DiGi.COM BERHAD (425190-X)
(Incorporated in Malaysia)

Directors' Report and Audited Financial Statements
31 December 2007

DiGi.COM BERHAD
(Incorporated in Malaysia)

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DiGi.COM BERHAD
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DIRECTORS' REPORT

The Directors have pleasure in presenting their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2007.

PRINCIPAL ACTIVITIES

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

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

RESULTS

	Group RM'000	**Company RM'000**
Profit for the year	1,062,595	1,262,828
Attributable to:		
Equity holders of the Company	1,062,595	1,262,828

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 life of an intangible asset 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:	
Final dividend of 57.5 sen per ordinary share, less income tax at 27%, declared on 8 May 2007 and paid on 15 June 2007	314,813

DIVIDENDS (CONT'D.)

	RM'000
In respect of the financial year ended 31 December 2007:	
Interim dividend of 68.5 sen per ordinary share, less income tax at 27%, declared on 20 July 2007 and paid on 28 August 2007	375,038
Special dividend of RM1.00 per ordinary share, less income tax at 27%, declared on 19 October 2007 and paid on 28 November 2007	547,500

At the forthcoming Annual General Meeting, a final dividend in respect of the financial year ended 31 December 2007, of 4.75 sen per ordinary share, less income tax at 26%, and 54.5 sen single-tier exempt dividend per ordinary share (58.0 sen 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 2008.

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 Leo Moggie
Dato' Ab. Halim bin Mohyiddin
Christian Storm (Director and Alternate Director to Arve Johansen)
Ragnar Holmen Korsaeth

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 and options over shares of the Company or its related corporations during the financial year were as follows:

	<-----Number of Ordinary Shares of NOK6 Each------>			
	1 January 2007	**Acquired**	**Sold**	**31 December 2007**
Ultimate Holding Company				
Telenor ASA				
Direct Interest:				
Arve Johansen	50,247	4,926	-	55,173
Christian Storm	1,852	38	-	1,890

	<-----Number of Options Over Ordinary Shares------> of NOK6 Each			
	1 January 2007	**Granted**	**Exercised**	**31 December 2007**
Ultimate Holding Company				
Telenor ASA				
Direct Interest:				
Arve Johansen	265,000	-	-	265,000
Ragnar Holmen Korsaeth	83,333	-	-	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.

ISSUE OF SHARES

There were no changes in the issued and paid-up capital of the Company during the financial year.

ISSUE OF DEBENTURES

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

OPTIONS GRANTED OVER 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.

(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.

OTHER STATUTORY INFORMATION (CONT'D.)

(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 EVENT

Significant event during the year is as disclosed in Note 29 to the financial statements.

SUBSEQUENT EVENT

Subsequent event is 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 dated 28 February 2008.

Arve Johansen	Christian Storm
Director	Director

DiGi.COM BERHAD
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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 9 to 54 are drawn up in accordance with the provisions of the Companies Act, 1965 and applicable Financial Reporting Standards in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2007 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 dated 28 February 2008.

Arve Johansen Director	Christian Storm Director

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 9 to 54 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 28 February 2008	Stefan Carlsson

Before me,

425190-X

REPORT OF THE AUDITORS TO THE MEMBERS OF DiGi.COM BERHAD (Incorporated in Malaysia)

We have audited the financial statements set out on pages 9 to 54. 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 Financial Reporting Standards in Malaysia 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 2007 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.

REPORT OF THE AUDITORS TO THE MEMBERS OF DiGi.COM BERHAD (CONT'D.)

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	Lim Saw Keng
AF: 0039	No. 2215/10/09(J)
Chartered Accountants	Partner

Kuala Lumpur, Malaysia
28 February 2008

DiGi.COM BERHAD
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INCOME STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2007

		Group		Company	
		2007	**2006**	**2007**	**2006**
	Note	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Revenue		4,362,635	3,652,536	1,730,940	401,707
Other income		12,610	13,479	-	-
Cost of materials and traffic expenses		(888,908)	(776,546)	-	-
Sales and marketing expenses		(503,056)	(460,909)	-	-
Operations and maintenance expenses		(117,321)	(113,443)	-	-
Rental expenses		(139,274)	(128,976)	-	-
Staff expenses		(226,592)	(182,904)	-	-
Depreciation expenses and impairment losses		(598,566)	(584,581)	-	-
Amortisation expenses		(82,657)	(43,230)	-	-
Other expenses		(390,111)	(308,527)	(812)	(1,293)
Finance costs	6	(15,226)	(15,845)	-	-
Interest income		31,780	36,085	23	9
Profit before tax	7	1,445,314	1,087,139	1,730,151	400,423
Taxation	8	(382,719)	(281,486)	(467,323)	(112,358)
Profit for the year		1,062,595	805,653	1,262,828	288,065
Attributable to:					
Equity holders of the Company		1,062,595	805,653	1,262,828	288,065
Earnings per ordinary share (sen)	9	141.7	107.4		

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

DiGi.COM BERHAD
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BALANCE SHEETS
AS AT 31 DECEMBER 2007

