

A BRAND NEW DAY

at D'House



CHAIRMAN'S

STATEMENT

Dear Shareholders,

2006 was a very good year for DiGi. We were tested on our tenacity to do well in a market where subscriber penetration is levelling off and competition is getting more intense. I am extremely pleased to report that DiGi's commitment to change, and desire to innovate and simplify has led us to deliver several smart solutions to our customers. This, in turn, has significantly contributed to DiGi's solid financial performance.

Last year, revenue increased by 27% to RM3.65 billion and our customer base stood at 5.3 million at year-end. About 500,000 non-registered subscriptions were terminated during the Government mandated prepaid registration exercise. By the end of 2006, the Company had grown both its prepaid and postpaid businesses; prepaid subscriber market share grew by 3.2 percentage points to 29.9% whilst postpaid market share grew by 2.8 percentage points to 15% in the same period.

DiGi's commitment to change, and desire to innovate and simplify has led us to deliver several smart solutions to our customers



Pemegang Saham Yang Dihargai,

2006 merupakan tahun yang amat baik untuk DiGi. Ketabahan kami teruji untuk beraksi dengan baik dalam suasana di mana penembusan pasaran pelanggan semakin mendatar dan saingan bertambah sengit. Saya dengan amat sukacitanya ingin melaporkan bahawa komitmen DiGi kepada perubahan dan kesungguhan kepada pembaharuan telah mendorong kami menawarkan beberapa penyelesaian bijak kepada para pelanggan kami. Ini secara langsung memberi sumbangan besar kepada prestasi teguh pencapaian kewangan DiGi.

Tahun lepas, hasil pendapatan meningkat sebanyak 27% kepada RM3.65 bilion dan jumlah pelanggan mencapai 5.3 juta pada akhir tahun. Lebih kurang 500,000 langganan yang tidak berdaftar telah ditamatkan perkhidmatan selaras dengan tindakan kerajaan mewajibkan pendaftaran perkhidmatan pra-bayar. Pada penghujung tahun 2006, pihak syarikat telah mencatatkan peningkatan kedua-dua perniagaan pra dan pasca-bayarnya; pasaran pelanggan pra-bayar bertambah sebanyak 3.2 mata peratus kepada 29.9% manakala pasaran pasca-bayar juga bertambah sebanyak 2.8 mata peratus kepada 15% dalam tempoh masa yang sama.

Chairman's Statement (cont'd)

Our focus on continuous revenue improvement as well as good cost management practices resulted in a 35% increase on earnings before interest, tax, depreciation and amortisation (EBITDA) and a strong EBITDA margin of 46.4% for the year. High usage especially during the festive seasons in the last quarter of the year, high take-up rates of non-voice services as well as a one-off regulatory fee adjustment were key contributors to the 71% rise in profit after tax to RM806 million for the financial year ended 31 December 2006.

Earnings per share (EPS) rose to 107.4 sen against 62.8 sen for the previous year. The Board is pleased with the strong financial performance of the Company in this competitive and dynamic industry landscape.

A new path

2006 began with a fresh challenge for us. Despite a strong bid, we were not awarded a 3G spectrum. We responded swiftly to this situation by shifting our focus to strengthening our organisation and improving our management capabilities. We then aligned our strategy into four key areas:

- Leveraging on our market strength in the youth segment, we expanded into new segments and established greater brand awareness
- Focused on nurturing satisfied customers with simple, innovative and smart products and services
- Strengthened the DiGi brand to ensure its lasting appeal for future generations
- Invested resources into streamlining our operations to create a unique DiGi customer experience



Tumpuan kami kepada peningkatan hasil pendapatan serta amalan pengurusan kos yang baik menghasilkan 35% peningkatan pendapatan sebelum faedah, cukai, susut nilai dan perlunasan (EBITDA) serta birai EBITDA sekukuh 46.4% pada tahun tersebut. Penggunaan yang tinggi, terutamanya di musim perayaan pada suku tahun terakhir, kadar langganan perkhidmatan bukan-suara yang tinggi serta penyesuaian tunggal fi kawalselia adalah diantara penyumbang utama kepada pertambahan keuntungan sebanyak 71% selepas cukai kepada RM806 juta bagi tahun kewangan berakhir pada 31 Disember 2006.

Pendapatan sesaham meningkat kepada 107.4 sen berbanding dengan 62.8 sen pada tahun sebelumnya. Pihak Lembaga Pengarah berpuas hati dengan prestasi kewangan Syarikat yang kukuh dalam landskap industri yang kompetitif tinggi dan dinamik ini.

Arah baru

2006 bermula dengan cabaran baru buat kami. Walaupun dengan bidaan yang mantap, kami tidak dapat memperolehi peruntukan spektrum 3G. Kami bertindak pantas menangani situasi ini dengan beralih tumpuan untuk mengukuhkan organisasi dan meningkatkan kemampuan pengurusan kami. Seterusnya kami menjajarkan strategi kepada empat perkara utama:

- *Memperkuatkan pasaran kami di dalam segmen remaja, kami melanjur ke dalam segmen-segmen baru dan mengukuhkan lebih kesedaran terhadap jenama*
- *Menumpukan kepada penjagaan pelanggan yang berpuas hati dengan produk-produk serta perkhidmatan yang mudah, inovatif dan bijak.*
- *Mengukuhkan jenama DiGi untuk memastikan tarikan yang berterusan bagi generasi masa hadapan*
- *Melaburkan sumber-sumber kami di dalam menyempurnakan operasi kami untuk mewujudkan pengalaman unik bagi pelanggan DiGi*

Commitment + growth

A five-year strategy, MyICMS 886, unveiled by the Government in December 2005 for the period 2006 through 2010, was aimed at growing the ICT industry vigorously and building Malaysia into a regional ICT hub. This initiative is a clear indication that the Government places great importance on the communications industry and acknowledges its critical role in the progress of the nation. DiGi echoes the same sentiment and shares the same vision. We are equally committed as an industry leader to support the long-term growth and development of the telecommunications sector which is showing signs of maturity.

For DiGi, recognising and responding in a timely manner to the more discerning customer was the key to its success last year. The Company matched customers' demands for a more sophisticated and innovative range of products with competitive price structures and high quality service standards.

With greater investments into our network, we significantly improved the quality of service, expanded our network coverage and achieved even greater customer satisfaction. Our healthy growth in subscriptions as well as revenue enabled us to enjoy even greater economies of scale for further network development.



DiGi's **A** amazing
malaysians

Corporate responsibility

Our support to the Malaysian Government is not limited to the telecoms industry, but also towards conservation of Malaysia's culture and unique heritage. DiGi's Amazing Malaysians, our corporate responsibility programme, represents our investment in building communities for the preservation of traditional values and also, education on the benefit of ecosystem to the local communities.

In 2006, we traversed the nation, visiting five states to institute various programmes that helped safeguard the future of the heritage, traditions and arts:

- Shadow Player of Kelantan
- Heritage Architect of Kedah
- Champion of Pahang's Tasik Chini
- Woodcraft Warrior of Selangor
- Madame Heritage Heboh of Penang

In recognition of our efforts, DiGi also became the first company to receive the *Anugerah Pendukung Seni* (Supporter of the Arts Award) from the Malaysian Government.

Komitmen + pertumbuhan

Strategi lima tahun, MyICMS 886, yang diumumkan oleh kerajaan pada Disember 2005 bagi tempoh 2006 ke 2010, disasarkan untuk menggalakkan pertumbuhan industri ICT serta membangunkan Malaysia sebagai pusat ICT serantau. Usaha ini adalah suatu petanda jelas bahawa kerajaan mengiktiraf kepentingan industri komunikasi dan mengesahkan peranannya di dalam pembangunan negara. DiGi melaungkan sentimen yang sama serta berkongsi wawasan yang serupa. Selaku pemimpin industri, kami juga bertanggungjawab untuk memberi sokongan kepada pertumbuhan jangka panjang dan pembangunan sektor telekomunikasi yang mula menunjukkan tanda-tanda kematangan.

Bagi DiGi, keperihatian dan bertindak-balas pada masa yang tepat kepada para pelanggan merupakan kunci kejayaan tahun lepas. Pihak syarikat telah memenuhi permintaan pelanggan dengan menyediakan barisan produk yang lebih sofistikated, inovatif dan berkualiti tinggi dengan struktur harga yang kompetitif.

Melalui pelaburan yang besar di dalam rangkaian, kami telah meningkatkan mutu perkhidmatan, memperluaskan liputan rangkaian dan seterusnya menyumbang kepada kepuasan pelanggan. Pertumbuhan yang sihat melalui langganan dan hasil pendapatan, membolehkan kami menikmati ekonomi skala untuk terus membangunkan rangkaian.

**YELLOW
COVERAGE FELLOW**



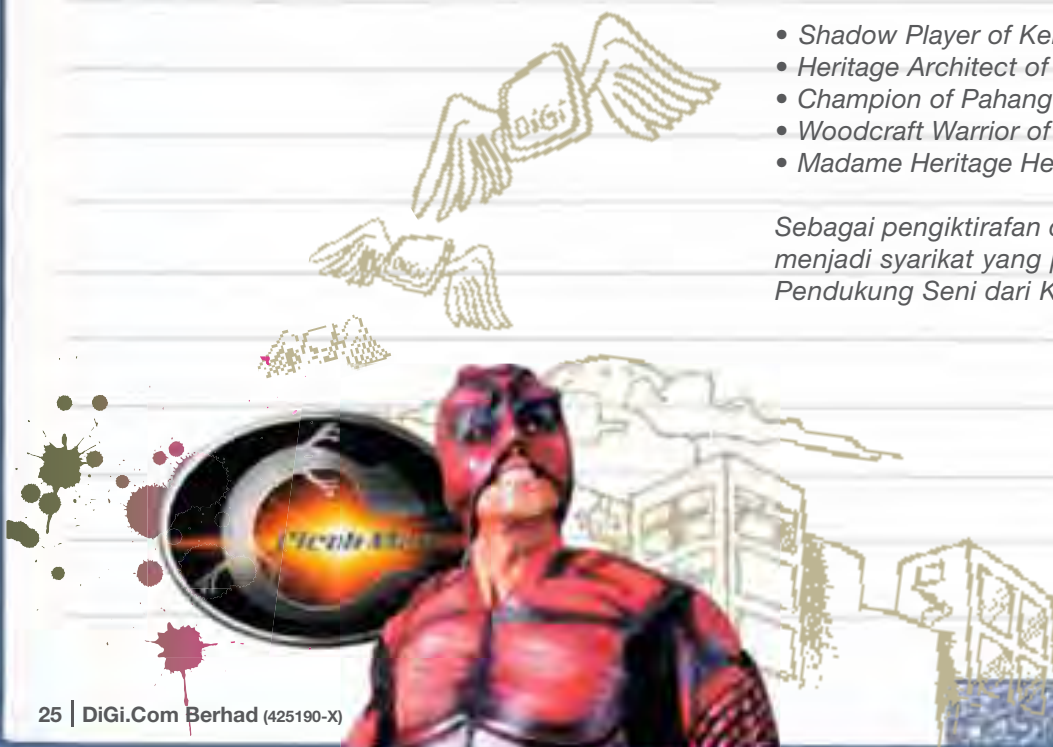
Tanggungjawab korporat

Sokongan kami terhadap Kerajaan Malaysia tidak sahaja terhad kepada industri telekomunikasi, tetapi juga kepada pemeliharaan kebudayaan Malaysia dan warisannya yang unik. DiGi's Amazing Malaysians, program tanggungjawab korporat kami melambangkan pelaburan kami dalam pembangunan komuniti bagi tujuan pemeliharaan nilai-nilai tradisi dan juga pendidikan ke arah kepentingan ekosistem kepada masyarakat setempat.

Pada 2006, kami menjelajah ke seluruh negara untuk melawat lima negeri bagi melaksanakan pelbagai program yang dapat memelihara masa depan tradisi dan seni:

- Shadow Player of Kelantan
- Heritage Architect of Kedah
- Champion of Pahang's Tasik Chini
- Woodcraft Warrior of Selangor
- Madame Heritage Heboh of Penang

Sebagai pengiktirafan di atas usaha kami, DiGi telah menjadi syarikat yang pertama menerima Anugerah Pendukung Seni dari Kerajaan Malaysia.





Creating value for you

2006 was a very rewarding year for our shareholders. Shareholders received cash payout in excess of RM1.3 billion from the Company. These payouts comprised two capital repayments of RM1.35 per share and an interim dividend of 38.5 sen net per share. A final dividend of 42.0 sen net has been proposed by the Board of Directors and this is pending shareholders' approval in the up-coming Annual General Meeting.

In addition to these cash payouts, shareholders were also rewarded with a sharp appreciation in the share price of the Company. In 2006, DiGi's share price rose in excess of 120% to close the year at RM15.20 per share vis-à-vis RM6.90 at end 2005.

The Company remains committed to rationalising its balance sheet to reflect a more efficient capital structure and consequently to increasing the Company's value as well as shareholders' value.

Mewujudkan nilai untuk anda

2006 merupakan tahun yang menguntungkan bagi pemegang saham kami. Mereka menerima pembayaran tunai melebihi RM1.3 bilion dari pihak Syarikat. Ianya merupakan pembayaran semula modal sebanyak RM1.35 sesaham dan dividen interim sebanyak 38.5 sen bersih sesaham. Dividen akhir berjumlah 42.0 sen telah dicadangkan oleh pihak Lembaga Pengarah bergantung kepada persetujuan para pemegang saham pada Mesyuarat Agung Tahunan yang akan datang.

Di samping pembayaran-pembayaran tunai tersebut, pemegang saham juga diberikan ganjaran susut nilai yang besar pada harga saham Syarikat. Pada 2006, harga saham DiGi telah meningkat melebihi 120% di penghujung tahun kepada RM15.20 sesaham berbanding dengan RM6.90 pada penghujung tahun 2005.

Pihak Syarikat akan meneruskan usaha tekad ke arah penyusunan semula kunci kira-kira untuk mencapai struktur modal yang lebih cekap dan seterusnya meningkatkan nilai Syarikat dan juga nilai pemegang saham.



Chairman's Statement (cont'd)

We're home

We firmly believe that people are our most valuable asset and they should have the best possible environment to work in and interact openly with each other from one location. In 2006 we expressed in the most concrete manner, our commitment to this by bringing them together under one roof, into DiGi's new home, D'House.

I spoke of this new building in the last Annual Report; how it would embody the DiGi spirit of transparency and clarity and how it would be literally free of barriers and walls. I am pleased to report that last year, all that we envisioned has become reality.

Our total investment amounted to RM85 million of which RM14 million was for the 6.5 acre of land and the balance of RM71 million, for the construction and furnishing of D'House. It is now home to 1,000 DiGi staff, previously housed in six different locations throughout Shah Alam.

We have another 700 staff who are located nationwide. Plans are underway to provide them with a similar environment and concept as D'House. DiGi's new office in Penang was also launched in Q3 2006 using the same concept.

This alignment of the DiGi family with shared values combined with our work environment will augment our business focus, while at the same time encourage greater interaction, co-operation and understanding amongst our DiGizens (the name we use to define employees of DiGi). D'House, in this sense, constitutes a critical business advantage for us.

For its inspiration, we have our main shareholder, Telenor to thank. In many ways, D'House was fashioned after the Telenor headquarters which was in its time, equally unconventional and revolutionary in Norway. We continue to see this successful relationship to be mutually refreshing and enriching; from the free-flow exchange of business knowledge to technological and cultural best practices. These are but some of the special advantages we enjoy as we become members of an increasingly globalised world.

This alignment of the DiGi family with shared values combined with our work environment will augment our business focus



Rumah kami

Kami percaya sepenuhnya bahawa kakitangan adalah aset kami yang paling bernilai dan mereka perlu mempunyai suasana bekerja yang baik dan berinteraksi secara terbuka di antara satu sama lain di dalam satu lokasi. Pada 2006, kami berjaya menyatukan mereka di bawah satu bumbung, di rumah baru DiGi, D'House.

Saya pernah menjelaskan mengenai bangunan baru ini dalam Laporan Tahunan yang lepas; bagaimana ia dapat memperlihatkan semangat ketelusan DiGi dan bagaimana ia dalam erti kata yang sebenarnya bebas dari sebarang hadangan dan dinding. Sukacita saya melaporkan bahawa segala yang dirancang telah menjadi realiti.

Keseluruhan pelaburan kami berjumlah RM85 juta; di mana RM14 juta adalah untuk sebidang tanah seluas 6.5 ekar dan bakinya RM71 juta adalah untuk pembinaan serta kelengkapan dalaman D'House. Ianya merupakan rumah kepada 1,000 kakitangan DiGi, yang sebelumnya ditempatkan di enam lokasi berasingan di sekitar Shah Alam.

Kami masih lagi mempunyai 700 kakitangan di seluruh negara. Perancangan sedang dijalankan untuk menyediakan mereka dengan suasana dan konsep yang serupa seperti D'House. Pejabat DiGi di Pulau Pinang dilancarkan pada suku ke-3, 2006 menggunakan konsep yang sama.

Perkampungan keluarga DiGi dengan perkongsian nilai ini digabungkan dengan suasana kerja akan meningkat tumpuan perniagaan, dan pada masa yang sama lebih menggalakkan interaksi, kerjasama dan kesefahaman di kalangan DiGizens (nama panggilan kakitangan DiGi). D'House, dari segi ini, merupakan satu kelebihan perniagaan yang penting bagi kami.

Dari segi inspirasi, kami berterima kasih kepada pemegang saham utama kami, Telenor. D'House diilhamkan dari ibu pejabat Telenor di Norway yang ketika pembinaannya merupakan konsep pejabat luar biasa dan penuh perubahan. Kami terus melihat hubungan jaya ini sebagai saling segar dan makmur; dari pertukaran pengetahuan perniagaan ke amalan-amalan terbaik teknologi dan kebudayaan. Kesemua ini adalah sebahagian daripada kelebihan-kelebihan istimewa yang kami nikmati dengan menjadi ahli dunia yang semakin global.

Dividend policy

The Board of Directors of DiGi.Com Berhad is pleased to inform that the Company has adopted a dividend policy to distribute a minimum 50% profit after tax to shareholders with effect from the financial year 2006. The Company will maintain the payment in the future, subject to a number of factors such as the availability of distributable reserves and tax credits to frank the dividends as well as the Company's future cash flow requirements.

Appreciation

On behalf of the Board of Directors, I would like to warmly thank the staff, customers and partners who have shared our vision and made 2006 another outstanding year for DiGi.

I would also like to take this opportunity to extend our appreciation to the Ministry of Energy, Water and Communications and the Malaysian Communications and Multimedia Commission.

I also wish to commend all our shareholders for their steadfast commitment to us and state that it is our continued wish to engage our shareholders in open dialogues in all matters pertaining to the financial well being of the Company. We look forward to your continued support in the coming year.

