internal Auditing.

  Further information on the Internal Audit department's activities are detailed in the Audit and Risk Committee Report on pages 79 to 82 of this Annual Report.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL
CONTINUED

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 2017, 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 the external auditors to consider whether the Directors' Statement on Risk Management and Internal Control covers all risks and controls, or to form an opinion on the adequacy and effectiveness of the Group's risk management and internal control system including the assessment and opinion by the Directors and Management thereon. The report from the external auditor was made solely for, and directed solely to the Board of Directors in connection with their compliance with the listing requirements of Bursa 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 has received assurance from the CEO and CFO that Digi's risk management and internal control framework is operating adequately and effectively, in all material aspects, during the financial year under review and up to the date of this Statement. Taking into consideration the assurance from Management and relevant assurance providers, the Board is of the view that the risk management and internal control practices and processes are operating adequately and effectively to safeguard the shareholders' investment, customer's interests, and Digi's assets.

AUDIT AND RISK COMMITTEE REPORT

Composition and Terms of Reference

The Audit and Risk Committee (ARC) has four (4) members, all of whom are Non-Executive Directors and a majority of whom are independent, including the Chair of the ARC. No alternate Directors shall be a member of the ARC. This meets the requirements of Paragraph 15.09(1)(a) and (b) of the Main Market Listing Requirements of Bursa Securities (MMLR). The ARC comprises the following:

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

Members
Vimala V.R. Menon, Independent Non-Executive Director
Yasmin Binti Aladad Khan, Independent Non-Executive Director
Torstein Pedersen, Non-Independent Non-Executive Director

Vimala 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 MMLR, which stipulates that at least one (1) member of the ARC must be a qualified accountant.

During the financial year ended 31 December 2017, Yasmin Binti Aladad Khan was appointed as an additional member of the ARC effective 12 December 2017. Other changes in the composition of the ARC included the resignation of Tore Johnsen as an ARC member following his resignation as a Director of the Company, and the appointment of Torstein Pedersen as a Director and a member of the ARC on 23 January 2018.

The Board of Directors (the Board), via the Nomination Committee (NC), annually reviews the terms of office and performance of the ARC and its members through an effectiveness evaluation exercise. This is to determine whether the ARC and its members have discharged their functions, duties and responsibilities in accordance to the ARC's Terms of Reference. In early 2018, the NC assessed the ARC's performance for the financial year ended 31 December 2017 and was satisfied that it was operating in an effective manner.

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

Summary of Activities of the ARC

The ARC held five (5) meetings during the financial year ended 31 December 2017. The attendance of each member at ARC meetings are detailed as follows:

Name	Designation	Meetings attended
Tan Sri Saw Choo Boon	Chair, Senior Independent Non-Executive Director	5/5
Vimala V.R. Menon	Member, Independent Non-Executive Director	5/5
Tore Johnsen (resigned on 23 January 2018)	Member, Non-Independent Non-Executive Director	5/5

AUDIT AND RISK COMMITTEE REPORT CONTINUED

The CEO, CFO and Head of Internal Audit attended all ARC meetings 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.

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

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

Risk Management and Internal Control

(a) Reviewed the quarterly risk reports and discussed significant risks highlighted, including adequacy of mitigating actions in place.
(b) Discussed the revised Enterprise Risk Management process where improvements were made to ensure holistic risk identification and reporting processes.
(c) Evaluated the overall adequacy and effectiveness of internal controls through review of the work performed by both internal and external auditors, other assurance providers within Digi, and discussions with Management.

Internal Audit

(a) Reviewed and approved the proposed revisions to the Internal Audit Charter in line with the International Professional Practices Framework (IPPF) by the Institute of Internal Auditors (IIA).
(b) Provided input on key areas to be included as part of the annual Internal Audit Plan. Deliberated and approved the risk-based Internal Audit Plan to ensure adequate scope and comprehensive coverage of Digi's activities. Monitored the progress of the approved Internal Audit Plan, including the status of the planned reviews and approved changes to the Internal Audit Plan due to changes in business and/or risk environment.
(c) Reviewed and deliberated on internal audit reports, the audit recommendations 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. Additional presentations were made at the request of the ARC to ensure adequate actions were taken in addressing the issues raised.
(d) Monitored the implementation of corrective action plans agreed by Management on outstanding audit findings on a quarterly basis to ensure that all actions have been implemented on a timely basis in the related areas.
(e) Held private meetings on 8 August 2017 and 12 December 2017 with the Head of Internal Audit, without the presence of Management, to review the Internal Audit function. This is to assure itself of the soundness of internal control systems and activities of the Internal Audit Department, and to provide guidance on ad hoc matters arising from on-going internal audit reviews.
(f) Reviewed the effectiveness of the Internal Audit function through evaluation of its performance and competency, and monitoring the sufficiency of resources and costs, to ensure that it has the required expertise and professionalism to discharge its duties.

Compliance

(a) Monitored the status of internal misconduct cases reported on a quarterly basis, including on-going investigations, in accordance with Digi's Code of Conduct and Governing Documents.
(b) Deliberated on the results of the compliance cases and directed Management to implement and/or enhance controls to prevent recurrence, including conducting education programmes to increase awareness.
(c) Reviewed the results of the anti-corruption risk assessment performed in 2017 in determining the materiality of exposure.

Financial Reporting

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

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

   (ii) Discussion of significant financial matters at length to ensure compliance with internal accounting policies and Malaysian Financial Reporting Standards (MFRS), focusing on MFRS 9, MFRS 15, and MFRS 16.

External Audit

(a) Reviewed the scope of work of the external auditors confirming their independence and objectivity.
(b) Reviewed external auditors' Management Letter together with Management's responses, to ensure that appropriate actions have been taken.
(c) Monitored on a quarterly basis, all non-audit services and fees incurred in which the external auditors were engaged, taking into account external auditors' independence and objectivity. The amount incurred by Digi and on group basis in respect of audit fees and non-audit related fees for services rendered by the external auditors is disclosed in Note 7 to the financial statements and in the Additional Compliance Information in page 87.
(d) Met privately with the external auditors at the ARC meetings held on 23 January 2017 and 16 October 2017 to ensure there were no restrictions to the scope of their audit and to discuss significant matters that arose during the course of audit.
(e) Evaluated the performance of the external auditors and made recommendations to the Board on their re-appointment, subject to the approval of Digi's shareholders at the general meeting.

Related Party Transactions

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

Other Activities

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

Internal Audit Function

The Internal Audit Department reports functionally to the ARC, and carries out its activities with the purpose of enhancing and protecting organisational value. The department provides risk-based and objective assurance, advice and insight to the Board and Management on Digi's internal control, risk management and governance system. 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 comprises six (6) members, led by Jenny Koay Chia Yin, who has over 17 years of experience in operational risk management and internal audit, in various multi-national companies, and has a Certification in Risk Management Assurance (CRMA). To further preserve the independence of the Internal Audit function, the Head of Internal Audit's performance is appraised by the Chair of the ARC.

AUDIT AND RISK COMMITTEE REPORT CONTINUED

The Internal Audit function is guided by its Internal Audit Charter, which is reviewed and approved annually by the ARC. 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 last external assessment was performed by a qualified, independent assessor in 2015. The results of the assessments are presented and discussed with the ARC.

In 2017, the Internal Audit Department executed a total of 16 reviews, including advisory services. The reviews covered business priority and key risk areas, focusing on the efficiency and effectiveness of governance and controls within IT operations, network site acquisition and implementation, and finance operations. The Internal Audit Department had also conducted reviews in relation to compliance with internal policies and regulatory requirements.

Internal Audit staff are required to perform an annual declaration on the adherence to the Code of Ethics, and any non-compliance and/or conflicts are reported to either the Head of Internal Audit or Chair of the ARC. There were no such occurrences for the year under review.

The total costs incurred for the Internal Audit Department in respect of the financial year ended 31 December 2017 amounted to RM1.1million (2016: RM1.5million).

The ARC Report is made in accordance with the resolution of the Board dated 15 March 2018.

NOMINATION COMMITTEE REPORT

THE NOMINATION COMMITTEE (NC) COMPRISES THREE (3) MEMBERS WHO ARE EXCLUSIVELY NON-EXECUTIVE DIRECTORS, WITH THE MAJORITY OF THEM BEING INDEPENDENT DIRECTORS. THE NC CONTINUES ITS WORK OF ENSURING THE BOARD COMPOSITION COMPRISES INDIVIDUALS WITH THE NECESSARY SKILLS, KNOWLEDGE AND EXPERIENCE TO MAINTAIN THE BOARD'S EFFECTIVENESS IN DISCHARGING ITS RESPONSIBILITIES.

Chair
Yasmin Binti Aladad Khan, *Independent Non-Executive Director*

Members
Tan Sri Saw Choo Boon, *Senior Independent Non-Executive Director*
Haakon Bruaset Kjoel, *Non-Independent Non-Executive Director (Appointed 11 July 2017)*

During the year, the NC met twice and all members of the Committee attended the meetings.

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

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 consistently reviewed to identify and close any gap in the Board's functional knowledge and competencies by bringing in new directors with the required experience, knowledge and expertise to meet the current and future needs of the Company.

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

When a vacancy on the Board arises, the NC meets to discuss the profile of the position to be filled. The NC goes through the search process, including soliciting recommendations from existing Directors, major shareholder and/or engaging in external search in identifying suitable qualified candidates. The NC then shortlists candidates and conducts interviews together with the other Directors. The NC assesses and recommends selected candidates that meet the needs of the Company. An invitation is extended to the selected candidate to join the Board and upon acceptance, the Board approves the appointment and makes 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 Digi's next AGM. Other than those Directors appointed during the year, one-third of the remaining Directors are required to retire by rotation and all Directors must submit themselves for re-election at AGM at least once in every three (3) years. 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 the AGM.

NOMINATION COMMITTEE REPORT
CONTINUED

Board, Board Committees and Individual Director 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 process is led by the Chair of the NC and assisted by the Company Secretaries, and is carried out in three stages:

Stage 1
Comprehensive questionnaire

- Each Director completes a confidential online questionnaire accessible via the Board software portal prepared by Boardroom Corporate Services (KL) Sdn Bhd and the Internal Company Secretary
- The evaluation includes a review of the administration of the Board and its Committees covering their operations, agendas, reports, and information produced for consideration, and relationship with Management

Stage 2
Evaluation

- The Board Committtees 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
- Each Director undertakes a self-assessment of their individual performance during the financial year based on the criteria of integrity and ethics, experience, knowledge, judgement and decision making, teamwork and character, leadership and competence, understanding of their role and time commitment

Stage 3
Reporting and discussion with the Board

- A detailed report is generated by the Board software based on the completed online questionnaire for the NC's assessment
- The evaluation process is led by the NC Chair and assisted by the Company Secretaries
- Areas for continuous improvements were recommended to the Board

Board Development

The NC also assessed the training needs of each Director and recommended to the Board the appropriate training list for respective Directors.

Topics covered at sessions attended by the Directors, individually or collectively during the year were areas of Leadership, Corporate Governance, Finance, Regulatory Development and Risk Management. Specific and tailored updates, delivered by the Management were also provided to the Independent Directors covering key themes related to spectrum, business reviews, telco industry and global trends, and digital products.

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

Name of Director	Training Programme/Conference/Seminar
Lars-Ake Valdemar Norling	• Thailand 4.0 Panelist • 5G and Thailand 4.0 stakeholder engagement • Shift Business to Catch Up with Tomorrow Event • Telenor SEP 2017 Workshop - Digital Business Model • Sustainability Peer Review Forum
Tan Sri Saw Choo Boon	• P2P/Crowd Funding/Crowdsourcing • Blockchain Technology and Potential Use in Financial Services • Islamic Banking by 2030: Impact of Digital Economy, Fintech & Sustainability • Promoting Prosperity by Improving Women's Rights • Digi internal training: 1) Broadband Spectrum Workshop 2) 3 Year Strategy Workshop 3) Telco Industry and Global Trends 4) Digital Products • Board Excellence: How to Engage and Enthuse Beyond Compliance with Sustainability • Impact Ethnicity and Class on Productivity • SSM National Conference – Companies Act from Policies to Implementation • Fraud Risk Management Workshop • Business Ethics and Integrity: Key to Sustainability in the Digital Economy • National Convention on Good Regulatory Practice (GRP) 2017 • Global Standards (GS1) Summit • ASEAN Economic Conference
Vimala V.R. Menon	• 19th Asia Oil & Gas Conference (AOGC 2017) • Executive Briefing Malaysia Code on Corporate Governance Update • Malaysia Institute of Accountants: MFRS 9 Financial Instrument: Gearing Up for First Time Adoption • Fraud Risk Management with PWC – Bursa Malaysia • Digi Internal Training: 1) Broadband Spectrum Workshop 2) 3 Year Strategy Workshop 3) Telco Industry and Global Trends 4) Digital Products
Yasmin Binti Aladad Khan	• DHL Compliance Training • DHL Insider Training Law • Digi Internal Training: 1) Broadband Spectrum Workshop 2) 3 Year Strategy Workshop 3) Telco Industry and Global Trends 4) Digital Products
Haakon Bruaset Kjoel (Appointed on 11 July 2017)	• Digi Internal Training- 3 Year Strategy Workshop • Master of Business Administration, BI Norwegian Business School, Oslo
Torstein Pedersen (Appointed on 12 December 2017)	• Internal Telenor R&D workshop • Best Practice Merger & Acquisition workshop with McKinsey

NOMINATION COMMITTEE REPORT CONTINUED

Mr Torstein Pedersen, who was appointed on 12 December 2017, attended the Mandatory Accreditation Programme (MAP) while Ms Tone Ripel, who was appointed on 23 January 2018, will attend the MAP within four (4) months of her appointment in fulfilling the requirements of the Main Market Listing Requirements of Bursa Securities (MMLR).

