

**This Circular contains important information for your immediate attention.**

If you are in any doubt as to what action you should take, please consult an appropriate independent professional adviser. If you have sold or transferred all of your ordinary shares in **DiGi.Com Berhad (DiGi or Company)**, you should send this Circular to the stockbroker, or whoever that arranged for the sale or transfer, for transmission to the purchaser or transferee.

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## **DiGi.COM BERHAD**

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

### **CIRCULAR TO SHAREHOLDERS**

in relation to the

- I. **Proposed capital repayment of RM0.75 per ordinary share of RM1.00 each in DiGi to the shareholders of DiGi via a reduction of the share capital of DiGi pursuant to Section 64 of the Companies Act, 1965; and**
- II. **Proposed amendments to the Memorandum and Articles of Association of DiGi**

and

### **Notice of Extraordinary General Meeting**

Adviser



**Southern Investment Bank Berhad (169955-T)**

The Notice of Extraordinary General Meeting (EGM) of the Company in respect of the above proposals, to be held at Emerald Room, Level 1, Mandarin Oriental Kuala Lumpur, Kuala Lumpur City Centre, 50088 Kuala Lumpur on Tuesday, 24 January 2006 at 2.30 p.m., together with the accompanying Form of Proxy are set out in this Circular.

The Form of Proxy should be lodged at the Registered Office of the Company at Level 7, Setia 1, 15 Lorong Dungun, Damansara Heights, 50490 Kuala Lumpur, Malaysia at least forty-eight (48) hours before the time appointed for holding the EGM or any adjournment thereof. The last day and time for lodging the Form of Proxy is Sunday, 22 January 2006 at 2.30 p.m..

This Circular is dated 15 December 2005

## **ABBREVIATIONS**

In this Circular, the words and phrases below, unless the context otherwise requires, shall bear the meanings assigned next to them:

<b>Abbreviations</b>	<b>Meanings</b>
<b>Companies/Persons</b>	
DiGi Board or Board	Board of Directors of DiGi
DiGi or the Company	DiGi.Com Berhad
DiGi Group or the Group	DiGi and its subsidiaries, collectively
<b>Proposals</b>	
Entitlement Date	The date, to be determined and announced later by the Board, at the close of business on which shareholders' names must appear on the Record of Depositors in order to be entitled to the Proposed Capital Repayment
Entitled Shareholders	Shareholders of DiGi whose names appear on the Record of Depositors on the Entitlement Date
Proposals	Proposed Capital Repayment and Proposed Amendments, collectively
Proposed Amendments	Proposed amendments to the Memorandum and Articles of Association of DiGi
Proposed Capital Repayment	Proposed capital repayment of RM0.75 for every DiGi Share to the shareholders of DiGi via a reduction of the share capital of DiGi pursuant to Section 64 of the Act
<b>Adviser</b>	
SIBB	Southern Investment Bank Berhad
<b>Security</b>	
DiGi Share(s) or Share(s)	Ordinary share(s) of RM1.00 each in DiGi
<b>Authorities/Regulations</b>	
Act	Companies Act, 1965, as amended from time to time and any re-enactment thereof
Bursa Depository	Bursa Malaysia Depository Sdn Bhd
Bursa Securities	Bursa Malaysia Securities Berhad
Listing Requirements	Listing Requirements of Bursa Securities including any amendment thereto that may be made from time to time
SC	Securities Commission

**Abbreviations****Meanings****Financial Terms**

EPS Earnings per share

NTA Net tangible assets

ROE Return on equity

**Others**

EGM Extraordinary General Meeting

Latest Practicable Date 30 November 2005, being the latest practicable date prior to the printing of this Circular

Market day A day on which Bursa Securities is open for trading in securities

Record of Depositors A record provided by Bursa Depository to the Company under Chapter 24.0 of its rules including any amendments thereof

RM and sen Ringgit Malaysia and sen, respectively

We have inserted headings and sub-headings in this Circular for convenience of reference only.

