

**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.**

**If you are in any doubt as to the course of action you should take, you should consult your stockbroker, bank manager, solicitor, accountant or other professional adviser immediately.**

Bursa Malaysia Securities Berhad takes no responsibility for the contents of this circular, makes no representation that this circular is accurate or complete, and expressly disclaims any liability for any loss arising from, or due to your reliance on, the whole or any part of the contents of this circular.



**AXIATA GROUP BERHAD**  
(Company No. 199201010685 (242188-H))  
(Incorporated in Malaysia)

**CIRCULAR TO SHAREHOLDERS IN RELATION TO THE**

**PART A**

**PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY  
TRANSACTIONS OF A REVENUE OR TRADING NATURE**

**AND**

**PART B**

**PROPOSED LISTING OF ROBI AXIATA LIMITED, A 68.69%-OWNED SUBSIDIARY OF AXIATA GROUP  
BERHAD, ON THE DHAKA STOCK EXCHANGE LIMITED AND THE CHITTAGONG STOCK EXCHANGE  
LIMITED IN BANGLADESH**

*Principal Adviser for Part B*



**CIMB Investment Bank Berhad**  
(Registration No. 197401001266 (18417-M))

The ordinary resolutions for the Proposed Renewal of Shareholders' Mandate and Proposed Listing (as defined herein) will be tabled at the Twenty-Eighth Annual General Meeting ("**28th AGM**") of Axiata Group Berhad ("**Axiata**"). This Circular is available at <https://www.axiata.com/investors/agm/> together with, amongst others, the Notice of the 28th AGM, Proxy Form and the Administrative Notes of Axiata. The date, time and the broadcast venue of the AGM are as follows:

Date and time of the 28th AGM	:	Wednesday, 29 July 2020 at 10.00 a.m. or at any adjournment thereof.
Broadcast Venue of the 28th AGM	:	Auditorium, Level 32, Axiata Tower, 9 Jalan Stesen Sentral 5, Kuala Lumpur Sentral, 50470 Kuala Lumpur, Malaysia

The Proxy Form for the 28th AGM should be completed and deposited at the office of Axiata's share registrar, Tricor Investor & Issuing House Services Sdn Bhd (197101000970 (11324-H)) ("**Tricor**") at Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia or at its Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia. As the voting at the 28th AGM will be conducted on a poll, the Proxy Form must be lodged on or before the following time and date:

Last day and time for deposit of Proxy Form	:	Tuesday, 28 July 2020 at 10.00 a.m.
---	---	-------------------------------------

The proxy appointment may also be lodged electronically via Tricor's TIH Online website at <https://tiah.online> no later than 28 July 2020 at 10.00 a.m. For further information on the electronic lodgment of Proxy Form, kindly refer to the Administrative Notes.

This Circular is dated 30 June 2020

## DEFINITIONS

---

In this Circular, the following words and expressions shall bear the following meanings respectively, unless the context otherwise requires:

“Act”	:	Companies Act, 2016, as amended from time to time and includes any re-enactment thereof
“AGM”	:	Annual general meeting of the Company
“Announcement”	:	Announcement made by Axiata to Bursa Securities on 21 February 2020 on the Proposed Listing
“Axiata” or “Company”	:	Axiata Group Berhad
“Axiata Group” or “Group”	:	Axiata and its subsidiaries, collectively
“BDT”	:	Bangladeshi Taka
“Bharti”	:	Bharti International (Singapore) Pte. Limited
“Board”	:	The Board of Directors of Axiata for the time being
“Board Audit Committee”	:	The audit committee of the Board, as detailed in Section 2.6 of Part A of this Circular
“Bursa Securities”	:	Bursa Malaysia Securities Berhad
“BSEC”	:	Bangladesh Securities and Exchange Commission
“BTRC”	:	Bangladesh Telecommunication Regulatory Commission
“BTS”	:	Base transceiver station
“CIMB”	:	CIMB Investment Bank Berhad
“Connected Person” or “Person Connected”	:	<p>In relation to any person (referred to as “<b>said Person</b>”) means such person who falls under any one of the following categories:</p> <ul style="list-style-type: none"><li>(a) a family member of the said Person;</li><li>(b) a trustee of a trust (other than a trustee for a share scheme for employees or pension scheme) under which the said Person, or a family member of the said Person, is the sole beneficiary;</li><li>(c) a partner of the said Person;</li><li>(d) a person, or where the person is a body corporate, the body corporate or its directors, who is/are accustomed or under an obligation, whether formal or informal, to act in accordance with the directions, instructions or wishes of the said Person;</li><li>(e) a person, or where the person is a body corporate, the body corporate or its directors, in accordance with whose directions, instructions or wishes the said Person is accustomed or is under an obligation, whether formal or informal, to act;</li></ul>

## DEFINITIONS (cont'd)

---

	(f)	a body corporate in which the said Person, or Persons Connected with the said Person are entitled to exercise, or control the exercise of, not less than twenty percent (20%) of the votes attached to voting shares in the body corporate; or
	(g)	a body corporate which is a related corporation of the said Person
"Director"	:	A director within the meaning given in section 2(1) of the Capital Markets and Services Act, 2007 (as amended from time to time and includes any re-enactment thereof), and for the purposes of the Proposed Renewal of Shareholders' Mandate, Proposed IPO and Proposed Listing, and in respect of any particular transaction, includes any person who is or was, within the six-month period preceding the date on which the terms of the transactions were agreed upon:  (a) a director of our Company or our subsidiary or holding company; or  (b) a chief executive officer of our Company or our subsidiary or holding company,  and "Directors" shall be construed accordingly
"edotco"	:	edotco Group Sdn Bhd
"edotco Group"	:	edotco and its subsidiaries, collectively
"Eligible Robi Persons"	:	Eligible director and employees of Robi under the ESPP
"EPS"	:	Earnings per share
"ESPP"	:	Employee Share Purchase Plan
"ESPP Shares"	:	136,050,934 new Robi Shares at an offer price of BDT10 per Robi share amounting to BDT1,360,509,340, representing 2.6% of the enlarged issued and paid-up share capital of Robi, to Eligible Robi Persons under the ESPP
"FPE"	:	Financial period ended
"FYE"	:	Financial year ended or where the context requires, financial year ending
"GPRS"	:	General Packet Radio Service
"IDR"	:	Indonesian Rupiah
"Integrated Annual Report"	:	The integrated annual report of the Company
"Khazanah"	:	Khazanah Nasional Berhad, a Major Shareholder of Axiata
"Listing Requirements"	:	Main Market Listing Requirements of Bursa Securities, as amended from time to time and shall include any Practice Notes issued in relation thereto
"LKR"	:	Sri Lankan Rupee

## DEFINITIONS (cont'd)

---

“LOA”	:	Limits of authority, as described in Section 2.6 of Part A of this Circular
“LPD”	:	1 June 2020, being the latest practicable date prior to the printing of this Circular
“Major Shareholder”	:	<p>A person who has an interest or interests in one or more voting shares in a corporation and the number or the aggregate number of those shares, is:</p> <p>(i) ten percent (10%) or more of the total number of voting shares in the corporation; or</p> <p>(ii) five percent (5%) or more of the total number of voting shares in the corporation where such person is the largest shareholder of the corporation,</p> <p>and for the purposes of the Proposed Renewal of Shareholders’ Mandate, Proposed IPO and Proposed Listing, and in respect of any particular transaction, includes any person who is or was, within the six-month period preceding the date on which the terms of that transaction were agreed upon, a Major Shareholder of Axiata or its subsidiary or holding company. For the purposes hereof, an interest in a share shall be determined by reference to section 8 of the Act. “Major Shareholders” shall be construed accordingly</p>
“NA”	:	Net assets
“NPR”	:	Nepalese Rupee
“NTT Docomo”	:	NTT Docomo, Inc.
“PAT”	:	Profit after tax
“PBT”	:	Profit before tax
“PN 12”	:	Practice Note 12 of the Listing Requirements
“Proposed ESPP”	:	Proposed offering by Robi of the ESPP Shares to the Eligible Robi Persons under the ESPP
“Proposed Initial Public Offering” or “Proposed IPO”	:	Collectively, the Proposed Public Offer and Proposed ESPP
“Proposed Listing”	:	Proposed listing of and quotation for the entire enlarged issued and paid-up share capital of Robi on the Dhaka Stock Exchange Limited and the Chittagong Stock Exchange Limited in Bangladesh
“Proposed Public Offer”	:	Proposed offering by Robi of the Public Shares to the public retail and institutional investors in Bangladesh
“Proposed Renewal of Shareholders’ Mandate”	:	Proposed renewal of shareholders’ mandate for RRPTs to be entered into by the Axiata Group as described in Section 1 of Appendix 1 of this Circular
“Public Shares”	:	387,742,400 new Robi Shares at an offer price of BDT10 per Robi share amounting to BDT3,877,424,000, representing 7.4% of the enlarged issued and paid-up share capital of Robi,

## DEFINITIONS *(cont'd)*

---

		offered to the public retail and institutional investors in Bangladesh in relation to the Proposed Public Offer
"Related Party"	:	A Director, Major Shareholder, or Person Connected with such Director or Major Shareholder, and "Related Parties" shall be construed accordingly
"Related Party Transaction"	:	A transaction entered into by Axiata or a subsidiary of Axiata which involves the interest, direct or indirect, of a Related Party
"RM" and "sen"	:	Ringgit Malaysia and sen, respectively
"Robi"	:	Robi Axiata Limited
"Robi Group"	:	Robi and its subsidiary, collectively
"Robi Shares"	:	Ordinary shares in Robi
"RRPT"	:	A Related Party Transaction which is recurrent, of a revenue or trading nature, and which is necessary for the day-to-day operations of the Axiata Group, and "RRPTs" shall be construed accordingly
"TM"	:	Telekom Malaysia Berhad
"TM Group"	:	TM and its subsidiaries, collectively
"USD"	:	United States Dollar

All references in this Circular to "we", "us", "our" and "ourselves" are to Axiata and, where the context requires, to Axiata and its subsidiaries collectively. All references to "you" in this Circular are to the shareholders of Axiata.

In this Circular, words importing the singular shall, where applicable, include the plural and vice versa and words importing any gender shall, where applicable, include all genders.

In this Circular, all references to a person shall include a reference to corporations.

All references to time in this Circular are references to Malaysian time, unless otherwise stated. Unless otherwise expressly provided herein, references in this Circular to Sections and Appendices are to the relevant sections and appendices of and to this Circular.

Any discrepancy in the tables between the amounts listed and the totals in this Circular are due to rounding.

Certain statements in this Circular may be forward-looking in nature, which are subject to uncertainties and contingencies. Forward-looking statements may contain estimates and assumptions made by the Board after due inquiry, which are nevertheless subject to known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements to differ materially from the anticipated results, performance or achievements expressed or implied in such forward-looking statements. In light of these and other uncertainties, the inclusion of a forward-looking statement in this Circular should not be regarded as a representation or warranty that the Group's plans and objectives will be achieved.

Unless otherwise stated, the exchange rate used in this Circular for illustrative purposes is BDT100: RM5.0765, derived from exchange rate based on the Central Bank of Bangladesh and Bank Negara Malaysia middle rate as of 1 June 2020, being the LPD.

Any exchange rate translations in this Circular are provided solely for convenience of readers and should not be constituted as representative that the translated amounts stated in this Circular could have been or would have been converted into such other amounts or vice versa.

## TABLE OF CONTENTS

---

	<b>Page</b>
<b><u>DEFINITIONS</u></b>	i
 <b><u>PART A</u></b>	
1. INTRODUCTION	1
2. DETAILS OF THE PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE	2
3. EFFECTS OF THE PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE	7
4. APPROVALS REQUIRED	7
5. DIRECTORS' STATEMENT	7
6. AGM	7
7. FURTHER INFORMATION	8
 <b><u>PART B</u></b>	
1. INTRODUCTION	9
2. DETAILS OF THE PROPOSED IPO AND PROPOSED LISTING	10
3. PROPOSED UTILISATION OF PROCEEDS	11
4. RATIONALE FOR AND BENEFITS OF THE PROPOSED IPO AND PROPOSED LISTING	12
5. RISK FACTORS	13
6. EFFECTS OF THE PROPOSED IPO AND PROPOSED LISTING	14
7. APPROVALS REQUIRED	15
8. INTER-CONDITIONALITY OF THE PROPOSED IPO AND PROPOSED LISTING	15
9. CORPORATE PROPOSALS ANNOUNCED BUT NOT YET COMPLETED	16
10. INTERESTS OF DIRECTORS, MAJOR SHAREHOLDERS AND PERSONS CONNECTED TO THEM	16
11. HIGHEST PERCENTAGE RATIO	16
12. DIRECTORS' STATEMENT	16
13. TENTATIVE TIMETABLE FOR IMPLEMENTATION	16
14. AGM	17
15. FURTHER INFORMATION	17
 <b><u>APPENDIX</u></b>	
I DETAILS OF RRPTS TO BE ENTERED INTO WITH OUR RELATED PARTIES	18
II INFORMATION ON ROBI	24
III AUDITED FINANCIAL STATEMENTS OF ROBI FOR THE FYE 31 DECEMBER 2019	31
IV FURTHER INFORMATION	82

**PART A**

**PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY  
TRANSACTIONS OF A REVENUE OR TRADING NATURE**



**AXIATA GROUP BERHAD**  
(Company No. 199201010685 (242188-H))  
(Incorporated in Malaysia)

**Registered office:**

Level 5, Corporate Headquarters,  
Axiata Tower,  
9, Jalan Stesen Sentral 5,  
Kuala Lumpur Sentral,  
50470 Kuala Lumpur,  
Malaysia.

30 June 2020

**Board of Directors**

Tan Sri Ghazzali Sheikh Abdul Khalid (*Chairman, Non-Independent Non-Executive Director*)  
Tan Sri Jamaludin Ibrahim (*Managing Director/President & Group Chief Executive Officer*)  
Dato' Mohd Izzaddin Idris (*Executive Director/ Deputy Group Chief Executive Officer*)  
David Lau Nai Pek (*Senior Independent Non-Executive Director*)  
Dato Dr Nik Ramlah Nik Mahmood (*Independent Non-Executive Director*)  
Dr David Robert Dean (*Independent Non-Executive Director*)  
Khoo Gaik Bee (*Independent Non-Executive Director*)  
Thayaparan S Sangarapillai (*Independent Non-Executive Director*)  
Tengku Dato' Sri Azmil Zahrudin Raja Abdul Aziz (*Non-Independent Non-Executive Director*)  
Ong King How (*Alternate Director to Tengku Dato' Sri Azmil Zahrudin Raja Abdul Aziz*)

**To: Our Shareholders**

Dear Sir/Madam,

**Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature**

---

**1. INTRODUCTION**

At the last AGM held on 29 May 2019, we had obtained a mandate from our shareholders for us to enter into RRPTs with our Related Parties as set out in the circular to shareholders dated 30 April 2019. This shareholders' mandate has, in accordance with the provisions of the Listing Requirements, lapsed on 30 June 2020, being the expiry of the period within which the 28th AGM should have been convened. In this respect, we are now seeking for a ratification and approval from our shareholders for RRPTs with our Related Parties for the period from 30 June 2020 until 29 July 2020 (both dates inclusive), as well as to procure a mandate from you for us to enter into RRPTs with our Related Parties after 29 July 2020. Our Board had, on 20 February 2020, announced that we will be seeking your approval for the Proposed Renewal of Shareholders' Mandate, at the forthcoming 28th AGM.

The purpose of Part A of this Circular is to provide you with the relevant information on the Proposed Renewal of Shareholders' Mandate and in relation thereto, to seek your approval for Ordinary Resolution 7 which is to be tabled as special business at the forthcoming 28th AGM. This Circular is available at <https://www.axiata.com/investors/agm/> together with, amongst others, the Notice of the 28th AGM, Proxy Form and the Administrative Notes of Axiata.

**Please read and consider carefully the contents of this Circular before voting on the resolution pertaining to the Proposed Renewal of Shareholders' Mandate.**



## 2. DETAILS OF THE PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE

### 2.1 Provisions Of The Listing Requirements

- (a) Paragraph 10.09(1), Part E, Chapter 10 of the Listing Requirements provides, among others, that a listed issuer must immediately announce an RRPT in relation to a listed issuer with an issued and paid-up capital of RM60.0 million and above:
- (i) the consideration, value of the assets, capital outlay or cost of the RRPT is RM1.0 million or more; or
  - (ii) the percentage ratio of such RRPT is one percent or more,
- whichever is the higher.
- (b) Under paragraph 10.09(2) of the Listing Requirements, a listed issuer may seek a mandate from its shareholders for RRPTs subject to the following:
- (i) the transactions are in the ordinary course of business and are on terms not more favourable to the Related Party than those generally available to the public;
  - (ii) the shareholders' mandate is subject to annual renewal and disclosure is made in the annual report of the aggregate value of transactions conducted pursuant to the shareholders' mandate during the financial year where the aggregate value is equal to or more than the threshold prescribed under paragraph 10.09(1) of the Listing Requirements;
  - (iii) the listed issuer's circular to shareholders for the shareholders' mandate includes such information as may be prescribed by the Bursa Securities;
  - (iv) in a meeting to obtain the shareholders' mandate:
    - (I) a Related Party with any interest, direct or indirect, in an RRPT that is subject to such mandate ("**Interested Related Party**") must not vote on the resolution to approve the shareholders' mandate and the RRPT;
    - (II) an Interested Related Party who is a Director or Major Shareholder must ensure that Persons Connected with it abstain from voting on the resolution to approve the shareholders' mandate and the RRPT; and
    - (III) where the Interested Related Party is a Person Connected with a Director or Major Shareholder, such person must not vote on the resolution to approve the shareholders' mandate and the RRPT; and
  - (v) the listed issuer must immediately announce to the Bursa Securities when the actual value of an RRPT entered into by the listed issuer exceeds the estimated value of the RRPT as disclosed in this Circular by ten percent (10%) or more and must include such information as may be prescribed by the Bursa Securities in its announcement.
- (c) In accordance with paragraph 3.1.4 of PN 12, any authority conferred by the Proposed Renewal of Shareholders' Mandate, if approved by you at the 28th AGM, is subject to annual renewal and shall only continue to be in force until:
- (i) the conclusion of our next AGM following the 28th AGM at which the Proposed Renewal of Shareholders' Mandate is passed, at which time the authority will lapse, unless the authority is renewed by a resolution passed at the next AGM;
  - (ii) the expiration of the period within which our next AGM is required to be held under section 340(2) of the Act (but must not extend to such extension as may be allowed under section 340(4) of the Act); or

(iii) revoked or varied by resolution passed by you at a general meeting,  
whichever is the earlier.

(d) Pursuant to paragraph 3.1.5 of PN 12, disclosure of the aggregate value of RRPTs conducted pursuant to the Proposed Renewal of Shareholders' Mandate will be made in our next Integrated Annual Report, together with the breakdown of the aggregate value of the RRPTs made during the financial year, based on (among other things) the following information:

(i) the type of RRPTs made; and

(ii) the names of the Related Parties involved in each type of RRPTs made and their relationship with us.

## **2.2 Our Principal Activities**

The principal activities of the Group are the provision of telecommunication services, telecommunication infrastructure and related services as well as digital services. The principal activities of the Company are investment holding and provision of technical and management services on an international scale.

## **2.3 Related Parties**

The Proposed Renewal of Shareholders' Mandate will apply to the following classes of Related Parties:

(a) our Major Shareholders and Connected Persons of our Major Shareholders; and

(b) our Directors and Connected Persons of our Directors.

## **2.4 RRPTs**

The details of the RRPTs under the Proposed Renewal of Shareholders' Mandate are described in Appendix I of this Circular.

*(The rest of this page has been intentionally left blank)*

## 2.5 Details Of Overdue Trade Receivables

The details of our Group's trade receivables pursuant to RRPTs which exceeded the credit term for the following periods as at 31 May 2020 are as follows:

Amount in RM('000)	Aging of the Outstanding Amount			
	< 1 year	1 < 3 years	3 < 5 years	> 5 years
<b><u>Nature of RRPT</u></b>				
Interconnect payment from TM Group	3,062	257	0	0
Leased-line payment from TM Group	35	0	0	0
Transmission revenue on the services by Axiata Group to TM Group	626	0	0	0
Domestic roaming revenue and Provision of 4G Multi-Operator Core Network ("MOCN") by Celcom Group to TM Group	29,897	132,201	5,042	0
Site rental payable for telecommunication infrastructure, equipment and related charges by Axiata Group to TM Group	36,109	0	0	0
Field Line Maintenance ("FLM") services by Axiata Group to edotco Group	0	12,271	0	0
Corrective maintenance and other service charges payment from edotco Group	560	5,231	0	0
Technical and management services fees and other services charges by Axiata Group to edotco Group	2,035	5,938	0	0
Infrastructure leasing and related services including managed and field line maintenance services by edotco Group to Axiata Group	327,298	12,612	0	0
<b>GRAND TOTAL</b>	<b>399,622</b>	<b>168,510</b>	<b>5,042</b>	<b>0</b>

There are no late payment charges on the overdue trade receivables as our Group has decided not to impose any late payment charges. The management of our Company has and will continue to meet and discuss with the relevant Related Parties to pursue for early settlement of the outstanding amounts due. Our Board Audit Committee and our Board have reviewed the outstanding amounts, and are of the opinion that the outstanding amounts were part of normal business operations of our Group and are recoverable. In addition, our management is of the view that the Related Parties are long term business counter-parties and have sound credit standing.

## 2.6 Review Procedures For The RRPTs

To ensure that the RRPTs are undertaken on an arm's length basis, are on terms not more favourable to the Related Parties than those generally available to the public, and are not to the detriment of our minority shareholders, our Board Audit Committee has been tasked with the review and approval of such transactions.

Our Board Audit Committee currently comprises of David Lau Nai Pek as Chairman and Dr. David Robert Dean and Thayaparan S Sangarapillai as members.

We have established the following procedures and guidelines for the review and approval of RRPTs:

- (a) A list of Related Parties is established and made available to the chief financial officers or heads of the financial divisions (as the case may be) of each operating unit and subsidiary in our Group, who shall monitor and ensure that all RRPTs to be entered into by us or our subsidiary are required to be undertaken on an arm's length basis, on terms which are not more favourable to the Related Parties than those generally available to the public, and which are not to the detriment of our minority shareholders;
- (b) Our operating units and our subsidiaries are made aware of the requirement to monitor, and shall put in place processes or systems to record and report on all RRPTs for compilation and reporting to our Group's finance division;
- (c) Our operating units and subsidiaries must ensure that proper records and supporting documents of the RRPTs are maintained so that all RRPTs entered into pursuant to the Proposed Renewal of Shareholders' Mandate will be adequately disclosed;
- (d) The processes and procedures are in place to ensure RRPTs are entered into after taking into account the pricing and contract rates, terms and conditions, level of service and expertise required, and the quality of products and services provided, as compared to the prevailing market prices and rates, industry norms and standards, as well as the general practices, adopted by the service providers of similar capacities and capabilities generally available in the open market;
- (e) Our internal audit plan would incorporate a periodic review of all RRPTs entered into or to be entered into under the Proposed Renewal of Shareholders' Mandate, to ensure that all the relevant approvals for the RRPTs have been obtained, or that they are duly ratified, and the review procedures in respect of such transactions are adhered to. The audit findings will be provided to the Board Audit Committee for review;
- (f) All RRPTs are presented at our Board Audit Committee meetings. Our Board Audit Committee has the right to access information concerning our Related Parties, and is entitled to the services of any independent adviser, if required, for the discharge of its duties;
- (g) Our Board and our Board Audit Committee have overall responsibility for determining whether the guidelines and procedures on the RRPTs are appropriate and sufficient. Arising from business needs, a review of the RRPT processes and procedures will be carried out by our Board through the Board Audit Committee. If, during the review, the Board and the Board Audit Committee are of the view that the RRPT processes and procedures are:
  - (i) no longer valid; or
  - (ii) insufficient to ensure that the RRPTs are made on an arm's length basis or on terms not more favourable to the Related Parties than those generally available to the public and not to the detriment of our minority shareholders;

then, they shall have the discretion to change, vary, modify existing guidelines and procedures, or implement new or additional guidelines and procedures, provided that such amended, varied, modified, new or additional guidelines and procedures are no less stringent than the existing guidelines and procedures; and

- (h) Where any of our Board or our Board Audit Committee members has an interest (direct or indirect) in an RRPT, he must declare his interest in the RRPT and abstain from participating in the decision of the Board or the Board Audit Committee on the said RRPT.

All transactions (including RRPTs) are subject to approvals based on our Group's LOA. Our LOA, which have been duly approved by the respective boards of directors of our Group, contain the prescribed approval limits (including thresholds for board of directors' approvals) determined based on grounds of practicality from the business and operational viewpoint unique to our Group. The threshold for the utilisation of the approved mandate is also subject to our LOA prior to the award of contracts in relation to the transactions contemplated under the Proposed Renewal of Shareholders' Mandate.

Under normal circumstances, procurement is conducted in line with guidelines set by our Group's procurement division, which would require comparisons of at least three quotations for the same, or substantially similar types of, products, services, and the same (or substantially similar) quantity of products or services, from unrelated third parties. However, given the nature and type of transactions that we enter into, in a number of occasions, it is not possible to find at least two other contemporaneous transactions with unrelated third parties for similar products, services or quantities thereof which can be used as comparison to determine whether the prices and terms offered to or by our Company by or to our Related Parties, as the case may be, are fair and reasonable and comparable to those offered to or by other unrelated third parties.

In these instances, prices are determined based on market knowledge and on normal commercial terms in accordance with our Group's policies, which require (among others) that transactions with Related Parties are undertaken on an arm's length basis, are carried out on normal commercial terms and are not detrimental to our minority shareholders, Company or Group.

Besides pricing, we also have a procurement policy that priority of, and selection of, vendors and suppliers are not based on pricing alone but also on other intrinsic factors, such as quality and nature of goods or services, reliability, lead time and all other relevant business circumstances and considerations.

## **2.7 Statement by our Board Audit Committee**

Our Board Audit Committee has seen and reviewed the procedures described in Section 2.6 of Part A of this Circular and is of the opinion that these procedures are adequate and sufficient to monitor, track and identify RRPTs in a timely and orderly manner, and to ensure that RRPTs are on an arm's length basis, are on terms that are not more favourable to the Related Parties than those generally available to the public, and are not to the detriment of our minority shareholders.

## **2.8 Rationale for and benefits of the Proposed Renewal of Shareholders' Mandate**

The RRPTs that have been entered into and that will be entered into by our Group are necessary for our business and are intended to meet our business needs on the best possible terms.

We should be able to have access to all available markets, products and services provided by all vendors including Related Parties, and to provide products and services to all persons, including our Related Parties. This will enhance our ability to explore beneficial opportunities as well as to promote cross-selling which is beneficial to our Group.

The RRPTs are likely to continue in the future on a frequent and recurrent basis from time to time. In addition, these transactions may be constrained by the time-sensitive nature and confidentiality of such transactions, and it may be impractical to seek your prior approval on a case-by-case basis before entering into such transactions. The Proposed Renewal of Shareholders' Mandate will, therefore, substantially reduce the expenses relating to the convening of general meetings on an ad hoc basis and improve administrative efficiency.

The RRPTs are transactions in the ordinary course of our business, are made on an arm's length basis, are on terms not more favourable to the Related Parties than those generally available to the public and are not to the detriment of our minority shareholders.

## **2.9 Interests of Directors, Major Shareholders and Their Connected Persons**

Save for those disclosed herein, none of our Major Shareholders and their Connected Persons, and our Directors and their Connected Persons, have any interest, direct or indirect, in the Proposed Renewal of Shareholders' Mandate. Their direct and indirect shareholdings in our Company, based on the Register of Substantial Shareholders as of the LPD are as set forth:

Khazanah, being a Major Shareholder of our Company, is deemed interested in the Proposed Renewal of Shareholders' Mandate.

Our Directors, Tengku Dato' Sri Azmil Zahrudin Raja Abdul Aziz (Deputy Managing Director of Khazanah) and Ong King How (Director of Investments of Khazanah) ("**Representative Directors**"), who are full-time executives of Khazanah, are Khazanah's representatives on our Board and accordingly, have abstained and will continue to abstain from deliberating and voting on the Proposed Renewal of Shareholders' Mandate at our Company's relevant Board meetings. The Representative Directors do not have any direct or indirect interest in the Company.

Khazanah and the Representative Directors will abstain from voting in respect of their direct or indirect shareholdings in our Company (if any) on the resolution pertaining to the Proposed Renewal of Shareholders' Mandate to be tabled at our forthcoming AGM and have also undertaken to ensure that Persons Connected to them will abstain from voting in respect of their direct or indirect shareholdings in our Company (if any), deliberating or approving the resolution pertaining to the Proposed Renewal of Shareholders' Mandate to be tabled at our forthcoming AGM.

## **3. EFFECTS OF THE PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE**

The Proposed Renewal of Shareholders' Mandate is not expected to have any effect on our issued shares or the shareholdings of our substantial shareholders. However, the Renewal of Proposed Shareholders' Mandate may have a material effect on our consolidated net assets and consolidated earnings for the financial year ending 31 December 2020.

## **4. APPROVALS REQUIRED**

The Proposed Renewal of Shareholders' Mandate is subject to your approval at our forthcoming 28th AGM.

## **5. DIRECTORS' STATEMENT**

Our Board (save for Tengku Dato' Sri Azmil Zahrudin Raja Abdul Aziz and Ong King How, who have abstained from deliberation and voting in respect of the Proposed Renewal of Shareholders' Mandate), having considered all aspects of the Proposed Renewal of Shareholders' Mandate, is of the opinion that the Proposed Renewal of Shareholders' Mandate is in the best interest of our Company and recommends that you vote in favour of the ordinary resolution pertaining to the Proposed Renewal of Shareholders' Mandate at our forthcoming AGM.

## **6. AGM**

The resolution in respect of the Proposed Renewal of Shareholders' Mandate will be tabled at the forthcoming AGM. This Circular is available at <https://www.axiata.com/investors/agm/> together with, amongst others, the Notice of the 28th AGM, Proxy Form and the Administrative Notes of Axiata.

