

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.

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, organizational, 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 but not absolute assurance against material misstatement or loss, it is possible that internal controls can be circumvented or overridden. Furthermore, because of changing circumstances and conditions, the effectiveness of an internal control system may vary over time.

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 clearly defined organizational structure within the Group with formally defined lines of responsibility and delegation of authority. A process of hierarchical reporting has been established which provides for a documented trail of accountability.

Significant changes in the business and the external environment are reported to the Board during the Board meetings. Quarterly financial 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 controls is described in the Audit Committee Report included in this annual report.

There is also submission of monthly financial and operational information to the Operating Committee, that includes the monthly and year-to-date financial results and comparisons to the pre-determined key performance indicators. Based on this monitoring of results against budget, significant variances are identified and management action taken, where necessary. The role of the Operating Committee was subsequently empowered to the Chief Executive Officer (CEO) with the setting up of the new DiGi Management Team (the composition comprised CEO and 4 members of management) and the said committee was dissolved by the Board on 10 November 2004. In addition, an Investment Committee was established in December 2004 with the aim to support the decision making process in connection with investments and divestment transactions in the Group.

There is an annual budgeting and business plan process where the management would prepare budgets for the forthcoming financial year in which these are submitted to and approved by the Board.

Other control procedures include the establishment of appropriate limits of authority for the Board, the Operating Committee and senior management for appropriate approval of transactions. There are established policies on health and safety, employees training and development, staff performance and evaluation. These procedures are relevant across the Group's operations and provide for continuous assurance to be given to management and, finally to the Board.

Enterprise Risk Management Framework

The risk management processes of the Group have been enhanced with the formation of a Risk Management function, in July 2004, and a Risk Management Committee, in December 2004. The Risk Management Committee is chaired by the Chief Executive Officer and is responsible for communicating to the Board/Audit Committee the critical risks the Group faces, their changes and the action plans to manage these risks.

During the 2004 financial year, a series of meetings and workshops with key senior members of the management were conducted to update the Risk Profile of the Group and to enhance their understanding and knowledge of risk management. The key risks identified through this process were subsequently consolidated and presented to the Risk Management Committee and Audit Committee for their consideration in January and February 2005, respectively. Based on the Risk Profile, there will be a requirement to submit quarterly management reports on the status of key risks to the Heads of functions for reporting to the Group Risk Management Committee.

Work has commenced on compilation of a Risk Management Manual, which on completion and endorsement by the Risk Management Committee will be issued to all employees with the purpose of outlining the risk management framework of the Group and providing practical guidance on risk management issues.

In 2005, the Risk Management function will undertake the following initiatives to further enhance the risk management framework and control structure of the Group:

- To further inculcate the risk management culture, a series of training and awareness sessions will be conducted, targeting various levels of staff across all departments and disciplines.
- A review and enhancement of the Group's Business Continuity Plan will be initiated to identify the critical business processes, systems and resources and to ensure that adequate plans are in place to enable the Group to maintain operational and financial continuity in the event of adverse circumstances.
- Further enhancements to the Group's risk management and system of internal control are planned with reviews of the Group's information security policies and practices and revenue assurance processes, which are used to monitor potential revenue leakage that may arise during day to day operations.

Statement on Internal Control (continued)

Internal Audit Function

The Group has in place an internal audit function, which assists the Board in conducting appropriate reviews to ensure that key controls established by the Board and management are operating effectively in order for the Board to achieve the objective of ensuring the adequacy and effectiveness of the system of internal control.

Internal audit reviews the control processes implemented by the management, and reports to the Audit Committee on a quarterly basis. Internal audit adopts a risk-based approach in the review of the internal controls in the key activities of the Group's businesses on the basis of an annual internal audit plan that had been presented to and approved by the Audit Committee.

Weaknesses of Internal Controls that Result in Material Losses

There were no material losses incurred during the current financial year as a result of weaknesses in internal control. Management continues to take measures to strengthen the control environment.

