THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

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

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

CIRCULAR TO SHAREHOLDERS

IN RELATION TO THE

PROPOSED MERGER OF THE TELECOMMUNICATION OPERATIONS OF CELCOM AXIATA BERHAD AND DIGI.COM BERHAD

AND

NOTICE OF EXTRAORDINARY GENERAL MEETING

Principal Adviser

Maybank Investment Bank
Company No. 197301002412
(A Participating Organisation of Bursa Malaysia Securities Berhad)

The Notice of Extraordinary General Meeting ("**EGM**") of Axiata Group Berhad ("**Axiata**") and the Proxy Form are enclosed in this Circular. This Circular is available at https://www.axiata.com/investors/egm/ together with the Administrative Notes of the EGM. The EGM is to be held on a virtual basis. The date, time and broadcast venue of the EGM are as follows:

Date and time of the EGM	:	Friday, 18 November 2022 at 9.00 a.m.
Broadcast Venue of the EGM	:	Auditorium, Level 32, Axiata Tower, 9 Jalan Stesen Sentral 5, Kuala Lumpur Sentral, 50470 Kuala Lumpur, Malaysia

The Proxy Form should be completed and deposited at the office of Axiata's share registrar, Tricor Investor & Issuing House Services Sdn Bhd ("**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 EGM will be conducted on a poll, the Proxy Form must be lodged on or before the following date and time.

Last date and time for deposit of the Proxy Form	:	Thursday, 17 November 2022 at 9.00 a.m.

The proxy appointment may also be lodged electronically via Tricor's TIIH Online website at https://tiih.online no later than Thursday, 17 November 2022 at 9.00 a.m. For further information on the electronic lodgment of the Proxy Form, please refer to the Administrative Notes of the EGM.

This Circular is dated 28 October 2022

DEFINITIONS

The following definitions shall apply throughout this Circular unless the context requires otherwise:

2G	:	Second-generation cellular network
3G	:	Third-generation cellular network
4G	:	Fourth-generation cellular network
5G	:	Fifth-generation cellular network
4IR	:	The Fourth Industrial Revolution
Act	:	Companies Act, 2016
AI	:	Artificial intelligence
ASB	:	Amanah Saham Bumiputera
Authorisation No.1 of 2022	:	MCMC's authorisation decision dated 28 June 2022 to Celcom and Digi Tel to proceed with the Proposed Merger
Authorisation of Conduct Application	:	Celcom and Digi Tel's application to MCMC dated 16 June 2022 under Section 140(3) of the CMA for authorisation of the Proposed Merger
Axiata or Company	:	Axiata Group Berhad
Axiata Group or Group	:	Collectively, Axiata and its subsidiaries
Axiata Shares or Shares	:	Ordinary shares in Axiata
Axiata PACs	:	PAC with Axiata in relation to the Proposed Merger, which include Telenor Asia, Telenor Mobile Communications AS, Telenor Mobile Holding AS, Telenor and Puan Sri Zaleha Jamaludin pursuant to subsections 216(2) and 216(3) of the CMSA
Bistamam	:	Dato' Bistamam Ramli
Board	:	Board of Directors
Bursa Securities	:	Bursa Malaysia Securities Berhad
CAGR	:	Compound annual growth rate
CAPEX	:	Capital expenditure
Cash Proceeds	:	Collectively, the Digi Cash Consideration and the Relevant Digi Shares Cash Consideration
Celcom	:	Celcom Axiata Berhad
Celcom Group	:	Collectively, Celcom and its subsidiaries
Celcom Mobile	:	Celcom Mobile Sdn. Bhd.
Celcom Networks or CNSB	:	Celcom Networks Sdn. Bhd.
Celcom Resources	:	Celcom Resources Berhad
CNSB Shareholder Loan	:	The mudharabah facility of RM2.4 billion extended by Axiata to CNSB pursuant to the CNSB Shareholder Loan Agreement

CNSB Shareholder Loan Agreement	:	The mudharabah agreement dated 21 April 2021 between Axiata and CNSB for the extension of a mudharabah facility of RM2.4 billion by Axiata to CNSB
CEO	:	Chief Executive Officer
Closing	:	The date when completion of the Proposed Merger occurs in accordance with the terms of the SPA
Circular	:	This circular to our shareholders in relation to the Proposed Merger dated 28 October 2022
CMA	:	Communication and Multimedia Act, 1998
CMSA	:	Capital Markets and Services Act, 2007
Combination Consideration	:	Total consideration of RM17,756,156,250 for the Proposed Merger comprising: (a) the Consideration Shares to be held by Axiata after the Proposed Merger; and (b) the Cash Proceeds
Consideration Shares	:	3,883,129,144 new Digi Shares or such number of new Digi Shares representing 33.10% of the enlarged issued Digi Shares on completion of the Proposed Merger
COVID-19	:	An infectious disease caused by severe acute respiratory syndrome coronavirus 2 (SARS-CoV-2)
Definitive Agreements	:	Collectively, the SPA, the MTA and the agreed form of the SHA
Digi	:	Digi.Com Berhad
Digi Cash Consideration	:	Subject to adjustment upon determination of the Interim Adjustment Amount and the Final Adjustment Amount, as the case may be, as set out in the SPA, a cash consideration of RM1,692,733,818 to be paid by Digi to Axiata for the Proposed Merger
Digi Group	:	Collectively, Digi and its subsidiaries
Digi Shares	:	Ordinary shares in Digi
Digi Tel	:	Digi Telecommunications Sdn Bhd
DNB	:	Digital Nasional Berhad
DNB Shares	:	Ordinary share(s) in DNB
DNB Rights to Allotment	:	Rights to allotment of new DNB Share(s) to be issued where each right provides the holder with right to allotment of one (1) DNB Share and shall be entitled to one (1) vote as if it was one issued DNB Share, subject to the terms of the conditional share subscription agreements entered into by Digi Tel and Celcom Mobile respectively with DNB on 7 October 2022
EBITDA	:	Earnings before interest, tax, depreciation and amortisation
EGM	:	Extraordinary general meeting

EMTN	:	Euro Medium Term Note Programme with an aggregate nominal value of USD1.5 billion or its equivalent in other currencies
EPF	:	Employees Provident Fund Board
EPS	:	Earnings per share
EV	:	Enterprise value
EV/EBITDA Multiple	:	EV-to-EBITDA multiple
EV/FCF Multiple	:	EV-to-FCF multiple
FCF	:	Free cash flow calculated as EBITDA less CAPEX paid
Final Adjustment Amount	:	The amount determined pursuant to changes in net debt and net working capital amounts of the Celcom Group as compared to the Digi Group between 31 December 2020 and the date of the Closing, as may be adjusted against the Digi Cash Consideration after the Closing, as explained in Section 2 of the salient terms of the SPA set out in Appendix I of this Circular
FPE	:	Financial period ended
FYE	:	Financial year ended, or where the context requires, financial year ending
GB	:	Gigabyte
IFRS	:	International Financial Reporting Standards
Initial Announcement	:	The announcement in relation to the Proposed Merger by Axiata on 8 April 2021
Interim Adjustment Amount	:	The amount determined pursuant to changes in net debt and net working capital amounts of the Celcom Group as compared to the Digi Group between 31 December 2020 and the last day of the calendar month in which all of the relevant conditions are satisfied or waived (or as the parties may otherwise mutually agree in writing) ("**Interim Closing**"), as may be adjusted against the Digi Cash Consideration payable to Axiata on the Closing, as explained in Section 2 of the salient terms of the SPA set out in Appendix I of this Circular. For information, Axiata and Digi had mutually agreed that the date of the Interim Closing shall be 30 September 2022.
IoT	:	Internet of things
Issue Price	:	RM4.06 per Consideration Share
JENDELA	:	Jalinan Digital Negara Plan
Khazanah	:	Khazanah Nasional Berhad
KWAP	:	Kumpulan Wang Persaraan (Diperbadankan)
Listing Requirements	:	Main Market Listing Requirements of Bursa Securities
LPD	:	30 September 2022, being the latest practicable date prior to the printing of this Circular

LTD	:	7 April 2021, being the last full trading day prior to the Initial Announcement
LTE	:	Long Term Evolution mobile communication standard
M2M	:	Machine-to-Machine, a broad label that can be used to describe any technology that enables networked devices to exchange information and perform actions without manual assistance of humans
Main Suit 1	:	The civil claim at the Kuala Lumpur High Court (Civil Suit No. D1-22-1960-2008) filed by Celcom and Celcom Resources against, inter alia, TSDTR, Bistamam and DeTeAsia Holding GmbH
Main Suit 2	:	The civil claim at the Kuala Lumpur High Court (Civil Suit No. D5-22-610-2006) filed by Celcom and Celcom Resources against, inter alia, TSDTR and Bistamam
Mandatory Offer	:	The mandatory take-over offer required to be made by Axiata and the Axiata PACs to the Digi shareholders to acquire the remaining Digi Shares not already owned by Axiata and the Axiata PACs which obligation is triggered by the Proposed Merger
Maybank IB	:	Maybank Investment Bank Berhad
MCMC	:	Malaysian Communications and Multimedia Commission
MCO	:	Movement control order
Merchantrade	:	Merchantrade Asia Sdn. Bhd.
MergeCo	:	The enlarged Digi following the completion of the Proposed Merger
MFRS	:	Malaysian Financial Reporting Standards
MNO	:	Mobile network operator
MSME	:	Micro, small and medium enterprises
MTA	:	Master Transaction Agreement dated 21 June 2021 between Axiata, Telenor Asia and Telenor for the Proposed Merger
MVNO	:	Mobile Virtual Network Operator, an organisation that does not have assignment of spectrum but is capable of providing public cellular services to end users by accessing radio networks of one or more spectrum holders
MyDigital	:	Malaysia Digital Economy Blueprint
NA	:	Net assets
NBV	:	Net book value
OTT	:	Over-The-Top, digital service providers that bypass the traditional operator's network to deliver audio, video, and other media over the internet
PAC	:	Persons acting in concert
PAT	:	Profit after tax

PATAMI	:	Profit after tax attributable to the owners of the company
PE Multiple	:	Price-to-earnings multiple
PNB	:	Permodalan Nasional Berhad
PPA	:	Purchase price allocation
Proposed Celcom-Digi Combination	:	Proposed transfer, subject to the terms and conditions of the SPA, 100% equity interest of Celcom held by Axiata to Digi for the Combination Consideration, which is to be settled by: (a) the issuance by Digi of the Consideration Shares to Axiata on the Closing; (b) the issuance by Digi the Relevant Digi Shares to Telenor Asia as nominee of Axiata on the Closing subject to, among others, the receipt by Axiata of the Relevant Digi Shares Cash Consideration for the purpose of the Proposed Equalisation in accordance with the MTA; and (c) the payment by Digi of the Digi Cash Consideration to Axiata on the Closing
Proposed Equalisation	:	Proposed subscription of the Relevant Digi Shares by Telenor Asia and payment of the Relevant Digi Shares Cash Consideration to Axiata in accordance with the terms of the MTA
Proposed Exemption	:	The proposed exemption to be sought by Axiata and the Axiata PACs from the SC pursuant to subparagraph 4.08(1)(a) of the Rules to exempt them from the obligation to undertake the Mandatory Offer
Proposed Merger	:	Collectively, the Proposed Celcom-Digi Combination and the Proposed Equalisation
Record of Depositors	:	A record provided by Bursa Malaysia Depository Sdn Bhd to a listed corporation under Chapter 24 of the Rules of Bursa Malaysia Depository Sdn Bhd
Relevant Digi Shares	:	73,378,844 new Digi Shares or such number of new Digi Shares representing 0.63% of the enlarged issued share capital of Digi on completion of the Proposed Merger
Relevant Digi Shares Cash Consideration	:	Cash consideration of RM297,918,107 to be paid by Telenor Asia to Axiata for the Proposed Equalisation
Rules	:	Rules on Take-Overs, Mergers and Compulsory Acquisitions issued by the SC
SC	:	Securities Commission Malaysia
SHA	:	Shareholders' agreement to be entered into between Axiata, Telenor Asia and Telenor in connection with and upon completion of the Proposed Merger
SME	:	Small and medium enterprises
SMS	:	Short message service