		Group		Company	
		2007	**2006**	**2007**	**2006**
	Note	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Non-current assets					
Property, plant and equipment	11	2,676,555	2,680,246	-	-
Prepaid lease payments		12,500	12,717	-	-
Intangible assets	12	251,010	254,487	-	-
Investments in subsidiaries	13	-	-	75,000	75,000
		2,940,065	2,947,450	75,000	75,000
Current assets					
Inventories	14	8,659	8,189	-	-
Trade and other receivables	15	351,623	297,843	156	128
Amount due from a subsidiary	16	-	-	36,143	8,117
Cash and cash equivalents	17	577,144	869,549	69	2,559
		937,426	1,175,581	36,368	10,804
TOTAL ASSETS		3,877,491	4,123,031	111,368	85,804
Equity					
Share capital	18	75,000	75,000	75,000	75,000
Reserves		1,502,645	1,677,401	35,908	10,431
Total equity - attributable to equity holders of the Company		1,577,645	1,752,401	110,908	85,431
Non-current liabilities					
Borrowings	19	200,000	300,000	-	-
Deferred tax liabilities	20	355,521	371,707	-	-
Provision for liabilities	21	18,270	13,398	-	-
		573,791	685,105	-	-

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BALANCE SHEETS
AS AT 31 DECEMBER 2007 (CONT'D.)

		Group		Company	
		2007	2006	2007	2006
	Note	RM'000	RM'000	RM'000	RM'000
Current liabilities					
Trade and other payables	22	1,180,105	1,295,328	460	373
Provision for liabilities	21	102,731	75,619	-	-
Borrowings	19	100,000	-	-	-
Deferred revenue		227,001	244,769	-	-
Taxation		116,218	69,809	-	-
		1,726,055	1,685,525	460	373
Total liabilities		2,299,846	2,370,630	460	373
TOTAL EQUITY AND LIABILITIES		3,877,491	4,123,031	111,368	85,804

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

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STATEMENTS OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2007

		← Attributable to equity holders of the Company →			
			Non-Distributable	*Distributable*	
	Note	**Share capital RM'000**	**Share premium RM'000**	**Retained earnings RM'000**	**Total RM'000**
Group					
At 1 January 2006		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 per ordinary share					
- RM0.75		(562,500)	-	-	(562,500)
- RM0.60		(112,500)	(337,500)	-	(450,000)
Dividend for the financial year ended 31 December 2006					
- interim	10	-	-	(288,900)	(288,900)
At 31 December 2006		75,000	15,151	1,662,250	1,752,401
Profit for the year, representing total recognised income and expenses for the year		-	-	1,062,595	1,062,595
Dividend for the financial year ended 31 December 2006					
- final	10	-	-	(314,813)	(314,813)
Dividend for the financial year ended 31 December 2007					
- interim	10	-	-	(375,038)	(375,038)
- special	10	-	-	(547,500)	(547,500)
At 31 December 2007		75,000	15,151	1,487,494	1,577,645

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STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2007 (CONT'D.)

		Attributable to equity holders of the Company			
			Non-Distributable	*Distributable*	
	Note	**Share capital RM'000**	**Share premium RM'000**	**(Accumulated losses)/ Retained earnings RM'000**	**Total RM'000**
Company					
At 1 January 2006		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 per ordinary share					
- RM0.75		(562,500)	-	-	(562,500)
- RM0.60		(112,500)	(337,500)	-	(450,000)
Dividend for the financial year ended 31 December 2006					
- interim	10	-	-	(288,900)	(288,900)
At 31 December 2006		75,000	15,151	(4,720)	85,431
Profit for the year, representing total recognised income and expenses for the year		-	-	1,262,828	1,262,828
Dividend for the financial year ended 31 December 2006					
- final	10	-	-	(314,813)	(314,813)
Dividend for the financial year ended 31 December 2007					
- interim	10	-	-	(375,038)	(375,038)
- special	10	-	-	(547,500)	(547,500)
At 31 December 2007		75,000	15,151	20,757	110,908

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

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CASH FLOW STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2007

		Group		Company	
		2007	2006	2007	2006
	Note	RM'000	RM'000	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit before tax		1,445,314	1,087,139	1,730,151	400,423
Adjustments for:					
Dividend income		-	-	(1,730,940)	(401,707)
Depreciation expenses and impairment losses	11	598,566	584,581	-	-
Amortisation expenses of intangible assets		82,440	43,007	-	-
Amortisation expenses of prepaid lease payments		217	223	-	-
Allowance for doubtful debts		21,555	17,633	-	-
Finance costs	6	15,226	15,845	-	-
Interest income		(31,780)	(36,085)	(23)	(9)
Share-based payment		4,889	3,284	-	-
Property, plant and equipment written off		8,261	1,584	-	-
Gain on disposal of property, plant and equipment		(58)	(33)	-	-
Unrealised foreign exchange gain		(1,052)	(3,531)	-	-
Provision for liabilities		236,649	167,280	-	-
Operating profit/(loss) before working capital changes		2,380,227	1,880,927	(812)	(1,293)
(Increase)/decrease in inventories		(470)	8	-	-
(Increase)/decrease in receivables		(76,421)	(53,498)	3	(2)
(Increase)/decrease in amount due from a subsidiary		-	-	(28,026)	564,474
(Decrease)/increase in payables		(115,805)	244,546	87	41
(Decrease)/increase in deferred revenue		(17,768)	23,997	-	-
Cash generated from/(used in) operations		2,169,763	2,095,980	(28,748)	563,220

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CASH FLOW STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2007 (CONT'D.)