Other Compliance Information

Non-Audit Fees

The amount of non-audit fees paid to external auditors for the financial year ended 31 December 2004 is RM41,750.

Material Contracts

Save as disclosed below, neither the Company nor any of its subsidiary companies had entered into any material contracts which involved directors' and/or major shareholders' interests, either still subsisting at the end of the financial year ended 31 December 2004, or which were entered into since the end of the previous financial year.

Date	25 November 2004
Parties	Cosmo's World Theme Park Sdn Bhd DiGi Telecommunications Sdn Bhd (a subsidiary of DiGi.Com Berhad).
General nature of contract	An agreement in relation to the sponsorship rights on the IMAX brand granted by Cosmo's World Theme Park Sdn Bhd to DiGi Telecommunications Sdn Bhd.
Consideration and mode of satisfaction	Total consideration is RM2.0 million for a two-year tenure commencing 1 January 2005 and a sum of RM0.25 million shall be satisfied upon signing of the agreement and subsequently, RM0.25 million will be paid on quarterly basis until the whole sponsorship fee is fully paid.
Relationship	Tan Sri Dato' Seri Vincent Tan Chee Yioun is a major shareholder of DiGi.Com Berhad and Berjaya Times Square Sdn Bhd. Cosmo's World Theme Park Sdn Bhd is a wholly owned subsidiary of Berjaya Times Square Sdn Bhd. Subsequently on 23 December 2004, Tan Sri Dato' Seri Vincent Tan Chee Yioun became a major shareholder of Berjaya Times Square Sdn Bhd through Matrix International Berhad, which Tan Sri Dato' Seri Vincent Tan Chee Yioun is a major shareholder.

Audit Committee Report

Composition

Dato' Ab. Halim Bin Mohyiddin **Chairman/Independent Non-Executive Director**

Tun Dato' Seri Dr Lim Chong Eu **Member/Independent Non-Executive Director**

Christian Storm **(appointed on 10.11.2004) Member/Non-Independent Non-Executive Director**

Ole Bjorn Sjulstad **(resigned on 10.11.2004) Member/Non-Independent Non-Executive Director**

Meetings

The Audit Committee held six meetings during the financial year ended 31 December 2004 which were attended by all the members. Representatives of the external auditors and other officers of the Group were also invited to attend and brief the members on specific issues during deliberations by the Audit Committee.

Summary of Activities

The activities undertaken by the Audit Committee during the financial year ended 31 December 2004 included the following:

- Reviewed the quarterly unaudited financial results/reports and annual audited financial statements before submission to the Board for consideration and approval;
- Reviewed the external auditors' scope of work and audit plans for the year;
- Reviewed and discussed the external auditors' audit report and areas of concern in the management letter thereof, including management's response;
- Assessed the adequacy and effectiveness of the system of internal control and accounting control procedures and the weaknesses of the Group's operating units by reviewing the various internal audit reports and management responses thereto and ensuring significant findings are adequately addressed by management;
- Reviewed the adequacy and relevance of the scope, functions and resources of internal audit and that it has the necessary authority to carry out its work; and
- Reported to the Board on its activities and significant findings and results.

Internal Audit Function

The Group has an established Internal Audit Division which assists the Audit Committee in the discharge of its duties and responsibilities. The Group's Internal Audit Division conducted programmed independent reviews and evaluated risk exposures relating to the Group's governance, operations and information systems. The audit reviews also included assessing the means of safeguarding assets; and the economy and efficiency with which resources are employed. Further details of the activities of the Internal Audit Division are set out in the Statement on Internal Control on pages 20 to 22.

