

AXIATA GROUP BERHAD (“AXIATA” OR “COMPANY”)

PROPOSED DIVIDEND REINVESTMENT SCHEME

1. INTRODUCTION

On behalf of the Board of Directors of Axiata (“**Board**”), CIMB Investment Bank Berhad (“**CIMB**”) is pleased to announce that the Board had, on 20 March 2014, approved the proposed dividend reinvestment scheme that will provide shareholders of Axiata (“**Shareholders**”) the option to elect to reinvest in whole or in part their cash dividend (“**Dividend**”), which includes any interim, final, special or other cash dividend, in new ordinary share(s) of RM1.00 each in Axiata (“**Share**”) (“**Proposed DRS**”).

Further details of the Proposed DRS are set out in the ensuing sections.

2. DETAILS OF THE PROPOSED DRS

2.1 Overview

The Proposed DRS will provide Shareholders with an opportunity to reinvest their Dividends in new Shares (“**New Shares**”) in lieu of receiving cash.

The Board may, at its absolute discretion, determine whether to offer Shareholders an option to reinvest such Dividend in New Shares (“**Option to Reinvest**”) and where applicable, the portion of such Dividend to which the Option to Reinvest applies (“**Electable Portion**”).

In this respect, the Electable Portion may encompass the whole Dividend declared or only a portion of the Dividend. In the event the Electable Portion is not applicable for the whole Dividend declared, the remaining portion of the Dividend (“**Non-Electable Portion**”) will be paid in cash.

Unless the Board has determined that the Option to Reinvest will apply to a particular Dividend declared (whether in whole or in part), all Dividends as may be declared by Axiata will be paid wholly in cash to Shareholders in the usual manner.

2.2 Election to reinvest Dividends in New Shares

Shareholders shall have the following options in respect of the Option to Reinvest:

- (a) to elect to participate by reinvesting in whole or in part the Electable Portion at the issue price for New Shares (“**Issue Price**”).

In the event that only part of the Electable Portion is reinvested, the Shareholders shall receive the remaining portion of the Dividend entitlement wholly in cash; or

- (b) to elect not to participate in the Option to Reinvest and thereby receive the entire Dividend entitlement wholly in cash.

The election to reinvest Dividends in New Shares can be made via the notice of election in relation to the Option to Reinvest (“**Notice of Election**”) which will be despatched to Shareholders after the books closure date in relation to a Dividend to which the Option to Reinvest applies (“**Books Closure Date**”). For further information on the administration of the Proposed DRS, please refer to Section 2.11 of this announcement.

Shareholders will receive the Electable Portion in cash if they do not expressly elect in writing to exercise the Option to Reinvest in accordance with the instructions set out in the Notice of Election. As such, Shareholders who wish to receive their Dividends wholly in cash need not take any action with regards to the Notice of Election.

The percentage shareholding of a Shareholder in the Company will be diluted should he/she not exercise his/her Option to Reinvest. However, the extent of the dilution will depend on the number of New Shares issued by the Company pursuant to the exercise level of the Option to Reinvest by the other Shareholders.

2.3 Taxation

Irrespective of whether an election is made by Shareholders, a tax voucher will be despatched to all Shareholders. For income tax purposes, Shareholders will have received a cash distribution equivalent to the amount of the Dividends declared, which or part of which, may be reinvested in New Shares depending on whether they elect to exercise the Option to Reinvest, if applicable. Hence, the election for the Option to Reinvest does not relieve the Shareholder of any income tax obligation (if applicable) and there is no tax advantage to be gained in exercising the Option to Reinvest or otherwise.

2.4 Pricing of New Shares

Axiata will issue New Shares to Shareholders who elect to exercise the Option to Reinvest under the Proposed DRS. The Issue Price, which will be determined by the Board on a price fixing date to be announced later, shall be the higher of the following based on the Main Market Listing Requirements (“**Listing Requirements**”) of Bursa Malaysia Securities Berhad (“**Bursa Securities**”):

- (a) at an issue price of not more than a 10% discount to the 5-day volume weighted average market price (“**VWAMP**”) of the Shares immediately prior to the price fixing date. The VWAMP shall be adjusted ex-dividend before applying the said discount in fixing the Issue Price; or
- (b) the par value of the Shares at the material time.

The New Shares will be issued free of any brokerage or fees to the Shareholders unless otherwise provided by any statute, law or regulation.

2.5 Utilisation of proceeds

The total cash reinvested into the Company from the Proposed DRS cannot be ascertained at this juncture. Therefore, the time frame for utilisation of such cash proceeds cannot be determined. Nonetheless, the net cash proceeds from the Proposed DRS (after the deduction of estimated expenses in respect of the Proposed DRS) will be utilised for working capital purposes of Axiata and its subsidiaries (“**Axiata Group**”).