		Group		Company	
		2007	2006	2007	2006
	Note	RM'000	RM'000	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES (CONT'D.)					
Interest paid		(14,700)	(14,660)	-	-
Payments under customer loyalty programme	21	(209,386)	(166,610)	-	-
Payments for employee related benefits		(3,575)	(2,818)	-	-
Taxes paid		(352,527)	(212,870)	-	-
Net cash generated from/(used in) operating activities		1,589,575	1,699,022	(28,748)	563,220
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of property, plant and equipment and intangible assets		(678,137)	(746,148)	-	-
Proceeds from capital repayment by a subsidiary		-	-	-	451,501
Dividends received from a subsidiary		-	-	1,263,586	289,229
Interest received		32,898	34,991	23	9
Proceeds from disposal of property, plant and equipment		610	122	-	-
Net cash (used in)/generated from investing activities		(644,629)	(711,035)	1,263,609	740,739

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CASH FLOW STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2007 (CONT'D.)

		Group		Company	
		2007	**2006**	**2007**	**2006**
	Note	**RM'000**	**RM'000**	**RM'000**	**RM'000**
CASH FLOWS FROM FINANCING ACTIVITIES					
Capital repayments		-	(1,012,500)	-	(1,012,500)
Dividends paid	10	(1,237,351)	(288,900)	(1,237,351)	(288,900)
Net cash used in financing activities		(1,237,351)	(1,301,400)	(1,237,351)	(1,301,400)
NET (DECREASE)/ INCREASE IN CASH AND CASH EQUIVALENTS		(292,405)	(313,413)	(2,490)	2,559
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		869,549	1,182,962	2,559	-
CASH AND CASH EQUIVALENTS AT END OF YEAR	17	577,144	869,549	69	2,559

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

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2007

1. CORPORATE INFORMATION

The principal activity of the Company is investment holding. The principal activities of the subsidiaries are stated in Note 13 to the financial statements. There have been no significant changes in the nature of the principal activities during the financial year.

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.

The financial statements were approved and authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 28 February 2008.

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 Financial Reporting Standards in Malaysia.

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 entities over which the Group has power to exercise control over the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered in assessing whether the Group has such power over another entity.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

(b) Basis of Consolidation (Cont'd.)

Subsidiaries are consolidated using the purchase method of accounting. Under the purchase method of accounting, the results of subsidiaries acquired or disposed of during the financial year are included in 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 Group's interest in the net fair values of the identifiable assets, liabilities and contingent liabilities of the acquired subsidiary represents goodwill. Any excess of the Group's interest in the net fair value 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 in full on consolidation and the consolidated financial statements reflect only external transactions. Unrealised losses are eliminated on consolidation unless costs cannot be recovered.

(c) Investments in Subsidiaries

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.

(d) 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 the replaced part is derecognised. All other items used for repair and maintenance are charged to the income statement during the period in which they are incurred.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

(d) Property, Plant and Equipment, and Depreciation (Cont'd.)

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 intended 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.

(e) 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.

For assets with an indefinite useful life and intangible assets not yet available for use, the recoverable amount is estimated at each balance sheet date or more frequently when indication of impairment is evident.

Recoverable amount is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other assets. For such assets, recoverable amount is determined for the cash-generating unit ("CGU") to which the asset belongs. An impairment is recognised whenever the carrying amount of an asset or CGU exceeds its recoverable amount, and the impairment loss is recognised as an expense in the income statement in the period in which it arises.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

The recoverable amount is the higher of an asset's or CGU's fair value less costs to sell and its value in use. In assessing value in use, the 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.

An impairment loss is reversed if, and only if, there has been a change in the estimates used to determine the recoverable amount since the last impairment loss was recognised. 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 in prior years. The reversal is recognised in the income statement.

(f) 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. Such assets are assessed for impairment whenever there is an indication that they may be impaired.

(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.

During the year, the management revised the useful life of the intangible asset as disclosed in Note 4 to the financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

(f) Intangible Assets (Cont'd.)

(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.

(iii) License fee

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

(g) Inventories

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

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

(h) 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, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability to the present value of the expenditure expected to be required to settle the obligation.

(i) Customer loyalty programme

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

(h) Provision for Liabilities (Cont'd.)

(ii) Employee leave entitlements

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

(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. Where discounting is used, the increase in the provision due to the passage of time is recognised as finance cost.

(iv) Defined benefit plan

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

(i) Leases

A lease is recognised as a finance lease if it transfers substantially to the Group all the risks and rewards incidental to ownership. All other leases where a significant portion of risks and rewards of ownership are retained by the lessor are classified as operating leases. For the purpose of lease classification, the land and buildings elements of leases of land and buildings are considered separately.

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 lease term. When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

(i) Leases (Cont'd.)

For leases of land and buildings, the minimum lease payments or up-front payments made are allocated, wherever necessary, between the land and buildings in proportion to the relative fair values for leasehold interests in the land element and buildings element of the lease. Upfront payments incurred to acquire leasehold land are classified as prepaid lease payments and are amortised on a straight-line basis over the lease term.

(j) 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 discounted to 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, and will have no legal or constructive obligation to make further contributions in future. The contributions are recognised as an expense in the income statement as incurred.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

(j) Employee Benefits (Cont'd.)

(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.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

(j) Employee Benefits (Cont'd.)

(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 recognised 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.

(k) 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 the deductible temporary differences, unused tax losses and unused tax credits 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.