Terms of Reference

1. Membership

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

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

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

2. Chairman

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

3. Secretary

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

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

4. Frequency of Meetings

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

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

Audit Committee Report (continued)

5. Authority

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

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

6. Duties

The duties of the Committee shall be:

- (a) To consider the appointment of external auditors, the audit fee and any questions of resignation or dismissal including recommending the nomination of person or persons as external auditors;
- (b) To discuss with the external auditors where necessary, on the nature and scope of audit and to ensure coordination of audit where more than one audit firm is involved;
- (c) To review the quarterly results and year-end financial statements prior to the approval by the Board, focusing on:
 - going concern assumption
 - compliance with accounting standards and regulatory requirements
 - any changes in accounting policies and practices
 - significant issues arising from the audit
 - major judgemental areas
- (d) To prepare Audit Committee Report at the end of each financial year;
- (e) To discuss problems and reservations arising from the interim and final external audits, and any matters the external auditors may wish to discuss (in the absence of management, where necessary);
- (f) To review the external auditors' management letter and management's response;
- (g) To review any related party transaction and conflict of interest situation that may arise within the Company or Group including any transaction, procedure or course of conduct that raises question of management integrity;

- (h) To do the following in respect of the internal audit function:
- review the adequacy of scope, functions and resources of the internal audit function and that it has the necessary authority to carry out its work;
 - review internal audit programme;
 - ensure coordination of external audit with internal audit;
 - consider the major findings of internal audit investigations and management's response, and ensure that appropriate actions are taken on the recommendations of the internal audit function;
 - review any appraisal or assessment of the performance of the staff of the internal audit function;
 - approve any appointment or termination of senior staff member of the internal audit function;
 - inform itself of resignations of internal audit staff members and provide the resigning staff member an opportunity to submit his/her reason for resignation;
 - to monitor related party transactions entered into by the Company and its subsidiaries, and to ensure that the Directors report such transactions annually to shareholders via the annual report;
 - to review and monitor the effectiveness of internal control systems and to evaluate the systems with the external auditors;
- (i) To carry out such other responsibilities, functions or assignments as may be defined jointly by the Audit Committee and the Board of Directors from time to time;
- (j) In compliance with Paragraph 15.17 of Bursa Securities Listing Requirements, where the Committee is of the view that a matter reported by it to the Board has not been satisfactorily resolved resulting in a breach of the Bursa Securities Listing Requirements, the Committee must promptly report such matter to Bursa Securities.

Management Team



MMS picture taken by Khor Choo Lin

Morten Lundal

Chief Executive Officer

“Morten took over as Chief Executive Officer in July 2004. Prior to DiGi, he was Executive Vice President of Corporate Strategy and Business Development at Telenor, and a member of the Telenor Executive Board from 2000-2002. He was appointed CEO of Telenor Business Solutions after joining Telenor as CEO of its

Internet business area in February 1997. Previous employments were with Gemini Consulting, A.T. Kearney and Dyno Industries. Morten has a Master in Business and Economics from the Norwegian School of Management, and an MBA from IMD, Switzerland.”



MMS picture taken by Johan Dannelind

Jon Eddy

Chief Technology Officer

“Jon came on board in February 2002 as Chief Technical Officer, and was appointed Chief Technology Officer in October 2004. Pre-DiGi, he was Chief Technical Officer at Cesky Mobil in the Czech Republic for two years, and Director for the Regional Technical Center at Lucent Technologies. He also spent time with US West International (Maxis) as Director of RF Engineering. Jon started his career as a communications engineer for the Boeing Defense and Space Group in the US. He graduated from Montana State University with a Bachelor of Science in Electrical Engineering.”

Chee Pok Jin

Chief Marketing Officer

“Pok Jin was appointed Chief Marketing Officer in March 2005. Prior to joining DiGi, he was Senior General Manager at Harpers' Trading (M) Sdn Bhd, a subsidiary of Zurich-based DKSH group of companies; Head of Marketing and Product Management for the Consumer Business Division

(2002-2004) at Maxis Communications Berhad; and Vice President, Head of Sales and Mass Market, Citibank. He also spent 15 years with Procter and Gamble (1982-1997), assuming the position of Sales Director for Singapore and Malaysia in 1995.”



MMS picture taken by Morten Lundal



MMS picture taken by Tunku Alizakri

Johan Dannelind

Chief Financial Officer

“Johan was appointed Chief Financial Officer in November 2004. He was previously CFO and Deputy CEO of Telenor AB and Director of International Business Development for the Nextra Group. His career in telecommunications began with Telia AB, starting out as a management trainee in the mid 90s. Johan graduated with a Master of Science in Business Administration from the University of Orebro, Sweden.”