The 28th AGM will be held on Wednesday, 29 July 2020 at 10.00 a.m. or at any adjournment thereof. The broadcast venue for the AGM is at Auditorium, Level 32, Axiata Tower, 9 Jalan Stesen Sentral 5, Kuala Lumpur Sentral, 50470 Kuala Lumpur, Malaysia.

The voting of the 28th AGM will be conducted on a poll. If you are unable to attend and vote by yourself at the 28th AGM, please complete, execute and deposit the Proxy Form, in accordance with the instructions therein, to our share registrar, Tricor at Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia or at its Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia no later than Tuesday, 28 July 2020 at 10.00 a.m. The proxy appointment may also be lodged electronically via Tricor's TIIH Online website at <https://tiih.online> no later than Tuesday, 28 July 2020 at 10.00 a.m. For further information on the electronic lodgement of Proxy Form, kindly refer to the Administrative Notes.

## **7. FURTHER INFORMATION**

Please refer to the attached Appendix IV of this Circular for further information.

Yours faithfully,  
For and on behalf of the Board of  
**AXIATA GROUP BERHAD**

**Tan Sri Ghazzali Sheikh Abdul Khalid**  
**Chairman, Non-Independent Non-Executive Director**

**PART B**

**PROPOSED LISTING OF ROBI AXIATA LIMITED, A 68.69%-OWNED SUBSIDIARY OF AXIATA GROUP BERHAD, ON THE DHAKA STOCK EXCHANGE LIMITED AND THE CHITTAGONG STOCK EXCHANGE LIMITED IN BANGLADESH**





**AXIATA GROUP BERHAD**  
(Company No. 199201010685 (242188-H))  
(Incorporated in Malaysia)

**Registered office:**

Level 5, Corporate Headquarters,  
Axiata Tower,  
9, Jalan Stesen Sentral 5,  
Kuala Lumpur Sentral,  
50470 Kuala Lumpur,  
Malaysia.

30 June 2020

**Board of Directors**

Tan Sri Ghazzali Sheikh Abdul Khalid (*Chairman, Non-Independent Non-Executive Director*)  
Tan Sri Jamaludin Ibrahim (*Managing Director/President & Group Chief Executive Officer*)  
Dato' Mohd Izzaddin Idris (*Executive Director/Deputy Group Chief Executive Officer*)  
David Lau Nai Pek (*Senior Independent Non-Executive Director*)  
Dato Dr Nik Ramlah Nik Mahmood (*Independent Non-Executive Director*)  
Dr David Robert Dean (*Independent Non-Executive Director*)  
Khoo Gaik Bee (*Independent Non-Executive Director*)  
Thayaparan S Sangarapillai (*Independent Non-Executive Director*)  
Tengku Dato' Sri Azmil Zahrudin Raja Abdul Aziz (*Non-Independent Non-Executive Director*)  
Ong King How (*Alternate Director to Tengku Dato' Sri Azmil Zahrudin Raja Abdul Aziz*)

**To: Our Shareholders**

Dear Sir/Madam,

**Proposed Listing of Robi Axiata Limited, a 68.69%-owned subsidiary of Axiata, on the Dhaka Stock Exchange Limited and the Chittagong Stock Exchange Limited in Bangladesh**

---

**1. INTRODUCTION**

On 21 February 2020, CIMB, on behalf of our Board, announced that Axiata proposes to list its 68.69%-owned subsidiary, Robi, on the Dhaka Stock Exchange Limited and the Chittagong Stock Exchange Limited in Bangladesh.

Robi is a mobile telecommunication service provider in Bangladesh providing voice, data and other internet based innovative digital services. Robi also provides international roaming services through international roaming agreement with various operators of different countries across the world. Robi is the second largest mobile network operator in Bangladesh with 49.0 million subscribers as of end December 2019.

Robi had submitted the application for the Proposed IPO and Proposed Listing to the BSEC in Bangladesh on 2 March 2020. On 26 March 2020, Bangladesh had declared a nationwide lockdown to contain the spread of the global COVID-19 pandemic. Further to the nationwide lockdown, there has been no formal communication between Robi and the BSEC on the status of the application for the Proposed IPO and Proposed Listing. Notwithstanding this, Robi expects to receive the approvals on the application for the Proposed IPO and Proposed Listing from the BSEC by August 2020.

Further details on the Proposed IPO and Proposed Listing are set out in Section 2 of Part B of this Circular.

The purpose of Part B of this Circular is to provide you with details of the Proposed IPO and Proposed Listing as well as to seek your approval for Ordinary Resolution 9 pertaining to the Proposed Listing, which is to be tabled as special business at our forthcoming AGM. This Circular is available at <https://www.axiata.com/investors/agm/> together with, amongst others, the Notice of the 28th AGM, Proxy Form and the Administrative Notes of Axiata.

**Please read and consider the contents of this Circular before voting on the resolution pertaining to the Proposed Listing at our forthcoming AGM.**

## 2. DETAILS OF THE PROPOSED IPO AND PROPOSED LISTING

Robi proposes to undertake the Proposed IPO which is a proposed offering of a total of 523,793,334 Robi Shares of BDT10 each, representing 10.0% of the enlarged issued and paid-up share capital of Robi, comprising the following:

- (i) the Proposed Public Offer of 387,742,400 new Robi Shares at an offer price of BDT10 per Robi share amounting to BDT3,877,424,000, representing 7.4% of the enlarged issued and paid-up share capital of Robi; and
- (ii) the Proposed ESPP of 136,050,934 new Robi Shares at an offer price of BDT10 per Robi share amounting to BDT1,360,509,340, representing 2.6% of the enlarged issued and paid-up share capital of Robi in conjunction with the Proposed Listing.

In conjunction with the Proposed IPO, Robi proposes to seek the listing of and quotation for its entire enlarged issued share capital of BDT52,379,333,350 comprising 5,237,933,335 Robi Shares on the Dhaka Stock Exchange Limited and the Chittagong Stock Exchange Limited in Bangladesh. The primary listing of Robi will be on the Dhaka Stock Exchange Limited.

The following table sets out the shareholding of the existing shareholders of Robi after the completion of the Proposed IPO and Proposed Listing:

Shareholders	As at the LPD		After the Proposed IPO and Proposed Listing	
	No. of shares	%	No. of shares	%
Axiata <sup>(1)</sup>	3,238,305,000	68.69%	3,238,305,000	61.82%
Bharti	1,178,535,001	25.00%	1,475,835,001 <sup>(3)</sup>	28.18% <sup>(3)</sup>
NTT Docomo and its affiliated companies <sup>(2)</sup>	297,300,000	6.31%	-( <sup>3</sup> )	-( <sup>3</sup> )

Notes:

- (1) Axiata holds direct shareholding of 900 shares in Robi and indirect shareholding of 3,238,304,100 shares in Robi via its wholly-owned subsidiary, Axiata Investments (Labuan) Limited.
- (2) The affiliated companies of NTT Docomo are namely Neasden Assets Limited, Ephraim Assets Limited, Calamint Investments Limited and Thurso Investments Limited.
- (3) On 1 March 2020, Bharti and its affiliates had entered into an agreement with NTT Docomo to acquire 6.31% Robi Shares from NTT Docomo and its affiliated companies ("**Proposed Acquisition**"). The Proposed Acquisition was completed on 9 June 2020. Post-completion of the Proposed IPO and Proposed Listing, Bharti and affiliates will hold 1,475,835,001 shares in Robi and the shareholding of Bharti in Robi will become 28.18%.

Notwithstanding the foregoing, the final number and composition of new shares to be issued pursuant to the Proposed Public Offer and Proposed ESPP are subject to requisite regulatory approvals.

The Proposed IPO and Proposed Listing, should they materialise, will constitute a deemed disposal by Axiata arising from the dilution of 6.87% of its equity interest in Robi. The loss of contribution resulting from the dilution is not expected to have a material effect to the consolidated earnings and EPS of Axiata Group for the FYE 31 December 2020 as disclosed in Section 6.3 of Part B of this Circular. Axiata will continue to be the controlling shareholder of Robi post-completion of the Proposed IPO and Proposed Listing.

### 3. PROPOSED UTILISATION OF PROCEEDS

The proceeds of BDT3,877.4 million (equivalent to RM196.8 million) and BDT1,360.5 million (equivalent to RM69.1 million) raised from the Proposed Public Offer and Proposed ESPP respectively, will accrue entirely to Robi and is proposed to be utilised in the manner as set out below:

Particulars	Amount		
	BDT mil	RM mil	%
Network expansion <sup>(1)</sup>			
- Expansion of 2G, 3G and/or 4G BTS and BTS antenna <sup>(2)</sup>	3,711.4	188.4	70.9%
- Expansion of 3G and 4G data throughput capacity <sup>(3)</sup>	477.7	24.3	9.1%
- Expansion of user capacity <sup>(4)</sup>	471.4	23.9	9.0%
- Expansion of other facilities <sup>(5)</sup>	497.2	25.2	9.5%
Estimated expenses <sup>(6)</sup>	80.2	4.1	1.5%
<b>Total</b>	<b>5,237.9</b>	<b>265.9</b>	<b>100.0%</b>

Notes:

(1) The breakdown of the utilisation by category of network expansion represents an estimation only and the actual utilisation by Robi in each category may differ subject to its operating requirements at the time of the utilisation of the proceeds from the Proposed IPO.

(2) This involves the expansion of Robi's following BTS and BTS antenna:

Particulars	Specification	Amount		
		BDT mil	RM mil	%
BTS	4G BTS with new spectrum	2,177.8	110.6	41.6%
	2G/3G/4G BTS with GL900/U2100	592.4	30.1	11.3%
	4G BTS with 1800 spectrum	391.4	19.9	7.5%
	4G BTS with 900 spectrum	244.8	12.4	4.7%
	2G/4G BTS with GL1800	136.7	6.9	2.6%
BTS Antenna	BTS antenna for new site	168.3	8.5	3.2%
<b>Total</b>		<b>3,711.4</b>	<b>188.4</b>	<b>70.9%</b>

- (3) This involves the expansion of Robi's following data throughput capacity:

<b>Particulars</b>	<b>Specification</b>	<b>Amount</b>		
		<b>BDT mil</b>	<b>RM mil</b>	<b>%</b>
Serving and Gateway	4G data throughput capacity	390.0	19.8	7.4%
GPRS Support Node	3G data throughput capacity	87.7	4.5	1.7%
<b>Total</b>		<b>477.7</b>	<b>24.3</b>	<b>9.1%</b>

- (4) This involves the expansion of Robi's following user capacity:

<b>Particulars</b>	<b>Specification</b>	<b>Amount</b>		
		<b>BDT mil</b>	<b>RM mil</b>	<b>%</b>
Home Location Register (HLR)	New mobile user capacity	171.8	8.7	3.3%
IP Multimedia Subsystem (IMS)	New Voice over Long-Term Evolution (VoLTE) user capacity	171.3	8.7	3.3%
Visitor Mobile Switching Center (VMSC)	New active subscriber capacity	56.4	2.9	1.1%
Mobile Number Portability (MNP)	MNP capacity	45.7	2.3	0.9%
Gateway Mobile Switching Center (GMSC)	Voice call capacity	26.2	1.3	0.4%
<b>Total</b>		<b>471.4</b>	<b>23.9</b>	<b>9.0%</b>

- (5) This involves the expansion of Robi's following other facilities:

<b>Particulars</b>	<b>Specification</b>	<b>Amount</b>		
		<b>BDT mil</b>	<b>RM mil</b>	<b>%</b>
Data network analytics	Data usages analysis tool	183.7	9.3	3.5%
Microwave	New site transmission connectivity	157.8	8.0	3.0%
Provider Edge (PE) router	Transmission architecture modernisation	155.7	7.9	3.0%
<b>Total</b>		<b>497.2</b>	<b>25.2</b>	<b>9.5%</b>

- (6) Any variation (surplus/deficit) to the actual amount of the expenses for the Proposed IPO and Proposed Listing will be adjusted against the amount allocated for the network expansion of Robi Group.

There are no proceeds that accrue to Axiata arising from the Proposed IPO and Proposed Listing, as the Proposed IPO and Proposed Listing do not involve an offer for sale of Robi Shares by Axiata.

#### 4. RATIONALE FOR AND BENEFITS OF THE PROPOSED IPO AND PROPOSED LISTING

The rationale for and benefits of the Proposed IPO and Proposed Listing are as follows:

##### For the Axiata Group as a whole

- (i) to accelerate growth within Axiata Group in anticipation of revenue generating opportunities in the areas of Internet-of-Things (IoT), Home and Enterprise; and
- (ii) to enable Axiata to raise growth capital and unlock its investment in Robi Group in the long term and further enhance credibility to and value for shareholders, investors, partners and customers.

## **For Robi Group**

- (i) the proceeds raised by Robi from the Proposed IPO and Proposed Listing will be used to fund capital expenditure;
- (ii) to increase Robi Group's visibility as one of the leading mobile telecommunication service company in Bangladesh;
- (iii) to further enhance Robi Group's profile through the Proposed Listing and subsequently widen the reach to market its services and grow its market position;
- (iv) to enable Robi Group to directly access the equity and debt capital markets for fund raising and provide Robi Group with the financial flexibility to pursue growth opportunities;
- (v) to establish the liquidity of Robi Shares;
- (vi) to provide an opportunity for the investing public in Bangladesh, including the eligible director and employees of Robi Group to become its shareholders and participate in the future performance of Robi Group by way of direct equity participation;
- (vii) to accelerate growth in Bangladesh in anticipation of revenue generating opportunities in the areas of IoT, Home and Enterprise;
- (viii) to expand investor base of Robi through participation of global investing community; and
- (ix) to reward the employees of Robi Group for their contribution through the offering of the ESPP Shares under the Proposed ESPP.

## **5. RISK FACTORS**

The implementation of the Proposed IPO and Proposed Listing is subject to the approvals set out in Section 7 of Part B of this Circular. There can be no assurance that such approvals and/or conditions imposed by the relevant authorities will be obtained and/or satisfied or that the Proposed IPO and Proposed Listing will proceed.

In addition, the success of the Proposed IPO and Proposed Listing is also dependent on market conditions prevailing at the time of implementation. Most recently, the world is confronted by the unprecedented global COVID-19 pandemic which negatively impacted global demand and supply chains, as well as financial markets throughout the world.

Companies are undergoing volatile and seismic shifts in the way they do business, as they grapple to respond and adapt to different stages of the pandemic. Whilst the telco industry has been somewhat cushioned by the higher demand for data and connectivity in the immediate term, the Group is bracing for the mid-term impacts of the pandemic which are disrupting lives, livelihoods, communities and businesses everywhere.

The global COVID-19 pandemic and the subsequent social movement restrictions could impact various aspects of the Group's operations and business activities, and its ability to achieve its business goals and targets. On the financial aspect, the Group expects some short-term impact to its profit and loss, but in the longer term the Group believes it will emerge far stronger.

In the event the Proposed IPO and Proposed Listing are aborted, Axiata will continue to hold 68.69% equity interest in Robi and the Proposed ESPP will be terminated. Notwithstanding the above, Axiata will take all reasonable steps to ensure the completion of the Proposed IPO and Proposed Listing.

## 6. EFFECTS OF THE PROPOSED IPO AND PROPOSED LISTING

### 6.1 Share capital and substantial shareholders' shareholdings

The Proposed IPO and Proposed Listing do not involve any issuance of new Axiata shares. Correspondingly, there will not be any effect on the issued share capital and the shareholdings of the substantial shareholders of the Company.

### 6.2 NA, NA per Axiata share and gearing

For illustrative purposes only, the proforma effects of the Proposed IPO and Proposed Listing based on the consolidated NA, consolidated NA per Axiata share and gearing of the Axiata Group as at 31 December 2019 assuming that the Proposed IPO and Proposed Listing have been completed as at end of the year are set out in the table below.

	Audited as at 31 December 2019	Proforma after the Proposed IPO and Proposed Listing
	RM mil	RM mil
Share capital	13,857	13,857
Retained earnings	6,647	6,609 <sup>(2)</sup>
Reserves	(4,323)	(4,324) <sup>(3)</sup>
<b>Shareholders' equity / NA</b>	<b>16,181</b>	<b>16,142</b>
Total borrowings	16,826	16,826
Total lease liabilities	8,840	8,840
<b>Total borrowings and lease liabilities</b>	<b>25,666</b>	<b>25,666</b>
Gearing (times) <sup>(1)</sup>	1.59	1.59
Number of shares in issues (mil)	9,164	9,164
NA per share (RM)	1.77	1.76

Notes:

- (1) Gearing is calculated by dividing the total borrowings and lease liabilities over NA. Excluding lease liabilities, the gearing would be 1.04 times before and after the Proposed IPO and Proposed Listing.
- (2) After taking into account the decrease in retained earnings of approximately RM37.5 million (including the estimated expenses relating to the Proposed IPO and Proposed Listing of RM4.1 million) due to the dilution of 6.87% of Axiata's equity interest in Robi post-completion of the Proposed IPO and Proposed Listing.
- (3) After taking into account the deduction of foreign exchange reserves of approximately RM0.8 million due to the dilution of 6.87% of Axiata's equity interest in Robi post-completion of the Proposed IPO and Proposed Listing.

### 6.3 Earnings and EPS

The Proposed IPO and Proposed Listing are not expected to have a material effect on Axiata's consolidated earnings and EPS for the FYE 31 December 2020. Assuming the Proposed IPO and Proposed Listing had been effected at the beginning of the FYE 31 December 2019, the EPS of Axiata is expected to maintain at approximately 16.0 sen as a result of the Proposed IPO and Proposed Listing.

	<b>PATAMI<sup>(1)</sup></b>	<b>EPS<sup>(2)</sup></b>
	<b>RM mil</b>	<b>Sen</b>
Profit after taxation and minority interests (" <b>PATAMI</b> ") and EPS	1,458	16.0
Less:		
Dilution of share of results	(1)	-*
Estimated expenses for the Proposed IPO and Proposed Listing	(4)	(0.1)
<b>Proforma PATAMI and EPS for the FYE 31 December 2019</b>	<b>1,453</b>	<b>15.9</b>

Notes:

(1) Impact of 6.87% dilution to Group's PATAMI with status of investment in Robi remaining as subsidiary of Axiata Group.

(2) Calculated using the weighted average number of Axiata shares in issue as at 31 December 2019 of 9,112,486,000.

\* Negligible.

The Proposed IPO and Proposed Listing are expected to be completed in the fourth quarter of 2020, barring any unforeseen circumstances.

## 7. APPROVALS REQUIRED

The Proposed IPO and Proposed Listing are subject to the following:

- (i) Axiata has to obtain its shareholders' approval for the Proposed Listing;
- (ii) Robi has to obtain the:
  - (a) approvals of the BSEC for the Proposed IPO and Proposed Listing; and
  - (b) confirmation of no objection from BTRC for the Proposed IPO. Robi has obtained a no objection certificate from BTRC on 18 February 2020.
- (iii) Robi has to obtain the approvals of the Dhaka Stock Exchange Limited and the Chittagong Stock Exchange Limited for the Proposed Listing; and
- (iv) any other approvals, consents or permissions that may be required from any relevant regulatory authority or third party.

## 8. INTER-CONDITIONALITY OF THE PROPOSED IPO AND PROPOSED LISTING

The implementation of the Proposed Listing is conditional upon the completion of the Proposed IPO. The Proposed IPO and Proposed Listing are not conditional upon any other corporate exercise and/or scheme of Axiata.

## **9. CORPORATE PROPOSALS ANNOUNCED BUT NOT YET COMPLETED**

Save for the Proposed IPO and Proposed Listing (which are the subject matter of Part B of this Circular), the Board confirms that there is no other outstanding corporate exercise which has been announced but pending completion by the Company as at the LPD.

## **10. INTERESTS OF DIRECTORS, MAJOR SHAREHOLDERS AND PERSONS CONNECTED TO THEM**

Thayaparan S Sangarapillai is the independent non-executive director of Axiata and he is also the independent director of Robi. Notwithstanding Thayaparan S Sangarapillai has common directorships in Axiata and Robi, neither him nor persons connected to him has any interest, direct or indirect, in the Proposed IPO and Proposed Listing.

Save as disclosed above, none of the directors and major shareholders of Axiata as well as persons connected to them has any interest, direct and/or indirect, in the Proposed IPO and Proposed Listing.

## **11. HIGHEST PERCENTAGE RATIO**

The highest percentage ratio applicable to the Proposed IPO and Proposed Listing pursuant to Paragraph 10.02(g) of the Listing Requirements is 1.46%. Notwithstanding, pursuant to Paragraph 8.24 of the Listing Requirements, Axiata has to obtain its shareholders' approval for the Proposed Listing.

## **12. DIRECTORS' STATEMENT**

The Board, having considered all aspects of the Proposed IPO and Proposed Listing including but not limited to the rationale for and benefits as well as the effects of the Proposed IPO and Proposed Listing, is of the opinion that the Proposed IPO and Proposed Listing are in the best interests of the Company. Accordingly, the Board recommends that you vote in favour of the resolution to give effect to the Proposed Listing to be tabled at the forthcoming AGM.

## **13. TENTATIVE TIMETABLE FOR IMPLEMENTATION**

Barring any unforeseen circumstances and subject to all required approvals being obtained, the Board expects the Proposed IPO and Proposed Listing to be completed by the fourth quarter of 2020. The tentative timetable in relation to the Proposed IPO and Proposed Listing is set out below:

<b>Tentative Timeline<sup>(1)</sup></b>	<b>Events</b>
29 July 2020	Convening of AGM to obtain approval of shareholders of Axiata for the Proposed Listing
August 2020	Approvals by BSEC in relation to the Proposed IPO and Proposed Listing
September 2020	Publication of the prospectus in relation to the Proposed IPO and Proposed Listing
End November 2020	Completion of the Proposed Listing

*Note:*

(1) *The timetable is indicative at this juncture and is subject to changes which may be necessary to facilitate implementation procedures.*



#### **14. AGM**

The resolution in respect of the Proposed Listing will be tabled at the forthcoming AGM. This Circular is available at <https://www.axiata.com/investors/agm/> together with, amongst others, the Notice of the 28th AGM, Proxy Form and the Administrative Notes of Axiata.

The 28th AGM will be held on Wednesday, 29 July 2020 at 10.00 a.m. or at any adjournment thereof. The broadcast venue for the AGM is at Auditorium, Level 32, Axiata Tower, 9 Jalan Stesen Sentral 5, Kuala Lumpur Sentral, 50470 Kuala Lumpur, Malaysia.

The voting of the 28th AGM will be conducted on a poll. If you are not able to attend and vote by yourself at the 28th AGM, you are requested to complete and sign the enclosed Proxy Form, in accordance with the instructions therein. Please return the Proxy Form to our Share Registrar, Tricor at Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia or at its Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia no later than Tuesday, 28 July 2020 at 10.00 a.m. The proxy appointment may also be lodged electronically via Tricor's TIIH Online website at <https://tiih.online> no later than Tuesday, 28 July 2020 at 10.00 a.m. For further information on the electronic lodgement of Proxy Form, kindly refer to the Annexure of the Administrative Notes.

#### **15. FURTHER INFORMATION**

You are advised to refer to Appendix IV of this Circular for further information.

Yours faithfully,  
For and on behalf of the Board of  
**AXIATA GROUP BERHAD**

**Tan Sri Ghazzali Sheikh Abdul Khalid**  
Chairman, Non-Independent Non-Executive Director

**APPENDIX I - DETAILS OF RRPTS TO BE ENTERED INTO WITH OUR RELATED PARTIES**

**1. Proposed Renewal of Shareholders' Mandate**

Transacting Companies in our Group	Transacting Related Parties	Interested Major Shareholder/ Director	Nature of Relationship	Nature of RRPT	2019 Shareholders' Mandate		Estimated Value of the Proposed Renewal of Shareholders' Mandate (RM'000) <sup>(2)</sup>
					Estimated Value (RM'000)	Actual Value (RM'000) <sup>(1)</sup>	
Axiata Group	TM Group	Khazanah, Tengku Dato' Sri Azmil Zahrudin Raja Abdul Aziz and Ong King How (Alternate Director to Tengku Dato' Sri Azmil Zahrudin Raja Abdul Aziz)	In addition to Khazanah's shareholdings in Axiata Group, Khazanah is also the Major Shareholder of TM Group.  Tengku Dato' Sri Azmil Zahrudin Raja Abdul Aziz and his alternate, Ong King How are Khazanah's representatives on Axiata's Board.	<b>Revenue</b>			
				<b>Telecommunication and related services</b>			
				Interconnect payment from TM Group	30,000	14,485	30,000
				Leased-line payment from TM Group	3,000	60	1,000
				Voice over internet protocol related services revenue from TM Group	1,000	0	1,000
				Dark fibre and leased-line from Celcom Group to Fibrecomm Network (M) Sdn Bhd	1,500	1,969 <sup>(4)</sup>	2,000
				Leased-line from Celcom Group to Fiberail Sdn Bhd	1,000	405	1,000
				Transmission revenue on the services by Axiata Group to TM Group	6,000	5,631	6,000
				Infrastructure leasing and related services including managed services by Axiata Group to TM Group	67,500	58,608	67,500
				Domestic roaming revenue and Provision of 4G Multi-Operator Core Network ("MOCN") by Celcom Group to TM Group	217,000	122,449	200,000

**APPENDIX I - DETAILS OF RRPTS TO BE ENTERED INTO WITH OUR RELATED PARTIES (cont'd)**

Transacting Companies in our Group	Transacting Related Parties	Interested Major Shareholder/ Director	Nature of Relationship	Nature of RRPT	2019 Shareholders' Mandate		Estimated Value of the Proposed Renewal of Shareholders' Mandate (RM'000) <sup>(2)</sup>
					Estimated Value (RM'000)	Actual Value (RM'000) <sup>(1)</sup>	
Axiata Group	TM Group	Khazanah, Tengku Dato' Sri Azmil Zahrudin Raja Abdul Aziz and Ong King How (Alternate Director to Tengku Dato' Sri Azmil Zahrudin Raja Abdul Aziz)	In addition to Khazanah's shareholdings in Axiata Group, Khazanah is also the Major Shareholder of TM Group.  Tengku Dato' Sri Azmil Zahrudin Raja Abdul Aziz and his alternate, Ong King How are Khazanah's representatives on Axiata's Board.	<b>Costs</b> <b>Telecommunication and related services</b>			
				Interconnect cost to TM Group	33,000	17,025	28,000
				Voice over internet protocol related services by TM Group to Axiata Group	3,000	21	1,000
				Leased-line related costs to TM Group	8,000	4,529	8,000
				Provision of data and bandwidth related services by TM Group to Axiata Group	92,000	103,034 <sup>(5)</sup>	105,000
				Provision of contact centre and business process outsourcing services by VADS Berhad to Axiata Group	30,000	24,104	30,000

**APPENDIX I - DETAILS OF RRPTS TO BE ENTERED INTO WITH OUR RELATED PARTIES (cont'd)**

Transacting Companies in our Group	Transacting Related Parties	Interested Major Shareholder/ Director	Nature of Relationship	Nature of RRPT	2019 Shareholders' Mandate			Estimated Value of the Proposed Renewal of Shareholders' Mandate (RM'000) <sup>(2)</sup>
					Estimated Value (RM'000)	Actual Value (RM'000) <sup>(1)</sup>		
Axiata Group	TM Group	Khazanah, Tengku Dato' Sri Azmil Zahrudin Raja Abdul Aziz and Ong King How (Alternate Director to Tengku Dato' Sri Azmil Zahrudin Raja Abdul Aziz)	In addition to Khazanah's shareholdings in Axiata Group, Khazanah is also the Major Shareholder of TM Group.  Tengku Dato' Sri Azmil Zahrudin Raja Abdul Aziz and his alternate, Ong King How are Khazanah's representatives on Axiata's Board.	Leasing of fibre optic core and provision of bandwidth services from Fiberall Sdn Bhd to Axiata Group	1,000	149		500
				Purchase of dark fibre, bandwidth, space & facility from Fibrecomm Network (M) Sdn Bhd to Axiata Group	3,000	975		1,500
				Site rental payable for telecommunication infrastructure, equipment and related charges by Axiata Group to TM Group	48,000	52,053 <sup>(6)</sup>		53,000
				<b>TOTAL</b>	<b>545,000</b>	<b>405,497</b>		<b>535,500</b>

*(The rest of this page has been intentionally left blank)*

**APPENDIX I - DETAILS OF RRPTS TO BE ENTERED INTO WITH OUR RELATED PARTIES (cont'd)**

Transacting Companies in our Group	Transacting Related Parties	Interested Major Shareholder/ Director	Nature of Relationship	Nature of RRPT	2019 Shareholders' Mandate		Estimated Value of the Proposed Renewal of Shareholders' Mandate (RM'000) <sup>(2)</sup>		
					Estimated Value (RM'000)	Actual Value (RM'000) <sup>(1)</sup>			
Axiata Group	edotco Group	Khazanah, Tengku Dato' Sri Azmil Zahrudin Raja Abdul Aziz and Ong King How (Alternate Director to Tengku Dato' Sri Azmil Zahrudin Raja Abdul Aziz)	In addition to Khazanah's shareholdings in Axiata Group, Khazanah through its wholly-owned subsidiary, Mount Bintang Sdn Bhd is also a Major Shareholder of edotco. Kenneth Shen is Khazanah's representative on edotco's Board.	<u>Revenue to Axiata Group / Cost to edotco Group<sup>(3)</sup></u>			10,000		
				Corrective maintenance and other service charges payment from edotco Group			10,000	5,504	10,000
				Technical and management services fees and other services charges by Axiata Group to edotco Group			8,000	5,850	10,000
				<u>Cost to Axiata Group / Revenue to Edotco Group<sup>(3)</sup></u>					
				Infrastructure leasing and related services including managed and field line maintenance services by edotco Group to Axiata Group	1,200,000	1,230,353 <sup>(7)</sup>	1,230,000		
				Technical and operations support services fees and other services charges by edotco Group to Axiata Group	6,000	0	0		
				<b>TOTAL</b>	<b>1,224,000</b>	<b>1,241,707</b>	<b>1,250,000</b>		

## APPENDIX I - DETAILS OF RRPTS TO BE ENTERED INTO WITH OUR RELATED PARTIES (cont'd)

---

### Notes:

- (1) The actual value represents RRPTs transacted from 29 May 2019 on which the 2019 Shareholders' Mandate was granted up to 31 May 2020.
- (2) The estimated value of the transactions from 29 July 2020 (date of our forthcoming AGM) for an estimated validity period of one year are based on best estimates by management using historical trends and projected business transaction growth. The actual value may exceed or be lower than the estimates shown above.
- (3) The amount will be eliminated as inter-segment revenue for edotco Group. Respective cost will be eliminated at Axiata Group as the transaction is the intercompany transactions within Axiata Group.
- (4) The actual value of the transaction has exceeded the estimated value by RM0.47 million (approximately 31.2%) due to new leased line charges to Fibrecomm Network (M) Sdn Bhd.
- (5) The actual value of the transaction has exceeded the estimated value by RM11.03 million (approximately 12%) due to additional data and bandwidth related services charges by TM Group.
- (6) The actual value of the transaction has exceeded the estimated value by RM4.05 million (approximately 8.4%) due to additional rental of telecommunication infrastructure charges by TM Group.
- (7) The actual value of the transaction has exceeded the estimated value by RM30.35 million (approximately 2.5%) due to higher contribution from infrastructure leasing and related services charges by edotco Group.