(l) Financial Instruments

Financial instruments are recognised in the balance sheet when the Group has become a party to the contractual provisions of the instrument.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

(l) Financial Instruments (Cont'd.)

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument classified as a liability, are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity. Financial instruments are offset when the Group has a legally enforceable right to offset and intends to settle either on a net basis or to realise the asset and settle the liability simultaneously.

(i) Cash and cash equivalents

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

(ii) 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.

(iii) Payables

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

(iv) Interest-bearing borrowings

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

Borrowing costs directly attributable to the acquisition, construction and installation of property, plant and equipment, if any, are capitalised during the period of time necessary to prepare the assets, until they 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.

(v) Share capital

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

(m) Revenue Recognition

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

(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 Group's right to receive payment is established.

(n) Foreign Currency Transactions

(i) Functional and presentation currency

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

(ii) Foreign currency transactions

Transactions in foreign currencies are initially converted into RM at exchange rates ruling at the date of transaction. At each 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 REVISED FRSs

The following revised FRSs were adopted mandatory for the financial period beginning on or after 1 January 2007:

FRS 119_{2004} (Revised)	Employee Benefits
FRS 124	Related Party Disclosures

The adoption of the above revised FRSs does not result in significant changes in accounting policies of the Group.

The Group has not early adopted the following FRSs and Issues Committee Interpretations which have effective dates as follow:

FRSs and Issues Committee Interpretations		**Effective for financial periods beginning on or after**
FRS 107	Cash Flow Statements	1 July 2007
FRS 112	Income Taxes	1 July 2007
FRS 118	Revenue	1 July 2007
FRS 120	Accounting for Government Grants and Disclosure of Government Assistance	1 July 2007
FRS 134	Interim Financial Reporting	1 July 2007
FRS 137	Provisions, Contingent Liabilities and Contingent Assets	1 July 2007
IC Int. 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities	1 July 2007
IC Int. 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds	1 July 2007
IC Int. 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 2008.

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

4. CHANGES IN ESTIMATES

As part of the annual review of the estimated useful lives, amortisation periods and amortisation method, the Group revised the estimated useful life of an intangible asset for technological support and technical know-how to 31 December 2007. As a result, the unamortised carrying amount of the intangible asset as at 31 December 2007 was fully amortised in the income statement.

Consequently, the amortisation expenses of the Group for the financial year ended 31 December 2007 has increased by approximately RM27.3 million.

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

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

The management 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 the associated key sources of estimation uncertainty:

(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, which could potentially impact the estimated average useful lives and the residual values of these assets. This may result in future changes in the estimated useful lives and in the depreciation or amortisation expenses.

(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.

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

(b) Impairment (Cont'd.)

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

(c) 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 potentially impact on the actual timing and amount of temporary differences realised and settled. Any difference between the actual amount and the estimated amount would be recognised in the income statement in the period in which actual realisation and settlement occurs.

(d) Provision for liabilities

Provisions for liabilities are based on management's judgement on the likelihood of liabilities crystalising and best 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 change the amount 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	
	2007	**2006**
	RM'000	**RM'000**
Interest expense	14,700	14,660
Others	526	1,185
	15,226	15,845

7. PROFIT BEFORE TAX

The following amounts have been included in arriving at profit before tax:

	Group		Company	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Allowance for doubtful debts	21,555	17,633	-	-
Amortisation expense for:				
- intangible assets	82,440	43,007	-	-
- prepaid lease payments	217	223	-	-
Auditors' remuneration:				
- statutory audit	265	155	25	25
- other services	120	387	8	8
Directors' emoluments*	244	244	244	244
Employee benefits:				
- defined contribution plan	19,690	15,924	-	-
- increase/(decrease) in provision for defined benefit plan	128	(1,663)	-	-
- share-based payment	4,889	3,284	-	-
Impairment of property, plant and equipment	5,722	4,100	-	-
Lease of transmission facilities	55,319	54,090	-	-
Property, plant and equipment written off	8,261	1,584	-	-
Provision for:				
- customer loyalty programme	236,195	168,278	-	-
- employee leave entitlements	326	665	-	-
- site decommissioning and restoration costs	526	1,185	-	-
Rental of equipment	3,982	3,009	-	-
Rental of land and buildings	124,402	109,888	-	-
Bad debts recovered	(1,984)	(2,225)	-	-
Foreign exchange gain	(7,001)	(6,986)	-	-
Gain on disposal of property, plant and equipment	(58)	(33)	-	-

* Relates to two non-executive directors

8. TAXATION

	Group		Company	
	2007	2006	2007	2006
	RM'000	RM'000	RM'000	RM'000
Income tax:				
Current tax expense	403,475	281,529	467,286	112,358
(Over)/underprovision in prior year	(4,570)	(232)	37	-
	398,905	281,297	467,323	112,358
Deferred taxation (Note 20):				
Relating to origination and reversal of temporary differences	(6,249)	27,248	-	-
Relating to changes in tax rates	(13,986)	(27,362)	-	-
Underprovision in prior year	4,049	303	-	-
	(16,186)	189	-	-
	382,719	281,486	467,323	112,358

Current tax is calculated at the Malaysian statutory tax rate of 27% (2006: 28%) of the estimated taxable profit for the year. The Malaysian statutory tax rate for year assessment 2009 onwards will be reduced from 26% to 25%, and the computation of deferred tax as at 31 December 2007 has reflected this change.