2.6 Eligibility

The right to participate in the Proposed DRS will be granted to all Shareholders, including directors of Axiata (“**Directors**”), major shareholders and other interested persons (including persons connected with a Director or substantial shareholder) of the Company who hold the Shares. All Shareholders are eligible to participate in the Proposed DRS provided that such participation will not result in a breach of any restrictions on such Shareholder’s holding of the Shares which may be imposed by any contractual obligation of the Shareholders, or by statute, law or regulation in force in Malaysia or any other relevant jurisdiction, as the case may be (unless the requisite approvals under the relevant law, statute or regulation are first obtained).

Notices of Election will not be sent to Shareholders who do not have an address in Malaysia to avoid any violation on the part of Axiata of any securities laws applicable outside Malaysia.

2.7 Odd lots and Fractional Shares

The Board will decide whether Shareholders who exercise the Option to Reinvest may be allotted such New Shares in odd lots at a later date prior to obtaining Shareholders' approval.

2.8 Maximum number of New Shares

The maximum number of New Shares to be issued under the Proposed DRS will depend on, amongst others, the quantum of the Dividend, the Board's decision on the proportion/size of the Electable Portion, the extent to which Shareholders elect to exercise the Option to Reinvest and the Issue Price.

The New Shares to be issued pursuant to the Proposed DRS will not be underwritten.

2.9 Ranking of the New Shares

The New Shares to be issued pursuant to the Proposed DRS will rank *pari passu* in all respects with the existing Shares, except that the holders of New Shares shall not be entitled to any dividends, rights, allotments and/or other distributions in respect of which the entitlement date is before the allotment date.

As the New Shares to be issued pursuant to the Proposed DRS are prescribed securities, the New Shares will be credited directly into the respective Central Depository System accounts of the Shareholders who have elected to reinvest the Electable Portion. No physical share certificates will be issued.

2.10 Modification, suspension and termination

Subject to any requirement or provision imposed by any statute, law or regulation in force in Malaysia, as the case may be, the Proposed DRS may be modified, suspended (in whole or in part) or terminated at any time by the Board as it deems fit or expedient by giving notice in writing to all Shareholders in such manner as the Board deems fit, notwithstanding any other provision or the terms and conditions of the Proposed DRS and irrespective of whether an election to exercise the Option to Reinvest has been made by a Shareholder.

2.11 General

Subject to all the relevant approvals for the Proposed DRS (as detailed in Section 6 below) being obtained, the Issue Price shall be announced on or before the announcement of the Books Closure Date.

Subsequent to the Books Closure Date, the Notice of Election will be despatched to Shareholders. Should Shareholders wish to exercise the Option to Reinvest, there will be instructions provided in the Notice of Election in respect of the action to be taken by Shareholders. The Notice of Election will specify, amongst others, the last day (which will be a date to be fixed and announced by the Board) by which an election to be made by the Shareholder in relation to the Electable Portion must be received by the Company ("**Expiry Date**").

After the Expiry Date, the Company shall transfer funds amounting to the total net Dividends (i.e. after the deduction of any applicable tax) from its account to a non-interest bearing account opened to facilitate the payment of Dividends held in trust for the Shareholders.

An announcement in respect of the day on which the New Shares will be listed and quoted on the Main Market of Bursa Securities will also be released by the Company accordingly.

In accordance with Paragraph 6.09 of the Listing Requirements, Axiata will within 8 market days from the Expiry Date or such date as may be prescribed by Bursa Securities, allot and issue the New Shares and despatch notices of allotment to Shareholders (who exercise the Option to Reinvest) (“**Allotment Date**”). Concurrently, on the Allotment Date, the cash payment in respect of the Non-Electable Portion and any remaining portion of the Electable Portion not reinvested will be despatched to the Shareholders in the usual manner.

3. IMPLICATION OF THE MALAYSIAN CODE ON TAKE-OVERS AND MERGERS, 2010 (“CODE”)

The attention of Shareholders is drawn to Section 9(1) of Part III of the Code and Section 217 of the Capital Markets and Services Act, 2007. In particular, a Shareholder should note that he may be under an obligation to extend a take-over offer for the remaining Shares in the Company not already owned by him and persons acting in concert with him (collectively, the “**Affected Party**”), if:

- (a) by participating in the Proposed DRS in relation to the reinvestment of the Electable Portion, the Affected Party has obtained control via the acquisition or holding of, or entitlement to exercise or control the exercise of voting shares or voting rights of 33% or more in the Company or such other amount as may be prescribed in the Code, howsoever effected; or
- (b) the Affected Party holds more than 33% but not more than 50% of the voting shares or voting rights of the Company and acquires, including by participating in the Proposed DRS in relation to any Electable Portion, more than 2% of the voting shares or voting rights of the Company in any 6-month period.

Therefore, in the event an obligation to undertake a mandatory offer is expected to arise resulting from a participation in the Proposed DRS, the relevant parties may make an application to the Securities Commission Malaysia to obtain an approval for a waiver from the obligation to undertake a mandatory offer pursuant to the Code prior to exercising their Option to Reinvest.

4. RATIONALE FOR THE PROPOSED DRS

The Proposed DRS has capital management benefits where the reinvestment of Dividends by Shareholders for New Shares is expected to enlarge Axiata’s share capital base as well as strengthen Axiata’s capital position. It is also expected to improve the liquidity of the Shares on the Main Market of Bursa Securities.