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## **DiGi.COM BERHAD**

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

### **Registered Office:**

Level 7 Setia 1  
15 Lorong Dungun  
Damansara Heights  
50490 Kuala Lumpur  
Malaysia

15 December 2005

### **Directors:**

Arve Johansen (*Chairman / Non-Independent Non-Executive Director*)  
YBhg Tan Sri Datuk Amar Leo Moggie (*Independent Non-Executive Director*)  
YBhg Dato' Ab. Halim Bin Mohyiddin (*Independent Non-Executive Director*)  
Christian Storm (*Non-Independent Non-Executive Director and also Alternate Director to Arve Johansen*)  
Ragnar Holmen Korsæth (*Non-Independent Non-Executive Director*)

**To: The Shareholders of DiGi.Com Berhad**

Dear Sir/Madam

- **Proposed capital repayment of RM0.75 per ordinary share of RM1.00 each in DiGi to the shareholders of DiGi via a reduction of the share capital of DiGi pursuant to Section 64 of the Companies Act, 1965; and**
- **Proposed amendments to the Memorandum and Articles of Association of DiGi (collectively referred to as the Proposals)**

### **1. Introduction**

On 26 October 2005, SIBB had, on behalf of the DiGi Board, announced on Bursa Securities the following Proposals:

- (i) Proposed capital repayment of RM0.75 for every DiGi Share to be satisfied wholly in cash to its shareholders via a reduction of the share capital of DiGi pursuant to Section 64 of the Act; and
- (ii) Proposed amendments to the Memorandum and Articles of Association of DiGi to facilitate the implementation of the Proposed Capital Repayment.

**The purpose of this Circular is to provide you with detailed information on the Proposals, to set out your Board's recommendation thereon and to seek your approval for the resolution pertaining to the Proposals to be tabled at the forthcoming EGM. The Notice of EGM for the Proposals together with the Form of Proxy are enclosed with this Circular.**

**Shareholders of DiGi are advised to read and consider carefully the contents of this Circular before voting on the resolution to give effect to the Proposals at the forthcoming EGM.**

## **2. Information on the Proposals**

### **2.1 Information on the Proposed Capital Repayment**

The Proposed Capital Repayment involves a capital repayment of RM0.75 for every DiGi Share to the Entitled Shareholders, in cash, via a reduction of the share capital of DiGi pursuant to Section 64 of the Act. Upon the completion of the Proposed Capital Repayment, the par value of the ordinary shares in the Company will be reduced from RM1.00 to RM0.25 each.

Based on the Company's issued and paid-up share capital of RM750,000,000 comprising 750,000,000 DiGi Shares as at the Latest Practicable Date, the amount to be distributed to the Entitled Shareholders will be RM562.5 million.

The Proposed Capital Repayment will be funded via internally generated funds and is expected to be completed by the second quarter of 2006.

The cash will be paid to the Entitled Shareholders and the Entitlement Date will be determined later by the DiGi Board after the necessary approvals for the Proposed Capital Repayment have been obtained.

### **2.2 Information on the Proposed Amendments**

It is proposed that amendments to the Memorandum and Articles of Association of the Company be made to reflect the change in the par value of the ordinary shares in the Company from RM1.00 to RM0.25 each pursuant to the Proposed Capital Repayment. This is to facilitate the implementation of the Proposed Capital Repayment in view of the reduction in the par value of the ordinary shares in the Company.

## **3. Rationale for the Proposals**

In recent years, DiGi Group's business performance has improved substantially whereby the Group has achieved a healthy balance sheet. The DiGi Board is of the view that an efficient capital structure must be in place to optimise shareholders' expected rates of return and the overall market value of the Company.

Therefore, as an integral part of DiGi's proactive capital management initiative to achieve an efficient capital structure to increase the Company's value and consequently, shareholders' value, DiGi is proposing to implement the Proposed Capital Repayment.

Since its listing on the Main Board of Bursa Securities on 18 December 1997, DiGi has yet to declare dividends to its shareholders. As such, the Proposed Capital Repayment represents the Company's initiative to reward its shareholders for their continuous support of the Company. The quantum of the Proposed Capital Repayment has also taken into account the long-term dividend policy of DiGi and the implementation of the Proposed Capital Repayment is not expected to have an impact on the said policy.

The financial position of the Group is expected to remain robust notwithstanding the Proposed Capital Repayment in view of the income stream to be generated by the DiGi Group which is expected to be buoyed by the continuing growth of the telecommunications industry in Malaysia and the brand recognition awareness that DiGi has established in the local market.

Further, DiGi Telecommunications Sdn Bhd, a wholly-owned subsidiary of the Company, has proposed to issue Commercial Papers and Medium Term Notes with an aggregate nominal value of up to RM700 million, an exercise which has received the approval from the SC on 29 November 2005. The availability of such facilities is expected to accord further financial flexibility to the Group. Accordingly, the DiGi Board is of the view that the Company is in a position to return part of the shareholders' investment in DiGi, having taken into consideration the future operating requirements and the future financial obligations of the DiGi Group.