Arve Johansen

Chairman
3 April 2007

Dasar pembayaran dividen

Lembaga Pengarah DiGi.Com Berhad dengan sukacitanya memaklumkan bahawa pihak Syarikat telah pun menetapkan dasar pembayaran dividen untuk mengagihkan sekurang-kurangnya 50% keuntungan selepas cukai kepada para pemegang saham berkuatkuasa dari tahun kewangan 2006. Pihak Syarikat akan meneruskan pembayaran di masa hadapan bergantung kepada beberapa faktor seperti kewujudan rizab yang boleh diagihkan dan kredit-kredit cukai untuk melangsaikan dividen serta aliran tunai masa hadapan Syarikat.

Penghargaan

Bagi pihak Lembaga Pengarah, saya mengucapkan berbilang terima kasih kepada semua kakitangan, para pelanggan dan rakan kongsi yang telah sama-sama berkongsi wawasan dan juga menjadikan 2006 sebagai satu lagi tahun yang cemerlang buat DiGi.

Saya juga ingin mengambil kesempatan ini untuk merakamkan penghargaan kepada Kementerian Tenaga, Air dan Komunikasi serta Suruhanjaya Komunikasi dan Multimedia Malaysia.

Saya juga ingin merakamkan penghargaan kepada semua pemegang saham kami di atas komitmen teguh yang diberikan dan ingin saya nyatakan bahawa hasrat kami adalah untuk sentiasa berhubung dengan para pemegang saham dalam dialog-dialog terbuka berkaitan dengan setiap perkara berkenaan dengan kepentingan kewangan Syarikat. Kami mengalu-alukan sokongan yang berterusan dari anda di tahun yang akan datang

Arve Johansen

Pengerusi
3 April 2007





CEO'S

STATEMENT

2006 was a DiGi Year. Not because everything went our way, but because every challenge thrown at us was transformed into an opportunity and the complexities we encountered were reshaped into simple and innovative solutions. And as the numbers showed, these solutions worked. Our profit after tax rose by 71% from the previous year to touch RM806 million, and revenue grew by 27% to RM3.65 billion.

In an increasingly fast and furious market where subscriber penetration is levelling off and signs of maturity are imminent, the competition has grown intense. Now, more than ever, the ability to respond swiftly and appropriately to the needs of the customer becomes critical and separates the leader in the race. It was through focusing our energies on the marketplace, our customers and competition that we did well in 2006.



2006 merupakan tahun DiGi. Bukan kerana segalanya berjalan seperti dirancangan, tetapi kerana setiap cabaran dijadikan peluang dan kerumitan diatasi sebagai penyelesaian-penyelesaian yang mudah dan inovatif. Ternyata dari statistik, usaha kami berhasil. Keuntungan selepas cukai meningkat dari tahun sebelumnya sebanyak 71% sehingga mencecah RM806 juta, dan pendapatan pula bertambah sebanyak 27% ke angka RM3.65 bilion.

Dalam pasaran yang semakin pantas dan agresif di mana kadar penembusan pelanggan semakin mendatar dan tanda-tanda kematangan semakin timbul, saingan telah bertambah sengit. Kini, kemampuan untuk bertindak balas dengan pantas dan bersesuaian dengan kehendak pelanggan menjadi bertambah kritikal dan memisahkan pendahulu dalam perlumbaan ini. Tumpuan kepada pasaran, pelanggan kami serta persaingan membolehkan kami berjaya dengan cemerlang dalam tahun 2006.

Now, more than ever, the ability to respond swiftly and appropriately to the needs of the customer becomes critical and separates the leader in the race

DiGi Business

Rising above

The first quarter of the year delivered a major challenge. We did not secure a 3G spectrum despite our strong bid. Our response was immediate. We rapidly raised our competitive stakes with aggressive new price structures and new concept products with emphasis on branding and services. We also set about defining and capturing new market segments.

The market bore testimony to our efforts. Earnings per share rose to 107.4 sen against 62.8 sen the previous year. Customers responded to our overtures and our market share upped itself from 20% in the previous year to 25% in 2006.

We heeded the Government's call for prepaid registration, terminating 500,000 non-registered accounts in the process. This had only a minor impact on the revenue base. DiGi numbered a healthy 5.3 million subscribers at year-end 2006.

Menjulung ke atas

Suku tahun pertama memberikan cabaran besar. Kami gagal memperolehi spektrum 3G walaupun dengan bidaan yang mantap. Tindak balas kami pantas. Kami lonjatkan taruhan saingan dengan struktur harga baru yang agresif dan produk-produk berkonsep baru dengan penekanan ke atas jenamadan perkhidmatan. Kami juga telah bersedia mengenalpasti dan menawan segmen-segmen pasaran baru.

Pasaran saham menjadi bukti kepada usaha-usaha kami. Pendapatan sesaham meningkat kepada 107.4 sen berbanding kepada 62.8 sen pada tahun sebelumnya. Pelanggan-pelanggan menerima pendekatan kami dan bahagian pasaran kami meningkat dari 20% dalam tahun sebelumnya ke 25% pada 2006.

Kami juga telah mematuhi arahan kerajaan bagi pendaftaran pra-bayar, menamatkan 500,000 akaun tidak berdaftar. Ia hanya memberikan kesan yang kecil ke atas jumlah asas hasil pendapatan. DiGi berangkakan 5.3 juta pelanggan pada penghujung tahun 2006.



DiGi Postpaid

Fresh + relevant

We believe that more and more customers are finding our products innovative, fresh and relevant. Our drive to keep our customers satisfied also means we provide solutions to simplify their user experience both in the prepaid and postpaid markets.

By offering new and simple ideas like One Low Flat Rate to prepaid users anywhere, anytime, and on any network, we encouraged people to call loved ones and friends without worrying about the cost. The innovative Family Unlimited Plan also helped us raise the bar for the postpaid market. On the business front, we encouraged the concept of mobility by offering cost-efficient, simple plans that enhanced the competitiveness of business users.

In addition to a range of fresh new products, we also wanted to create an emotional connection with our customers. Our Yellow Coverage Fellow, now a DiGi icon, while focusing on coverage, also appeals to audiences with his warm and fuzzy persona.

...more and more customers are finding our products innovative, fresh and relevant. Our drive to keep our customers satisfied also means we provide solutions to simplify their user experience...

Segar + relevan

Kami percaya lebih ramai pelanggan akan mendapati bahawa produk-produk kami berinovatif, segar dan relevan. Dorongan kami untuk memastikan para pelanggan berpuas hati juga membuatkan kami menyediakan penyelesaian-penyelesaian untuk mempermudah pengalaman penggunaan mereka di dalam kedua-dua pasaran Prabayar dan pasca bayar.

Dengan menawarkan idea baru dan mudah seperti Satu Kadar Rata Rendah kepada pengguna-pengguna Prabayar di mana-mana sahaja dan pada bila-bila masa, kami telah menggalakkan pengguna untuk membuat panggilan kepada yang disayangi dan rakan-rakan tanpa merisaukan kos. Pelan Family Unlimited juga telah membantu kami meningkatkan piawaian untuk pasaran pasca bayar. Untuk perniagaan, kami menggalakkan konsep pergerakan mudah dengan menawarkan kos yang efisien, pelan-pelan mudah yang dapat meningkatkan daya saing di kalangan pengguna-pengguna perniagaan.

Di samping barisan produk baru yang segar, kami juga ingin mewujudkan kaitan emosi dengan para pelanggan kami. Yellow Coverage Fellow kami, kini merupakan ikon DiGi, selain dari penumpuan kepada liputan, juga menjadi tarikan kepada umum dengan watak yang riang dan ramah.



The idea of enriching customer experience extends beyond providing super products. Customer service remains a top priority with us. In 2006, we continued on our dual strategy of communicating critical and timely information to our Customer Service Team while striving for operational excellence on the service front. It proved to be a challenging but rewarding year for us.

We also worked on improving face-to-face customer experience at DiGi Centres located nationwide. A two-year refurbishment exercise was completed in 2006. This has ushered in new and better DiGi Service counters, improved sales through system automation and upgraded knowledge and skill sets amongst our staff. These counters also contributed to 10% of the overall prepaid registration exercise.

Usaha memperkayakan pengalaman pelanggan tidak terhad kepada penawaran produk-produk yang unggul. Khidmat pelanggan terus menjadi keutamaan kepada kami. Pada tahun 2006, kami melanjutkan dwi strategi kami untuk memberi maklumat secara kritikal dan pada masa yang tepat kepada Pasukan Perkhidmatan Pelanggan kami serentak dengan usaha gigih untuk mencapai kecemerlangan operasi perkhidmatan.

Kami juga berusaha untuk meningkatkan mutu pengalaman pelanggan bertemu muka di pusat-pusat DiGi di seluruh negara. Kerja-kerja pengubahsuaian semula telah disempurnakan pada tahun 2006. Ini mewujudkan kaunter-kaunter yang baru dan lebih baik, meningkatkan jualan melalui sistem automasi dan mempertingkatkan pengetahuan serta kemahiran di kalangan kakitangan kami. Kaunter-kaunter ini juga telah menyumbangkan 10% kepada keseluruhan pendaftaran prabayar.

DiGi Prepaid



With a massive organisational change and restructuring completed in 2005, we focused on transforming our structure to complement the new DiGi work culture. Our new business premises, D'House, actualises DiGi's way of working - dynamic, simple and creative. We built a space that is neither limited by fixed seating arrangements, fixed phone lines nor by personalised spaces. Anyone can sit anywhere. Here, our people can live and breathe the DiGi values. We believe that such a space and culture will also attract like-minded employees.

In these times when competition for talent is intense, retention is a critical issue. We concentrated on upping the retention rate by honing leadership skills and enhancing opportunities for growth and advancement within the company. Looking forward, we want to further develop nimbler customer-sensitive people who are not only able to respond to the market but contribute significantly to our competitiveness.



Dengan perubahan organisasi dan penstrukturan semula secara besar-besaran yang telah dilakukan pada tahun 2005, kami memberi penumpuan kepada penukaran struktur untuk mewujudkan budaya kerja baru DiGi. Premis perniagaan baru kami, D'House, menyerlahkan cara DiGi bekerja - dinamik, mudah dan kreatif. Kami telah membina ruang yang tidak dihadkan oleh susunan tempat duduk yang tetap, talian tetap telefon juga tanpa ruang peribadi yang tertentu. Setiap kakitangan diberi kebebasan untuk duduk di mana-mana jua. Di sini, kakitangan kami mencerminkan nilai-nilai DiGi. Kami percaya dengan ruang dan budaya yang sebegini akan menarik kakitangan yang berfikiran serupa.

Dalam keadaan di mana saingan untuk bakat adalah sengit, pembendungannya adalah satu isu yang kritikal. Kami telah menumpukan perhatian kepada peningkatan kadar pembendungan dengan cara mengasah kemahiran kepimpinan dan menambahkan peluang-peluang untuk berkembang dan maju di dalam Syarikat. Memandang ke depan, kami ingin mengembangkan lagi kakitangan yang lebih peka kepada pelanggan yang bukan sahaja mampu bertindak-balas dengan pasaran malah juga mampu memberikan sumbangan yang besar terhadap daya saing kami.



Quality + coverage

On the service operations side, we struck a healthy balance between maximising production without compromising quality or on-air services, while reducing operational expenditure. This was achieved through Service Operational Excellence which focuses on higher production quality, network security and vendor management.

With roll-out of active and passive probes, the Service Operations Centre enjoyed higher visibility on performance and almost real-time service, allowing faster response times. Outages were reduced and trouble-shooting responses to customer complaints hastened through 12-hour shifts and transfers for technical personnel. As a result, network stability was maintained in excess of 90% across the regions.

In 2006, we achieved highest BTS site roll-outs. We added 688 BTS sites to bring numbers up to 3,500. To support rapid network growth, upgrades were continuously done for core switching and transmission nodes to improve network quality and reduce the rate of drop calls. Overall, we had higher network utilisation with increased network quality. In the area of mobile high-speed data, we expanded EDGE (Enhanced Data rates for GSM Evolution) into the main towns to the north and east of the peninsula, Sabah and Sarawak. Population coverage for EDGE grew from 45% to 57%.

In our drive towards future-proofing our network towards NGN (Next Generation Networks) via IP Transformation, we engineered and delivered IP/MPLS (Internet Protocol/Multi Protocol Label Switching) into our core network and ensured compliance to IPv6 – the latest global standard for IP. Last but not least, we established connectivity to MyIX (Malaysia Internet Exchange), which is aimed at improving cost and resource efficiency for the Internet in Malaysia.

We continue to seek alternative broadband options. In 2006, we partnered with Airzed to provide WiFi services to our customers at selected locations nationwide.

We are pleased that Telenor plays an active role in sharing their knowledge and experience, particularly from the perspective of advanced mobile communications technology.



Kualiti + liputan

Dari segi operasi perkhidmatan, kami dapat menemukan imbalan yang sihat di antara memaksimumkan pengeluaran tanpa mengabaikan mutu ataupun liputan perkhidmatan di samping mengurangkan perbelanjaan operasi. Ini dihasilkan melalui Service Operational Excellence yang menumpukan kepada mutu pengeluaran yang lebih tinggi, sekuriti rangkaian dan pengurusan vendor.

Dengan adanya penyiasatan yang aktif dan pasif, Pusat Khidmat Operasi telah mencapai prestasi yang lebih jelas dan hampir kepada perkhidmatan masa sebenar, memungkinkan jarak masa tindak balas yang lebih pantas. Kerosakan dapat dikurangkan dan pencarian punca masalah dapat dipercepatkan melalui syif 12 jam dan pemindahan bagi kakitangan teknikal. Hasilnya, kestabilan rangkaian dapat dikekalkan lebih dari 90% kawasan serantau.

Dalam tahun 2006, kami telah berjaya mendirikan tapak bilangan terbesar bagi Stesen Transmisi Tapak baru (STT). Sebanyak 688 tapak STT ditambah sehingga menjangkau angka 3,500. Untuk menampung pertumbuhan pantas rangkaian, penaikan taraf dilakukan secara berterusan ke atas switching utama dan nod-nod transmisi untuk meningkatkan mutu rangkaian serta pengurangan kadar kegagalan panggilan. Secara amnya, kami mendapat penggunaan rangkaian yang lebih tinggi dengan mutu rangkaian yang meningkat.



Dari segi perkhidmatan data kelajuan tinggi, kami telah memperluaskan perkhidmatan EDGE (Enhanced Data rates for GSM Evolution) ke bandar-bandar utama di utara dan timur semenanjung, Sabah dan Sarawak. Liputan penduduk untuk EDGE meningkat dari 45% ke 57%.

Dalam hala kami ke arah mewujudkan rangkaian kalis-masa NGN (Next Generation Network) melalui transformasi IP, kami merekacipta dan membawa IP/MPLS (Internet Protocol/Multi Protocol Label Switching) ke rangkaian utama kami dan memastikan kesesuaian dengan IPv6 – piawai global IP yang terkini. Akhir sekali, kami telah mengukuhkan penyambungan dengan MyIX (Malaysia Internet Exchange), yang disasarkan untuk mempertingkatkan efisiensi kos dan sumber Internet di Malaysia.

Kami masih berusaha mencari pilihan alternatif jalur lebar. Dalam tahun 2006, kami berganding bahu dengan Airzed untuk menyediakan perkhidmatan WiFi kepada para pelanggan di lokasi terpilih seluruh negara.

Kami berbesar hati kerana Telenor telah memainkan peranan aktif dalam berkongsi pengetahuan dan pengalaman, terutamanya dari perspektif teknologi maju komunikasi mudah alih.

Industry + regulatory

The Government, recognising the immense potential for the country to take a regional lead and assume global competitiveness, unveiled MyICMS 886, a strategy prepared by the Ministry of Energy, Water and Communications (MEWC). This five-year plan sets into motion significant initiatives which will define and grow the ICT industry and fuel Malaysia's desire to become the regional centre for communications and multimedia services. As an industry leader, we see ourselves playing a significant role to build Malaysia into a regional industry hub.

Following a review of the Access List (2003) in 2005, new prices for the period 2006-2008 were effected from February 15, 2006. The industry also engaged the Government on reviewing Universal Services Provision policies in April.

Working together with the MEWC as well as the Malaysian Communications and Multimedia Commission and the industry, we participated in a successful nationwide prepaid registration exercise. Following an upgrade of our fixed ISP network, we were also able to support the next phase of the IPv6.

Industri + kawalselia

Kerajaan, dalam mengenalpasti keupayaan besar negara untuk menjadi pemimpin serantau serta untuk meneruskan daya saing global, telah memperkenalkan MyICMS 886, satu strategi yang disediakan oleh Kementerian Tenaga, Air dan Komunikasi (KTAK). Pelan lima tahun ini bertujuan melaksanakan inisiatif penting yang akan mendefinisikan dan meningkatkan industri ICT serta merangsang keinginan Malaysia untuk menjadi pusat serantau bagi perkhidmatan komunikasi dan multimedia. Sebagai pemimpin industri, kami melihat peranan yang bermakna yang dapat dimainkan oleh DiGi untuk menjadikan Malaysia sebagai pusat industri serantau.

Susulan kepada tinjauan semula Access List (2003) dalam tahun 2005, harga-harga baru bagi tempoh 2006-2008 dikuatkuasakan daripada 15 Februari 2006. Industri ini juga telah bersama-sama dengan kerajaan membuat tinjauan semula ke atas dasar-dasar Universal Services Provision (USP) pada bulan April.

Bekerja bersama-sama dengan KTAK serta Suruhanjaya Komunikasi dan Multimedia Malaysia dan industri ini kami telah mengambil bahagian dalam menjayakan program pendaftaran pra-bayar seluruh negara. Susulan kepada peningkatan pelanggan tetap ISP, kami juga telah dapat menampung fasa lanjutan IPv6.

We expect 2007 to be an exciting year. We will be competitive, keeping true to our pillars of innovation, simplicity and best value.

2007, another DiGi year

We are living through times of great change. As the mobile communications industry here grows ever more dynamic and responsive, people are adapting just as quickly, and becoming more sophisticated in their demands.

In this competitive climate, however, our biggest advantage is our ability to adapt and drive changes. Since it is our organisational model, we recognise change and are geared towards managing it.

We expect 2007 to be an exciting year. We will be competitive, keeping true to our pillars of innovation, simplicity and best value. We will work hard to maintain our customer base while articulating and courting new segments; to plan and launch revolutionary new products and improve and expand current services. We will work smart, focusing on cost control and operational excellence. This is our commitment to Malaysians and Malaysia, and to our role in realising the nation's aspiration to becoming the regional ICT hub.

Morten Lundal

Chief Executive Officer
3 April 2007



2007, tahun untuk DiGi

Kami kini melalui masa yang penuh dengan perubahan. Dengan berkembangnya industri telekomunikasi mudah alih yang penuh dinamik dan responsif, manusia juga menyesuaikan diri dengan pantas, begitu juga dengan permintaan dan keperluan mereka.

Dalam suasana kompetitif ini, kelebihan besar kami adalah kemampuan untuk menyesuaikan diri dalam melakukan perubahan. Oleh kerana ini adalah model organisasi kami, kami dapat mengenalpasti perubahan dan bersedia menanganinya.