SPA	:	Conditional share purchase agreement dated 21 June 2021 and the amendment to the share purchase agreement dated 17 June 2022 between Axiata and Digi for the Proposed Celcom-Digi Combination, and as varied by the costs sharing agreement dated 25 July 2022 between Axiata, Celcom and Digi
SWN	:	Single Wholesale Network, a Government initiative to create a single wholesale 5G network service provider solely responsible for building and operating 5G radio network in Malaysia and MNOs who wish to provide 5G retail services to their customers are mandated to procure wholesale 5G capacity from the single wholesale network provider
Telco	:	Telecommunication operator
Telenor	:	Telenor ASA
Telenor Asia	:	Telenor Asia Pte Ltd
Tune Talk	:	Tune Talk Sdn. Bhd.
Tune Talk Shares	:	5,250,000 ordinary shares in Tune Talk held by Celcom Mobile
TSDTR	:	Tan Sri Dato' Tajudin Ramli
TSDTR and Bistamam's Counterclaim for Main Suit 1	:	The counterclaim in Main Suit 1 against Celcom, Celcom Resources and TM, seeking among others, payment of the sum of RM7,214.9 million together with interest
TSDTR and Bistamam's Counterclaim for Main Suit 2	:	The counterclaim in Main Suit 2 against Celcom and Celcom Resources, seeking, among others, payment of the sum of RM7,214.9 million together with interest
TSDTR Counterclaims	:	Collectively, the TSDTR and Bistamam's Counterclaim for Main Suit 1 and the TSDTR and Bistamam's Counterclaim for Main Suit 2
TSDTR Indemnity	:	The indemnity from Axiata (contained in the SPA) to indemnify the MergeCo Group and pay when demanded, a sum, which is essentially equivalent to sums payable or required to be provided by the MergeCo Group in respect of the TSDTR Litigation
TSDTR Litigation	:	Collectively, the Main Suit 1 and the Main Suit 2
Undertaking	:	Undertakings to the MCMC dated 28 June 2022 given by Celcom and Digi Tel pursuant to Authorisation of Conduct Application
VWAMP	:	Volume weighted average market price
Yoodo Business	:	The product brand currently owned and operated by Celcom, offering fully digital and customisable retail mobile telecommunications plans, including mobile data, voice, SMS as well as roaming and other international direct dial services, to subscribers under the "Yoodo" brand

CURRENCIES

RM and sen	:	Ringgit Malaysia and sen
SGD	:	Singapore Dollars
USD	:	United States Dollars

All references to "**our Company**" or "**Axiata**" in this Circular are to Axiata and references to "**our Group**" or "**Axiata Group**" are to our Company and subsidiaries, collectively. All references to "**we**", "**us**", "**our**" and "**ourselves**" are to our Company, and where the context requires otherwise, shall include our Company and subsidiaries.

All references to "**you**" and "**your**" in this Circular are to our shareholders.

Unless specifically referred to, words denoting the singular shall, where applicable, include the plural and vice versa, and words denoting the masculine gender shall, where applicable, include the feminine and/or neuter genders, and vice versa. References to persons shall include corporations, unless otherwise specified.

Any reference to any act, rules, written law, ordinance, enactment or guideline in this Circular is a reference to that act, rules, written law, ordinance, enactment or guideline as amended or re-enacted from time to time.

Any discrepancy in the figures included in this Circular between the amounts stated, actual figures and the totals thereof are due to rounding.

Any reference to a time of day in this Circular shall be a reference to Malaysian time, unless otherwise stated.

This Circular includes forward-looking statements, which are subject to uncertainties and contingencies. All statements other than statements of historical facts included in this Circular including, without limitation, those regarding our Group's financial position, business strategies, prospects, plans and objectives of our Company for future operations, are forward-looking statements. Forward-looking statements may contain estimates and assumptions made by our 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 should not be regarded as a representation or warranty that such forward-looking statements will materialise, be fulfilled or be achieved.

CONTENTS

THIS SUMMARY OF THE PROPOSED MERGER ONLY HIGHLIGHTS THE KEY INFORMATION FROM OTHER PARTS OF THIS CIRCULAR. IT DOES NOT CONTAIN ALL THE INFORMATION THAT MAY BE IMPORTANT TO YOU. YOU SHOULD READ AND UNDERSTAND THE CONTENTS OF THE WHOLE CIRCULAR BEFORE MAKING A DECISION ON THE PROPOSED MERGER.

1. Proposed Merger

Pursuant to the Proposed Merger, Axiata and Digi have agreed to the transfer of 100% equity interest of Celcom held by Axiata to Digi for the Combination Consideration, which is to be settled by:

(a) the issuance by Digi of the Consideration Shares to Axiata on the Closing;

(b) the issuance by Digi of the Relevant Digi Shares to Telenor Asia as nominee of Axiata on the Closing subject to, among others, the receipt by Axiata of the Relevant Digi Shares Cash Consideration for the purpose of the Proposed Equalisation in accordance with the MTA; and

(c) the payment by Digi of the Digi Cash Consideration to Axiata on the Closing.

Upon completion of the Proposed Equalisation, Telenor Asia and Axiata will each have equal shareholding of 33.10% in Digi.

In connection with and upon completion of the Proposed Merger, Axiata, Telenor Asia and Telenor will enter into the SHA.

Please refer to Section 2 of this Circular for further details of the Proposed Merger and Appendices I, II and III of this Circular for the salient terms of the SPA, the MTA and the agreed form of the SHA respectively.

2. Rationale and benefits of the Proposed Merger

The Proposed Merger aims to realise the ability to innovate, deliver affordable and competitive services, scale rapidly and deliver efficiencies, and deploy best practices which will in turn provide the following benefits:

(a) support MyDigital aspiration, JENDELA and other Government initiatives;

(b) synergistic value;

(c) stronger capability to drive digitisation and sustainable growth;

(d) customer benefits and protection of consumer interests; and

(e) multiple benefits for the broader Malaysian economy.

Please refer to Section 5 of this Circular for further details of the rationale and benefits of the Proposed Merger.

3. Risks of the Proposed Merger

As both the Axiata Group and Digi Group are in the telecommunications sector, our Board does not foresee any material change to the risk profile of the Axiata Group's business arising from the Proposed Merger. However, there are other risks that may arise from or are associated with the Proposed Merger as set out below, which are by no means exhaustive:

(a) completion risk;

(b) risk of benefits of the Proposed Merger not materialising;

(c) integration risk;

(d) business risks;

(e) joint management risk;

(f) dividend declaration risk;

(g) repayment of CNSB Shareholder Loan risk;

(h) SWN model for 5G Network risk; and

(i) impairment of investment risk.

Please refer to Section 7 of this Circular for details of the risks of the Proposed Merger.

4. MCMC's Notice of No Objection

By the terms of Authorisation No.1 of 2022, MCMC had granted authorisation to Celcom and Digi Tel to proceed with the Proposed Merger on the basis of the Undertaking.

MCMC had, on 1 April 2022, issued a Statement of Issues ("**SOI**") addressed to Celcom and Digi (collectively, "**Merging Parties**"), outlining its views on the potential competition concerns arising from the Proposed Merger. MCMC's views on the potential competition concerns primarily the following markets which may have effects of substantially lessening competition as a result of the Proposed Merger:

(i) **Retail markets** – The MergeCo Group could leverage the combined spectrum, brands and its market share to raise prices, increase barriers of entry and stifle competition;

(ii) **Wholesale markets** – The Proposed Merger is likely to result in the MergeCo Group being by far the largest provider of wholesale MVNO access, and could limit MVNOs ability to migrate to a new MVNO access provider once an MVNO agreement is in place due to the "lock-in" effect. During this contractual period, the MergeCo Group may have the ability and incentive to terminate existing MVNO arrangements or increase MVNO access prices, hence reducing the ability for MVNOs to compete; and

(iii) **Local distribution channel markets** – The MergeCo Group may occupy a dominant position in some local state-wide distribution channel markets endowing it with the ability and incentive to increase its network of exclusive dealerships, which may substantially impact competition in the markets.

In the spirit of maintaining healthy competition in the telecommunications industry, the Merging Parties had various dialogue sessions with MCMC to jointly define and agree on remedies to address the competition concerns identified by MCMC, and consequently, the Merging Parties had, on 28 June 2022, gave an undertaking to MCMC to execute the remedies set out below:

(i) **Spectrum divestment within three (3) years of the Closing** - The MergeCo Group commits to hand back spectrum bands amounting to 33% of its spectrum portfolio, to holistically reduce any perceived spectrum advantage for the MergeCo Group;

(ii) **MVNO wholesale remedies** – The MergeCo Group commits to ensure fair and equitable access to all wholesale access seekers for a duration of three (3) years after the Closing which would allow current MVNOs to continue on agreed wholesale terms and provide for fair treatment to potentially new MVNOs who may seek MVNO access services from the MergeCo Group, and to establish an independent MVNO business unit within six (6) months after the Closing;

(iii) **Divestment of the Yoodo Business** – The MergeCo Group commits to divest the Yoodo Business within eighteen (18) months from the Closing, failing which the MergeCo Group will cease the operations of the Yoodo Business within a further three (3) months, in order to reduce the market influences of the MergeCo Group in the prepaid segment;

(iv) **Removal of exclusivity agreements with distributors** – The MergeCo Group commits during a period of three (3) years from the Closing (a) to remove exclusivity agreements with distributors in certain regions where the MergeCo Group is perceived to enjoy significant competitive advantage, and (b) not to enter into new exclusivity agreements with distributors in these regions. This allows competitors the opportunity to access the same distribution networks and strengthen their position in these retail markets geographically; and

(v) **Single corporate brand** - The MergeCo Group commits to position its products under a single corporate brand within two (2) years from the Closing, mainly to avoid customers and brand confusion within the market.

Having been satisfied that the Undertaking significantly addresses the competition concerns raised in the SOI, MCMC had, on 28 June 2022, issued its notice of no objection to, and granted its authorisation for, the Proposed Merger on the basis of the Undertaking.

Further details of the SOI and the salient terms of the Undertaking are set out in Section 1 of Appendix IX of this Circular, and the full text of the Undertaking is reproduced in Section 2 of Appendix IX of this Circular.

<u>Implications of the Undertaking to the Proposed Merger and the MergeCo Group</u>

While there are risks associated with the spectrum divestment which are operationally complex, and requires detailed network planning with selected network equipment and services providers to complete the network integration without negatively impacting customer experience, the exposure to these risks can be managed and reduced by the fact that such network integration exercise is within the domain expertise and experience of Telcos and network equipment and services providers. Meanwhile, the risks arising from the implementation of the remaining terms of the Undertaking are not expected to be as material as the nature of these terms are part and parcel of the telecommunications business. The MergeCo Group will continue its current practice of holding regular dialogues with MCMC where an approved independent auditor will provide a report on a quarterly basis to MCMC on the said implementation of the terms of the Undertaking to ensure performance and delivery of the Undertaking as well as to resolve any potential issues.

As described in Section 6.3 of this Circular, the MergeCo Group expects to incur additional costs and expenditures in its performance of the Undertaking, which is expected to dilute the earnings and EPS of the MergeCo Group in the immediate years after completion of the Proposed Merger. However, the anticipated synergies and benefits from the Proposed Merger are expected to be value accretive, even after considering the required costs to fulfill the Undertaking, and the Proposed Merger is expected to contribute favourably to the medium to long term earnings of the MergeCo Group.

For avoidance of doubt, the Undertaking by Celcom and Digi to MCMC (including the cost to fulfil the Undertaking) will only be effective after the completion of the Proposed Merger.