(The rest of this page has been intentionally left blank)

**APPENDIX I - DETAILS OF RRPTS TO BE ENTERED INTO WITH OUR RELATED PARTIES (cont'd)**

**2. Ratification of 2019 Shareholders' Mandate for the period until 29 July 2020**

Transacting Companies in our Group	Transacting Related Parties	Interested Major Shareholder/ Director	Nature of Relationship	Nature of RRPT	Approved 2019 Shareholders' Mandate (RM'000)	Estimated Value of RRPT for period June to July 2020 (RM'000) <sup>(1)</sup>	Estimated Value of the Ratified Shareholders' Mandate (RM'000) <sup>(1)</sup>
Axiata Group	edotco Group	Khazanah, Tengku Dato' Sri Azmil Zahrudin Raja Abdul Aziz and Ong King How (Alternate Director to Tengku Dato' Sri Azmil Zahrudin Raja Abdul Aziz)	In addition to Khazanah's shareholdings in Axiata Group, Khazanah through its wholly-owned subsidiary, Mount Bintang Sdn Bhd is also a Major Shareholder of edotco. Kenneth Shen is Khazanah's representative on edotco's Board.	<u>Revenue to Axiata Group / Cost to edotco Group<sup>(2)</sup></u>  Corrective maintenance and other service charges payment from edotco Group  Technical and management services fees and other services charges by Axiata Group to edotco Group  <u>Cost to Axiata Group / Revenue to Edotco Group<sup>(2)</sup></u>  Infrastructure leasing and related services including managed and field line maintenance services by edotco Group to Axiata Group  Technical and operations support services fees and other services charges by edotco Group to Axiata Group	10,000  8,000  1,200,000  6,000	758  3,991  187,589  0	10,000  10,000  1,474,000  6,000
<b>TOTAL</b>					<b>1,224,000</b>	<b>192,338</b>	<b>1,500,000</b>

Notes:

<sup>(1)</sup> The estimated value of the transactions represent the best estimates by management. The actual value may exceed or be lower than the estimates shown above.

<sup>(2)</sup> The amount will be eliminated as inter-segment revenue for edotco Group. Respective cost will be eliminated at Axiata Group as the transaction is the intercompany transactions within Axiata Group.

## APPENDIX II - INFORMATION ON ROBI

### 1. BACKGROUND INFORMATION

Robi was incorporated in Bangladesh under the Bangladesh Companies Act, 1994 as a public company limited by shares on 22 October 1995 under the name of TM International (Bangladesh) Limited. On 28 May 2009, the name of the company was changed to Axiata (Bangladesh) Limited and subsequently on 19 August 2010, the company assumed its present name, Robi Axiata Limited. On 16 November 2016, Robi merged with Airtel Bangladesh Limited.

As at the LPD, the authorised share capital of Robi is BDT60,000,000,000 comprising 6,000,000,000 Robi Shares whilst the issued, subscribed and paid-up share capital of Robi is BDT47,141,400,010 comprising 4,714,140,001 Robi Shares.

Robi is principally involved in the provision of a mobile telecommunication service in Bangladesh providing voice, data and other internet based innovative digital services through telecommunication network coverage across the country, using 10 Mobile Switching Centre (MSC) sites, 9 Base Station Controller (BSC) sites and approximately 11,500 BTS sites. Robi is the second largest mobile network operator in Bangladesh with 49.0 million subscribers as of end December 2019.

### 2. DATE AND ORIGINAL COST OF INVESTMENT IN ROBI

The original cost of investment in Robi by Axiata and the respective dates of investment are as follows:

Date of investment	No. of Robi Shares	Cost of investment	
		BDT mil	RM mil
Incorporation up to 27 October 2004 <sup>(1)</sup>	23,800,000	238.0	39.5
20 December 2004 <sup>(2)</sup>	190,400,000	-	-
19 November 2008	479,500,000	4,795.0	239.8
28 July 2013	2,544,605,000	25,446.0	1,035.4
16 November 2016	-	-	3.3 <sup>(3)</sup>
	<b>3,238,305,000</b>	<b>30,479.0</b>	<b>1,318.0</b>

Notes:

(1) TM disposed all of its shareholding of 23,799,900 shares in Robi to Axiata Investments (Labuan) Limited (formerly known as TM International (Labuan) Limited) on this date. Total shares during this date also include Axiata's shareholding of 100 shares in Robi during the incorporation date.

(2) Refers to bonus issuance of Robi shares on this date. Shareholding of Axiata remains at 70%.

(3) Refers to cost of investment incurred due to merger settlement agreement with Bharti International (Singapore) Pte. Limited.



## APPENDIX II - INFORMATION ON ROBI (cont'd)

### 3. SUBSIDIARY

Robi currently has one subsidiary. The details and principal activities of the subsidiary are as follows:

Name	Date and country of incorporation	Issued share capital RM (unless otherwise stated)	Effective equity interest %	Principal activities
Red Dot Digital Limited	5 November 2019, Bangladesh	48,749 (BDT1 million)	100	Provision of IT and ICT and to facilitate Robi's non-mobile network operator business activities

### 4. SHAREHOLDERS

The particulars of the shareholders of Robi as at the LPD are as follows:

Name	Country of Incorporation	Shareholdings in Robi			
		No. of Robi Shares			
		Direct	%	Indirect	%
Axiata Investments (Labuan) Limited	Malaysia	3,238,304,100	68.69	-	-
Axiata <sup>(1)</sup>	Malaysia	900	-(3)	3,238,304,100	68.69
Bharti International (Singapore) Pte. Limited	Singapore	1,178,535,001 <sup>(4)</sup>	25.00 <sup>(4)</sup>	-	-
NTT Docomo, Inc. <sup>(2)</sup>	Japan	297,299,960 <sup>(4)</sup>	6.31 <sup>(4)</sup>	40	-(3)
Calamint Investments Limited	British Virgin Islands	10 <sup>(4)</sup>	-(3)	-	-
Neasden Assets Limited	British Virgin Islands	10 <sup>(4)</sup>	-(3)	-	-
Ephraim Assets Limited	British Virgin Islands	10 <sup>(4)</sup>	-(3)	-	-
Thurso Investments Limited	British Virgin Islands	10 <sup>(4)</sup>	-(3)	-	-

Notes:

- (1) Deemed interest by virtue of its shareholdings in Axiata Investments (Labuan) Limited pursuant to section 8(4)(c) of the Act.
- (2) Deemed interest by virtue of its shareholdings in Calamint Investments Limited, Neasden Assets Limited, Ephraim Assets Limited and Thurso Investments Limited pursuant to section 8(4)(c) of the Act.
- (3) Negligible.
- (4) On 1 March 2020, Bharti and its affiliates had entered into an agreement with NTT Docomo for the Proposed Acquisition, which has been completed on 9 June 2020. Post-completion of the Proposed IPO and Proposed Listing, Bharti and affiliates will hold 1,475,835,001 shares in Robi and the shareholding of Bharti in Robi will become 28.18%.

## APPENDIX II - INFORMATION ON ROBI (cont'd)

### 5. DIRECTORS

As at the LPD, the Directors of Robi are as follows and none of the Directors hold any Robi Shares:

<b>Name</b>	<b>Nationality</b>	<b>Designation</b>
Dato' Mohd Izzadin Idris	Malaysian	Chairman
Mahtab Uddin Ahmed	Bangladeshi	Managing Director and CEO
Dr. Shridhir Sariputta Hansa Wijayasuriya	Sri Lankan	Director
Vivek Sood	Indian	Director
Nakul Sehgal	Indian	Director
Randeep Singh Sekhon	Indian	Director
Thayaparan S Sangarapillai	Malaysian	Independent Director
Klaus Michael Kuehner	German	Independent Director

### 6. MATERIAL COMMITMENTS AND CONTINGENT LIABILITIES

As at 31 March 2020, save as disclosed below, Robi Group is not aware of any material commitments incurred or known to be incurred by Robi or its subsidiaries which upon becoming enforceable, may have a material impact on the profits or NA of Robi Group:

#### Material commitments:

<b>Capital expenditure</b>	<b>Robi Group</b>	
	<b>BDT mil</b>	<b>RM mil<sup>(1)</sup></b>
Approved and contracted for	6,808	345
<b>Total</b>	<b>6,808</b>	<b>345</b>

Note:

(1) Based on Robi's unaudited interim results for the 3-month FPE 31 March 2020 and closing exchange rate as at 31 March 2020 of BDT1:RM0.0507

As at 31 March 2020, save as disclosed below, Robi Group is not aware of any contingent liabilities incurred or known to be incurred by Robi or its subsidiaries which upon becoming enforceable, may have a material impact on the profits or NA of Robi Group:

#### Contingent liabilities:

<b>Description</b>	<b>Robi Group</b>	
	<b>BDT mil</b>	<b>RM mil<sup>(1)</sup></b>
Litigation and claims by third parties against Robi	36,570	1,855
<b>Total</b>	<b>36,570</b>	<b>1,855</b>

Note:

(1) Based on Robi's unaudited interim results for the 3-month FPE 31 March 2020 and closing exchange rate as at 31 March 2020 of BDT1:RM0.0507

## APPENDIX II - INFORMATION ON ROBI (cont'd)

### 7. SUMMARY OF FINANCIAL DATA

#### 7.1 Financial Information

Set out below are the selected financial information of Robi based on the audited financial statements of Robi for the FYE 31 December 2017 to FYE 31 December 2019 and the unaudited financial statements of Robi for the 3-month FPE 31 March 2019 and 3-month FPE 31 March 2020:

	FYE 31 December (Audited)			FYE 31 December (Audited)		
	2017	2018	2019	2017	2018	2019
	BDT mil	BDT mil	BDT mil	RM mil <sup>(1)</sup>	RM mil <sup>(1)</sup>	RM mil <sup>(1)</sup>
Revenue	68,256	67,982	74,812	3,638	3,270	3,673
PBT	(2,572)	2,680	3,789	(137)	129	186
PAT	(105)	2,147	169	(6)	103	8
Total borrowings	29,934	29,526	21,409	1,470	1,462	1,032
Total lease obligations	-	510	32,511	-	25	1,567
Shareholders' equity / NA	58,671	60,592	59,589	2,881	2,999	2,872
Number of shares in issue (mil)	4,714	4,714	4,714	4,714	4,714	4,714
EPS (cent/sen) <sup>(2)</sup>	(2.22)	45.55	3.59	(0.12)	2.19	0.18
NA per share (BDT/RM) <sup>(3)</sup>	12.45	12.85	12.64	0.61	0.64	0.61
Gearing (times) <sup>(4)</sup>	0.51	0.50	0.90	0.51	0.50	0.90
Current ratio (times) <sup>(5)</sup>	0.23	0.21	0.25	0.23	0.21	0.25

	3-month FPE 31 March (Unaudited)		3-month FPE 31 March (Unaudited)	
	2019	2020	2019	2020
	BDT mil	BDT mil	RM mil <sup>(1)</sup>	RM mil <sup>(1)</sup>
Revenue	18,291	19,477	892	958
PBT	(26)	1,464	(1)	72
PAT	(246)	188	(12)	9
Total borrowings	27,355	23,266	1,331	1,180
Total lease obligations	57,166	32,854	2,781	1,666
Shareholders' equity / NA	62,603	60,674	3,046	3,077
Number of shares in issue (mil)	4,714	4,714	4,714	4,714
EPS (cent/sen) <sup>(2)</sup>	(5.22)	3.99	(0.25)	0.20
NA per share (BDT/RM) <sup>(3)</sup>	13.28	12.87	0.65	0.65
Gearing (times) <sup>(4)</sup>	1.35	0.92	1.35	0.92
Current ratio (times) <sup>(5)</sup>	0.18	0.24	0.18	0.24

## APPENDIX II - INFORMATION ON ROBI (cont'd)

Notes:

(1) Based on the following exchange rates:

	BDT:RM exchange rates				
	31 December			31 March	
	2017	2018	2019	2019	2020
Average FY rate used for revenue, PBT and PAT	0.0533	0.0481	0.0491	0.0488	0.0492
Closing rate used for total borrowings, lease obligations and NA	0.0491	0.0495	0.0482	0.0487	0.0507

(2) EPS is calculated by dividing the PAT over the number of shares in issue.

(3) NA per share is calculated by dividing NA over the number of shares in issue.

(4) Gearing is calculated by dividing the total borrowings and total lease obligations over NA. Excluding lease obligations, the gearing would be 0.49 times, 0.36 times, 0.44 times and 0.38 times for the FYE 31 December 2018, FYE 31 December 2019, 3-month FPE 31 March 2019 and 3-month FPE 31 March 2020 respectively.

(5) Current ratio is calculated by dividing the current assets over current liabilities.

## 7. SUMMARY OF FINANCIAL DATA

### 7.1 Financial Information (continued)

#### Commentary on past performance:

#### FYE 31 December 2018

Revenue marginally decreased in 2018 to BDT67,982 million from BDT68,256 million in the previous year mainly due to lower device or handset sales in 2018 of BDT641 million as compared to the previous year of BDT6,720 million. However, the service revenue<sup>(1)</sup> had increased by BDT5,806 million in 2018 compared to the previous year. This is due to the increase in number of active subscriber base which stands at 46.9 million as of 31 December 2018 compared to 42.9 million in the previous year.

Cost of revenue decreased in 2018 to BDT48,063 million from BDT52,829 million in the previous year mainly due to significantly lower cost relating to non-mobile revenue. However, the decrease was partly offset by higher network operation maintenance cost and higher depreciation and amortisation cost. Network operation and maintenance cost increased in 2018 mainly due to higher expenses relating to lease of transmission fiber which is required for data transmission and aggressive 4G roll-out nationwide. The depreciation and amortisation cost increased in 2018 mainly due to incremental capital expenditure for 4G site roll-out and tech-neutrality fee capitalisation.

Administrative expenses increased in 2018 to BDT3,964 million from BDT3,262 million in the previous year mainly due to higher employee incentive cost in line with better performance of Robi.

A one-off gain of BDT6,308 million had arisen in 2018 due to the sale of all of the remaining edotco Bangladesh shares held by Robi in September 2018.

Finance expense increased significantly in 2018 to BDT2,971 million from BDT1,326 million in the previous year due to higher use of borrowings as part of the working capital management.

As a result of the above, Robi made a PBT of BDT2,680 in 2018 compared to a loss before tax of BDT2,572 million in the previous year and PAT of BDT2,147 in 2018 compared to a loss after tax of BDT105 million in the previous year.

**FYE 31 December 2019**

Revenue increased to BDT74,812 million in 2019 from BDT67,982 million in the previous year mainly due to increase in active subscriber base which increased the service revenue<sup>(1)</sup> by BDT6,570 million in 2019 compared to the previous year. As of 31 December 2019, the active subscriber base was 49.0 million as compared to 46.9 million in the previous year.

Selling and distribution cost decreased to BDT10,701 million in 2019 from BDT12,442 million in the previous year mainly due to lower advertisement and promotion related costs from special campaign driven costs such as, but not limited to, 4G launch campaign, FIFA world cup campaign and mobile number portability campaign.

Administrative expense increased to BDT4,369 million in 2019 from BDT3,964 million in the previous year mainly due to higher human resources related expense for voluntary separation scheme.

Finance expense increased to BDT5,055 million in 2019 from BDT2,971 million in the previous year mainly due to higher finance cost in relation to lease liabilities recognised under International Financial Reporting Standard (IFRS) 16. However, bank loans decreased in 2019 and thus reduced the interest on bank loans.

Income tax expense increased significantly in 2019 to BDT3,620 million from BDT532 million in the previous year due to the increase in minimum tax (from 0.75% to 2% of gross receipts) imposed by the government of Bangladesh as well as changes in other areas of disallowances such as incentive bonus exceeding 10% of disclosed profit.

As a result of the above, PBT increased in 2019 to BDT3,789 million from BDT2,680 million in the previous year. However, PAT decreased in 2019 to BDT169 million from BDT2,147 million in the previous year.

**3-month FPE 31 March 2020**

Revenue increased to BDT19,477 million in the first quarter of 2020 ("1Q2020") from BDT18,291 million in the first quarter of 2019 ("1Q2019"). Despite the COVID-19 impact in second half of 1Q2020, data revenue increased by BDT1,649 million in the 1Q2020 compared to 1Q2019. Meanwhile, the voice revenue declined by BDT464 million.

Selling and distribution cost increased to BDT3,246 million in 1Q2020 from BDT2,514 million in the 1Q2019 mainly due to higher dealer commission driven by higher SIM activation.

Administrative expense decreased to BDT874 million in the 1Q2020 from BDT986 million in the 1Q2019 mainly due to lower human resources related cost.

Finance expense decreased to BDT1,210 million in 1Q2020 from BDT1,690 million in the 1Q2019 mainly due to higher interest expense on lease in 1Q2019 as well as higher interest on bank loans. Subsequently, interest expense on lease was adjusted in third quarter of 2019 through re-assessment of the IFRS 16 impact which was adopted for the first time in 2019 resulted to lower finance expense recorded in 1Q2020.

Income tax expense increased in 1Q2020 to BDT1,276 million from BDT220 million in the previous year due to the increase in minimum tax (from 0.75% to 2% of gross receipts) imposed by the government of Bangladesh coupled with higher PBT.

As a result of the above, PAT increased in the 1Q2020 to BDT188 million from a loss of BDT246 million in the 1Q2019.

*Note:*

- (1) *Service revenue comprises of installation charges, monthly access fee, post-paid airtime, pre-paid airtime, data, value added services, interconnection revenue, international roaming and infrastructure sharing revenue while non-service revenue consists of device and other non-mobile revenue.*

## **7.2 Accounting policies and audit qualification**

The accounting policies adopted by Robi are consistent with Axiata Group. There have been no audit qualifications reported in the audited financial statements of Robi for the FYE 31 December 2017, FYE 31 December 2018 and FYE 31 December 2019.

*(The rest of this page has been intentionally left blank)*

Hoda Vasi  
Chowdhury & Co

**Robi Axiata Limited**

Report and financial statements as at and  
for the year ended 31 December 2019

## **Hoda Vasi Chowdhury & Co**

### **Chartered Accountants**

#### **INDEPENDENT AUDITORS' REPORT**

**To the Shareholders of  
Robi Axiata Limited**

#### **Report on the Audit of the Financial Statements for the year ended 31 December 2019**

##### **Opinion**

We have audited the accompanying financial statements of Robi Axiata Limited (hereinafter referred to as "the Company"), which comprise the statement of financial position as at 31 December 2019 and the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at 31 December 2019, and of its financial performance and its cash flows for the year then ended in accordance with International Accounting Standards (IASs) and International Financial Reporting Standards (IFRSs).

##### **Basis for Opinion**

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and Bangladesh Securities and Exchange Commission (BSEC), and we have fulfilled other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

##### **Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

##### ***Implementation of IFRS 16: Leases***

The Company implemented IFRS 16 "Leases" on 01 January 2019 following the transition under modified retrospective method under which the cumulative impact of applying IFRS 16 is accounted for as an adjustment to equity at the start of the current accounting period. The Company reported the Right of Use (RoU) asset for the amount of BDT 26.91 billion and Lease Obligation BDT 32.51 billion at the year end.



**Hoda Vasi**  
**Chowdhury & Co**

Given the first time adoption of IFRS 16 “Leases”, connections to other items to the financial statements including depreciation and interest, high level of management judgments required for identifying the lease, lease period, discount rate etc. we consider the lease as key audit area.

**How the scope of our audit responded to the key audit matter**

We reviewed appropriateness of management’s application of IFRS 16 and assessment of the impact on the financial statements. Our audit procedures included test classification and measurement of right-of-use of assets and lease liabilities in accordance with IFRS 16. We checked the present value calculation for lease and also reviewed loan agreements and made calculation to ascertain the appropriateness of the incremental borrowing rate used. We also examined the accuracy and appropriateness of accounting adjustments in the financial statements arising from the adoption of IFRS 16 as well as verified the sufficiency and appropriateness of disclosures in the financial statements.

***Revenue recognition***

At the year end the Company reported total revenue of BDT 74.81 billion. Revenues are recognized when the Company transfers control over goods to the customer or satisfies the performance obligation to a customer. This material item is subject to considerable inherent risk due to the complexity of the systems necessary for properly recording and identifying revenue and the impact of ever changing business, price and tariff models (including tariff structures, customer loyalty rewards and bundled subscription based products).

Within a number of the Company’s markets, the estimation of discounts, incentives and rebates recognized based on sales made during the year is material and considered to be complex and judgmental processed through an Information Technology (IT) environment. Therefore, there is a risk of revenue being misstated as a result of faulty estimations or IT flaws resulting in misstatement of price, tariffs, incentives, rewards and relevant revenue related heads.

**How the scope of our audit responded to the key audit matter:**

Our audit procedures have a focus on information technology systems and controls due to the pervasive nature and complexity of the IT environment, the reliance on automated and IT dependent manual controls. Our areas of audit focus included user access management, developer access to the operation environments and changes to the IT environment. These are key to ensuring whether IT dependent and application-based revenue recognition are operating effectively.

We have tested the design and operating effectiveness of key controls focusing on the calculation of discounts, incentives and rebates, segregation of duties in invoice creation and modification and timing of revenue recognition. Our substantive procedures in relation to the revenue recognition comprised obtaining supporting documentation for sales transactions, reviewing the Bangladesh Telecommunication Regulatory Commission (BTRC) approvals and determining if appropriate rates are being used for respective packages, critical examination of material non-routine journals and the adjustments posted to revenue accounts.

**Hoda Vasi  
Chowdhury & Co**

Our audit procedures also included test of controls and substantive procedures on the IT environment used in revenue recognition, including obtaining and understanding of the environment and evaluation of the relevant IT systems and the design of controls. We segregated our tests in two broad categories as 1) IT General Controls and 2) IT Application Controls. We tested the operating effectiveness of controls over the capturing and recording of revenue transactions, authorization of rate changes and the input of this information to the billing systems and tested accuracy of calculation of amounts billed to customers. We also inspected and discussed with management to understand the product features of material bundled contracts to evaluate management's identification of separate performance obligations. We checked stand-alone selling prices used by management to allocate the transaction price for material bundled contracts to the published selling prices for the individual services or equipment or other available market prices. We finally assessed the appropriateness and presentation of disclosures against relevant accounting standards.

***Various significant litigations***

The Company has several legal proceedings, claims and government investigations and inquiries pending that expose it to significant litigation and similar risks arising from disputes and regulatory proceedings. Such matters are subject to many uncertainties and the outcome may be difficult to predict. These uncertainties inherently affect the amount and timing of potential outflows with respect to the provisions and contingent liabilities. Overall, the legal provision represents the Company's best estimate for existing legal matters that have a probable and estimable impact on the Company's financial position.

**How the scope of our audit responded to the key audit matter:**

We obtained an understanding, evaluated the design and tested the operational effectiveness of the Company's key controls over the legal provision and contingencies process. We enquired to the management who are charged with governance to obtain their view on the status of all significant litigation and regulatory matters. We enquired of the Company's internal legal counsel for all significant litigation and regulatory matters and inspected internal notes and reports. We also received formal confirmations from external counsel on certain significant cases. We assessed the methodologies on which the provision amounts are based, recalculated the provisions and tested the completeness and accuracy of the underlying information. We also evaluated using our own experts regarding possibility of any future outflow and scanned for indications of reliable estimation. As certain significant litigations are on-going, various discussions with the regulatory and concerned authorities are in progress, the quantum of the Company's obligation and the outcome of the proceedings cannot be reliably estimated at this point. However, management has disclosed the facts category wise in the annexed notes. We assessed the Company's provisions and contingent liabilities disclosure as required.

***Calculation of deferred tax***

The Company reported net deferred tax assets totaling BDT 3.03 billion as at 31 December 2019. Significant judgment is required in relation to deferred tax assets as their recoverability is dependent on forecasts of future profitability over a number of years.

**Hoda Vasi  
Chowdhury & Co**

**How the scope of our audit responded to the key audit matter:**

We obtained an understanding, evaluated the design and tested the operational effectiveness of the Company's key controls over the recognition and measurement of deferred tax assets and the assumptions used in estimating the Company's future taxable income. We involved tax specialists to assess key assumptions, controls recognition and measurement of deferred tax assets. We also assessed the appropriateness of presentation of disclosures against IAS 12: Income Tax and Income Tax Ordinance 1984.

**Responsibilities of management and Those charged with Governance for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards (IFRSs), the Company Act 1994, the Securities and Exchange Rules 1987 and other applicable laws and regulations and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

**Auditors' Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISAs) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually, or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with International Standards on Auditing (ISAs), we exercised professional judgment and maintained professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

**Hoda Vasi  
Chowdhury & Co**

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period, and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

**Report on Other Legal and Regulatory Requirements:**

In accordance with the Companies Act, 1994, the Securities and Exchange Rules, 1987 and International Standards on Auditing (ISAs), we also report the following:

- a) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit and made due verification thereof;
- b) in our opinion, proper books of account as required by law have been kept by the Company so far as it appeared from our examination of those books;
- c) the Company's statement of financial position and the statement of profit or loss and other comprehensive income dealt with by the report are in agreement with the books of account; and
- d) the expenditures incurred was for the purposes of business.

Dhaka, 10 February 2020

  
Chartered Accountants



**APPENDIX III - AUDITED FINANCIAL STATEMENTS OF ROBI FOR THE FYE 31 DECEMBER 2019**  
(cont'd)

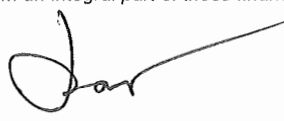
**Hoda Vasi  
Chowdhury & Co**

**Robi Axiata Limited**  
**Statement of Financial Position**  
**As at 31 December 2019**

		In BDT'000	
	Note	31 December 2019	31 December 2018
<b>Assets</b>			
Property, plant and equipment (PPE), net	5	100,540,016	99,182,172
Intangible assets, net	6	23,862,427	29,451,908
Right-of-use asset (ROU), net	7	26,913,067	-
Deferred tax assets	16	3,031,595	1,586,415
<b>Non-current assets</b>		<b>154,347,105</b>	<b>130,220,495</b>
Inventories	8	244,409	282,680
Accounts and other receivables, net	9	7,932,397	7,121,048
Advances, deposits and prepayments	10	4,574,123	3,992,642
Short term investments - FDRs	11	353,580	352,982
Cash and cash equivalents	12	4,517,026	2,644,237
<b>Current assets</b>		<b>17,621,535</b>	<b>14,393,589</b>
<b>Total assets</b>		<b>171,968,640</b>	<b>144,614,084</b>
<b>Equity</b>			
Share capital	13	47,141,400	47,141,400
Other reserves	14	6,662,397	6,662,397
Retained earnings		5,785,098	6,787,836
<b>Total equity</b>		<b>59,588,895</b>	<b>60,591,633</b>
<b>Liabilities</b>			
Interest bearing term loans	15	7,226,995	11,154,106
Asset retirement obligation	17	374,326	364,506
Employee benefits	18	363,370	227,648
Lease obligation	19	30,744,041	452,629
Other non-current liability	20	3,698,061	3,497,283
<b>Non-current liabilities</b>		<b>42,406,793</b>	<b>15,696,172</b>
Accounts and other payables	21	41,287,549	38,458,287
Current tax liabilities	22	5,914,240	4,035,215
Intercompany payables - edotco BD	23	3,625,991	5,307,219
Intercompany payables - Axiata Group Berhad	24	1,589,965	1,854,402
Subscribers' security deposit	25	245,402	241,440
Lease obligation	19	1,766,583	57,701
Interest bearing term loans	15.1	6,832,441	4,959,194
Short term loan	26	7,350,000	13,412,821
Deposit against employee share purchase plan (ESPP)	27	1,360,781	-
<b>Current liabilities</b>		<b>69,972,952</b>	<b>68,326,279</b>
<b>Total liabilities</b>		<b>112,379,745</b>	<b>84,022,451</b>
<b>Total equity and liabilities</b>		<b>171,968,640</b>	<b>144,614,084</b>
<b>Net asset value (NAV) per share</b>	39	<b>12.64</b>	<b>12.85</b>

The annexed notes 1 to 52 form an integral part of these financial statements.