Under the Proposed DRS, any cash so retained within Axiata, which would otherwise be made payable by way of dividend, will be preserved to fund the working capital requirements of the Axiata Group.

The implementation of the Proposed DRS will provide an avenue to Shareholders to elect to exercise the Option to Reinvest the Electable Portion in New Shares in lieu of receiving cash under the Proposed DRS.

Shareholders are expected to benefit from their participation in the Proposed DRS as the New Shares may be issued at a discount and their subscription of New Shares will be free from any brokerage, fees and other related transaction costs (unless otherwise provided by any statute, law or regulation). Shareholders will not be worse off as a result of the implementation of the Proposed DRS as Shareholders can still elect to receive their Dividends in cash.

5. EFFECTS OF THE PROPOSED DRS

The effects of the Proposed DRS are dependent on a several factors, which include, amongst others, the quantum of the Dividend, the Board's decision on the proportion/size of the Electable Portion, the extent to which Shareholders elect to exercise the Option to Reinvest and the Issue Price.

5.1 Share capital

Under the Proposed DRS, the issued and paid-up share capital of Axiata will increase due to the issuance of New Shares pursuant to any exercise by the Shareholders of the Option to Reinvest made available.

5.2 Substantial shareholders' shareholdings

The substantial shareholders' shareholdings percentage in Axiata will not be affected if all Shareholders fully exercise their respective Electable Portion.

However, where substantial shareholders elect to reinvest their Electable Portion and some or all of the other Shareholders do not elect to reinvest their Electable Portion or elect to reinvest only part of their Electable Portion, the substantial shareholders' shareholdings in the Company will increase; and vice versa.

5.3 Net asset ("NA")

The NA of Axiata is expected to increase arising from the Proposed DRS, but the quantum of such increase will depend on the extent the Shareholders elect to exercise the Option to Reinvest.

5.4 Gearing

The Proposed DRS is expected to improve the consolidated gearing position of the Company. Such improvement however, will depend on the extent to which the Shareholders elect to exercise the Option to Reinvest.

5.5 Earnings per share ("EPS")

The consolidated EPS of the Axiata Group will be diluted depending on the extent the Shareholders elect to reinvest the Electable Portion in New Shares. However, such reinvested amount will be retained to fund the working capital requirements of the Axiata Group and is expected to contribute positively to the future earnings of the Axiata Group.

5.6 Convertible securities

Save for the existing share options, Axiata does not have any convertible securities. The Proposed DRS will not have any impact on the number, exercise price and terms of the share options.

6. APPROVALS REQUIRED

The Proposed DRS is conditional upon the approvals to be received from the following parties:

- (a) Bursa Securities for the listing of and quotation for the New Shares to be issued pursuant to the Proposed DRS, on the Main Market of Bursa Securities;
- (b) Shareholders for the Proposed DRS at the Company's annual general meeting ("**AGM**") to be convened. The first Shareholders' approval for the issuance of New Shares pursuant to the exercise of the Option to Reinvest by the Shareholders will be sought at the said AGM. Subsequent approvals for future issuances of New Shares pursuant to the Proposed DRS will be sought at the Company's AGM on an annual basis where applicable.

For avoidance of doubt, the specific approval to be obtained from the Shareholders for the issuance of New Shares arising from the Proposed DRS is in addition to the general mandate (i.e. the Shareholders' approval under Section 132D of the Companies Act 1965 for general purpose) where the Shares to be issued shall not exceed 10% of the nominal value of the total issued and paid-up share capital of the Company sought at the Company's AGM on an annual basis; and

- (c) any other relevant authorities, if required.

The application to Bursa Securities for the listing of and quotation for any New Shares to be issued in respect of a Dividend for which the Option to Reinvest is applicable pursuant to the Proposed DRS on the Main Market of Bursa Securities would be made prior to the announcement of price fixing and Books Closure Date.

7. INTERESTS OF DIRECTORS, MAJOR SHAREHOLDERS AND/OR PERSONS CONNECTED TO THEM

None of the Directors, major shareholders and/or persons connected to them has any interest, direct or indirect, in the Proposed DRS beyond their respective entitlements to Dividends and the Option to Reinvest as Shareholders, to which all other Shareholders are similarly entitled to.

8. DIRECTORS' STATEMENT

After having considered all aspects of the Proposed DRS (including but not limited to the rationale and financial effects of the Proposed DRS), the Board is of the opinion that the Proposed DRS is in the best interests of the Company.

9. ADVISER

CIMB has been appointed as the adviser to the Company for the implementation of the Proposed DRS.

10. ESTIMATED TIME FRAME FOR THE IMPLEMENTATION OF THE PROPOSED DRS

Subject to the receipt of the necessary approvals stated in Section 6 above and barring any unforeseen circumstances, the Proposed DRS is expected to be put in place by the 2nd half of 2014.

A detailed indicative timeline for the implementation of the Proposed DRS for any Dividend declared will be set out in the circular to shareholders to be despatched in due course.

This announcement is dated 21 March 2014.