

DiGi.COM BERHAD
Company no. 425190-X
(Incorporated in Malaysia)

Date: 26 April 2005

**Subject: INTERIM FINANCIAL REPORT FOR THE FIRST QUARTER
ENDED 31 MARCH 2005**

| <u>Table of contents</u> | <u>Page</u> |
|---|--------------------|
| Condensed Consolidated Income Statements | 1 |
| Condensed Consolidated Balance Sheets | 2 |
| Condensed Consolidated Statements of Changes in Equity | 3 |
| Condensed Consolidated Cash Flow Statements | 4 |
| Notes to the Interim Financial Report | 5 - 8 |
| Additional information required by the Bursa Malaysia Securities Listing Requirements ("Bursa Securities LR") | 9 - 11 |

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INTERIM FINANCIAL REPORT FOR THE FIRST QUARTER
ENDED 31 MARCH 2005

CONDENSED CONSOLIDATED INCOME STATEMENTS

| | INDIVIDUAL QUARTER | | CUMULATIVE QUARTER | |
|----------------------------------|---|---|---|--|
| | CURRENT YEAR QUARTER 31 MAR 2005 RM'000 | PRECEDING YEAR CORRESPONDING QUARTER 31 MAR 2004 RM'000 | CURRENT YEAR TO-DATE 31 MAR 2005 RM'000 | PRECEDING YEAR CORRESPONDING PERIOD 31 MAR 2004 RM'000 |
| Revenue | 625,895 | 517,058 | 625,895 | 517,058 |
| Operating expenses | (351,169) | (283,534) | (351,169) | (283,534) |
| Depreciation and amortisation | (173,579) | (115,605) | (173,579) | (115,605) |
| Other operating income | 385 | 733 | 385 | 733 |
| Profit from operations | 101,532 | 118,652 | 101,532 | 118,652 |
| Finance costs | (19,007) | (17,207) | (19,007) | (17,207) |
| Interest income | 2,259 | 1,938 | 2,259 | 1,938 |
| Profit before taxation | 84,784 | 103,383 | 84,784 | 103,383 |
| Taxation | (26,824) | (30,043) | (26,824) | (30,043) |
| Profit after taxation | 57,960 | 73,340 | 57,960 | 73,340 |
| Minority interest | - | - | - | - |
| Net Profit for the period | 57,960 | 73,340 | 57,960 | 73,340 |
| Earnings per share (sen) | | | | |
| - Basic | 7.7 | 9.8 | 7.7 | 9.8 |
| - Diluted | NA | NA | NA | NA |

(The Condensed Consolidated Income Statements should be read in conjunction with the Notes to the Interim Financial Report on pages 5 to 8)

Note : NA denotes "Not Applicable"

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(Incorporated in Malaysia)

INTERIM FINANCIAL REPORT FOR THE FIRST QUARTER
ENDED 31 MARCH 2005

CONDENSED CONSOLIDATED BALANCE SHEETS

| | AT | AT |
|---|----------------------|-------------------------|
| | 31 MARCH 2005 | 31 DECEMBER 2004 |
| | RM'000 | (AUDITED) |
| | | RM'000 |
| Property, plant and equipment | 2,580,263 | 2,686,956 |
| Intangible asset | 38,096 | 39,081 |
| Deferred expenditure | 3,766 | 15,213 |
| Current assets | | |
| Inventories | 10,873 | 13,423 |
| Trade and other receivables | 170,485 | 176,955 |
| Cash and cash equivalents | 429,266 | 634,719 |
| | 610,624 | 825,097 |
| Current liabilities | | |
| Trade and other payables | 671,823 | 750,821 |
| Deferred revenue | 160,727 | 158,203 |
| Borrowings | 195,636 | 224,584 |
| | 1,028,186 | 1,133,608 |
| Net current liabilities | (417,562) | (308,511) |
| | 2,204,563 | 2,432,739 |
| Financed By : | | |
| Capital and Reserves | | |
| Share capital | 750,000 | 750,000 |
| Reserves | 1,085,153 | 1,027,193 |
| Shareholders' funds | 1,835,153 | 1,777,193 |
| Long term liabilities | | |
| Borrowings | 142,183 | 455,270 |
| Deferred tax liabilities | 223,508 | 196,684 |
| Employee benefits | 3,719 | 3,592 |
| | 2,204,563 | 2,432,739 |
| Net Tangible Assets Per Share (RM) | 2.39 | 2.30 |