5. Directors' statement/recommendation

Our Board, after having considered all aspects of the Proposed Merger, including the basis and justification for the Combination Consideration, rationale and benefits of the Proposed Merger, prospects of MergeCo, effects of the Proposed Merger and salient terms of the Definitive Agreements, is of the opinion that the Proposed Merger is in the best interest of Axiata and accordingly, recommends that you vote in favour of the resolution pertaining to the Proposed Merger to be tabled at our forthcoming EGM.

6. Estimated timeframe for completion

Barring unforeseen circumstances, the Proposed Merger is expected to be completed by the fourth quarter of 2022.

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

28 October 2022

Board of Directors
Tan Sri Shahril Ridza Ridzuan (*Chairman, Independent Non-Executive Director*)
Dato Dr Nik Ramlah Nik Mahmood (*Senior 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*)
Tan Sri Dr Halim Shafie (*Independent Non-Executive Director*)
Ong King How (*Non-Independent Non-Executive Director*)
Shahin Farouque Jammal Ahmad (*Non-Independent Non-Executive Director*)
Nurhisham Hussein (*Non-Independent Non-Executive Director*)
Eysa Zulkifli *(Alternate Director to Ong King How)*

To : Our Shareholders

Dear Sir/Madam,

PROPOSED MERGER

1. INTRODUCTION

On 8 April 2021, we announced that Axiata and Telenor Asia are in advanced discussions to undertake a merger of the telecommunication operations of Celcom and Digi, in which Axiata and Telenor Asia will have equal ownership of MergeCo estimated at 33.10% each.

On 21 June 2021, on behalf of our Board, Maybank IB announced that the Definitive Agreements had been entered into between Axiata, Digi, Telenor Asia and Telenor, where applicable, for the purpose of the Proposed Merger.

Subsequent to the entry into the SPA on 21 June 2021, following agreements were entered into:

(i) a supplemental agreement dated 17 June 2022 between Axiata and Digi to amend the SPA to provide for the extension of the long stop date from 21 June 2022 to 31 December 2022 or such other date as may be mutually agreed in writing between the parties. This extension of the long stop date was to provide additional time for the parties to procure the fulfilment of the conditions precedent of the SPA; and

(ii) a costs sharing agreement dated 25 July 2022 between Axiata, Digi and Celcom for the sharing of costs and expenses to be incurred prior to the Closing in relation to integration planning activities for day-1 readiness ("**Costs Sharing Agreement**"). The said costs and expenses are to be shared equally between Digi and its subsidiaries on the one part and Celcom and its subsidiaries on the other part and is not expected to be material.

Incidental to the Costs Sharing Arrangement, Axiata and Digi agreed to amend the SPA upon the terms set out in the Costs Sharing Agreement and to exclude the effects of such costs and expenses prior to the Closing for the purposes of calculating the Interim Adjustment Amount and the Final Adjustment Amount.

On 28 June 2022, on behalf of our Board, Maybank IB announced that MCMC had in its letter dated 28 June 2022 issued a notice of no objection to, and via Authorisation No.1 of 2022, granted its authorisation for, the Proposed Merger on the basis of the Undertaking. The details of the Undertaking are set out in Appendix IX of this Circular.

The salient terms of the SPA and the MTA are set out in Appendices I and II of this Circular respectively. The salient terms of the agreed form of the SHA are set out in Appendix III of this Circular.

The purpose of this Circular is to provide you with the details of the Proposed Merger and to seek your approval for the resolution pertaining to the Proposed Merger to be tabled at our forthcoming EGM. The notice of EGM together with the Proxy Form are enclosed in this Circular.

You are advised to read and consider carefully the contents of this Circular before voting on the resolution pertaining to the Proposed Merger to be tabled at our forthcoming EGM.

2. DETAILS OF THE PROPOSED MERGER

The combination of the respective businesses of Celcom and Digi in Malaysia is expected to create a digital converged service provider, providing converged mobile and fixed broadband as well as digital services to consumers, homes, SMEs and enterprise customers.

Pursuant to the Proposed Merger, Celcom and Digi shall be merged by way of a transfer of Axiata's entire equity interest in Celcom to Digi, where Axiata will receive:

(i) the Consideration Shares, comprising 3,883,129,144 new Digi Shares or such number of new Digi Shares representing 33.10% of the enlarged issued Digi Shares to be issued by Digi, valued at RM15,765,504,325 to Axiata;

(ii) the Digi Cash Consideration, comprising cash consideration of RM1,692,733,818, subject to adjustment upon determination of the Interim Adjustment Amount and the Final Adjustment Amount, as the case may be, as set out in the SPA, from Digi; and

(iii) the Relevant Digi Shares Cash Consideration of RM297,918,107 from Telenor Asia as consideration for the Proposed Equalisation,

for a total combined consideration equivalent to RM17,756,156,250, subject to the abovementioned adjustments.

In consideration of the receipt of the Relevant Digi Shares Cash Consideration by Axiata pursuant to the Proposed Equalisation, Digi shall issue 73,378,844 new Digi Shares or such number of new Digi Shares representing 0.63% of the enlarged issued share capital of Digi to Telenor Asia. Upon completion of the Proposed Equalisation, Telenor Asia and Axiata will each have equal shareholding of 33.10% in Digi.

Following the completion of the Proposed Merger, Digi is proposed to be renamed to “Celcom Digi Berhad” and will continue to be listed on the Main Market of Bursa Securities.

In accordance with the terms of the SPA, as part of our Group’s reorganisation of Celcom:

(a) Celcom had, on 2 November 2021, transferred its entire equity interest in Merchantrade (representing approximately 20.00% of the issued shares of Merchantrade) to Axiata SPV4 Sdn Bhd, for a cash consideration of RM1.00 as it is our intention to retain our interest in the business of Merchantrade (which is principally involved in the remittance business) at this juncture; and

(b) Celcom will, prior to the Closing, cease to be a member of the Axiata Foundation as Celcom will no longer be a wholly-owned subsidiary of our Group.

Further to the above, pursuant to the agreed form of the SHA to be entered into between Axiata, Telenor Asia and Telenor, the parties have agreed to, among others, the parties’ respective rights and obligations with respect to the activities and governance of MergeCo, the ownership and disposition of MergeCo’s securities, the board composition and nomination of directors to MergeCo, the merger integration plan and the objective for the MergeCo Group to establish an innovation centre to foster technology transformation and digitalisation in Malaysia (“**Innovation Centre**”). The salient terms of the agreed form of the SHA are set out in Appendix III of this Circular.

Proposed Exemption

Upon completion of the Proposed Merger, the shareholding of Axiata in Digi will increase from nil to 33.10%. Additionally, pursuant to the introduction of Axiata as a new shareholder of Digi and the SHA to be entered into between Axiata, Telenor Asia and Telenor upon completion of the Proposed Merger, Telenor Asia and its holding companies will be deemed as PACs with Axiata pursuant to subsection 216(2) of the CMSA. Axiata together with Telenor Asia will collectively hold 66.20% of the equity interest in MergeCo.

The following are details of the maximum potential holdings of Axiata and the Axiata PACs arising from the Proposed Merger:

Party	Maximum direct shareholding in Digi
Axiata	3,883,129,144 Digi Shares (33.10%)
Telenor Asia	3,883,129,144 Digi Shares (33.10%)
Telenor	-
Telenor Mobile Communications AS	-
Telenor Mobile Holding AS	-
Puan Sri Zaleha Jamaludin	5,000 Digi Shares (Negligible)

In accordance with subsection 218(2) of the CMSA and subparagraph 4.01(a) of the Rules, Axiata and the Axiata PACs will be obliged to undertake the Mandatory Offer upon the SPA becoming unconditional.

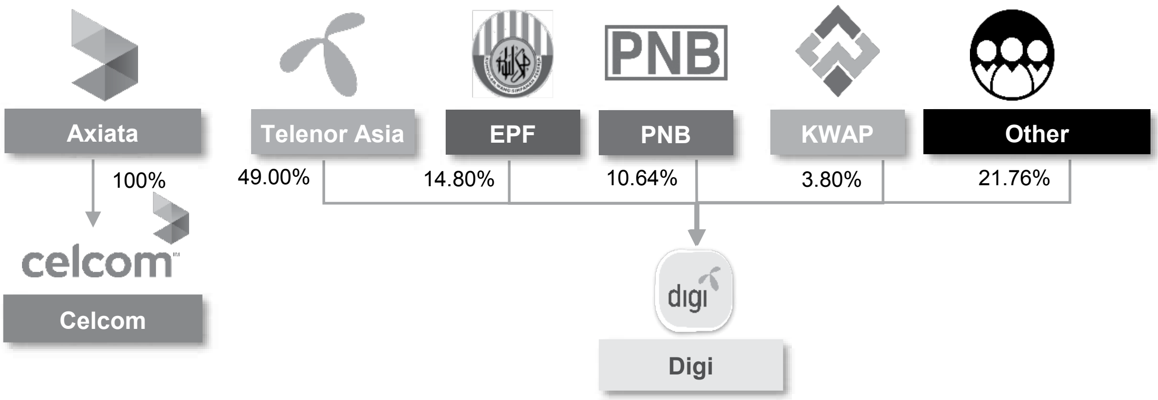
As it is not the intention of Axiata and the Axiata PACs to undertake the Mandatory Offer, the approval of the non-interested shareholders of Digi will be sought for the whitewash resolution in relation to the Proposed Exemption. Subject to the whitewash resolution being approved by the non-interested shareholders of Digi, Axiata intends to seek the SC’s approval for the Proposed Exemption. For the purpose of the Proposed Exemption, Axiata had also on 17 December 2021 obtained a ruling from the SC that the issuance of the Relevant Digi Shares to Telenor Asia pursuant to the Proposed Equalisation will not be deemed as an acquisition of voting shares or voting rights in Digi by Telenor Asia (as a PAC with Axiata) which amounts to a disqualifying transaction under subparagraph 4.08(2) of the Rules.

Shareholding structure

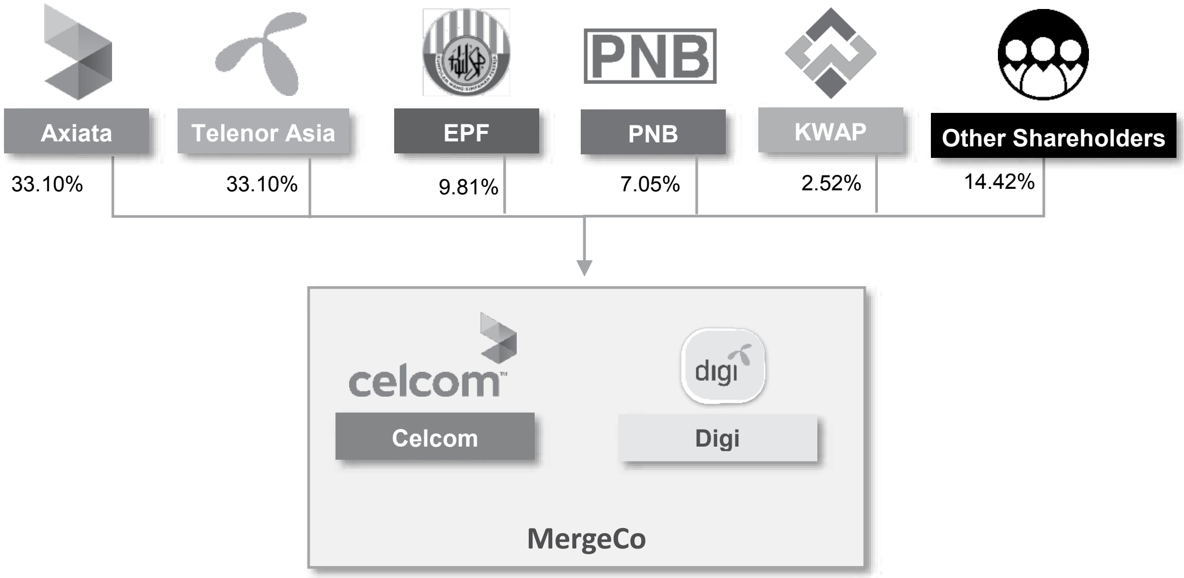
The Proposed Merger is structured to protect both shareholders' interests and Malaysia's national interests, with Axiata and key Malaysian institutional shareholders (as illustrated in the diagram below) expected to own more than 51.00% of MergeCo.