Kami menjangkakan 2007 sebagai tahun yang menarik. Kami akan tetap bersaing, berpegang kepada asas-asas inovasi, mudah dan nilai terbaik. Kami akan bekerja keras untuk mengekalkan pelanggan yang sedia ada di samping menawan segmen-segmen baru; untuk merancang dan seterusnya melancarkan produk-produk baru yang unggul serta mempertingkatkan dan mengembangkan perkhidmatan semasa. Kami akan bekerja dengan bijak, memberi penumpuan terhadap kawalan kos serta kecemerlangan operasi. Ini adalah komitmen kami kepada seluruh rakyat dan negara Malaysia, serta peranan kami merealisasikan cita-cita negara untuk menjadi pusat ICT serantau.

Morten Lundal

Ketua Pegawai Eksekutif
3 April 2007



THE DIGI MANAGEMENT TEAM



Morten Lundal
Chief Executive Officer

Morten has been the CEO of DiGi since July 2004. Previously, he was Executive Vice-President, Corporate Strategy and Business Development with Telenor and also a member of the Telenor Board for two years, 2000-2002. He was CEO, Business Solutions after joining as CEO, Internet business area for Telenor in 1997. His previous experience was with Gemini Consulting, A.T. Kearney and Dyno Industries. He has a Master in Business and Economics from the Norwegian School of Management and an MBA from IMD, Switzerland.



Khor Choo Lin
Head, Corporate Administration

Zakri joined DiGi in April 2005. He was previously Vice-President and Head of Maybank Group Strategic Planning for four years, from 2001-2005. Zakri is qualified as a Barrister-at-Law at Lincoln's Inn, London and holds an LLB from King's College, University of London. He has an MBA from Cornell University.

**Tunku Alizakri Raja
Muhammad Alias**
Head, Strategy & Corporate Affairs



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



Johan Dannelind
Chief Marketing Officer

Johan became Chief Marketing Officer in 2006, after having served as DiGi's Chief Financial Officer since 2004. Previously, he was CFO and Deputy CEO of Telenor AB and Director of International Business for the Nextra Group. He has been in the telecommunications business since the mid-90s when he worked with Telia AB. Johan graduated from University of Orebro, Sweden with a Master of Science in Business Administration.

Adzhar Ibrahim

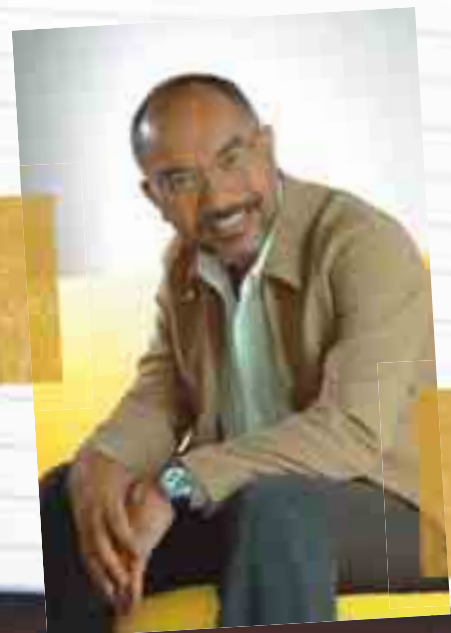
Head, Human Resource Development

Joining DiGi in May 2005, Adzhar brings with him HR experience derived from many industries. He was previously Group HR Head with Sime Darby, Country Head of HR with Standard Chartered Bank Malaysia, member of the start-up management team at Maxis Communications Berhad and Group HR Manager for a major American healthcare company. Adzhar holds a Diploma in Management from the Malaysian Institute of Management.

Stefan Carlsson
Chief Financial Officer



Stefan joined the team in November 2006. Prior to this, he served as CFO of Telenor Pakistan and CFO of Telenor Mobile Sweden. He was also an Auditor/Financial Consultant at Pricewaterhouse Coopers in Sweden and the Financial Manager at Mobyson in Sweden and Norway. He holds a Master of Science in Business Administration from University of Uppsala, Sweden.



STATEMENT ON CORPORATE GOVERNANCE

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

In pursuing this corporate objective, the Board of Directors ("Board") of DiGi.Com Berhad strives to achieve high standards of corporate governance as it believes that there is a link between high-quality governance and creation of shareholder value.

As DiGi's ultimate holding company, Telenor ASA is listed on NASDAQ, it has to comply with the requirements of the Sarbanes Oxley Act ("SOA"), in particular, the internal control reporting requirement of Section 404 of the SOA, the implementation of which was successfully completed in 2006.

This Statement describes how the Company has applied the key principles and the extent of its compliance with the best practices set out in Parts 1 and 2 of the Malaysian Code on Corporate Governance ("Code") respectively for the financial year ended 31 December 2006 save where otherwise identified and has been approved by the Board on 20 March 2007.

i. Board of Directors

1. Board Responsibilities and Functions

The Board's role is to provide stewardship of the Group's business and affairs on behalf of shareholders.

This was enhanced through the adoption of a charter ("Instructions to the Board") and a revised Delegation Authority Matrix during the year which sets out the practices and processes the Board has adopted to discharge its responsibilities; the matters it reserved for consideration and decision making; the authority it has delegated to the Chief Executive Officer ("CEO"), including the limits which the CEO can execute the authority; and provides guidance on the division of responsibilities between the Board and CEO.

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

- Appointment to the positions of CEO and Chief Financial Officer ("CFO")
- Approval of corporate plans and budgets and
- Acquisition and disposal of assets that are material to the Group
- Major investments and contracts with significant profit impact
- Changes to control structure of the Group, including key policies and authority limits

Beyond the matters reserved for the Board's decision, the Board has delegated the authority to achieve the corporate objective to the CEO in accordance to the Instructions for CEO. The CEO remains accountable to the Board for the authority that is delegated to him, and for the performance of the Group. The Board monitors the decisions and actions of the CEO and the performance of the Group to gain assurance that progress is being made towards the corporate objective, within the limits it has imposed.

2. Board Composition and Balance

The Board currently has five (5) members, comprising two (2) Independent Non-Executive Directors and three (3) Non-Independent Non-Executive Directors. Together, the Directors have the range of skills, knowledge and experience necessary to govern the Group. The Non-Executive Directors contribute international and operational experience and understanding of the financial and capital markets. The Independent Directors bring the knowledge and experience of the regulatory environment and accounting regime in Malaysia.

2. Board Composition and Balance (cont'd)

All Directors have the relevant experience in the telecommunications industry. A brief description of the background of each Director is presented on pages 18 to 19 of the Annual Report.

Directors commit to the collective decision-making processes of the Board. Individual directors are required to debate issues openly and constructively and be free to question and challenge the opinions of others.

The Independent Directors meet the definition set out in the Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities"). DiGi fulfills the requirement to have at least one third of the Board comprised of Independent Non-Executive Directors. Independent Directors are particularly important in ensuring that the interest of minority shareholders are protected.

The Board is satisfied that the current composition of directors provides the appropriate balance in the Board necessary to promote all shareholder interests and to govern the Group effectively.

The Board has appointed Tan Sri Datuk Amar Leo Moggie as the Senior Independent Non-Executive Director. Tan Sri Datuk Amar Leo Moggie is available to shareholders who have concerns that cannot be addressed through the Chairman and CEO.

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

There is a clear division of responsibility between the Chairman and the CEO to ensure that there is a balance of power and authority. The Chairman leads the Board and facilitates its work. He is responsible for ensuring the processes of the Board are effective in carrying out its duties and responsibilities, including the timely provision of sufficient relevant information on financial and non-financial matters. The Chairman, in conjunction with the CEO, CFO and Company Secretary, sets agendas for the meetings of the Board that focus on strategic direction and performance of the Group. The CEO is responsible for the day-to-day management of the Group's operations and business as well as implementation of the Board's policies and decisions.



4. Board Meetings

Meetings for the year are scheduled at the end of the preceding year. The Board meets for both scheduled meetings and on other occasions to deal with urgent and important matters that require attention between scheduled meetings. Due notice is given of all scheduled and additional meetings. The Board met five (5) times during the year and Directors were in attendance for all the meetings except for Ragnar Holmen Korsæth who attended four (4) meetings. The CEO, CFO and other members of senior management attend meetings of the Board by invitation.

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

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

The Nomination Committee assists the Board in ensuring that the Board is comprised of individuals of a required calibre whose background, skills, experience and personal characteristics will augment the present Board and meet its future needs. Where there is a need to appoint new Directors, the Nomination Committee will assess the suitability of candidates and recommend to the Board for appointment. Newly appointed Directors must submit themselves to shareholders for election at the first Annual General Meeting following their appointment.

Statement on Corporate Governance (cont'd)



5. Appointments to the Board and Re-election of Directors (cont'd)

DiGi's Articles of Association requires that other than those Directors appointed during the year, one-third of remaining Directors are required to retire by rotation and submit themselves for re-election at each Annual General Meeting at least once every three years. Retiring Directors who are seeking re-election are subject to a Director assessment overseen by the Nomination Committee. Following the assessment, the Board, on the recommendation of the Nomination Committee, makes a determination as to whether it will endorse a retiring Director for re-election.

Directors over seventy (70) years of age are required to seek shareholders' approval for re-appointment annually in accordance with Section 129(6) of the Companies Act, 1965.

6. Directors' Assessment

The Board regularly evaluates the performance of the Board as a whole, its Committees, the Chairman, individual Directors and the governance processes that support Board work.

During the financial year, the Nomination Committee assessed the overall effectiveness of the Board as a whole, its Committees and the contribution and performance of each individual Director. The Committee concluded that the Board generally has a good mix of skills, experience and professional qualifications required to contribute positively to the Group.

7. Directors' Training

All Directors have completed the Mandatory Accreditation Programme (MAP). The Directors are mindful that they continue to update their skills and knowledge to maximize their effectiveness as Directors during their tenure.

During the financial year, the Directors have attended individually or collectively the programmes organized by the professional bodies and also seminars on corporate governance and risk management. Arve Johansen, Christian Storm and Ragnar Holmen Korsath also attended the 3GSM World Congress in Barcelona.

8. Supply of Information

Access to Information

All the Directors have access to all information whether as a full board or in their individual capacity, in furtherance of their duties. The Directors have access to information through the following means:

- i) CEO, CFO and members of senior management attend Board and Committee meetings by invitation to report on areas of the business within their responsibility including financial, operational, regulatory and strategic information
- ii) Board and Committee papers are prepared for each item in the agenda to the established criteria on content and presentation format. These papers are issued to the Directors at least seven (7) days before the Board and Committee Meetings
- iii) Board Committees, in particular the Audit Committee Chairman meets with Management regularly to review the reports regarding internal control system and financial reporting
- iv) Informal communications between the Directors and the CEO and other employees

Access to Advice

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

Company Secretary

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

9. Committees of the Board

The Board delegates certain responsibilities to the Board committees to assist in the discharge of its responsibilities. The role of Board Committees is to advise and make recommendations to the Board. The Chairman of the various committees provide a verbal report on the outcome of their committee meetings to the Board, and any further deliberation is made at the Board level, if required. The Board Committees are:

- Audit Committee
- Nomination Committee
- Remuneration Committee

Each Committee operates in accordance with a written terms of reference approved by the Board. The Board appoints the members and the Chairman of each committee.

A brief description of each Committee is provided below:

(a) Audit Committee

The members of the Committee are Dato' Ab. Halim Bin Mohyiddin (Chairman), Tan Sri Datuk Amar Leo Moggie and Christian Storm. The Audit Committee Report provides details of the composition of the Audit Committee, its terms of reference and a summary of its activities are set out on pages 51 and 53 of this Annual Report.

(b) Nomination Committee

The Nomination Committee met once during the year and the meeting was attended by all its members. The members of the Committee are Christian Storm (Chairman), Tan Sri Datuk Amar Leo Moggie and Dato' Ab. Halim Bin Mohyiddin. All members of Committee are Independent Non-Executive Directors except for Christian Storm who is a Non-Independent Non-Executive Director.

The role of the Committee is to assist the Board in ensuring that the Board is comprised of individuals with the required skills, knowledge, experience and personal characteristics. It does this by focusing on:

- Review annually the required mix of skills and experience and other qualities including core competencies that the Non-Executive Directors should bring to the Board and identifying skills that may be required
- Oversee the assessment of the performance of the Board, Committee and individual directors
- Recommend suitable candidates for directorship to the Board and Board Committees

(c) Remuneration Committee

The Remuneration Committee met once during the year and the meeting was attended by all its members. Its members are Arve Johansen (Chairman), Christian Storm and Ragnar Holmen Korsæth. All the members are Non-Executive directors.

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

Statement on Corporate Governance (cont'd)

(c) Remuneration Committee (cont'd)

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

(ii) Directors' Remuneration

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

Details of the Directors' Remuneration

The aggregate Directors' remuneration paid or payable to all Directors of the Company by the Group and categorised into appropriate components for the financial year ended 31 December 2006 are as follows:

	Allowances RM'000	Total RM'000
Non-Executive Directors	249	249

The number of Directors of the Company whose total remuneration fall within the respective band are as follows:

	Number of Non-Executive Directors
RM0 to RM50,000	-
RM50,001 and RM100,000	-
RM100,001 to RM150,000	2

The Board of Directors have chosen to disclose the remuneration in bands pursuant to the Bursa Listing Requirements as the separate and detailed disclosure of individual director's remuneration will not add significantly to the understanding and evaluation of DiGi's governance.

(iii) Code of Conduct

The Board has adopted and implemented a new Code of Conduct ("Code") in the values of integrity, respect, trust and openness. It provides clear direction on conducting business, interacting with community, government and business partner; and general workplace behaviour.

All the members of the Board and employees have certified in writing that they have read and understood the Code.

DiGi has established helplines so that employee can seek guidance or express concerns on the Code of Conduct related issues. Reports can be made anonymously and without fear of retaliation.

(iv) Shareholders

1. Communication between the Company and its shareholders

Shareholders vote on important matters affecting DiGi, including changes to the Company's constitutional documents, receipt of annual financial statements and significant corporate proposals. The Board recognises that in order to vote in an informed manner, shareholders must receive high-quality, relevant information in a timely manner.

Copies of announcements to Bursa Malaysia, investor briefings, quarterly results, annual reports and other relevant information are available in the Investor Relations section of the Company's website www.digi.com.my

On a regular basis, DiGi's management hold one-on-one meeting with analysts, fund managers and shareholders to provide updates on quarterly financial performance, regulatory issues as well as changes in operating environment which may impact the Group's operations.

DiGi's management is also an active participant in various investor conferences held both locally and in major financial centres around the world throughout each financial year. They were also actively on the road on non-deal road-shows to update investors and interested parties on the Company's outlook and strategies moving forward. The participation in these non-deal road-shows are on a quarterly basis outside the Group's "closed period".

DiGi enforces a "closed period" which is typically about a month before the release of each quarterly results in which the management will not meet up with any analysts, fund managers and shareholders. This is to ensure that all material information pertaining to each financial quarter are disseminated equally to the public at the same time.



Any queries regarding DiGi from shareholders will be dealt with as promptly possible. These queries may be directed to:

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

2. Annual General Meeting ("AGM")

The key element of the Company's dialogue with its shareholders is the opportunity to gather views of, and answer questions from, both private and institutional shareholders on all issues relevant to the Group at the AGM. The highlights of the Group's performance and financial results are presented by the CEO and CFO at the AGM. At the AGM, shareholders are encouraged to ask questions both about the resolutions being proposed or about the Group's operations in general. Where it is not possible to provide immediate answers, the Chairman will undertake to furnish shareholders with a written answer after the AGM. The Chairman of the Board also provides shareholders with a review of the Group's operations for the financial year and outlines the prospects of the Group for the subsequent financial year. The External Auditor attends the AGM as well and is available to answer questions from shareholders.

Statement on Corporate Governance (cont'd)

(v) Accountability and Audit

1. Financial Reporting

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

Statement of Directors' Responsibilities in Respect of the Financial Statements

The Directors are required by the Companies Act, 1965 to prepare financial statements for each financial year which have been made out in accordance with the applicable Malaysian Accounting Standards Board ("MASB") Approved Accounting Standards in Malaysia for Entities Other Than Private Entities and the provisions of the Companies Act, 1965 and give a true and fair view of the state of affairs of the Group and of the Company and of the results and cash flows of the Group and of the Company for that year. In preparing those financial statements, the Directors have:

- adopted suitable accounting policies and applied them consistently
- stated whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements
- made judgements and estimates that are reasonable and prudent
- prepared the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business

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

2. Internal Control

The Statement on Internal Control set out on pages 48 to 49 of the Annual Report provides an overview on the state of internal controls within the Group.

3. Relationship with the Auditors

Key features underlying the relationship of the Audit Committee with the internal audit function and external auditors are detailed on pages 51 to 53 of the Annual Report. A summary of the activities of the Audit Committee during the year are set out on page 51 of the Annual Report.

STATEMENT ON INTERNAL CONTROL

Introduction

The Board of Directors (“Board”) is committed to maintaining a sound system of internal control in the Group and is pleased to provide the following statement, which outlines the nature and scope of internal control of the Group during the financial year.

The external auditors have reviewed this Statement for compliance with the Bursa Malaysia Securities Listing Requirements and the review was performed in accordance with Recommended Practice Guide 5 (“RPG 5”) issued by the Malaysian Institute of Accountants. Based on their review, the external auditors have reported to the Board that nothing has come to their attention that causes them to believe that this Statement is inconsistent with their understanding of the process adopted by the Board in reviewing the adequacy and integrity of the system of internal control of the Group.

Board Responsibility

The Board is ultimately responsible for the Group’s system of internal control which includes the establishment of an appropriate control environment and framework as well as reviewing its adequacy and integrity. The system of internal control covers, inter alia, risk management and financial, organisational, operational and compliance controls. Because of the limitations that are inherent in any system of internal control, this system is designed to manage, rather than eliminate, the risk of failure to achieve the Group’s objectives. Accordingly, it can only provide reasonable and not absolute assurance against material misstatement or loss.

Risk Management

The Group has in place an on-going process for identifying, evaluating and managing significant risks faced by the Group. The Board reviews the process on a regular basis to ensure proper management of risks and measures are taken to mitigate any weaknesses in the control environment. The risk management process, and practical guidance on its application, has been documented in the Risk Management Manual.

In June 2006, to ensure greater focus on governance, risk management and controls, the

DiGi Management Team (which comprises the Chief Executive Officer (“CEO”), Chief Financial Officer (“CFO”) and senior members of management) were entrusted with the role and responsibilities of the Risk Management Committee for ensuring that key risks to the Group’s business are identified and evaluated and that effective responses are developed for their management. The Audit Committee is also provided with quarterly updates on the progress of risk management activities in managing the key risks identified.