During the financial year 2017, the NC carried out the following activities:

- Conducted annual review on the NC Terms of Reference and Board Diversity Policy.
- Reviewed the results of the annual Board assessments and recommended areas for continuous improvements to the Board.
- Reviewed training completed by Directors, evaluated their training needs and recommended for trainings related to business strategy, finance, regulatory, and the telecommunications industry to strengthen their contributions to the Board.
- Reviewed the profile of Mr Haakon Bruaset Kjoel, Mr Morten Loeken Edvardsen and Mr Torstein Pedersen for appointment as Non-Independent Non-Executive Directors and recommended to the Board for approval.
- Conducted induction programmes for newly appointed Directors.
- Conducted annual review of the term of office, competency and performance of the Audit and Risk Committee and its members, and was satisfied with their performance in discharging their duties and responsibilities.
- Evaluated the performance of the Directors who were due for retirement by rotation and recommended their re-election at the Annual General Meeting of the Company to the Board.

During the meeting held on 9 March 2018, the NC reviewed and assessed the mix of skills, knowledge, expertise, industry experience, professionalism, integrity, competencies, time commitment, composition, size and background of the Board. This included the core competencies of the Directors, contribution of each individual Director, independence of the Independent Directors, Board diversity in terms of gender and age, effectiveness of the Board and Board Committees, as well as the retirement of Directors eligible for re-election.

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

CEO and CFO Evaluation

The NC 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 15 March 2018.

ADDITIONAL COMPLIANCE INFORMATION

Other Disclosures

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

1. Non-Audit Fees

During the financial year, the amount incurred by Digi and the Group with respect to audit fees and non-audit related fees paid to external auditors for the financial year ended 31 December 2017 are as follows:-

	Company (RM)	Group (RM)
Audit Services	44,000	408,000
Non-Audit Services	-	696,000
Total Fees	**44,000**	**1,104,000**

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 on Risk Management and Internal Control
(e) Tax compliance services
(f) MFRS 15 project implementation review

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

There were no material contracts by Digi and/or its subsidiaries involving Directors' and major shareholders' interests either subsisting as at 31 December 2017 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 9 May 2017, 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 2017 are set out on page 164 of the Annual Report.

STATEMENT OF RESPONSIBILITY BY DIRECTORS

IN RESPECT OF THE PREPARATION OF THE ANNUAL AUDITED FINANCIAL STATEMENTS

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

The Directors are also responsible for ensuring that the annual audited financial statements of the Group are prepared with reasonable accuracy from the accounting records of the Group so as to give a true and fair view of the financial position of the Group as of 31 December 2017 and of their financial performance and cash flows for the year.

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

a. selected and applied the appropriate and relevant accounting policies on a consistent basis;

b. made judgements and estimates that are reasonable and prudent; and

c. prepared the annual audited financial statements on a going concern basis.

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

DIRECTORS' REPORT

The directors have pleasure in presenting their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2017.

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	**1,476,698**	**1,477,194**

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 2016:	
- Fourth interim tax exempt (single-tier) dividend of 4.8 sen per ordinary share, declared on 23 January 2017 and paid on 31 March 2017	373,200
In respect of the financial year ended 31 December 2017:	
- First interim tax exempt (single-tier) dividend of 4.7 sen per ordinary share, declared on 28 April 2017 and paid on 30 June 2017	**365,425**
- Second interim tax exempt (single-tier) dividend of 4.6 sen per ordinary share, declared on 12 July 2017 and paid on 29 September 2017	**357,650**
- Third interim tax exempt (single-tier) dividend of 4.9 sen per ordinary share, declared on 17 October 2017 and paid on 22 December 2017	**380,975**

DIRECTORS' REPORT

Dividends (cont'd)

The Board of Directors had on 23 January 2018, declared a fourth interim tax exempt (single-tier) dividend of 4.6 sen per ordinary share in respect of the financial year ended 31 December 2017 amounting to RM357,650,000. 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 2018.

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	
Lars-Ake Valdemar Norling	(Redesignated as Chairman on 11 July 2017)
Yasmin Binti Aladad Khan	
Vimala A/P V.R. Menon	
Haakon Bruaset Kjoel	(Appointed on 11 July 2017)
Torstein Pedersen	(Appointed on 12 December 2017)
Tone Ripel	(Appointed on 23 January 2018)
Morten Loeken Edvardsen	(Appointed on 11 July 2017, resigned on 12 December 2017)
Morten Karlsen Sorby	(Resigned on 11 July 2017)
Kristin Muri Moller	(Resigned on 11 July 2017)
Tore Johnsen	(Resigned on 23 January 2018)

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

Albern A/L Murty	
Eugene Teh Yee	
Praveen Rajan A/L Nadarajan	
Nakul Sehgal	(Appointed on 1 August 2017)
Karl Erik Broten	(Resigned on 1 August 2017)

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.

Indemnity and insurance for Directors and Officers

The Group maintains on a Directors' and Officers' Liability Insurance for any legal liability incurred by the directors and officers in discharging their duties while holding office for the Group and the Company. In respect of the above, the total amount of insurance premium paid for the financial year ended 31 December 2017 was RM10,652. The directors and officers shall not be indemnified by such insurance for any deliberate negligence, fraud, intentional breach of law or breach of trust proven against them.

Directors' 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 2017/ date of appointment	**Acquired**	**Sold**	**31 December 2017**
Ultimate holding company				
Telenor ASA				
Direct interest:				
- Lars-Ake Valdemar Norling	**30,835**	**3,378**	**-**	**34,213**
- Tore Johnsen	**39,306**	**-**	**-**	**39,306**
- Haakon Bruaset Kjoel	**11,116**	**1,664**	**-**	**12,780**
- Torstein Pedersen	**244**	**-**	**(208)**	**36**

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

Other statutory information

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

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

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

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

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

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

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

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

DIRECTORS' REPORT

Other statutory information (cont'd)

(e) As at the date of this report, there does not exist:

(i) any charge on the assets of the Group or of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or

(ii) any material contingent liability of the Group or of the Company which has arisen since the end of the financial year.

(f) In the opinion of the directors:

(i) no contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group or of the Company to meet their obligations as and when they fall due; and

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

Subsequent event

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

Auditors

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

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

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

Signed on behalf of the Board in accordance with a resolution of the directors dated 15 March 2018.

Tan Sri Saw Choo Boon
Director

Lars-Ake Valdemar Norling
Director

STATEMENT BY DIRECTORS

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

We, Tan Sri Saw Choo Boon and Lars-Ake Valdemar Norling, 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 98 to 160 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2017 and of their financial performance and cash flows for the financial year then ended.

Signed on behalf of the Board in accordance with a resolution of the directors dated 15 March 2018.

Tan Sri Saw Choo Boon
Director

Lars-Ake Valdemar Norling
Director

STATUTORY DECLARATION

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

I, Nakul Sehgal, 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 98 to 160 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 Nakul Sehgal at
Kuala Lumpur in Wilayah Persekutuan
on 15 March 2018

Nakul Sehgal

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 2017 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 98 to 160.

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 2017 and of their financial performance and their cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Basis for opinion

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

Independence and other ethical responsibilities

We are independent of the Group and of the Company in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("By-Laws") and the International 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. We have determined that there are no key audit matters to communicate in our report on the financial statements of the Company. The key audit matters for the audit of the financial statements of the Group are described below. These matters were addressed in the context of our audit of the financial statements of the Group as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

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

INDEPENDENT AUDITORS' REPORT

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

Accuracy of revenue recognition

Refer to Note 2 (s) (i) – Revenue Recognition (Telecommunication Revenue) and Note 5 – Revenue.

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

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

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

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

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

In respect of the allocation of transaction price between multiple products sold in bundled transactions, we obtained an understanding of management's basis of allocation and assessed whether such allocation basis is consistent with those used in the industry, evaluated management's estimate of standalone selling prices used in allocating the transaction price and tested the computation of revenue to be recognised in respect of each product sold in bundled transactions.

Information other than the financial statements and auditors' report thereon

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

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

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

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

INDEPENDENT AUDITORS' REPORT

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

Responsibilities of the directors for the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

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

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

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):

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

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

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

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

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

Other matters

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

Ernst & Young
AF: 0039
Chartered Accountants

Chong Tse Heng
No. 03179/05/2019 J
Chartered Accountant

Kuala Lumpur, Malaysia
15 March 2018

STATEMENTS OF COMPREHENSIVE INCOME

For the financial year ended 31 December 2017

		Group		Company	
	Note	2017	2016	2017	2016
		RM'000	RM'000	RM'000	RM'000
Revenue	5	**6,340,473**	6,597,102	**1,477,000**	1,632,500
Other income		**20,911**	18,556	**1,645**	1,472
Cost of materials and traffic expenses		**(1,514,645)**	(1,640,585)	**-**	-
Sales and marketing expenses		**(557,903)**	(572,482)	**-**	-
Operations and maintenance expenses		**(129,089)**	(111,517)	**-**	-
Rental expenses		**(398,149)**	(355,181)	**-**	-
Staff expenses		**(247,385)**	(254,917)	**-**	-
Depreciation expenses	11	**(624,778)**	(520,211)	**-**	-
Amortisation expenses	12	**(160,833)**	(130,970)	**-**	-
Other expenses		**(628,505)**	(726,069)	**(1,608)**	(1,379)
Finance costs	6	**(132,457)**	(78,078)	**-**	-
Interest income		**23,738**	12,536	**207**	265
Settlement costs and exit fee	28(a)	**(6,028)**	-	**-**	-
Profit before tax	7	**1,985,350**	2,238,184	**1,477,244**	1,632,858
Taxation	8	**(508,652)**	(605,526)	**(50)**	(61)
Profit for the year, representing total comprehensive income for the year		**1,476,698**	1,632,658	**1,477,194**	1,632,797
Attributable to:					
Owners of the parent		**1,476,698**	1,632,658	**1,477,194**	1,632,797

		Group	
	Note	2017	2016
Earnings per share attributable to owners of the parent (sen per share)	9	**19.0**	21.0

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

STATEMENTS OF FINANCIAL POSITION

As at 31 December 2017

		Group		Company	
	Note	2017	2016	2017	2016
		RM'000	RM'000	RM'000	RM'000
Non-current assets					
Property, plant and equipment	11	**2,908,968**	2,832,265	**-**	-
Intangible assets	12	**937,100**	453,777	**-**	-
Investments in subsidiaries	13	**-**	-	**772,751**	772,751
Other investment	14	**163**	100	**-**	-
Other receivable	16	**101,163**	62,572	**-**	-
Derivative financial assets	17	**355**	-	**-**	-
		3,947,749	3,348,714	**772,751**	772,751
Current assets					
Inventories	15	**59,138**	47,822	**-**	-
Trade and other receivables	16	**1,216,988**	1,707,679	**4**	5
Derivative financial assets	17	**-**	4,034	**-**	-
Tax recoverable		**34,693**	13,121	**-**	-
Cash and short-term deposits	18	**575,045**	376,588	**897**	940
		1,885,864	2,149,244	**901**	945
Total assets		**5,833,613**	5,497,958	**773,652**	773,696
Non-current liabilities					
Loans and borrowings	19	**2,691,438**	1,798,837	**-**	-
Deferred tax liabilities	20	**297,523**	311,285	**-**	-
Other liabilities	21	**44,077**	40,034	**-**	-
		3,033,038	2,150,156	**-**	-
Current liabilities					
Trade and other payables	22	**1,928,256**	1,947,851	**965**	945
Derivative financial liabilities	17	**1,447**	-	**-**	-
Other liabilities	21	**339,257**	397,621	**-**	-
Loans and borrowings	19	**12,881**	483,036	**-**	-
Tax payable		**16**	24	**16**	24
		2,281,857	2,828,532	**981**	969
Total liabilities		**5,314,895**	4,978,688	**981**	969
Equity					
Share capital	23	**769,655**	77,750	**769,655**	77,750
Share premium		**-**	691,905	**-**	691,905
(Accumulated losses)/retained earnings	25	**(250,937)**	(250,385)	**3,016**	3,072
Total equity		**518,718**	519,270	**772,671**	772,727
Total equity and liabilities		**5,833,613**	5,497,958	**773,652**	773,696

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 2017

		Attributable to owners of the parent			
	Note	Share capital RM'000	Non-distributable share premium RM'000	Non-distributable accumulated losses/ distributable retained earnings RM'000 (Note 25)	Total RM'000
Group					
At 1 January 2016		77,750	691,905	(250,293)	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
Total comprehensive income		**-**	**-**	**1,476,698**	**1,476,698**
Transaction with owners:					
Dividends on ordinary shares	10	**-**	**-**	**(1,477,250)**	**(1,477,250)**
Transfer to share capital[2]	23	**691,905**	**(691,905)**	**-**	**-**
At 31 December 2017		**769,655**	**-**	**(250,937) [1]**	**518,718**
Company					
At 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
Total comprehensive income		**-**	**-**	**1,477,194**	**1,477,194**
Transaction with owners:					
Dividends on ordinary shares	10	**-**	**-**	**(1,477,250)**	**(1,477,250)**
Transfer to share capital[2]	23	**691,905**	**(691,905)**	**-**	**-**
At 31 December 2017		**769,655**	**-**	**3,016**	**772,671**

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.