For illustrative purposes only, the shareholding structure of Celcom and Digi respectively before and after the Proposed Merger are as follows:

Before the Proposed Merger(1)



After the Proposed Merger(2)



Notes:

(1) Based on Digi's Record of Depositors as at the LPD.

(2) Assuming that the Malaysian institutional shareholders, being EPF, PNB as well as the unit trust funds managed by PNB, and KWAP do not acquire any Digi Shares or dispose of any of their respective Digi Shares until the completion of the Proposed Merger.

2.1 Consideration Shares to be issued to Axiata pursuant to the Proposed Celcom-Digi Combination

The Consideration Shares comprise of 3,883,129,144 new Digi Shares (or such number of new Digi Shares representing 33.10% of the enlarged issued Digi Shares) to be issued to Axiata. It is our intention to retain the Consideration Shares upon completion of the Proposed Merger.

2.1.1 Basis and justification for the issue price of the Consideration Shares

The Issue Price was arrived at after taking into consideration the following:

(a) 5-day, 3-month, 6-month and 1-year VWAMP of Digi Shares up to and including the LTD of RM3.6521, RM3.6849, RM3.7661, RM3.889 and RM4.0753 respectively;

(b) valuation of Digi based on RM4.06 per Digi Share as set out in Sections 3.2 (ii) to (iv) of this Circular; and

(c) prospects of MergeCo as set out in Section 6.3 of this Circular.

The Issue Price represents the following premium/(discount) over the last transacted price and VWAMP of Digi Shares up to and including the LTD:

	Price	Premium/ (Discount)	
	(RM)	(RM)	(%)
As at the LTD	3.7500	0.31	8.3
Up to and including the LTD as follows:			
5-day VWAMP	3.6521	0.41	11.2
1-month VWAMP	3.6849	0.38	10.2
3-month VWAMP	3.7661	0.29	7.8
6-month VWAMP	3.8889	0.17	4.4
1-year VWAMP	4.0753	(0.02)	(0.4)

(Source : Bloomberg)

2.1.2 Ranking of the Consideration Shares

The Consideration Shares will, upon allotment and issuance, rank equally in all respects with the existing Digi Shares, save and except that the Consideration Shares will not be entitled to any dividend, right, allotment and/or any other forms of distribution that may be declared, made or paid to the shareholders of Digi for which the entitlement date is prior to the date of allotment and issuance of the Consideration Shares, and shall be free from all encumbrances.

2.1.3 Listing of and quotation for the Consideration Shares

Bursa Securities has granted its approval for the listing of and quotation for the Consideration Shares on the Main Market of Bursa Securities.

2.1.4 Moratorium on the Consideration Shares

Pursuant to Paragraph 7.19 of the Equity Guidelines issued by the SC, Axiata will not be allowed to sell, transfer or assign the Consideration Shares to be held by Axiata after the completion of the Proposed Merger for a period of six (6) months commencing from the date the Consideration Shares are listed and quoted on the Main Market of Bursa Securities. For information purposes only, the Relevant Digi Shares that Telenor Asia receives arising from the Proposed Equalisation is not subject to moratorium.

2.2 Information on Celcom

Please refer to Appendix IV of this Circular for information on Celcom.

Upon completion of the Proposed Merger, Celcom will become a wholly-owned subsidiary of Digi.

2.3 Original cost of investment in Celcom

The total original cost of investment in Celcom by our Company on 25 April 2008 is approximately RM4,677.0 million.

2.4 Liabilities, including contingent liabilities and guarantees, to be assumed

All liabilities of Celcom (except liabilities relating to (a) Merchantrade; and (b) Tune Talk, subject to the Tune Talk Carve-Out as defined and described in Section 11 of Appendix IV of this Circular), will be transferred to MergeCo and will be settled as and when due in the ordinary course of business.

There are no liabilities, including contingent liabilities and guarantees, to be assumed by our Company pursuant to the Proposed Merger.

2.5 Information on Digi

Please refer to Appendix V of this Circular for information on Digi.

2.6 Information on Telenor Asia

Telenor Asia was incorporated in Singapore under the Singapore Companies Act, 1967 on 15 August 1997 as a private limited company.

Telenor Asia is an investment holding company. The company also provides administrative and co-ordination support to its ultimate holding company, Telenor.

As at the LPD, the issued and paid-up share capital of Telenor Asia is SGD402,519,800 comprising 402,519,800 ordinary shares.

Telenor Asia is a wholly-owned subsidiary of Telenor Mobile Communications AS, which is a wholly-owned subsidiary of Telenor Mobile Holding AS which in turn is a wholly-owned subsidiary of Telenor.

As at the LPD, the directors of Telenor Asia are Charles Terence Woodworth and Haakon Bruaset Kjoel.

2.7 Information on Telenor

Telenor, a public limited company currently listed on the Oslo Stock Exchange, was incorporated on 21 July 2000 by the Norwegian government under the laws of Norway to act as the holding company for the Telenor group of companies ("**Telenor Group**"). In 2000, the Norwegian government contributed all of the shares of Telenor AS (subsequently renamed Telenor Communication AS), the former holding company for the Telenor Group, to Telenor ASA in exchange for all the issued shares of Telenor ASA.

Telenor is the leading telecommunications company in Norway. Telenor Group has mobile operations in the Nordics, including Norway, Sweden, Denmark and Finland, and in Asia, including Pakistan, Bangladesh, Thailand and Malaysia. Telenor has a leading Nordic position in mobile, broadband and TV services, as well as substantial activities in subsidiaries and joint venture operations, including mobile financial services and online classifieds in the Asia region.

The directors of Telenor as at the LPD and their respective shareholding in Telenor are as follows:

Name	Designation	No. of shares	%
Gunn Wærsted	Chair of the board	18,650	*
Jørgen Kildahl	Deputy Chair of the board	2,000	*
Nina Bjornstad	Board member	-	*
Jon Erik Reinhardsen	Board member	1,500	*
Pieter Cornelis Knook	Board member	-	-
Astrid Simonsen Joos	Board member	-	-
Elisabetta Ripa	Board member	-	-
Jan Otto Eriksen	Board member**	6,433	*
Irene Vold	Board member**	4,720	*
Roger Rønning	Board member**	4,403	*

Notes:

* *Negligible*

** *Employee elected*

Save as disclosed below, no other shareholder of Telenor holds more than 5.0% shareholding in Telenor as at the LPD. The substantial shareholder of Telenor and its shareholding in Telenor as at the LPD are as follows:

	No. of shares	%
Ministry of Trade, Industry and Fisheries, Kingdom of Norway (Registration number 912660680)	755,220,420	54.0

2.8 Information on MergeCo

Upon completion of the Proposed Merger, the Celcom Group will form part of the Digi Group and collectively, become the MergeCo Group. It has also been agreed under the SPA that after the completion of the Proposed Merger, Digi shall convene and hold a shareholders' meeting as promptly as reasonably practicable after the completion of the Proposed Merger but in any event within three (3) months after the completion of the Proposed Merger, for the shareholders of Digi to consider a resolution to change the name of Digi from "Digi.Com Berhad" to "Celcom Digi Berhad".

After completion of the Proposed Merger, the composition of the Board of MergeCo is expected to be changed in accordance with the SPA to reflect the participation of Axiata and Telenor Asia as joint controlling shareholders.

The following persons were nominated as proposed directors of MergeCo by Telenor Asia and/or Axiata to Digi:

Name	Age	Nationality	Proposed designation
Tan Sri Dr Halim Shafie[(1)]	73	Malaysian	Chair, Non-Independent Non-Executive Director
Jørgen Christian Arentz Rostrup[(2)]	56	Norwegian	Deputy Chair, Non-Independent Non-Executive Director
Dr. Shridhir Sariputta Hansa Wijayasuriya[(1)]	54	Sri Lankan/ British	Non-Independent Non-Executive Director
Haakon Bruaset Kjoel[(2)]	50	Norwegian	Non-Independent Non-Executive Director
Thayaparan S Sangarapillai[(1)]	67	Malaysian	Non-Independent Non-Executive Director
Rita Skjaervik[(2)]	48	Norwegian	Non-Independent Non-Executive Director
Tan Sri Abdul Farid Alias	54	Malaysian	Independent Non-Executive Director
Vimala V.R. Menon	68	Malaysian	Independent Non-Executive Director
Datuk Iain John Lo	60	Malaysian	Independent Non-Executive Director
Khatijah Begom Shah Mohamed	67	Malaysian	Independent Non-Executive Director

Notes:

(1) Representative of Axiata.

(2) Representative of Telenor Asia.

Digi's Nomination Committee then recommended their nomination to the Board of Digi. The Board of Digi had, on 27 June 2022, approved such persons as directors of MergeCo conditional upon completion of the Proposed Merger.

The proposed key senior management of MergeCo is set out below:

Name	Age	Nationality	Proposed designation
Datuk Mohamad Idham Nawawi	54	Malaysian	CEO
Albern Murty	49	Malaysian	Deputy CEO
Tan Moi Tsu	64	Malaysian	Chief Financial Officer
Praveen Rajan Nadarajan	43	Malaysian	Chief Consumer Business Officer
Joachim Parsanth Rajaram	46	Malaysian	Chief Corporate Affairs Officer
Kesavan Sivabalan	54	Malaysian	Chief Technology Officer
Cheng Weng Hong	43	Malaysian	Chief Sales & Retail Officer

Name	Age	Nationality	Proposed designation
Azmi Ujang	62	Malaysian	Chief Human Resources Officer
Datuk Kamal Khalid	51	Malaysian	Chief Transformation Officer
Erik Axel Sigurd Marell	54	Swedish	Chief Strategy Officer
Afizulazha Abdullah	55	Malaysian	Chief Enterprise Business Officer
Chee Loo Fun	57	Malaysian	Chief Home & Fibre Officer

As stated in the Initial Announcement, Axiata has the right to nominate the initial Chairman and Chief Executive Officer of MergeCo. The management reporting structure of MergeCo is set out in Section 10 of Appendix V of this Circular.

3. BASIS AND JUSTIFICATION FOR THE COMBINATION CONSIDERATION

3.1 Combination Consideration

The Combination Consideration was arrived at between Axiata and Digi after taking into consideration the following:

(i) the Combination Consideration represents an EV/FCF Multiple for Celcom of 15.3 times based on the EV, EBITDA and CAPEX of Celcom of approximately RM24,520.2 million, RM2,589.9 million and RM984.1 million, respectively for the FYE 31 December 2020;

(ii) the Combination Consideration represents an EV/EBITDA Multiple of 9.5 times based on the EV and EBITDA of Celcom of approximately RM24,520.2 million and RM2,589.9 million, respectively for the FYE 31 December 2020; and

(iii) the Combination Consideration represents a PE Multiple of 26.2 times based on the consolidated PATAMI of approximately RM676.6 million after excluding the share of profit from Merchantrade of RM0.9 million from the consolidated PATAMI of Celcom of approximately RM677.4 million for the FYE 31 December 2020.

Our Board is of the view that the Combination Consideration is justifiable after taking into consideration the following:

(i) the EV/FCF Multiple of 15.3 times, EV/EBITDA Multiple of 9.5 times and PE Multiple of 26.2 times represented by the Combination Consideration fall within the range of the trading EV/FCF Multiples, EV/EBITDA Multiples and PE Multiples of selected comparable companies as at the LTD as set out in Section 3.3 of this Circular; and

(ii) rationale and benefits of the Proposed Merger as set out in Section 5 of this Circular.