The Proposed Amendments are relevant so as to reflect the new par value of the ordinary shares in DiGi upon the implementation of the Proposed Capital Repayment.

#### 4. Effects of the Proposals

The effects of the Proposals are set out below:

##### (i) Share Capital

The proforma effects of the Proposals on the share capital of DiGi are set out below:

	<b>No. of DiGi Shares '000</b>	<b>Par value RM</b>	<b>Nominal value of DiGi Shares RM '000</b>
Share capital as at the Latest Practicable Date	750,000	1.00	750,000
Reduction pursuant to the Proposals	-	0.75	562,500
Share capital after the Proposals	<u>750,000</u>	<u>0.25</u>	<u>187,500</u>

(ii) **NTA and Gearing**

The proforma effects of the Proposals on the NTA and gearing of the DiGi Group based on the audited consolidated balance sheet of DiGi as at 31 December 2004 are set out below:

	<b>As at 31 December 2004</b>	<b>After the Proposals</b>
	<b>RM '000</b>	<b>RM '000</b>
Share capital	750,000	187,500
Reserves	1,027,193	1,027,193
Shareholders' funds	<u>1,777,193</u>	<u>1,214,693</u>
Less: Intangible assets	(39,081)	(39,081)
Deferred expenditure	(15,213)	(15,213)
NTA	<u><u>1,722,899</u></u>	<u><u>1,160,399</u></u>
No. of shares ('000)	750,000	750,000 ^
NTA per share (RM)	2.30	1.55
Borrowings	679,854	679,854
Gearing ratio (times) *	0.38	0.56

**Notes:**           ^   Par value of RM0.25 each  
                      \*   Interest-bearing borrowings over shareholders' funds

The proforma effects of the Proposals on the NTA and gearing of the DiGi Group based on the unaudited nine (9) months consolidated financial results of DiGi for the period ended 30 September 2005 are set out below:

	<b>As at 30 September 2005</b>	<b>After the Proposals</b>
	<b>RM '000</b>	<b>RM '000</b>
Share capital	750,000	187,500
Reserves	1,341,540	1,341,540
Shareholders' funds	<u>2,091,540</u>	<u>1,529,040</u>
Less: Intangible assets	(36,126)	(36,126)
Deferred expenditure	(542)	(542)
NTA	<u><u>2,054,872</u></u>	<u><u>1,492,372</u></u>
No. of shares ('000)	750,000	750,000 ^
NTA per share (RM)	2.74	1.99
Borrowings	300,000	300,000
Gearing ratio (times) *	0.14	0.20

**Notes:**           ^   Par value of RM0.25 each  
                      \*   Interest-bearing borrowings over shareholders' funds



**(iii) Earnings**

The Proposals are expected to be completed by the second quarter of 2006. The Proposals will not have any material effect on the earnings of DiGi Group for the financial years ending 31 December 2005 and 2006.

**(iv) Major Shareholding Structure**

The Proposals will not have any effect on the shareholdings of the major shareholders of DiGi as the reduction of DiGi's share capital will be effected via a proportionate reduction of the par value of all ordinary shares of DiGi from RM1.00 to RM0.25 each.

**(v) Dividends**

The Proposals are not expected to have any adverse effect on the long-term dividend policy of the Company.

**(vi) ROE**

The Proposals are expected to have a positive impact on the ROE of the DiGi Group. Based on the audited consolidated balance sheet of DiGi as at 31 December 2004, the proforma effects of the Proposals on the ROE of the DiGi Group are set out below:

	<b>Financial year ended 31 December 2004 RM '000</b>	<b>After the Proposals RM '000</b>
Consolidated profit after tax of the DiGi Group for the financial year ended 31 December 2004	317,355	317,355
Shareholders' funds	1,777,193	1,214,693
ROE (%)	17.86	26.13

Based on the unaudited nine (9) months consolidated financial results of DiGi for the period ended 30 September 2005, the proforma effects of the Proposals on the ROE of the DiGi Group are set out below:

	<b>Nine (9) months results ended 30 September 2005 RM '000</b>	<b>After the Proposals RM '000</b>
Consolidated profit after tax of the DiGi Group for the period ended 30 September 2005	314,347	314,347
Shareholders' funds	2,091,540	1,529,040
ROE (%) *	15.03	20.56

**Note:** \* ROE is calculated based on nine (9) months consolidated financial results and has not been annualised

## **5. Approvals Required**

The Proposals are conditional upon the following being obtained:

- (i) the approval of the shareholders of DiGi at an EGM to be convened;
- (ii) the order of the High Court of Malaya confirming the Proposed Capital Repayment pursuant to Section 64 of the Act; and
- (iii) the approval/consent of any other relevant authorities and/or parties, if required.