Note: [2] The new Companies Act 2016, which came into effect on 31 January 2017, abolished the concept of authorised share capital and par value of share capital. Consequently, the amounts standing to the credit of the share premium account becomes part of the Company's share capital pursuant to the transitional provisions set out in Section 618 (2) of the Companies Act 2016. There is no impact on the numbers of ordinary shares in issue or the relative entitlement of any of the members as a result of this transition.

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 2017

		Group		Company	
	Note	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Cash flows from operating activities					
Profit before tax		**1,985,350**	2,238,184	**1,477,244**	1,632,858
Adjustments for:					
Amortisation of intangible assets	12	**160,833**	130,970	**-**	-
Allowance for impairment on trade receivables	16(a)	**45,425**	50,704	**-**	-
Dividend income		**-**	-	**(1,477,000)**	(1,632,500)
Depreciation of property, plant and equipment	11	**624,778**	520,211	**-**	-
Finance costs	6	**132,457**	78,078	**-**	-
Gain on disposal of property, plant and equipment		**(245)**	(345)	**-**	-
Loss on disposal of intangible asset		**-**	1,052	**-**	-
Reversal of provision for site decommissioning and restoration costs	21(a)	**-**	(340)	**-**	-
Write-off of intangible asset	12	**356**	-	**-**	-
Interest income		**(23,738)**	(12,536)	**(207)**	(265)
(Reversal of provision)/provision for employee leave entitlements	21(a)	**(1,633)**	1,352	**-**	-
Employee benefits					
- share-based payment		**241**	398	**-**	-
- defined benefit plan	24	**18**	80	**-**	-
Fair value loss/(gain) on derivative financial instruments		**5,481**	(4,152)	**-**	-
Unrealised foreign exchange (gain)/loss		**(3,131)**	2,526	**-**	-
Operating cash flows before working capital changes		**2,926,192**	3,006,182	**37**	93
(Increase)/decrease in inventories		**(11,316)**	68,972	**-**	-
Decrease/(increase) in trade and other receivables		**341,127**	(917,910)	**1**	4
(Decrease)/increase in trade and other payables		**(26,903)**	(119,254)	**20**	(36)
Decrease in deferred revenue		**(56,731)**	(36,149)	**-**	-
Cash generated from operations		**3,172,369**	2,001,841	**58**	61
Advance payment for bandwidth		**(55,994)**	-	**-**	-
Interest paid		**(117,406)**	(85,602)	**-**	-
Proceeds from government grants		**121,949**	100,576	**-**	-
Payments for provisions	21(a)	**(302)**	(244)	**-**	-
Taxes paid		**(543,994)**	(484,252)	**(58)**	(61)
Net cash generated from operating activities		**2,576,622**	1,532,319	**-**	-

STATEMENTS OF CASH FLOWS

For the financial year ended 31 December 2017

		Group		Company	
	Note	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Cash flows from investing activities					
Purchase of property, plant and equipment		**(699,721)**	(705,088)	**-**	-
Purchase of intangible assets		**(644,512)**	(70,596)	**-**	-
Purchase of unquoted investment		**(63)**	(100)	**-**	-
Dividends received from a subsidiary	5	**-**	-	**1,477,000**	1,632,500
Interest received		**23,370**	12,438	**207**	265
Proceeds from disposal of property, plant and equipment		**1,047**	405	**-**	-
Proceeds from disposal of intangible asset		**-**	1,481	**-**	-
Proceeds from disposal of short-term investment		**-**	28	**-**	-
Net cash (used in)/generated from investing activities		**(1,319,879)**	(761,432)	**1,477,207**	1,632,765
Cash flows from financing activities					
Repayment of loans and borrowings		**(750,000)**	(1,010,000)	**-**	-
Proceeds from issuance of Sukuk Programme		**905,000**	-	**-**	-
Redemption of Sukuk Programme		**(5,000)**	-	**-**	-
Repayment of obligations under finance lease		**(4,840)**	(8,808)	**-**	-
Drawdown of loans and borrowings		**275,000**	2,025,000	**-**	-
Dividends paid	10	**(1,477,250)**	(1,632,750)	**(1,477,250)**	(1,632,750)
Net cash used in financing activities		**(1,057,090)**	(626,558)	**(1,477,250)**	(1,632,750)
Net increase/(decrease) in cash and cash equivalents		**199,653**	144,329	**(43)**	15
Effect of exchange rate changes on cash and cash equivalents		**(1,196)**	(1,298)	**-**	-
Cash and cash equivalents at beginning of financial year		**376,588**	233,557	**940**	925
Cash and cash equivalents at end of financial year	18	**575,045**	376,588	**897**	940

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

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 2016 in Malaysia. At the beginning of the current financial year, the Group and the Company adopted amended MFRSs which are mandatory for annual financial periods beginning on or after 1 January 2017 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 indicated otherwise in the accounting policies below.

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

(b) Basis of consolidation

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

2. Significant accounting policies (cont'd)

(b) Basis of consolidation (cont'd)

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.

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.

2. Significant accounting policies (cont'd)

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

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

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

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

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

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

(e) Intangible assets

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS
31 December 2017

2. Significant accounting policies (cont'd)

(e) Intangible assets (cont'd)

(i) Spectrum rights

Expenditure for the acquisition of the spectrum rights are capitalised under intangible assets. The amount is amortised using the straight-line method over the spectrum assignment period which ranges from 10 to 15 years.

(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 5 years.

(iii) License fee

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

(f) Impairment of non-financial assets

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

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

2. Significant accounting policies (cont'd)

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

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

(g) Inventories

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

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

(h) Financial assets

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

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

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.

NOTES TO THE FINANCIAL STATEMENTS
31 December 2017

2. Significant accounting policies (cont'd)

(h) Financial assets (cont'd)

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The Group's and the Company's loans 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.

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.

2. Significant accounting policies (cont'd)

(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.

(j) Cash and cash equivalents

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

NOTES TO THE FINANCIAL STATEMENTS
31 December 2017

2. Significant accounting policies (cont'd)

(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(p)(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.

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 and the Company'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.

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

(m) Borrowing costs

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

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

(n) 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 2017

2. Significant accounting policies (cont'd)

(o) 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.

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

2. **Significant accounting policies (cont'd)**

(p) **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.

(q) **Income taxes**

(i) **Current tax**

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

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

(ii) **Deferred tax**

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

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

NOTES TO THE FINANCIAL STATEMENTS
31 December 2017

2. Significant accounting policies (cont'd)

(q) Income taxes (cont'd)

(ii) Deferred tax (cont'd)

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.

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

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

(r) 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.

(s) 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.

2. Significant accounting policies (cont'd)

(s) Revenue recognition (cont'd)

(iv) Dividend income

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

(v) Lease income

Lease income is accounted for on a straight-line basis over the lease terms. The aggregate costs of incentives provided to lessees are recognised as a reduction of rental income over the lease term on a straight-line basis.

(t) Government grants

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

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

(u) 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.

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.

(ii) Foreign currency transactions

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.

NOTES TO THE FINANCIAL STATEMENTS
31 December 2017

2. Significant accounting policies (cont'd)

(v) 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.

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.

2. Significant accounting policies (cont'd)

(w) 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.

(x) 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.

NOTES TO THE FINANCIAL STATEMENTS
31 December 2017

3. Changes in accounting policies

(a) Adoption of amended MFRSs

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

On 1 January 2017, the Group and the Company adopted the following amended MFRSs mandatory for annual financial periods beginning on or after 1 January 2017.

Description	**Effective for annual periods beginning on or after**
MFRS 107: Disclosure Initiative (Amendments to MFRS 107)	1 January 2017
MFRS 112: Recognition of Deferred Tax Assets for Unrealised Losses (Amendments to MFRS 112)	1 January 2017
Annual Improvements to MFRS Standards 2014–2016 Cycle -	
MFRS 12: Disclosure of Interests in Other Entities: Clarification of the scope of disclosure requirements in MFRS 12 (Amendments to MFRS 12)	1 January 2017

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

MFRS 107 Disclosure Initiative (Amendments to MFRS 107)

The amendments to MFRS 107 Statement of Cash Flows requires an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. On initial application of these amendments, entities are not required to provide comparative information for preceding periods. Apart from the additional disclosures in Note 19, the application of these amendments has had no impact on the Group and on the Company.

3. Changes in accounting policies (cont'd)

(b) Standards and interpretations issued but not yet effective

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

Description	Effective for annual periods beginning on or after
MFRS 15: Revenue from Contracts with Customers	1 January 2018
MFRS 9: Financial Instruments	1 January 2018
Annual Improvements to MFRS Standards 2014–2016 Cycle	1 January 2018
MFRS 2: Classification and Measurement of Share-based Payment Transactions (Amendments to MFRS 2)	1 January 2018
MFRS 140: Transfers of Investment Property (Amendments to MFRS 140)	1 January 2018
IC Interpretation 22: Foreign Currency Transactions and Advance Consideration	1 January 2018
MFRS 16: Leases	1 January 2019
MFRS 9: Prepayment Features with Negative Compensation (Amendments to MFRS 9)	1 January 2019
MFRS 128: Long-term Interests in Associates and Joint Ventures (Amendments to MFRS 128)	1 January 2019
MFRS 119: Plan Amendment, Curtailment or Settlement (Amendments to MFRS 119)	1 January 2019
IC Interpretation 23: Uncertainty over Income Tax Treatments	1 January 2019
Annual Improvements to MFRS Standards 2015–2017 Cycle	1 January 2019
MFRS 17: Insurance Contracts	1 January 2021
MFRS 10 and MFRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to MFRS 10 and MFRS 128)	Deferred

The directors expect that the adoption of the above standards and interpretations will not have 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 depicts the transfer of promised goods or services to the customer 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.

NOTES TO THE FINANCIAL STATEMENTS
31 December 2017

3. Changes in accounting policies (cont'd)

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

MFRS 15 Revenue from contracts with customers (cont'd)

The Group has assessed the effects of applying the new standard on the financial statements and have identified the following areas that will be affected:

- In the case of multiple-element arrangements i.e. postpaid plans sold together with a subsidised device, a larger portion of the total consideration of the contract will be attributable to the component delivered in advance (i.e. device), requiring higher recognition of revenue upfront. Correspondingly, this results in lower portion of the total consideration being attributable to provision of services.

- The recognition of higher device revenue upfront would also result in recognition of what is known as a contract asset (a receivable arising from the customer contract that has not yet legally come into existence) in the statement of financial position.

- Subscriber acquisition costs (i.e. sales commission) will now be capitalised and expensed off over the estimated customer retention period.

- Total assets will increase on first-time adoption of MFRS 15 due to the capitalisation of contract assets and subscribers' acquisition costs.

- Increased disclosures on assumptions made to estimate the stand-alone selling price for each performance obligation.