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

	2007		2006	
	%	RM'000	%	RM'000
Group				
Profit before tax		1,445,314		1,087,139
Taxation at Malaysian statutory tax rate	27.0	390,235	28.0	304,399
Effect of changes in tax rates on deferred tax	(1.0)	(13,986)	(2.5)	(27,362)
Effect of expenses not deductible	0.5	6,991	0.4	4,378
Underprovision of deferred tax in prior year	0.3	4,049	0.0	303
Overprovision of tax expense in prior year	(0.3)	(4,570)	(0.0)	(232)
Effective tax rate/income tax for the year	26.5	382,719	25.9	281,486

8. TAXATION (CONT'D.)

	2007		2006	
	%	RM'000	%	RM'000
Company				
Profit before tax		1,730,151		400,423
Taxation at Malaysian statutory tax rate	27.0	467,141	28.0	112,118
Effect of expenses not deductible	0.0	145	0.1	240
Underprovision of tax expense in prior year	0.0	37	-	-
Effective tax rate/income tax for the year	27.0	467,323	28.1	112,358

There were tax savings effects for the Group of approximately RM178 million (2006: RM202 million) arising from the utilisation of capital allowances by a subsidiary.

At 31 December 2007, the Company has sufficient tax credit to frank the payment of dividends out of its entire retained earnings.

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	
	2007	2006
Profit for the year (RM'000)	1,062,595	805,653
Weighted average number of ordinary shares in issue ('000)	750,000	750,000
Earnings per ordinary share (sen)	141.7	107.4

10. DIVIDENDS

	Group/Company	
	2007	2006
	RM'000	RM'000
Recognised during the year:		
Interim dividend for 2006: 53.5 sen per ordinary share, less 28% income tax, on 750.0 million ordinary shares (38.5 sen per ordinary share)	-	288,900
Final dividend for 2006: 57.5 sen per ordinary share, less 27% income tax, on 750.0 million ordinary shares (42.0 sen per ordinary share)	314,813	-
Interim dividend for 2007: 68.5 sen per ordinary share, less 27% income tax, on 750.0 million ordinary shares (50.0 sen per ordinary share)	375,038	-
Special dividend for 2007: RM1.00 per ordinary share, less 27% income tax, on 750.0 million ordinary shares (73.0 sen per ordinary share)	547,500	-
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 750.0 million ordinary shares (42.0 sen per ordinary share)	-	314,813
Final dividend for 2007: 4.75 sen, less 26% income tax, and 54.5 sen single-tier exempt dividend per ordinary share, on 750.0 million ordinary shares (58.0 sen per ordinary share)	435,000	-

At the forthcoming Annual General Meeting, a final dividend in respect of the financial year ended 31 December 2007, of 4.75 sen per ordinary share, less income tax at 26%, and 54.5 sen single-tier exempt dividend per ordinary share (58.0 sen 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 2008.

11. PROPERTY, PLANT AND EQUIPMENT

Group	Freehold land RM'000	Freehold buildings RM'000	Long term leasehold buildings RM'000	Short term leasehold buildings RM'000	Motor vehicles RM'000	Computer systems RM'000	Furniture and fittings RM'000	Tele-communi-cations network RM'000	Capital work-in-progress RM'000	Total RM'000
Cost										
At 1 January 2007	13,912	69,277	2,293	6,827	23,681	158,381	88,798	4,828,007	87,237	5,278,413
Additions	-	-	-	-	-	-	-	4,513	599,175	603,688
Written off	-	-	-	-	-	(1,642)	(1,591)	(152,611)	(1,054)	(156,898)
Disposals	-	-	-	-	(846)	-	(59)	(7)	(110)	(1,022)
Transfer	-	-	-	-	2,033	65,146	2,240	391,414	(460,833)	-
At 31 December 2007	13,912	69,277	2,293	6,827	24,868	221,885	89,388	5,071,316	224,415	5,724,181
Accumulated Depreciation and Impairment Losses										
At 1 January 2007										
Accumulated depreciation	-	643	159	1,745	15,116	108,795	46,397	2,412,312	-	2,585,167
Accumulated impairment losses	-	-	-	-	-	-	592	12,408	-	13,000
	-	643	159	1,745	15,116	108,795	46,989	2,424,720	-	2,598,167

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

Group	Freehold land RM'000	Freehold buildings RM'000	Long term leasehold buildings RM'000	Short term leasehold buildings RM'000	Motor vehicles RM'000	Computer systems RM'000	Furniture and fittings RM'000	Tele-communi-cations network RM'000	Capital work-in-progress RM'000	Total RM'000
Depreciation expenses for the year	-	2,013	26	151	2,175	30,442	10,292	547,745	-	592,844
Impairment loss	-	-	-	-	-	-	-	5,722	-	5,722
Reversal of impairment loss*	-	-	-	-	-	-	-	(2,356)	-	(2,356)
Written off	-	-	-	-	-	(1,585)	(1,585)	(143,111)	-	(146,281)
Disposals	-	-	-	-	(442)	-	(28)	-	-	(470)
At 31 December 2007	-	2,656	185	1,896	16,849	137,652	55,668	2,832,720	-	3,047,626
Analysed as:										
Accumulated depreciation	-	2,656	185	1,896	16,849	137,652	55,076	2,816,946	-	3,031,260
Accumulated impairment losses	-	-	-	-	-	-	592	15,774	-	16,366
	-	2,656	185	1,896	16,849	137,652	55,668	2,832,720	-	3,047,626
Carrying Amount										
At 31 December 2007	13,912	66,621	2,108	4,931	8,019	84,233	33,720	2,238,596	224,415	2,676,555