MMS picture taken by Jon Eddy

Tunku Alizakri Raja Muhammad Alias
Head of Corporate Affairs

“Prior to joining DiGi on April 18, 2005, Tunku Alizakri was Vice President and Head of Maybank Group Strategic Planning (2001-2005). Previous to that, he was with the Sime Darby Group (1996-1999), first as an executive in Group Corporate Planning, then as Special Assistant to the CEO of the Plantations Division. Tunku Alizakri is trained legally as a Barrister at Law (Lincoln’s Inn), with an LLB from King’s College (University of London). He has an MBA from Cornell University.”

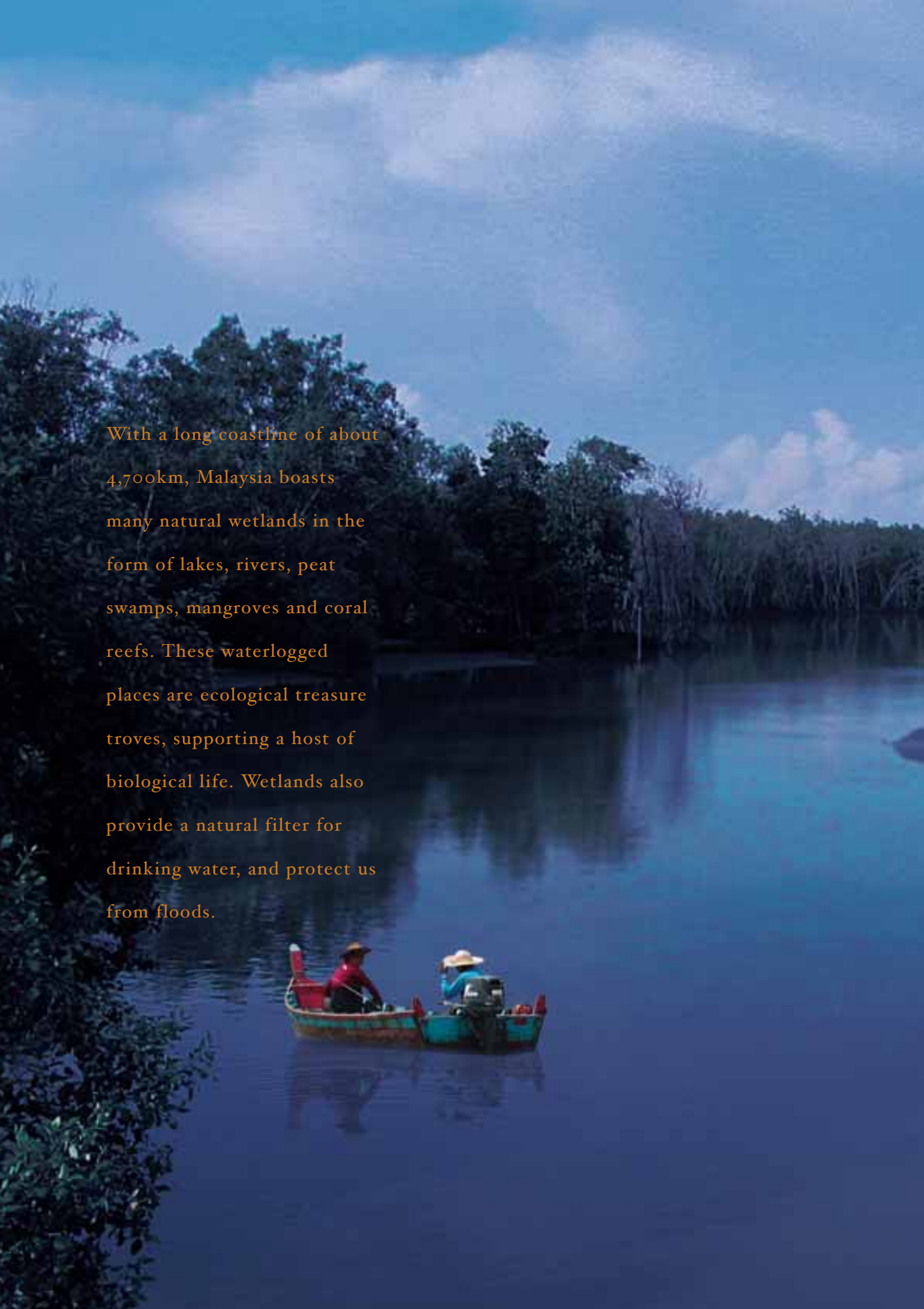


MMS picture taken by Chee Pok Jin

Khor Choo Lin

General Manager of Human Resource and Administration

“Prior to joining DiGi in February 1997, Choo Lin served for 17 years at Intel Malaysia, as the Compensation and Benefits Manager. She was promoted to Regional Compensation and Benefits Manager, Intel Asia Pacific, and also assumed the position of Human Resource Manager of Intel Singapore and Intel Australia in 1993. Choo Lin holds a Bachelor in Mathematics from Queen’s University, Canada.”