The Group intends to adopt the standard using the modified retrospective approach. This means that contracts that are still on-going as at 1 January 2018 will be accounted for as if they had been recognised in accordance with MFRS 15 at the commencement of the contract. The cumulative impact arising from the adoption will be recognised in retained earnings as at 1 January 2018 and comparatives will not be restated.

Currently, the Group is carrying out post go-live verification for the newly implemented solution that performs the calculation based on MFRS 15 requirements and expects that reliable quantitative effects to be available upon completion of the verification process by the first quarter of 2018.

MFRS 9 Financial instruments

MFRS 9 is effective for annual periods beginning on or after 1 January 2018. Retrospective application is required, but comparative information is not compulsory. MFRS 9 introduces new requirements with impacts mainly relating to classification and measurement of financial instruments, impairment assessment based on the expected credit loss model and hedge accounting.

3. Changes in accounting policies (cont'd)

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

MFRS 9 Financial instruments (cont'd)

Based on the current assessment, the Group does not expect a material impact upon the adoption of MFRS 9, except for the effect of applying the impairment assessment based on the expected credit loss model on trade receivables.

The Group intends to apply the simplified approach and record lifetime expected losses on all trade receivables and expects an increase in loss allowance to be recognised upon the adoption of MFRS 9.

The Group is currently finalising its assessment and expects quantitative effects to be available by the first quarter of 2018.

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. The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions), less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications.

Classification of cash flows will also be affected as operating lease payments under MFRS 117 are presented as operating cash flows, whereas under MFRS 16, the lease payments will be split into a principal (which will be presented as financing cash flows) and an interest portion (which will be presented as operating cash flows).

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 also requires lessees and lessors to make more extensive disclosures than under MFRS 117.

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.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

3. Changes in accounting policies (cont'd)

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

MFRS 16 Leases (cont'd)

The standard will affect primarily the accounting for the Group's operating leases. As at 31 December 2017, the Group has significant non-cancellable operating lease commitments. MFRS 117 does not require the recognition of any right-of-use asset or liability for future payments for these non-cancellable operating leases. Instead, certain disclosures are made in Note 26(b). A preliminary assessment indicates that these arrangements will meet the definition of a lease under MFRS 16 and hence the Group will recognise a right-of-use asset and a corresponding liability in respect of these leases. The new requirements to recognise a right-of-use asset and a related lease liability is expected to have a significant impact on the amounts recognised in the Group's consolidated financial statements and the Group is currently assessing its potential impact. It is not practicable to provide a reasonable estimate of the financial effect until the Group completes the review.

For finance leases where the Group is a lessee, the Group has already recognised an asset and a related finance lease liability for such lease arrangements. Accordingly, for such lease arrangements the Group does not anticipate the application of MFRS 16 to have a significant impact on the Group's financial statements.

(c) Changes in regulatory requirements

Companies Act 2016

The Companies Act 2016 was enacted to replace the Companies Act, 1965 with the objectives to create a legal and regulatory structure that will facilitate business, and promote accountability as well as protection of corporate directors and shareholders, taking into consideration the interest of other stakeholders. The Companies Act 2016 was passed on 4 April 2016 by the Dewan Rakyat (House of Representative) and gazetted on 15 September 2016. The Companies Act 2016 (except section 241 and Division 8 of Part III) becomes effective on 31 January 2017.

Amongst the key changes introduced in the Companies Act 2016 which will affect the financial statements of the Group and of the Company upon the commencement of the Companies Act 2016 on 31 January 2017 are:

(i) removal of the authorised share capital;
(ii) shares of the Company will cease to have par or nominal value; and
(iii) the Company's share premium account will become part of the Company's share capital.

The adoption of the Companies Act 2016 has no financial impact on the Group and the Company for the current financial year ended 31 December 2017. The effect of adoption is mainly on the disclosures to the financial statements of the Group and of the Company.

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 2.3% (2016: 1.8%) 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.

(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% (2016: 0.1%) increase or 0.2% (2016: 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.

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

(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.

5. Revenue

	Group		Company	
	2017	**2016**	**2017**	**2016**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Telecommunication revenue	**5,969,277**	6,264,278	**-**	-
Sales of device	**305,943**	270,415	**-**	-
Lease income	**65,253**	62,409	**-**	-
Dividend income from a subsidiary	**-**	-	**1,477,000**	1,632,500
	6,340,473	6,597,102	**1,477,000**	1,632,500

6. Finance costs

	Note	Group 2017 RM'000	Group 2016 RM'000
Interest expense on:			
- Loans and borrowings		**128,271**	74,457
- Obligations under finance lease		**1,943**	2,602
- Site decommissioning and restoration costs	21(a)	**1,765**	1,019
- Others		**117**	-
		132,096	78,078
Net change in fair value of derivative financial instruments:			
- Interest rate swaps		**361**	-
		132,457	78,078

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7. Profit before tax

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

	Note	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
Allowance for impairment on trade receivables	16(a)	**45,425**	50,704	**-**	-
Auditors' remuneration:					
- statutory audit		**408**	385	**44**	44
- other services*		**696**	394	**-**	-
Staff expenses**		**247,385**	254,917	**-**	-
Non-executive directors' remuneration***:					
- fees		**752**	752	**75**	75
- other emoluments		**8**	5	**-**	-
Lease of transmission facilities		**160,426**	156,860	**-**	-
Reversal of provision for site decommissioning and restoration costs	21(a)	**-**	(340)	**-**	-
Rental of land and buildings		**386,849**	337,927	**-**	-
Rental of equipment and others		**11,300**	17,254	**-**	-
Realised foreign exchange loss		**2,447**	7,142	**-**	-
Unrealised foreign exchange (gain)/loss		**(3,131)**	2,526	**-**	-
Fair value loss/(gain) on derivative financial instruments		**5,481**	(4,152)	**-**	-
Mark-to-market loss on derivative financial instruments		**-**	492	**-**	-
Gain on disposal of property, plant and equipment		**(245)**	(345)	**-**	-
Loss on disposal of intangible asset - computer software		**-**	1,052	**-**	-
Loss on disposal of short-term investment		**-**	72	**-**	-
Write-off of intangible asset		**356**	-	**-**	-
Bad debts recovered		**(18,556)**	(17,034)	**-**	-
Waiver of debt		**-**	-	**(1,645)**	(1,472)
Interest income from deposits with licensed banks		**(23,738)**	(12,536)	**(207)**	(265)

7. Profit before tax (cont'd)

* 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.

** Staff expenses incurred by the Group net of capitalisation of employee benefit expense in property, plant and equipment during the financial year represented by:

	Group	
	2017	**2016**
	RM'000	**RM'000**
Wages and salaries	**182,760**	191,237
Defined contribution plan	**24,475**	21,846
Defined benefit plan	**18**	80
Share-based payment	**241**	398
(Reversal of provision)/provision for employee leave entitlements	**(1,633)**	1,352
Other staff related expenses	**41,524**	40,004
	247,385	254,917

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

	Number of directors	
	2017	**2016**
Non-executive directors:		
- Nil	**7**	4
- Below RM100,000	**-**	-
- RM100,001 - RM200,000	**-**	-
- RM200,001 - RM300,000	**3**	3

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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 2017 and 2016 are:

	Group		Company	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Statements of comprehensive income:				
Income tax:				
- Current tax expense	**525,892**	562,812	**50**	64
- (Over)/under accrual in prior years	**(3,478)**	56,459	**-**	(3)
Total income tax	**522,414**	619,271	**50**	61
Deferred taxation (Note 20):				
- Relating to origination and reversal of temporary differences	**(21,126)**	(8,397)	**-**	-
- Under/(over) accrual in prior years	**7,364**	(5,348)	**-**	-
Total deferred tax	**(13,762)**	(13,745)	**-**	-
Income tax expense recognised in profit or loss	**508,652**	605,526	**50**	61

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8. Taxation (cont'd)

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

		2017		2016
	%	RM'000	%	RM'000
Group				
Profit before tax		**1,985,350**		2,238,184
Taxation at Malaysian statutory tax rate	**24.0**	**476,484**	24.0	537,164
Effect of expenses not deductible for tax purposes	**1.4**	**28,282**	0.8	17,251
(Over)/under accrual of income tax expense in prior years	**(0.2)**	**(3,478)**	2.5	56,459
Under/(over) accrual of deferred tax expense in prior years	**0.4**	**7,364**	(0.2)	(5,348)
Effective tax rate/income tax expense recognised in profit or loss	**25.6**	**508,652**	27.1	605,526
Company				
Profit before tax		**1,477,244**		1,632,858
Taxation at Malaysian statutory tax rate	**24.0**	**354,539**	24.0	391,886
Income not subject to tax	**(24.0)**	**(354,489)**	(24.0)	(391,822)
Over accrual of income tax expense in prior year	**-**	**-**	(0.0)	(3)
Effective tax rate/income tax expense recognised in profit or loss	**0.0**	**50**	0.0	61

Domestic current income tax is calculated at the Malaysian statutory tax rate of 24% (2016: 24%) of the estimated taxable profit for the year.

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	
	2017	2016
Profit attributable to owners of the parent (RM'000)	**1,476,698**	1,632,658
Weighted average number of ordinary shares in issue ('000)	**7,775,000**	7,775,000
Basic earnings per share (sen)	**19.0**	21.0

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

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10. Dividends

	Group/Company	
	2017	2016
	RM'000	RM'000
Recognised during the financial year:		
Dividends on ordinary shares:		
- Fourth interim tax exempt (single-tier) dividend (2016: 4.8 sen; 2015: 4.9 sen)	**373,200**	380,975
- First interim tax exempt (single-tier) dividend (2017: 4.7 sen; 2016: 5.1 sen)	**365,425**	396,525
- Second interim tax exempt (single-tier) dividend (2017: 4.6 sen; 2016: 5.4 sen)	**357,650**	419,850
- Third interim tax exempt (single-tier) dividend (2017: 4.9 sen; 2016: 5.6 sen)	**380,975**	435,400
	1,477,250	1,632,750
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 (2017: 4.6 sen; 2016: 4.8 sen)	**357,650**	373,200

The Board of Directors had on 23 January 2018, declared a fourth interim tax exempt (single-tier) dividend of 4.6 sen per ordinary share in respect of the financial year ended 31 December 2017 amounting to RM357,650,000. 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 2018.

11. Property, plant and equipment

Group	Freehold land RM'000	Long-term leasehold land RM'000	Short-term leasehold land RM'000	Freehold buildings RM'000	Long-term leasehold buildings RM'000	Short-term leasehold buildings RM'000	Motor vehicles RM'000	Computer systems RM'000	Furniture and fittings RM'000	Tele-communi-cations network RM'000	Capital work-in-progress RM'000	Total RM'000
Cost												
At 1 January 2017	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
Additions	-	-	-	-	-	-	332	7,845	2,224	57,807	634,075	702,283
Disposals	-	-	-	-	(219)	-	(3,274)	(30)	(52)	(71)	(570)	(4,216)
Write offs	-	-	-	-	-	-	-	(58)	(7,805)	(118,931)	-	(126,794)
Transfers	-	-	-	-	-	-	-	6,170	43,589	744,764	(794,523)	-
At 31 December 2017	29,638	7,312	7,565	143,295	7,146	6,866	23,325	306,657	232,678	5,612,769	127,020	6,504,271
Accumulated depreciation												
At 1 January 2017	-	1,439	2,955	21,390	745	3,050	16,613	222,316	145,020	2,687,205	-	3,100,733
Depreciation expenses for the year	-	61	128	2,823	65	108	3,272	24,434	22,311	571,576	-	624,778
Disposals	-	-	-	-	(60)	-	(3,200)	(16)	(52)	(86)	-	(3,414)
Write offs	-	-	-	-	-	-	-	(58)	(7,805)	(118,931)	-	(126,794)
At 31 December 2017	-	1,500	3,083	24,213	750	3,158	16,685	246,676	159,474	3,139,764	-	3,595,303
Carrying Amount												
At 31 December 2017	29,638	5,812	4,482	119,082	6,396	3,708	6,640	59,981	73,204	2,473,005	127,020	2,908,968

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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 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

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

(a) The Group acquired property, plant and equipment with an aggregate cost of RM702.3 million (2016: RM709.3 million) of which RM2.6 million (2016: RM4.2 million) relates to the provision for site decommissioning and restoration costs, as disclosed in Note 21.

(b) Government grants of RM223.8 million (2016: RM119.2 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 2017.