(The Condensed Consolidated Balance Sheets should be read in conjunction with the Notes to the Interim Financial Report on pages 5 to 8)

DiGi.COM BERHAD
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INTERIM FINANCIAL REPORT FOR THE FIRST QUARTER
ENDED 31 MARCH 2005

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE FIRST QUARTER ENDED 31 MARCH 2005

| | Share Capital RM'000 | Non- Distributable Share Premium RM'000 | Distributable Retained Profits RM'000 | Total RM'000 |
|---------------------------|---------------------------------|--|--|-------------------------|
| At 1 January 2005 | 750,000 | 352,651 | 674,542 | 1,777,193 |
| Net profit for the period | - | - | 57,960 | 57,960 |
| At 31 March 2005 | <u>750,000</u> | <u>352,651</u> | <u>732,502</u> | <u>1,835,153</u> |
| At 1 January 2004 | 750,000 | 352,651 | 357,187 | 1,459,838 |
| Net profit for the period | - | - | 73,340 | 73,340 |
| At 31 March 2004 | <u>750,000</u> | <u>352,651</u> | <u>430,527</u> | <u>1,533,178</u> |

(The Condensed Consolidated Statements of Changes in Equity should be read in conjunction with the Notes to the Interim Financial Report on pages 5 to 8)

DiGi.COM BERHAD
Company no. 425190-X
(Incorporated in Malaysia)

INTERIM FINANCIAL REPORT FOR THE FIRST QUARTER
ENDED 31 MARCH 2005

CONDENSED CONSOLIDATED CASH FLOW STATEMENTS
FOR THE FIRST QUARTER ENDED 31 MARCH 2005

| | PERIOD ENDED 31 MARCH 2005 RM'000 | PERIOD ENDED 31 MARCH 2004 RM'000 |
|---|--|--|
| Cash flows from operating activities | | |
| Profit before taxation | 84,784 | 103,383 |
| Adjustments for non-cash flow: | | |
| Non-cash items | 174,098 | 117,399 |
| Finance costs | 19,007 | 17,207 |
| Interest income | (2,259) | (1,938) |
| Operating profit before working capital changes | 275,630 | 236,051 |
| Changes in working capital: | | |
| Net change in current assets | 7,912 | (1,694) |
| Net change in current liabilities | (71,992) | (60,300) |
| Cash generated from operations | 211,550 | 174,057 |
| Finance costs | (11,976) | (7,402) |
| Net cash generated by operating activities | 199,574 | 166,655 |
| Cash flows from investing activities | | |
| Acquisition of property, plant and equipment | (66,058) | (56,714) |
| Interest income | 3,061 | 2,243 |
| Proceeds from disposal of property, plant and equipment | 5 | - |
| Net cash used in investing activities | (62,992) | (54,471) |
| Cash flows from financing activities | | |
| Repayment of bank borrowings | (342,035) | (39,535) |
| Net cash used in financing activities | (342,035) | (39,535) |
| Net (decrease)/increase in cash and cash equivalents | (205,453) | 72,649 |
| Cash and cash equivalents at beginning of year | 634,719 | 338,516 |
| Cash and cash equivalents at end of period | 429,266 | 411,165 |

(The Condensed Consolidated Cash Flow Statements should be read in conjunction with the Notes to the Interim Financial Report on pages 5 to 8)

INTERIM FINANCIAL REPORT FOR THE FIRST QUARTER
ENDED 31 MARCH 2005

NOTES TO THE INTERIM FINANCIAL REPORT

A1. Basis of Preparation

The interim financial report is unaudited and has been prepared in compliance with FRS 134, Interim Financial Reporting (formerly known as MASB 26).

The interim financial report should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 December 2004.

The accounting policies and methods of computation adopted by the Group in this interim financial report are consistent with those adopted in the most recent audited financial statements for the financial year ended 31 December 2004.

A2. Auditors' Report on Preceding Annual Financial Statements

The latest audited financial statements for the financial year ended 31 December 2004 were not subject to any qualification.

A3. Seasonality or Cyclicity of Interim Operations

The operations of the Group were not significantly affected by any seasonal and cyclical factors.

A4. Unusual Items Affecting Assets, Liabilities, Equity, Net Income or Cash Flows

There were no items affecting assets, liabilities, equity, net income or cash flows that are unusual because of their nature, size or incidence for the current quarter and financial year-to-date ended 31 March 2005 other than as disclosed under Note A5 below and the Group has made a partial prepayment of borrowings amounting to RM300.0 million proportionately on all its outstanding credit facilities as at 31 December 2004.