Key Elements of the System of Internal Control

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

- There is in place a defined organisational structure within the Group with clear lines of responsibility, delegation of authority and accountability to ensure that management acts in the best interests of shareholders
- Significant changes in the business and the external environment are reported to the Board during the Board meetings. Quarterly results and other information are also provided to the Audit Committee and the Board. This oversight review enables the Board to control and evaluate the business performance so as to ensure that the Group is achieving its corporate objectives. The role of the Audit Committee in respect of its review of the system of internal control is described in the Audit Committee Report included in this annual report



Statement on Internal Control (cont'd)

Key Elements of the System of Internal Control (cont'd)

- There is an annual budgeting and business planning process where the management prepares the plan and budget for the forthcoming financial year, which is submitted to and approved by the Board
- Together with the business planning process, a risk assessment is conducted to identify key risks to meeting the business plan's objectives and the appropriate actions to mitigate these risks. This risk assessment is submitted as part of the business plan and budget for the Board's consideration and approval
- The review of monthly financial and operational information that includes the monthly and year-to-date financial results and comparisons to the pre-determined key performance indicators is empowered to the DiGi Management Team. Based on this monitoring of results against the budget, significant variances are identified and appropriate management action taken, where necessary
- The Investment Committee ("IC"), comprising the CEO, CFO, Chief Technology Officer and Chief Marketing Officer, supports the decision-making process in connection with capital investments for the Group. The Commercial Forum, comprising the same members as the IC supports decision-making in relation to commercial launches of the Group's products and services
- To ensure greater focus on governance, risk management and controls in the operations of the Group, the Quality and Assurance ("Q&A") Department was established in 2006, integrating the existing Risk Management and Internal Audit functions under a single umbrella. The Q&A Department has two primary objectives:
 - (a) to facilitate improvement in processes to enhance risk management, controls and prevent revenue leakages; and
 - (b) to provide assurance that key risks and controls are being addressed and operating effectively.

The Assurance function under the Q&A Department assists both the Board and Audit Committee in conducting appropriate reviews to ensure that key controls established by the Board and management are operating effectively. To ensure independence from Management, the Head of Q&A as well as key personnel in the Assurance function have a direct reporting line to the Audit Committee. The annual audit plan is established on a risk-based approach and has been presented to and approved by the Audit Committee. On a quarterly basis, audit reports and the audit plan's status are presented to the Audit Committee for their review

- The Group has successfully completed the implementation of the Sarbanes Oxley Act requirements that governs the assessment of the effectiveness of the internal controls over financial reporting. In addition, the Group has also completed a revision of its key policies and procedures based on Telenor's Group Governance Documents and Policies, which provide the principles for the way business is to be conducted within the Group
- All key policies and procedures are available via the Group's intranet site, which are also revised periodically to meet changing business, operational and statutory reporting needs
- A new Code of Conduct was approved and implemented by the Board in 2006. Written declarations have been obtained from all employees confirming that they have read, understood and adhered to the Code of Conduct which outlines the minimum standard of behaviour and ethical conduct expected of employees in all business matters. Communication channels have also been established through which concerns on the Code of Conduct related issues could be reported anonymously and without fear of retaliation

Conclusion

There were no significant internal control weaknesses that resulted in material losses to the Group for the financial year under review.

ADDITIONAL COMPLIANCE INFORMATION

In accordance with Appendix 9C of the Listing Requirements

The following information is provided in compliance with the Listing Requirements of Bursa Malaysia Securities Berhad:-

1. NON-AUDIT FEES

The amount of non-audit fees paid to external auditors for the financial year ended 31 December 2006 is RM79,000.

2. SHARE BUYBACK

The Company did not enter into any share buyback transactions during the financial year.

3. AMERICAN DEPOSITORY RECEIPT (ADR) OR GLOBAL DEPOSITORY RECEIPT (GDR) PROGRAMME

The Company did not sponsor any ADR or GDR programme during the financial year.

4. IMPOSITION OF SANCTIONS/PENALTIES

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

5. OPTIONS, WARRANTS OR CONVERTIBLE SECURITIES

The Company has not issued any options, warrants or convertible securities during the financial year ended 31 December 2006.

6. VARIATION IN RESULTS

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

7. PROFIT GUARANTEE

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

8. MATERIAL CONTRACTS INVOLVING DIRECTORS' AND MAJOR SHAREHOLDERS' INTERESTS

There were no material contracts (not being contracts entered into in the ordinary course of business) entered into by the Company and/or its subsidiaries involving directors and major shareholders' interests either subsisting as at 31 December 2006 or entered into since the end of the previous financial year.

9. REVALUATION POLICY

The Company has not made any revaluation policy or revaluation on its landed properties during the financial year.

10. RECURRENT RELATED PARTY TRANSACTION OF A REVENUE OR TRADING NATURE

At the Annual General Meeting ("AGM") held on 19 May 2006, the Company obtained a shareholders' mandate to allow the Group to enter into recurrent related party transactions of a revenue or trading nature.

The disclosure of the recurrent related party transactions conducted during the financial year ended 31 December 2006 are set out on pages 103 to 105 of the Annual Report.

11. CORPORATE SOCIAL RESPONSIBILITY

The corporate social responsibility activities and/or practices undertaken by the Company and its subsidiary during the financial year ended 31 December 2006 are set on pages 5 to 6 of the Annual Report.

AUDIT COMMITTEE REPORT

Composition

The members of the Committee are:

- Dato' Ab. Halim Bin Mohyiddin
(Chairman/Independent Non-Executive Director)
- Tan Sri Datuk Amar Leo Moggie
(Member/Independent Non-Executive Director)
- Christian Storm
(Member/Non-Independent Non-Executive Director)

Meetings

The Audit Committee met five times during the financial year ended 31 December 2006 and these meetings were attended by all the members. The Chief Executive Officer, Chief Financial Officer, Head of Quality & Assurance and representatives of the external auditors were also invited to attend and brief the members on specific issues.

The Audit Committee has met once with the external auditors separately without the presence of management. In addition, the Audit Committee Chairman meets periodically with Quality & Assurance Department to obtain updates on the activities of the function without the presence of management.

Summary of Activities

During the year, the Audit Committee has carried out its duties in accordance with its terms of reference. Other key issues reviewed by the Committee were as follows:

- Progress on the implementation of Sarbanes Oxley Act requirements
- The Group's Risk Management Programme including the Business Continuity Planning and Information Security Activities
- Revenue Assurance activities including ensuring that the findings are adequately addressed by management

Internal Audit Function

Internal audit activities are conducted through the Quality & Assurance ("Q&A") Department which reports to the Audit Committee and assists the Committee in the discharge of its duties and responsibilities. Its role is to provide an independent and reasonable assurance on the adequacy, integrity and effectiveness of the Group's overall system of internal control, risk management and governance. Further details of the activities of the Q&A Department are set out in the Statement on Internal Control on pages 48 to 49.

Terms of Reference

1. Membership

The Committee shall be appointed by the Board from amongst the Directors and shall consist of not less than three members, a majority of whom shall be Independent Directors and at least one member of the Committee must be a member of the Malaysian Institute of Accountants or such other qualifications and experience as approved by Bursa Malaysia Securities Berhad.

A quorum shall consist of two members and a majority of the members present must be Independent Directors.

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

2. Chairman

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

3. Secretary

The Company Secretary shall be the Secretary of the Committee and shall be responsible, in conjunction with the Chairman, for drawing up the agenda and circulating it, supported by explanatory documentation to the Committee members prior to each meeting.

The Secretary shall also be responsible for keeping the minutes of meetings of the Audit Committee and circulating them to the Committee members and to the other members of the Board of Directors.



4. Frequency of Meetings

Meetings shall be held not less than four times a year and will normally be attended by the Officer charged with the responsibilities of the Group's finance and Head of Quality & Assurance. The presence of external auditors will be requested if required and the external auditors may also request a meeting if they consider it necessary.

The Committee may regulate its own procedure in lieu of convening a formal meeting by means of video or teleconferencing or any other means of audio or audio-visual communications.

5. Authority

The Committee is authorised by the Board to investigate any activity within its terms of reference and shall have unrestricted access to both the internal and external auditors and to all employees of the Group. The Committee is also authorised by the Board to obtain external legal or other independent professional advice as necessary.

The Committee is also authorised to convene meetings with the external auditors excluding the attendance of the executive members of the Committee, wherever deemed necessary.

Audit Committee Report (cont'd)

Terms of Reference (cont'd)

6. Duties

The duties of the Committee shall be:

- (a) To consider the appointment of external auditors, the audit fee and any questions of resignation or dismissal including recommending the nomination of person or persons as external auditors.
- (b) To discuss with the external auditors where necessary, on the nature and scope of audit and to ensure coordination of audit where more than one audit firm is involved as well as with the Quality & Assurance Department.
- (c) To review the quarterly results and year-end financial statements prior to the approval by the Board, focusing on:
 - going concern assumption
 - compliance with accounting standards and regulatory requirements
 - any changes in accounting policies and practices
 - significant issues arising from the audit
 - major judgemental areas
- (d) To prepare Audit Committee Report at the end of each financial year.
- (e) To discuss problems and reservations arising from the interim and final external audits, and any matters the external auditors may wish to discuss (in the absence of management, where necessary).
- (f) To review the external auditors' management letter and management's response.
- (g) To review any related party transaction and conflict of interest situation that may arise within the Company or Group including any transaction, procedure or course of conduct that raises question of management integrity.
- (h) To do the following in respect of the Quality & Assurance Department:
 - Review the organisation, responsibilities and resources of the Department in respect of the assurance function and that it has the necessary authority to carry out its work
 - Approve the annual plan for the Department and review results of these activities and where necessary, ensure that appropriate action is taken on the recommendations of the activities
 - Concur with the appointment, assessment and termination of the Head of Quality & Assurance and key assurance positions
- (i) To monitor related party transactions entered into by the company and its subsidiaries, and to ensure that the Directors report such transactions annually to shareholders via the annual report.
- (j) To review and monitor the effectiveness of internal control systems and to evaluate the systems with the external auditors.
- (k) To carry out such other responsibilities, functions or assignments as may be defined jointly by the Audit Committee and the Board of Directors from time to time.
- (l) In compliance with Paragraph 15.17 of Bursa Malaysia Securities Berhad ('Bursa Securities') Listing Requirements, where the Committee is of the view that a matter reported by it to the Board has not been satisfactorily resolved resulting in a breach of the Listing Requirements, the Committee must promptly report such matter to Bursa Securities.



Fu-Yoh!

FINANCIAL

STATEMENTS

WHAT IF WE GAVE YOUR BUSINESS COMMUNICATIONS A BIGGER BOOST?

What would you do with it? How would you work? How far will you go?
The possibilities are endless when you question what's possible.
It's time to think differently.
Time to change.

- 50% OFF YOUR BILL
- NO CONTRACT TENDRE
- FREE MOBILE PHONE OR PC CARD FOR EACH NEW LINE
- FREE INTRA-COMPANY CALLS



DiGi Business

Makes Perfect Sense

<p>UNMATCHED VALUE</p> <ul style="list-style-type: none"> 50% off your bill, guaranteed! Free mobile phone or PC card for each new line Free intra-company calls Free mobile phone or PC card for each new line Free mobile phone or PC card for each new line 	<p>UNMATCHED QUALITY</p> <ul style="list-style-type: none"> 99.99% network availability Free mobile phone or PC card for each new line Free mobile phone or PC card for each new line Free mobile phone or PC card for each new line 	<p>UNMATCHED CARE OF STARTING UP</p> <ul style="list-style-type: none"> Free mobile phone or PC card for each new line Free mobile phone or PC card for each new line Free mobile phone or PC card for each new line 	<p>UNMATCHED SUPPORT</p> <ul style="list-style-type: none"> Free mobile phone or PC card for each new line Free mobile phone or PC card for each new line Free mobile phone or PC card for each new line
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DiGi catat keuntungan RM257 juta

D

5.1 juta
RM54

DiGi Moves On... and Up

DiGi enhances its appeal



Telco

DiGi enhances its appeal

DiGi Business

DiGi catat keuntungan RM257 juta

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 2006.

Principal activities

The principal activity of the Company is investment holding, whilst the principal activities of the subsidiaries are stated in Note 14 to the financial statements.

There have been no significant changes in the nature of the principal activities during the financial year.

Results

	GROUP RM'000	COMPANY RM'000
Profit for the year	<u>805,653</u>	<u>288,065</u>
Attributable to:		
Equity holders of the Company	<u>805,653</u>	<u>288,065</u>

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 other than the effect arising from the revision of estimated useful lives of certain property, plant and equipment as disclosed in Note 4 to the financial statements.

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 2006:	
Interim dividend of 53.5 sen per ordinary share, less income tax at 28%, declared on 20 July 2006 and paid on 28 August 2006	<u>288,900</u>

At the forthcoming Annual General Meeting, a final dividend in respect of the financial year ended 31 December 2006, of 57.5 sen per ordinary share, less income tax at 27%, on 750,000,000 ordinary shares, amounting to a dividend payable of RM315.0 million (42.0 sen net per ordinary share) will be proposed for shareholders' approval. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in equity as an appropriation of retained earnings in the financial year ending 31 December 2007.

Directors

The names of the Directors of the Company in office since the date of the last report and at the date of this report are:

Arve Johansen
Tan Sri Datuk Amar Leo Moggie
Dato' Ab. Halim bin Mohyiddin
Christian Storm (Director and Alternate Director to Arve Johansen)
Ragnar Holmen Korsaeath

Directors' benefits

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

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

Directors' interests

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			31 December 2006
	1 January 2006	Acquired	Sold	
Ultimate Holding Company				
Telenor ASA				
Direct Interest:				
Arve Johansen	50,132	115	-	50,247
Ragnar Holmen Korsaeath	5,670	-	(5,670)	-
Christian Storm	1,737	115	-	1,852

	Number of Options Over Ordinary Shares of NOK6 Each			31 December 2006
	1 January 2006	Granted	Exercised	
Ultimate Holding Company				
Telenor ASA				
Direct Interest:				
Arve Johansen	200,000	65,000	-	265,000
Ragnar Holmen Korsaeath	43,333	40,000	-	83,333
Christian Storm	-	20,000	-	20,000

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

Directors' Report (cont'd.)

Issue of shares

There were no changes in the issued and paid-up capital of the Company during the financial year other than the capital repayment exercises as disclosed in Note 30 to the financial statements.

Issue of debentures

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

Options granted over unissued shares

No options were granted to any person to take up unissued shares of the Company during the financial year.

Other statutory information

- (a) Before the financial statements of the Group and of the Company were made out, the Directors took reasonable steps:
- (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate provisions had been made for doubtful debts; and
 - (ii) to ensure that any current assets which were unlikely to realise their value as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.
- (b) At the date of this report, the Directors are not aware of any circumstances which would render:
- (i) the amount written off for bad debts or the amount of the provision for doubtful debts, in the financial statements of the Group and of the Company, inadequate to any substantial extent; and
 - (ii) the values attributed to the current assets in the financial statements of the Group and of the Company misleading.
- (c) At the date of this report, the Directors are not aware of any circumstances which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.
- (d) At the date of this report, the Directors are not aware of any circumstances not otherwise dealt with in this report or financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.

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 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.

Significant events

Significant events during the year are as disclosed in Note 30 to the financial statements.

Auditors

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

Signed on behalf of the Board in accordance with a resolution of the Directors:

Arve Johansen
Director

Christian Storm
Director

Kuala Lumpur, Malaysia
20 March 2007

**Statement by Directors
Pursuant to Section 169 (15) of the Companies Act, 1965**

We, Arve Johansen and Christian Storm, 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 61 to 100 are drawn up in accordance with applicable Malaysian Accounting Standards Board ("MASB") Approved Accounting Standards in Malaysia for Entities Other Than Private Entities and the provisions of the Companies Act, 1965 so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2006 and of the results and the cash flows of the Group and of the Company for the year then ended.

Signed on behalf of the Board in accordance with a resolution of the Directors:

Arve Johansen
Director

Christian Storm
Director

Kuala Lumpur, Malaysia
20 March 2007

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

I, Stefan Carlsson, 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 61 to 100 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 abovenamed Stefan Carlsson at
Kuala Lumpur in Wilayah Persekutuan
on 20 March 2007.

Stefan Carlsson

Before me,

Commissioner for Oaths
Soh Ah Kau, AMN
Licence No. W 315
Kuala Lumpur

Report of The Auditors to The Members of DiGi.Com Berhad (Incorporated in Malaysia)

We have audited the financial statements set out on pages 61 to 100. These financial statements are the responsibility of the Company's Directors.

It is our responsibility to form an independent opinion, based on our audit, on the financial statements and to report our opinion to you, as a body, in accordance with Section 174 of the Companies Act, 1965 and for no other purpose. We do not assume responsibility to any other person for the content of this report.

We conducted our audit in accordance with applicable Approved Standards on Auditing in Malaysia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Directors, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion:

- (a) the financial statements have been properly drawn up in accordance with the provisions of the Companies Act, 1965 and applicable MASB Approved Accounting Standards in Malaysia for Entities Other Than Private Entities so as to give a true and fair view of:
 - (i) the financial position of the Group and of the Company as at 31 December 2006 and of the results and the cash flows of the Group and of the Company for the year then ended; and
 - (ii) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements; and
- (b) the accounting and other records and the registers required by the Act to be kept by the Company and by its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

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

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

Ernst & Young
AF : 0039
Chartered Accountants

Lim Saw Keng
No. 2215/10/07 (J)
Partner

Kuala Lumpur, Malaysia
20 March 2007

Income Statements for the year ended 31 December 2006

	Note	GROUP		COMPANY	
		2006 RM'000	2005 RM'000 (Restated)	2006 RM'000	2005 RM'000
Revenue		3,652,536	2,884,324	401,707	-
Other income		13,479	2,028	-	-
Cost of materials and traffic expenses		(776,546)	(645,759)	-	-
Sales and marketing expenses		(460,909)	(393,469)	-	-
Operations and maintenance expenses		(113,443)	(96,674)	-	-
Rental expenses		(128,976)	(83,333)	-	-
Staff expenses		(182,904)	(150,840)	-	-
Depreciation expenses and impairment losses		(584,581)	(540,663)	-	-
Amortisation expenses		(43,230)	(42,792)	-	-
Other expenses		(308,527)	(256,991)	(1,293)	(981)
Finance costs	6	(15,845)	(32,440)	-	-
Interest income		36,085	18,159	9	-
Profit/(loss) before tax	7	<u>1,087,139</u>	<u>661,550</u>	<u>400,423</u>	<u>(981)</u>
Taxation	8	<u>(281,486)</u>	<u>(190,595)</u>	<u>(112,358)</u>	<u>-</u>
Profit/(loss) for the year		<u>805,653</u>	<u>470,955</u>	<u>288,065</u>	<u>(981)</u>
Attributable to:					
Equity holders of the Company		<u>805,653</u>	<u>470,955</u>	<u>288,065</u>	<u>(981)</u>
Earnings per ordinary share (sen)	9	<u>107.4</u>	<u>62.8</u>		

The accompanying notes form an integral part of the financial statements.