With a long coastline of about 4,700km, Malaysia boasts many natural wetlands in the form of lakes, rivers, peat swamps, mangroves and coral reefs. These waterlogged places are ecological treasure troves, supporting a host of biological life. Wetlands also provide a natural filter for drinking water, and protect us from floods.



DiGi is launching *The Wetland Restorer of Perak* project in the second quarter, 2005

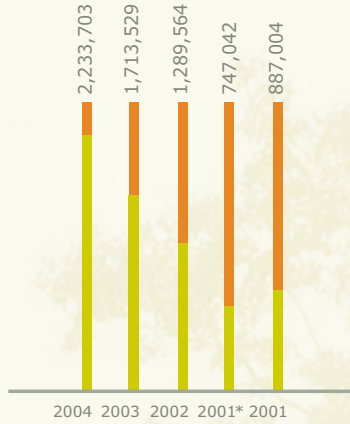
Photo credit: Wetlands International

Group Financial Summary

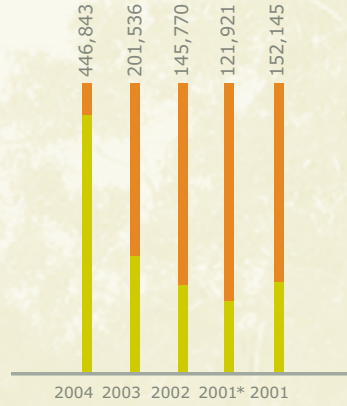
	Year ended 31 December 2004	Year ended 31 December 2003	Year ended 31 December 2002	Eight months ended 31 December 2001	Year ended 30 April 2001 (Restated)
	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	2,233,703	1,713,529	1,289,564	747,042	887,004
Profit before taxation	446,843	201,536	145,770	121,921	152,145
Profit after taxation	317,355	142,223	100,870	158,921	152,145
Total assets	3,566,347	3,247,432	3,008,517	2,410,361	2,077,263
Shareholders' fund	1,777,193	1,459,838	1,317,615	1,216,745	1,057,824
Long term liabilities	655,546	750,035	815,715	678,002	490,906
Profit after taxation as % of revenue	14.2%	8.3%	7.8%	21.3%	17.2%
Earnings per share (sen)	42.3	19.0	13.4	21.2	20.3
Net tangible assets per share (RM)	2.30	1.84	1.64	1.53	1.38

Note: The above group financial summary has been prepared to conform with the current year's presentation of the financial statements.