3.2 Relevant Digi Shares Cash Consideration

The Relevant Digi Shares Cash Consideration of RM4.06 per Digi Share was arrived at between Axiata and Telenor Asia after taking into consideration the following:

(i) the Issue Price;

(ii) the Relevant Digi Shares Cash Consideration represents an EV/FCF Multiple for Digi of 15.6 times based on the EV, EBITDA and CAPEX of Digi of approximately RM36,715.7 million, RM3,080.0 million and RM720.2 million, respectively for the FYE 31 December 2020;

(iii) the Relevant Digi Shares Cash Consideration represents an EV/EBITDA Multiple of 11.9 times based on the EV and EBITDA of Digi of approximately RM36,715.7 million and RM3,080.0 million, respectively for the FYE 31 December 2020; and

(iv) the Relevant Digi Shares Cash Consideration represents a PE Multiple of 25.9 times based on the audited consolidated PATAMI of Digi of approximately RM1,221.0 million for the FYE 31 December 2020.

Our Board is of the view that the Relevant Digi Shares Cash Consideration is justifiable after taking into consideration the following:

(i) the EV/FCF Multiple of 15.6 times and PE Multiple of 25.9 times fall within the range of the trading EV/FCF Multiples and PE Multiples of selected comparable companies as at the LTD as set out in Section 3.3 of this Circular;

(ii) the EV/EBITDA Multiple of 11.9 times is slightly above the range of the trading EV/EBITDA Multiples of selected comparable companies as at the LTD as set out in Section 3.3 of this Circular; and

(iii) prospects of MergeCo as set out in Section 6 of this Circular.

3.3 Peer analysis

The comparable companies of Celcom and Digi were selected based on the following criteria:

(i) MNOs which provide wireless telecommunication services;

(ii) publicly listed and operate in Southeast Asia; and

(iii) have a market capitalisation of not less than 20.0% of Digi's equity value of RM31.6 billion (computed based on the Issue Price and issued Digi Shares as at the LTD). In this regard, only companies with a market capitalisation of at least RM6.5 billion have been selected.

The trading EV/FCF Multiples, EV/EBITDA Multiples and PE Multiples of selected comparable companies of Celcom and Digi as at the LTD are as follows:

Name of company	Principal activities	Country	(1)(2)EV/ EBITDA Multiple	(1)(3)EV/ FCF Multiple	(1)PE Multiple
			(times)	(times)	(times)
Maxis Berhad	Provides a suite of converged telecommunications, digital, and related services and solutions in Malaysia and internationally	Malaysia	11.6	18.1	26.0
PLDT Inc.(4)	Operates as an integrated telecommunications company in the Philippines	Philippines	4.6	26.0	11.2

Name of company	Principal activities	Country	[1][2]EV/ EBITDA Multiple	[1][3]EV/ FCF Multiple	[1]PE Multiple
			(times)	(times)	(times)
Globe Telecom, Inc. [5]	Provides telecommunications services to individual customers, small and medium-sized businesses, and corporate and enterprise clients in the Philippines	Philippines	5.0	31.3	13.6
Singapore Telecommunications Limited[6]	Provides communication, infotainment, and technology services to consumers and small businesses in Singapore, Australia, United States of America and internationally	Singapore	8.1	15.6	37.8
StarHub Ltd	An integrated info communications company which provides communications, entertainment and digital solutions for individuals and corporations in Singapore	Singapore	6.4	9.9	15.1
Advanced Info Service Public Company Ltd	Together with its subsidiaries, provides mobile network, fixed broadband, and digital services primarily in Thailand	Thailand	7.1	18.2	18.4
True Corporation Public Company Limited	Together with its subsidiaries, engages in the telecommunications and diversified communications industries in Thailand	Thailand	6.6	[7]N/A	[8]103.0
Total Access Communication Public Company	Together with its subsidiaries, primarily provides wireless telecommunications services in Thailand	Thailand	4.8	15.8	14.6
PT Telekomunikasi Indonesia Tbk	Provides telecommunications, informatics and network services worldwide	Indonesia	5.6	10.1	16.2
PT Indosat Tbk	Together with its subsidiaries, provides telecommunication services in Indonesia	Indonesia	5.3	14.6	[9]N/A

Name of company	Principal activities	Country	(1)(2)EV/ EBITDA Multiple	(1)(3)EV/ FCF Multiple	(1)PE Multiple
			(times)	(times)	(times)
PT XL Axiata Tbk	Provides telecommunication, telecommunications network and multimedia services for consumers and businesses in Indonesia	Indonesia	(8)3.6	7.4	(8)63.2

(Source : Bloomberg and the latest audited financial statements of the respective companies)

High*	**11.6**	**31.3**	**37.8**
Low*	**4.6**	**7.4**	**11.2**
Average*	**6.5**	**16.7**	**19.1**

Celcom	**9.5**	**15.3**	**26.2**
Digi	**11.9**	**15.6**	**25.9**

Notes:

* *Excluding outliers where applicable.*

(1) *Based on market capitalisation as at the LTD.*

(2) *Total debt includes perpetual capital securities which are deemed as debt for purpose of the calculation of the EV.*

(3) *CAPEX includes purchase of intangible assets and acquisition of right-of-use assets.*

(4) *PATAMI of Philippine peso ("**PHP**") 24,225.0 million is computed after deducting distributions of PHP59.0 million to preferred stock holders.*

(5) *PATAMI of PHP18,008.2 million is computed after deducting distributions of PHP570.1 million to preferred stock holders.*

(6) *Perpetual capital securities of SGD199.9 million is included as total debt and PATAMI of SGD150.0 million is computed after deducting distributions of SGD7.9 million to perpetual capital security holders.*

(7) *Not applicable as FCF was negative for the FYE 31 December 2020.*

(8) *Deemed an outlier (which is determined based on extreme deviation from the average) and hence it is excluded from the mean and median computations.*

(9) *Not applicable as it was loss-making for the FYE 31 December 2020.*

4. USE OF PROCEEDS

The Cash Proceeds are expected to be utilised by our Group in the following manner:

	Note	Amount RM'000	Expected timeframe for use of proceeds from receipt of proceeds
Repayment of borrowings	1	1,890,652	Within 24 months
Estimated expenses relating to the Proposed Merger	2	100,000	Within 3 months
Total	*	**1,990,652**	

Notes:

* *The actual proceeds to be received from the Proposed Merger are subject to adjustments upon determination of the Interim Adjustment Amount and the Final Adjustment Amount, as the case may be, as set out in the SPA. If the actual proceeds received from the Proposed Merger are higher or lower than the Cash Proceeds, any surplus or shortfall will be adjusted to the proceeds earmarked for the repayment of borrowings and/or to be used for the working capital of our Group, as the case may be.*

(1) *Axiata intends to use RM1,890.7 million of the Cash Proceeds to pare down our Group's borrowings which have not been drawn down as at 31 December 2021. As at 30 June 2022, our Group has total borrowings of approximately RM35,852.7 million, including lease liabilities of RM10,650.3 million. The repayment of such borrowings by our Group is expected to result in interest savings of approximately RM62.2 million per annum based on the average interest cost of our Group's borrowings of approximately 3.29% per annum, assuming such sums are paid immediately. Our gearing ratio[#] is also expected to improve from 1.48 times as at 30 June 2022 to 1.39 times after the repayment of these borrowings.*

Notwithstanding, the borrowings are only expected to be repaid over a period of up to twenty-four (24) months from the Closing, where our Board will prioritise the repayment of borrowings after taking into consideration, among others, the potential interest savings and penalty cost arising from early repayment, the maturity dates of the borrowings and exposure to foreign currency loans. Should the actual repayment of borrowings be lower, the surplus will be used as working capital for our Group.

Note:

Computed based on total borrowings including lease liabilities divided by total equity.

(2) *The breakdown of the estimated expenses relating to the Proposed Merger is as follows:*

	RM'000
Estimated professional fees[(a)]	*91,000*
Fees to authorities and the sukuk and EMTN holders[(b)]	*7,044*
Other incidental expenses such as media, advertising, printing of this Circular and estimated costs for our forthcoming EGM	*1,656*
Miscellaneous expenses and contingencies	*300*
	100,000

Notes:

(a) Includes professional fees payable to, among others, our international financial adviser, Principal Adviser, management consultants, solicitors, reporting accountants, solicitation agent, information and tabulation agent and rating agency.

(b) The fees to the sukuk and EMTN holders refer to the consent fees payable by our Group in respect of the consent sought from the sukuk and EMTN holders for the Proposed Merger, details as set out in Section 3.1 of Appendix I of this Circular.

If the amount to be used to defray the estimated expenses is higher than estimated, our Company will fund the shortfall using our internally generated funds. However, if the actual expenses relating to the Proposed Merger are lower than the estimated amount, the surplus will be used to repay our Group's borrowings and/or working capital for our Group.

Pending the use of the proceeds by our Group, the proceeds will be placed in deposits with financial institutions or short-term money market instrument(s) as our Board may deem fit. The interest or profit income generated therefrom will be used to repay our Group's borrowings and/or working capital for our Group.

In the event of any material variation in relation to the use of proceeds as set out above (i.e. any deviation by 25% or more of the total proceeds raised), we will issue a circular to our shareholders and seek our shareholders' approval for the proposed revision in the use of proceeds pursuant to Paragraph 8.22 of the Listing Requirements.

5. RATIONALE AND BENEFITS OF THE PROPOSED MERGER

In Malaysia, the telecommunications industry has seen significant shifts in terms of industry structure and competitive landscape, beyond the traditional players. Technology advancement and digital service adoption has surged exponentially thereby creating opportunities across the consumer, home, enterprise information and communications technology ("**ICT**") and IoT/machine to machine market segments. In this challenging environment, the ability to innovate, deliver affordable and competitive services, scale rapidly and deliver efficiencies, and deploy best practices is more critical than ever.

The Proposed Merger aims to realise the above opportunity which will in turn provide the following benefits:

(i) Support MyDigital aspiration, JENDELA and other Government initiatives

MergeCo will be able to draw on the best strengths of both Celcom and Digi, instead of attempting to deliver results in their individual capacities. The Government recently unveiled its MyDigital aspirations, which seeks to accelerate innovation and create an effective digital ecosystem. The Proposed Merger will allow initiatives such as strengthening mobile connectivity through 5G, 4G, enabling application of IoT, AI and machine learning, and unlocking industry competitiveness.

MergeCo will also be better positioned to implement the Government's JENDELA plan in driving nationwide coverage high quality broadband to ensure inclusivity of all Malaysians in the digital ecosystem. The value creation from the Proposed Merger will enable Celcom and Digi to consider building additional sites in coverage-challenged geographies such as the East Coast of Peninsular Malaysia and East Malaysia beyond JENDELA's Phase 1 target.

MergeCo will also establish the Innovation Centre to partner the technical expertise of Axiata and Telenor with the needs of the Government and enterprise customers.

The Innovation Centre will facilitate MergeCo's collaboration with the Government, academia, public and private players, global partners and local start-ups such as Malaysia's Industrial Revolution 4.0 ("**IR4.0**") Innovation Hub. Collaborations with Government institutions will help align initiatives with national priorities, such as MyDigital. Partnering with private sector and global players will drive continuous influx of innovation in solutions and services as well as investments into the local ecosystem.

Innovation also plays a direct role in enhancing employee skills for the future economy. The Innovation Centre will also grow high-skilled employment in Malaysia by focusing on key areas that will drive innovation such as 5G, AI, IoT and cyber security.

(ii) Synergistic value

The Proposed Merger will create significant value from synergies realised through the integration of Celcom's and Digi's networks, information technology and sales & marketing departments. Further, synergies in terms scale, experience, competencies and financial strength of Axiata and Telenor will enable MergeCo to be more resilient in managing industry facing headwinds. Going forward, Axiata Group's cash flow is expected to benefit from significant cost and revenue synergies from the Proposed Merger. Accordingly, the Proposed Merger is expected to contribute positively to the earnings of our Company. MergeCo will combine the financial strengths of Celcom and Digi, and realisation of revenue and cost synergies after a successful merger integration will not only benefit consumers and enterprises, but also shareholders.