Balance Sheets as at 31 December 2006

	Note	GROUP		COMPANY	
		2006 RM'000	2005 RM'000 (Restated)	2006 RM'000	2005 RM'000
Non-current assets					
Property, plant and equipment	11	2,680,246	2,671,494	-	-
Prepaid lease payments		12,717	12,940	-	-
Intangible assets	12	254,019	141,766	-	-
Deferred expenditure	13	468	528	-	-
Investments in subsidiaries	14	-	-	75,000	526,501
		<u>2,947,450</u>	<u>2,826,728</u>	<u>75,000</u>	<u>526,501</u>
Current assets					
Inventories	15	8,189	8,197	-	-
Trade and other receivables	16	250,959	214,432	128	5
Amount due from a subsidiary	17	-	-	8,117	572,591
Cash and cash equivalents	18	869,549	1,182,962	2,559	-
		<u>1,128,697</u>	<u>1,405,591</u>	<u>10,804</u>	<u>572,596</u>
TOTAL ASSETS		<u>4,076,147</u>	<u>4,232,319</u>	<u>85,804</u>	<u>1,099,097</u>
Equity					
Share capital	19	75,000	750,000	75,000	750,000
Reserves		<u>1,677,401</u>	<u>1,498,148</u>	<u>10,431</u>	<u>348,766</u>
Total equity - attributable to equity holders of the Company		<u>1,752,401</u>	<u>2,248,148</u>	<u>85,431</u>	<u>1,098,766</u>
Non-current liabilities					
Borrowings	20	300,000	300,000	-	-
Deferred tax liabilities	21	371,707	371,518	-	-
Provision for liabilities	22	13,398	10,030	-	-
		<u>685,105</u>	<u>681,548</u>	<u>-</u>	<u>-</u>
Current liabilities					
Trade and other payables	23	1,248,444	1,007,281	373	331
Provision for liabilities	22	75,619	73,309	-	-
Deferred revenue		244,769	220,772	-	-
Taxation		69,809	1,261	-	-
		<u>1,638,641</u>	<u>1,302,623</u>	<u>373</u>	<u>331</u>
Total liabilities		<u>2,323,746</u>	<u>1,984,171</u>	<u>373</u>	<u>331</u>
TOTAL EQUITY AND LIABILITIES		<u>4,076,147</u>	<u>4,232,319</u>	<u>85,804</u>	<u>1,099,097</u>

The accompanying notes form an integral part of the financial statements.

Statements of Changes in Equity for the year ended 31 December 2006

GROUP	Note	Attributable to equity holders of the Company			
		Share capital RM'000	Non-Distributable Share premium RM'000	Distributable Retained earnings RM'000	Total RM'000
At 1 January 2005		750,000	352,651	674,542	1,777,193
Profit for the year, representing total recognised income and expenses for the year		-	-	470,955	470,955
At 31 December 2005		750,000	352,651	1,145,497	2,248,148
Profit for the year, representing total recognised income and expenses for the year		-	-	805,653	805,653
Share capital and share premium repayment					
- RM0.75 per ordinary share	30(a)	(562,500)	-	-	(562,500)
- RM0.60 per ordinary share	30(b)	(112,500)	(337,500)	-	(450,000)
Dividend for the financial year ended 31 December 2006	10	-	-	(288,900)	(288,900)
At 31 December 2006		75,000	15,151	1,662,250	1,752,401

Attributable to equity holders of the Company					
COMPANY	Note	Share capital RM'000	<i>Non- Distributable</i> Share premium RM'000	<i>Distributable</i> Accumulated losses RM'000	Total RM'000
At 1 January 2005		750,000	352,651	(2,904)	1,099,747
Loss for the year, representing total recognised income and expenses for the year		-	-	(981)	(981)
At 31 December 2005		750,000	352,651	(3,885)	1,098,766
Profit for the year, representing total recognised income and expenses for the year		-	-	288,065	288,065
Share capital and share premium repayment - RM0.75 per ordinary share	30(a)	(562,500)	-	-	(562,500)
- RM0.60 per ordinary share	30(b)	(112,500)	(337,500)	-	(450,000)
Dividend for the financial year ended 31 December 2006	10	-	-	(288,900)	(288,900)
At 31 December 2006		75,000	15,151	(4,720)	85,431

The accompanying notes form an integral part of the financial statements.

Cash Flow Statements for the year ended 31 December 2006

	Note	GROUP		COMPANY	
		2006 RM'000	2005 RM'000 (Restated)	2006 RM'000	2005 RM'000
Cash flows from operating activities					
Profit/(loss) before tax		1,087,139	661,550	400,423	(981)
Adjustments for:					
Dividend income		-	-	(401,707)	-
Depreciation expenses and impairment losses	11	584,581	540,663	-	-
Amortisation of intangible assets	12	42,947	42,504	-	-
Amortisation of prepaid lease payments		223	223	-	-
Amortisation of deferred expenditure	13	60	65	-	-
Allowance for doubtful debts		17,633	11,882	-	-
Finance costs	6	15,845	32,440	-	-
Interest income		(36,085)	(18,159)	(9)	-
Share-based payment		3,284	744	-	-
Loss on disposal of property, plant and equipment		1,551	4,024	-	-
Unrealised foreign exchange (gain)/loss		(3,531)	268	-	-
Provision for liabilities		167,280	147,309	-	-
Operating profit/(loss) before working capital changes		1,880,927	1,423,513	(1,293)	(981)
Decrease in inventories		8	5,226	-	-
Increase in receivables		(52,946)	(34,906)	(2)	-
Increase in payables		243,994	295,869	41	133
Increase in deferred revenue		23,997	62,569	-	-
Amount due from a subsidiary		-	-	564,474	848
Cash generated from operations		2,095,980	1,752,271	563,220	-

	Note	GROUP		COMPANY	
		2006 RM'000	2005 RM'000 (Restated)	2006 RM'000	2005 RM'000
Cash flows from operating activities (cont'd.)					
Interest paid		(14,660)	(22,448)	-	-
Payments under customer loyalty programme	22	(166,610)	(117,429)	-	-
Payments for employee related benefits		(2,818)	(588)	-	-
Taxes paid		<u>(212,870)</u>	<u>(14,500)</u>	<u>-</u>	<u>-</u>
Net cash generated from operating activities		<u>1,699,022</u>	<u>1,597,306</u>	<u>563,220</u>	<u>-</u>
Cash flows from investing activities					
Purchase of property, plant and equipment and intangible assets		(746,148)	(686,944)	-	-
Proceeds from capital repayment by a subsidiary		-	-	451,501	-
Dividend received from a subsidiary		-	-	289,229	-
Interest received		34,991	17,699	9	-
Proceeds from disposal of property, plant and equipment		<u>122</u>	<u>36</u>	<u>-</u>	<u>-</u>
Net cash (used in)/generated from investing activities		<u>(711,035)</u>	<u>(669,209)</u>	<u>740,739</u>	<u>-</u>

Cash Flow Statements for the year ended 31 December 2006 (cont'd.)

	Note	GROUP		COMPANY	
		2006 RM'000	2005 RM'000 (Restated)	2006 RM'000	2005 RM'000
Cash flows from financing activities					
Capital repayments	30	(1,012,500)	-	(1,012,500)	-
Dividend paid	10	(288,900)	-	(288,900)	-
Drawdown of bank borrowings		-	300,000	-	-
Repayment of bank borrowings		-	(679,854)	-	-
Net cash used in financing activities		<u>(1,301,400)</u>	<u>(379,854)</u>	<u>(1,301,400)</u>	<u>-</u>
Net (decrease)/increase in cash and cash equivalents		(313,413)	548,243	2,559	-
Cash and cash equivalents at beginning of year		<u>1,182,962</u>	<u>634,719</u>	<u>-</u>	<u>-</u>
Cash and cash equivalents at end of year	18	<u>869,549</u>	<u>1,182,962</u>	<u>2,559</u>	<u>-</u>

The accompanying notes form an integral part of the financial statements.

Notes To The Financial Statements - 31 December 2006

1. CORPORATE INFORMATION

The principal activity of the Company is investment holding. The principal activities of the subsidiaries are stated in Note 14 to the financial statements. There have been no significant changes in the nature of the principal activities during the financial year.

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

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

The financial statements were approved and authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 20 March 2007.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Preparation

The financial statements of the Group and of the Company have been prepared under the historical cost convention unless otherwise indicated in the accounting policies below. The financial statements comply with the provisions of the Companies Act, 1965 and applicable MASB Approved Accounting Standards in Malaysia for Entities Other Than Private Entities. At the beginning of the financial year, the Group and the Company had adopted new and revised Financial Reporting Standards ("FRSs") effective for the financial periods beginning on or after 1 January 2006 as disclosed in Note 3 to the financial statements.

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 include the financial statements of the Company and all its subsidiaries. Subsidiaries are those entities in which the Group has power to exercise control over the financial and operating policies so as to obtain benefits from their activities.

Subsidiaries are consolidated using the acquisition method of accounting. Under the acquisition method of accounting, the results of subsidiaries acquired or disposed of during the financial year are included in the consolidated income statements from the effective date of acquisition or up to the effective date of disposal, as appropriate. The assets and liabilities of the subsidiaries are measured at their fair values at the date of acquisition. Any excess of the cost of acquisition over the fair value of the Group's share of the identifiable assets, liabilities and contingent liabilities of the acquired subsidiary represents goodwill. Any excess of the Group's share of the identifiable assets, liabilities and contingent liabilities of the acquired subsidiary over the cost of acquisition is recognised immediately in the income statement.

Intragroup transactions, balances and resulting unrealised gains are eliminated on consolidation and the consolidated financial statements reflect external transactions only. Unrealised losses are eliminated on consolidation unless costs cannot be recovered.

Notes To The Financial Statements - 31 December 2006 (cont'd.)

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd.)

(c) Property, Plant and Equipment, and Depreciation

All items of property, plant and equipment are initially recorded at cost. 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. The carrying amount of any replaced part is derecognised.

Subsequent to initial recognition, property, plant and equipment, except for freehold land and capital work-in-progress, are stated at cost less accumulated depreciation and any accumulated impairment losses. Freehold land and capital work-in-progress are stated at cost.

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

Freehold buildings	2.0%
Leasehold 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 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.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. The difference between the net disposal proceeds, if any, and the net carrying amount is recognised in the income statement.

(d) Impairment of Property, Plant and Equipment, Intangible Assets and Investments in Subsidiaries

At each balance sheet 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. An impairment is recognised whenever the carrying amount of an asset or the cash-generating unit ("CGU") to which it belongs exceeds its recoverable amount. An impairment loss is recognised as an expense in the income statement.

The recoverable amount is the higher of an asset's or CGU's fair value less costs to sell and value in use. In assessing value in use, estimated future cash flows 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. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the CGU to which the asset belongs.

(d) Impairment of Property, Plant and Equipment, Intangible Assets and Investments in Subsidiaries (cont'd.)

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss has been recognised. The reversal is recognised in the income statement.

(e) Intangible Assets

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

Intangible assets with finite lives are amortised on a straight-line basis over the estimated useful lives, and the amortisation periods and amortisation method are reviewed at least at each balance sheet date. Intangible assets with indefinite useful lives are not amortised but tested for impairment annually. The useful lives of intangible assets with indefinite useful lives are also reviewed annually to determine whether the useful life assessment continues to be supportable.

(i) Technological support and technical know-how

It comprises a fee paid during the financial period ended 31 December 2001 for the provision of technology and transfer of technical know-how pursuant to a technical service agreement signed between the Company and Telenor Mobile Communications AS, a wholly-owned subsidiary of Telenor ASA, its ultimate holding company. The amount is amortised on a straight-line basis over the remaining period of the telecommunications license of 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 3 years.

(f) Deferred Expenditure

License fees are capitalised and amortised over the period of the licenses.

(g) Investments in Subsidiaries

The Company's investments in subsidiaries are held for long term and are stated at cost less any accumulated impairment losses. On the disposal of such investments, the difference between net disposal proceeds and their carrying amounts is included in the income statement.

Notes To The Financial Statements - 31 December 2006 (cont'd.)

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd.)

(h) 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.

(i) Cash and Cash Equivalents

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

(j) Operating Lease

Leases of assets where a significant portion of risks and rewards of ownership are retained by the lessor are classified as operating leases. Operating lease payments (net of any incentives received from the lessor) are recognised as an expense in the income statement on a straight-line basis over the term of the relevant lease.

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.

Expenditure incurred to acquire leasehold land are classified as prepaid lease payments and are amortised on a straight-line basis over the lease term.

(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 balance sheet date and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditure expected to be required to settle the obligation.

(i) Customer loyalty programme

Customer loyalty programme costs are provided based on management's best estimate of the amount of incentives realisable to the customers based on the past trend of customers' usage and utilisation.

(ii) Employee leave entitlements

Employees' entitlement to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for the annual leave as a result of services rendered by employees up to the balance sheet date.

(k) Provision for Liabilities (cont'd.)

(iii) Site decommissioning and restoration costs

Provision for site decommissioning and restoration costs is in respect of the management's best estimate on the costs necessary to be incurred to decommission and restore the telecommunications 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 for property, plant and equipment.

(iv) Defined benefit plan

Provision for defined benefit plan for eligible employees is as disclosed in Note 2(l)(iii) to the financial statements.

(l) Employee Benefits

(i) Short term benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the year in which the associated services are rendered by employees. Short term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences, and short term non-accumulating compensated absences such as sick leave are recognised when the absences occur. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present value.

(ii) Defined contribution plan

As required by law, companies in Malaysia make contributions to the state pension scheme, the Employees Provident Fund. The contributions are recognised as an expense in the income statement as incurred.

(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 10 years or upon retirement age of 55 years. The Group's obligations under the retirement benefit scheme, calculated using the Projected Unit Credit Method, is determined based on actuarial computations by independent actuaries, through which the amount of benefit that employees have earned in return for their service in the current and prior years is estimated. That benefit is discounted in order to determine its present value. Actuarial gains and losses are recognised as income or expense over the expected average remaining working lives of the eligible employees when the cumulative unrecognised actuarial gains or losses for the retirement benefit scheme exceed 10% of the higher of the present value of the defined benefit obligation and the fair value of the plan assets. Past service costs are recognised immediately to the extent that the benefits are already vested, and otherwise amortised on a straight-line basis over the average period until the amended benefits become vested.

Notes To The Financial Statements - 31 December 2006 (cont'd.)

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd.)

(l) Employee Benefits (cont'd.)

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

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

Gains or losses on the curtailment of a defined benefit plan will be recognised when the curtailment occurs. The gains or losses would comprise any resulting change in the present value of the defined benefit obligation and any related actuarial gains and losses and past service costs that had not previously been recognised.

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

(iv) Share-based payment

The Group operates a scheme to award its eligible employees with the Company's shares. The eligible employees, who have served for more than 10 years, are entitled to certain number of shares which are directly acquired under the employees' names in the open market. The transactions are recorded as share-based cash-settled transactions, and the expense under this scheme is determined by reference to the number of employees qualifying for the scheme, the number of shares entitled and the market price of the shares at each balance sheet date.

(m) Income Tax

Income tax on the profit or loss for the year comprises current and deferred tax. Current tax is the expected amount of income taxes payable in respect of the taxable profit for the year, measured using the tax rates that have been enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided for, using the liability method, on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts in the financial statements. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that future taxable profit will be available against which these can be utilised. Deferred tax is not recognised if the temporary difference arises from goodwill or negative goodwill or from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

Deferred tax is measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is recognised in the income statement, except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also recognised directly in equity.

(n) Receivables

Receivables are carried at anticipated realisable values, which is cost less allowances for doubtful debts. Bad debts are written off when identified. An estimate is made for doubtful debts based on a review of all outstanding amounts as at the balance sheet date.

(o) Payables

Payables are stated at the fair value of the consideration to be paid in the future for goods and services received.

(p) Interest-bearing Borrowings

Interest-bearing bank loans and overdrafts are recorded at the amount of proceeds received.

Interest incurred in connection with financing the construction and installation of property, plant and equipment, if any, is capitalised until the assets are ready for their intended use.

All other borrowing costs are charged to the income statement as an expense in the period in which they are incurred.

(q) Share Capital

Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

(r) Revenue Recognition

Revenue is recognised when it is probable that the economic benefits associated with the transaction will flow to the enterprise and the amount of the revenue can be measured reliably.

(i) Sale of goods and services

Revenue relating to sales of goods and 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 the prepaid cards that have been sold to customers but where services have not been rendered at the balance sheet date is deferred.

(ii) Interest income

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

(iii) Dividend income

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

Notes To The Financial Statements - 31 December 2006 (cont'd.)

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd.)

(s) Foreign Currency Transactions

(i) Functional and presentation currency

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

(ii) Foreign currency transactions

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

All exchange rate differences are taken to the income statement.

3. CHANGES IN ACCOUNTING POLICIES AND EFFECTS RESULTING FROM ADOPTION OF NEW AND REVISED FRSs

The following new or revised FRSs were adopted mandatory for the financial periods beginning on or after 1 January 2006:

FRS 2	Share-based Payment
FRS 101	Presentation of Financial Statements
FRS 102	Inventories
FRS 108	Accounting Policies, Changes in Accounting Estimates and Errors
FRS 110	Events after the Balance Sheet Date
FRS 116	Property, Plant and Equipment
FRS 121	The Effects of Changes in Foreign Exchange Rates
FRS 127	Consolidated and Separate Financial Statements
FRS 132	Financial Instruments: Disclosure and Presentation
FRS 133	Earnings Per Share
FRS 136	Impairment of Assets
FRS 138	Intangible Assets

In addition to the above, the Group has taken the option of early adoption of revised FRS 117 Leases with effect from the financial year beginning 1 January 2006.

3. CHANGES IN ACCOUNTING POLICIES AND EFFECTS RESULTING FROM ADOPTION OF NEW AND REVISED FRSs (cont'd.)

The Group has not early adopted the following FRSs, amendments to FRSs and Issues Committee ("IC") Interpretations which have effective dates as follow:

FRS/IC Interpretation	For financial periods beginning on or after
FRS 124 Related Party Disclosures	1 October 2006
FRS 119 ₂₀₀₄ (Revised) Employee Benefits	1 January 2007
IC Interpretation 1: Changes in Existing Decommissioning, Restoration and Similar Liabilities	1 July 2007
IC Interpretation 5: Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds	1 July 2007
IC Interpretation 8: Scope of FRS 2	1 July 2007

The adoption of the above is not expected to have any significant effects on the financial statements of the Group for the year ending 31 December 2007.

The Group has also not adopted FRS 139 Financial Instruments: Recognition and Measurement, where the effective date of application has been deferred.

The adoption of FRS 2, 102, 108, 110, 116, 121, 127, 132, 133 and 136 does not result in significant changes in accounting policies of the Group. The principal changes in accounting policies and their effects resulting from the adoption of the other new or revised FRSs are summarised as below:

(a) FRS 101 Presentation of Financial Statements

The adoption of the revised FRS 101 has affected the presentation of the consolidated income statements, balance sheets and statements of changes in equity with additional disclosure on the amount attributable to equity holders of the Company, and statements of changes in equity also showing the total recognised income and expenses for the year.

The current year's presentation of the Group's and the Company's financial statements is based on the requirements of the revised FRS 101, with the comparatives being restated to conform with the current year's presentation.

(b) FRS 117 Leases

The adoption of the revised FRS 117 has resulted in retrospective change in the accounting policy relating to the classification of leasehold land. Prior to 1 January 2006, leasehold land was classified as property, plant and equipment and was stated at cost less accumulated depreciation. Upon the adoption of the revised FRS 117 on 1 January 2006, the unamortised carrying amount is reclassified from property, plant and equipment to prepaid lease payments as allowed under the transitional provisions of the revised FRS 117. The comparative amount as at 31 December 2005 has been restated accordingly.