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

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

Group	Freehold land RM'000	Freehold buildings RM'000	Long term leasehold buildings RM'000	Short term leasehold buildings RM'000	Motor vehicles RM'000	Computer systems RM'000	Furniture and fittings RM'000	Tele-communi-cations network RM'000	Capital work-in-progress RM'000	Total RM'000
Cost										
At 1 January 2006	13,912	14,279	2,293	6,827	21,820	132,508	42,244	4,334,542	121,011	4,689,436
Additions	-	-	-	-	-	-	-	4,056	590,949	595,005
Written off	-	-	-	-	-	(2,893)	(1,776)	(231)	(876)	(5,776)
Disposals	-	-	-	-	(252)	-	-	-	-	(252)
Transfer	-	54,998	-	-	2,113	28,766	48,330	489,640	(623,847)	-
At 31 December 2006	13,912	69,277	2,293	6,827	23,681	158,381	88,798	4,828,007	87,237	5,278,413
Accumulated Depreciation and Impairment Losses										
At 1 January 2006										
Accumulated depreciation	-	620	137	1,587	13,235	53,222	27,423	1,912,818	-	2,009,042
Accumulated impairment losses	-	-	-	-	-	-	716	8,184	-	8,900
	-	620	137	1,587	13,235	53,222	28,139	1,921,002	-	2,017,942

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

Group	Freehold land RM'000	Freehold buildings RM'000	Long term leasehold buildings RM'000	Short term leasehold buildings RM'000	Motor vehicles RM'000	Computer systems RM'000	Furniture and fittings RM'000	Tele-communi-cations network RM'000	Capital work-in-progress RM'000	Total RM'000
Depreciation expenses for the year	-	312	22	158	2,045	57,886	20,737	499,321	-	580,481
Impairment loss	-	-	-	-	-	-	-	4,224	-	4,224
Reversal of impairment loss*	-	-	-	-	-	-	(124)	-	-	(124)
Written off	-	-	-	-	-	(2,452)	(1,601)	(139)	-	(4,192)
Disposals	-	-	-	-	(164)	-	-	-	-	(164)
Transfer	-	(289)	-	-	-	139	(162)	312	-	-
At 31 December 2006	-	643	159	1,745	15,116	108,795	46,989	2,424,720	-	2,598,167
Analysed as:										
Accumulated depreciation	-	643	159	1,745	15,116	108,795	46,397	2,412,312	-	2,585,167
Accumulated impairment losses	-	-	-	-	-	-	592	12,408	-	13,000
	-	643	159	1,745	15,116	108,795	46,989	2,424,720	-	2,598,167
Carrying Amount										
At 31 December 2006	13,912	68,634	2,134	5,082	8,565	49,586	41,809	2,403,287	87,237	2,680,246

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

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 was an amount of RM4.5 million (2006: RM4.1 million) 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	Licenses RM'000	Total RM'000
Cost				
At 1 January 2007	53,203	420,149	1,300	474,652
Additions	-	78,963	-	78,963
At 31 December 2007	53,203	499,112	1,300	553,615
Accumulated Amortisation				
At 1 January 2007	22,004	197,329	832	220,165
Amortisation expenses for the year	31,199	51,181	60	82,440
At 31 December 2007	53,203	248,510	892	302,605
Carrying Amount				
At 31 December 2007	-	250,602	408	251,010
At 31 December 2006	31,199	222,820	468	254,487

Included in amortisation expenses for the year was additional amortisation expenses of approximately RM27.3 million relating to the revision of useful life for technological support and technical know-how as disclosed in Note 4 to the financial statements.

13. INVESTMENTS IN SUBSIDIARIES

	Company	
	2007	**2006**
	RM'000	**RM'000**
Unquoted shares at cost	75,000	75,000

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

Name of Company	Equity Interest Held (%) 2007	2006	Principal Activities
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, renting of premises and other related services
Djuice.Com Sdn. Bhd.	100	100	Dormant

14. INVENTORIES

	Group	
	2007	**2006**
	RM'000	**RM'000**
Trading merchandise	8,659	8,189

15. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Trade receivables	257,176	220,349	-	-
Other receivables	17,406	28,373	151	120
Deposits	42,200	30,825	5	5
Prepayments	48,750	29,426	-	3
	365,532	308,973	156	128
Allowance for doubtful debts	(13,909)	(11,130)	-	-
	351,623	297,843	156	128

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 RM18.8 million (2006: RM12.8 million) of trade receivables balance against the allowance for doubtful debts.

At 31 December 2007, the Group's trade receivables balance included exposure to foreign currency denominated in United States Dollars and Special Drawing Rights amounting to RM5.1 million (2006: RM14.0 million) and RM7.9 million (2006: RM9.1 million) respectively.