12. Intangible assets

	Spectrum rights RM'000	Computer software RM'000	Licenses RM'000	Total RM'000
Group				
Cost				
At 1 January 2017	695,066	581,871	1,300	1,278,237
Additions	598,545	45,967	-	644,512
Write offs	-	(417)	-	(417)
At 31 December 2017	1,293,611	627,421	1,300	1,922,332
Accumulated amortisation				
At 1 January 2017	600,283	222,877	1,300	824,460
Amortisation expenses for the year	95,777	65,056	-	160,833
Write offs	-	(61)	-	(61)
At 31 December 2017	696,060	287,872	1,300	985,232
Carrying amount				
At 31 December 2017	597,551	339,549	-	937,100

Included in the cost of computer software are computer software not available for use of RM54.7 million as at 31 December 2017 (2016: RM116.3 million).

The addition of spectrum rights of RM598.5 million in the current year relates to the upfront payment made to Malaysian Communication and Multimedia Commission ("MCMC") for Spectrum Assignment in prior year. On the effective date of the Spectrum Assignment on 1 July 2017, the upfront payment was reclassified from prepayment to spectrum rights which will be amortised over the tenure of the Spectrum Assignment of 15 years.

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12. Intangible assets (cont'd)

	Spectrum rights 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

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13. Investments in subsidiaries

	Company	
	2017	2016
	RM'000	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
	2017 (%)	2016 (%)	
- Digi Telecommunications Sdn Bhd ("DTSB")	**100**	100	Establishment, maintenance and provision of telecommunications and related services
- Y3llownation Sdn Bhd	**100**	100	Dormant
Subsidiaries of DTSB:			
- Digi Services Sdn Bhd	**100**	100	Dormant
- Y3llowLabs Sdn Bhd[#]	**100**	100	Provision of e-commerce, digital services and solutions

[#] Y3llowLabs Sdn Bhd commenced its operations on 1 June 2017.

14. Other investment

	Group	
	2017	2016
	RM'000	RM'000
Non-current		
Available-for-sale financial asset:		
- Unquoted shares at cost	**163**	100

During the financial year, the Group's wholly owned subsidiary, Y3llownation Sdn Bhd ("YN"), had subscribed to equity interest of approximately 5% in Vase Technologies Sdn Bhd ("Vase"), an entity incorporated in Malaysia. Vase is engaged in operating a market research platform that distributes online surveys to a ready pool of respondents registered with them.

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	
	2017	2016
	RM'000	RM'000
Merchandise:		
- At cost	**56,040**	45,174
- At net realisable value	**3,098**	2,648
	59,138	47,822

During the financial year, the amount of inventories recognised as an expense in cost of materials of the Group was RM490.3 million (2016: RM379.1 million).

16. Trade and other receivables

	Group		Company	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Non-current				
Prepayments	**101,163**	62,572	**-**	-
Current				
Trade receivables	**406,345**	371,156	**-**	-
Other receivables	**548,558**	436,797	**4**	5
Deposits	**179,808**	171,423	**-**	-
Prepayments	**89,556**	741,680	**-**	-
	1,224,267	1,721,056	**4**	5
Allowance for impairment on trade receivables	**(7,279)**	(13,377)	**-**	-
	1,216,988	1,707,679	**4**	5
Total trade and other receivables	**1,318,151**	1,770,251	**4**	5

The Group's trade receivables are non-interest bearing, and are subject to normal trade credit terms ranging from 30 to 45 days (2016: 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 RM123.1 million (2016: RM83.4 million) to provide connectivity services for a period of 10 years.

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	
	2017	**2016**
	RM'000	**RM'000**
Trade receivables:		
- Neither past due nor impaired	**324,802**	287,835
- 1 to 30 days past due not impaired	**50,242**	35,107
- 31 to 60 days past due not impaired	**5,148**	17,235
- 61 to 90 days past due not impaired	**4,691**	3,210
- 91 to 180 days past due not impaired	**5,995**	6,485
- More than 181 days past due not impaired	**8,188**	7,907
	399,066	357,779

Trade receivables that are neither past due nor impaired, representing 81% (2016: 80%) 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, 19% (2016: 20%) 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	Collectively impaired	Total
		RM'000	**RM'000**	**RM'000**
At 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 2016/1 January 2017		**-**	**13,377**	**13,377**
Charge/(reversal) for the year	7	**51,523**	**(6,098)**	**45,425**
Write offs		**(51,523)**	**-**	**(51,523)**
At 31 December 2017		**-**	**7,279**	**7,279**

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 2017, Group's trade receivables with an initial carrying value of RM16,445,000 (2016: RM19,012,000) were impaired and provided for allowance for impairment amounting to RM7,279,000 (2016: RM13,377,000).

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16. Trade and other receivables (cont'd)

(b) Foreign currency exposures

At 31 December 2017, the Group's trade receivables balances included exposure to foreign currency denominated in United States Dollar ("USD") and Special Drawing Rights ("SDR") amounting to RM1.3 million (2016: RM5.2 million) and RM36.7 million (2016: RM31.6 million) respectively.

17. Derivative financial assets/(liabilities)

	Group	
	2017	**2016**
	RM'000	**RM'000**
Non-hedging derivative financial assets/(liabilities)		
Non-current		
- Interest rate swaps (Note a)	**355**	-
Current		
- Foreign currency forward contracts (Note b)	**(1,447)**	4,034

(a) Interest rate swaps

Interest rate swaps are used to achieve an appropriate fair value change exposure within the Group. The Group entered into interest rate swaps to hedge the fair value risk in relation to the fixed interest rates of the Islamic Medium Term Note ("IMTN"), as disclosed in Note 19 with notional principal amounts of RM750.0 million.

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

During the financial year, the Group recognised a net gain of RM0.4 million arising from fair value changes attributable to changes in market interest rates.

17. Derivative financial assets/(liabilities) (cont'd)

(b) Foreign Currency Forward Contracts

	Contract value in foreign currency USD'000	Notional value RM'000	Fair value RM'000	(Liabilities)/ Assets RM'000
Foreign currency forward contracts:				
- 2017	**14,000**	**58,228**	**56,781**	**(1,447)**
- 2016	24,400	105,643	109,677	4,034

The Group uses foreign currency forward contracts to minimise its exposure to foreign currency risks as a result of transactions denominated in currency other than its functional currency, arising from the normal business activities. Foreign currency forward contracts are used to hedge certain payables denominated in USD for which firm commitments existed at the reporting date, extending to January and February 2018.

During the financial year, the Group recognised a loss of RM1.4 million (2016: a gain of RM4.0 million) arising from fair value changes between foreign exchange spot and forward rates.

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

The method and assumptions applied in determining the fair values of the derivatives above are disclosed in Note 29(f)(iv).

18. Cash and short-term deposits

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Cash and bank balances	**102,962**	80,688	**897**	940
Deposits with licensed banks	**472,083**	295,900	**-**	-
Cash and cash equivalents	**575,045**	376,588	**897**	940

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

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

The Group's cash and cash equivalents included amounts of foreign currency denominated in USD totalling RM10.3 million (2016: RM4.5 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	
	2017	**2016**
	%	**%**
Deposits with licensed banks	**4**	3

The deposits of the Group will mature within one month (2016: one month) from the end of the reporting date.

19. Loans and borrowings

		Group	
	Note	**2017**	**2016**
		RM'000	**RM'000**
Non-current (unsecured)			
Floating-rate term loans (Note a)		**1,291,635**	1,783,728
Finance lease obligation	26(c)	**8,338**	15,109
Floating-rate term financing-i (Note a)		**492,642**	-
Islamic medium term notes (Note b)		**898,823**	-
		2,691,438	1,798,837
Current (unsecured)			
Revolving credits		**-**	473,046
Finance lease obligation	26(c)	**12,881**	9,990
		12,881	483,036
Total loans and borrowings		**2,704,319**	2,281,873

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19. Loans and borrowings (cont'd)

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

	Group	
	2017	**2016**
	%	**%**
Floating-rate term loans and term financing-i	**5**	5
Islamic medium term notes	**5**	-
Finance lease obligation	**9**	9
Revolving credits	**-**	5

The above borrowings and debt securities are denominated in RM.

(a) On 29 December 2017, the Group refinanced a portion of its existing floating-rate term loan of RM500.0 million to floating-rate term financing-i with a similar lender under the same terms and conditions of the existing loan. The related transaction costs incurred were netted off against proceeds from the floating-rate term financing-i. The Group needs to comply with conditions as set out within the floating-rate term loans and term financing-i agreements.

(b) On 4 April 2017, the Group through its wholly-owned subsidiary, DTSB, established an Islamic medium term note programme of up to RM5.0 billion in nominal value ("IMTN Programme"); and an Islamic commercial papers programme of up to RM1.0 billion in nominal value ("ICP Programme"), which have a combined limit of up to RM5.0 billion in nominal value (collectively referred to as "Sukuk Programme") based on the Islamic principle of Murabahah (via a Tawarruq arrangement).

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

On 14 April 2017, the Group issued the first series of IMTN consisting of:

Tranche	Tenure	Rate %	Maturity date	Nominal value RM'000
001	5 years	4	14 April 2022	300,000
002	7 years	5	12 April 2024	300,000
003	10 years	5	14 April 2027	300,000
Total				900,000

On 20 April 2017, DTSB issued ICP amounting to RM5.0 million in nominal value at 4% discount rate with a tenure of one (1) month, which was subsequently redeemed in full upon its maturity on 19 May 2017.

The proceeds from IMTN have been partially hedged against interest rate risk using interest rate swaps as disclosed in Note 17.

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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	
	2017	2016
	RM'000	RM'000
Less than one year	**12,881**	483,036
Between one and two years	**179,735**	6,998
Between two and five years	**1,639,783**	1,073,313
More than five years	**871,920**	718,526
	2,704,319	2,281,873

Reconciliation of liabilities/(assets) arising from financing activities

	Non-current loans and borrowings RM'000	Current loans and borrowings RM'000	Interest rate swaps RM'000	Total RM'000
Group				
At 1 January 2017	**1,798,837**	**483,036**	**-**	**2,281,873**
Cash flows	**900,000**	**(479,840)**	**-**	**420,160**
Non-cash changes:				
Payment of transaction costs related to loans and borrowings	**(3,582)**	**(1,005)**	**-**	**(4,587)**
Fair value changes	**-**	**-**	**361**	**361**
Other changes	**(3,817)**	**10,690**	**(716)**	**6,157**
At 31 December 2017	**2,691,438**	**12,881**	**(355)**	**2,703,964**

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

20. Deferred tax liabilities

	Group	
	2017	2016
	RM'000	RM'000
At 1 January	**311,285**	325,030
Recognised in profit and loss (Note 8)	**(13,762)**	(13,745)
At 31 December	**297,523**	311,285

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 2017	**606,077**
Recognised in profit and loss	**(66,177)**
At 31 December 2017	**539,900**
At 1 January 2016	584,123
Recognised in profit and loss	21,954
At 31 December 2016	606,077

Deferred tax assets:

	Deferred revenue	Others	Total
	RM'000	RM'000	RM'000
At 1 January 2017	**(93,623)**	**(201,169)**	**(294,792)**
Recognised in profit and loss	**13,612**	**38,803**	**52,415**
At 31 December 2017	**(80,011)**	**(162,366)**	**(242,377)**
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)

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

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21. Other liabilities

	Group 2017 RM'000	Group 2016 RM'000
Non-current		
Provisions (Note a)	**44,077**	40,034
Current		
Provisions (Note a)	**5,914**	7,547
Deferred revenue (Note b)	**333,343**	390,074
	339,257	397,621
Total other liabilities	**383,334**	437,655

(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 2017		**39,160**	**874**	**40,034**
Capitalised as property, plant and equipment	11(a)	**2,562**	**-**	**2,562**
Recognised in profit and loss	6	**1,765**	**18**	**1,783**
Paid during the year		**-**	**(302)**	**(302)**
At 31 December 2017		**43,487**	**590**	**44,077**
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	6	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

21. Other liabilities (cont'd)

(a) Provisions (cont'd)

	Note	Employee leave entitlements RM'000
Group		
Current		
At 1 January 2017		**7,547**
Recognised in profit and loss	7	**(1,633)**
At 31 December 2017		**5,914**
At 1 January 2016		6,195
Recognised in profit and loss	7	1,352
At 31 December 2016		7,547

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.

22. Trade and other payables

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Trade payables	**255,600**	225,782	**-**	-
Other payables	**266,409**	371,223	**-**	-
Accruals	**1,392,626**	1,335,685	**965**	945
Customer deposits	**13,621**	15,161	**-**	-
	1,928,256	1,947,851	**965**	945

The Group's trade and other payables are non-interest bearing, and are subject to normal credit terms ranging from 30 to 60 days (2016: 30 to 60 days).