(iii) Stronger capability to drive digitisation and sustainable growth

MergeCo will have the scale and stronger capabilities to drive implementation of digital technologies at a time when 5G, IoT, AI and cyber security are coming together to accelerate digitalisation across all parts of the economy.

In addition, the Innovation Centre will be built on the combined experience, knowledge base and networks of Axiata and Telenor, to provide access to global expertise to help enhancing the national digital ecosystem and scale local innovations beyond Malaysia.

MergeCo's scale will empower wider business environment in Malaysia to enable local start-ups, local vendors, MSMEs and large enterprises to access Telenor's and Axiata's global markets, while attracting global partners into Malaysia.

(iv) Customer benefits and protection of consumer interests

The combination of Celcom and Digi will make MergeCo a credible converged service provider to bring the best of technology to Malaysian consumers and businesses. This is in light of the ever-increasing convergence of fixed and mobile services in Malaysia, fuelled by a large increase in demand for data currently evidenced by Work-From-Home way of work.

The value created by the Proposed Merger will enable MergeCo to invest more in providing these services to Malaysian consumers and businesses, and providing additional alternatives to the existing offerings in the market.

Further, customers of Celcom and Digi will also be able to benefit from MergeCo's increased scale, capacity and efficiency of its networks which will allow for better quality of experience post network integration.

(v) Multiple benefits for the broader Malaysian economy

The Proposed Merger will also benefit the broader Malaysian economy by reducing spending on imported components (such as network related purchases from foreign suppliers) as a result of higher purchase efficiencies after the Proposed Merger. The CAPEX spending of MergeCo will be optimised *vis-à-vis* separate procurement by Celcom and Digi today, due to the reduction of duplication and improved bargaining power from economies of scale. MergeCo will also be a platform for local talent (by creating opportunities for talented Malaysians to develop across functions, build future digital competencies and competitiveness), supporting local distributors and suppliers through the existing local vendor development programmes and driving growth in the local start-up venture capital ecosystem.

The Proposed Merger also involves the issuance of the Relevant Digi Shares by Digi to Telenor Asia as nominee of Axiata on the Closing subject to, among others, the receipt by Axiata of the Relevant Digi Shares Cash Consideration for the purpose of the Proposed Equalisation in accordance with the MTA. The Proposed Equalisation is undertaken to balance the shareholding of Telenor Asia and Axiata in MergeCo at 33.10% each after the Proposed Merger.

6. INDUSTRY OUTLOOK AND PROSPECTS

6.1 Overview and outlook of the Malaysian economy

The Malaysian economy registered a strong growth of 8.9% in the second quarter of 2022 (1Q 2022: 5.0%). While growth was lifted to some extent by the low base from the Full Movement Control Order in June 2021, growth in April and May 2022 was particularly robust, underpinned by the continued recovery in labour market conditions and policy support. The improvement also reflected normalising economic activity as the country moved towards endemicity and reopened international borders. Exports remain supported by strong demand for electrical and electronic products. In terms of economic activity, the services and manufacturing sectors continued to drive growth. On a quarter-on-quarter seasonally-adjusted basis, the economy increased by 3.5% (1Q 2022: 3.8%)

Save for the mining and agriculture sectors which recorded negative growth, key economic sectors continued to expand in the second quarter of 2022. The services sector grew by 12.0% (1Q 2022: 6.5%). Consumer-related subsectors such as retail and leisure-related activities continued to recover amid the transition to endemicity, reopening of the international borders, improving labour market conditions and the additional support from policy assistance. Additionally, the information and communication subsector provided further support to growth following greater usage of e-commerce services.

During the quarter, domestic demand registered a higher growth of 13.0% (1Q 2022: 4.4%). This was mainly supported by a robust growth in private expenditure amid further normalisation of economic activity, as well as improving labour market conditions. On the external front, demand for Malaysia's exports, particularly for electrical and electronics products, remained strong. Private consumption grew at a faster pace of 18.3% (1Q 2022: 5.5%), driven by higher spending on necessities and selected discretionary items such as restaurants and hotels, recreational services and household furnishings. The strength in consumer expenditure was primarily driven by the recovery in the labour market. Policy support, including the implementation of minimum wage hike, Bantuan Keluarga Malaysia and an EPF-related measure also provided additional lift to consumer spending. Public consumption expanded at a moderate pace of 2.6% (1Q 2022: 6.7%), weighed down by lower supplies and services spending, reflecting smaller COVID-19 related expenditure.

Headline inflation, as measured by the annual percentage change in the Consumer Price Index (CPI), increased to 2.8% during the quarter (1Q 2022: 2.2%). The increase reflected higher core inflation and higher fuel and price-volatile inflation. Elevated cost pressures amid the ongoing military conflict in Ukraine, adverse weather conditions in key food-exporting countries and the stronger USD were all key contributing factors to this. Headline inflation is expected to trend higher in some months during the remainder of the year, due in part to the base effect from the discount on electricity tariffs implemented in 3Q 2021. As projected earlier, underlying inflation, as measured by core inflation, is expected to average higher in 2022, as demand continues to improve amid the high-cost environment.

(Source : Quarterly Bulletin Second Quarter 2022, Bank Negara Malaysia)

6.2 Overview and outlook of the communications and multimedia industry

The Malaysian economy in 2021 showed a recovery momentum, with positive growth of gross domestic product, supported mainly by improvement in domestic demand as economic activity normalised following the easing of containment measures under the National Recovery Plan. In line with this, the usage of telecommunication and multimedia services for online transactions, online shopping, entertainment and remote working arrangements continue to increase, building momentum for the domestic communications and multimedia industry to remain resilient against the external headwinds and global economic uncertainties. The communications and multimedia industry market capitalisation has increased by 2.8% to RM146.95 billion (2020: RM142.96 billion), representing 8.2% of Bursa Securities total market capitalisation of RM1,789.2 billion in 2021 (2020: 7.9%).

The communications and multimedia industry revenue witnessed an increase of 3.7% to RM48.25 billion in 2021 (2020: RM46.52 billion), spurred by economic reopening and Government stimulus programmes. Telecommunications sector has withstood the pandemic headwinds, benefiting from businesses and consumers reliance on network connectivity. The incentives from Jaringan Prihatin Programme which subsidised consumers to own a smartphone and mobile package have boosted subscriber growth in 2021. These developments inevitably fuelled the sector's growth, with revenue increasing 5.1% to RM40.31 billion in 2021 (2020: RM38.35 billion). Given the need to expand network infrastructures to support the rising demand, the service providers have accelerated CAPEX investments to 4.8% higher to RM4.98 billion in 2021 (2020: RM4.75 billion).

As set out in the MCMC Industry Report 2021, the total telecom service revenue in Malaysia is forecasted to grow steadily at a CAGR of 3.0% from RM26.3 billion in 2021 to RM30.6 billion in 2026 based on the GlobalData Fixed Communications and Mobile Broadband Forecast published in December 2021.

The growth is mainly driven by mobile data with a forecasted CAGR of 5.2% in the next five years and a revenue size of 62% of the total telecom market in 2026. This will be driven by several key factors such as higher data subscriptions, wider coverage of high-speed mobile networks especially in remote areas, higher data usage with 5G and wider adoption of OTT services, especially gaming content, streaming and video. With an expected CAGR of 3.3% for the same forecast period, fixed broadband is another key driver for the telecom market in the country.

The increase in the fixed broadband market is mainly driven by wider coverage of fibre-based services, hybrid workplace trends that require stable and reliable Internet at home as well as various government-led initiatives to drive adoption. However, there are also several potential factors that could slow down the overall market growth such as price erosion and higher competition, especially from existing players and new market entrants.

Other services such as fixed voice, mobile voice and messaging have been on downtrends and are expected to continue to decline at CAGRs of -3.2%, -0.5% and -12.7% respectively. The higher data subscriptions have also accelerated the decline in the telecommunications companies traditional services as users are moving to OTT applications such as instant messaging, social media and conferencing tools as their main communications platforms which are outside of mobile networks and service offerings.

(Source : MCMC Industry Report 2021)

6.3 Prospects of the MergeCo Group

In Malaysia, the telecommunication industry has seen significant shifts in terms of industry structure, beyond the traditional players. Technology advancement and digital service adoption has surged exponentially thereby creating opportunities across the consumer, home, enterprise ICT and IoT / M2M market segments.

Multiple benefits for the broader Malaysian economy

The MergeCo Group understands that employees and partners are key assets. The MergeCo Group is committed to protecting employee welfare with no forced retrenchments as well as to enable local start-ups, local vendors, MSMEs, large enterprises to access Telenor's and Axiata's global markets, while attracting global partners into Malaysia. The Innovation Centre to be established by the MergeCo Group is expected to play a key role for staff to continue to develop across functions, build new competence and be part of future growth of MergeCo as it explores new technologies and innovation. It will also be a key partner to the government, public and private players such as Malaysia's IR4.0 Innovation Hub (which includes MyDigital, MCMC's National Experience Centre) to support the local ecosystem.

Deliver what matters most to customers

Customers are expected to benefit from the Proposed Merger, as MergeCo will have the capacity to provide better quality of service and at competitive rates. Digi's and Celcom's prepaid and postpaid products will be positioned as products under a single corporate brand within two (2) years from the Closing, pursuant to the terms of the Undertaking as set out in of Appendix IX of this Circular. Notwithstanding the above, the combined portfolio of Digi's and Celcom's product offerings will allow the MergeCo Group to address the needs of different segments of the market.

Support MyDigital aspirations

The Government unveiled its MyDigital aspirations which included several key initiatives which target to accelerate innovation and create an effective digital ecosystem such as strengthening mobile connectivity through 4G and the introduction of 5G services, enabling application of IoT, AI and machine learning, and unlocking industry competitiveness. The global COVID-19 pandemic is accelerating the shift towards digitalisation and the MyDigital blueprint sets the pathway for economic transformation that strategically positions the nation to be highly competitive in the new norm.

Where connectivity is a critical digitalisation enabler, the telecommunication industry will play an integral role in supporting the Government's decision to optimise 4G/LTE-A networks and fast-track 5G services to deliver high-quality broadband speed and services to all Malaysian consumers and businesses. With this, the scale, capacity and value created by the Proposed Merger will allow the MergeCo Group to support the Government's MyDigital aspiration through more efficient targeting of investments to benefit Malaysian consumers and businesses through stronger combined network and channels, enhanced digital access and offerings and wider product offerings. The MergeCo Group will also be well-positioned to take advantage of opportunities that come with technological advancements and the surge in the adoption of digital services while in parallel, manage the evolving challenges of a highly competitive and complex environment.

Drive digitisation, innovation and sustainable growth

The MergeCo Group is expected to have the capacity to invest in improved network quality, and drive innovation in 5G solutions and use cases as well as new adjacent services. To keep Malaysia at the forefront of the digital evolution, innovation will be a key agenda of MergeCo. In this context, the MergeCo Group will establish the Innovation Centre that will serve as a hub to drive research, technological advancements in AI, automation and IOT/M2M technology. The Innovation Centre will provide a platform for development of new digital start-ups and growth of the local ecosystem and is expected to play an active role in promoting the 4IR digital transformation, development of 5G use cases and other technological advancement.

5G SWN model

While there are opportunities associated with the 5G SWN model, in particular, 5G network parity and savings on 5G CAPEX, it will be key for the MergeCo Group to secure an efficient 5G wholesale cost structure that is sustainable as well as continued assurance on network resilience and cybersecurity in mitigating single-point-of-failure risk from a single 5G network. The MergeCo Group is also expected to step up its ability to differentiate through innovative 5G retail offerings and solutions for consumers and enterprises.

On 7 October 2022, Digi Tel and Celcom Mobile had each separately entered into a conditional share subscription agreement with DNB for the proposed subscription of (i) new DNB Shares and (ii) rights to allotment of new DNB Shares. Please refer to Section 9 of Appendix IV and Section 8 of Appendix V of this Circular respectively for further details.