A5. Material Changes in Estimates

There were no changes in estimates of amounts reported in prior financial years that have a material effect in the current quarter and financial year-to-date ended 31 March 2005 except for the change in the depreciation rates for furniture and fittings, computer systems and telecommunications network included in the property, plant and equipment based on our periodic review of the estimated useful lives of these assets and to be in line with the depreciation rates set by the ultimate holding company, Telenor ASA.

The changes in the principal annual rates with effect from 1 January 2005 onwards are as follows:

| | <u>Previous rates</u> | <u>New rates</u> |
|----------------------------|-----------------------|------------------|
| Furniture and fittings | 10.0% | 20.0% |
| Computer systems | 20.0% | 20.0% - 33.3% |
| Telecommunications network | 10.0% | 3.3% - 33.3% |

The financial impact on the change in depreciation rates was an increase of RM45.4 million in the depreciation amount charged to the Condensed Consolidated Income Statements for the current quarter and financial year-to-date ended 31 March 2005.

DiGi.COM BERHAD
Company no. 425190-X
(Incorporated in Malaysia)

INTERIM FINANCIAL REPORT FOR THE FIRST QUARTER
ENDED 31 MARCH 2005

NOTES TO THE INTERIM FINANCIAL REPORT – CONT'D

A6. Debts and Equity Securities

There were no issuance, cancellation, repurchase, resale and repayment of debt and equity securities for the current quarter and financial year-to-date ended 31 March 2005.

A7. Dividend Paid

No dividend has been paid for the current quarter and financial year-to-date ended 31 March 2005.

A8. Segment Information

Segment information is presented in respect of the Group's business segment. The segment revenue and segment result by business segment for the financial year-to-date ended 31 March 2005 were as follows:

| | Mobile RM'000 | International RM'000 | Others RM'000 | Elimination RM'000 | Consolidated RM'000 |
|-------------------------------|--------------------------|---------------------------------|--------------------------|-------------------------------|--------------------------------|
| Revenue | | | | | |
| External | 571,468 | 51,715 | 2,712 | - | 625,895 |
| Inter-segment * | - | - | 615 | (615) | - |
| Total Revenue | <u>571,468</u> | <u>51,715</u> | <u>3,327</u> | <u>(615)</u> | <u>625,895</u> |
| Segment Result | 95,334 | 15,555 | 534 | (8) | 111,415 |
| Unallocated expenses | | | | | (9,883) |
| Profit from operations | | | | | <u>101,532</u> |

* Inter-segment pricing carried out in the Group are based on an arms-length basis.

A9. Property, Plant and Equipment

Significant acquisition of the items of property, plant and equipment for the current quarter and financial year-to-date ended 31 March 2005 was as follows:

| Items of property, plant and equipment | Current year quarter and year-to-date 31 March 2005 RM'000 |
|---|---|
| Acquisition - At Cost | |
| Telecommunications network | 48,997 |
| Computer systems | 10,407 |

There is no revaluation of property, plant and equipment brought forward from the previous audited financial statements as the Group does not adopt a revaluation policy on its property, plant and equipment.

INTERIM FINANCIAL REPORT FOR THE FIRST QUARTER
ENDED 31 MARCH 2005

NOTES TO THE INTERIM FINANCIAL REPORT – CONT'D

A10. Material Events Subsequent to the End of the Interim Period

There were no material events subsequent to the current quarter ended 31 March 2005 up to the date of this report except that :

A subsidiary of the Company has entered into a new credit facility of fixed rate term loan of RM300.0 million on 11 April 2005 with Commerce International Merchant Bankers Berhad, Bumiputra-Commerce Bank Berhad as joint-lead arranger; AmMerchant Bank Berhad, Bumiputra-Commerce Bank Berhad, Malayan Banking Berhad and Standard Chartered Bank Malaysia Berhad as participating lenders, to refinance the existing borrowings with an expected lower borrowing cost and improved terms.

On 22 April 2005, this new facility was drawdown in full to prepay the existing borrowings. The remaining outstanding borrowings of RM37.8 million were fully settled on the same date by utilizing the excess cash from operations. With this prepayment, all existing legal charge will be discharged by end of June 2005.

A11. Changes in the Composition of the Group

There were no changes in the composition of the Group for the current quarter and financial year-to-date ended 31 March 2005 including business combinations, acquisition or disposal of subsidiaries and long term investments, restructurings and discontinuing operations.