## **6. Directors' and Major Shareholders' Interests**

As at the Latest Practicable Date, none of the Directors or major shareholders of the Company and/or persons connected to them as defined in the Listing Requirements has any other interests, direct or indirect, in the Proposals, save for their respective entitlements as shareholders pursuant to the Proposed Capital Repayment, which is on the same basis as that of the other Entitled Shareholders.

## **7. Directors' Recommendation**

The DiGi Board is of the view that the Proposals are in the best interests of the Company and its shareholders. Therefore, the Board recommends that you vote in favour of the resolution pertaining to the Proposals at the forthcoming EGM.

## **8. EGM**

The EGM of the Company pertaining to the Proposals, the Notice of which is enclosed with this Circular, will be held at Emerald Room, Level 1, Mandarin Oriental Kuala Lumpur, Kuala Lumpur City Centre, 50088 Kuala Lumpur, on Tuesday, 24 January 2006, at 2.30 p.m., for the purpose of considering and, if thought fit, passing the resolution pertaining to the Proposals.

If you are unable to attend or vote in person at the EGM, you may appoint a proxy by executing the enclosed Form of Proxy in accordance with the instruction printed thereon as soon as possible to be deposited at the Company's Registered Office at Level 7, Setia 1, 15 Lorong Dungun, Damansara Heights, 50490 Kuala Lumpur, Malaysia, at least forty-eight (48) hours before the time appointed for holding the EGM or any adjournment thereof. The lodgement of the Form of Proxy does not preclude you from attending and voting in person at the EGM should you subsequently wish to do so.

## **9. Further Information**

We advise all shareholders to refer to the accompanying appendix for further information.

Yours faithfully  
For and on behalf of the Board  
**DiGi.COM BERHAD**

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

## Further Information

### 1. Responsibility Statement

The Board has seen and approved this Circular and the members of the Board, collectively and individually, accept full responsibility for the accuracy of the information given and confirm that, after making all reasonable enquiries and to the best of their knowledge and belief, there are no other facts the omission of which would make any statement in this Circular false or misleading.

### 2. Consent

SIBB has given and has not subsequently withdrawn its written consent to the inclusion of its name in the form and context in which it appears in this Circular.

### 3. Material Contracts

The DiGi Group has not entered into any material contracts (not being contracts entered into in the ordinary course of DiGi Group's business) within two (2) years immediately preceding the date of this Circular.

### 4. Material Litigation

The DiGi Group is not engaged in any material litigation, claims or arbitration, either as plaintiff or defendant, which has a material effect on the financial position of the DiGi Group and the Directors of DiGi are not aware of any proceedings pending or threatened or of any facts likely to give rise to any proceedings which may materially and adversely affect the financial position or business of the DiGi Group.

### 5. Other Corporate Exercise

Save as disclosed below, there is no other corporate exercise or scheme announced but not completed prior to the Latest Practicable Date.

On 26 October 2005, Commerce International Merchant Bankers Berhad (CIMB) had, on behalf of DiGi Board announced that DiGi Telecommunications Sdn Bhd (DiGiTel), a wholly-owned subsidiary of DiGi has proposed to issue Commercial Papers and Medium Term Notes with an aggregate nominal value of up to RM700,000,000 (Proposed Issue).

The Proposed Issue is intended to provide DiGiTel with an alternative source of financing which will enable DiGiTel to effectively plan and manage its funding costs and requirements. The proceeds of the Proposed Issue shall be utilised to finance the capital expenditure and for the working capital requirements of DiGiTel.

The Proposed Issue was approved by the SC on 29 November 2005 subject to the conditions imposed by the SC.

**6. Documents Available for Inspection**

Copies of the following documents are made available for inspection between 9.00 a.m. and 5.00 p.m. from Monday to Friday (except on public holidays) at the Registered Office of the Company at Level 7, Setia 1, 15 Lorong Dungun, Damansara Heights, 50490 Kuala Lumpur, Malaysia from the date of this Circular up to and including the date of the EGM:

- (i) Memorandum and Articles of Association of DiGi;
- (ii) Audited consolidated financial statements of DiGi for the two (2) financial years ended 31 December 2003 and 2004 and the unaudited quarterly consolidated financial results for the nine (9) months period ended 30 September 2005; and
- (iii) Letter of consent referred to in Section 2 above.