At 31 December 2017, the Group's trade and other payables balances included exposure to foreign currency denominated in USD, SDR and Norwegian Krone ("NOK") amounting to RM75.8 million (2016: RM105.9 million), RM29.7 million (2016: RM27.3 million) and RM40.5 million (2016: RM67.0 million) respectively.

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23. Share capital

	Group/Company			
	Number of ordinary shares		Amount	
	2017	2016	2017	2016
	'000	'000	RM'000	RM'000
Authorised (Note (a))				
At 1 January/31 December	**-**	100,000,000	**-**	1,000,000
Issued and fully paid (Note (b))				
As at 1 January	**7,775,000**	7,775,000	**77,750**	77,750
Transfer of share premium pursuant to Companies Act 2016	**-**	-	**691,905**	-
As at 31 December	**7,775,000**	7,775,000	**769,655**	77,750

Notes:
The new Companies Act 2016 which came into effect on 31 January 2017, abolished:

(a) the concept of authorised share capital; and
(b) the concept of par value of share capital and consequently, the amount of RM691.9 million standing to the credit of the share premium account becomes part of the Company's share capital pursuant to the transitional provisions set out in Section 618 (2) of the Companies Act 2016.

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 24 May 2017.

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

		Group	
	Note	2017	2016
		RM'000	RM'000
Present value of unfunded obligations	21(a)	**590**	874

24. Defined benefit plan (cont'd)

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

	Note	Group 2017 RM'000	Group 2016 RM'000
Interest on obligations, representing increase in provision for defined benefit plan	7	**18**	80

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

	Group 2017 %	Group 2016 %
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 2017 and 2016 respectively, under the single-tier system.

26. Commitments

(a) Capital commitments

	Group 2017 RM'000	Group 2016 RM'000
Capital expenditure in respect of property, plant and equipment and intangible assets:		
- Approved and contracted for	**412,000**	1,077,000
- Approved but not contracted for	**847,000**	1,043,000

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26. Commitments (cont'd)

(b) Non-cancellable operating lease commitments

	Group	
	2017	**2016**
	RM'000	**RM'000**
Future minimum lease payments:		
- Less than one year	**393,713**	355,601
- Between one and five years	**820,189**	525,763
- More than five years	**469,556**	201,061
	1,683,458	1,082,425

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

(c) Finance lease commitments

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

	Group	
	2017	**2016**
	RM'000	**RM'000**
Minimum lease payments:		
- Less than one year	**13,849**	11,726
- Between one and two years	**6,796**	7,946
- Between two and five years	**1,965**	8,506
Total minimum lease payments	**22,610**	28,178
Less: Amounts representing finance charges	**(1,391)**	(3,079)
Present value of minimum lease payments	**21,219**	25,099
Present value of payments:		
- Less than one year	**12,881**	9,990
- Between one and two years	**6,382**	6,998
- Between two and five years	**1,956**	8,111
Present value of minimum lease payments	**21,219**	25,099
Less: Amount due within 12 months (Note 19)	**(12,881)**	(9,990)
Amount due after 12 months (Note 19)	**8,338**	15,109

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27. Performance guarantees

	Group	
	2017	2016
	RM'000	RM'000
Unsecured		
Guarantees given to third parties for public infrastructure works	**19,914**	13,484
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	**10,264**	24,562
	40,178	48,046

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:

	Transactions		Balance due (to)/from at	
	2017	2016	2017	2016
Group	RM'000	RM'000	RM'000	RM'000
With the ultimate holding company and fellow subsidiaries				
- *Telenor ASA*			**(27,557)**	(49,483)
Consultancy services rendered	**35,137**	25,797		
Fees payable for licenses and trademarks	**9,475**	10,500		
- *Telenor Consult AS*			**-**	33
Personnel services rendered	**-**	199		
- *Telenor GO Pte Ltd*			**(564)**	841
Personnel services rendered	**11,854**	13,234		

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28. Significant related party disclosures (cont'd)

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

	Transactions		Balance due (to)/from at	
	2017	2016	2017	2016
Group (cont'd)	RM'000	RM'000	RM'000	RM'000
With the ultimate holding company and fellow subsidiaries (cont'd)				
- *Telenor Global Services AS*			**(6,200)**	(5,791)
Sales of interconnection services on international traffic	**3,557**	2,882		
Purchases of interconnection services on international traffic	**30,883**	24,489		
Purchases of international roaming services	**398**	2,135		
Purchases of IP transit	**777**	760		
Purchases of global connectivity	**1,435**	1,343		
Clearing house services rendered for international roaming arrangements	**129**	-		
- *Total Access Communication Public Company Limited*			**343**	415
Sales of international roaming services	**5**	28		
Purchases of international roaming services	**660**	(25)		
- *dtac TriNet Co. Ltd*			**(1,532)**	1,622
Sales of international roaming services	**528**	421		
Purchases of international roaming services	**2,223**	387		
Sales of interconnection services on international traffic	**122**	232		
Purchases of interconnection services on international traffic	**1,571**	5,616		
Lease income from bandwidth leasing	**-**	5,138		
- *Telenor Digital Services AS*			**(566)**	(705)
Consultancy services rendered	**1,025**	910		
Services rendered on digital marketing and distribution platform	**299**	-		
Purchases of cloud based software infrastructure services	**364**	-		

28. Significant related party disclosures (cont'd)

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

	Transactions		Balance due (to)/from at	
	2017	**2016**	**2017**	**2016**
Group (cont'd)	**RM'000**	**RM'000**	**RM'000**	**RM'000**
With the ultimate holding company and fellow subsidiaries (cont'd)				
- *Telenor Global Shared Services AS*			**(12,631)**	(7,421)
Services rendered on application operations and basic operation for data centre	**10,984**	9,171		
Purchases of operation application	**-**	347		
Purchases of customer centre offshoring services	**-**	2,378		
- *Telenor IT Asia Sdn Bhd*			**(24,260)**	(10,239)
Rental income and services rendered for Asian Infrastructure Shared Services Centre	**333**	893		
Services rendered on Asian Infrastructure Shared Services Centre	**5,872**	7,291		
Settlement costs and exit fee payable (Note[1])	**6,028**	-		
- *Valyou Sdn Bhd*			**19**	10
Sales of telecommunication and related services	**118**	1,683		
Personnel services rendered	**645**	-		
- *Telenor Procurement Company*			**(3,404)**	-
Managed services rendered	**3,447**	-		
- *Telenor Financial Services AS*			**-**	-
Personnel services rendered	**247**	-		
- *Telenor Global Services Singapore Pte Ltd*			**904**	-
Lease income from bandwidth leasing	**6,144**	-		
- *Tapad Inc. US*			**(107)**	-
Services rendered on digital marketing and distribution platform	**1,544**	-		

NOTES TO THE FINANCIAL STATEMENTS
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28. Significant related party disclosures (cont'd)

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

Note[1]:
DTSB, a wholly-owned subsidiary of the Group has finalised a Settlement Agreement with Telenor IT Asia Sdn Bhd ("TITA") and Telenor Global Shared Services AS ("GSS") on 17 January 2018 to early terminate and exit the Memorandum of Understanding ("MOU") and Service Order for Information Technology ("IT") Infrastructure Services between DTSB, GSS and TITA. Both TITA and GSS are related parties to the Group and have ceased to provide these services since the end of September 2017. These terminated services are a recurring related party transaction ("RRPT") for which shareholders' mandate had already been obtained in prior periods.

The early termination of these services is a result of an exercise carried out by the Group to insource the IT infrastructure under the Group's IT environment.

Pursuant to the Settement Agreement, DTSB had on 29 January 2018 made a payment of RM13.9 million to TITA as final settlement for:

	RM'000
- Transfer of assets taken place at 1 October 2017	7,827
- Settlement costs and exit fee (as disclosed in statement of comprehensive income)	6,028
	13,855

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

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

(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	
	2017	**2016**
	RM'000	**RM'000**
Short-term employee benefit	**12,333**	11,530
Post-employment benefits	**1,867**	977
Other employment benefits	**384**	345
	14,584	12,852

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 if a counterparty default on its obligations. The Group's credit risk arises in the normal course of business with respect to trade and other receivables. The credit risk is managed through formalised policies on credit assessment and approvals, credit limits and monitoring procedures. The maximum credit risk exposure is limited to the carrying amount of the receivables less allowance for impairment. Information regarding trade receivables that are neither past due nor impaired, and past due but not impaired, are disclosed in Note 16(a).

The Group's credit risk also arises from cash and short-term deposits. The credit risk is managed through monitoring procedures. Deposits are placed only with reputable licensed banks and unit trust funds, if any. The maximum credit exposure for cash and cash equivalents are the reported carrying values in the financial statements.

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

(c) Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group is exposed to foreign currency risk as a result of transactions denominated in currencies other than its functional currency, arising from the normal business activities. The currencies giving rise to this risk are primarily the USD, SDR and NOK. Although approximately 13% (2016: 19%) of the Group's total expenses are denominated in the above-mentioned foreign currencies, the settlements of these payables are on a net basis through clearing house services, together with revenues earned from the same operators and partners. The Group also holds cash and cash equivalents denominated in USD for working capital purposes. The Group's foreign-denominated cash and cash equivalents at the reporting date is disclosed in Note 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.

Details of the Group's outstanding foreign currency forward contracts for the purpose of hedging certain payables denominated in USD for which firm commitments existed at the reporting date, extends to January and February 2018, 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.

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29. Financial instruments (cont'd)

(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.

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					
2017					
Financial liabilities					
Trade and other payables	**1,928,256**	**-**	**-**	**-**	**1,928,256**
Loans and borrowings	**139,092**	**305,890**	**1,903,570**	**956,719**	**3,305,271**
Derivative financial liabilities:					
- Foreign currency forward contracts	**1,447**	**-**	**-**	**-**	**1,447**
Total undiscounted financial liabilities	**2,068,795**	**305,890**	**1,903,570**	**956,719**	**5,234,974**
2016					
Financial liabilities					
Trade and other payables	1,947,851	-	-	-	1,947,851
Loans and borrowings	582,900	125,305	1,363,176	765,918	2,837,299
Total undiscounted financial liabilities	2,530,751	125,305	1,363,176	765,918	4,785,150

29. Financial instruments (cont'd)

(e) Interest rate risk

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

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

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

The notional principal amounts of the outstanding interest rate swaps and its fair value are disclosed in Note 17 (a).

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 (2016: 20) basis points in interest rates applicable for the Group's entire loans and borrowings (excluding finance lease obligation) would result in approximately 0.26% (2016: 0.16%) variance in the Group's profit for the year.

(f) Fair values

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

(i) Cash and 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.

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29. Financial instruments (cont'd)

(f) Fair values (cont'd)

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

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

(iv) Derivative financial instruments

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

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

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 RM162,500 (2016: 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

		Group			
		Carrying amount		Fair value	
	Note	2017	2016	2017	2016
		RM'000	RM'000	RM'000	RM'000
Loans and borrowings (non-current):					
- Finance lease obligation	19	**8,338**	15,109	**20,619**	24,905

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29. Financial instruments (cont'd)

(g) Classification

The carrying amounts of financial instruments under each category of MFRS 139, are as follows:

		Group		Company	
	Note	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Financial assets					
Available-for-sale financial assets:					
- Other investment	14	**163**	100	**-**	-
Loans and receivables:					
- Trade receivables	16(a)	**399,066**	357,779	**-**	-
- Other receivables	16	**548,558**	436,797	**4**	5
- Deposits	16	**179,808**	171,423	**-**	-
- Cash and short-term deposits	18	**575,045**	376,588	**897**	940
		1,702,477	1,342,587	**901**	945
Financial assets at fair value through profit or loss:					
Derivative financial assets					
- Interest rate swaps	17	**355**	-	**-**	-
- Foreign currency forward contracts	17	**-**	4,034	**-**	-
		355	4,034	**-**	-
Financial liabilities					
Financial liabilities at fair value through profit or loss:					
Derivative financial liabilities					
- Foreign currency forward contracts	17	**1,447**	-	**-**	-
Other financial liabilities:					
- Floating-rate term loans	19	**1,291,635**	1,783,728	**-**	-
- Floating-rate term financing-i	19	**492,642**	-	**-**	-
- Islamic medium term notes	19	**898,823**	-	**-**	-
- Revolving credits	19	**-**	473,046	**-**	-
- Finance lease obligation	19	**21,219**	25,099	**-**	-
- Trade payables	22	**255,600**	225,782	**-**	-
- Other payables	22	**266,409**	371,223	**-**	-
- Accruals	22	**1,392,626**	1,335,685	**965**	945
- Customer deposits	22	**13,621**	15,161	**-**	-
		4,632,575	4,229,724	**965**	945

NOTES TO THE FINANCIAL STATEMENTS
31 December 2017

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 2017:

			Fair value measurement using			
	Note	Date of valuation	Total RM'000	Quoted prices in active markets (Level 1) RM'000	Significant observable inputs (Level 2) RM'000	Significant unobservable inputs (Level 3) RM'000
Financial assets/ (liabilities) measured at fair value:						
Derivative financial assets:						
- Interest rate swaps	17	31 December 2017	**355**	**-**	**355**	**-**
Derivative financial liabilities:						
- Foreign currency forward contracts	17	31 December 2017	**(1,447)**	**-**	**(1,447)**	**-**
Financial liabilities for which fair values are disclosed:						
Loans and borrowings (non-current):						
- Finance lease obligation	29(f)	31 December 2017	**(20,619)**	**-**	**-**	**(20,619)**

29. Financial instruments (cont'd)

(h) Fair value measurement (cont'd)

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

Quantitative disclosures fair value measurement hierarchy for financial assets/(liabilities) as at 31 December 2016:

				Fair value measurement using		
	Note	Date of valuation	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:						
Derivative financial assets:						
- Foreign currency forward contracts	17	31 December 2016	4,034	-	4,034	-
Financial liabilities for which fair values are disclosed:						
Loans and borrowings (non-current):						
- Finance lease obligation	29(f)	31 December 2016	(24,905)	-	-	(24,905)

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 2017 and at 31 December 2016.

