

AXIATA GROUP BERHAD (“AXIATA”)

PROPOSED AMENDMENTS TO THE BYE-LAWS OF THE EXISTING PERFORMANCE-BASED EMPLOYEE SHARE OPTION SCHEME OF AXIATA TO INCLUDE A RESTRICTED SHARE PLAN (“PROPOSED AMENDMENT”)

1. INTRODUCTION

On behalf of the Board of Directors (“**Board**”) of Axiata, CIMB Investment Bank Berhad (“**CIMB**”) wishes to announce that the Board of Axiata had, on 30 March 2011, approved the proposed amendments to the bye-laws of Axiata’s existing performance-based employee share option scheme (“**Existing ESOS**”) to include a restricted share plan.

2. DETAILS OF THE PROPOSED AMENDMENT

2.1 Axiata had, on 16 April 2009, established the Existing ESOS for the eligible employees and Executive Directors of Axiata and its subsidiaries (“**Axiata Group**”) (“**Eligible Employees**”) for a period of 8 years. As at 25 March 2011, Axiata had granted outstanding share options (“**Options**”) to Eligible Employees to subscribe for a total of 175.6 million ordinary shares of RM1.00 each in Axiata (“**Axiata Shares**”), representing approximately 2.1% of Axiata’s existing issued and paid-up share capital. As at 25 March 2011, none of the Options have vested.

2.2 Axiata proposes to amend the bye-laws of the Existing ESOS to include a restricted share plan where Axiata may issue new Axiata Shares under the Axiata Share Scheme (as defined below) (“**Axiata RSP Shares**”) without any consideration to the Eligible Employees, in lieu of or in addition to the grant of Options, at a future date. For the avoidance of doubt, Axiata may grant Options, Axiata RSP Shares or a combination of both under the Axiata Share Scheme.

2.3 The amended Existing ESOS upon completion of the Proposed Amendment shall be renamed as “Performance-Based Employee Share Option And Share Scheme” (“**Axiata Share Scheme**”). The other salient terms and conditions of the Existing ESOS remain unchanged in the Axiata Share Scheme including, amongst others, the following:

- (i) the maximum number of Axiata RSP Shares available under the Axiata Share Scheme and maximum allowable allotment;
- (ii) eligibility of employees to participate in the Axiata Share Scheme;
- (iii) duration of the Axiata Share Scheme; and
- (iv) ranking of Axiata RSP Shares.

For the avoidance of doubt, the Proposed Amendment will not have any effect on the terms and conditions of the outstanding Options which have been granted by Axiata and all such Options will remain valid until the expiry of the Axiata Share Scheme in accordance with the amended bye-laws.

- 2.4 To sustain a high performance culture within the Axiata Group and alignment with shareholders' interest, Axiata intends to carry out the following:
- (i) to grant the right to Axiata RSP Shares to Eligible Employees only if the Axiata Group and the Eligible Employees meet certain financial and/or performance targets to be determined by Axiata's Board and/or Axiata Share Scheme Committee; and
 - (ii) the right granted is expected to vest over time and subject to the Axiata Group meeting certain financial targets and/or the market price of Axiata Shares exceeding certain thresholds, to be determined by Axiata Board and/or Axiata Share Scheme Committee.
- 2.5 The shareholders of Axiata had at the extraordinary general meeting held on 24 March 2009 approved the grant of up to 5.5 million Axiata Shares under the Existing ESOS to Dato' Sri Jamaludin Ibrahim ("**DSJI**"), Axiata's Managing Director/President & Group Chief Executive Officer.

Taking into consideration the number of Axiata Shares already granted to him thus far, DSJI is eligible for further grants of up to 1,198,300 Axiata Shares, being the balance amount of Axiata Shares which have not yet been granted under the Existing ESOS. It is proposed that DSJI is also allowed to participate under the Axiata Share Scheme and be eligible for grants of up to 1,198,300 Axiata RSP Shares ("**Proposed Grant**").

Notwithstanding the above, the Proposed Grant does not preclude Axiata from granting to DSJI new Options corresponding to such balance number of Axiata Shares, so long as the total number of new Axiata Shares to be granted either by way of Axiata RSP Shares and/or Options does not result in the issuance of more than 1,198,300 Axiata Shares.

Any grant of Axiata RSP Shares and/or Options to DSJI and his participation in the Axiata Share Scheme is subject to the conditions set out in 2.4 above, as similarly applied to other Eligible Employees.

3. RATIONALE FOR THE PROPOSED AMENDMENT

The key rationale of the Proposed Amendment are as follows:

- (i) to have an alternative share-based instrument which is simpler to understand from the Eligible Employees' perspective and therefore, would have a higher perceived value to better attract and motivate key talents;
- (ii) to provide Axiata with the flexibility to determine the most appropriate instrument or combination of instruments to be issued to the Eligible Employees with the objective of optimising the effectiveness of the Axiata Share Scheme as a tool for employee incentivisation and retention; and
- (iii) from the perspective of Axiata's shareholders, a restricted share plan is expected to result in less shareholding dilution as compared to an employee share option scheme of an equivalent grant value.