Notes To The Financial Statements - 31 December 2006 (cont'd.)

3. CHANGES IN ACCOUNTING POLICIES AND EFFECTS RESULTING FROM ADOPTION OF NEW AND REVISED FRSs (cont'd.)

(c) FRS 138 Intangible Assets

With the adoption of the new FRS 138, the Group changed the classification of computer software costs to intangible assets, where the software is not an integral part of the related hardware. The reclassification from property, plant and equipment to intangible assets was based on the carrying amounts of the computer software costs as at 1 January 2006. The comparative figures had been reclassified to conform with the current year's presentation.

(d) Comparatives

The following comparatives have been restated due to the adoption of revised FRS or have been reclassified to conform with the current year's presentation:

	Note 3	FRS	GROUP	
			As restated/ reclassified RM'000	Previously Stated RM'000
Income statement				
Depreciation expenses and impairment losses	(b) & (c)	117 & 138	540,663	579,449
Amortisation expenses	(b) & (c)	117 & 138	<u>42,792</u>	<u>4,006</u>
Balance sheet				
Non-current assets				
Property, plant and equipment	(b) & (c)	117 & 138	2,671,494	2,791,060
Prepaid lease payments	(b)	117	12,940	-
Intangible assets	(c)	138	<u>141,766</u>	<u>35,140</u>

4. CHANGES IN ESTIMATES

As part of the annual review of the residual values, useful lives and depreciation method for property, plant and equipment, the Group revised the estimated useful lives of computer systems and telecommunications network with effect from 1 July 2006, to better reflect the usage of the depreciable assets and the expected technological advancement in the light of the changing business environment. The change in accounting estimate has been applied prospectively.

As a result of the revision, the current year depreciation and amortisation expenses of the Group for the financial year ended 31 December 2006 has increased by approximately RM83.8 million.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The management has made judgement in the process of applying the accounting policies that have the most impact on the amounts recognised in the financial statements. The management also makes key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet 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 judgements:

(a) Depreciation and amortisation

Depreciation and amortisation is based on management's estimates of the future estimated average useful lives and residual values of property, plant and equipment and intangible assets. Estimates may change due to technological developments, expected level of usage, competition, market conditions and other factors, and could impact the estimated average useful lives and the residual values of these assets. This may result in future changes in the estimated useful lives and in the depreciation or amortisation expenses.

(b) Impairment

Assets are tested for impairment when indications of potential impairment exist. Indicators of impairment which could trigger an impairment review include evidence of obsolescence or physical damage, significant fall in market values, significant underperformance relative to historical or projected future operating results, significant changes in the use of assets or the strategy of the business, significant adverse industry or economic changes.

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

(c) Deferred tax assets and liabilities

Deferred tax implications arising from the changes in corporate income tax rates are measured with reference to the estimated realisation and settlement of temporary differences in the future periods in which the tax rates are expected to apply, based on the tax rates enacted or substantively enacted at the balance sheet date. While management's estimates on the realisation and settlement of temporary differences are based on the available information at the balance sheet date, changes in business strategy, future operating performance and other factors could 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 the income statement in the period in which actual realisation and settlement occurs.

Notes To The Financial Statements - 31 December 2006 (cont'd.)

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (cont'd.)

(d) Provision for liabilities

Provisions for liabilities are based on management's judgement on the likelihood of liabilities crystallising and estimates on the amounts required to settle the liabilities arising from legal and constructive obligations. A change in circumstances which could cause estimates to change include changes in market trends and conditions, regulatory environment, employees' and customers' behaviours and other factors that may result in changes to the value of provisions in the balance sheet. The difference between the actual amount and the estimated amount would be recognised in the income statement in the period in which the change occurs.

6. FINANCE COSTS

	GROUP	
	2006 RM'000	2005 RM'000
Interest expense	14,660	18,879
Ancillary costs of borrowings	-	11,961
Others	1,185	1,600
	<u>15,845</u>	<u>32,440</u>

7. PROFIT / (LOSS) BEFORE TAX

The following amounts have been included in arriving at profit/(loss) before tax:

	GROUP		COMPANY	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Allowance for doubtful debts	17,633	11,882	-	-
Amortisation expense for:				
- intangible assets	42,947	42,504	-	-
- license fees	60	65	-	-
- prepaid lease payments	223	223	-	-
Auditors' remuneration:				
- statutory audit	155	110	25	15
- other services	387	82	8	50
Bad debts recovered	(2,225)	(1,995)	-	-
Directors' emoluments	249	683	249	183

7. PROFIT / (LOSS) BEFORE TAX (cont'd.)

	GROUP		COMPANY	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Employee benefits:				
- defined contribution plan	15,924	12,149	-	-
- (decrease)/increase in provision for defined benefit plan	(1,663)	832	-	-
- share-based payment	3,284	744	-	-
Loss on disposal of property, plant and equipment	1,551	4,024	-	-
Provision for:				
- customer loyalty programme	168,278	145,492	-	-
- employee leave entitlements	665	985	-	-
- site decommissioning and restoration costs	1,185	429	-	-
Lease of transmission facilities	54,090	44,197	-	-
Foreign exchange (gain)/loss	(6,986)	501	-	-
Rental of equipment	3,009	2,435	-	-
Rental of land and buildings	<u>109,888</u>	<u>74,528</u>	<u>-</u>	<u>-</u>

8. TAXATION

	GROUP		COMPANY	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Income tax:				
Current tax expense	281,529	15,761	112,358	-
Overprovision in prior year	<u>(232)</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>281,297</u>	<u>15,761</u>	<u>112,358</u>	<u>-</u>
Deferred taxation (Note 21)				
Relating to origination and reversal of temporary differences	27,248	174,730	-	-
Relating to changes in tax rates	(27,362)	-	-	-
Underprovision in prior year	303	104	-	-
	<u>189</u>	<u>174,834</u>	<u>-</u>	<u>-</u>
	<u>281,486</u>	<u>190,595</u>	<u>112,358</u>	<u>-</u>

Notes To The Financial Statements - 31 December 2006 (cont'd.)

8. TAXATION (cont'd.)

Included in the Group's tax expense for the year is a reduction in deferred tax expense of RM27.4 million relating to changes in the Malaysian corporate tax rate from the existing statutory tax rate of 28% to 27% effective for year of assessment 2007 and 26% effective for year of assessment 2008 and onwards.

Reconciliations of income tax expense/rate applicable to profit/(loss) 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:

	2006		2005	
	%	RM'000	%	RM'000
GROUP				
Profit before tax		<u>1,087,139</u>		<u>661,550</u>
Taxation at Malaysian statutory tax rate	28.0	304,399	28.0	185,234
Effect of changes in tax rates on deferred tax	(2.5)	(27,362)	-	-
Effect of expenses not deductible	0.4	4,378	0.8	5,257
Underprovision of deferred tax in prior year	0.0	303	0.0	104
Overprovision of tax expense in prior year	(0.0)	(232)	-	-
Tax expense for the year	<u>25.9</u>	<u>281,486</u>	<u>28.8</u>	<u>190,595</u>
COMPANY				
Profit/(loss) before tax		<u>400,423</u>		<u>(981)</u>
Taxation at Malaysian statutory tax rate	28.0	112,118	(28.0)	(275)
Effect of expenses not deductible	0.1	240	28.0	275
Tax expense for the year	<u>28.1</u>	<u>112,358</u>	<u>-</u>	<u>-</u>

There are tax savings effects for the Group of approximately RM202 million (2005: RM339 million) arising from the utilisation of capital allowances by its subsidiary.

9. EARNINGS PER ORDINARY SHARE

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

	GROUP	
	2006	2005
Profit for the year (RM'000)	805,653	470,955
Weighted average number of ordinary shares in issue ('000)	750,000	750,000
Earnings per ordinary share (sen)	<u>107.4</u>	<u>62.8</u>

10. DIVIDENDS

	COMPANY	
	2006 RM'000	2005 RM'000
Recognised during the year:		
Interim dividend for 2006: 53.5 sen per ordinary share, less 28% income tax, on 750,000,000 ordinary shares (38.5 sen net per ordinary share)	<u>288,900</u>	<u>-</u>
Proposed for approval at AGM (not recognised as at 31 December):		
Final dividend for 2006: 57.5 sen per ordinary share, less 27% income tax, on 750,000,000 ordinary shares (42.0 sen net per ordinary share)	<u>315,000</u>	<u>-</u>

At the forthcoming Annual General Meeting, a final dividend in respect of the financial year ended 31 December 2006, of 57.5 sen per ordinary share, less income tax at 27%, on 750,000,000 ordinary shares, amounting to a dividend payable of RM315.0 million (42.0 sen net per ordinary share) will be proposed for shareholders' approval. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in equity as an appropriation of retained earnings in the financial year ending 31 December 2007.

Notes to the Financial Statements - 31 December 2006 (cont'd.)

11. PROPERTY, PLANT AND EQUIPMENT

GROUP	Freehold land RM'000	Freehold buildings RM'000	Long term leasehold buildings RM'000
Cost			
At 1 January 2006	13,912	14,279	9,795
Effects of adopting FRS 117 and 138	-	-	(7,502)
At 1 January 2006 (restated)	13,912	14,279	2,293
Additions	-	-	-
Written off/disposals	-	-	-
Transfer	-	54,998	-
At 31 December 2006	13,912	69,277	2,293
Accumulated Depreciation and Impairment Losses			
At 1 January 2006			
Accumulated depreciation	-	620	839
Accumulated impairment losses	-	-	-
	-	620	839
Effects of adopting FRS 117 and 138	-	-	(702)
At 1 January 2006 (restated)	-	620	137
Depreciation expenses for the year	-	312	22
Impairment loss	-	-	-
Reversal of impairment loss*	-	-	-
Written off/disposals	-	-	-
Transfer	-	(289)	-
At 31 December 2006	-	643	159
Analysed as:			
Accumulated depreciation	-	643	159
Accumulated impairment losses	-	-	-
		643	159
Carrying Amount			
At 31 December 2006	13,912	68,634	2,134

* The reversal of impairment loss was in respect of impaired assets disposed during the financial year.

Short term leasehold buildings RM'000	Motor vehicles RM'000	Computer systems RM'000	Furniture and fittings RM'000	Telecommunications network RM'000	Capital work-in-progress RM'000	Total RM'000
14,405	21,820	397,551	42,244	4,334,542	121,011	4,969,559
(7,578)	-	(265,043)	-	-	-	(280,123)
6,827	21,820	132,508	42,244	4,334,542	121,011	4,689,436
-	-	-	-	4,056	590,949	595,005
-	(252)	(2,893)	(1,776)	(231)	(876)	(6,028)
-	2,113	28,766	48,330	489,640	(623,847)	-
6,827	23,681	158,381	88,798	4,828,007	87,237	5,278,413
3,025	13,235	211,639	27,423	1,912,818	-	2,169,599
-	-	-	716	8,184	-	8,900
3,025	13,235	211,639	28,139	1,921,002	-	2,178,499
(1,438)	-	(158,417)	-	-	-	(160,557)
1,587	13,235	53,222	28,139	1,921,002	-	2,017,942
158	2,045	57,886	20,737	499,321	-	580,481
-	-	-	-	4,224	-	4,224
-	-	-	(124)	-	-	(124)
-	(164)	(2,452)	(1,601)	(139)	-	(4,356)
-	-	139	(162)	312	-	-
1,745	15,116	108,795	46,989	2,424,720	-	2,598,167
1,745	15,116	108,795	46,397	2,412,312	-	2,585,167
-	-	-	592	12,408	-	13,000
1,745	15,116	108,795	46,989	2,424,720	-	2,598,167
5,082	8,565	49,586	41,809	2,403,287	87,237	2,680,246

Notes to the Financial Statements - 31 December 2006 (cont'd.)

11. PROPERTY, PLANT AND EQUIPMENT (cont'd.)

GROUP	Freehold land RM'000	Freehold buildings RM'000	Long term leasehold buildings RM'000
Cost			
At 1 January 2005	13,912	7,880	9,795
Effects of adopting FRS 117 and 138	-	-	(7,502)
At 1 January 2005 (restated)	13,912	7,880	2,293
Additions	-	-	-
Written off/disposals	-	-	-
Transfer	-	6,399	-
At 31 December 2005 (restated)	13,912	14,279	2,293
Accumulated Depreciation and Impairment Losses			
At 1 January 2005			
Accumulated depreciation	-	416	739
Accumulated impairment losses	-	-	-
	-	416	739
Effects of adopting FRS 117 and 138	-	-	(626)
At 1 January 2005 (restated)	-	416	113
Depreciation expenses for the year	-	204	24
Impairment loss	-	-	-
Written off/disposals	-	-	-
At 31 December 2005 (restated)	-	620	137
Analysed as:			
Accumulated depreciation	-	620	137
Accumulated impairment losses	-	-	-
	-	620	137
Carrying Amount			
At 31 December 2005 (restated)	13,912	13,659	2,156

Short term leasehold buildings RM'000	Motor vehicles RM'000	Computer systems RM'000	Furniture and fittings RM'000	Telecommunications network RM'000	Capital work-in-progress RM'000	Total RM'000
14,405	19,711	308,149	36,266	3,786,180	104,832	4,301,130
(7,578)	-	(180,215)	-	-	-	(195,295)
6,827	19,711	127,934	36,266	3,786,180	104,832	4,105,835
-	-	-	2	928	602,114	603,044
-	(1,601)	(4,663)	(959)	(11,182)	(1,038)	(19,443)
-	3,710	9,237	6,935	558,616	(584,897)	-
6,827	21,820	132,508	42,244	4,334,542	121,011	4,689,436
2,727	11,568	156,843	18,995	1,416,868	-	1,608,156
-	-	-	-	6,018	-	6,018
2,727	11,568	156,843	18,995	1,422,886	-	1,614,174
(1,291)	-	(119,854)	-	-	-	(121,771)
1,436	11,568	36,989	18,995	1,422,886	-	1,492,403
151	3,100	20,735	9,215	504,352	-	537,781
-	-	-	716	2,166	-	2,882
-	(1,433)	(4,502)	(787)	(8,402)	-	(15,124)
1,587	13,235	53,222	28,139	1,921,002	-	2,017,942
1,587	13,235	53,222	27,423	1,912,818	-	2,009,042
-	-	-	716	8,184	-	8,900
1,587	13,235	53,222	28,139	1,921,002	-	2,017,942
5,240	8,585	79,286	14,105	2,413,540	121,011	2,671,494

Notes to the Financial Statements - 31 December 2006 (cont'd.)

11. PROPERTY, PLANT AND EQUIPMENT (cont'd.)

No interest was capitalised during the current and previous financial year in respect of the property, plant and equipment of the Group.

Included in additions for the year is an amount of RM4.1 million (2005: RM928,000) related to the provision for site decommissioning and restoration costs.

12. INTANGIBLE ASSETS

GROUP	Technological support and technical know-how RM'000	Computer software RM'000	Total RM'000
Cost			
At 1 January 2006	53,203	-	53,203
Effect of adopting FRS 138	-	265,043	265,043
At 1 January 2006 (restated)	53,203	265,043	318,246
Additions	-	155,200	155,200
Written off/disposals	-	(94)	(94)
At 31 December 2006	53,203	420,149	473,352
Accumulated Amortisation			
At 1 January 2006	18,063	-	18,063
Effect of adopting FRS 138	-	158,417	158,417
At 1 January 2006 (restated)	18,063	158,417	176,480
Amortisation expenses for the year	3,941	39,006	42,947
Written off/disposals	-	(94)	(94)
At 31 December 2006	22,004	197,329	219,333
Carrying Amount			
At 31 December 2006	31,199	222,820	254,019
At 31 December 2005 (restated)	35,140	106,626	141,766

13. DEFERRED EXPENDITURE

	GROUP	
	2006 RM'000	2005 RM'000
License fees:		
At 1 January	528	593
Amortisation expenses for the year	(60)	(65)
At 31 December	<u>468</u>	<u>528</u>

14. INVESTMENTS IN SUBSIDIARIES

	COMPANY	
	2006 RM'000	2005 RM'000
Unquoted shares at cost	<u>75,000</u>	<u>526,501</u>

The Company's investments in subsidiaries are reduced by the proceeds under a capital repayment exercise by a subsidiary of the Company, amounting to RM451.5 million.

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

NAME OF COMPANY	EQUITY INTEREST HELD (%)		PRINCIPAL ACTIVITIES
	2006	2005	
DiGi Telecommunications Sdn. Bhd.	100	100	Establishment, maintenance and provision of telecommunications and related services
Subsidiaries of DiGi Telecommunications Sdn. Bhd.			
DiGi Services Sdn. Bhd.	100	100	Property holding and other related services
Djuice.Com Sdn. Bhd.	100	100	Dormant

Notes to the Financial Statements - 31 December 2006 (cont'd.)

15. INVENTORIES

	GROUP	
	2006 RM'000	2005 RM'000
Trading merchandise	<u>8,189</u>	<u>8,197</u>

16. TRADE AND OTHER RECEIVABLES

	GROUP		COMPANY	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Trade receivables	173,465	141,175	-	-
Other receivables	28,452	6,412	120	-
Deposits	26,681	24,660	5	5
Prepayments	33,491	48,470	3	-
	<u>262,089</u>	<u>220,717</u>	<u>128</u>	<u>5</u>
Allowance for doubtful debts	(11,130)	(6,285)	-	-
	<u>250,959</u>	<u>214,432</u>	<u>128</u>	<u>5</u>

The Group's trade receivables are subject to normal trade credit terms and are short term in nature.

During the financial year, the Group had written off approximately RM12.8 million (2005: RM14.2 million) of trade receivables balance against the allowance for doubtful debts brought forward.

At 31 December 2006, the Group's trade receivables balance includes exposure to foreign currency denominated in United States Dollars amounting to RM14.0 million (2005: RM10.4 million).

17. AMOUNT DUE FROM A SUBSIDIARY

	COMPANY	
	2006 RM'000	2005 RM'000
Amount due from a subsidiary	<u>8,117</u>	<u>572,591</u>

The amount due from a subsidiary is non-trade in nature, unsecured, interest-free and has no fixed terms of repayment.

18. CASH AND CASH EQUIVALENTS

	GROUP		COMPANY	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Cash and bank balances	60,087	37,254	2,559	-
Deposits with:				
Licensed banks	390,559	626,001	-	-
Other licensed financial institutions	418,903	519,707	-	-
	<u>809,462</u>	<u>1,145,708</u>	<u>-</u>	<u>-</u>
Cash and cash equivalents	<u>869,549</u>	<u>1,182,962</u>	<u>2,559</u>	<u>-</u>

The weighted average effective interest rates of deposits at the balance sheet date were as follows:

	GROUP	
	2006 %	2005 %
Deposits with:		
Licensed banks	3.5	2.8
Other licensed financial institutions	<u>3.4</u>	<u>2.9</u>

All the cash and bank balances of the Group and of the Company are denominated in Ringgit Malaysia.

The deposits of the Group placed with licensed banks and other licensed financial institutions will mature within 1 month (2005: 1 month) from the financial year end.