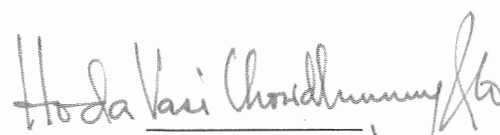
  
Managing Director

  
Director

  
Chief Financial Officer

  
Company Secretary

As per our report of same date

  
Chartered Accountants

Dhaka, 10 February 2020


**APPENDIX III - AUDITED FINANCIAL STATEMENTS OF ROBI FOR THE FYE 31 DECEMBER 2019**  
(cont'd)

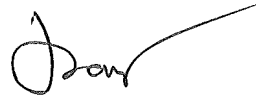
**Hoda Vasi  
Chowdhury & Co**


**Robi Axiata Limited**  
**Statement of profit or loss and other comprehensive income**  
**For the year ended 31 December 2019**


		In BDT'000	
	Note	2019	2018
Revenue	28	74,811,748	67,982,295
Cost of revenue	29	(46,973,632)	(48,063,015)
Administrative expenses	30	(4,368,878)	(3,964,060)
Selling and distribution expenses	31	(10,700,576)	(12,441,864)
Operating expenses	32	(4,109,806)	(4,129,417)
<b>Profit/(loss) from operations</b>		<b>8,658,856</b>	<b>(616,061)</b>
Share of profit from associate		-	245,016
Gain relating to disposal of shares in edotco BD	33	-	6,307,547
Net finance expense	34	(5,054,825)	(2,971,050)
Foreign exchange loss		(167,058)	(182,075)
Non-operating income	35	541,484	30,268
Net profit before WPPF		3,978,457	2,813,645
Expense related to WPPF and welfare fund		(189,450)	(133,983)
<b>Profit before tax</b>		<b>3,789,007</b>	<b>2,679,662</b>
Income tax expense	36	(3,619,918)	(532,321)
<b>Net profit for the year</b>		<b>169,089</b>	<b>2,147,341</b>
<b>Other comprehensive income/(expense)</b>			
Actuarial gain/(loss) from defined benefit plan	37	194,900	(53,980)
Related taxes		(107,604)	-
<b>Total comprehensive income</b>		<b>256,385</b>	<b>2,093,361</b>
<b>Earnings per share</b>			
Basic and diluted earnings per share	38	0.04	0.46

The annexed notes 1 to 52 form an integral part of these financial statements.

  
Managing Director

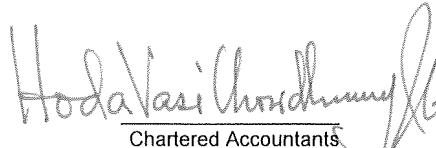
  
Director

  
Chief Financial Officer

  
Company Secretary

As per our report of same date

Dhaka, 10 February 2020

  
Chartered Accountants

**APPENDIX III - AUDITED FINANCIAL STATEMENTS OF ROBI FOR THE FYE 31 DECEMBER 2019**  
(cont'd)

**Hoda Vasi  
Chowdhury & Co**

**Robi Axiata Limited**  
**Statement of changes in equity**  
**For the year ended 31 December 2019**

					In BDT'000
	Note	Share capital	Other reserves	Retained earnings	Total equity
Balance as at 1 January 2019		47,141,400	6,662,397	6,787,836	60,591,633
First time adoption adjustments	2.1	-	-	(1,259,123)	(1,259,123)
<b>Adjusted balance as at 1 January 2019</b>		<b>47,141,400</b>	<b>6,662,397</b>	<b>5,528,713</b>	<b>59,332,510</b>
<b>Total comprehensive income</b>					
Net profit for the year		-	-	169,089	169,089
Other comprehensive income		-	-	87,296	87,296
<b>Total comprehensive income</b>		<b>-</b>	<b>-</b>	<b>256,385</b>	<b>256,385</b>
<b>Transaction with owners of the Company</b>					
Contributions and distributions					
Dividend		-	-	-	-
Total contributions and distributions		-	-	-	-
Total changes in ownership interests		-	-	-	-
<b>Total transaction with owners of the Company</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Balance as at 31 December 2019</b>		<b>47,141,400</b>	<b>6,662,397</b>	<b>5,785,098</b>	<b>59,588,895</b>
Balance as at 1 January 2018		47,141,400	6,662,397	4,867,025	58,670,822
First time adoption adjustments	2.1	-	-	(172,550)	(172,550)
<b>Adjusted balance as at 1 January 2018</b>		<b>47,141,400</b>	<b>6,662,397</b>	<b>4,694,475</b>	<b>58,498,272</b>
<b>Total comprehensive income</b>					
Net profit for the year		-	-	2,147,341	2,147,341
Other comprehensive income		-	-	(53,980)	(53,980)
<b>Total comprehensive income</b>		<b>-</b>	<b>-</b>	<b>2,093,361</b>	<b>2,093,361</b>
<b>Transaction with owners of the Company</b>					
Contributions and distributions					
Dividend		-	-	-	-
Total contributions and distributions		-	-	-	-
Total changes in ownership interests		-	-	-	-
<b>Total transaction with owners of the Company</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Balance as at 31 December 2018</b>		<b>47,141,400</b>	<b>6,662,397</b>	<b>6,787,836</b>	<b>60,591,633</b>

The annexed notes 1 to 52 form an integral part of these financial statements.

**APPENDIX III - AUDITED FINANCIAL STATEMENTS OF ROBI FOR THE FYE 31 DECEMBER 2019**  
(cont'd)

**Hoda Vasi  
Chowdhury & Co**

**Robi Axiata Limited**  
**Statement of cash flows**  
**For the year ended 31 December 2019**

	In BDT'000	
	2019	2018
<b>Cash flows from operating activities</b>		
Cash received from customers	84,274,539	74,621,546
Cash paid to suppliers, employees and others	(36,096,707)	(36,659,238)
Cash generated from operations	48,177,832	37,962,308
VAT and tax paid	(19,417,400)	(15,883,208)
<b>Net cash from operating activities</b>	<b>28,760,432</b>	<b>22,079,100</b>
<b>Cash flows from investing activities</b>		
Acquisition of property, plant and equipment and intangibles	(13,480,013)	(23,418,818)
Proceeds from sale of property, plant and equipment	78,268	28,967
Payment for Tech Neutrality and 4G license	-	(3,988,295)
Interest and insurance claim received	67,437	110,339
Proceeds from sale of edotco BD shares	-	10,062,000
<b>Net cash used in investing activities</b>	<b>(13,334,308)</b>	<b>(17,205,807)</b>
<b>Cash flows from financing activities</b>		
Deposit against ESPP including interest**	1,360,781	-
Proceeds from loans and borrowings	24,180,305	54,562,821
Payment of lease obligation	(4,807,911)	(14,542)
Repayment of loans and borrowings	(34,286,510)	(58,153,322)
<b>Net cash used in financing activities</b>	<b>(13,553,335)</b>	<b>(3,605,043)</b>
<b>Net change in cash and cash equivalents</b>	<b>1,872,789</b>	<b>1,268,250</b>
Cash and cash equivalents as at 1 January*	2,644,237	1,375,987
<b>Cash and cash equivalents as at 31 December</b>	<b>4,517,026</b>	<b>2,644,237</b>
<b>Net operating cash flows per share (NOCFPS)</b>	<b>6.10</b>	<b>4.68</b>

\* FDRs amounting BDT 352,981,988 was presented as part of cash and cash equivalents in 2018 which have now been reclassified to short term investments - FDRs to conform to the current year's presentation.

\*\* Cash and cash equivalents as at 31 December 2019 includes BDT 1,360,781,337 received as share money deposit from eligible employees of the Company against prospective Initial Public Offering (IPO) which has also been disclosed in note 27 of these financial statements.

The annexed notes 1 to 52 form an integral part of these financial statements.

  
Managing Director

  
Director

  
Chief Financial Officer

  
Company Secretary



**Robi Axiata Limited**  
**Notes to the financial statements**  
**As at and for the year ended 31 December 2019**

**1 Reporting entity**

**1.1 Company profile**

Robi Axiata Limited (hereinafter referred to as "Robi"/"the Company"), a public company limited by shares, was incorporated under Companies Act, 1994 on 22 October 1995 and currently has its registered office at Nafi Tower (19th Floor), 53 Gulshan South Avenue, Gulshan 1, Dhaka 1212. The issued and paid up capital of the Company is BDT 47,141,400,010 as of 31 December 2019 of which 68.7% shares held by Axiata Investments (Labuan) Ltd., 25.0% shares held by Bharti International (Singapore) Pte Ltd., 6.3% shares held by NTT Docomo Inc. and rest of the shares are held by Axiata Group Berhad and other shareholders. Details of shareholding is shown in note 13.

Robi Axiata Limited has incorporated "Red Dot Digital Limited" (hereinafter referred to as "Red Dot"), as a subsidiary in November 2019. Red Dot is registered in the Bangabandhu Hi-Tech City, Kaliakoir, Gazipur, Bangladesh. The subsidiary will focus on Hi-Tech/ IT/ITES (IT Enabled Services) sector, developing software technology for mobile, IOT and FinTech services. The subsidiary will also facilitate data centre, incubation centre and R&D etc. It is expected to start its commercial operation in the first quarter of 2020. The paid up capital of Red Dot (BDT 1,000,000) is yet to be transferred to Red Dot's bank account. There is no transaction of Red Dot in 2019 and hence no financial statements of Red Dot have been prepared.

These are individual financial statements of Robi. The immediate parent of Robi is Axiata Investments (Labuan) Ltd. incorporated in Federal Territory of Labuan, Malaysia and the ultimate parent is Axiata Group Berhad incorporated in Malaysia.

**1.2 Nature of business**

Robi Axiata Limited is a licensed mobile telecommunication service provider in Bangladesh providing voice, data and digital services. The Company also provides other services including international roaming services with various operators of different countries across the world. The Company launched its commercial operations on 15 November 1997 and currently has nationwide 2G, 3G & 4G network covering population of 99%, 91% & 93% respectively.

The Company obtained 2G cellular mobile phone services operator license from the Ministry of Posts and Telecommunications (MOPT), Government of Bangladesh in 1996 which was renewed for a period of 15 years with effect from 11 November 2011. Robi merged with Airtel Bangladesh Limited on 16 November 2016 and obtained additional spectrum, certain bands of which will expire in December 2020, which is expected to be renewed accordingly.

The Company obtained 3G Cellular Mobile Phone Services Operator License (3G License) and related spectrum from Bangladesh Telecommunication Regulatory Commission (BTRC) on 12 September 2013 and 4G Cellular Mobile Phone Services Operator License (4G License) on 19 February 2018. The 3G License and 4G License was issued for a period of 15 years with effect from 12 September 2013 and 19 February 2018 respectively.

**2 Basis of preparation of financial statements**

The financial statements of the Company which comprises the statement of financial position, statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows, and notes to the financial statements including a summary of significant accounting policies have been prepared in accordance with International Accounting Standards (IASs), International Financial Reporting Standards (IFRSs), the Companies Act, 1994, the Securities and Exchange Rules, 1987 and other applicable laws in Bangladesh.

These financial statements have been prepared on going concern basis. Unless otherwise specifically mentioned historical cost principle have been followed for the purpose of these financial statements. Comparative information has been rearranged wherever considered necessary to conform to the current period's presentation.

Details of the accounting policies are described in Note 52.

This is the first set of the annual financial statements in which IFRS 16 "Leases" has been applied. The related changes to significant accounting policies are described in Note 2.1.

**2.1 Changes in significant accounting policies**

**First time adoption adjustments - IFRS 16 adopted from 1 January 2019**

Robi initially applied IFRS 16 "Leases" from 1 January 2019. The Company applied IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognized in retained earnings at 1 January 2019. Accordingly, the comparative information presented for 2018 is not restated i.e. it is presented, as previously reported, under IAS 17 "Leases" and related interpretations. The details of the changes in accounting policies are disclosed below.

**A. Definition of a lease**

Previously, the company determined at contract inception whether an arrangement was or contained a lease under IFRIC 4 "Determining whether an Arrangement contains a Lease". The Company now assesses whether a contract is or contains a lease based on the definition of a lease, as explained in note 52.3.

On transition to IFRS 16, the Company elected to apply the practical expedient to grandfather the assessment of which transactions are leases. The Company applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed for whether there is a lease under IFRS 16.

**B. As a lessee**

As a lessee, the Company leases many assets which were previously classified as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Company. Under IFRS 16, the Company recognizes right-of-use assets and lease liabilities for most of these leases i.e. these leases are on-balance sheet.

At commencement or on modification of a telecom infrastructure/ equipment sharing related contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of its relative stand-alone price.

However, for leases of land/ building the Company has considered not to separate non-lease components and account for the lease and associated non-lease components as a single lease component.

**i. Leases classified as operating leases under IAS 17**

Previously, the Company classified property leases as operating leases under IAS 17. On transition, for these leases, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Company's incremental borrowing rate as at 1 January 2019. Right-of-use assets are measured at either:

a) their carrying amount as if IFRS 16 had been applied since the commencement date, discounted using the Company's incremental borrowing rate at the date of initial application or

b) an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments.

The Company has chosen the right-of-use asset measurement option (as mentioned above) on a lease by lease basis. For the most significant lease contract (i.e. contract with tower Company), the Company has applied the first option (option a) for measurement of right-of-use assets. For all other lease contracts, second option (option b) has been applied.

For lease term consideration, the Company considers non-cancellable period. Option to extend is considered only if that is a legally enforceable right.

The Company has tested its right-of-use assets for impairment on the date of transition and has concluded that there is no indication that the right-of-use assets are impaired.

The Company used the practical expedient of not recognizing right-of-use assets and liabilities for leases for which the lease term ends within 12 months of the date of initial application.

**ii. Leases classified as finance leases under IAS 17**

The Company leases dark fibers. These leases were classified as finance leases under IAS 17. For these finance leases, the carrying amount of the right-of-use asset and the lease liability at 1 January 2019 were determined at the carrying amount of the lease asset and lease liability under IAS 17 immediately before that date. For those cases where the contract does not meet the criteria of a lease under IFRS 16, has been reclassified and treated accordingly under applicable standards.

**C. Impact on financial statements**

On transition to IFRS 16, the Company has recognized additional right-of-use assets and additional lease liabilities, recognizing the difference (net of tax) in retained earnings. The impact on transition is summarized below.

<i>In BDT'000</i>	Reported as at 31 December 2018	Reclassification	Adjustments	Restated as at 01 January 2019
Retained earnings	6,787,836	-	(1,259,123)	5,528,713
Intangible assets, net	29,451,908	(851,450)	-	28,600,458
Right-of-use asset (ROU), net	-	577,047	27,406,705	27,983,751
Advances, deposits and prepayments	3,992,642	114,194	-	4,106,836
Accounts and other payables	38,458,287	(1,356,316)	-	37,101,971
Lease obligation	510,330	-	31,917,651	32,427,982
Deferred tax assets	1,586,415	-	2,055,718	3,642,133

**Hoda Vasi  
Chowdhury & Co**

To understand further about the impact of IFRS 16 on profit or loss for the year please also see note 19. For the details of accounting policies under IFRS 16 and IAS 17, see Note 52.3.

**First time adoption adjustments - IFRS 15 and IFRS 9 adopted from 1 January 2018**

The Company adopted IFRS 15 "Revenue from Contracts with Customers" and IFRS 9 "Financial Instruments" from 1 January 2018 using the cumulative effect method, with the effect of initially applying this standard recognized at the date of initial application. The impact of IFRS15 was mainly in the area of connection revenue recognition and free minutes deferment while the impact of IFRS 9 was mainly in the area of impairment of accounts receivables.

The impact on transition to IFRS 15 and IFRS 9 is summarized below -

<i>In BDT'000</i>	Reported as at 31 December 2017	Reclassification	Adjustments	Restated as at 01 January 2018
Retained earnings	4,867,025	-	(172,550)	4,694,475
Deferred tax assets	463,740	-	141,177	604,917
Accounts and other payables	40,941,807	-	230,825	41,172,632
Accounts and other receivables, net	9,743,805	-	(82,902)	9,660,903

**2.2 Date of authorization**

These financial statements have been authorized for issue by the Board of Directors of the Company on 10 February 2020.

**2.3 Reporting period**

The financial period of the Company covers one year from 1 January to 31 December and is followed consistently.

**3 Functional and presentation currency**

The financial statements are presented in Bangladeshi Taka (BDT), which is both functional and presentation currency of the Company. All financial information are presented in BDT and have been rounded off to the nearest BDT in thousand unless otherwise indicated.

**4 Use of estimates and judgements**

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

In particular, information about significant areas of estimates and critical judgements in applying accounting policies that have the most significant effect on the amount recognized in these financial statements are stated in the following notes:

	<u>Note reference</u>
Property, plant and equipment	5 and 52.1
Intangible asset	6 and 52.2
Right-of-use asset	7 and 52.3
Provision for impairment	9.1.2 and 52.5
Deferred tax (assets)/liabilities	16 and 52.10
Asset retirement obligation	17 and 52.8
Employee benefits	18 and 52.7
Leases	19 and 52.3
Provisions	21 and 52.8
Current tax liabilities	22 and 52.10
Provision for obsolescence	8 and 52.6

**APPENDIX III - AUDITED FINANCIAL STATEMENTS OF ROBI FOR THE FYE 31 DECEMBER 2019 (cont'd)**

**5 Property, plant and equipment (PPE), net**

In BDT'000	Freehold land	Furniture and fixture	Office and other equipment	Computer infrastructure	IT infrastructure	IT applications	Billing equipment	Telecom equipment and infrastructure	Motor vehicle	Capital work-in-progress (CWIP)	Total
Cost											
Balance as at 1 January 2018	293,885	600,746	2,336,458	367,186	3,934,660	3,663,674	992,343	112,852,255	171,131	10,531,230	135,743,568
Additions	-	51,492	79,858	43,926	323,505	348,943	354,469	19,605,657	-	19,053,235	39,861,085
Disposals/Adjustments/Transfer	-	(18,563)	(14,939)	(42,179)	(14,386)	-	-	(962,733)	(11,110)	(19,783,184)	(20,847,094)
Balance as at 31 December 2018	293,885	633,675	2,401,377	368,933	4,243,779	4,012,617	1,346,812	131,495,179	160,021	9,801,281	154,757,559
Balance as at 1 January 2019	293,885	633,675	2,401,377	368,933	4,243,779	4,012,617	1,346,812	131,495,179	160,021	9,801,281	154,757,559
Additions	-	51,216	805,588	59,508	760,624	695,363	0	17,761,923	31,148	13,729,037	33,894,407
Disposals/Adjustments/Transfer	-	(41,884)	(50,204)	(13,614)	(12,880)	-	-	(1,171,220)	(39,458)	(19,952,027)	(21,281,287)
Balance as at 31 December 2019	293,885	643,007	3,156,761	414,827	4,991,523	4,707,980	1,346,812	148,085,882	151,711	3,578,291	167,370,679
Accumulated depreciation											
Balance as at 1 January 2018	-	409,126	1,666,328	275,496	2,138,281	1,007,503	856,221	38,102,387	160,097	-	44,615,439
Charged during the year	-	67,279	282,338	42,243	716,044	615,635	145,943	10,127,764	4,344	-	12,001,590
Disposals/Adjustments	-	(13,936)	(14,293)	(41,102)	(14,386)	-	-	(946,815)	(11,110)	-	(1,041,642)
Balance as at 31 December 2018	-	462,469	1,934,373	276,637	2,839,939	1,623,138	1,002,164	47,283,336	153,331	-	55,575,387
Balance as at 1 January 2019	-	462,469	1,934,373	276,637	2,839,939	1,623,138	1,002,164	47,283,336	153,331	-	55,575,387
Charged during the year	-	73,067	211,603	41,008	610,092	749,112	110,613	10,719,886	6,439	-	12,521,820
Disposals/Adjustments	-	(41,385)	(49,786)	(13,225)	(8,733)	-	-	(1,113,957)	(39,458)	-	(1,266,544)
Balance as at 31 December 2019	-	494,151	2,096,190	304,420	3,441,298	2,372,250	1,112,777	56,889,265	120,312	-	66,830,663
Carrying amounts											
As at 31 December 2018	293,885	171,206	467,004	92,296	1,403,840	2,389,479	344,648	84,211,843	6,690	9,801,281	99,182,172
As at 31 December 2019	293,885	148,856	1,060,571	110,407	1,550,225	2,335,730	234,035	91,196,617	31,399	3,578,291	100,540,016

APPENDIX III - AUDITED FINANCIAL STATEMENTS OF ROBI FOR THE FYE 31 DECEMBER 2019 (cont'd)

6 Intangible assets, net

In BDT'000	Software	IRU asset *	Spectrum assignment fee	2G license fee	3G license fee	4G license fee	Tech neutrality fee	Customer list	Brand	Goodwill	Total
<b>Cost</b>											
Balance as at 1 January 2018	1,747,368	574,441	1,600,000	23,866,785	15,611,037	-	-	1,700,380	567,061	402,000	46,069,072
Additions	-	498,601	-	-	-	117,650	3,870,645	-	-	-	4,486,895
Disposals/Adjustments	(10,392)	-	-	-	-	-	-	-	-	-	(10,392)
<b>Balance as at 31 December 2018</b>	<b>1,736,976</b>	<b>1,073,042</b>	<b>1,600,000</b>	<b>23,866,785</b>	<b>15,611,037</b>	<b>117,650</b>	<b>3,870,645</b>	<b>1,700,380</b>	<b>567,061</b>	<b>402,000</b>	<b>50,545,575</b>
Balance as at 1 January 2019	1,736,976	1,073,042	1,600,000	23,866,785	15,611,037	117,650	3,870,645	1,700,380	567,061	402,000	50,545,575
Additions	19,318	-	-	-	-	-	-	-	-	-	19,318
Reclassified to right-of-use asset (ROU) *	-	(631,042)	-	-	-	-	-	-	-	-	(631,042)
Reclassified to advance, deposits and prepayments *	-	(442,000)	-	-	-	-	-	-	-	-	(442,000)
Disposals/Adjustments	-	-	-	-	-	-	-	-	-	-	-
<b>Balance as at 31 December 2019</b>	<b>1,756,294</b>	<b>-</b>	<b>1,600,000</b>	<b>23,866,785</b>	<b>15,611,037</b>	<b>117,650</b>	<b>3,870,645</b>	<b>1,700,380</b>	<b>567,061</b>	<b>402,000</b>	<b>49,491,851</b>
<b>Accumulated amortization</b>											
Balance as at 1 January 2018	1,706,520	139,292	807,408	9,102,103	3,136,057	-	-	767,131	212,842	-	15,871,353
Charged during the year	32,052	82,300	88,889	2,442,231	1,162,910	6,609	547,423	681,272	189,020	-	5,232,706
Disposals/Adjustments	(10,392)	-	-	-	-	-	-	-	-	-	(10,392)
<b>Balance as at 31 December 2018</b>	<b>1,728,180</b>	<b>221,592</b>	<b>896,297</b>	<b>11,544,334</b>	<b>4,298,967</b>	<b>6,609</b>	<b>547,423</b>	<b>1,448,403</b>	<b>401,862</b>	<b>-</b>	<b>21,093,667</b>
Balance as at 1 January 2019	1,728,180	221,592	896,297	11,544,334	4,298,967	6,609	547,423	1,448,403	401,862	-	21,093,667
Charged during the year	8,083	-	88,889	2,442,231	1,162,910	7,511	630,549	251,977	165,199	-	4,757,349
Reclassified to right-of-use asset (ROU) *	-	(53,995)	-	-	-	-	-	-	-	-	(53,995)
Reclassified to advance, deposits and prepayments *	-	(167,597)	-	-	-	-	-	-	-	-	(167,597)
Disposals/Adjustments	-	-	-	-	-	-	-	-	-	-	-
<b>Balance as at 31 December 2019</b>	<b>1,736,263</b>	<b>-</b>	<b>985,186</b>	<b>13,986,565</b>	<b>5,461,877</b>	<b>14,120</b>	<b>1,177,972</b>	<b>1,700,380</b>	<b>567,061</b>	<b>-</b>	<b>25,629,424</b>
<b>Carrying amounts</b>											
As at 31 December 2018	8,795	851,450	703,703	12,322,451	11,312,070	111,041	3,323,222	251,977	165,199	402,000	29,451,908
<b>As at 31 December 2019</b>	<b>20,031</b>	<b>-</b>	<b>614,814</b>	<b>9,880,220</b>	<b>10,149,160</b>	<b>103,530</b>	<b>2,692,673</b>	<b>-</b>	<b>-</b>	<b>402,000</b>	<b>23,862,427</b>

\* IRU asset means indefeasible right of use asset relating to transmission fiber. During 2019, these assets have been reclassified as per the guidance of IFRS 16.

**APPENDIX III - AUDITED FINANCIAL STATEMENTS OF ROBI FOR THE FYE 31 DECEMBER 2019 (cont'd)**

**7 Right-of-use asset (ROU), net**

<i>In BDT'000</i>	Land & building	Transmission fiber	Telecom equipment and infrastructure	Total
<b>Cost</b>				
Balance as at 1 January 2019	-	-	-	-
Reclassified from intangible assets	-	631,042	-	631,042
Adjustments on adoption of IFRS16 as at 1 January 2019	400,329	-	27,006,376	27,406,705
Additions	-	-	2,214,834	2,214,834
Disposals/Adjustments	-	(498,601)	-	(498,601)
<b>Balance as at 31 December 2019</b>	<b>400,329</b>	<b>132,441</b>	<b>29,221,210</b>	<b>29,753,980</b>
<b>Accumulated depreciation</b>				
Balance as at 1 January 2019	-	-	-	-
Reclassified from intangible assets	-	53,995	-	53,995
Charged during the year	153,270	64,309	2,643,491	2,861,070
Disposals/Adjustments	-	(74,152)	-	(74,152)
<b>Balance as at 31 December 2019</b>	<b>153,270</b>	<b>44,152</b>	<b>2,643,491</b>	<b>2,840,913</b>
<b>Carrying amounts</b>				
<b>As at 31 December 2019</b>	<b>247,059</b>	<b>88,289</b>	<b>26,577,719</b>	<b>26,913,067</b>



**APPENDIX III - AUDITED FINANCIAL STATEMENTS OF ROBI FOR THE FYE 31 DECEMBER 2019**  
(cont'd)

**Hoda Vasi**  
**Chowdhury & Co**

**8 Inventories**

<i>In BDT'000</i>	2019	2018
SIM cards and starter kits	34,920	78,456
Scratch cards	19,385	7,758
Device and others	208,143	216,427
	262,448	302,641
Provision for obsolescence	(18,039)	(19,961)
	244,409	282,680

**8.1 Number of inventories**

<i>In Number'000</i>	2019	2018
SIM cards and starter kits	1,780	3,595
Scratch cards	130,063	39,832
Device and others	1,669	6,923
	133,512	50,350

**9 Accounts and other receivables, net**

<i>In BDT'000</i>	Note	2019	2018
Accounts receivable, net	9.1	4,973,881	4,157,940
Other receivables		2,958,516	2,963,108
		7,932,397	7,121,048

Other receivables mainly consist of indemnification assets arising from business combination.

**9.1 Accounts receivable, net**

<i>In BDT'000</i>	Note	2019	2018
Interconnection receivables		2,570,961	2,485,568
Post-paid receivables		383,001	362,485
Infrastructure sharing receivables		235,231	174,882
International roaming receivables		132,146	180,972
Others	9.1.1	3,383,090	2,716,175
		6,704,429	5,920,082
Provision for impairment	9.1.2	(1,730,548)	(1,762,142)
		4,973,881	4,157,940

9.1.1 Other account receivables mainly include receivable from channel partners and receivables from digital business.

**9.1.2 Provision for impairment**

<i>In BDT'000</i>	2019	2018
Balance as at 1 January	1,762,142	1,650,224
Adjustment on initial application of IFRS 9	-	82,902
Provision made during the year	264,818	118,124
Write back	(15,225)	(63,224)
Reclassification during the year	26,741	-
Bad debt written off during the year	(307,928)	(25,885)
Balance as at 31 December	1,730,548	1,762,142

Details of provision for impairment based on analysis of credit risk exposure has been disclosed in note 41 (B) (I) (c) of these financial statements.

**APPENDIX III - AUDITED FINANCIAL STATEMENTS OF ROBI FOR THE FYE 31 DECEMBER 2019**  
(cont'd)

**Hoda Vasi**  
**Chowdhury & Co**

**10 Advances, deposits and prepayments**

<i>In BDT'000</i>	2019	2018
Advances	2,847,984	2,759,637
Deposits	145,025	145,605
Prepayments	1,581,114	1,087,400
	<b>4,574,123</b>	<b>3,992,642</b>

**11 Short term investments - FDRs**

This represents term deposits with Bank Al-falah Limited and Eastern Bank Limited with maturity over 90 days. These are under lien against bank guarantees for customs duty in respect of import of Subscriber Identification Module (SIM) card, scratch card and network equipment.

**12 Cash and cash equivalents**

<i>In BDT'000</i>	<i>Note</i>	2019	2018
Cash in hand	12.1	52,010	41,905
Cash at bank	12.2	4,465,016	2,602,332
		<b>4,517,026</b>	<b>2,644,237</b>

**12.1** Cash in hand includes cash available in mobile financial service (MFS) wallets.

**12.2** FDRs amounting BDT 352,981,988 was presented as part of cash and cash equivalents in 2018 which have now been reclassified to short term investments - FDRs to conform to the current year's presentation.

Cash at bank as at 31 December 2019 includes BDT 1,360,781,337 received as share money deposit from eligible employees of the Company against prospective IPO which has also been disclosed in note 27 of these financial statements.



**APPENDIX III - AUDITED FINANCIAL STATEMENTS OF ROBI FOR THE FYE 31 DECEMBER 2019 (cont'd)**

**13 Share capital**

	2019	2018
<i>In BDT'000</i>		
Authorized:		
6,000,000,000 ordinary shares of BDT 10 each	60,000,000	60,000,000
	60,000,000	60,000,000
Issued, subscribed, called up and paid up:		
Balance as at 1 January	47,141,400	47,141,400
Balance as at 31 December	47,141,400	47,141,400

**13.1 Shareholding position**

Name of shareholders	2019		2018	
	No. of share	% of holding	No. of share	% of holding
Axiata Investments (Labuan) Ltd.	3,238,304,100	68.7%	3,238,304,100	68.7%
Axiata Group Berhad	900	0.0%	900	0.0%
Bharti International (Singapore) Pte Ltd.	1,178,535,001	25.0%	1,178,535,001	25.0%
NTT DOCOMO INC.	297,299,960	6.3%	297,299,960	6.3%
Other shareholders	40	0.0%	40	0.0%
	4,714,140,001	100%	4,714,140,001	100.0%

Other shareholders include Neasden Assets Limited, Ephraim Assets Limited, Calamint Investments Limited and Thurso Investments Limited having 10 shares each.

**14 Other reserves**

On 21 September 2016, High Court of Bangladesh has approved the Scheme of Amalgamation (the Scheme) to merge Robi Axiata Limited with Airtel Bangladesh Limited. The Merger has been effected via issuance of 1,178,535,001 new ordinary shares at the face value BDT 10 each by Robi to Bharti International (Singapore) Pte Ltd. for shareholding of up to 25% plus 1 share in the surviving entity Robi Axiata Limited. The merger was a cash free debt free transaction and there was no other consideration between the parties.