16. AMOUNT DUE FROM A SUBSIDIARY

	Company	
	2007 RM'000	2006 RM'000
Amount due from a subsidiary	36,143	8,117

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

17. CASH AND CASH EQUIVALENTS

	Group		Company	
	2007	2006	2007	2006
	RM'000	RM'000	RM'000	RM'000
Cash and bank balances	20,962	60,087	69	2,559
Money on call with licensed bank	195,979	-	-	-
Deposits with licensed banks	360,203	809,462	-	-
Cash and cash equivalents	577,144	869,549	69	2,559

At 31 December 2007, the Group's cash and cash equivalents included an amount of foreign currency denominated in United States Dollars amounting to RM3.8 million (2006: RM1.7 million).

The weighted average effective interest rates of money on call and deposits at the balance sheet date are as follows:

	Group	
	2007	2006
	%	%
Money on call with licensed bank	3.5	-
Deposits with licensed banks	3.5	3.5

The deposits of the Group placed with licensed banks will mature within 1 month (2006: 1 month) from the financial year end.

18. SHARE CAPITAL

	Group/Company			
	Number of Ordinary Shares		Amount	
	2007	2006	2007	2006
	'000	'000	RM'000	RM'000
Ordinary shares of 10 sen each:				
Authorised	10,000,000	10,000,000	1,000,000	1,000,000
Issued and fully paid	750,000	750,000	75,000	75,000

19. BORROWINGS

	Group 2007 RM'000	Group 2006 RM'000
Unsecured:		
Fixed rate term loan	300,000	300,000
Maturity of borrowings:		
Less than 1 year	100,000	-
Between 1 and 5 years	200,000	300,000
	300,000	300,000

The weighted average effective interest rate at the balance sheet date for borrowings are as follows:

	Group 2007 %	Group 2006 %
Fixed rate term loan	4.9	4.9

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.

20. DEFERRED TAX LIABILITIES

	Group 2007 RM'000	Group 2006 RM'000
At 1 January	371,707	371,518
Recognised in the income statement (Note 8)	(16,186)	189
At 31 December	355,521	371,707

20. DEFERRED TAX LIABILITIES (CONT'D.)

Presented after appropriate offsetting as follows:

	Group 2007 RM'000	Group 2006 RM'000
Deferred tax liabilities	363,399	378,538
Deferred tax assets	(7,878)	(6,831)
	355,521	371,707

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

Deferred Tax Liabilities:

	Property, plant and equipment and intangible assets RM'000	Others RM'000	Total RM'000
At 1 January 2007	369,433	9,105	378,538
Recognised in the income statement	(6,307)	(8,832)	(15,139)
At 31 December 2007	363,126	273	363,399
At 1 January 2006	368,129	9,886	378,015
Recognised in the income statement	1,304	(781)	523
At 31 December 2006	369,433	9,105	378,538

Deferred Tax Assets:

	Others RM'000
At 1 January 2007	(6,831)
Recognised in the income statement	(1,047)
At 31 December 2007	(7,878)
At 1 January 2006	(6,497)
Recognised in the income statement	(334)
At 31 December 2006	(6,831)

Others, relate to deferred tax liabilities arising from temporary taxable differences on trade receivables and payables, and deferred tax assets arising from temporary deductible differences on provisions.

21. PROVISION FOR LIABILITIES

Group	Site decommissioning and restoration costs RM'000	Defined benefit plan RM'000	Total RM'000
Non-current			
At 1 January 2007	11,122	2,276	13,398
Capitalised as property, plant and equipment	4,513	-	4,513
Recognised in the income statement	526	128	654
Paid during the year	-	(295)	(295)
At 31 December 2007	16,161	2,109	18,270
		Note 23	
At 1 January 2006	5,880	4,150	10,030
Capitalised as property, plant and equipment	4,057	-	4,057
Recognised in the income statement	1,185	(1,663)	(478)
Paid during the year	-	(211)	(211)
At 31 December 2006	11,122	2,276	13,398
		Note 23	

Group	Customer loyalty programme RM'000	Employee leave entitlement RM'000	Total RM'000
Current			
At 1 January 2007	70,923	4,696	75,619
Recognised in the income statement	236,195	326	236,521
Paid during the year	(209,386)	(23)	(209,409)
At 31 December 2007	97,732	4,999	102,731
At 1 January 2006	69,255	4,054	73,309
Recognised in the income statement	168,278	665	168,943
Paid during the year	(166,610)	(23)	(166,633)
At 31 December 2006	70,923	4,696	75,619

22. TRADE AND OTHER PAYABLES

	Group		Company	
	2007	2006	2007	2006
	RM'000	RM'000	RM'000	RM'000
Trade payables	153,725	192,480	-	-
Other payables	81,890	214,980	-	-
Accruals	937,503	881,831	460	373
Customer deposits	6,987	6,037	-	-
	1,180,105	1,295,328	460	373

At 31 December 2007, the Group's trade and other payables balances included exposure to foreign currency denominated in United States Dollars and Special Drawing Rights amounting to RM57.5 million (2006: RM104.4 million) and RM2.1 million (2006: RM2.4 million) respectively.