19. SHARE CAPITAL

	GROUP/COMPANY			
	Number of Ordinary Shares		Amount	
	2006 '000	2005 '000	2006 RM'000	2005 RM'000
Ordinary shares of 10 sen (2005: RM1.00) each:				
Authorised	<u>10,000,000</u>	<u>1,000,000</u>	<u>1,000,000</u>	<u>1,000,000</u>
Issued and fully paid	<u>750,000</u>	<u>750,000</u>	<u>75,000</u>	<u>750,000</u>

Notes to the Financial Statements - 31 December 2006 (cont'd.)

19. SHARE CAPITAL (cont'd.)

During the financial year, the Company has completed two capital repayment exercises which collectively reduced the par value of ordinary share of RM1.00 each to RM0.10 each. The details of capital repayment exercises are disclosed in Note 30 to the financial statements.

20. BORROWINGS

	GROUP	
	2006 RM'000	2005 RM'000
Unsecured:		
Fixed rate term loan	<u>300,000</u>	<u>300,000</u>
Maturity of borrowings:		
Between 1 and 5 years	<u>300,000</u>	<u>300,000</u>

The weighted average effective interest rates at the balance sheet date for borrowings, were as follows:

	GROUP	
	2006 %	2005 %
Fixed rate term loan	<u>4.9</u>	<u>4.9</u>

The fixed rate term loan is unsecured and consists of three tranches of RM100.0 million each. The three tranches are subject to interest rates of between 4.6% to 5.2% per annum and are repayable on a bullet basis of RM100.0 million each repayment in April 2008, April 2009 and April 2010 respectively.

21. DEFERRED TAX LIABILITIES

	GROUP	
	2006 RM'000	2005 RM'000
At 1 January	371,518	196,684
Charged to the income statement (Note 8)	189	174,834
At 31 December	<u>371,707</u>	<u>371,518</u>

21. DEFERRED TAX LIABILITIES (cont'd.)

Presented after appropriate offsetting as follows:

	GROUP	
	2006 RM'000	2005 RM'000
Deferred tax liabilities	378,538	378,015
Deferred tax assets	(6,831)	(6,497)
	<u>371,707</u>	<u>371,518</u>

The components and movements of recognised deferred tax liabilities and assets for the Group during the financial year (before offsetting) are as follows:

Deferred Tax Liabilities:

	Property, plant and equipment and intangible assets RM'000	Others RM'000	Total RM'000
At 1 January 2006	368,129	9,886	378,015
Recognised in the income statement	1,304	(781)	523
At 31 December 2006	<u>369,433</u>	<u>9,105</u>	<u>378,538</u>

At 1 January 2005	383,187	1,929	385,116
Recognised in the income statement	(15,058)	7,957	(7,101)
At 31 December 2005	<u>368,129</u>	<u>9,886</u>	<u>378,015</u>

Deferred Tax Assets:

	Unabsorbed capital allowances RM'000	Unutilised tax losses RM'000	Others RM'000	Total RM'000
At 1 January 2006	-	-	(6,497)	(6,497)
Recognised in the income statement	-	-	(334)	(334)
At 31 December 2006	<u>-</u>	<u>-</u>	<u>(6,831)</u>	<u>(6,831)</u>

At 1 January 2005	(124,938)	(63,494)	-	(188,432)
Recognised in the income statement	124,938	63,494	(6,497)	181,935
At 31 December 2005	<u>-</u>	<u>-</u>	<u>(6,497)</u>	<u>(6,497)</u>

Notes to the Financial Statements - 31 December 2006 (cont'd.)

22. PROVISION FOR LIABILITIES

GROUP	Site decommissioning and restoration costs RM'000	Defined benefit plan RM'000	Total RM'000
Non-current			
At 1 January 2006	5,880	4,150	10,030
Capitalised as property, plant and equipment	4,057	-	4,057
Charged/(credited) to the income statement	1,185	(1,663)	(478)
Paid during the year	-	(211)	(211)
At 31 December 2006	<u>11,122</u>	<u>2,276</u>	<u>13,398</u>
		Note 24	
At 1 January 2005	4,523	3,592	8,115
Capitalised as property, plant and equipment	928	-	928
Charged to the income statement	429	832	1,261
Paid during the year	-	(274)	(274)
At 31 December 2005	<u>5,880</u>	<u>4,150</u>	<u>10,030</u>
		Note 24	
Current			
At 1 January 2006	69,255	4,054	73,309
Charged to the income statement	168,278	665	168,943
Paid during the year	(166,610)	(23)	(166,633)
At 31 December 2006	<u>70,923</u>	<u>4,696</u>	<u>75,619</u>
At 1 January 2005	41,192	3,383	44,575
Charged to the income statement	145,492	985	146,477
Paid during the year	(117,429)	(314)	(117,743)
At 31 December 2005	<u>69,255</u>	<u>4,054</u>	<u>73,309</u>

23. TRADE AND OTHER PAYABLES

	GROUP		COMPANY	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Trade payables	145,596	90,036	-	-
Other payables	214,980	123,647	-	-
Accruals	881,831	788,911	373	331
Customer deposits	6,037	4,687	-	-
	<u>1,248,444</u>	<u>1,007,281</u>	<u>373</u>	<u>331</u>

At 31 December 2006, the Group's trade and other payables balances include exposure to foreign currency denominated in United States Dollars amounting to RM104.4 million (2005: RM63.3 million).

24. DEFINED BENEFIT PLAN

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

The amounts recognised in the balance sheet are determined as follows:

	GROUP	
	2006 RM'000	2005 RM'000
Present value of unfunded obligations	2,157	2,480
Unrecognised experience gain/(loss)	119	(226)
Unrecognised curtailment gain	-	1,896
Net liability	<u>2,276</u>	<u>4,150</u>

The amounts recognised in the income statement, included under staff expenses, are as follows:

	GROUP	
	2006 RM'000	2005 RM'000
Current service cost	-	595
Interest on obligations	136	237
Proportionate share of experience loss recognised upon curtailment	97	-
Curtailment gain	(1,896)	-
(Decrease)/increase in provision for defined benefit plan	<u>(1,663)</u>	<u>832</u>

Notes to the Financial Statements - 31 December 2006 (cont'd.)

24. DEFINED BENEFIT PLAN (cont'd.)

The curtailment gain which resulted from the amendment of the plan, as stated in Note 2(l)(iii) to the financial statements, was recognised during the financial year.

Principal actuarial assumptions used:

	2006 %	2005 %
Rate per annum:		
Discount rate	6.0	5.8
Expected rate of salary increases	<u>-</u>	<u>7.0</u>

25. COMMITMENTS

	GROUP	
	2006 RM'000	2005 RM'000
(a) Capital Commitments		
Capital expenditure in respect of property, plant and equipment and intangible assets		
Approved and contracted for	<u>324,000</u>	<u>353,000</u>
Approved but not contracted for	<u>352,000</u>	<u>455,000</u>

(b) Non-Cancellable Operating Lease Commitments

	GROUP	
	2006 RM'000	2005 RM'000
Future minimum lease payments:		
Less than 1 year	14,107	6,935
Between 1 and 5 years	47,957	22,141
More than 5 years	14,658	14,658
	<u>76,722</u>	<u>43,734</u>

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

26. CONTINGENT LIABILITIES

	GROUP	
	2006 RM'000	2005 RM'000
Unsecured:		
Guarantees given by a subsidiary company to third parties for public infrastructure works	2,051	4,645

27. RELATED PARTY TRANSACTIONS

Controlling related party relationships are as follows:

- (i) The ultimate holding company is as disclosed in Note 1 to the financial statements.
- (ii) The Company's subsidiaries are as disclosed in Note 14 to the financial statements.

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

	Transactions		Balance due from/(to) at	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
With the ultimate holding company and fellow subsidiary companies				
- <i>Telenor ASA</i>				
Consultancy services rendered	6,083	254	(645)	(241)
- <i>Telenor Global Services AS</i>			(1,603)	(373)
Sales of interconnection services on international traffic	142	398		
Purchase of interconnection services on international traffic	2,475	1,874		

Notes to the Financial Statements - 31 December 2006 (cont'd.)

27. RELATED PARTY TRANSACTIONS (cont'd.)

	Transactions		Balance due from/(to) at	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
With the ultimate holding company and fellow subsidiary companies (cont'd.)				
- <i>Telenor Pakistan (Private) Limited</i>			69	417
Sales of interconnection services on international traffic	1,490	1,065		
Purchase of interconnection services on international traffic	705	784		
- <i>Total Access Communication Public Company Limited</i>			(352)	(500)
Sales of interconnection services on international traffic	315	75		
Purchase of interconnection services on international traffic	2,355	578		
- <i>Telenor Consult AS</i>				
Personnel services rendered	<u>9,295</u>	<u>6,929</u>	<u>(700)</u>	<u>(109)</u>
With companies in which Tan Sri Dato' Seri Vincent Tan Chee Yioun, a former director and former substantial shareholder, is deemed to have an interest				
- <i>Berjaya General Insurance Bhd.</i>				
Insurance premiums	N/A*	556	N/A*	-
- <i>Berjaya Registration Services Sdn. Bhd.</i>				
Printing and mailing services	N/A*	6,698	N/A*	(1,243)
- <i>Convenience Shopping Sdn. Bhd.</i>				
Sales of prepaid cards and reload coupons	N/A*	87,085	N/A*	9,547

27. RELATED PARTY TRANSACTIONS (cont'd.)

	Transactions		Balance due from/(to) at	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
With companies in which Tan Sri Dato' Seri Vincent Tan Chee Yioun, a former director and former substantial shareholder, is deemed to have an interest (cont'd.)				
- <i>Convenience Shopping (Sabah) Sdn. Bhd.</i>				
Sales of prepaid cards and reload coupons	N/A*	2,043	N/A*	217
- <i>Cosway (M) Sdn. Bhd.</i>				
Sales of prepaid cards and reload coupons	N/A*	4,270	N/A*	801
- <i>MOL AccessPortal Sdn. Bhd.</i>				
Sales of prepaid cards and soft pins	N/A*	2,002	N/A*	53
- <i>Cosmo's World Theme Park Sdn. Bhd.</i>				
Purchase of sponsorship rights	N/A*	1,000	N/A*	(250)

* Denotes 'Not Applicable' where this company ceased to be a related party with the Group.

All the transactions above have been entered into in the normal course of business and have been established under the terms that are no less favourable than those arranged with independent third parties.

28. FINANCIAL INSTRUMENTS

(a) Financial Risk Management Objective and Policies

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

Notes to the Financial Statements - 31 December 2006 (cont'd.)

28. FINANCIAL INSTRUMENTS (cont'd.)

(b) Credit Risk

The Group's credit risk arises in the normal course of business primarily with respect to trade and other receivables and cash and cash equivalents. Credit risk is managed through formalised policies on credit assessment and approvals, credit limits and monitoring procedures. Deposits are placed only with licensed banks and other licensed financial institutions.

The maximum credit risk exposure in respect of trade receivables is limited to the carrying value of the receivables less allowance for doubtful debts as stated in the financial statements, whereas, the maximum exposure for other receivables, cash and cash equivalents are the reported carrying values in the financial statements.

At balance sheet date, there were no significant concentrations of credit risk.

(c) Foreign Currency Risk

The Group is exposed to foreign currency risk as a result of transactions denominated in foreign currencies arising from the normal business activities. The currency giving rise to this risk is primarily the United States Dollar. Exposure to foreign currency risk is monitored on an ongoing basis and when considered necessary, the Group will consider using effective financial instruments to hedge its foreign currency risk.

(d) Liquidity Risk

The Group monitors and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group's operations and to mitigate the effects of fluctuations in cash flows.

The Group has put in place Commercial Papers and Medium Term Notes with an aggregate nominal value of up to RM700 million as an alternative source of financing which can be executed when required.

(e) Interest Rate Risk

The Group is exposed to interest rate risk primarily from the deposit placements and interest-bearing financial liabilities. The Group manages its interest rate risk for the interest-earning deposit placements by placing such balances on varying maturities and interest rate terms.

The Group's policy in dealing with interest-bearing financial liabilities is to minimise the interest expense by obtaining the most favourable interest rates available.

(f) Fair Values

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

(i) Cash and Cash Equivalents

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

(ii) Trade Receivables and Payables

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

28. FINANCIAL INSTRUMENTS (cont'd.)

(f) Fair Values (cont'd.)

(iii) Amount due from a Subsidiary

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

(iv) Borrowings

The fair value of the fixed rate term loan has been determined by discounting the expected future cash flows using the current interest rates for similar instruments at the balance sheet date.

The carrying amounts of financial assets and liabilities of the Group at the balance sheet date are as follows.

GROUP	Note	Carrying Amount RM'000	Fair Value RM'000
Financial Liabilities			
At 31 December 2006:			
Fixed rate term loan	20	300,000	302,901
At 31 December 2005:			
Fixed rate term loan	20	300,000	299,300

29. SEGMENTAL INFORMATION

Segmental information is not presented as there are no material segments other than that for the provision of mobile communication services, and the Group's operations are conducted predominantly in Malaysia.

30. SIGNIFICANT EVENTS

The following significant events took place during the financial year:

- (a) On 18 May 2006, the Company completed a capital repayment of RM0.75 for every ordinary share, satisfied wholly in cash to its shareholders via a share capital reduction pursuant to Section 64 of the Companies Act, 1965.

Upon completion of the capital repayment, the par value of the ordinary shares in the Company was reduced from RM1.00 to RM0.25 each. Based on the Company's number of issued and paid-up ordinary shares of 750,000,000, the amount distributed to the shareholders was RM562.5 million.

- (b) On 27 October 2006, the Company completed a further capital repayment of RM0.60 for every ordinary share satisfied wholly in cash to its shareholders via a reduction of share capital and share premium account pursuant to Section 60 and 64 of the Companies Act, 1965.

Upon completion, the par value of the ordinary shares in the Company was further reduced from RM0.25 to RM0.10 each. Based on the Company's issued and paid-up ordinary shares of 750,000,000, the amount distributed to the shareholders was RM450.0 million.

List of Properties as at 31 December 2006

No.	Location	Tenure
1	H.S. (D) 92086 & 92087, P.T. No. 9 & No. 10, Pekan Seremban Jaya, Daerah Seremban, Negeri Sembilan	Freehold
2	Unit No. 202-4-11, Sri Bandar Besi, Jalan Sungai Besi, Sungai Besi, Kuala Lumpur	Freehold
3	Unit No. C16-2, Indera Subang UEP, Jalan UEP 6/2L, UEP Subang Jaya, Petaling Jaya, Selangor	Freehold
4	No. 1-16.2, 16th Floor, Union Height, Taman Yan, Jalan Klang Lama, Kuala Lumpur	Freehold
5	3rd Floor, Unit P.T. 4888/4786 C, Block TC-14, Taman Sri Gombak, Jalan Batu Caves, Selangor	Freehold
6	4572, 7th Floor, Sri Jelatek Condominiums, Section 10, Wangsa Maju, Kuala Lumpur	Freehold
7	32, PLO 151 Jln Angkasa Mas Utama, Kawasan Perindustrian Tebrau II, 81100 Johor Bahru, Johor	Leasehold 30 years (expiring in 2023)
8	H.S. (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)
9	Lot 36, Sedco Light Industrial Estate, Jalan Kelombong, Kota Kinabalu, Sabah	Leasehold 60 years (expiring in 2034)
10	Lot 1220, Section 66, Kuching Town Land District, Sarawak	Leasehold 60 years (expiring in 2036)
11	No. 112, Semambu Industrial Estate, Kuantan, Pahang	Leasehold 66 years (expiring in 2041)
12	Unit 16-12-1, 12th Floor, Cloud View Tower, Taman Supreme, Cheras, Kuala Lumpur	Leasehold 99 years (expiring in 2076)
13	Unit No. M803, 8th Floor, Sunrise Park, Ampang, Kuala Lumpur	Leasehold 99 years (expiring in 2088)
14	Part of Lot P.T. 11702, H.S. (D) 10654, Mukim 1, District Of Bentong, Pahang	Leasehold 99 years (expiring in 2091)
15	Plot D-38, Taman Industri Prima Kota Fasa 1, Sector 3, Bandar Indera Mahkota, Kuantan, Pahang	Leasehold 99 years (expiring in 2097)
16	Ptd 1490, Mukim of Jemaluang, District of Mersing, Johor	Leasehold 99 years (expiring in 2098)
17	PN 89926, Lot 191363, Mukim Hulu Kinta, Daerah Kinta, Perak	Leasehold 90 years (expiring in 2081)
18	Lot No. 54, Jalan 6/2, Kawasan Perindustrian Seri Kembangan, 43000 Seri Kembangan, Selangor	Leasehold 99 years (expiring in 2091)
19	Lot 2728, Miri Concession Land District, Lopeng, Miri, Sarawak	Leasehold 60 years (expiring in 2027)
20	H.S. (D) 54842, P.T. No. 152, Mukim of Damasara, District of Petaling Jaya, Selangor	Freehold
21	No. 24, Jalan KIP 7, Taman Perindustrian KIP, 52200 Kuala Lumpur	Freehold

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

Description/ Existing Use	Date of Acquisition	Area	Age Of Building (Years)	Carrying Amount As At 31.12.2006 RM'000
Land with a building / Telecommunications Centre	29.12.1997	22,529 sq ft	9	756
Apartment / Housing base transceiver equipment	26.01.1995	802 sq ft	11	104
Apartment / Housing base transceiver equipment	04.02.1995	2,429 sq ft	13	552
Apartment / Housing base transceiver equipment	25.01.1995	1,249 sq ft	12	207
Apartment / Housing base transceiver equipment	29.03.1995	1,319 sq ft	11	79
Apartment / Housing base transceiver equipment	07.02.1995	1,115 sq ft	11	161
Land with a building / Telecommunications Centre	12.05.1995	1.58 acres	12	1,108
Land with a building / Telecommunications Centre	23.03.1995	1 acre	32	1,969
Land with a building / Telecommunications Centre	12.06.1995	0.938 acre	26	2,184
Land with a building / Telecommunications Centre	15.08.1995	4,124 sq ft	11	1,849
Land with a building / Telecommunications Centre	07.07.1995	4 acres	24	2,131
Apartment / Housing base transceiver equipment	08.02.1995	1,400 sq ft	18	187
Apartment / Housing base transceiver equipment	22.03.1995	1,100 sq ft	15	98
Land with a building / Earth Station Complex	07.08.1996	7.5 acres	12	6,010
Land with Fixed Line switch and base transceiver station	14.11.1997	25,521 sq ft	9	392
Land with trunk station	17.08.1999	40,000 sq ft	7	114
Land with a building / Telecommunications Centre	15.07.1999	5,942 sq ft	7	211
Land with a building / Telecommunications Centre	23.05.2000	18,050 sq ft	17	1,848
Land with a building / Telecommunications Centre	29.09.2000	4,937 sq ft	N/A	1,065
Land with corporate building	19.07.2001	284,485 sq ft	N/A	77,905
Land with a building / Telecommunications Centre	21.08.2002	17,847 sq ft	10	2,782

