

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.