NOTES TO THE FINANCIAL STATEMENTS
31 December 2017

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 obligations while maintaining its financial flexibility; and
(iii) its ability to support its business requirements and enable future growth.

Going-forward, the Group will continue to actively manage its capital structure to enhance shareholders' value and make adjustments to address changes in the economic environment and its business risk characteristics. The Group had during the financial year ended 31 December 2009, revised its minimum dividend pay-out policy to at least 80% of the Company's profit for the year, and dividend payment frequency. The dividend policy will be maintained subject to on-going assessment, and based on the availability of distributable reserves as well as the Group's future cash flow requirements and market conditions. These revisions and any other revision to its allocation of capital resources are subject to the approval of the Board of Directors. No changes were made in the objectives, policies or processes during the financial year ended 31 December 2017.

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 event

Letter of Offer for Spectrum Assignment in the 2100 MHz Spectrum Bands

On 30 January 2018, the Group has accepted an offer from the Malaysian Communications and Multimedia Commission ("MCMC") on granting the Group for the reissuance of 2100MHz spectrum assignment ("SA") at 2x15MHz band for a period of 16 years effective from 2 April 2018.

Pursuant to the acceptance of SA, the Group had on the same date made an upfront payment for the price component of SA to MCMC amounting to RM118,400,000. The upfront price component will be classified as prepayment until the date of SA becomes effective.

33. Authorisation of financial statements for issue

The financial statements for the financial year ended 31 December 2017 were authorised for issue in accordance with a resolution of the directors on 15 March 2018.

LIST OF PROPERTIES

As at 31 December 2017

No.	Location	Tenure	Description/ Existing Use	Date of Acquisition	Area	Age of Building (Years)	Net Book Value as at 31.12.2016 RM'000	Net Book Value as at 31.12.2017 RM'000
1	H.S. (D) No 92086 & 92087 P.T. No. 9 & No.10, Pekan Seremban Jaya, Daerah Seremban, Negeri Sembilan	Freehold	Land with a building/ Telecommunications Centre	29.12.1997	22,529 sq ft	20	577	559
2	Unit No. 202-4-11, Sri Bandar Besi, Jalan Sungai Besi, Sungai Besi, Kuala Lumpur	Freehold	Apartment/Housing base transceiver equipment	26.01.1995	802 sq ft	22	77	74
3	Unit No. C16-2, Indera Subang UEP, Jalan UEP 6/2L, UEP Subang Jaya, Petaling Jaya, Selangor	Freehold	Apartment/Housing base transceiver equipment	04.02.1995	2,249 sq ft	24	408	394
4	No. 1-16.2, 16th Floor, Union Height, Taman Yan, Jalan Klang Lama, Kuala Lumpur	Freehold	Apartment/Housing base transceiver equipment	25.01.1995	1,249 sq ft	23	153	148
5	3rd Floor, Unit Pt 4888/4786 C, Block TC-14, Taman Sri Gombak, Jalan Batu Caves, Selangor	Freehold	Apartment/Housing base transceiver equipment	29.03.1995	1,319 sq ft	22	58	56
6	4572, 7th Floor, Sri Jelatek Condominiums, Section 10, Wangsa Maju, Kuala Lumpur	Freehold	Apartment/Housing base transceiver equipment	07.02.1995	1,115 sq ft	22	119	115
7	32 , PLO 151 Jln Angkasa Mas Utama, Kawasan Perindustrian Tebrau II, 81100 Johor Bahru, Johor	Leasehold 30 years lease (expiring in 2023)	Land with a building/ Telecommunications Centre	12.05.1995	1.58 acres	23	727	715
8	HS (D) 77, No. P.T. PTBM/A/081, Mukim 1, Kawasan Perusahaan Perai, District Seberang Perai Tengah, Pulau Pinang	Leasehold 60 years (expiring in 2033)	Land with a building/ Telecommunications Centre	23.03.1995	1 acre	43	1,450	1,398
9	Lot 36, Sedco Light Industrial Estate, Jalan Kelombong, Kota Kinabalu, Sabah	Leasehold 60 years (expiring in 2034)	Land with a building/ Telecommunications Centre	12.06.1995	0.938 acre	37	1,625	1,569

LIST OF PROPERTIES
As at 31 December 2017

No.	Location	Tenure	Description/ Existing Use	Date of Acquisition	Area	Age of Building (Years)	Net Book Value as at 31.12.2016 RM'000	Net Book Value as at 31.12.2017 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	22	1,399	1,350
11	No. 112, Semambu Industrial Estate, Kuantan, Pahang	Leasehold 66 years (expiring in 2041)	Land with a building/ Telecommunications Centre	07.07.1995	4 acres	35	1,584	1,530
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	N/A	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	26	86	84
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	24	5,164	5,097
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	20	349	345
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	18	102	100
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	18	188	186
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	28	1,650	1,630
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	814	790

LIST OF PROPERTIES

As at 31 December 2017

No.	Location	Tenure	Description/ Existing Use	Date of Acquisition	Area	Age of Building (Years)	Net Book Value as at 31.12.2016 RM'000	Net Book Value as at 31.12.2017 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	12	71,715	70,317
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	21	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	8	67,303	65,928
24	13-1st Floor, Gemilang Indah Condominium, Geran Mukim 2227/M1/2/7, Lot 295, Sek 98, Bandar KL, Wilayah Perseketuan	Freehold	Apartment unit	26.10.2009	935 sq ft	27	119	117
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	1,803 sq m	22	3,994	3,946
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	17	669	660
							171,501	168,119

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 9 May 2017, 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 the Main Market Listing Requirements of Bursa Securities, the details of recurrent related party transactions conducted during the financial year ended 31 December 2017 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")		35,137
Telenor Group	DTSB	Personnel services payable and professional fees ("Professional Service")	1,673	12,164
Telenor Group	DTSB	International Accounting Settlement. This refers to an arrangement for interconnection services on international traffic between foreign carriers	3,679	32,454
Telenor Group	DTSB	International Roaming	1,001	3,977
Telenor Group	DTSB	IP Transit (Internet Upstream)		777
Telenor Group	DTSB	Global connectivity services with Telenor Business Units (BUs) in Asia and to data centers for common services		1,435
Telenor Group	DTSB	Services rendered on Enterprise Resource Planning ("ERP") and enterprise applications		10,984
Telenor Group	DTSB	Infrastructure Shared Services Centre in Asia ("ITSSC")	333	11,900
Telenor Group	DTSB	Licenses and trademarks		9,475
Telenor Group	DTSB	Managed Services		3,576
Telenor Group	DTSB	Cloud based software infrastructure services		364
Telenor Group	DTSB	Digital marketing and distribution platform		2,003
Telenor Group	DTSB	Bandwidth leasing	5,325	819
Telenor Group	DTSB	Telecommunication and related services	118	
TOTAL			**12,129**	**125,065**

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 6 March 2018

	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**	**%**
Lars-Ake Valdemar Norling	34,213	0.0023	-	0
Haakon Bruaset Kjoel	13,388	0.0009	-	0
Torstein Pedersen	53	0.0000	-	0
Tone Ripel	1,943	0.0001	-	0

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Twenty First Annual General Meeting (21st 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 Monday, 14 May 2018 at 10.00 a.m. for the following purposes:

Agenda

As Ordinary Business

1. To receive the Audited Financial Statements for the financial year ended 31 December 2017 and the Reports of the Directors and Auditors thereon. **(Please refer to Note 1 of the Explanatory Notes)**

2. To re-elect Ms Vimala V.R. Menon as Director who is retiring pursuant to Article 98(A) of the Company's Articles of Association. **Ordinary Resolution 1**

3. To re-elect the following Directors retiring pursuant to Article 98(E) of the Company's Articles of Association:

   (i) Mr Haakon Bruaset Kjoel **Ordinary Resolution 2**

   (ii) Mr Torstein Pederson **Ordinary Resolution 3**

   (iii) Ms Tone Ripel **Ordinary Resolution 4**

4. To approve the payment of Directors' fees of up to RM815,000 for the Independent Non-Executive Directors and benefits payable to the Directors up to an aggregate amount of RM35,000 from the date of the forthcoming AGM until the next AGM of the Company. **Ordinary Resolution 5**

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

As Special Business
To consider and, if deemed fit, to pass the following resolutions:-

6. **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")** **Ordinary Resolution 7**

   "That, subject to the provisions of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, approval be and is hereby given to the Company and its subsidiaries to enter into recurrent related party transactions of a revenue or trading nature with Telenor and persons connected with Telenor as specified in Section 2.3 of the Circular to Shareholders dated 13 April 2018, which are necessary for the day-to-day operations and/or in the ordinary course of business of the Company and its subsidiaries on terms not more favourable to the related parties than those generally available to the public and are not detrimental to the minority shareholders of the Company and that such approval shall continue to be in force until:

(i) the conclusion of the next AGM of the Company following the forthcoming AGM at which the Proposed Shareholders' Mandate shall be passed, at which time it will lapse, unless by a resolution passed at a general meeting, the authority conferred by this resolution is renewed;

(ii) the expiration of the period within which the next AGM of the Company is required to be held pursuant to Section 340(2) of the Companies Act 2016 (but shall not extend to such extension as may be allowed pursuant to Section 340(4) of the Companies Act 2016); or

(iii) revoked or varied by resolution passed by the shareholders at a general meeting,

whichever is earlier.

And that the Directors of the Company be and are hereby authorised to complete and do all such acts and things (including executing all such documents as may be required) as they may consider expedient or necessary to give effect to the Proposed Shareholders' Mandate".

As Other Business

7. To transact any other business of which due notice has been given.

By Order of the Board

CHOO MUN LAI (MAICSA 7039980)
TAI YIT CHAN (MAICSA 7009143)
Company Secretaries

Selangor Darul Ehsan
13 April 2018

NOTICE OF ANNUAL GENERAL MEETING

(A) NOTES:-

(i) In respect of deposited securities, only members whose names appear on the Record of Depositors on 30 April 2018 (General Meeting Record of Depositors) shall be eligible to attend the meeting or appoint proxy(ies) to attend, speak and/or vote on his/her behalf.

(ii) A member entitled to attend, participate, speak and vote at the AGM is entitled to appoint not more than two (2) proxies to attend, participate, speak and vote on his/her behalf. Where a member appoints more than one (1) proxy, the appointment shall not be valid unless he/she specifies the proportions of his/her shareholdings to be represented by each proxy. A proxy need not be a member of the Company.

(iii) 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.

(iv) The instrument appointing a proxy shall be in writing under the hand of the appointer or his/her attorney duly authorised in writing, and in the case of a corporation, either under its common seal or under the hand of an officer or attorney duly authorised.

(v) The instrument appointing a proxy together with the power of attorney (if any) or a certified copy thereof must be deposited at the Company's Share Registrar Office, Tricor Investor & Issuing House Services Sdn Bhd at Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia or alternatively, Tricor's Customer Service Centre, Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia at least forty-eight (48) hours before the time appointed for the holding of the meeting or adjourned meeting, otherwise the instrument of proxy should not be treated as valid.