In accordance with IFRS 3 "Business Combinations", consideration given for any business combination has to be measured at fair value on the acquisition date. Based on the Purchase Price Allocation (PPA) exercise, the total fair value of the shares issued to Bharti International (Singapore) Pte Ltd. was derived at BDT 18,447,746,789 resulting in the recording of an amount of BDT 6,662,396,779 in excess of face value of shares. The excess amount has been recorded as "Other reserves".

**APPENDIX III - AUDITED FINANCIAL STATEMENTS OF ROBI FOR THE FYE 31 DECEMBER 2019**  
(cont'd)

**Hoda Vasi**  
**Chowdhury & Co**

**15 Interest bearing term loans**

<i>In BDT'000</i>	<i>Note</i>	<b>2019</b>	<b>2018</b>
Standard Chartered Bank (Sinasure backed)	15.2	250,431	734,277
International Finance Corporation	15.3	5,020,605	6,607,071
Eastern Bank Limited	15.4	-	800,000
IDCOL SCB (Syndication)	15.5	5,988,400	7,971,952
Dutch Bangla Bank Limited	15.6	2,800,000	-
Total outstanding interest bearing term loans		14,059,436	16,113,300
Interest bearing term loans - current portion	15.1	(6,832,441)	(4,959,194)
Interest bearing term loans - non-current portion		7,226,995	11,154,106

**15.1 Interest bearing term loans - current portion**

<i>In BDT'000</i>	<i>Note</i>	<b>2019</b>	<b>2018</b>
Standard Chartered Bank (Sinasure backed)	15.2	250,431	496,984
International Finance Corporation	15.3	1,682,010	1,662,210
Eastern Bank Limited	15.4	-	800,000
IDCOL SCB (Syndication)	15.5	4,000,000	2,000,000
Dutch Bangla Bank Limited	15.6	900,000	-
		6,832,441	4,959,194

**15.2** The amount represents the loan facility of USD 29.60m of which USD 25.20m received from Standard Chartered Bank (SCB) London which is guaranteed by Sinasure and USD 4.4m received from SCB, Offshore Banking Unit (OBU), Bangladesh to finance the purchase of telecommunication equipment supplied by Huawei against hypothecation of the Company's property, plant and equipment, all bank accounts and book debts.

**15.3** The amount represents the loan facility of USD 99m received from International Finance Corporation (IFC) for purchase of telecommunication equipment supplied by foreign vendors through Letter of credit. This financing has been guaranteed by Axiata Group Berhad.

**15.4** The amount represents the loan facility of BDT 1600m received from Eastern Bank Limited (EBL) for take over funded liability of Airtel Bangladesh Limited with EBL. Security of this loan is standard charge documents (e.g. Promissory note, Letter of arrangement, Letter of continuity etc.) as per Bank's format. This loan has been fully paid off during 2019.

**15.5** The amount represents BDT 8000m syndication term loan received from Standard Chartered Bank (SCB), Dhaka and Infrastructural Development Company Limited (IDCOL), Dhaka for a duration of 3 years with 1st year moratorium. The purpose of this loan is to arrange the funding for optimization of the core network and payment of 4G spectrum/technical neutrality fee and/or license fee. The security of this term loan is negative pledge on future asset.

**15.6** The amount represents the loan facility of BDT 3800m received from Dutch Bangla Bank Limited (DBBL) for a duration of 3 years. This loan has been taken to finance the purchase of telecommunication equipment. BDT 1000m has been repaid during the year.

**16 Deferred tax (assets)/liabilities**

Deferred tax assets and liabilities have been recognized and measured in accordance with the provisions of IAS 12 "Income Taxes".

<i>In BDT'000</i>	<b>Carrying amount</b>	<b>Tax base</b>	<b>Taxable/(deductible) temporary difference</b>
<b>31 December 2019</b>			
Property, plant and equipment (excluding land, IRU, goodwill)	120,472,894	77,746,943	42,725,951
Right-of-use asset (excluding IRU)	26,824,777	-	26,824,777
Lease obligation	(32,510,622)	-	(32,510,622)
Provision for impairment	(1,730,548)	-	(1,730,548)
Provision for inventory obsolescence	(137,132)	-	(137,132)
Employee benefit	24,248	-	24,248
Unabsorbed depreciation and business loss	-	41,933,552	(41,933,552)
Net taxable/(deductible) temporary difference			(6,736,878)
Applicable tax rate			45%
Deferred tax assets			(3,031,595)

**APPENDIX III - AUDITED FINANCIAL STATEMENTS OF ROBI FOR THE FYE 31 DECEMBER 2019**  
(cont'd)

**Hoda Vasi  
Chowdhury & Co**

<i>In BDT'000</i>	Carrying amount	Tax base	Taxable/ (deductible) temporary difference
<b>31 December 2018</b>			
Property, plant and equipment (excluding land, IRU, goodwill)	117,386,196	75,646,002	41,740,193
Provision for doubtful debt	(1,762,142)	-	(1,762,142)
Provision for impairment	(55,704)	-	(55,704)
Employee benefit	(214,872)	-	(214,872)
Unabsorbed depreciation and business loss	-	43,232,842	(43,232,842)
Net taxable/(deductible) temporary difference			(3,525,367)
Applicable tax rate			45%
Deferred tax assets			(1,586,415)

**16.1 Deferred tax expense/(income)**

<i>In BDT'000</i>	2019	2018
Deferred tax (assets)/liabilities at 1 January		
As previously reported	(1,586,415)	(463,740)
First time adoption adjustments	(2,055,718)	(141,177)
As restated	(3,642,133)	(604,917)
Debit to profit or loss:		
Property, plant and equipment (excluding land, IRU, goodwill)	443,591	2,613,746
Provision for impairment	14,217	(13,058)
Provision for inventory obsolescence	(36,643)	(15,638)
ROU assets and lease liabilities (net)	(502,912)	-
Unabsorbed depreciation and business loss	584,681	(3,670,420)
Deferred revenue-IFRS 15 transition	-	103,871
Sharing with Bharti International (Singapore) Pte Ltd.	200,778	323,418
	703,712	(658,081)
Debit to OCI:		
Actuarial reserve	107,604	-
Sharing with Bharti International (Singapore) Pte Ltd.	(200,778)	(323,418)
	(3,031,595)	(1,586,416)

**17 Asset retirement obligation**

The Company recognizes Asset Retirement Obligation (ARO) in respect of roof-top, green field base stations and office space for any constructive and/or legal obligations for dismantling, removal or restoration incurred by the Company as a consequence of installing or constructing the sites. ARO is measured at the present value of expected cash outflows required to settle such obligations. Periodic accretion of such liabilities due to the passage of time is recorded as finance cost. The significant assumptions used in estimating the provision are: timing of assets removals; costs of restorations; expected inflation rates; and the discount rates. There can be no assurances that actual costs and the probability of incurring obligations will not differ from these estimates.

<i>In BDT'000</i>	2019	2018
Opening balance	364,506	429,151
Provision made during the year	44,342	45,835
Provision released during the year	(34,522)	(110,480)
Closing balance	374,326	364,506

**APPENDIX III - AUDITED FINANCIAL STATEMENTS OF ROBI FOR THE FYE 31 DECEMBER 2019**  
(cont'd)

**Hoda Vasi  
Chowdhury & Co**

**18 Employee benefits**

**18.1 Movement in net defined benefit (asset) liability**

<i>In BDT'000</i>	Defined benefit obligation	Fair value of plan assets	Net defined benefit (asset) liability
Balance at 1 January 2018	1,151,815	1,009,030	142,785
<b>Included in profit or loss</b>			
Current service cost	128,690	-	128,690
Past service credit	-	-	-
Interest cost/income	85,550	79,480	6,070
	214,240	79,480	134,760
<b>Included in other comprehensive income</b>			
Remeasurement loss (gain):			
Actuarial loss (gain) arising from:			
Financial assumptions	21,590	-	21,590
Experience adjustment	31,380	-	31,380
Return on plan assets:			
(Lesser)/greater than discount rate	-	(1,010)	1,010
	52,970	(1,010)	53,980
<b>Other</b>			
Employer contribution	-	-	-
Contributions paid directly	(103,877)	-	(103,877)
Benefits paid	-	-	-
Transfer to edotco fund	(90,268)	(90,268)	-
	(194,145)	(90,268)	(103,877)
Balance at 31 December 2018	1,224,880	997,232	227,648
<b>Balance at 1 January 2019</b>	<b>1,224,880</b>	<b>997,232</b>	<b>227,648</b>
<b>Included in profit or loss</b>			
Current service cost	143,430	-	143,430
Past service credit	398,998	-	398,998
Interest cost /income	93,308	80,846	12,462
	635,736	80,846	554,890
<b>Included in other comprehensive income</b>			
Remeasurement loss (gain):			
Actuarial loss (gain) arising from:			
financial assumptions	(148,810)	-	(148,810)
experience adjustment	(44,700)	-	(44,700)
Return on plan assets			
(lesser)/greater than discount rate	-	1,390	(1,390)
	(193,510)	1,390	(194,900)
<i>In BDT'000</i>	Defined benefit obligation	Fair value of plan assets	Net defined benefit (asset) liability
<b>Other</b>			
Employer contribution	-	78,000	(78,000)
Contributions paid directly	(146,268)	-	(146,268)
Benefits paid	-	-	-
Transfer to edotco fund	-	-	-
	(146,268)	78,000	(224,268)
Balance at 31 December 2019	1,520,838	1,157,468	363,370
<b>Represented by:</b>			
<i>In BDT'000</i>		2019	2018
Net defined benefit liability/(asset)		363,370	227,648

**Hoda Vasi  
Chowdhury & Co**

**18.2 Significant actuarial assumptions**

	2019	2018
Discount rates	9.0%	8.0%
Rate of salary increase	6.0%	6.5%
Attrition rate		
Age 20-40	10.0%	10.0%
Age 41-58	3.0%	3.0%

**18.3 Sensitivity analysis on Defined Benefit Obligation (DBO)**

	Amount (in BDT'000)	Percentage impact
Effect on DBO due to increase in the discount rate by 1%	(82,360)	-7.3%
Effect on DBO due to decrease in the discount rate by 1%	95,010	8.4%
Effect on DBO due to increase in the salary escalation rate by 1%	97,010	8.6%
Effect on DBO due to decrease in the salary escalation rate by 1%	(85,340)	-7.5%
Effect on DBO due to increase in the attrition rate by 1%	15,430	1.4%
Effect on DBO due to decrease in the attrition rate by 1%	(17,660)	-1.6%

**18.4 Significant rules relating to the plan**

Plan sponsor :	Robi Axiata Limited
Nature of benefits :	Defined benefit plan (Funded gratuity scheme)
Vesting criteria :	5 year of continuous service (for Robi employees). No such criteria for employees transferred from Airtel
Applicable salary :	Last drawn monthly basic salary (Robi employee). Last drawn monthly gross salary (Employee from Airtel).
Basis of gratuity :	Accrued benefit
Normal retirement age :	58 years (Robi) 60 years (Employee from Airtel)
Maximum limit:	No limit
Benefit calculation :	Robi: 1 month equivalent basic salary for each completed year of service for service upto 8 years. 1.5 months equivalent basic salary for each completed year of service for service upto 10 years. 2 months equivalent basic salary for each completed year of service for service above 10 years.  Airtel: 1 month equivalent gross salary for each completed year of service for service upto 10 years. 1.5 months equivalent gross salary for each completed year of service for service above 10 years.

**19 Leases**

**i) Lease liabilities recognized in statement of financial position**

In BDT'000	2019	2018
Lease obligation: current portion	1,766,583	57,701
Lease obligation: non-current portion	30,744,041	452,629
	32,510,624	510,330

**ii) Amounts recognized in profit or loss**

In BDT'000	2019	2018
Interest on lease liabilities	3,216,690	26,271
Depreciation expense	2,861,070	82,300
	6,077,760	108,571

**iii) Amounts recognized in statement of cash flows**

In BDT'000	2019	2018
Total cash-outflow for leases	4,807,911	14,542

**APPENDIX III - AUDITED FINANCIAL STATEMENTS OF ROBI FOR THE FYE 31 DECEMBER 2019**  
(cont'd)

**Hoda Vasi**  
**Chowdhury & Co**

**iv) Movement in lease payable**

<i>In BDT'000</i>	2019	2018
At 1 January	510,330	-
First time adoption adjustments under IFRS16	31,917,651	-
Additions	2,214,834	498,601
Remeasurement	50,724	-
Interest accrued	3,216,690	26,271
Repayment	(4,807,911)	(14,542)
Disposal	(591,695)	-
	<b>32,510,624</b>	<b>510,330</b>

**v) Measurement of lease liabilities**

The reconciliation between the operating lease commitments disclosed applying IAS 17 at 31 December 2018 to the lease liabilities under IFRS 16 recognized at 1 January 2019 is as below:

<i>In BDT'000</i>	2019
Operating lease commitment disclosed on 31 December 2018	-
Operating lease discounted using the lessee's incremental borrowings rate of at the date of application	31,917,651
Add: finance lease liabilities recognized as at 31 December 2018	510,330
Lease liability recognized as at 1 January 2019	32,427,981
Of which are:	
Non-current	1,646,807
Current	30,781,174
	<b>32,427,981</b>

**vi) Interest rates**

Year 2019	Land & building	Transmission fiber	Telecom equipment and infrastructure
Between one (1) to two (2) years	8.89%	-	8.89%
Between two (2) to three (3) years	8.89%	-	8.89%
Between three (3) to four (4) years	8.89%	-	8.89%
Between four (4) to five (5) years	8.89%	-	8.89%
Between five (5) to ten (10) years	9.25%	-	9.25%
Between ten (10) to fifteen (15) years	9.61% - 9.75%	9.39%	9.61% - 9.75%
More than 15 years	9.75%	-	-
Lease terms (no. of years)	1.1 - 40	10 - 15	2.5 - 15

**20 Other non-current liability**

This represents provision for Robi's obligation to Bharti International (Singapore) Pte Ltd. for certain tax benefits.

**21 Accounts and other payables**

<i>In BDT'000</i>	Note	2019	2018
Accounts payable including liability for capital expenditure		7,006,522	6,938,347
Accrued expenses including accrual for capital expenditure		14,910,440	13,232,210
Other payables	21.1	8,524,124	7,802,882
Provisions		10,846,462	10,484,848
		<b>41,287,549</b>	<b>38,458,287</b>

**21.1** Other payables include indirect unearned revenue, security deposit from suppliers and indirect tax.

**22 Current tax liabilities**

<i>In BDT'000</i>	2019	2018
Balance as at 1 January	4,035,215	3,745,957
Provision made during the year	2,916,206	1,190,402
	<b>6,951,421</b>	<b>4,936,359</b>
Payment during the year	(1,037,181)	(901,144)
Balance as at 31 December	<b>5,914,240</b>	<b>4,035,215</b>

**APPENDIX III - AUDITED FINANCIAL STATEMENTS OF ROBI FOR THE FYE 31 DECEMBER 2019**  
(cont'd)

**Hoda Vasi  
Chowdhury & Co**

**23 Intercompany payables - edotco BD**

This represents net payable to edotco BD mainly in connection with expenses incurred in relation to telecom tower infrastructure sharing arrangement.

**24 Intercompany payables - Axiata Group Berhad**

<i>In BDT'000</i>	<b>2019</b>	<b>2018</b>
Balance as at 1 January	1,854,402	1,806,382
Secondment fees and other intercompany payables	205,543	304,084
Waiver received from group	(480,679)	-
Repayment/ Transfer	(10,031)	(280,379)
Unrealized foreign exchange loss	20,730	24,315
Balance as at 31 December	1,589,965	1,854,402

These transactions and balances are related to only Axiata Group Berhad i.e. the ultimate parent of Robi.

**25 Subscribers' security deposit**

<i>In BDT'000</i>	<b>2019</b>	<b>2018</b>
Balance as at 1 January	241,440	249,021
Addition during the year	14,751	8,101
	256,191	257,122
Adjustment/refunded to the subscribers	(10,789)	(15,682)
Balance as at 31 December	245,402	241,440

Subscribers' security deposits represent security money deposited by subscribers at the time of obtaining the new connection as safeguard against default in payment of bills against future mobile usage. This amount may be applied to all or any portion thereof in payment of any amount due from the subscriber at the time of termination of the contract or disconnection.

**26 Short term loan**

This represents local currency loan taken for short tenure to meet the working capital requirements of the Company from different banks. The tenure of the loan is from 30 days to 180 days and renewable in nature maximum up to 360 days. The interest rate for the short term loans outstanding as at 31 December 2019 is between 6.85% to 9%.

<i>In BDT'000</i>	<b>2019</b>	<b>2018</b>
Citibank, N.A.	1,400,000	1,400,000
Standard Chartered Bank	1,200,000	1,712,821
HSBC	-	4,000,000
Eastern Bank Limited	1,000,000	750,000
Commercial Bank of Ceylon	1,250,000	1,250,000
Dutch Bangla Bank Ltd.	-	3,300,000
National Credit and Commerce Bank Ltd.	-	1,000,000
BRAC Bank Limited	1,500,000	-
Jamuna Bank Limited	1,000,000	-
	7,350,000	13,412,821

**27 Deposit against employee share purchase plan (ESPP)**

In the event shareholders of the Company may decide to float its shares to public through Initial Public Offering (IPO) in stock exchanges of Bangladesh share money deposit from eligible employees of the Company have been accepted before 31 December 2019. In the event, the Company do not lists its securities on public exchanges, the deposited money will be fully refunded to the employees with interest earned.

<i>In BDT'000</i>	<b>2019</b>	<b>2018</b>
Deposit against ESPP	1,360,509	-
Interest earned	272	-
	1,360,781	-



**APPENDIX III - AUDITED FINANCIAL STATEMENTS OF ROBI FOR THE FYE 31 DECEMBER 2019**  
(cont'd)

**Hoda Vasi  
Chowdhury & Co**

**28 Revenue**

<i>In BDT'000</i>	2019	2018
Installation charges	26,192	42,037
Post-paid airtime	1,083,443	1,088,034
Pre-paid airtime	40,725,970	39,398,087
Data	19,928,808	15,578,580
Value added services (VAS)	7,502,274	6,204,786
Interconnection revenue	4,002,913	4,447,380
International roaming revenue	157,637	162,355
Non-mobile revenue	900,787	641,279
Infrastructure sharing revenue	483,724	419,757
	<b>74,811,748</b>	<b>67,982,295</b>

**28.1 Disaggregation of revenue by timing of revenue recognition**

<i>In BDT'000</i>	2019	2018
<b>Revenue under IFRS15:</b>		
At a point of time	885,838	640,820
Over time	73,442,187	66,921,718
	<b>74,328,024</b>	<b>67,562,538</b>
Infrastructure sharing revenue	483,724	419,757
	<b>74,811,748</b>	<b>67,982,295</b>

**29 Cost of revenue**

<i>In BDT'000</i>	Note	2019	2018
Direct cost of revenue		13,676,286	12,909,252
Network operation and maintenance expenses		13,430,891	18,033,333
Depreciation and amortization	29.1	19,866,455	17,120,430
		<b>46,973,632</b>	<b>48,063,015</b>

**29.1 Depreciation and amortization**

<i>In BDT'000</i>	2019	2018
Depreciation of property, plant and equipment	12,401,306	11,887,724
Depreciation of right-of-use asset	2,707,800	-
Amortization of intangible asset	4,757,349	5,232,706
	<b>19,866,455</b>	<b>17,120,430</b>

**30 Administrative expenses**

<i>In BDT'000</i>	2019	2018
Salaries and allowances	3,311,192	3,392,195
Gratuity expenses	542,428	128,690
Provident fund	91,064	109,087
Staff welfare	286,609	202,469
Gas and petrol	57,206	61,258
Stationery and printing	8,795	6,689
Office expenses	71,584	63,672
	<b>4,368,878</b>	<b>3,964,060</b>

**31 Selling and distribution expenses**

<i>In BDT'000</i>	2019	2018
Advertisement and promotion	2,471,232	3,312,522
Trade promotion expenses	61,311	50,578
Dealers commission	7,895,326	8,731,141
Subsidy on SIM (VAT & SD)	272,707	347,623
	<b>10,700,576</b>	<b>12,441,864</b>



**APPENDIX III - AUDITED FINANCIAL STATEMENTS OF ROBI FOR THE FYE 31 DECEMBER 2019**  
(cont'd)

**Hoda Vasi  
Chowdhury & Co**

**32 Operating expenses**

<i>In BDT'000</i>	<i>Note</i>	<b>2019</b>	<b>2018</b>
Audit fees		1,200	1,200
Automobile insurance and license		3,470	1,463
Automobile repair and maintenance		7,571	6,196
Bank charges		22,159	19,668
Subscription		26,324	22,514
Electricity and water		55,979	49,633
License fees		148,018	103,941
Office rentals		191,183	423,476
Vehicle rentals		303,627	329,909
Postage and courier		18,624	26,276
Professional fees		284,765	295,850
Legal fees		29,658	53,816
Repair and maintenance of building and equipment		21,596	38,048
Security guard		210,535	179,731
Software and hardware maintenance		838,300	743,193
Training expense		8,390	10,600
Travelling and accommodation		103,421	94,381
Directors' allowance		25,742	25,397
Customer care expenses		577,830	725,076
Net expense for impairment	32.1	249,593	54,902
Depreciation of property, plant and equipment		120,514	113,865
Depreciation of right-of-use asset		153,270	-
Other expenses		708,037	810,282
		<b>4,109,806</b>	<b>4,129,417</b>

**32.1 Net expense for impairment**

<i>In BDT'000</i>	<b>2019</b>	<b>2018</b>
Provision during the year	264,818	118,126
Write back	(15,225)	(63,224)
	<b>249,593</b>	<b>54,902</b>

**33 Gain relating to disposal of shares in edotco BD**

<i>In BDT'000</i>	<i>Note</i>	<b>2019</b>	<b>2018</b>
Gain realized from edotco share sale	33.1	-	6,307,547
		-	<b>6,307,547</b>

The Company sold all of its 20% stake in edotco BD on 11 September 2018 to edotco Investments (Labuan) Limited. The gain from this share sale transaction has been recognized under the guidance of IAS 28 "Investment in Associate".

Share of edotco's profit upto the disposal date has been shown as "Share of Profit from Associate" in the comparative financial statements under the guidance of IAS 28 "Investment in Associate"

Please see note 33.1 below for more detail break-up on the gain realized from edotco share sale transaction.

**33.1 Gain realized from edotco share sale**

<i>In BDT'000</i>	<b>2019</b>	<b>2018</b>
Proceeds from sale of shares	-	10,062,000
Book value of investment at sale date	-	(3,754,453)
	-	<b>6,307,547</b>

**APPENDIX III - AUDITED FINANCIAL STATEMENTS OF ROBI FOR THE FYE 31 DECEMBER 2019**  
(cont'd)

**Hoda Vasi  
Chowdhury & Co**

**34 Net finance expense**

<i>In BDT'000</i>	2019	2018
Interest expense on lease	3,216,690	26,271
Interest expense on loan	1,868,447	2,997,224
Interest expense on asset retirement obligation	39,606	44,765
Interest expense on defined benefit obligation/plan asset	12,462	6,070
Interest income on FDR and SND	(82,380)	(103,280)
	5,054,825	2,971,050

**35 Non-operating income**

<i>In BDT'000</i>	<i>Note</i>	2019	2018
Gain on disposal of property, plant & equipment	35.1	19,698	6,699
Other miscellaneous income		521,786	23,569
		541,484	30,268

**35.1 Gain on disposal of property, plant & equipment**

<i>In BDT'000</i>	2019	2018
Disposed assets:		
Cost	1,329,259	1,074,302
Accumulated depreciation	(1,266,542)	(1,052,034)
Net book value	62,717	22,268
Reclassification	(4,147)	-
Sales proceeds	78,268	28,967
(Gain)/loss on disposal	(19,698)	(6,699)

**36 Income tax expense**

<i>In BDT'000</i>	<i>Note</i>	2019	2018
Current tax		2,916,206	1,190,402
Deferred tax expense/(income)	16.1	703,712	(658,081)
		3,619,918	532,321

**37 Other comprehensive income/(expense)**

Other comprehensive income/(expense) resulted from the actuarial valuation of gratuity fund conducted by a professional actuary firm. Detail of this actuarial gain/loss is provided in note 18 "Employee benefits".

**38 Earnings per share**

	<i>Note</i>	2019	2018
Earnings attributable to ordinary shareholders (net profit after tax) (BDT'000)		169,089	2,147,341
Weighted average number of ordinary shares outstanding during the year (number'000)	38.1	4,714,140	4,714,140
Basic earnings per share (in BDT)		0.04	0.46

No diluted earnings per share is required to be calculated for the year as there was no convertible securities for dilution during the year.

There was an one off extraordinary gain arising from the sale of shares in edotco BD in 2018 which impacted the respective year's EPS.

**APPENDIX III - AUDITED FINANCIAL STATEMENTS OF ROBI FOR THE FYE 31 DECEMBER 2019**  
(cont'd)

**Hoda Vasi**  
**Chowdhury & Co**

**38.1 Weighted average number of ordinary shares**

The weighted average number of ordinary shares outstanding during the year is the number of ordinary shares outstanding at the beginning of the year, adjusted by the number of ordinary shares issued during the year multiplied by a time-weighting factor. The time-weighting factor is the number of days that the shares are outstanding as a proportion of the total number of days in the year.

<i>In Number'000</i>	<b>2019</b>	<b>2018</b>
Issued ordinary shares as at 1 January	4,714,140	4,714,140
Effect of share issued during the year	-	-
Weighted average number of ordinary shares as at 31 December	4,714,140	4,714,140

**39 Net asset value (NAV) per share**

<i>In BDT'000</i>	<b>2019</b>	<b>2018</b>
Total assets	171,968,640	144,614,084
Total liabilities	112,379,745	84,022,451
	59,588,895	60,591,633
Weighted average number of ordinary shares as at 31 December	4,714,140	4,714,140
NAV per share	12.64	12.85

**40 Reconciliation of net operating cash flows**

<i>In BDT'000</i>	<b>2019</b>	<b>2018</b>
Profit before tax	3,789,007	2,679,662
<b>Adjustment for:</b>		
Depreciation & Amortization	20,140,238	17,234,295
(Gain)/Loss on sale of asset	(19,698)	(6,699)
Finance cost	5,054,825	2,971,050
Sale of edotco shares	-	(6,307,547)
Share of associate's income	-	(245,016)
Tax paid	(1,037,181)	(901,144)
Capex inventory obsolescence	122,004	31,540
Asset retirement obligation	(14,680)	(107,063)
Provision adjusted through retained earnings	1,356,316	(82,902)
Gratuity fund	(68,728)	(65,455)
<b>Changes in:</b>		
Inventories	38,272	(71,846)
Accounts and other receivables, net	(811,350)	2,622,757
Advances, deposits and prepayments	(581,481)	1,129,479
Accounts and other payables	2,734,591	857,656
Intercompany payables - edotco BD	(1,681,228)	2,295,053
Intercompany payables - Parent Co.	(264,437)	52,860
Subscribers' security deposit	3,962	(7,581)
<b>Net cash from operating activities</b>	<b>28,760,432</b>	<b>22,079,100</b>

**APPENDIX III - AUDITED FINANCIAL STATEMENTS OF ROBI FOR THE FYE 31 DECEMBER 2019**  
(cont'd)

**Hoda Vasi  
Chowdhury & Co**

**41 Financial instruments - fair values and risk management**

**A. Accounting classifications and fair values**

The following table shows the carrying amounts and fair values, where applicable, of financial assets and financial liabilities. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

In BDT'000	Note	Carrying amount		Total amount
		Financial assets at amortized cost	Other financial liabilities	
31 December 2019				
Financial assets not measured at fair value				
Accounts receivable, net	9	4,973,881	-	4,973,881
Other receivables	9	2,958,516	-	2,958,516
Deposits	10	145,025	-	145,025
Short term investments - FDRs	11	353,580	-	353,580
Cash at bank	12	4,465,016	-	4,465,016
		12,896,018	-	12,896,018
Financial liabilities not measured at fair value				
Interest bearing term loans	15	-	14,059,436	14,059,436
Lease obligation	19	-	32,510,624	32,510,624
Other non-current liability	20	-	3,698,061	3,698,061
Accounts and other payables	21	-	41,287,549	41,287,549
Intercompany payables - edotco BD	23	-	3,625,991	3,625,991
Intercompany payables - Axiata Group Berhad	24	-	1,589,965	1,589,965
Subscribers' security deposit	25	-	245,402	245,402
Short term loan	26	-	7,350,000	7,350,000
Deposit against employee share purchase plan (ESPP)	27	-	1,360,781	1,360,781
		-	105,727,809	105,727,809
31 December 2018				
Financial assets not measured at fair value				
Accounts receivable, net	9	4,157,940	-	4,157,940
Other receivables	9	2,963,108	-	2,963,108
Deposits	10	145,605	-	145,605
Short term investments - FDRs	11	352,982	-	352,982
Cash at bank	12	2,602,332	-	2,602,332
		10,221,967	-	10,221,967
Financial liabilities not measured at fair value				
Interest bearing term loans	15	-	16,113,300	16,113,300
Lease obligation	19	-	510,330	510,330
Other non-current liability	20	-	3,497,283	3,497,283
Accounts and other payables	21	-	38,458,287	38,458,287
Intercompany payables - edotco BD	23	-	5,307,219	5,307,219
Intercompany payables - Axiata Group Berhad	24	-	1,854,402	1,854,402
Subscribers' security deposit	25	-	241,440	241,440
Short term loan	26	-	13,412,821	13,412,821
		-	79,395,082	79,395,082

The Company has not disclosed the fair values for financial instruments because their carrying amounts are a reasonable approximation of fair values.

**Hoda Vasi**  
**Chowdhury & Co**

**B. Financial risk management**

The Company has exposure to the following risks from its use of financial instruments:

- I) Credit risk
- II) Liquidity risk
- III) Market risk

**Risk management framework**

The Company's management has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies, procedures and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. This note presents information about the Company's exposure to financial risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital.