A12. Changes in Contingent Liabilities or Contingent Assets

There were no contingent liabilities or contingent assets arising since the last audited financial statements for the financial year ended 31 December 2004.

A13. Capital Commitments

| | Group 31 March 2005 RM'000 |
|---------------------------------------|---|
| Property, plant and equipment: | |
| Authorised and contracted for | <u>305,000</u> |
| Authorised but not contracted for | <u>152,000</u> |

DiGi.COM BERHAD
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(Incorporated in Malaysia)

INTERIM FINANCIAL REPORT FOR THE FIRST QUARTER
ENDED 31 MARCH 2005

NOTES TO THE INTERIM FINANCIAL REPORT – CONT'D

A14. Related Party Transactions

The related party transactions of the Group have been entered into in the normal course of business and have been established under the terms that are no less favorable than those arranged with independent third parties. Other than those inter-company transactions, listed below are those significant transactions and balances with related parties of the Group during the current quarter:

| | Transactions for the quarter ended 31 March 2005 RM'000 | Balance due from/(to) at 31 March 2005 RM'000 |
|---|--|--|
| <i>With fellow subsidiary companies</i> | | |
| - Telenor Global Services AS | | (127) |
| Sales of interconnection services on international traffic | 201 | |
| Purchase of interconnection services on international traffic | 272 | |
| - Telenor Consult AS | | |
| Personnel services payable | 1,526 | (416) |
| | _____ | _____ |
| <i>With companies in which Tan Sri Dato' Seri Vincent Tan Chee Yioun (a former Director and substantial shareholder of the company) is deemed to have an interest</i> | | |
| - Berjaya General Insurance Bhd. | | - |
| Insurance premiums paid/payable | 516 | |
| - Berjaya Registration Services Sdn. Bhd. | | |
| Receipt of share registration and printing to mailing services | 1,360 | (683) |
| - Convenience Shopping Sdn. Bhd. | | |
| Sales of prepaid cards and reload coupons | 14,643 | 4,854 |
| - Cosway (M) Sdn. Bhd. | | |
| Sales of prepaid cards and reload coupons | 1,067 | 801 |
| - MOL AccessPortal Bhd. | | |
| Sales of prepaid cards and soft pins | 532 | 69 |
| - Cosmo's World Theme Park Sdn. Bhd. | | |
| Purchase of sponsorship rights | 250 | - |
| | _____ | _____ |

INTERIM FINANCIAL REPORT FOR THE FIRST QUARTER
ENDED 31 MARCH 2005

ADDITIONAL INFORMATION REQUIRED BY THE BURSA SECURITIES LR

B1. Review of the Performance of the Company and its Principal Subsidiaries

The Group achieved a 21% increase in revenue to RM625.9 million compared with RM517.1 million recorded in the previous year corresponding quarter. The higher revenue growth was on the back of a 43% increase in its mobile customer base to 3.46 million. Non voice mobile revenue surged by 53%, accounted for nearly 17% of the mobile revenue against 14% a year ago. Earnings before interest, tax, depreciation and amortisation ('EBITDA') continued to grow by 17% to RM275.1 million from RM234.3 million recorded previously. EBITDA margin achieved at the level of 44% against previous year of 45% mainly contributed by higher sales and marketing expenses due to the high subscribers growth and more promotional activities during the quarter. Despite achieving good revenue and EBITDA performance, the Group registered a RM18.6 million lower profit before taxation to RM84.8 million compared with previous year corresponding quarter, largely attributed to higher depreciation and amortisation arising from the changes in the depreciation rates for those affected property, plant and equipment as explained in Note A5 of the Notes to the Interim Financial Report.

Accordingly, the Group achieved profit after taxation of RM58.0 million, RM15.4 million lower than the RM73.3 million recorded in the previous year corresponding quarter while earnings per share reduced to 7.7 sen as compared with 9.8 sen previously.

During the quarter, the Group has made a partial prepayment of borrowings amounting to RM300.0 million from its excess cash available, which has substantially reduced its gearing ratio.