Disclosure of Recurrent Related Party Transactions

At the Annual General Meeting held on 19 May 2006, 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 Paragraph 4.1.5 of Practice Note No. 12/2001 of Listing Requirements of Bursa Malaysia Securities Berhad, the details of recurrent related party transactions conducted during the financial year ended 31 December 2006 pursuant to the shareholders' mandate are disclosed as follows:

DiGi Group with the following Related Parties	DiGi and/or its subsidiary companies	Nature of Transaction undertaken by/provided to DiGi and/or its subsidiaries	Amount transacted during the financial year RM'000
Telenor Group of Companies			
Telenor Group	DTSB	Consultancy, personnel services payable, training programmes, professional fees and business service costs	15,378
BCorp and its unlisted related companies			
BerjayaCity Sdn Bhd	DTSB	Site rental payable	9
Berjaya Registration Services Sdn Bhd	DTSB	Receipt of printing and mailing services	6,189
Berjaya Soutex Sdn Bhd	DTSB	Site rental payable	15
VRS (Malaysia) Sdn Bhd	DTSB	Site rental payable	28
BCapital and its unlisted related company			
Eng Equity Sdn Bhd	DTSB	Site rental payable	4
BLand and its unlisted related companies			
Amat Muhibah Sdn Bhd	DTSB	Site rental payable	38
Berjaya Georgetown Hotel (Penang) Sdn Bhd	DTSB	Site rental payable	31
Berjaya Golf Resort Bhd	DTSB	Site rental payable	12
Berjaya Land Development Sdn Bhd	DTSB	Site rental payable	9
Bukit Kiara Resort Bhd	DTSB	Site rental payable	21

DiGi Group with the following Related Parties	DiGi and/or its subsidiary companies	Nature of Transaction undertaken by/provided to DiGi and/or its subsidiaries	Amount transacted during the financial year RM'000
BLand and its unlisted related companies (cont'd.)			
Cempaka Properties Sdn Bhd	DTSB	Office rental payable	246
Gemilang Cergas Sdn Bhd	DTSB	Site rental payable	46
Klasik Mewah Sdn Bhd	DTSB	Office rental and warehouse rental payable	415
Kota Raya Development Sdn Bhd	DTSB	Site rental payable	22
Noble Circle (M) Sdn Bhd	DTSB	1. Site rental payable 2. Rental of banner space for roadshow	85 76
Nural Enterprise Sdn Bhd	DTSB	Site rental payable	11
Pakar Angsana Sdn Bhd	DTSB	Site rental payable	32
Securiservices Sdn Bhd	DTSB	Site rental payable	32
Sinar Merdu Sdn Bhd	DTSB	Site rental payable	22
Tiram Jaya Sdn Bhd	DTSB	Site rental payable	28
BToto and its unlisted related company			
Sports Toto Malaysia Sdn Bhd	DTSB	Service centre rental, back office rental and site rental payable	90
Cosway Corp and its unlisted related company			
Stephen Properties Sdn Bhd	DTSB	Site rental payable	90
DunBush and its unlisted related company			
Dunham-Bush Industries Sdn Bhd	DTSB	Site rental payable	12
Dunham-Bush (Malaysia) Bhd	DTSB	Site rental payable	12

Disclosure of Recurrent Related Party Transactions (cont'd)

DiGi Group with the following Related Parties	DiGi and/or its subsidiary companies	Nature of Transaction undertaken by/provided to DiGi and/or its subsidiaries	Amount transacted during the financial year RM'000
Matrix and its unlisted related companies			
Berjaya Times Square Sdn Bhd	DTSB	1. Floorspace rental payable	321
		2. Site rental payable	121
Berjaya TS Management Sdn Bhd	DTSB	Advertisement and space rental for promotion	12
Cosmo's World Theme Park Sdn Bhd	DTSB	Sole and exclusive naming sponsor of IMAX theatre	750
Dijaya Corp and its unlisted related companies			
Dijaya Management Services Sdn Bhd	DTSB	Site rental payable	31
Tropicana Golf & Country Resort Berhad	DTSB	Site rental payable	38
Total			24,226

Notes:

- Telenor Consult AS is a wholly-owned subsidiary of Telenor ASA ("Telenor") which is also the ultimate holding company of DiGi.Com Berhad ("DiGi").
- Berjaya Corporation Berhad ("BCorp"), Berjaya Capital Berhad ("BCapital"), Berjaya Land Berhad ("BLand"), Berjaya Sports Toto Berhad ("BToto"), Cosway Corporation Berhad ("Cosway Corp"), Dunham-Bush (Malaysia) Bhd ("DunBush"), Intan Utilities Berhad ("Intan"), Matrix International Berhad ("Matrix") and other companies are companies in which Tan Sri Dato' Seri Vincent Tan Chee Yioun ("TSVT"), a former Director and former substantial shareholder, is deemed to have an interest.
- TSVT is the brother of Tan Sri Dato' Danny Tan Chee Sing who is the Chairman/Chief Executive Officer and Major Shareholder of Dijaya Corporation Berhad ("Dijaya Corp").
- DiGi Telecommunications Sdn Bhd ("DTSB") is a wholly-owned subsidiary of DiGi.
- TSVT ceased to be a substantial shareholder on 20 October 2005. However, pursuant to the Listing Requirements of Bursa Malaysia Securities Berhad, for the purpose of related party transactions, he is a substantial shareholder until 19 October 2006, therefore the transactions with companies in which TSVT is deemed to have an interest are disclosed accordingly.

Statement of Directors' Shareholdings as at 30 March 2007

The Company DiGi.Com Berhad	Number of Ordinary Shares of RM0.10 each			
	Direct Interest	%	Deemed Interest	%
-	-	-	-	-

Ultimate Holding Company Telenor ASA	Number of Ordinary Shares of NOK6 each			
	Direct Interest	%	Deemed Interest	%
Arve Johansen	50,247	0.0030	-	-
Christian Storm	1,852	0.0001	-	-
Ragnar Holmen Korsæth	-	-	-	-

Ultimate Holding Company Telenor ASA	Number of Options over Ordinary Shares of NOK6 each			
	Direct Interest	%	Deemed Interest	%
Arve Johansen	265,000	0.0158	-	-
Christian Storm	20,000	0.0012	-	-
Ragnar Holmen Korsæth	83,333	0.0050	-	-

Statistics on Shareholdings as at 30 March 2007

Authorised Share Capital	:	RM1,000,000,000
Issued and Paid-Up Share Capital	:	RM75,000,000
Class of Shares	:	Ordinary shares of RM0.10 each
Voting Rights	:	One vote per share

Analysis of shareholdings

Size of shareholdings	Number of shareholders	%	Number of shares	%
Less than 100	272	10.16	4,000	0.00
100 - 1,000	1,156	43.17	874,889	0.12
1,001 - 10,000	756	28.23	2,459,977	0.33
10,001 - 100,000	254	9.48	10,087,383	1.34
100,001 - 37,499,999*	237	8.85	279,074,121	37.21
37,500,000 and above**	3	0.11	457,499,630	61.00
Total	2,678	100.00	750,000,000	100.00

* Less than 5% of issued shares

** 5% and above of issued shares

Substantial Shareholders as at 30 March 2007

Name	Number of Shares			
	Direct Interest	%	Deemed Interest	%
1. Telenor Asia Pte Ltd	457,499,630	61.00	-	-
2. Telenor Mobile Communications AS	-	-	457,499,630 (a)	61.00
3. Telenor Mobile Holding AS	-	-	457,499,630 (b)	61.00
4. Telenor ASA	-	-	457,499,630 (c)	61.00

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 30 March 2007

	Name of shareholders	Number of shares	%
1	Citigroup Nominees (Asing) Sdn Bhd Telenor Asia Pte Ltd	247,000,000	32.93
2	Citigroup Nominees (Asing) Sdn Bhd Telenor Asia Pte Ltd (DiGi)	105,499,630	14.07
3	Citigroup Nominees (Asing) Sdn Bhd Telenor Asia Pte Ltd (DiGi / Moratorium)	105,000,000	14.00
4	Employees Provident Fund Board	31,668,720	4.22
5	Citigroup Nominees (Asing) Sdn Bhd Goldman Sachs International	21,427,807	2.86
6	Cartaban Nominees (Asing) Sdn Bhd SSBT Fund HG22 For Smallcap World Fund, Inc.	19,308,700	2.57
7	Citigroup Nominees (Asing) Sdn Bhd Exempt An For Mellon Bank (ABN AMRO Mellon)	16,282,000	2.17
8	HSBC Nominees (Asing) Sdn Bhd Exempt An For Morgan Stanley & Co. Incorporated	14,971,300	2.00
9	Cartaban Nominees (Asing) Sdn Bhd SSBT Fund HG05 For The New Economy Fund	13,974,400	1.86
10	HSBC Nominees (Asing) Sdn Bhd Exempt An For JPMorgan Chase Bank, National Association (U.K.)	6,729,600	0.90
11	Dato Ahmad Sebi Bin Bakar	5,959,313	0.79
12	Citigroup Nominees (Asing) Sdn Bhd Exempt An For Mellon Bank (Mellon)	5,314,307	0.71
13	HSBC Nominees (Asing) Sdn Bhd Exempt An For JPMorgan Chase Bank, National Association (U.S.A.)	5,111,700	0.68
14	HSBC Nominees (Asing) Sdn Bhd TNTC For Saudi Arabian Monetary Agency	3,959,800	0.53
15	HSBC Nominees (Asing) Sdn Bhd TNTC For Unilever Pension Fund	3,797,500	0.51
16	Cartaban Nominees (Asing) Sdn Bhd State Street London Fund JY73 For The Pacific Basin Equity Fund (Ric Plc)	3,612,500	0.48
17	Inter-Pacific Equity Nominees (Tempatan) Sdn Bhd Prime Credit Leasing Sdn Bhd For Alam Nusantara Sdn Bhd	3,451,523	0.46
18	Cartaban Nominees (Asing) Sdn Bhd Nomura Trust And Banking Company Limited Tokyo For Asia Attractive Dividend Stock Fund Mother Fund	3,272,800	0.44
19	HSBC Nominees (Tempatan) Sdn Bhd Nomura Asset Mgmt Sg For Employees Provident Fund	3,184,189	0.42
20	Cartaban Nominees (Asing) Sdn Bhd Investors Bank And Trust Company For Asian Small Companies Portfolio	3,130,800	0.42
21	ABB Nominee (Tempatan) Sdn Bhd Pledged Securities Account For Ahmad Sebi Bin Bakar	3,000,000	0.40

List of Thirty (30) Largest Shareholders as at 30 March 2007 (cont'd.)

Name of shareholders	Number of shares	%
22 HSBC Nominees (Asing) Sdn Bhd Sal Oppenheim Jr And Cie, Germany For Oppenheim Kapitalanlagegesellschaft	2,400,300	0.32
23 Mayban Nominees (Tempatan) Sdn Bhd Mayban Trustees Berhad For Public Ittikal Fund (N14011970240)	2,323,795	0.31
24 Cartaban Nominees (Asing) Sdn Bhd Credit Suisse Securities (Europe) Limited	2,266,140	0.30
25 HSBC Nominees (Asing) Sdn Bhd BBH (Lux) Sca For Fidelity Funds Malaysia	2,201,100	0.29
26 HSBC Nominees (Asing) Sdn Bhd BNY Brussels For The Royal Bank Of Scotland Group Pension Fund	2,018,100	0.27
27 Citigroup Nominees (Tempatan) Sdn Bhd ING Insurance Berhad (INV-IL PAR)	2,015,229	0.27
28 HSBC Nominees (Asing) Sdn Bhd TNTC For Sanford C. Bernstein & Co. Delaware Business Trust	2,014,700	0.27
29 HSBC Nominees (Asing) Sdn Bhd TNTC For Government Of Singapore Investment Corporation Pte Ltd	1,957,727	0.26
30 HSBC Nominees (Asing) Sdn Bhd BBH (Lux) Sca For Fidelity Funds Telecommunications	1,889,000	0.25
	644,742,680	85.96

Form of Proxy

DiGi.COM BERHAD

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

I/We _____ Name in full

I.C. or Company No. _____ CDS Account No. _____

of _____ Address

being a member of DiGi.COM BERHAD hereby appoint:

_____ I.C. No. _____
Name in full New and Old I.C. Nos.

of _____

or failing him/her, the Chairman of the meeting as my/our proxy to vote for me/us on my/our behalf, at the Tenth Annual General Meeting of the Company to be held at Diamond Ballroom, Ground Floor, Mandarin Oriental Kuala Lumpur, Kuala Lumpur City Centre, 50088 Kuala Lumpur on Tuesday, 8 May 2007 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. If no specific direction as to voting is given, the proxy will vote or abstain from voting at his/her discretion.

Ordinary Resolutions	For	Against
Resolution 1 - To receive and adopt the Audited Financial Statements		
Resolution 2 - To declare a final dividend		
Resolution 3 - To re-elect Christian Storm as Director		
Resolution 4 - To re-elect Ragnar Holmen Korsaeath as Director		
Resolution 5 - To re-appoint Messrs Ernst & Young as the Company's Auditors and to authorise the Directors to fix their remuneration		
Resolution 6 - To authorise Directors to allot and issue shares		
Resolution 7 - To approve the Proposed Renewal of Existing Shareholders' Mandate and Proposed New Shareholders' Mandate for Recurrent Related Party Transactions with Telenor ASA ("Telenor") and persons connected with Telenor		

No. of Shares

--

Signature of Shareholder(s) or Common Seal

Signed this _____ day of _____, 2007.

Notes:

1. A member entitled to attend and vote at a meeting of the Company is entitled to appoint one (1) proxy only to attend and vote in his stead. A proxy may but need not be a member of the Company.
2. A member of the Company who is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991 may appoint one (1) proxy in respect of each securities account.
3. The instrument appointing a proxy, shall be in writing under the hand of the appointer or his attorney duly authorised in writing, and in the case of a corporation, either under seal or under hand of an officer or attorney duly authorised.
4. The instrument appointing a proxy must be deposited at the Company's Registered Office at Level 7, Setia 1, 15 Lorong Dungun, Damansara Heights, 50490 Kuala Lumpur at least 48 hours before the time appointed for holding the meeting or any adjournment thereof.

fold this flap for sealing

affix
stamp

The Secretary
DiGi.Com Berhad (425190-X)
Level 7, Setia 1
15 Lorong Dungun
Damansara Heights
50490 Kuala Lumpur

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1st fold here

List of Operating Offices

Principal Place of Business/Head Office

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

Central Operating Offices

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

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

Regional Operating Offices

Northern Region

1-03-18, E-Gate Commercial Centre Lebu 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

3, Jalan Tun Ismail, 25000 Kuantan, Pahang
Tel : 09-508 0071
Fax : 09-508 0070

Sabah Region

Lot 36, Sedco Light Industrial Estate, Jalan Kilang, Kolombong, Inanam, 88450 Kota Kinabalu
Tel : 088-431 800
Fax : 088-430 016

Sarawak Region

Lot 2087, Bangunan Kueh Boon Teck, Jalan Tun Ahmad Zaidi Adruce, 93150 Kuching
Tel : 082-421 800
Fax : 082-427 597

DiGi Centres

Kuala Lumpur
KL Plaza
Lot G33-8, Ground Floor, KL Plaza, 179 Jln Bukit Bintang, 55100 Kuala Lumpur

Berjaya Times Square
01-36, Berjaya Times Square, No. 1, Jln Imbi, 55100 Kuala Lumpur

Selangor
Klang
35 & 37, Persiaran Sultan Ibrahim, 41300 Klang

SS2
24, Jalan SS 2/66, 47300 Petaling Jaya

Taipan
19 & 21, Jalan USJ 10/1A, 47610 Subang Jaya

Melaka
Melaka
523, Taman Melaka Raya, 75000 Melaka

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

Penang
Beach Street
No 29A, Beach Street, 10200 Penang

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

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

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

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

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

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

Taman Pelangi
26 Jalan Abiad 1, Taman Pelangi 80400 Johor Bahru, Johor

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

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

Miri (NEW)
Lot 1382, Jalan Kubu, Centre Point 2, 98000 Miri, Sarawak

DiGi Service Counters

Kuala Lumpur
Metro Prima
Lot F08, 1st Floor, Metro Prima Shopping Centre, No. 1 Jalan Metro Prima, 52100 Kepong

KLCC
K2-2 Level 2 Suria KLCC
Jalan Ampang, 50450 Kuala Lumpur

Giant Cheras
Lot 19 & 21 Connaught Market Centre
Jln Cheras, Tmn Connaught Cheras, 56000 Kuala Lumpur

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

Selangor
Giant Batu Caves
Lot B29, Giant Hypermarket, Lot 10243, Jalan Batu Caves, Daerah Gombak, 68100 Batu Caves

Giant LDP Kelana Jaya
Lot F32A, 1st Floor Giant Hypermarket, No. 33 Jalan SS6/12, SS6 Kelana Jaya, 47301 Petaling Jaya

Ikano Power Centre
G17 Ikano Power Centre, No.2 Jln PJU 7/12 Mutiara Damansara, 47800 Petaling Jaya

One Utama
LG325, Lower Ground, 1Utama Shopping Centre (New Wing) Lebu Bandar Utama, Bandar Utama, 47800 Petaling Jaya

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

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

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

Kajang
No 1-G , Grd floor , Plaza Citra Kajang
Jln Citra 1,Kajang

DiGi.Com Berhad (425190-X)
D'House, Lot 10, Jalan Delima 1/1, Subang Hi-Tech Industrial Park, 40000 Shah Alam, Selangor Darul Ehsan

Kedah
Tesco Sungai Petani
Lot 14A, Ground Floor, No. 300 Jalan Lagenda 1, Lagenda Heights, 08000 Sungai Petani

Alor Setar
No 34 Grd Flr, Kompleks Sultan Abdul Hamid, Jalan Pegawai, 05050 Alor Setar

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

Perak
Giant Superstore Tambun
Lot A10, Grd Floor, Giant Superstore Tambun, 31150 Ipoh

Taipung
No 428, Taman Saujana, Jalan Kamunting, 34600 Kamunting

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

Terengganu
Sandakan
80 F, Jalan Petani, 20000 Kuala Terengganu

Johor
Permas Jaya
Lot G23, Permas Jaya Shopping Centre No. 1 Jalan Permas Utara, Bandar Baru Permas Jaya, 81750 Johor Baru

Kluang
No 8A, Jln Syed Abdul Hamid Sagaff 86000 Kluang, Johor

Muar
44, Jalan Sisi, 84000 Muar, Johor

City Square JB
Lot JK 2.04, Level 2
Johor Bahru City Square
106 - 108 Jalan Wong Ah Fook
80000 Johor

Sabah
Sandakan
Lot 22, Block B, Ground Floor, Bandar Tyng Mile 6, 90000 Sandakan

Tawau
TB 586, Lot 45, Tacolin Commercial Complex, Jalan Haji Karim, 91000 Tawau

Kota Kinabalu
No 11-0, Lot 6, Grd Flr, Lintas Plaza, Lorong Lintas Plaza, 88300 Kota Kinabalu, Sabah

Sarawak
Sibu
No 46 Jalan Keranji Off Jalan Tuanku Osman, 96000 Sibu, Sarawak

24-hour DiGi customer service line: 016-221 1800

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