**I) Credit risk**

Credit risk is the risk of a financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from subscribers, interconnection operators, roaming partners and dealers.

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. In monitoring credit risk, debtors are grouped according to their risk profile i.e. their legal status, financial condition, ageing profile etc. Trade receivables are mainly related to the Company's subscribers/customers, interconnection operators, channel partners and roaming partners for provision of services. The Company's exposure to credit risk on trade and other receivables is mainly influenced by the individual payment characteristics of post paid subscribers, interconnection operators and corporate customers.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statement of financial position.

**a) Exposure to credit risk**

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

<i>In BDT'000</i>	<i>Note</i>	<b>2019</b>	<b>2018</b>
Trade receivables, gross			
Interconnection receivables	9.1	2,570,961	2,485,568
Post-paid receivables	9.1	383,001	362,485
Infrastructure sharing receivables	9.1	235,231	174,882
International roaming receivables	9.1	132,146	180,972
Others	9.1	3,383,090	2,716,175
		<b>6,704,429</b>	<b>5,920,082</b>
Other receivables	9	2,958,516	2,963,108
Deposits	10	145,025	145,605
Short term investments - FDRs	11	353,580	352,982
Cash at bank	12	4,465,016	2,602,332
		<b>14,626,566</b>	<b>11,984,109</b>

The maximum exposure to credit risk for account receivable as at the statement of financial position date by geographic regions was:

<i>In BDT'000</i>	<b>2019</b>	<b>2018</b>
Domestic	6,497,410	5,654,709
Foreign	207,019	265,373
	<b>6,704,429</b>	<b>5,920,082</b>

**APPENDIX III - AUDITED FINANCIAL STATEMENTS OF ROBI FOR THE FYE 31 DECEMBER 2019**  
(cont'd)

**Hoda Vasi  
Chowdhury & Co**

**b) Ageing of accounts receivable**

The ageing of gross account receivables at the statement of financial position date was:

**31 December 2019**

<i>In BDT'000</i>	Not past due	0-90 days past due	91-180 days past due	181-365 days past due	Over 365 days past due
Interconnection receivables	994,275	47,259	39,249	4,653	1,485,525
Post-paid receivables	139,458	117,186	36,079	31,392	58,886
Infrastructure sharing receivables	52,465	96,777	37,493	3,749	44,747
International roaming receivables	11,403	27,408	18,418	511	74,406
Others	2,447,355	424,726	197,394	66,215	247,399
	<b>3,644,956</b>	<b>713,356</b>	<b>328,633</b>	<b>106,520</b>	<b>1,910,963</b>

**31 December 2018**

<i>In BDT'000</i>	Not past due	0-90 days past due	91-180 days past due	181-365 days past due	Over 365 days past due
Interconnection receivables	837,237	210,370	4,246	37,607	1,396,108
Post-paid receivables	168,085	102,710	22,605	31,899	37,186
Infrastructure sharing receivables	62,970	34,975	35,633	32,303	9,001
International roaming receivables	28,185	29,832	11,738	14,527	96,690
Others	1,712,117	190,051	132,910	164,215	516,882
	<b>2,808,594</b>	<b>567,938</b>	<b>207,132</b>	<b>280,551</b>	<b>2,055,867</b>

**c) Impairment losses**

Impairment losses on the above receivables were recognized as per the Company policy mentioned in note: 52.5. Quantitative disclosure for such impairment losses are disclosed in note: 9.1.2 of the financial statements.

**31 December 2019**

<i>In BDT'000</i>	Not past due	0-90 days past due	91-180 days past due	Over 181 days past due	Total
Gross trade receivables	3,644,956	713,356	328,633	2,017,484	6,704,429
Provision for impairment	-	(11,025)	(17,636)	(1,701,887)	(1,730,548)
Net trade receivables	<b>3,644,956</b>	<b>702,331</b>	<b>310,997</b>	<b>315,597</b>	<b>4,973,881</b>

**31 December 2018**

<i>In BDT'000</i>	Not past due	0-90 days past due	91-180 days past due	Over 181 days past due	Total
Gross trade receivables	2,808,594	567,938	207,132	2,336,418	5,920,082
Provision for impairment	-	(14,801)	(18,405)	(1,728,936)	(1,762,142)
Net trade receivables	<b>2,808,594</b>	<b>553,137</b>	<b>188,727</b>	<b>607,482</b>	<b>4,157,940</b>

# APPENDIX III - AUDITED FINANCIAL STATEMENTS OF ROBI FOR THE FYE 31 DECEMBER 2019 (cont'd)

## II) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its liabilities as they fall due. The Company's approach to managing liquidity (cash and cash equivalents) is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. Typically, the Company ensures that it has sufficient cash and cash equivalents to meet expected operational expenses, including financial obligations through preparation of the cash flow forecast, based on time line of payment of financial obligations and accordingly arrange for sufficient liquidity/fund to make the expected payments within due dates. Moreover, the Company seeks to maintain short term and long term lines of credit with scheduled commercial banks and in form of suppliers' credit (showing credit facility) to ensure payment of obligation in the event that there is insufficient cash to make the required payment. The requirement is determined in advance through cash flow projections and credit lines with banks are negotiated accordingly.

In extreme stressed conditions, the Company may get support from the ultimate parent company (Axiata Group Berhad) in the form of shareholders' term loan or equity injection. The Company is not associated with any derivative transaction.

The followings are the financial liabilities of the Company:

31 December 2019		Contractual cash flows				
In BDT'000	Carrying amount	Total contractual cash flows	6 months or less	6 - 12 months	1 - 2 years	2 - 5 years
						More than 5 years
<b>Non-derivative financial liabilities</b>						
Interest bearing term loans	14,059,436	14,097,482	3,232,457	3,601,005	5,202,010	2,062,010
Accounts payable including liability for capital expenditure	7,006,522	7,006,522	7,006,522	-	-	-
Accrued expenses including accrual for capital expenditure	14,910,440	14,910,440	10,304,081	4,606,359	-	-
Intercompany payables - edotco BD	3,625,991	3,625,991	3,625,991	-	-	-
Intercompany payables - Axiata Group Berhad	1,589,965	1,589,965	1,589,965	-	-	-
Lease obligation	32,510,624	53,281,649	2,444,420	2,425,584	4,762,781	14,462,283
Short term loan	7,350,000	7,350,000	7,350,000	-	-	-
	81,052,978	101,862,049	35,553,436	10,632,948	9,964,791	16,524,293
						29,186,581
						29,186,581
31 December 2018		Contractual cash flows				
In BDT'000	Carrying amount	Total contractual cash flows	6 months or less	6 - 12 months	1 - 2 years	2 - 5 years
						More than 5 years
<b>Non-derivative financial liabilities</b>						
Interest bearing term loans	16,113,300	16,113,300	1,479,597	3,479,597	5,901,746	5,252,360
Accounts payable including liability for capital expenditure	6,938,347	6,943,187	6,943,187	-	-	-
Accrued expenses including accrual for capital expenditure	13,232,210	13,232,210	9,144,315	4,087,895	-	-
Intercompany payables - edotco BD	5,307,219	5,307,219	5,307,219	-	-	-
Intercompany payables - Axiata Group Berhad	1,854,402	1,849,562	-	1,849,562	-	-
Short term loan	13,412,821	13,412,821	10,912,821	2,500,000	-	-
	56,858,299	56,858,299	33,787,139	11,917,054	5,901,746	5,252,360

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.



**APPENDIX III - AUDITED FINANCIAL STATEMENTS OF ROBI FOR THE FYE 31 DECEMBER 2019**  
(cont'd)

**Hoda Vasi  
Chowdhury & Co**

**III) Market risk**

Market risk is the risk that any change in market prices, such as foreign exchange rates and interest rates will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters.

**a) Currency risk**

The Company is exposed to currency risk on certain revenues and purchases such as roaming revenues and expenses, telecom equipment purchases, network related costs and interest expense and repayment relating to borrowings incurred in foreign currencies. Majority of the Company's foreign currency transactions are denominated in USD and related to procurement of capital items from abroad. The Company maintains a USD bank account where all receipts from international roaming services are deposited and all corresponding payments are made.

**i) Exposure to currency risk**

The Company's exposure to foreign currency risk was as follows based on notional amounts (in BDT):

	2019		2018	
	USD	EURO	USD	EURO
<b>Foreign currency denominated assets</b>				
Accounts receivable	207,019	-	265,373	-
Cash at bank	380,131	-	364,027	-
	587,150	-	629,400	-
<b>Foreign currency denominated liabilities</b>				
Interest bearing term loans	(5,271,036)	-	(7,341,348)	-
Accounts and other payables	(3,902,607)	-	(4,143,838)	(2,313)
Intercompany payables - Axiata Group Berhad	(1,589,965)	-	(1,854,402)	-
Interest on borrowings	(7,062)	-	(20,489)	-
	(10,770,670)	-	(13,360,077)	(2,313)
<b>Net exposure</b>	<b>(10,183,520)</b>	<b>-</b>	<b>(12,730,677)</b>	<b>(2,313)</b>

The following significant exchange rates have been applied:

	Average rate		Reporting date rate	
	2019	2018	2019	2018
US Dollar (USD)	84.51	83.70	84.95	83.95
EURO	94.36	100.51	95.09	97.44

**ii) Foreign exchange rate sensitivity analysis for foreign currency expenditures**

A strengthening or weakening of the BDT, as indicated below, against the foreign currencies at reporting date would have increased/(decreased) equity and profit or loss by the amounts shown below. This analysis is based on foreign currency exchange rate variances that the Company considered to be reasonably possible at the reporting date. The analysis assumes that all other variables, in particular interest rates, remain constant.

In BDT'000	Profit /(loss)		Equity	
	Strengthening	Weakening	Strengthening	Weakening
<b>2019</b>				
USD (0.5% movement)	(50,918)	50,918	(50,918)	50,918
EURO (0.5% movement)	-	-	-	-
	(50,918)	50,918	(50,918)	50,918
<b>2018</b>				
USD (0.5% movement)	(63,653)	63,653	(63,653)	63,653
EURO (0.5% movement)	(12)	12	(12)	12
	(63,665)	63,665	(63,665)	63,665



**APPENDIX III - AUDITED FINANCIAL STATEMENTS OF ROBI FOR THE FYE 31 DECEMBER 2019**  
(cont'd)

**Hoda Vasi  
Chowdhury & Co**

**b) Interest rate risk**

Interest rate risk is the risk that arises due to changes in interest rates on borrowings. The Company has not entered into any type of derivative instrument in order to hedge interest rate risk as at the reporting date.

**i) Profile**

The interest rate profile of the Company's interest bearing financial instruments was:

<i>In BDT'000</i>	Carrying amount	
	2019	2018
<b>Fixed rate instruments</b>		
Financial assets		
Short term investments - FDRs	353,580	352,982
Cash at bank	4,465,016	2,602,332
Financial liabilities		
Interest bearing term loans	5,800,000	800,000
Short term loan	7,350,000	13,412,821
	<b>17,968,596</b>	<b>17,168,135</b>
<b>Floating rate instruments</b>		
Financial assets	-	-
Financial liabilities		
Interest bearing term loans	8,259,436	15,313,300
	<b>8,259,436</b>	<b>15,313,300</b>

**ii) Cash flow sensitivity analysis for variable rate instruments**

A reasonably possible change of 1% interest rate at the reporting date would have increased/(decreased) equity and profit/(loss) by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency exchange rates, remain constant.

<i>In BDT'000</i>	Profit /(loss)		Equity	
	1% increase	1% decrease	1% increase	1% decrease
<b>2019</b>				
Variable rate instruments	(99)	99	(99)	99
<b>2018</b>				
Variable rate instruments	(245)	245	(245)	245

**42 Capital management**

Capital management refers to implementing policies and measures to maintain sufficient capital, assessing Company's internal capital adequacy to ensure Company's operation as a going concern. The Board of Directors are charged with the ultimate responsibility for maintaining a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. All major investment and operational decisions with exposure to certain amount is evaluated and approved by the Board. The Board of Directors also monitors the return on capital, which the Company defines as post tax result from operating activities divided by average invested capital.

The Company monitors capital using gearing ratio and Return On Invested Capital (ROIC). For this purpose, adjusted net debt is defined as total interest bearing debt, comprising interest-bearing loans and borrowings less cash and cash equivalents. Adjusted equity comprises all components of equity.

The Company's policy is to maintain a stable gearing ratio supported by low cost borrowing while maintaining a healthy enterprise value of the Company. The Company's gearing ratio at the reporting date was as follows:

<i>In BDT'000</i>	2019	2018
Total interest bearing debts (notes 15 and 26)	21,409,436	29,526,121
Less: Cash and cash equivalents	(4,517,026)	(2,644,237)
<b>Adjusted net debt</b>	<b>16,892,410</b>	<b>26,881,884</b>
<b>Adjusted equity</b>	<b>59,588,895</b>	<b>60,591,633</b>
<b>Adjusted net debt to adjusted net equity</b>	<b>0.28</b>	<b>0.44</b>

Lease liability under IFRS 16 has not been considered for adjusted net debt calculation.

# APPENDIX III - AUDITED FINANCIAL STATEMENTS OF ROBI FOR THE FYE 31 DECEMBER 2019 (cont'd)

## 43 Related party disclosures

### i) Transactions with key management personnel

The following statements comprises the Directors of the Board and Key Management Personnel.

<i>In BDT'000</i>	2019	2018
Short term employee benefits	300,717	270,468
Post-employment benefits	10,373	7,204
Other long term benefits	98,253	98,466
	<b>409,343</b>	<b>376,138</b>

### ii) Other related party transactions

The Company carried out a number of transactions with related parties in the normal course of business on arms length basis. The name of these related parties, nature of transactions and their total value have been set in accordance with the provisions of IAS 24 "Related party disclosures".

<i>In BDT'000</i>	2019	2018
Name of related parties	Nature	Nature of transactions
Axiata Management Service	Axiata Group Company	Expenses paid on behalf
Axiata Group Berhad	Shareholder	Expenses paid on behalf, management fee
Axiata Digital Services	Axiata Group Company	Revenue
	Axiata Group Company	Media related expenses
Smart Axiata Co. Limited	Axiata Group Company	Roaming revenue
	Axiata Group Company	Roaming expenses
	Axiata Group Company	Roaming revenue
Dialog Axiata PLC	Axiata Group Company	Roaming expenses
	Axiata Group Company	Other expenses
	Axiata Group Company	Roaming revenue
Celcom Axiata Berhad	Axiata Group Company	Roaming expenses
PT XL Axiata Tbk	Axiata Group Company	Roaming revenue
	Axiata Group Company	Roaming expenses
NTT DOCOMO INC.	Shareholder	Roaming revenue
	Shareholder	Roaming expenses

Hoda Vasi  
Chowdhury & Co

APPENDIX III - AUDITED FINANCIAL STATEMENTS OF ROBI FOR THE FYE 31 DECEMBER 2019 (cont'd)

In BDT'000			2019	2018
edotco Bangladesh Co Ltd	Axiata Group Company	Infrastructure service expense		
	Axiata Group Company	Shared service income	13,420,481	12,963,224
	Axiata Group Company	Revenue	(17,398)	(22,647)
			(31,291)	(445)
edotco Investments (Labuan) Limited	Axiata Group Company	Share sale of edotco BD	-	(10,062,000)
M1 Limited (M1)	Axiata Group Company	Roaming revenue	(167)	(247)
	Axiata Group Company	Roaming expenses	301	289
Ncell Private Limited	Axiata Group Company	Roaming revenue	(75)	(103)
	Axiata Group Company	Roaming expenses	39	108
Bharti Airtel	Shareholder	Roaming revenue	(33,250)	(28,602)
	Shareholder	A2P & P2P revenue	(22,947)	(34,378)
	Shareholder	Roaming expenses	4,607	3,717
Idea Cellular Limited	Axiata Group Company	Roaming revenue	-	(351)
	Axiata Group Company	Roaming expenses	-	1,711

Hoda Vasi  
Chowdhury & Co

APPENDIX III - AUDITED FINANCIAL STATEMENTS OF ROBI FOR THE FYE 31 DECEMBER 2019 (cont'd)

iii) Receivables/(payables) with related parties

In BDT000		2019	2018
Name of related parties	Nature	Receivable/(Payable)	
Axiata Management Service	Axiata Group Company	Receivable	8,213
Axiata Group Berhad	Shareholder	Payable	4,840
Axiata Digital Services	Axiata Group Company	Receivable	(1,589,966)
		Payable	(1,854,402)
Smart Axiata Co. Limited	Axiata Group Company	Receivable	410,125
		Payable	(1,160,283)
Dialog Axiata PLC	Axiata Group Company	Receivable-roaming	0.03
		Payable-roaming	(0.5)
		Receivable-others	0.04
		Payable-others	53.0
Celcom Axiata Berhad	Axiata Group Company	Receivable-roaming	74,530
		Payable-roaming	(31,806)
		Payable-other expense	(26,744)
		Payable-roaming	(26,733)
		Payable-roaming	13
		Payable-roaming	(10,560)
		Payable-roaming	(7.9)
		Payable-roaming	1.1
		Payable-roaming	(3.4)
PT XL Axiata Tbk	Axiata Group Company	Receivable-roaming	160
		Payable-roaming	(594)
NTT DOCOMO INC.	Shareholder	Receivable-roaming	482
	Shareholder	Payable-roaming	(204)
edotco Bangladesh Co Ltd	Axiata Group Company	Payable	(3,625,992)
M1 Limited (M1)	Axiata Group Company	Receivable - Roaming	28
		Payable - Roaming	(70)
Ncell Private Limited	Axiata Group Company	Receivable - Roaming	103
		Payable - Roaming	(68)
Bharti Airtel	Shareholder	Receivable - Roaming	28,972
	Shareholder	Receivable - A2P & P2P	1,832
	Shareholder	Payable - A2P & P2P	(2,906)
	Shareholder	Payable - Roaming	(10,129)
	Shareholder	Payable-Support service	-
Idea Cellular Limited	Axiata Group Company	Receivable - Roaming	-
	Axiata Group Company	Payable - Roaming	694
		Payable - Roaming	(1,974)

Hoda Vasi  
Chowdhury & Co

**APPENDIX III - AUDITED FINANCIAL STATEMENTS OF ROBI FOR THE FYE 31 DECEMBER 2019**  
(cont'd)

**Hoda Vasi**  
**Chowdhury & Co**

**44 Expenditure and revenue in foreign currency during the year**

<i>In BDT'000</i>	<b>2019</b>	<b>2018</b>
CIF value of imports		
Telecommunication equipment	<b>5,716,223</b>	11,674,141
Expenditure in foreign currency		
Transaction with group companies	<b>849,754</b>	363,999
International roaming cost	<b>58,680</b>	88,720
Interest on foreign loan	<b>315,508</b>	396,685
Consultancy fee	<b>10,502</b>	5,532
Foreign earnings		
Revenue from roaming partners	<b>157,637</b>	162,355
Proceeds from edotco share sales	-	10,062,000

**45 Capital commitments**

<i>In BDT'000</i>	<b>2019</b>	<b>2018</b>
Purchase orders - capital expenditures	<b>9,657,874</b>	5,345,214
	<b>9,657,874</b>	5,345,214

**46 Contingencies and material litigations**

The Company has number of litigations with different regulatory authorities, which are currently being contested in various forums. These litigations comprise of Robi and Airtel (pre-merger i.e. before 16 November 2016) litigations. In compliance with its internal processes and governance scheme, the Company has obtained legal opinions from its internal legal team and/or external legal counsels regarding the potential impact of such disputes. Management has duly evaluated the said legal opinions and duly assessed the expected outcome of these litigations in accordance with International Accounting Standard to provide fair representation thereof in these financial statements. Accordingly, following are the material litigations in these financial statements considering the probability assessment as per IAS 37 "Provisions, Contingent Liabilities and Contingent Assets".

**a) Claim related to Information System Audit by BTRC**

Bangladesh Telecommunication Regulatory Commission (BTRC) conducted an Information System Audit (IS Audit) on Robi for the years between 1997 to 2014. Subsequently, BTRC issued a claim of BDT 8,672,391,476 against Robi on 31 July 2018 (the "Claim"). A substantial part of the Claim includes claim of VAT on spectrum fees and VAT rebate/credit cancelation, which are either part of other ongoing litigations or in respect of which BTRC have no jurisdiction to claim relevant amount.

Robi has disputed the Claim in its entirety raising inaccuracies, irrationality, flaws and lack of jurisdiction including limitation period in issuing the demand. Legal opinion obtained by the Company states that the Claim has no legal basis. In an attempt to resolve the dispute, Robi served a Notice of Arbitration to BTRC on 20 May 2019. However, BTRC refused to discuss or arbitrate.

On 13 June 2019, despite Robi's Notice of Arbitration, the BTRC directed Robi to make payment within 10 days. Challenging the demand, Robi filed a suit on 25 August 2019 before the Joint District Judge, Dhaka seeking a declaration and permanent injunction against BTRC's Information System Audit Claim. The Hon'ble District Court admitted the suit.

Additionally, Robi also filed an application seeking an interim relief of a temporary injunction restraining BTRC from demanding payment on the basis of the Claim, and also restraining BTRC from causing any interference with the operation of Robi's business. The District Court declined to grant an injunction. As a result, Robi preferred an appeal before the Hon'ble High Court Division in respect of rejection of the temporary injunction application. The Honorable High Court, by an order dated 5 January 2020, issued an injunction upon BTRC on condition that Robi makes a deposit of BDT 1,380,000,000 in five instalments. On 14 January 2020, Company has deposited BDT 276,000,000 to comply with the order of High Court Division to secure the injunction. Since, the deposit is part of the legal process, the amount deposited is recoverable after the resolution of the suit filed in respect of the claim.

The Company is confident that it can successfully challenge the demand.



**Hoda Vasi  
Chowdhury & Co**

**b) Claim related to SIM replacement tax by Large Taxpayers Unit (LTU)**

On 9 June 2015, National Board of Revenue (NBR) imposed tariff price on subscriber identity module or subscriber identification module, widely known as a SIM card. The tariff includes supplementary duty (SD) and VAT on the SIM card (combinedly known as SIM Tax). By way of a letter of explanation dated 13 June 2005, NBR clarified that SIM tax will not be applicable if SIM is lost, stolen or damaged, provided that mobile number remains the same.

In 2011, LTU of NBR purportedly started an investigation over SIM replacement process against all mobile operators. On the tenet of the investigation, LTU initiated a Miscellaneous Case ("Oniyom Mamla") in February 2012 claiming BDT 30 billion from four mobile phone operators for the SIMs replaced between Mar 2007 and June 2011. It is pertinent to note that there was no SIM replacement tax up until 2014.

In October 2012, four Mobile Operators including Robi (and Airtel) filed Writ before the High Court seeking redressal of the claim made by the LTU. After an extensive hearing, The Honorable High Court disposed the Rule with a direction ordering LTU and NBR to resolve the issues within 120 days.

Subsequently in July 2013, a Terms of Reference (TOR) was agreed. A committee was formed comprising of LTU, NBR, BTRC, Association of Mobile Telecom Operators of Bangladesh (AMTOB) and representative of Operators to review the SIM replacement process. Subscriber registration documents and Call Details Record (CDR) were considered for this review process. The committee outlined a Terms of Reference (TOR) to carry out the review. The committee randomly selected 1100 SIM from Airtel, 1200 SIM from Banglalink, 1400 SIM from Grameenphone and 1200 SIM from Robi for this review process. It was the understanding of the parties that the findings would be applicable for the entire demand period.

A report was finalized in August 2013 based on the review of subscriber registration documents and CDR as outlined in the TOR. The report was signed by the all members of the Review Committee.

In September 2013, the Review Committee reconvened to complete the review process to finalize the report. In October 2013, LTU and NBR representatives of the Review Committee disregarded TOR and submitted the report without any consensus from the other Review Committee Members.

Subsequently, LTU issued demand against Robi for the amount of BDT 4,145,455,400 for the period covering March 2007 to June 2011.

For the period of July 2012 to June 2015, NBR has made a separate demand of BDT 2,852,009,535 on 20 November 2017.

Robi filed appeals before the Customs, Excise and VAT Appellate Tribunal by paying 10% of the demanded amount. The appeal was rejected by the Tribunal. Against the Tribunal's Orders, Robi filed appeal before the High Court Division. The appeal is still pending for hearing.

Since, the deposit of BDT 699,746,494 is part of the legal process, the amount deposited should be recoverable, post the resolution of the issue. Hence, the deposit has been recognized under Note 10 "Advance, deposits and prepayments" of these financial statements.

Based on the legal opinion, the Company believes that the claim has no legal basis and will successfully defend its position.

**c) Claim related to VAT Audit by LTU**

On 30 May 2017, LTU of NBR commenced a routine VAT Audit for the period from January 2013 to December 2016. Accordingly, the Company provided all required information, documents, explanations and reconciliations to the LTU-VAT team. On 6 February 2018, LTU arbitrarily issued five show cause letters including Demand Notices ('the Demand') totaling to BDT 9,244,985,129. In accordance with the Legal Advice, the Company filed Writ petitions on 3 May 2018 with the High Court to challenge the demands.

Robi contested the Demand to be frivolous. NBR found sufficient merit to Review the Demand and recalled the file under section 43 of the VAT Act, 1991, provided Robi discontinue the Writ Petitions at the High Court. Robi obtained legal advice on the way forward and thereafter informed the High Court of non-prosecution of the Writ petitions in question.

NBR referred the matter to the Directorate General of Audit Intelligence and Investigation ("DGAI") to re-examine the claim and the Demand. On 8 July 2018, DGAI formed a Committee comprising of members from NBR, BTRC and Robi ("Review Committee").

A detail Review ensued, however, NBR and LTU members of the Review Committee finalized a 'Report' without any consultation with Robi.

After further persuasion, another Committee was formed, and the Committee submitted a Report to the NBR. Robi objected to insert any new matter in the Report, as the scope of the Audit was limited to the earlier findings of the LTU Audit. Nevertheless, a Report was submitted to NBR for the decision of the Board (NBR Board).

According to the process, in the event NBR or LTU wishes to claim any amount, LTU will have to issue a new claim against Robi, as the existing claim void by virtue of section 43 of the VAT Act, 1991 (Old VAT Act).

Based on legal opinion, the Company believes that the claim has no legal basis and will successfully defend its position.

**d) Litigations related to VAT rebate cancellation**

**VAT rebate cancellation related to Robi**

Under the new VAT and SD Act, 2012, which has come into force from 1 July 2019, provisions have been kept to cover almost all the raw-materials of production for which input tax credit can be claimed. There are five litigations related to VAT rebate cancellation by LTU-VAT (NBR) with a total claim amounting to BDT 2,805,525,320.

Input tax credit is the credit deducted or adjusted from the VAT paid by the taxpayer for the supply of goods and services. Similar to VAT Act, 1991, VAT and SD Act, 2012 provides that input VAT credit or rebate can only be obtained against supplies of goods or services subject to 15% VAT.

**1. Proportionate rebate cancellation totaling to BDT 2,338,646,742**

VAT Authority arbitrarily cancelled proportionate rebate referring to section 19(3) of VAT Rules, 1991. However, this section is applicable for Goods, whereas the related section of service is 19(5) of VAT Rules, 1991.

**2. Imported Capital Machinery totaling to BDT 466,878,578**

VAT Authority arbitrarily cancelled rebate on following capital machineries: Antenna, Cable, Media Gateway switch, Battery, Modem, Telephone & Telegraphic switch, Power System, Optical multi service systems, Universal service router, Printed service board, Racks etc.

As per New VAT Act, 2012 all items to be rebate-able except a few. However recently, NBR issued a General Order vide 23/VAT/2019 dated 26 October 2019, more items are included in the negative list.

The Company obtained legal opinion and believe that rebate/credit was legitimate, and rebate was obtained as per law. Therefore, cancellation of input VAT rebate/credit relates to capital machineries, spare parts, proportionate VAT rebate cancellation etc. are unlawful. Robi filed appeal against all of these rebate cancellations. Out of these five litigations, four are currently pending before the High Court and one is pending before Customs and Excise VAT Tribunal (CEVT).

In order to file the appeal, Robi had to deposit BDT 280,552,532 as part of the appeal procedure of Bangladesh. Since, the deposit is a part of a legal process, the amount deposited should be recoverable, post the resolution of the issue. Hence, the deposit has been recognized under Note 10 "Advance, deposits and prepayments" of these financial statements.

**VAT rebate cancellation related to Airtel**

There are four litigations related to VAT rebate cancellation by LTU-VAT (NBR) with a total claim amounting to BDT 442,826,897. The cancellation of input VAT rebate relates to capital machineries, spare parts, proportionate VAT rebate cancellation etc. which is rebate-able as per law. The Company filed appeal against all these rebate cancellations. NBR has compelled and forcefully collected the claimed amount of BDT 103,166,250 against two of the demands. In relation to other two demands, the Company had to deposit BDT 33,966,065 as part of the appeal procedure of Bangladesh.

Since, the deposit is part of the legal process, the amount deposited should be recoverable, post the resolution of the issue. Hence, the deposit has been recognized under Note 10 "Advance, deposits and prepayments" of these financial statements.

Based on the legal opinion, the Company believes that the Claim has no legal basis and will successfully defend its position.

**e) Litigations related to Income tax**

**Income tax reference case related to Robi**

Reference applications were filed before the Honorable High Court against the orders of the Taxes Appellate Tribunal for the income year 2005 to 2012. The total claim from National Board of Revenue (NBR) stand at BDT 5,847,161,436 against which tax expense booked in the respective financial statements is BDT 781,977,570.

In addition to above, tax cases are under process in different appeal stages for the income year 2013 to 2015. The total claim from NBR for the mentioned years is BDT 9,292,032,820 against which tax expense booked in the respective financial statements is BDT 8,341,742,790. The main reason for such difference is the disallowance of SIM tax subsidy by NBR as non-deductible expenses for the respective years.

**Hoda Vasi  
Chowdhury & Co**

**Income tax reference case related to Airtel**

Reference applications were filed before the Honorable High Court against the order of the Taxes Appellate Tribunal for the period of 2006 to 2013. The total claim from National Board of Revenue (NBR) for the mentioned years is BDT 477,428,970 against which tax expense booked in the respective financial statements is BDT 250,750,018.