(vi) Pursuant to Paragraph 8.29A of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, all the resolutions set out in the Notice of AGM will put to vote by way of poll. Poll Administrator and Independent Scrutineers will be appointed to conduct the polling process and verify the results of the poll respectively.

(B) EXPLANATORY NOTES

1. 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 7 proposed under Agenda 6 on the shareholders' mandate, if passed, will allow the Company and its subsidiaries (Group) to enter into recurrent related party transactions, in accordance with Paragraph 10.09 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, without the necessity to convene separate general meetings from time to time to seek shareholders' approval as and when such recurrent related party transactions occur. This would reduce substantial administrative time and expenses associated with the convening of such meetings without compromising the corporate objectives of the Group or affecting the business opportunities available to the Group. The shareholders' mandate is subject to renewal on an annual basis.

Personal data privacy:

*By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, participate, speak and vote at the AGM and/or any adjournment thereof, a 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 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.*

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 ______________________ NRIC No. ______________________ *(New and Old NRIC No.)*
(Name in full)

of ____
(Address)

or the *Chair of the Meeting as my/our proxy to vote for me/us on my/our behalf at the Twenty-First Annual General Meeting (21st AGM) 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 Monday, 14 May 2018 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 'Chair of the Meeting' if you wish to appoint some other person to be your proxy.

ORDINARY RESOLUTIONS		**FOR**	**AGAINST**
RESOLUTION 1 –	To re-elect Ms Vimala V.R.Menon as Director		
RESOLUTION 2 –	To re-elect Mr Haakon Bruaset Kjoel as Director		
RESOLUTION 3 –	To re-elect Mr Torstein Pederson as Director		
RESOLUTION 4 –	To re-elect Ms Tone Ripel as Director		
RESOLUTION 5 –	To approve the payment of Directors' fees and benefits payable to the Directors		
RESOLUTION 6 –	To re-appoint Messrs Ernst & Young as Auditors of the Company and authorise the Directors to fix their remuneration		
RESOLUTION 7 –	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		

No. of Shares	

For appointment of two proxies, percentage of shareholdings to be represented by the proxies:

	No. of Shares	Percentage
Proxy 1		%
Proxy 2		%
Total		100%

____
Signature of Shareholder(s) or Common Seal

Tel. No. ______________________

Signed this ______________________ day of ______________________ , 2018.

Notes:

(i) In respect of deposited securities, only members whose names appear on the Record of Depositors on 30 April 2018 (General Meeting Record of Depositors) shall be eligible to attend the meeting or appoint proxy(ies) to attend, speak and/or vote on his/her behalf.

(ii) A member entitled to attend, participate, speak and vote at the AGM is entitled to appoint not more than two (2) proxies to attend, participate, speak and vote on his/her behalf. Where a member appoints more than one (1) proxy, the appointment shall not be valid unless he specifies the proportions of his/her shareholdings to be represented by each proxy. A proxy need not be a member of the Company.

(iii) 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.

(iv) The instrument appointing a proxy shall be in writing under the hand of the appointer or his attorney duly authorised in writing, and in the case of a corporation, either under its common seal or under the hand of an officer or attorney duly authorised.

(v) The instrument appointing a proxy together with the power of attorney (if any) or a certified copy thereof must be deposited at the Company's Share Registrar Office, Tricor Investor & Issuing House Services Sdn Bhd at Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia or alternatively, Tricor's Customer Service Centre, Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia at least forty-eight (48) hours before the time appointed for the holding of the meeting or adjourned meeting, otherwise the instrument of proxy should not be treated as valid.

(vi) Pursuant to Paragraph 8.29A of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, all the resolutions set out in the Notice of AGM will put to vote by way of poll. Poll Administrator and Independent Scrutineers will be appointed to conduct the polling process and verify the results of the poll respectively.

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 13 April 2018.

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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

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INDEPENDENT LIMITED ASSURANCE REPORT

Relating to Digi.Com Berhad's Annual Report for the year ended 31 December 2017.

To the Directors of Digi.Com Berhad

We, KPMG PLT, have been engaged by Digi Telecommunications Sdn Bhd ("Digi"), wholly owned subsidiary of Digi.Com Berhad, and are responsible for providing a limited assurance conclusion in respect of the Selected Sustainability Information for the year ended 31 December 2017 to be included in the Annual Report 2017 ("the Report") as identified below ("the Selected Sustainability Information").

Management's Responsibilities

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

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

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

Our Responsibilities

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

Selected Sustainability Information

Selected Sustainability Information includes the following data for the year ended 31 December 2017:

- Suppliers signing the Agreement of Business Conduct (ABC);
- Energy consumption within the organisation;
- Scope 1 $C0_2$ emissions;
- Scope 2 $C0_2$ emissions;
- Scope 3 $C0_2$ emissions;
- Lost time injury frequency (LTIF);
- Training hours recorded by HR; and
- Number of students attending the Digi CyberSAFE Programme.

INDEPENDENT LIMITED ASSURANCE REPORT

Procedures Performed over Selected Sustainability Information

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

- Interviews with Senior Management and relevant staff at corporate level;
- Inquiries about the design and implementation of the systems and methods used to collect and process the information reported, including the aggregation of source data into the Selected Sustainability Information;
- Visits to Digi's head office; and
- Comparing the information presented in the Selected Sustainability Information to corresponding information in the relevant underlying sources to determine whether all the relevant information has been included in the Selected Sustainability Information and prepared in accordance with Management's calculations methodologies.

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement and consequently the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed. Accordingly, we do not express a reasonable assurance opinion.

Our independence and quality control

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

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

Inherent limitations

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

Our conclusion

Our conclusion has been formed on the basis of, and is subject to, the matters outlined in this Independent Limited Assurance Report.

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

Based on the procedures performed and evidence obtained, as described above, nothing has come to our attention that would lead us to believe that the Selected Sustainability Information included in the Report for the year ended 31 December 2017, is not presented, in all material respects, in accordance with Management's calculation methodologies.

INDEPENDENT LIMITED ASSURANCE REPORT

Restriction of use of our Independent Limited Assurance Report

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

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

KPMG

KPMG PLT (LLP0010081-LCA)
Petaling Jaya
23 March 2018

CORPORATE INFORMATION

BOARD OF DIRECTORS

Lars-Ake Valdemar Norling
Chair, Non-Independent Non-Executive Director

Tan Sri Saw Choo Boon
Senior Independent Non-Executive Director

Yasmin Binti Aladad Khan
Independent Non-Executive Director

Vimala V.R. Menon
Independent Non-Executive Director

Haakon Bruaset Kjoel
Non-Independent Non-Executive Director
(Appointed on 11 July 2017)

Torstein Pedersen
Non-Independent Non-Executive Director
(Appointed on 12 December 2017)

Tone Ripel
Non-Independent Non-Executive Director
(Appointed on 23 January 2018)

AUDIT AND RISK COMMITTEE

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

Vimala V.R. Menon
Independent Non-Executive Director

Yasmin Binti Aladad Khan
Independent Non-Executive Director
(Appointed on 12 December 2017)

Torstein Pedersen
Non-Independent Non-Executive Director
(Appointed on 23 January 2018)

NOMINATION COMMITTEE

Yasmin Binti Aladad Khan
Chair, Independent Non-Executive Director

Tan Sri Saw Choo Boon
Senior Independent Non-Executive Director

Haakon Bruaset Kjoel
Non-Independent Non-Executive Director
(Appointed on 11 July 2017)

REMUNERATION COMMITTEE

Lars-Ake Valdemar Norling
Chair, Non-Independent Non-Executive Director

Yasmin Binti Aladad Khan
Independent Non-Executive Director
(Appointed on 11 July 2017)

Haakon Bruaset Kjoel
Non-Independent Non-Executive Director
(Appointed on 23 January 2018)

Senior Independent Non-Executive Director
Tan Sri Saw Choo Boon
Email: cbsaw@digi.com.my

SECRETARIES

Choo Mun Lai (MAICSA No. 7039980)

Tai Yit Chan (MAICSA No. 7009143)

DOMICILE AND COUNTRY OF INCORPORATION

Malaysia

CORPORATE INFORMATION

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

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

AUDITORS

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

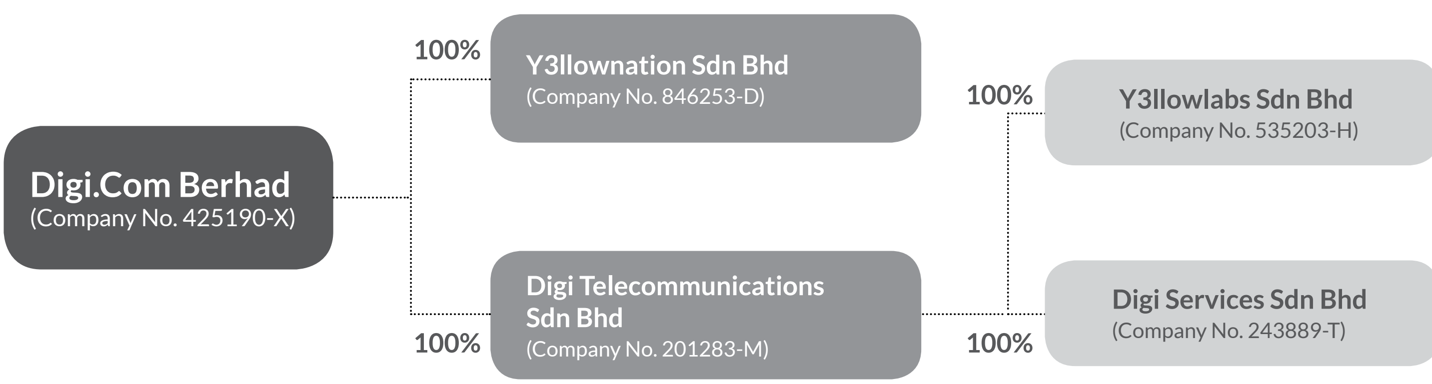
STOCK EXCHANGE LISTING

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

PRINCIPAL BANKERS

CIMB Islamic Bank Berhad
Sumitomo Mitsui Banking Corporation Malaysia Berhad
Bank of Tokyo-Mitsubishi UFJ (Malaysia) Berhad
RHB Bank Berhad
Standard Chartered Bank Malaysia Berhad
OCBC Bank (Malaysia) Berhad

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, 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,
3, Jalan PJS 11/15, Bandar Sunway,
46150 Petaling Jaya, Selangor

Ampang
86G, Lorong Mamanda 1,
Ampang Point,
68000 Selangor

Alamanda
Lot LG-70, 71&72, Ground Floor,
Alamanda Putrajaya Shopping Centre,
Jalan Alamanda, Precinct 1,
62000 Putrajaya

KLIA
Lot L2-75, Terminal KLIA2,
KL International Airport, Jalan Klia 2/1,
64000 KLIA Sepang, Selangor

Cheras
3-G, Jalan C180/1,
Dataran C180,
43200 Cheras, Selangor

Melaka
Melaka
2, Jalan Plaza Merdeka,
Plaza Merdeka,
75000 Melaka

Negeri Sembilan
Seremban
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
Block 6, G-35, Danga Walk,
Batu 4-1/2, Jalan Skudai,
80200 Johor Bahru, Johor

Batu Pahat
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
1B-G-08 & 1B-G-09, Ground Floor,
One Precinct, Lengkok Mayang Pasir,
11950 Bayan Baru, Penang

Kedah
Alor Setar
2 & 3, Kompleks Perniagaan Pintu,
10, Jalan Pintu Sepuluh,
05100 Alor Setar, Kedah

Perak
Ipoh
Lot C-01-04, 2, Ground Floor,
Persiaran Greentown 3,
Greentown Business Centre,
30450 Ipoh, Perak

De Gardens
DGR-1A, Ground Floor,
1, Persiaran Medan Ipoh,
Medan Ipoh,
31400 Ipoh, Perak

Pahang
Kuantan
91, Jalan Tun Ismail,
25000 Kuantan, Pahang

Kelantan
Kota Bharu
S/16, PT 232,
Lot 1A, Jalan Hamzah,
15050 Kota Bharu, Kelantan

Terengganu
Kuala Terenganu
Lot PT3937, Jalan Sultan Sulaiman,
20000 Kuala Terengganu, Terengganu

Sabah
Api-Api
Lot 5/G3, Ground & 1st 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,
Block 31, Kemena Land District,
97000 Bintulu

Sibu
17 & 19, Ground Floor,
Jalan Tong Sang,
Off Jalan Wong King Huo,
96000 Sibu

part of telenor group

Digi.Com Berhad (425190-x)

Lot 10, Jalan Delima 1/1,
Subang Hi-Tech Industrial Park,
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Selangor, Malaysia

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