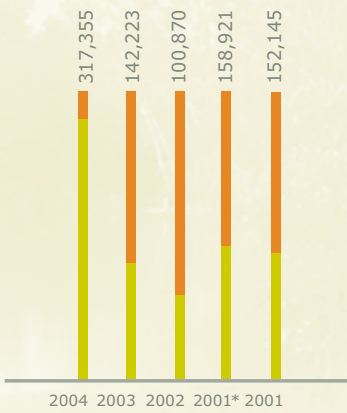
Revenue
RM '000



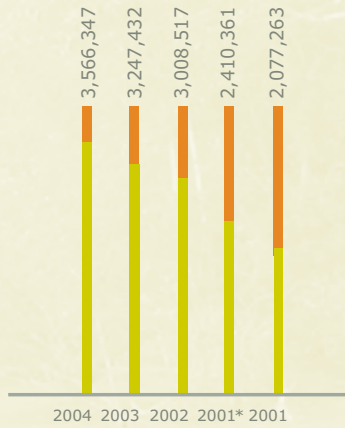
Profit before taxation
RM '000



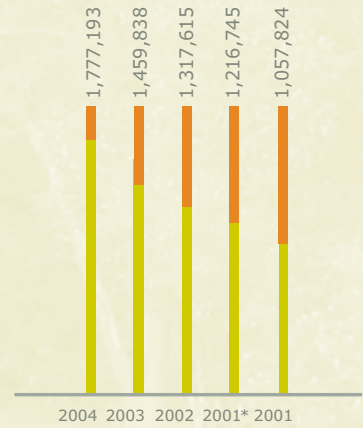
Profit after taxation
RM '000



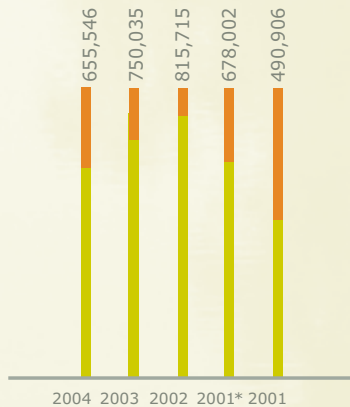
Total assets
RM '000



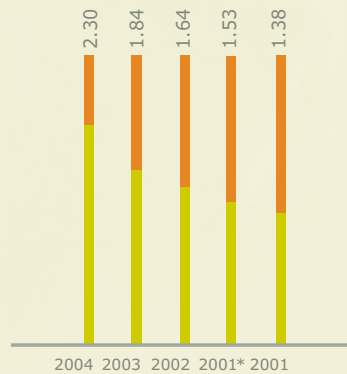
Shareholders' fund
RM '000



Long term liabilities
RM '000



Net tangible assets per share
RM



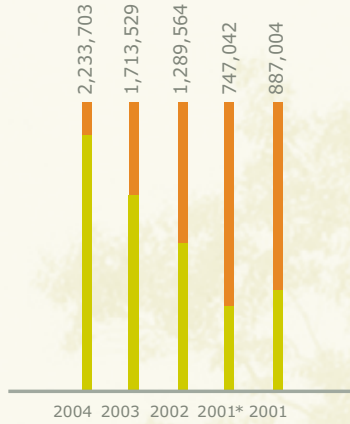
Note: * Denotes eight months ended 31 December 2001

Ringkasan Kewangan Kumpulan

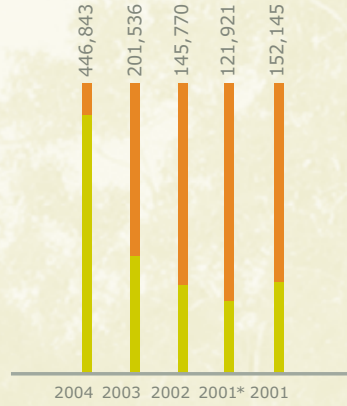
	Tahun berakhir 31 Disember 2004	Tahun berakhir 31 Disember 2003	Tahun berakhir 31 Disember 2002	Lapan bulan berakhir 31 Disember 2001	Tahun berakhir 30 April 2001 (Dinyata semula)
	RM'000	RM'000	RM'000	RM'000	RM'000
Hasil	2,233,703	1,713,529	1,289,564	747,042	887,004
Keuntungan sebelum cukai	446,843	201,536	145,770	121,921	152,145
Keuntungan selepas cukai	317,355	142,223	100,870	158,921	152,145
Jumlah aset	3,566,347	3,247,432	3,008,517	2,410,361	2,077,263
Dana pemegang saham	1,777,193	1,459,838	1,317,615	1,216,745	1,057,824
Tanggungjawab jangka panjang	655,546	750,035	815,715	678,002	490,906
Keuntungan selepas cukai sebagai % hasil	14.2%	8.3%	7.8%	21.3%	17.2%
Pendapatan sesaham (sen)	42.3	19.0	13.4	21.2	20.3
Aset ketara bersih sesaham (RM)	2.30	1.84	1.64	1.53	1.38