In addition to above, an appeal against the assessment for the year 2014 is pending before the Taxes Appellate Tribunal. The total claim from NBR for the mentioned year is BDT 489,437,975 against which tax expense booked in the respective financial statements is BDT 8,446,519. The reason for such differences are the disallowance of SIM tax subsidy and other arbitrary disallowances by NBR as non-deductible expenses for the respective years.

Based on the legal opinion, the Company believes that both claims have no legal basis and will successfully defend its position.

**f) VAT Payment dispute related to 2G License Fee payment**

During the 2G License renewal in 2011, BTRC demanded VAT on spectrum fees. Operators agreed to withhold the VAT in compliance with the VAT Act, 1991. However, BTRC refused and demanded the spectrum fees without any deductions. All Operators filed Writ petitions at the High Court including Robi. In Robi's case, Robi challenged the provisions in the VAT Rules and argued that there cannot be any VAT on spectrum and even if there is any VAT on spectrum; any service provided by BTRC is VAT exempted under the VAT Act, 1991. Robi also argued that since BTRC is not a VAT registered entity, BTRC is unable to issue VAT receipts or Mushok Challan-11, which was a requirement under the relevant VAT laws. High Court ordered BTRC to register for VAT and ordered Robi to deposit spectrum fees including VAT to BTRC. Subsequently Robi deposited the amount. However, BTRC refused to register for VAT or issue Mushok Challan and appealed against the High Court decision to the Appellate Division of the Supreme Court.

Despite clear provisions in VAT Act, 1991 or VAT and SD Act, 2012, BTRC is yet to register for VAT, hence defeat legitimate demand of receipt (Mushok Challan-11) by Operators which will then enable Operators to obtain rebate/credit for the VAT paid.

BTRC has also included this claim in the above-mentioned demand notice dated 31 July 2018 (BTRC IS Audit) specified in Note 46 (a).

In relation to the 2nd instalment of spectrum fees (2G License), Robi claimed rebate of BDT 826,848,000 but LTU of NBR cancelled the rebate, as there was no VAT receipt (Mushok Challan-11) issued by BTRC. Robi challenged the cancellation by a separate Writ Petition which is still pending before the Honorable High Court Division.

In both cases, 100% of the License Renewal Fee have been capitalized by Robi per requirement of the law (including the High Court order that BTRC should register for VAT and should issue the VAT receipt or Mushok Challan 11), hence, Robi's VAT exposure should be nil. However, if the Appellate Division's judgement is effective retrospectively, Robi's financial exposure on capitalized License Renewal Fees would increase by 15%.

**g) Claim related to VAT on SIM and Scratch Card of Airtel**

During Airtel warehouse visit in June 2007, NBR officials was not satisfied with the quantity of inventory related to SIM & scratch card and claimed total SD & VAT amounting to BDT 1,291,943,926 considering it as VAT concealment. Out of the total demand, BDT 434,358,699 was paid by Airtel and given the fact that rest of the SIMs were stored in different offices/distribution houses of Airtel and VAT has been paid at the time of subsequent issuances. However, NBR subsequently claimed VAT of BDT 857,585,227 again without considering the subsequent payments from issuance of different locations in 2009.

Airtel appealed against the demand in Appellate Tribunal which upheld the same claim. Airtel subsequently filed Writ Petition in 2009 before the Honorable High Court. The Honorable High Court pronounced the judgement in favor of Airtel. After the pronouncement of the judgement in the Writ Petition and before the certified copy of the judgement was available, the Government filed Civil Miscellaneous Petition which was opposed by Airtel. But the Appellate Division stayed the judgement and sent the matter for full court hearing. The matter is pending at the Appellate Division of the Supreme Court.

**47 List of subsidiary**

Name of entity	Ownership interest held directly by the parent - Robi (%)	Ownership interest held by NCI (%)	Total (%)	Principal activities
Red Dot Digital Limited	99.99%	0.01%	100.00%	Focused on Hi-Tech/ IT/ITES (IT Enabled Services) sector, developing software technology for mobile, IOT and FinTech services.



**Hoda Vasi  
Chowdhury & Co**

**48 Short-term credit facilities**

The Company enjoys composite working capital facilities, including both funded and non-funded facilities from 14 banks. The non-funded facilities include Letters of Credit (LC), Shipping Guarantee and Letters of Guarantee. The funded facilities include overdraft facility and short term loan. The aggregate amount of working capital facilities is BDT 60,797 million, non-funded limit is BDT 50,285 million and funded limit is BDT 32,866 million. These credit facilities are unsecured and backed by standard charge documents as per terms and conditions set by respective banks.

**49 Number of employees**

The Company employed 1,512 (2018:1,564) permanent employees. All employees receive total remuneration in excess of BDT 36,000 per annum.

**50 Events after the reporting period**

There is no significant event which provide additional information of the condition existed at the reporting period which requires either disclosure or adjustment to the financial statements; except for partial payment against BTRC audit claim as mentioned in Note 46 (a) of these financial statements.

**51 Basis of measurement**

The financial statements have been prepared on going concern basis under the historical cost convention except for the following items, which are measured on an alternative basis on each reporting date.

- (a) Asset Retirement Obligations (ARO) are measured at present value of expected future cash out-flow.
- (b) Defined post-employment benefit plan is measured on the basis of projected unit credit method.
- (c) ROU asset & lease liabilities are measured considering contractual cash out-flows and incremental borrowing rate under the guidance of IFRS 16 "Leases".

**52 Significant accounting policies**

The accounting policies set out below have been applied consistently (otherwise as stated) to all periods presented in these financial statements.

**52.1 Property, plant and equipment**

**52.1.1 Recognition and measurement**

Items of Property, plant and equipment (PPE) are measured at cost less accumulated depreciation and accumulated impairment losses, if any.

The cost of an item of property, plant and equipment comprises its purchase price, import duties and non-refundable taxes, after deducting trade discount and rebates, and any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the intended manner. Cost also includes initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located and capitalized borrowing costs. The costs of obligations for dismantling and removing the item and restoring the site (generally called 'asset retirement obligation') are recognized and measured in accordance with IAS 37 "Provisions, Contingent Liabilities and Contingent Assets". Purchased software that is integral to the functionality of the related equipment is capitalized as part of that equipment.

**52.1.2 Subsequent costs**

The cost of replacing or upgrading part of an item of property, plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognized in the statement of profit or loss and comprehensive income as incurred.

**52.1.3 Depreciation**

No depreciation is charged on freehold land as it has unlimited useful life.

Depreciation on other items of property, plant and equipment is recognized on a straight-line basis over the estimated useful lives of each item of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Company will obtain ownership by the end of the lease term. For property, plant and equipment, depreciation is charged from the date of capitalization up to the immediately preceding day of disposal. Depreciation method, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate. The current and comparative depreciation rates are as follows:

	<b>2019</b>	<b>2018</b>
Building	<b>2.50%</b>	2.50%
Furniture and fixture	<b>12.5%-20%</b>	12.5%-20%
Office and other equipment	<b>20%</b>	20%
Computer	<b>25%</b>	25%
Billing equipment	<b>20%</b>	20%
Telecom equipment and infrastructure	<b>7-20%</b>	7-20%
IT infrastructure	<b>20%</b>	20%
IT applications	<b>20%</b>	20%
Motor vehicle	<b>20%</b>	20%

**52.1.4 Capitalization of borrowing costs**

The amount of interest on term loan obtained and used exclusively for the purchase or acquisition of capital assets is being capitalized during construction period for all qualifying assets as per IAS 23 "Borrowing Costs". Subsequent costs are charged to statement of profit or loss and comprehensive income. No borrowing cost has been capitalized during 2019.

## **52.2 Intangible assets**

### **52.2.1 Recognition and measurement**

Intangible assets that are acquired by the Company and have finite useful lives are measured at cost less accumulated amortization and accumulated impairment loss, if any. Intangible assets are recognized when all the conditions for recognition as per IAS 38 "*Intangible Assets*" are met. The cost of an intangible asset comprises its purchase price, import duties and non-refundable taxes and any directly attributable cost of preparing the asset for its intended use. Intangible assets with finite useful lives comprise software, spectrum acquisition charge, 2G license renewal fee, 3G license fee, 4G license and Tech Neutrality fee, customer list and brand.

Goodwill arising on business combination is measured at cost less accumulated impairment losses.

### **52.2.2 Subsequent costs**

Subsequent costs are capitalized only when they increase the future economic benefits embodied in the specific asset to which they relate. All other costs are recognized in profit or loss as incurred.

### **52.2.3 Amortization**

Amortization of the intangible assets is recognized on a straight-line basis over the estimated useful lives of each item. Goodwill is not amortized. The useful lives of the items at the reporting date are as follows:

	<u>2019</u> <u>In years</u>	<u>2018</u> <u>In years</u>
Software	4	4
Spectrum assignment fee	18	18
2G license fee	15	15
3G license fee	15	15
4G license fee	15	15
Tech neutrality fee	2.84-8.79	2.84-8.79
Customer list	2.5	2.5
Brand	3	3

2G and 3G license acquired through business combination are amortized over the remaining tenure of the license.

## **52.3 Leases**

The Company has applied IFRS 16 "Leases" using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under IAS 17 and IFRIC 4. The details of accounting policies under IAS 17 and IFRIC 4 are disclosed separately.

### **Policy applicable from 1 January 2019**

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company uses the definition of a lease in IFRS 16.

This policy is applied to contracts entered into, on or after 1 January 2019.

### **As a lessee**

At commencement or on modification of a telecom infrastructure/equipment sharing related contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for the leases of land/ building the Company has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date/transition date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Company by the end of the lease term or the cost of the right-of-use asset reflects that the Company will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

**Hoda Vasi  
Chowdhury & Co**

For leased asset, useful life has been determined shorter of lease term or useful life.

Depreciation rates of right-of-use assets are as follows:

	<b>2019</b>
	<b>In years</b>
Land & building	1.1 - 40
Transmission fiber	10 - 15
Telecom equipment and infrastructure	2.5 - 15

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

The Company determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

For lease term consideration, the company considers non-cancellable period. Option to extend is considered only if that is a legally enforceable right.

Lease payments included in the measurement of the lease liability generally comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Company is reasonably certain to exercise, lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, if the Company changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Company presents right-of-use assets and lease liabilities separately in the statement of financial position.

#### **Short-term leases**

The Company has elected not to recognize right-of-use assets and lease liabilities for short-term leases. The Company recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

#### **As a lessor**

At inception or on modification of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of their relative standalone prices.

When the Company acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Company makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Company considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

If an arrangement contains lease and non-lease components, then the Company applies IFRS 15 "Revenue from contracts with customers" to allocate the consideration in the contract.

The Company applies the derecognition and impairment requirements in IFRS 9 "Financial Instruments" to the net investment in the lease. The Company further regularly reviews estimated unguaranteed residual values used in calculating the gross investment in the lease.

The Company recognizes lease payments received under operating leases as income on a straight-line basis over the lease term as part of 'other revenue'.

Generally, the accounting policies applicable to the Company as a lessor in the comparative period were not different from IFRS 16.

**Policy applicable before 1 January 2019**

For contracts entered into before 1 January 2019, the Company determined whether the arrangement was or contained a lease based on the assessment of whether:

- fulfilment of the arrangement was dependent on the use of a specific asset or assets; and
- the arrangement had conveyed a right to use the asset. An arrangement conveyed the right to use the asset if one of the following was met:
  - the purchaser had the ability or right to operate the asset while obtaining or controlling more than an insignificant amount of the output;
  - the purchaser had the ability or right to control physical access to the asset while obtaining or controlling more than an insignificant amount of the output; or
  - facts and circumstances indicated that it was remote that other parties would take more than an insignificant amount of the output, and the price per unit was neither fixed per unit of output nor equal to the current market price per unit of output.

**As a lessee**

In the comparative period, as a lessee the Company classified leases that transferred substantially all of the risks and rewards of ownership as finance leases. When this was the case, the leased assets were measured initially at an amount equal to the lower of their fair value and the present value of the minimum lease payments. Minimum lease payments were the payments over the lease term that the lessee was required to make, excluding any contingent rent. Subsequent to initial recognition, the assets were accounted for in accordance with the accounting policy applicable to that asset.

Assets held under other leases were classified as operating leases and were not recognized in the Company's statement of financial position. Payments made under operating leases were recognized in profit or loss on a straight-line basis over the term of the lease. Lease incentives received were recognized as an integral part of the total lease expense, over the term of the lease.

**As a lessor**

When the Company acted as a lessor, it determined at lease inception whether each lease was a finance lease or an operating lease.

To classify each lease, the Company made an overall assessment of whether the lease transferred substantially all of the risks and rewards incidental to ownership of the underlying asset. If this was the case, then the lease was a finance lease; if not, then it was an operating lease. As part of this assessment, the Company considered certain indicators such as whether the lease was for the major part of the economic life of the asset.

**52.4 Financial instruments**

**52.4.1 Financial assets**

The Company initially recognizes receivables and deposits on the date that they are originated. All other financial assets are recognized initially on the date at which the Company becomes a party to the contractual provisions of the transaction.

The Company derecognizes a financial asset when the contractual rights or probabilities of receiving the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred.

On initial recognition, a financial asset is classified and measured at amortized cost; Fair Value through Other Comprehensive Income (FVOCI) – debt investment; FVOCI – equity investment; or Fair Value through Profit and Loss (FVTPL). Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All financial assets not classified as measured at amortized cost or FVOCI as described above are measured at FVTPL.

Financial assets of the Company include accounts receivables, other receivables, cash and cash equivalents and deposits.

**Hoda Vasi**  
**Chowdhury & Co**

**(a) Accounts receivables**

Accounts receivable represent the amounts due from mobile telephony subscribers for telecom services, other operators for interconnection services, international roaming services, infrastructure sharing and includes both billed and unbilled portion of such services at the date of statement of financial position, receivable from channel partners, other non-mobile receivables, receivable for mobile money service. Accounts receivable are stated net of provision for doubtful debts.

**(b) Other receivables**

Other receivables comprise indemnification assets arising from business combination.

**(c) Cash and cash equivalents**

Cash and cash equivalents comprise cash balances and call deposits with original maturities of three months or less. Overdrawn balances that are cleared subsequently form an integral part of the Company's cash management, have been deducted from cash and cash equivalents.

**52.4.2 Financial liabilities**

The Company initially recognizes financial liabilities on the transaction date at which the Company becomes a party to the contractual provisions of the liability.

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled or expired.

Financial liabilities include lease obligation, accounts and other payables, intercompany payable, subscribers' security deposit, interest bearing term loans, suppliers' credit and short term loan.

**Accounts payable and other financial liabilities**

Accounts and other payables and other financial liabilities are recognized when its contractual obligations arising from past events are certain and the settlement of which is expected to result in an outflow from the group of resources embodying economic benefits.

**52.5 Impairment**

**(a) Financial assets**

The Company measures loss allowances for trade receivables at an amount equal to lifetime Expected Credit Loss (ECL). When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information. Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument. The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured by the cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive).

Based on the above, loss allowance is measured on lifetime ECL using a PD x LGD x EAD methodology as follows:

- PD ('probability of default') – the likelihood that the debtor would not be able to repay during the contractual period;
- LGD ('loss given default') – the percentage of contractual cash flows that will not be collected if default happens; and
- EAD ('exposure at default') – the outstanding amount that is exposed to default risk

At each reporting date, the Company assesses whether financial assets carried at amortized cost and debt securities at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the debtor;
- a breach of contract such as a default;
- it is probable that the debtor will enter bankruptcy

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets.

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof.

**(b) Non-financial assets**

The carrying amounts of Company's assets are reviewed to consider possible impairment of assets. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognized whenever the carrying amount of the asset or its cash generating unit exceeds its recoverable amount. Impairment losses, if any, are recognized in the statement of profit or loss and other comprehensive income. Impairment losses are allocated first to reduce the carrying amount of any goodwill allocated to the Cash Generating Unit (CGU), and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.



**Hoda Vasi**  
**Chowdhury & Co**

**52.6 Inventories**

Inventories consist of SIM cards, starter kits, scratch cards and handsets which are valued at lower of cost and net realizable value. Cost of the SIM cards, starter kits and scratch cards are determined by the weighted average basis and comprises all cost of purchases and other cost incurred in bringing the inventories to their present location. Where necessary, allowance is provided for damaged, obsolete and slow moving items to adjust the carrying value of the inventories to the lower of cost and net realizable value.

Net realizable value represents the estimated selling price in the ordinary course of business, less all estimated cost of completion and the estimated cost necessary to make the sale.

**52.7 Employee benefits**

The Company maintains both defined contribution plan and defined benefit plan for its eligible permanent employees in accordance with local conditions and practices. The eligibility is being determined according to the terms and conditions set out in the respective deeds.

**(a) Defined contribution plan**

The Company maintains contributory recognized provident fund for its eligible permanent employees. The recognized provident fund is being considered as defined contribution plan as it meets the recognition criteria specified for this purpose. The Company's obligation for each period is determined by the amount contributed for that period. The Company recognizes contribution to defined contribution plan as an expense when an employee has rendered services in exchange for those contributions.

**(b) Defined benefit plan**

The Company operates a funded gratuity scheme. This gratuity scheme is considered as defined benefit plan as it meets the recognition criteria. The company's obligation is to provide the agreed benefits to the eligible employees as per condition of the fund.

The net defined benefit liability (asset) in respect of a defined benefit plan is recognized in the statement of financial position. The net defined benefit liability (asset) is made up of:

- i) the present value of defined benefit obligation; less
- ii) the fair value of plan assets; adjusted for
- iii) any effect of limiting a net defined benefit asset to the asset ceiling.

Present value of defined benefit obligation is determined by professional actuary. Projected Unit Credit method is used to measure the present value of defined benefit obligations and related current and past service cost by using mutually compatible actuarial assumptions about demographic and financial variables.

Current service cost, past service cost and gain/loss on settlement and net interest on the net defined benefit liability (asset) are recognized in profit or loss. Service cost and gain/loss on settlement are classified as personnel expense and net interest on the net defined benefit liability (asset) is classified as interest expense. Remeasurements of the net defined liability (asset) are recognized in other comprehensive income, comprising:

- i) actuarial gains and losses;
- ii) return on plan asset, excluding amounts included in net interest on the net defined benefit liability (asset).

**52.8 Provisions**

A provision is recognized in the statement of financial position when the Company has a legal or constructive obligation as a result of past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of obligation in compliance with IAS 37 "*Provisions, Contingent Liabilities and Contingent Assets*".

Provisions also include provisions for dismantling, removal or restoration. This provision is reviewed at the end of the reporting period and adjusted to property, plant and equipment to reflect the current best estimation.

**Asset retirement obligations**

Asset retirement obligations are recognized when there is a legal or constructive obligation as a result of past event for dismantling and removing an item of property, plant and equipment and restoring the site on which the item is located and it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount of obligation can be made. A corresponding amount equivalent to the provision is also recognized as part of the cost of the related property, plant and equipment. The amount recognized is the estimated cost of decommissioning, discounted to its present value. Changes in the estimated timing of decommissioning or decommissioning cost estimates are dealt with prospectively by recording an adjustment to the provision, and a corresponding adjustment to property, plant and equipment. The Company recognizes ARO in respect of project's site based on the present value of expected expenditures required to settle the obligation. The periodic unwinding of the discount is recognized in profit or loss as finance cost as it occurs.

**Hoda Vasi**  
**Chowdhury & Co**

**52.9 Contingencies**

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company; or a present obligation that arises from past events but is not recognized because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or the amount of the obligation cannot be measured with sufficient reliability.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company.

Contingent liabilities and assets are not recognized in the statement of financial position of the Company.

**52.10 Taxation**

Provision for current year's taxation is based on the elements of income and expenditure as reported in the financial statements and is computed in accordance with the provision of the prevailing Finance Act 2019/Income Tax Ordinance, 1984.

Deferred tax income is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Currently enacted tax rates are used in the determination of deferred income tax.

Deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

**52.11 Revenue recognition**

The Company principally generates revenue from mobile services such as call time, messaging, data services, activation fee, interconnect services, roaming services, sale of devices, infrastructure sharing services and other value added services.

The Company recognizes revenue when a contractual performance obligation is fulfilled by transferring control over the promised services or products to a customer provided that collectability of the consideration is probable. Revenue is measured based on the transaction price i.e. the consideration agreed in the contract with the customer excluding amounts collected on behalf of third parties such as sales taxes.

Mobile services are offered separately and/or as a bundle along with other services and/or devices. For bundled contracts, the Company accounts for individual products and services separately if they are distinct i.e. if a product or service is separately identifiable from other items in the bundled contract and if customers can benefit from it. Revenue is recognized on fulfilment of the individual obligations to the customer. The total transaction price of bundled contracts are allocated among the individual performance obligations based on their relative stand-alone selling prices. The stand-alone selling prices are determined based on the observable price at which the Company sells the products and services on a stand-alone basis. For products and services that are not sold separately, the Company estimates stand-alone selling prices using other methods such as adjusted market assessment approach, cost plus margin approach or residual approach.

Revenues of the Company comprise:

- (a) **Installation charges**  
Installation charges revenue represents the revenue arising from prepaid service registration fees, sale of prepaid registration forms, sale of replacement SIMs and fees from ownership change etc.
- (b) **Airtime/Traffic revenue - prepaid**  
Revenue from sale of prepaid recharge are deferred at the time of sale and recognized as revenue when services are rendered. Unrecognized amount is presented as unearned revenue and disclosed as current liabilities.
- (c) **Airtime/Traffic revenue - post-paid**  
Post-paid revenue is recognized when services are rendered.
- (d) **Roaming revenue**  
International roaming revenue is recognized when services are rendered.
- (e) **Interconnection revenue**  
Interconnection revenue with other operators is recognized when services are rendered.
- (f) **Value added service**  
Revenue from value added services rendered to customers are recognized based on gross amount billed to customers when the Company acts as a principal or recognized after netting off costs paid to content providers when the Company acts as an agent in the transaction.



**Hoda Vasi**  
**Chowdhury & Co**

**(g) Data revenue**

Data revenue is recognized when services are rendered.

**(h) Infrastructure sharing revenue**

Lease revenue is generated from the leasing of space on the Company's telecommunication towers, where the customers install and maintain their individual communication network equipment.

**(i) Revenue from sale of device**

Revenue from sale of device is recognized at the point of time upon delivery and acceptance of the device by the customers where the control is transferred to the customers.

**52.12 Foreign currency**

Foreign currency transactions are translated into BDT at the rates ruling on the dates of transactions and year end balances of monetary assets and liabilities that are denominated in foreign currencies are translated at the rates prevailing on the reporting date.

Differences arising on conversion are charged or credited to the statement of profit or loss and other comprehensive income.

**52.13 Workers' Profit Participation Fund (WPPF)**

WPPF means the workers' participation fund established under Bangladesh Labor Act, 2006 (amended in 2013). The Company provides 5% of its net profit before tax as WPPF contribution.

The Company transfers WPPF contribution to the WPPF Trust Fund within nine months from end of the relevant financial year. Two third of 80% of the fund is disbursed to the eligible employees while the rest one third of 80% is invested in different banks/financial institutions which is disbursed to the employees at the time of retirement/separation from the Company. 10% of fund is being paid to Government Workers Welfare Foundation and remaining 10% to Robi Axiata Limited Employees Welfare Fund.

**52.14 Dividend**

Dividend distribution to the Company's shareholders is recognized as a liability in the period they are approved by the Board of Directors except for the final and special dividend which are subject to approval by the Company's shareholders.

**52.15 Events after the reporting period**

In accordance with IAS 10 "Events after the Reporting Period", amounts recognized in the financial statements are adjusted for events after the reporting period that provide additional evidence of conditions that existed at the end of the reporting period. No adjustment is given in the financial statements for events after the reporting period that are indicative of conditions that arose after the reporting period. Material non-adjusting events are disclosed in the financial statements.

### 1. DIRECTORS' RESPONSIBILITY STATEMENT

Our Directors have seen and approved this Circular and they collectively and individually accept full responsibility for the accuracy of the information in this Circular. They confirm, after making all reasonable enquiries, that to the best of their knowledge and belief, there are no other facts the omission of which would make any statement in this Circular misleading.

### 2. CONSENTS AND CONFLICT OF INTEREST

CIMB, being our Principal Adviser to advise on Malaysian regulatory requirements in respect of the Proposed IPO and Proposed Listing set out in Part B of this Circular, has given and has not subsequently withdrawn its written consent to the inclusion of its name and all references thereto in the form and context in which they appear in this Circular.

CIMB, its related and associated companies, as well as its holding company, CIMB Group Holdings Berhad and the subsidiaries and associated companies of its holding company ("**CIMB Group**") form a diversified financial group and are engaged in a wide range of investment and commercial banking, brokerage, securities trading, asset and funds management and credit transaction service businesses.

The CIMB Group has engaged and may in the future, engage in transactions with and perform services for our Company and/or our affiliates. In addition, in the ordinary course of business, any member of the CIMB Group may at any time offer or provide its services to or engage in any transactions (on its own account or otherwise) with any member of our Group, our shareholders and/or their respective affiliates or any other entity or person, hold long or short positions in securities issued by our Company and/or our affiliates, make investment recommendations and/or publish or express independent research views on such securities, and may trade or otherwise effect transactions for its own account or the account of its other customers in debt or equity securities or senior loans of our Company and/or our affiliates.

This is a result of the businesses of CIMB Group generally acting independently of each other and accordingly, there may be situations where parts of the CIMB Group and/or its customers now have or in the future, may have interest or take actions that may conflict with the interests of the Axiata Group.

CIMB Bank Berhad has, in the ordinary course of its banking business, extended credit facilities to the Axiata Group. As at 31 May 2020, the outstanding amount is RM418.4 million.

CIMB confirms that the abovementioned extension of credit facilities does not result in a conflict of interest situation in respect of its role as the Principal Adviser for the Proposed Listing due to the following:

- (i) CIMB Bank Berhad is a licensed commercial bank and the extension of credit facilities to our Group arose in the ordinary course of its banking business; and
- (ii) the total credit facilities extended by CIMB Bank Berhad to our Group are not material when compared to the audited NA of the CIMB Group as at 31 December 2019.

### 3. MATERIAL CONTRACTS

Neither we nor any of our subsidiaries have entered into any contract outside the ordinary course of business which are or may be material during the two years immediately preceding the date of this Circular save as follows:

- (a) On 7 February 2020, PT XL Axiata Tbk ("**XL**") entered into an Asset Purchase Agreement with PT Profesional Telekomunikasi Indonesia Tbk ("**Protelindo**") and PT Centratama Menara Indonesia ("**CMI**") for the sale of 2,782 telecommunication towers with a total transaction value of IDR4,050.3 billion (RM1,194.8 million) and agreed to leaseback some of such assets with maximum tenure of ten years.

On 31 March 2020, XL had completed the sale transaction of 2,431 telecommunication towers to Protelindo and CMI with a total transaction value of IDR3,476.8 billion (RM1,025.7 million). The remaining towers are still pending and in the process of finalisation of documentation.

### 4. MATERIAL COMMITMENTS AND CONTINGENT LIABILITIES

As at 31 March 2020, save as disclosed below, our Board is not aware of any material commitments incurred or known to be incurred by our Group which upon becoming enforceable, may have a material impact on the financial position of our Group.

#### Material commitments:

Capital expenditure	Axiata Group RM mil <sup>(1)</sup>
Approved and contracted for	2,794
<b>Total</b>	<b>2,794</b>

Note:

- (1) Based on Axiata's interim results for the 3-month FPE 31 March 2020 and closing exchange rate as at 31 March 2020.

As at 31 March 2020, save as disclosed below, our Board is not aware of any contingent liabilities incurred or known to be incurred by our Group which upon becoming enforceable, may have a material impact on the financial position of our Group.

#### Contingent liabilities:

Description	Axiata Group RM mil <sup>(1)</sup>
Litigation and claims by third parties against subsidiaries of Axiata	16,141
<b>Total exposure</b>	<b>16,141</b>

Note:

- (1) Based on Axiata's interim results for the 3-month FPE 31 March 2020 and closing exchange rate as at 31 March 2020.

## 5. MATERIAL LITIGATION, CLAIMS OR ARBITRATION

As at the LPD, neither we nor any of our subsidiaries are engaged in any material litigation, claims and/or arbitration either as plaintiff or defendant, which may materially adversely affect our income from, title to, or possession of any of our assets and/or business, and we are not aware of any proceedings, pending or threatened, or of any facts likely to give rise to any proceedings which may materially adversely affect the financial position or business of our Group, save as follows:

(a) **Celcom Axiata Berhad (formerly known as Celcom (Malaysia) Berhad) (“Celcom”) and Celcom Resources Berhad (formerly known as Technology Resources Industries Berhad) (“Celcom Resources”) v Tan Sri Dato’ Tajudin bin Ramli (“TSDTR”) & 6 Others**

On 24 October 2008, Celcom and Celcom Resources commenced proceedings against five of its former directors, namely (i) TSDTR, (ii) Dato’ Bistaman bin Ramli (“**BR**”), (iii) Dato’ Lim Kheng Yew (“**DLKY**”), (iv) Axel Hass (“**AH**”), and (v) Oliver Tim Axmann (“**OTA**”) (the Defendants named in items (iv) and (v) are collectively referred to as the “**German Directors**”), as well as (vi) DeTeAsia Holding GmbH (“**DeTeAsia**”) and (vii) Beringin Murni Sdn. Bhd. (collectively with the German Directors referred to as “**Defendants**”).

Celcom and Celcom Resources are seeking for damages for conspiracy against the Defendants. Celcom and Celcom Resources claim that the Defendants wrongfully and unlawfully conspired with each other to injure Celcom and Celcom Resources by causing and/or committing Celcom and Celcom Resources to enter into the Supplemental Agreement to the Subscription Agreement and the Management Agreement dated 7 February 2002 (“**the 2002 Supplemental Agreement**”) and the Amended and Restated Supplemental Agreement dated 4 April 2002 with DeTeAsia (“**the ARSA**”) in consideration for the renunciation by DeTeAsia of certain rights issue shares in Celcom Resources in favour of TSDTR and BR (“**Main Suit 2**”).

Separately, Celcom and Celcom Resources reached an amicable settlement with DLKY and the said companies filed their respective notice of discontinuance with no order as to costs and without liberty to file afresh against DLKY on 6 March 2015.