B2. Explanatory Comments on Any Material Change in the Profit Before Taxation for the Quarter Reported on as Compared with the Immediate Preceding Quarter

Revenue grew by 3% q-o-q to RM625.9 million from RM606.3 million achieved previously. The growth in revenue was mainly contributed by the mobile segment with 221,000 new subscribers added to the customer base. For the current quarter, the Group recorded lower profit before taxation of RM84.8 million compared with RM134.6 million registered in the preceding quarter largely due to higher depreciation and amortisation arising from the changes in the depreciation rates for those affected property, plant and equipment as explained in Note A5 of the Notes to the Interim Financial Report as well as acceleration of the remaining finance cost attributed to the partial prepayment of the borrowings.

B3. Prospects For The Remaining Quarters Up To 31 December 2005

Further growth in the mobile sector of the telecommunications industry is expected to be driven by the increasing demand for more sophisticated mobile offerings amidst the intensive competition amongst the mobile operators. While actively pursuing with the optimization of its investment program to deliver high service quality and coverage expansion, the Group expects the operational performance to remain positive as the Group will continue to be a forerunner in bringing to the market simple, attractive and ever-innovative products and services that are of clear relevance to customers.

**INTERIM FINANCIAL REPORT FOR THE FIRST QUARTER
ENDED 31 MARCH 2005**

ADDITIONAL INFORMATION REQUIRED BY THE BURSA SECURITIES LR – CONT'D

- B3. Prospects For The Remaining Quarters Up To 31 December 2005 – cont'd**
However, the Directors expect the results of the Group for the remaining quarters up to 31 December 2005 will continue to be affected by the higher depreciation and amortisation expense due to the change in depreciation rates for those affected property, plant and equipment effective from 1 January 2005 as explained in Note A5 of the Notes to the Interim Financial Report.
- B4. Explanatory Notes for Variance of Actual Profit from Forecast Profit/ Profit Guarantee**
Not applicable.
- B5. Taxation**
The taxation charge for the current quarter and financial year-to-date ended 31 March 2005 was made up as follows:

| | Current year quarter and year-to-date 31 March 2005 RM'000 |
|----------------------|---|
| Current tax expense | - |
| Deferred tax expense | 26,824 |
| Total | 26,824 |

There was no current tax expense for the current quarter and financial year-to-date ended 31 March 2005 due to utilisation of unabsorbed capital allowances and business tax losses brought forward.

The effective tax rate of 31.6% for both the current quarter and financial year-to-date ended 31 March 2005 was higher than the statutory tax rate of 28.0% as certain expenses and provisions were not deductible for tax purposes.

- B6. Profits/(Losses) on Sale of Unquoted Investments and/or Properties**
There were no profits/(losses) on sale of investments and properties included in the results for the current quarter and financial year-to-date ended 31 March 2005.
- B7. Quoted Securities**
There was no purchase and disposal of quoted securities for the current quarter and financial year-to-date ended 31 March 2005. There was no investment in quoted shares as at 31 March 2005.

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Company no. 425190-X
(Incorporated in Malaysia)

**INTERIM FINANCIAL REPORT FOR THE FIRST QUARTER
ENDED 31 MARCH 2005**

ADDITIONAL INFORMATION REQUIRED BY THE BURSA SECURITIES LR – CONT'D

B8. Status of Corporate Proposals

There was no corporate proposal announced but not completed in the interval from the date of the last quarterly report and the date of this announcement.

B9. Group Borrowings

Details of Group Borrowings are as follows:

| Borrowings | 31 March 2005 RM'000 |
|--|---------------------------------|
| <u>Secured</u> | |
| Short term : Denominated in Ringgit Malaysia | 178,934 |
| Short term : Denominated in US Dollar | 16,702 |
| | 195,636 |
| <u>Secured</u> | |
| Long term : Denominated in Ringgit Malaysia | 142,183 |
| Long term : Denominated in US Dollar | - |
| | 142,183 |
| Total | 337,819 |

The above outstanding borrowings have been fully repaid on 22 April 2005 as explained in Note A10 of the Notes to the Interim Financial Report.

B10. Off Balance Sheet Financial Instruments

There were no off balance sheet financial instruments entered into by the Group as at the date of this report.

B11. Material Litigation

There was no pending material litigation as at the date of this report.

B12. Dividends

No interim dividend has been recommended for the current quarter ended 31 March 2005.

B13. Earnings Per Share

Basic Earnings Per Share

The basic earnings per share for the current quarter ended 31 March 2005 has been calculated based on the net profit attributable to ordinary shareholders of RM57,960,000 and the weighted average number of ordinary shares outstanding during the quarter of 750,000,000.

Diluted Earnings Per Share

Not applicable.

c.c Securities Commission