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## **DiGi.COM BERHAD**

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

### **NOTICE OF EXTRAORDINARY GENERAL MEETING**

**NOTICE IS HEREBY GIVEN** that an Extraordinary General Meeting (EGM) of DiGi.Com Berhad (the Company) will be held at Emerald Room, Level 1, Mandarin Oriental Kuala Lumpur, Kuala Lumpur City Centre, 50088 Kuala Lumpur on Tuesday, 24 January 2006, at 2.30 p.m., for the purpose of considering and, if thought fit, passing the following special resolution:

#### **SPECIAL RESOLUTION – PROPOSALS**

**PROPOSED CAPITAL REPAYMENT OF RM0.75 PER ORDINARY SHARE OF RM1.00 EACH IN THE COMPANY TO THE SHAREHOLDERS OF THE COMPANY VIA A REDUCTION OF THE SHARE CAPITAL OF THE COMPANY PURSUANT TO SECTION 64 OF THE COMPANIES ACT, 1965 (PROPOSED CAPITAL REPAYMENT)**

**PROPOSED AMENDMENTS TO THE MEMORANDUM AND ARTICLES OF ASSOCIATION OF THE COMPANY (PROPOSED AMENDMENTS)**

**THAT** subject to the confirmation by the High Court of Malaya pursuant to Section 64 of the Companies Act, 1965 and the approvals of all relevant authorities and/or relevant parties being obtained, approval be and is hereby given for the Company to reduce its issued and paid-up share capital by reducing the par value of every issued and paid-up ordinary share from RM1.00 each to RM0.25 each and for a cash repayment of RM0.75 (for every ordinary share of RM1.00 each held) to be made to all entitled shareholders whose names appear on the Record of Depositors of the Company at the Entitlement Date (being a date to be determined and announced later by the Board of Directors of the Company);

**THAT** approval be and is hereby given for Clause 5 of the Company's Memorandum of Association and Article 3 of its Articles of Association to be respectively amended to the following upon the Proposed Capital Repayment taking effect:

(i) Clause 5

The capital of the Company is Ringgit Malaysia One Billion (RM1,000,000,000/=) only divided into 4,000,000,000 shares of RM0.25 each. The shares in the original or any increased capital may be divided into several classes and there may be attached thereto respectively any preferential, deferred or other special rights, privileges, conditions or restrictions as to dividends, capital, voting or otherwise;

(ii) Article 3

The capital of the Company is RM1,000,000,000/= divided into 4,000,000,000 shares of RM0.25 each;

The Proposed Capital Repayment and the Proposed Amendments are collectively referred to as the Proposals.

**AND THAT** the Board of Directors of the Company be and are hereby authorised to do all such deeds, acts and things and execute, sign and deliver all documents, and to take all such steps for and on behalf of the Company as they may consider necessary or expedient or relevant to give effect to, and implement the Proposals with full power to assent to any conditions, modifications, variations and/or amendments as may be imposed or permitted by the relevant authorities.

By Order of the Board

Tai Yit Chan (MAICSA 7009143)  
Liew Irene (MAICSA 7022609)  
Company Secretaries

Kuala Lumpur  
15 December 2005

**Notes:**

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



**DiGi.COM BERHAD**

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

**FORM OF PROXY**

<b>No. of shares held</b>

I/We.....(NRIC No.).....  
of.....  
.....  
a member/members of DiGi.Com Berhad, hereby appoint.....  
.....(NRIC No.).....  
of.....  
.....  
or failing him/her.....  
.....(NRIC No.).....  
of.....  
.....

or failing him/her, **THE CHAIRMAN OF THE MEETING** as my/our proxy to vote for me/us on my/our behalf at the Extraordinary General Meeting pertaining to the Proposals to be tabled at the forthcoming EGM to be convened at Emerald Room, Level 1, Mandarin Oriental Kuala Lumpur, Kuala Lumpur City Centre, 50088 Kuala Lumpur on Tuesday, 24 January 2006 at 2.30 p.m. or at any adjournment thereof.

My/Our proxy is to vote either on a show of hands or on a poll as indicated below with an "X". In the absence of specific directions, my/our proxy will vote or abstain at his/her discretion.

	<b>FOR</b>	<b>AGAINST</b>
SPECIAL RESOLUTION – PROPOSALS		

Dated this..... day of .....2005 / 2006

.....  
Signature/Common Seal

**Notes:**

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