On 23 June 2016, TSDTR and BR filed a statement of defence (“**Defence for Main Suit 2**”) and counterclaim against Celcom, Celcom Resources and TM seeking among others payment of the sum of RM6.2 billion or alternatively the sum of RM7.2 billion together with interest, being the amount claimed by TSDTR in his counterclaim in Kuala Lumpur High Court Suit No. D2-22-673-2006 (“**Danaharta Suit**”) which was withdrawn pursuant to a purported global settlement and damages (“**TSDTR and BR’s Counterclaim for Main Suit 2**”). The German Directors filed their respective defence on 30 June 2017. TM filed an application to intervene in the Main Suit 2 in light of the allegations made against TM in TSDTR and BR’s Counterclaim for Main Suit 2.

The trial and TSDTR and BR’s Counterclaim for Main Suit 2 commenced on 22 January 2018 and the Plaintiffs’ case was closed on 21 November 2018. TSDTR and BR i.e. the First and Second Defendants had commenced their case on 28 November 2018.

In view of the Receiving Order and Adjudication Order (“**ROAO**”) obtained against TSDTR and BR on 8 May 2018, hearing of the trial were adjourned pending Celcom and Celcom Resources application for leave to continue action against TSDTR and BR (“**Leave**”) and filing of application for sanction by TSDTR and BR to defend the case and continue with the Counterclaim (“**Sanction**”). Leave and Sanction were granted and obtained by the respective parties.

TSDTR and BR had closed their case and the German Directors are now in the midst of giving their evidence. The Court has fixed the following dates for continued trial:

June	: 10
July	: 6 - 7
September	: 1 and 3

The solicitors are of the opinion that Celcom and Celcom Resources have reasonable prospects of successfully prosecuting the proceedings and that Celcom's prospects of successfully defending TSDTR and BR's Counterclaim for Main Suit 2 are good.

**(b) Celcom & Another v TSDTR & 8 Others**

On 28 April 2006, Celcom and Celcom Resources instituted a claim against nine of its former directors (namely (i) TSDTR, (ii) BR, (iii) DLKY, (iv) Dieter Sieber ("**DS**"), (v) Frank-Reinhard Bartsch ("**FRB**"), (vi) Joachim Gronau, (vii) Joerg Andreas Boy ("**JAB**"), (viii) AH, and (ix) OTA), (the Defendants named in items (iv) to (ix) collectively referred to as the "**German Directors**") (collectively referred to as "**Defendants**").

Celcom and Celcom Resources are seeking an indemnity from the Defendants, for the sums paid by Celcom to DeTeAsia in satisfaction of the award granted in August 2005 ("**Award**") handed down by the Tribunal of the International Court of Arbitration of the International Chamber of Commerce in Paris ("**ICC**") alleging that they had breached their fiduciary duties by causing Celcom Resources to enter into a Subscription Agreement dated 25 June 1996 with Deutsche Telekom AG ("**Subscription Agreement**"), and Celcom and Celcom Resources to enter into the ARSA with TR International Ltd and DeTeAsia whilst they were directors of Celcom and Celcom Resources.

In addition, Celcom and Celcom Resources have also made a claim against TSDTR only, for return of the alleged unauthorised profits made by him, all monies received by the directors arising out of such breaches, losses and damages in connection with the abovementioned agreements ("**Main Suit 3**").

In brief, Celcom and Celcom Resources are seeking for the following:

- (i) A declaration that the Defendants have acted in breach of their fiduciary duties and are liable to indemnify Celcom in relation to the sums paid out to DeTeAsia pursuant to the Award where the ICC found Celcom to be liable for the following:
  - (aa) The sum of USD177.2 million (RM764.4 million) being the principal sum plus USD16.3 million (RM70.1 million) representing interest at the rate of 8% for the period from 16 October 2002 to 27 June 2003;
  - (bb) The cost of arbitration amounting to USD0.8 million (RM3.5 million); and
  - (cc) The sum of USD1.8 million (RM7.8 million) representing the legal costs.
- (ii) Damages for various breaches of fiduciary duties committed by them in relation to the entry into the Subscription Agreement and the ARSA.
- (iii) The unauthorised profits claimed to have been made by TSDTR, amounting to RM446.0 million.

Separately, Celcom and Celcom Resources have reached an amicable settlement with DLKY and the said companies have filed their respective notice of discontinuance with no order as to costs and without liberty to file afresh against DLKY on 6 March 2015.

On 23 June 2016, TSDTR and BR filed statement of defence ("**Defence for Main Suit 3**") and counterclaim against Celcom and Celcom Resources for amongst others, RM6.2 billion or the alternative sum of RM7.2 billion pursuant to a global settlement in another suit ("**TSDTR and BR's Counterclaim for Main Suit 3**"). The German Directors filed their respective defence on 30 June 2016. The trial and TSDTR and BR's Counterclaim for Main Suit 3 commenced on 22 January 2018. The Plaintiffs' case was closed on 21 November 2018 and the First and Second Defendants commenced their case on 28 November 2018.

In view of the ROAO obtained against TSDTR and BR on 8 May 2018, hearing of the trial in Main Suit 3 was adjourned pending Celcom and Celcom Resources application for leave to continue action against TSDTR and BR ("**Leave**") and filing of application for sanction by TSDTR and BR to defend the case and continue with the TSDTR and BR's Counterclaim for Main Suit 3 ("**Sanction**"). To date, the Leave and Sanction were granted and obtained by the respective parties.

The First and Second Defendants had closed their case and the German Directors are now in the midst of giving their evidence. The Court has fixed the following dates for continued trial:

June : 10  
July : 6 - 7  
September : 1 and 3

The solicitors are of the opinion that Celcom and Celcom Resources have reasonable prospects of successfully prosecuting the proceedings and that Celcom's prospects of successfully defending TSDTR and BR's Counterclaim for Main Suit 3 are good.

(c) **Robi Axiata Limited ("Robi") v Commissioner of Large Taxpayer Unit ("LTU-VAT"), Robi v Customs, Excise & VAT Appellate Tribunal**

**Robi SIM Replacement Dispute 2007-2011**

On 17 May 2015, the LTU-VAT of the National Board of Revenue ("**NBR**") issued a revised demand letter for BDT4.1 billion (RM210.4 million) (the earlier demand letter dated 23 February 2012 for BDT6.5 billion (RM332.5 million)) ("**2007 to 2011 Revised Claim**") to Robi alleging that Robi had evaded payment of Supplementary Duty and VAT levied on the issuance of a certain number of SIM cards to new customers of Robi during the years 2007 to 2011 when such SIM cards were issued as replacement cards to the existing subscribers of Robi.

In August 2015, Robi filed an appeal against the 2007 to 2011 Revised Claim to the Customs, Excise and VAT Appellate Tribunal. This appeal was first heard on 28 September 2016 by the Customs, Excise and VAT Appellate Tribunal and later reheard on 11 April 2017 by a reconstituted bench of the Customs, Excise and VAT Appellate Tribunal. The Customs, Excise and VAT Appellate Tribunal dismissed Robi's appeal.

In September 2017, Robi filed an appeal to the High Court of Bangladesh against the Customs, Excise and VAT Appellate Tribunal's decision ("**VAT Appeal**"). This VAT Appeal is currently pending for hearing before the High Court of Bangladesh. The solicitors are of the opinion that the legal merit of Robi for this matter is good.

**Robi SIM Replacement Dispute July 2012 to July 2015**

On 20 November 2017, the LTU-VAT of the NBR issued a demand letter for BDT2.9 billion (RM144.8 million) ("**2012 to 2015 Claim**") to Robi alleging that Robi had evaded payment of supplementary duty and VAT levied on the issuance of certain number of SIM cards to new customers of Robi for the duration from July 2012 to June 2015 when such SIM cards were issued as replacement cards to the existing subscribers of Robi.

On 18 February 2018, Robi filed an appeal against the 2012 to 2015 claim to the Customs, Excise and VAT Appellate Tribunal on the basis that replacement cards do not establish new connections and do not change existing subscribers' numbers. This appeal was dismissed by the Customs, Excise and VAT Appellate Tribunal.

Robi has filed an appeal to the High Court against the Customs, Excise and VAT Appellate Tribunal's decision and it is now pending for hearing. The solicitors are of the opinion that the legal merit of Robi for this matter is good.



**(d) Robi v NBR**

NBR issued 5 show cause cum demand notices to Robi for a total amount of BDT9.2 billion (RM469.3 million). Robi filed Writ Petitions (Judicial Review) on 3 May 2018 to challenge these claims. The details are as below. The NBR referred the matter to the Directorate General of Audit Intelligence and Investigation to re-examine the claims and as such, Robi is not pursuing the Writ Petitions.

- (i) The 1<sup>st</sup> show-cause cum demand notice for BDT7.1 billion (RM361.4 million) was issued based on the credit balance of VAT payable GL (General Ledger) and VAT Return and VAT payable for the period from 2013 to 2016. While conducting its audit, NBR asked for month on month movement of output and withholding GL from Systems, Applications and Products i.e. SAP (Opening, debit balance during the month, credit balance during the month and closing balance). Robi had submitted the required documents. The NBR just considered the total credit balance of SAP GL as payable and compared it with VAT return without considering the documents or explanation submitted by Robi.
- (ii) The 2<sup>nd</sup> show-cause cum demand notice for BDT910.5 million (RM46.2 million) alleges unpaid VAT on merger and spectrum fee. NBR has collected merger fee/spectrum information from BTRC in relation to merger directly, thereafter arbitrarily calculated VAT without considering Robi's documents and information regarding actual payment to BTRC. This issue has already been covered in item A nevertheless NBR still arbitrarily made the same claim separately.
- (iii) The 3<sup>rd</sup> show-cause cum demand notice for BDT16.5 million (RM0.8 million) is to claim that VAT is payable on Interconnection charge from Bangladesh Telecommunications Limited (BTCL) for 2012. The output VAT for BTCL service to customer is centrally collected by NBR and that BTCL cannot adjust input VAT on interconnection charge payable to Robi/Multinational Organizations (MNOs). Therefore, BTCL does not pay the VAT on same to Robi/MNOs. BTCL & MNOs are pursuing to NBR for resolving the issue but the issue is still long pending. This issue has already been covered in item A nonetheless NBR still arbitrarily made the same claim separately.
- (iv) The 4<sup>th</sup> show-cause cum demand notice for BDT35.7 million (RM1.8 million) is to claim that VAT is payable on Interconnection charge from BTCL for 2013 to 2016 (the issue is same as item 3 of this case but relating to different period (2013-2016)).
- (v) The 5<sup>th</sup> show-cause cum demand notice for BDT1.2 billion (RM59.1 million) is for VAT Rebate cancellation on imported telecom items. NBR directly collected imports information from Customs Authority, then cancelled few imported items such as battery, switch, cable, router, system, etc. on arbitrary basis. These are the integral parts of machineries and spare parts.

Re-examination of the claims by Directorate General of Audit Intelligence and Investigation are still ongoing. The solicitors are of the opinion that the claims of NBR are without basis.

**(e) Robi v BTRC**

The BTRC conducted an Information System Audit on Robi for the years between 1997 to 2014 and issued a claim of BDT8.7 billion (RM440.3 million) against Robi on 31 July 2018 ("**Information System Audit Claim**"). This Information System Audit Claim is disputed by Robi and a Notice of Arbitration was served on BTRC on 20 May 2019.

On 13 June 2019, notwithstanding Robi's Notice of Arbitration, the BTRC directed Robi to make payment for the Information System Audit Claim within 10 days. Challenging the demand, Robi filed a suit on 25 August 2019 before the Joint District Judge, Dhaka seeking a declaration and permanent injunction against BTRC's Information System Audit Claim. The District Court admitted the suit.

Additionally, Robi filed an application seeking an ad interim relief in relation to the following:

- (i) temporary injunction restraining BTRC from demanding payment of the Information System Audit Claim;
- (ii) temporary injunction restraining BTRC from causing any interference with the operation of Robi's mobile telecommunication services; and
- (iii) direction from the court to the effect that BTRC shall issue all relevant No Objection Certificate(s) for the importation of telecommunication equipment and software, and grant all relevant approvals for tariff, service, package, etc. as and when required by Robi from time to time.

The abovementioned application for ad interim relief was dismissed on 1 September 2019 by the Joint District Judge, Dhaka. Robi preferred an appeal before the High Court Division in respect of the rejection of temporary injunction application on 5 September 2019.

On 5 January 2020, the High Court issued an injunction upon BTRC on condition that Robi deposit BDT1.4 billion (RM70.1 million) in five instalments. Robi has deposited these five equal instalments up to 31 May 2020. This matter is currently pending for hearing before the Joint District Judge, Dhaka. The solicitors are of the opinion that Robi has a good arguable case, although it is difficult to foresee the outcome of the matter at this current stage.

**(f) Robi v LTU-VAT (VAT rebate cancellation)**

For the period of 2010 to 2016, Robi claimed rebate for input VAT payable on certain goods and services related to capital machineries (i.e. antenna, cable, media gateway switch, battery, modem, telephone and telegraphic switch, power system, optical multi service systems, universal service router, printed service board, racks, etc.). The LTU-VAT of the NBR issued 5 show causes cum demand notices to Robi to cancel such rebate for input VAT and demanded for a total amount of BDT2.8 billion (RM142.4 million).

- (i) The demand notice for the period of July 2013 to June 2014 is for BDT596.8 million (RM30.3 million). On 21 January 2019, Robi filed a judicial review to the High Court, Dhaka against the said demand notice.
- (ii) The demand notice for the period of July 2014 to January 2016 is for BDT993.2 million (RM50.4 million). On 21 January 2019, Robi filed a judicial review to the High Court, Dhaka against the demand notice.
- (iii) The demand notice for the period of February 2016 to April 2016 for BDT41.0 million (RM2.1 million). On 21 January 2019, Robi filed a Writ Petition (judicial review) to the High Court, Dhaka against the said demand notice.
- (iv) The demand notice for the period of May 2016 to December 2016 is for BDT707.7 million (RM35.9 million). On 21 January 2019, Robi filed a judicial review to the High Court, Dhaka against the said notice.
- (v) The demand notice for the financial years of 2010 to 2012 is for BDT466.9 million (RM23.7 million). On 11 March 2018, Robi filed an appeal to the Customs, Excise and VAT Appellate Tribunal.

For (i) to (v) for this matter, Robi deposited 10% of the sum set out in the respective demand notices with LTU-VAT pursuant to the provisions of the Value Added Tax Act 1991. This matter is currently pending for hearing before the High Court, Dhaka. The solicitors are of the opinion that Robi has a good arguable case, although it is difficult to foresee the outcome of the matter at this current stage.



(g) **Dialog Broadband Networks (Private) Limited (Amalgamated with Suntel Limited) (“DBN”) v Electroteks Network Services (Private) Limited (“Electroteks”)**

On 20 November 2001, DBN initiated a claim against Electroteks for LKR68.8 million (RM1.6 million) to recover an outstanding amount due for the provision of telecommunication facilities. This claim has concluded and is currently at execution stage.

On 30 May 2002, Electroteks filed a counterclaim for LKR4.2 billion (RM97.3 million) together with the interest thereon and it was allowed by the court (“**Counterclaim Judgment**”). DBN filed an appeal against the Counterclaim Judgment to the Supreme Court of Sri Lanka.

Pending disposal of the aforesaid appeal, Dialog Axiata Plc., the holding company of DBN, has provided a bank guarantee for LKR1.0 billion (RM23.2 million) and a corporate guarantee for LKR3.2 billion (RM74.1 million) to stay execution of the Counterclaim Judgment.

Parties filed written submissions on 30 November 2016. The Judgment was delivered by the Supreme Court of Sri Lanka on 14 December 2018 allowing the appeal of DBN and setting aside the Judgment of the Commercial High Court. Principal sum with the legal interest as at 14 December 2018 is LKR11.6 billion (RM268.9 million).

Electroteks has filed a revision application in the Supreme Court of Sri Lanka under Case Number SC/MISC/3/2019 against the Judgment delivered by the Supreme Court of Sri Lanka and the matter came up for support on 17 May 2019. On that date, the Presiding Judge of the Supreme Court bench referred the matter to be mentioned on 12 June 2019 before a bench comprising the judges who delivered the Judgment. However, when the matter came up on 12 June 2019, no direction was made by the Supreme Court. The matter has been fixed for support on 14 September 2020. The solicitors are of the opinion that there is a good chance that the application will be dismissed by the Supreme Court.

(h) **Sri Lanka Telecom PLC (“SLT”) v Dialog Axiata PLC (“DAP”) (“1<sup>st</sup> Suit” – DC/Colombo 88/2017) and Dialog Broadband Networks (Private) Limited (“DBN”) v SLT (“2<sup>nd</sup> Suit” DC/Colombo 91/2017) and DBN v SLT (“3<sup>rd</sup> Suit” – HC/Civil/23/2017/IP)**

On 25 August 2016, DBN issued a closed (confidential) request for proposal (“**RFP**”) to invite bids for the supply, installation and commission of a gigabit passive optical network (“**GPON**”) active solution.

On 5 June 2017, under the 1<sup>st</sup> Suit, SLT initiated an action against DAP to restrain DAP from providing any fixed telecommunication services or fixed wired connections to its end users through a GPON active solution. On 24 July 2017, the District Court refused the applications for the enjoining orders sought by SLT against DAP (“**Refusal of Enjoining Orders**”). DAP filed objections for interim injunctions on 2 October 2017 and the matter was fixed for interim injunction inquiry by way of written submissions on 2 November 2017. On 2 November 2017, DAP appeared before the courts and requested for further time to file written submissions. Parties filed written submissions on 28 November 2017. Order was delivered on 12 January 2018 refusing SLT’s application for interim injunctions (“**Order for Interim Injunctions**”). SLT appealed against the Order for Interim Injunctions (“**Appeal for Order for Interim Injunctions**”).

DAP filed the answer on 02 October 2018. The matter was taken up for pre-trial on several dates the last date being 1 July 2019. Matter is fixed for pre-trial on 15 September 2020.

SLT appealed against the Refusal of Interim injunctions to the High Court of Civil Appeal (“**HCCA**”) – Case No. WP/HCCA/COL/07/2018/LA and the matter was fixed for hearing on 10 May 2018 for granting of leave to appeal. Matter was argued on several dates the last date being 15 May 2019. Currently the matter is fixed for support on 7 July 2020.

On 20 June 2017, under the 2<sup>nd</sup> Suit, as the provision of services through a GPON active solution is by DBN and not DAP, DBN initiated an action against SLT to prevent SLT from interfering with DBN providing such services. SLT filed their objections on 13 September 2017. 2<sup>nd</sup> Suit was fixed for interim injunction inquiry on 14 November 2017. On this date, the parties agreed that the matter could be fixed for trial. SLT was ordered to file the answer on 14 December 2017. On 14 December 2017, SLT requested further time to file its answer. Accordingly, SLT was ordered to file the answer on 26 April 2018. SLT filed their answer on 26 April 2018 and the matter was fixed for pre-trial on 13 June 2018. Matter came up for pre-trial on several dates the last date being 29 March 2019. On 29 March 2019, the parties were to settle issues and admissions. However, SLT raised several objections to the issues raised by DBN and parties were directed to file written submissions on the issue. Parties filed written submissions on 20 May 2019. Order was delivered on 15 July 2019 confirming the objections raised by SLT. Matter will be mentioned on 23 July 2020.

On 18 July 2017, under the 3<sup>rd</sup> Suit, as the RFP is a closed (confidential) RFP, DBN initiated an action against SLT for wrongfully and unlawfully acquiring confidential information belonging to DBN. In this suit, DBN is seeking several declaratory, injunctive and interim reliefs against SLT, including a sum of LKR7.8 billion (approximately RM180.7 million) as damages.

DBN has obtained interim measures of protection under the Intellectual Property Act against SLT to disclose its source or person from which or whom SLT had acquired information on the closed (confidential) RFP and to restrain SLT from using, disclosing or disseminating the information contained in the closed (confidential) RFP pending the determination of the suit.

In relation to the 3<sup>rd</sup> Suit, it was fixed on 2 August 2017 for SLT to appear before Court and to disclose the source/person from which/whom SLT had acquired information on the closed (confidential) RFP. On the same day, SLT applied to file Petition to vacate the interim measures of protection issued by the Court. The Petition was filed on 10 August 2017. On 10 August 2017, DBN sought permission from the Court to file objections to the petition filed by SLT. An order was delivered by the Court on 30 August 2017 permitting DBN to file objections on 31 October 2017. When the matter was called on 31 October 2017, DBN moved for further time to file its objections and the Court ordered DBN to file objections on 9 January 2018. DBN filed objections on 9 January 2018. SLT was ordered to file objections on 26 March 2018 and the inquiry into interim measures of protection was fixed on 16 May 2018.

When the matter came up before courts on 26 March 2018, SLT moved for further time to file objections and SLT was ordered to file objections on or before 6 April 2018 and objections were filed by SLT on 6 April 2018. When the matter came up on 16 May 2018 for inquiry, SLT raised the preliminary objection that the case had been filed by the wrong party and parties filed written submission regarding the preliminary objection. Matter is fixed for order on 8 August 2018 regarding SLT's preliminary objection. i.e. whether the SLT's objection that the case had been filed by the wrong party could be inquired into as a preliminary matter, prior to proceeding with the inquiry into the revocation or variation of the interim measures of protection. On 8 August 2018, the learned Judge dismissed DBN's entire action. DBN has appealed against the order of the High Court to the Supreme Court.

### **Case No. SC/ Appeal 139/2018 in the Supreme Court**

DBN appealed to the Supreme Court against the order of the learned High Court Judge in HC (Civil) 23/2017/IP. Matter was supported on 19 September 2018 for leave to proceed. After hearing the submissions made by the Counsels the Supreme Court granted leave to proceed. DBN and SLT has filed its written submission in relation to this appeal on 9 November 2018 and 9 January 2019 respectively. Currently the matter is fixed for argument on 7 September 2020. The solicitors are of the opinion that DAP stands a good chance of success in defending this appeal.

- (i) **Writ petition filed by 6 individuals against Ncell Private Limited (“Ncell”), Reynolds Holdings Limited, Axiata Investments (UK) Limited (“Axiata UK”), Large Tax Payers’ Office, Inland Revenue Department, Nepal Rastra Bank, Department of Industry, Industry and Investment Promotion Board, Nepal Telecommunications Authority, Sunivera Capital Ventures Pvt. Ltd. and the Office of Company Registrar**

A public interest litigation (“**PIL**”) has been filed at the Supreme Court of Nepal (“**SC**”) seeking various orders from the SC including that tax to be collected from Ncell and Axiata UK in relation to the indirect transfer to Axiata UK of an 80% stake in Ncell through the sale of Reynolds Holdings Limited (“**Reynolds**”) by Ncell’s previous foreign investor, TeliaSonera Norway Nepal Holdings AS (“**TeliaSonera**”) to Axiata UK (“**Transaction**”).

The Supreme Court issued its full written order on 9 April 2019 (“**Order**”) in relation to its oral order dated 6 February 2019 that the Large Taxpayers Office (“**LTPO**”) should determine the outstanding tax to be paid in relation to the Transaction within three months from the date of receipt of the Order by the LTPO and that the responsibility to pay tax lies with Ncell and Axiata Group Berhad, the latter who is not a party to the PIL. Ncell received a letter issued by the LTPO on 16 April 2019 stating that its assessment order in relation to the Transaction initially issued to TeliaSonera (“**Telia Assessment**”) is now transferred to Ncell and that the further balance amount of the Capital Gains Tax (“**CGT**”) arising from the Transaction is NPR39.1 billion (RM1.4 billion). Ncell is ordered to deposit the said amount within 7 days, or by 22 April 2019 (“**LTPO Direction**”).

Ncell had on 21 April 2019 filed a Writ Petition for Certiorari, Prohibition and Mandamus to the SC against the LTPO, Inland Revenue Department of Nepal and the Ministry of Finance of Nepal (“**Ncell Application**”) for an annulment of the LTPO Direction and to challenge the legality of the LTPO Direction on grounds, including but is not limited to: (a) that the LTPO Direction in transferring the Telia Assessment unto Ncell is not in compliance with the procedures as required under the Income Tax Act, 2058 (2002) (“**ITA**”); (b) that the LTPO is obliged to undertake a tax assessment on Ncell and not, as demanded in the LTPO Direction, merely a tax collection; (c) that in issuing the LTPO Direction, the LTPO has: (i) failed in providing or affording Ncell the opportunity in making any submission or representation in relation to the imposed tax liability; and (ii) failed in providing Ncell with the option to file or submit an application for administrative review over the LTPO Direction.

Following the Ncell Application, the SC on 25 April 2019 issued a show cause order against the LTPO, Inland Revenue Department of Nepal and the Ministry of Finance of Nepal (collectively, the “**Respondents**”) to appear before a Division Bench on 6 May 2019 (“**Hearing Date**”) and that a temporary stay order is granted until the Hearing Date, during which period the Respondents were refrained from taking any steps to enforce the LTPO Direction against Ncell.

The Division Bench on 7 May 2019 ordered that a full bench of the SC to be convened to hear and decide on the Ncell Application and that the temporary stay order granted on 25 April 2019 be continued, in the period of which the Respondents are refrained from taking any steps against Ncell. Hearing of the Ncell Application before a full bench of the SC was concluded on 7 July 2019.

On 26 August 2019, the SC issued a short-form judgment on the Ncell Application (“**Short Form Order**”) in which the SC partially upheld the Ncell Application. The full written judgment of the SC’s decision was issued on 21 November 2019 (“**SC Judgment**”). The SC Judgment states that the prior tax amount assessed by the LTPO is to be reduced to the extent of fees purportedly levied under section 120(a) of the Nepalese Income Tax Act which were found to be unlawful. The SC has held that Ncell remains liable to pay NPR21.1 billion (RM753.0 million) in allegedly outstanding CGT (including fees pursuant to sections 117(1)(a) and (c) and interest pursuant to sections 118 and 119 until the date of deposit) in relation to the Transaction.

Following this SC Judgment, on 6 December 2019, the LTPO demanded that Ncell pay NPR22.4 billion (RM800.8 million) in allegedly outstanding CGT (including interest and penalties). On 22 December 2019, the LTPO issued a second demand letter, repeating the demand from 6 December 2019 for Ncell to deposit the sums demanded within 15 days (collectively, the **"LTPO Demand Letters"**). On 12 April 2020, Ncell settled the Demand Amount and an additional sum of NPR990.3 million (RM35.3 million) as interest (collectively, the **"Total Amount"**). Ncell's payment of the Total Amount was made under protest and expressly without prejudice to Ncell and Axiata UK's position in the international arbitration proceedings commenced by Ncell and Axiata UK against the Federal Democratic Republic of Nepal (detailed below).

The LTPO Demand Letters represent a clear violation of the terms of the Provisional Measures Order (defined below) issued by the Tribunal on 19 December 2019 in the arbitration proceedings commenced by Ncell and Axiata UK which ordered Federal Democratic Republic of Nepal ("**Nepal**"), its agencies and officials to refrain from, amongst other things, taking any steps to enforce or otherwise give effect to the LTPO Demand Letters. The Provisional Measures Order is legally binding on Nepal and its agencies under international law.

### **Arbitration of Axiata UK and Ncell v Nepal**

Following the LTPO Demand Letters, Axiata UK and Ncell have filed a Request for Arbitration ("**Request**") with the International Centre for the Settlement of Investment Disputes ("**ICSID**") pursuant to the Agreement dated 2 March 1993 between the Government of the United Kingdom of Great Britain and Northern Ireland and the Government of Nepal for the Promotion and Protection of Investments ("**Bilateral Investment Treaty**"). Nepal was notified of the Request on 26 April 2019.

Axiata UK and Ncell's claims as set out in the Request relate to Nepal's conduct in contravention of its international law obligations under the Bilateral Investment Treaty. In particular, the claims relate to Nepal's conduct in imposing capital gains tax in connection with Axiata UK's acquisition of 100% of the shares of Reynolds, which owns 80% of the shares of Ncell.

Pursuant to the ICSID, Axiata UK and Ncell appointed Albert Jan van den Berg (Dutch) on 23 July 2019 as their chosen arbitrator. The arbitration tribunal ("**Tribunal**") was fully constituted on 18 October 2019, the other members being Paul Friedland (American) and Professor Joongi Kim (Korean, presiding arbitrator).

On 19 December 2019, the Tribunal granted Axiata UK and Ncell's application for provisional measures in large part and ordered that Nepal, its organs, agencies and officials, including the LTPO and the Inland Revenue Department ("**IRD**"), immediately be restrained from:

- (i) taking any steps to enforce or otherwise give effect to the demand letter served by the LTPO against Ncell dated 6 December 2019 in which the LTPO demanded that Ncell pay NPR22.4 billion (RM800.8 million) in allegedly outstanding CGT (including interest and penalties) in connection with the Transaction; and
- (ii) taking any steps which would alter the status quo between Axiata UK, Ncell and Nepal or aggravate the present dispute (together, the **"Provisional Measures Order"**).

Axiata UK and Ncell have submitted their memorial on 12 May 2020. A two-week merits hearing is scheduled to take place from 21 June 2021 to 2 July 2021. The solicitors are of the view that the claims have reasonable prospects of success.

**6. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents are available for inspection at our registered office at Level 5, Corporate Headquarters, Axiata Tower, 9, Jalan Stesen Sentral 5, Kuala Lumpur Sentral, 50470 Kuala Lumpur, Malaysia from Monday to Friday (except public holidays) from the date of this Circular up to and including the date of our forthcoming AGM:

- (i) the Constitution/Memorandum and Articles of Association of our Company and Robi;
- (ii) the audited consolidated financial statements of our Company and Robi for the past two (2) financial years up to the FYE 31 December 2019;
- (iii) the unaudited consolidated financial statements of our Company, and unaudited financial statements of Robi, both for the 3-month FPE 31 March 2020;
- (iv) the letter of consent and declaration of no conflict of interest referred to in Section 2, Appendix IV of this Circular;
- (v) the material contracts referred to in Section 3, Appendix IV of this Circular; and
- (vi) the relevant cause papers in respect of material litigation referred to in Section 5, Appendix IV of this Circular.

*(The rest of this page has been intentionally left blank)*