23. 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	
	2007	2006
	RM'000	RM'000
Present value of unfunded obligations	2,267	2,157
Unrecognised experience (loss)/gain	(158)	119
Net liability	2,109	2,276

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

	Group	
	2007	2006
	RM'000	RM'000
Interest on obligations	128	136
Proportionate share of experience loss recognised upon curtailment	-	97
Curtailment gain	-	(1,896)
Increase/(decrease) in provision for defined benefit plan	128	(1,663)

23. DEFINED BENEFIT PLAN (CONT'D.)

Principal actuarial assumption used:

	Group 2007 %	Group 2006 %
Rate per annum:		
Discount rate	5.8	6.0

24. COMMITMENTS

	Group 2007 RM'000	Group 2006 RM'000
(a) Capital Commitments		
Capital expenditure in respect of property, plant and equipment and intangible assets		
Approved and contracted for	228,000	324,000
Approved but not contracted for	660,000	352,000
(b) Non-Cancellable Operating Lease Commitments		
Future minimum lease payments:		
Less than 1 year	13,690	14,107
Between 1 and 5 years	40,265	47,957
More than 5 years	4,122	14,658
	58,077	76,722

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

25. CONTINGENT LIABILITIES

	Group	
	2007	2006
	RM'000	RM'000
Unsecured		
Guarantees given by a subsidiary company to third parties for public infrastructure works	2,610	2,051

26. RELATED PARTY TRANSACTIONS

(a) Sales and purchases of services

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 13 to the financial statements.

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

	Transactions		Balance due (to)/from at	
	2007	2006	2007	2006
	RM'000	RM'000	RM'000	RM'000
With the ultimate holding company and fellow subsidiary companies				
- *Telenor ASA*				
Consultancy services rendered	8,179	6,083	(5,250)	(645)
- *Telenor Global Services AS*			(803)	(1,603)
Sales of interconnection services on international traffic	276	142		
Purchase of interconnection services on international traffic	3,392	2,475		

26. RELATED PARTY TRANSACTIONS (CONT'D.)

(a) Sales and purchases of services (Cont'd.)

	Transactions		Balance due (to)/from at	
	2007	2006	2007	2006
	RM'000	RM'000	RM'000	RM'000
With the ultimate holding company and fellow subsidiary companies (Cont'd.)				
- *Telenor LDI Communication (Private) Limited*			(170)	(562)
Sales of interconnection services on international traffic	1,037	-		
Purchase of interconnection services on international traffic	1,755	562		
- *Telenor Pakistan (Private) Limited*			-	69
Sales of interconnection services on international traffic	-	1,490		
Purchase of interconnection services on international traffic	-	705		
- *Total Access Communication Public Company Limited*			(404)	(352)
Sales of roaming services on international traffic	375	315		
Purchase of roaming services on international traffic	2,579	2,355		
- *Telenor Consult AS*				
Personnel services rendered	13,906	9,295	(3,310)	(700)

26. RELATED PARTY TRANSACTIONS (CONT'D.)

(b) Compensation of key management personnel

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

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

	Group	
	2007	**2006**
	RM'000	**RM'000**
Short term employee benefit	10,286	8,549
Post-employment benefits	1,174	890
Share-based payment	787	2,788
	12,247	12,227

Included in the compensation of key management personnel are other emoluments of RM244,000 (2006: RM244,000) paid to 2 (2006: 2) non-executive directors of the Company.

27. 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.

(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.

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.

27. FINANCIAL INSTRUMENTS (CONT'D.)

(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 currencies giving rise to this risk are primarily the United States Dollar and Special Drawing Rights. 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.

27. FINANCIAL INSTRUMENTS (CONT'D.)

(f) Fair Values (Cont'd.)

(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.

(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:

	Note	Carrying Amount RM'000	Fair Value RM'000
Group			
Financial Liabilities			
At 31 December 2007:			
Fixed rate term loan	19	300,000	304,886
At 31 December 2006:			
Fixed rate term loan	19	300,000	302,901

28. 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.

29. SIGNIFICANT EVENT

On 14 November 2007, the Company, DiGi Telecommunications Sdn Bhd ("DTSB"), Time Dotcom Berhad ("TdC") and TT Dotcom Sdn Bhd ("TDSB"), a wholly-owned subsidiary of TdC (Collectively the "Parties"), entered into a Heads of Agreement, which includes the proposals for the:

(i) proposed transfer of the spectrum assignment No. SA/01/2006 over the frequency bands of 1965MHZ-1980MHZ, 2155MHZ-2170MHZ and 2010MHZ-2015MHZ ("Spectrum") to DTSB to be satisfied via a share issuance of 27,500,000 new ordinary shares of RM0.10 each in the Company credited as fully paid up to TDSB or its nominees ("Proposed Transfer"); and

(ii) proposed joint planning exercise between the Parties ("Proposed Joint Business Planning")

The Proposed Transfer and Proposed Joint Business Planning exercises are subject to the Parties entering into a Definitive Agreement.

30. SUBSEQUENT EVENT

Subsequent to the balance sheet date, the Company, DTSB, TdC and TDSB entered into a Definitive Agreement (as stated in Note 29 above) on 25 January 2008 which sets out the details of the Proposed Transfer and Proposed Joint Business Planning.

The execution of the Proposed Transfer and Proposed Joint Business Planning exercises are subject to the attainment of shareholder approval and all the relevant regulatory approvals.

31. COMPARATIVES

The following comparatives have been reclassified to conform with the current year's presentation:

	Group	
	As reclassified RM'000	**Previously stated RM'000**
Balance sheet		
Non-current assets		
Intangible assets	254,487	254,019
Deferred expenditure	-	468
Current assets		
Trade and other receivables	297,843	250,959
Current liabilities		
Trade and other payables	1,295,328	1,248,444