4. EFFECTS OF THE PROPOSED AMENDMENT

4.1 Issued and paid-up share capital

As the maximum number of Axiata Shares that may be issued under the Axiata Share Scheme remains the same as compared to the Existing ESOS, the Proposed Amendment will not result in any additional effect on Axiata's issued and paid-up share capital.

However, assuming that only Axiata RSP Shares are issued under the Axiata Share Scheme (at an equivalent value had Options been granted under the Existing ESOS), the total number of Axiata Shares which may be issued under the Axiata Share Scheme is expected to be lesser compared to the Existing ESOS.

4.2 Substantial shareholders' shareholdings

As the maximum number of Axiata Shares that may be issued under the Axiata Share Scheme remains the same as compared to the Existing ESOS, the Proposed Amendment will not result in any additional effect on the shareholdings of Axiata's substantial shareholders.

However, assuming that only Axiata RSP Shares are issued under the Axiata Share Scheme (at an equivalent value had Options been granted under the Existing ESOS), shareholding dilution pursuant to the Axiata Share Scheme is expected to be lesser compared to the Existing ESOS.

4.3 Earnings

In accordance with FRS 2 "Share-Based Payment" as issued by the Malaysian Accounting Standards Board, the potential expense arising from the grant of rights over Axiata RSP Shares and/or Options will be measured by their fair values on the grant date. The fair value of the rights over Axiata RSP Shares and/or Options are dependent on amongst others, the market price of Axiata Shares, the implied volatility, the vesting period, and the projected dividend yield of Axiata as well as any vesting conditions which may be imposed. The said fair value will be recognised as an expense over the vesting period.

The difference between the potential impact of the Axiata Share Scheme (assuming only Axiata RSP Shares are granted) compared to the Existing ESOS is the differential between the fair value of the Options and the rights over Axiata RSP Shares at the grant date. As the actual number of Axiata RSP Shares to be granted under the Axiata Share Scheme cannot be determined at this juncture, the actual impact to Axiata's consolidated earnings cannot be determined.

4.4 Net assets ("NA") and gearing

Assuming that only rights over Axiata RSP Shares are granted under the Axiata Share Scheme and such rights are granted and vested on 31 December 2010, the Axiata Share Scheme will not have any effect on Axiata's consolidated NA and gearing (computed as total borrowings divided by NA) as at 31 December 2010.

On issuance of the Axiata RSP Shares upon vesting, Axiata's consolidated NA per share would decrease given the increase in the number of Axiata Shares in issue, while the NA base remains the same. The extent of such decrease would depend on the number of Axiata RSP Shares issued to the Eligible Employees.

4.5 Convertible securities

As at 25 March 2011, save for the 175.6 million outstanding Options awarded under the Existing ESOS, Axiata does not have any other convertible securities. The Proposed Amendment will not have any effect on the terms and conditions of such outstanding Options and all such Options will remain valid until the expiry of the Axiata Share Scheme in accordance to the amended bye-laws.

5. APPROVALS REQUIRED

The Proposed Amendment and Proposed Grant are subject to the approval of Axiata's shareholders at Axiata's annual general meeting ("**AGM**") to be convened.

The Proposed Grant is conditional upon the implementation of the Proposed Amendment but not vice versa.

6. DIRECTORS' AND MAJOR SHAREHOLDERS' INTERESTS

DSJI, being Axiata's Executive Director, may be allocated Axiata RSP Shares under the Axiata Share Scheme. As such, DSJI has abstained and will continue to abstain from deliberating on the Proposed Grant at the relevant Board meetings.

DSJI will abstain from voting in respect of his direct and/or indirect shareholdings in Axiata (if any) on the resolution pertaining to the Proposed Grant at Axiata's AGM to be convened and has also undertaken to ensure that persons connected to him will abstain from voting in respect of their direct and/or indirect shareholdings in Axiata (if any) on the resolution pertaining to the Proposed Grant to be tabled at Axiata's AGM to be convened.

Save as disclosed above, none of Axiata's Directors, major shareholders and persons connected to them have any direct and/or indirect interest in the Proposed Amendment and Proposed Grant.

7. ESTIMATED TIME FRAME FOR COMPLETION

Barring any unforeseen circumstances, Axiata expects to complete the Proposed Amendment in the 2nd quarter of 2011. However, Axiata will only commence granting the rights over Axiata RSP Shares to Eligible Employees in 2012.

8. ADVISERS

Towers Watson (Malaysia) Sdn Bhd has been appointed by Axiata as the Scheme Adviser for the Proposed Amendment.

CIMB has been appointed by Axiata as the adviser for the Proposed Amendment in relation to Malaysian regulatory requirements.

9. DIRECTORS' STATEMENT

Axiata's Directors (other than DSJI who has abstained from deliberation in respect of the Proposed Grant), having considered all aspects, are of the opinion that the Proposed Amendment and Proposed Grant are in the best interest of Axiata.

This announcement is dated 31 March 2011