Under the terms of the conditional share subscription agreement with DNB entered into by Celcom Mobile and Digi Tel respectively with DNB, if the Proposed Merger completes, their collective equity interest in DNB shall not be more than 25.00% of the aggregate issued DNB Shares and granted DNB Rights to Allotment. In the event of non-completion of the Proposed Merger, Celcom Mobile will hold 17.50% equity interest in the enlarged DNB.

Undertaking

In the immediate term upon completion of the Proposed Merger, the MergeCo Group is expected to invest significant amount of time and resources in merger integration activities including incurring necessary costs and expenditures for the planning, sourcing and implementation of network integration and IT infrastructures (“**Merger Integration Activities**”) as well as to fulfil the conditions in the Undertaking. Further details of the impact of the Undertaking on the MergeCo Group are set out in Section 1 of Appendix IX of this Circular. The expected additional costs for the Merger Integration Activities and to fulfil the Undertaking is expected to dilute the earnings and EPS of the MergeCo Group in the immediate years upon completion of the Proposed Merger, the extent of which may be material depending on the timing of the Merger Integration Activities and fulfilment of the Undertaking, as well as the earnings including the extent of synergies realised year-on-year.

After performing an initial estimate of the potential synergy values from the Proposed Merger, as well as the additional costs for the Merger Integration Activities and to fulfil the Undertaking, it is believed that, with systematic planning and proper execution of the action plans for the Merger Integration Activities and fulfilment of the Undertaking, the anticipated overall synergy values from the Proposed Merger remain positive after considering such additional costs, and significant portions of the synergy values are expected to start realising upon completion of the network integration and IT infrastructures. The Proposed Merger is expected to contribute favourably to the medium to long term earnings and EPS of the MergeCo Group.

7. RISKS OF THE PROPOSED MERGER

Both the Axiata Group and Digi Group are involved in the telecommunications sector. Accordingly, our Board does not foresee any material change to the risk profile of the Axiata Group's business arising from the Proposed Merger as the Axiata Group is already exposed to inherent risks in the telecommunications sector. However, there are other risks that may arise from or associated with the Proposed Merger as set out below, which are by no means exhaustive:

7.1 Completion risk

The completion of the Proposed Merger is conditional upon the conditions precedent as set out in Appendices I and II of this Circular being fulfilled or waived, several of which are beyond the control of Axiata, Digi, Telenor Asia and Telenor. These include, among others, obtaining the relevant approvals and consents from the relevant authorities. There can be no assurance that such approvals and consents will be obtained or that the conditions precedent will be fulfilled to the satisfaction of Axiata, Digi, Telenor and Telenor Asia, as applicable, or otherwise waived.

Should any of the conditions precedent not be fulfilled or waived, the SPA and the MTA may be terminated and Proposed Merger will not be completed. Nevertheless, Axiata anticipates that this risk can be mitigated by proactively engaging with the relevant authorities and third parties to obtain all necessary approvals, documents and consents required for the completion of the Proposed Merger.

If all conditions precedent of the SPA are fulfilled and our Company fails to fulfill our obligations under the SPA on Closing, Digi may terminate the SPA and claim against our Company for loss or damage suffered in accordance with the terms of the SPA.

7.2 Risk of benefits of the Proposed Merger not materialising

The Proposed Merger is envisioned to provide cost synergies through, among others, better spectrum efficiency and CAPEX synergy to improve 4G quality of service while transitioning to 5G, reduction in distribution and procurement costs, and the elimination of overlapping operations of Celcom and Digi.

Although our Board believes that the cost synergies can be realised, there can be no assurance that the integration of the combined businesses of Celcom and Digi will result in the materialisation of these benefits or that these benefits may not be of a scale envisioned by our Board.

In addition, the Proposed Merger is undertaken to, among others, leverage on the combined scale and financial strengths of Celcom and Digi to provide MergeCo with a strengthened balance sheet to support aggressive expansion in the IoT and AI business sectors, and to support the CAPEX requirements of upgrading to 5G.

Our Board believes that a strengthened balance sheet would allow MergeCo to support its planned growth in IoT, AI and its upgrade to 5G but growth in these areas can be materially impacted by factors outside of MergeCo's control such as technological developments, changes in law or unexpected regulatory imposition on MergeCo, changes in market conditions and economic priorities shift as a result of the COVID-19 pandemic. However, there can no assurance that a strengthened balance sheet following the Proposed Merger will enable the anticipated benefits of the Proposed Merger to materialise and translate to higher dividend payout.

7.3 Integration risk

The various synergistic benefits to be reaped from the Proposed Merger will also depend on the success of the integration process to be implemented by MergeCo. Time and commitment are required to successfully achieve a fast and effective integration, and any delays or difficulties in the integration process may adversely affect MergeCo's ability to derive the synergistic benefits from the Proposed Merger.

Challenges that may be encountered during the process of integrating Celcom and Digi include differences in, among others, culture, corporate direction, standard operating policies, risk management and credit control policies, human resource policies and information and communications technology systems. Further, such differences may result in the departure of the existing employees of Celcom and Digi, notwithstanding the efforts undertaken by Celcom and Digi to re-designate selected personnel to hold key management roles in MergeCo. Post completion of the Proposed Merger, MergeCo will undertake the necessary efforts to ensure that a proper integration process be put in place to ensure a successful integration. However, there can be no assurance that the integration process will be completed in a timely manner or that MergeCo will not encounter any of the abovementioned challenges during the integration process.

7.4 Business risks

While the MergeCo Group will be exposed to similar business risks inherent in the telecommunications sector, in view of MergeCo's objective in growing its broadband networking, 5G, IoT and AI operations on a scale much larger than Axiata's existing operations in Malaysia, MergeCo may experience an increase in CAPEX to implement new network technologies at a faster rate than previously planned or to cater for the continued growth of such technologies, future and emerging technological changes, and/or new alternative services, which in turn may have significant financial impact on MergeCo.

Additionally, where proceeds are to be raised from external sources to finance the MergeCo Group's CAPEX, there can be no assurance that such funds will be available on terms similar to the existing banking facilities. Future financing agreements may contain restrictive covenants that increase its financing costs, reduce its profitability, and restrict its freedom to operate and manage its business which could have a material adverse effect on its business, financial condition, results of operations and prospects.

7.5 Joint management risk

Notwithstanding the respective terms in the SHA which will bind our Company, Telenor Asia and Telenor in respect of the governance and management of MergeCo, any differences in views, objectives, plans or directions among the parties may result in delayed decisions or failures to agree on major issues. Given the equal ownerships of both our Company and Telenor Asia and the relevant reserved matters as set out in the SHA, MergeCo may not be able to implement reserved matters in the SHA as neither our Company nor Telenor Asia can vote against the decision of the other party in determining major business plan and any subsisting deadlock may adversely affect MergeCo's ability to achieve its business objectives.

7.6 Dividend declaration risk

Axiata, as an investment holding company, generates most of its income from the dividends paid by its subsidiaries, associates and joint ventures. The benefits described in Section 5 of this Circular may not translate to a higher dividend payout to Axiata's shareholders as Celcom will cease to be a wholly-owned subsidiary of Axiata and in its place, MergeCo will be 33.10% held by Axiata. MergeCo's dividend payout will be based on the dividend policy of MergeCo which is subject to MergeCo's Board's approval. Accordingly, there can be no assurance that the future dividend payouts of MergeCo to Axiata will be similar to the level of dividend payouts of Celcom to Axiata, which in turn may affect Axiata's dividend payout to Axiata's shareholders.

Further, any dividend payout by MergeCo to Axiata will be dependent on the financial performance, cash flow position, CAPEX requirements and availability of retained earnings of MergeCo's operating subsidiaries and may also be subject to any applicable law, licence and contractual obligations. Any change to the factors described above may impact MergeCo's operations and financial performance, which in turn may affect MergeCo's dividend payout to Axiata and accordingly Axiata's dividend payout to Axiata's shareholders.

7.7 Repayment of CNSB Shareholder Loan risk

Pursuant to the terms of the SPA as set out in Appendix I of this Circular, the MergeCo Group is required to repay the CNSB Shareholder Loan to Axiata within six (6) months after the completion of the Proposed Merger or if requested by CNSB, a further extension of six (6) months subject to Axiata's agreement at its sole discretion. Upon the completion of the Proposed Merger, the MergeCo Group may procure the refinancing of the CNSB Shareholder Loan in full or in part with borrowings.

In the event the MergeCo Group fails to procure such refinancing or repay the CNSB Shareholder Loan to Axiata within the stipulated time, this may have an adverse financial impact on Axiata.

7.8 SWN model for 5G Network risk

As announced by the Government in February 2021, DNB, a special purpose vehicle established by the Government will be the sole owner and operator of 5G network in Malaysia until 2031. DNB's 5G wholesale network access is planned to reach approximately 40.0% coverage in populated areas by end of 2022 and subsequently to 80.0% population coverage by 2024.

Under the SWN model, the provision of nationwide 5G coverage will be delivered via one common network, to which all licensees under the CMA can seek equal access on a wholesale basis. This common network will be built, owned and operated by DNB. Telcos, including MergeCo, will be able to integrate their respective networks and infrastructures with the newly established SWN. MergeCo and other licensed MNOs, including other CMA licensees will be reliant solely on DNB for the purchase of 5G wholesale capacity from DNB to then offer 5G retail services to consumers and enterprises.

The SWN model will result in a shift away from the existing infrastructure-based competition model. This will provide savings on CAPEX deployment for Telcos, including for MergeCo. However, these resultant savings will be lessened by the increase in operational costs arising from wholesale fees payable to DNB. In addition, there could be risks associated with efficient 5G wholesale cost structure, increased complexity of DNB's 5G network interfacing with multiple MNOs' 4G networks, as well as continued assurance on network resilience and cybersecurity, which are key elements critical to national interests and common across telecommunications industry service providers.

In view that DNB is the sole wholesale provider of 5G radio network capacity, there will be more parity expected on basic 5G connectivity across telecommunication service providers while the size of historical network investment and spectrum portfolio for 2G and 4G differs between Telcos. As Telcos shift away from infrastructure-based competition, the MergeCo Group may be vulnerable to aggressive offers or pricing by existing and potentially new competitors on 5G, including the likelihood of heightened competition to serve 5G enterprise services.

7.9 Impairment of investment risk

Pursuant to MFRS 136 or International Accounting Standards 36 – Impairment of Assets, our Group determines at each reporting date whether there is any objective evidence that the equity investment in MergeCo recorded by Axiata might be impaired.

Our Group also assesses the fair value of the identified NA of MergeCo on the date of completion via a PPA exercise under MFRS/IFRS 3 – Business Combinations. MFRS/IFRS 3 allows retrospective adjustments to PPA up to a twelve-month period from the date of completion. Any fair value adjustment to the NA of MergeCo will affect the financial position and results of our Group.

8. EFFECTS OF THE PROPOSED MERGER

8.1 Share capital and substantial shareholders' shareholding

The Proposed Merger will not have any effect on the share capital of our Company and the shareholding of the substantial shareholders of Axiata as the Proposed Merger does not entail the issuance of new Axiata Shares.