Nota: Ringkasan kewangan kumpulan di atas telah disediakan mengikut pembentangan baru penyata kewangan bagi tahun semasa.

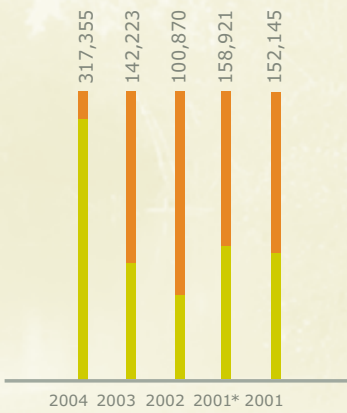
Hasil
RM '000



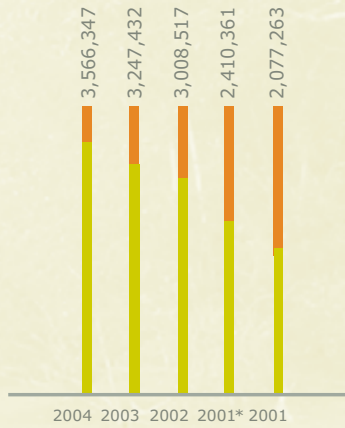
Keuntungan sebelum cukai
RM '000



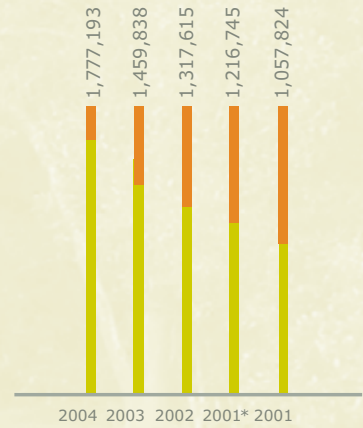
Keuntungan selepas cukai
RM '000



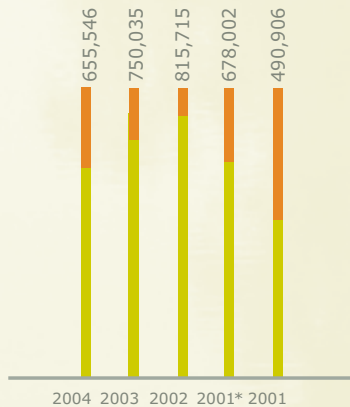
Jumlah aset
RM '000



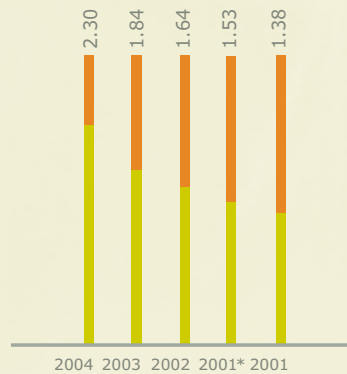
Dana pemegang saham
RM '000



Tanggungjawab jangka panjang
RM '000



Aset ketara bersih sesaham
RM



Nota: * Menandakan lapan bulan berakhir 31 Disember 2001

Malaysia has a rich oral tradition. Storytellers were once powerful communicators who could influence the community and share moral values. They have been known to even change the destinies of kings and states. The *wayang kulit* (puppet show) is just one form of traditional storytelling in the country.





DiGi is launching *The Storyteller of Perlis* project in the fourth quarter, 2005