8.2 EPS

For illustrative purposes only, based on the latest audited consolidated financial statements of our Company for the FYE 31 December 2021 and assuming that the Proposed Merger had been effected on 1 January 2021, being the beginning of the FYE 31 December 2021, the pro forma effect of the Proposed Merger on our basic EPS is as follows:

		RM'000
Audited consolidated PATAMI of Axiata for the FYE 31 December 2021		818,900
Add:	Pro forma net gain from the Proposed Merger(1)	10,550,640
	Axiata's share of profit of MergeCo based on 33.10% shareholding in MergeCo(2)	463,042
	Reversal of actual expenses relating to the Proposed Merger incurred and paid by Axiata during the financial year	31,061
Less:	De-consolidation of the Celcom Group's results(3)	(955,815)
Pro forma consolidated PATAMI of Axiata after the Proposed Merger		**10,907,828**
Weighted average number of Axiata Shares in issue ('000)		9,172,317
Basic EPS (4)		
• Based on the audited consolidated PATAMI of Axiata for the FYE 31 December 2021 (sen)		8.9
• Based on the pro forma consolidated PATAMI of Axiata after the Proposed Merger (sen)		118.9

Notes:

(1) The pro forma net gain from the Proposed Merger (subject to, among others, the completion adjustments in accordance with the SPA) is approximately RM10,550.6 million, as illustrated below:

		RM'000
*The assumed total considerations from the Proposed Merger ("**Merger Considerations**")(a)*		*15,115,628*
Less:	*Carrying amount of NA of Celcom as at 1 January 2021*	*(4,464,988)*
	Estimated expenses relating to the Proposed Merger	*(100,000)*
Pro forma net gain from the Proposed Merger		***10,550,640***

Note:

(a) The Merger Considerations are computed based on the following:

*(i) 3,883,129,144 Digi Shares at RM3.38 per Digi amounting to RM RM13,124,976,507. For the purposes of computing the fair value of the Consideration Shares, we have adopted the assumed price of RM3.38 per Digi Share, being the closing market price of Digi Shares as at the LPD ("**Assumed Price**"). However, it should be noted that the recognition of the fair value of the Consideration Shares will be determined based on the closing market price of Digi Shares on the completion date of the Proposed Merger; and*

(ii) Cash Proceeds of RM1,990,651,925 (approximately RM1,692.7 million from Digi and RM297.9 million from Telenor Asia).

(2) Based on the audited consolidated PATAMI of Digi for the FYE 31 December 2021 and the Celcom Group's results for the FYE 31 December 2021 de-consolidated by Axiata after taking into account amortisation (net of tax) of the fair value adjustments to the NA of MergeCo.

(3) Upon completion of the Proposed Merger, Axiata will de-consolidate the results of the Celcom Group following the cease of control.

(4) Computed based on the relevant PATAMI divided by weighted average number of Axiata Shares in issue during the FYE 31 December 2021.

The pro forma effect of the Proposed Merger on the Axiata Group's EPS has not considered the effects arising from the use of proceeds raised from the Proposed Merger and the resultant interest savings.

8.3 NA and gearing

For illustrative purposes only, based on the latest audited consolidated statement of the financial position of our Company as at 31 December 2021 and on the assumption that the Proposed Merger had been completed on that date, the pro forma effects of the Proposed Merger on the NA and gearing of the Axiata Group are as follows:

	Audited as at 31 December 2021	**After the Proposed Merger**
	(RM'000)	**(RM'000)**
Share capital	13,905,207	13,905,207
Reserves	4,100,117	(1)14,882,365
Total equity attributable to owners of our Company	**18,005,324**	**28,787,572**
Non-controlling interests	7,060,505	6,973,505
Total equity	**25,065,829**	**35,761,077**
No. of Axiata Shares in issue ('000)	9,174,986	9,174,986
NA attributable to the owners of our Company per Share (RM)(2)	1.96	3.14
Total borrowings including lease liabilities (RM'000)	29,221,490	(3)26,145,120
Gearing (times)(4)	1.17	0.73

Notes:

(1) After taking into account the pro forma net gain from the Proposed Merger of RM10,782.2 million as illustrated below:

		RM'000
Merger Considerations[(a)]		*15,271,938*
Less:	*Carrying amount of NA of Celcom as at 31 December 2021*	*(4,420,751)*
	Estimated balance expenses relating to the Proposed Merger[(b)]	*(68,939)*
Pro forma net gain from the Proposed Merger		***10,782,248***

(a) The Merger Considerations are computed based on the following:

(i) 3,883,129,144 Digi Shares at the Assumed Price amounting to RM13,124,976,507. For further details on the Assumed Price, please refer to Note (1) in Section 8.2 of this Circular;

(ii) Cash Proceeds of RM1,990,651,925 (approximately RM1,692.7 million from Digi and RM297.9 million from Telenor Asia); and

(iii) assumed additional cash consideration of RM156,310,000 to be paid by Digi to Axiata pursuant to the Final Adjustment Amount illustrated based on the assumed closing date of 31 December 2021.

(b) Being total estimated expenses relating to the Proposed Merger of RM100.0 million less actual expenses of approximately RM31.1 million already incurred and paid in the FYE 31 December 2021.

(2) Computed based on the total equity attributable to owners of Axiata divided by the total number of Axiata Shares in issue.

(3) After de-consolidation of the Celcom Group's borrowings including lease liabilities of approximately RM3,076.4 million.

(4) Computed based on total borrowings including lease liabilities divided by total equity.

The pro forma effects of the Proposed Merger on the Axiata Group's NA and gearing have not considered the effects arising from the use of proceeds raised from the Proposed Merger.

9. PERCENTAGE RATIO

Based on the latest audited consolidated financial statements of Axiata for the FYE 31 December 2020, the highest percentage ratio applicable to the Proposed Merger pursuant to Paragraph 10.02(g) of the Listing Requirements exceeds 100% based on (i) the value of the assets which are the subject matter of the Proposed Merger compared with the audited consolidated NA attributable to owners of our Company as at 31 December 2020, and (ii) the Combination Consideration compared with the audited consolidated NA attributable to owners of our Company as at 31 December 2020.

10. APPROVALS/ CONSENT REQUIRED

The Proposed Merger is subject to the following being obtained:

(i) approval of Axiata's shareholders for the Proposed Merger at our forthcoming EGM;

(ii) approval of the non-interested shareholders of Digi for the Proposed Merger and the whitewash resolution in relation to the Proposed Exemption at the EGM of Digi to be convened;

(iii) approval and/or consent of the lenders/sukukholders of Axiata or Celcom, which have been obtained;

(iv) approval of the SC for the Proposed Exemption;

(v) approval of the SC for a significant change in business direction or policy of Digi arising from the transactions, pursuant to subsection 212(2)(d) of the CMSA, which has been obtained;

(vi) approval of Bursa Securities for the listing of and quotation for the Consideration Shares and the Relevant Digi Shares on the Main Market of Bursa Securities, which has been obtained;

(vii) letter of no objection or authorisation of conduct issued by MCMC for the Proposed Merger pursuant to the Guidelines on Mergers and Acquisitions and/or other relevant provisions in the CMA, which have been obtained on the basis of the Undertaking, further details are set out in Appendix IX of this Circular;

(viii) approval or acknowledgement of the Minister of Communications and Multimedia or MCMC, which has been obtained; and

(ix) approval or consents of any other regulatory authorities or parties, as required.

11. CONDITIONALITY OF THE PROPOSED MERGER

The Proposed Merger is conditional upon the Proposed Exemption to be sought by Axiata and Axiata PACs of which is subject to the approval of the non-interested shareholders of Digi and the SC. The Proposed Celcom-Digi Combination and Proposed Equalisation are inter-conditional upon one another. Save as disclosed above, the Proposed Merger is not conditional upon any other corporate exercise/scheme of our Company.

12. CORPORATE EXERCISE/SCHEME ANNOUNCED BUT PENDING COMPLETION

Save for the Proposed Merger and the following, there are no other intended corporate exercise/scheme which have been announced by our Company but not yet completed before the printing of this Circular:

(i) On 19 April 2022, ISOC edotco Towers, Inc. ("**ISOC edotco Towers**"), a subsidiary of edotco Group Sdn Bhd entered into a sale and purchase agreement ("**ISOC SPA**") with Smart Communications, Inc. and Digitel Mobile Philippines, Inc. (collectively, the "**Sellers**") for the acquisition of all of the Sellers' rights, title, benefits and interest in 2,973 telecommunication towers, including the energy and passive infrastructure related assets ("**Transferred Assets**") in the Philippines for a total purchase consideration of PHP42,000.0 million.

As at 3 October 2022, ISOC edotco Towers had completed the purchase of 2,203 Transferred Assets. The completion of the remaining towers shall be subject to the completion of, amongst others, the requisite documentation as per the ISOC SPA.

(ii) On 7 October 2022, Celcom Mobile had entered into a conditional share subscription agreement with DNB for, amongst others, the proposed subscription of (i) new DNB Shares and (ii) DNB Rights to Allotment for a total cash consideration of RM178.57 million, representing 12.50% of the enlarged equity interest in the enlarged DNB. Further details are disclosed in Section 9 of Appendix IV of this Circular.

The conditional share subscription agreement with DNB is subject to certain conditions precedent to be fulfilled and is expected to be completed during the fourth quarter of 2022.

13. INTERESTS OF DIRECTORS, MAJOR SHAREHOLDERS AND/OR PERSONS CONNECTED WITH THEM

EPF is a major shareholder of both our Company and Digi. Nurhisham Hussein, our Non-Independent and Non-Executive Director is nominated to our Board by EPF.

ASB is a major shareholder of our Company and substantial shareholder of Digi. Shahin Farouque Jammal Ahmad, our Non-Independent and Non-Executive Director is nominated to our Board by PNB, a person connected to ASB, by virtue of PNB being the investment manager of ASB.

As at the LPD, the direct and/or indirect shareholdings of EPF, ASB, Nurhisham Hussein and Shahin Farouque Jammal Ahmad in Axiata and Digi are as follows:

Axiata

	Direct		**Indirect**	
	No. of Axiata Shares ('000)	**%**	**No. of Axiata Shares ('000)**	**%**
EPF	1,533,258	16.71	-	-
ASB	1,095,404	11.94	-	-
Nurhisham Hussein	-	-	-	-
Shahin Farouque Jammal Ahmad	-	-	-	-

Digi

	Direct		**Indirect**	
	No. of Digi Shares ('000)	**%**	**No. of Digi Shares ('000)**	**%**
EPF	1,151,044	14.80		
ASB	600,798	7.73		
Nurhisham Hussein	-	-	-	-
Shahin Farouque Jammal Ahmad	-	-	-	-

Save as disclosed above, none of the directors of Axiata or persons connected with them has any interest, direct or indirect, in the Proposed Merger.

The Proposed Merger is not deemed a related party transaction pursuant to Paragraph 10.08(11)(m) of the Listing Requirements as:

(i) EPF and persons connected with it are (a) not the largest shareholders of Axiata; (b) not a party to the Proposed Merger, initiator, agent or involved in any manner in the Proposed Merger; (c) does not have any representative in an executive capacity on our Board or any of its subsidiaries; and (d) EPF is a statutory institution who is managing funds belonging to the general public; and

(ii) ASB and persons connected with it are (a) not the largest shareholders of Axiata; (b) not a party to the Proposed Merger, initiator, agent or involved in any manner in the Proposed Merger; (c) does not have any representative in an executive capacity on our Board or any of its subsidiaries; and (d) ASB is a unit trust fund.

The above directors and/or major shareholders of our Company (including persons connected with them) will be allowed to vote in respect of their direct and/or indirect shareholdings in our Company on the resolution pertaining to the Proposed Merger to be tabled at our forthcoming EGM.

14. DIRECTORS' STATEMENT/ RECOMMENDATION

Our Board, after having considered all aspects of the Proposed Merger, including the basis and justification for the Combination Consideration, rationale and benefits of the Proposed Merger, prospects of MergeCo, effects of the Proposed Merger and salient terms of the Definitive Agreements, is of the opinion that the Proposed Merger is in the best interest of Axiata and accordingly, recommends that you vote in favour of the resolution pertaining to the Proposed Merger to be tabled at our forthcoming EGM.

15. ESTIMATED TIMEFRAME FOR COMPLETION

Barring unforeseen circumstances, the Proposed Merger is expected to be completed by the fourth quarter of 2022.

The tentative timetable for the implementation of the Proposed Merger is as follows:

Key event	Tentative timing
EGM	18 November 2022
Completion of the Proposed Merger[(1)]	30 November 2022

Note:

(1) Subject to the Tune Talk Injunction being lifted or deemed to have lapsed. Please refer to Section 11 of Appendix IV of this Circular for further details.

16. EGM

The resolution in respect of the Proposed Merger will be tabled at our forthcoming EGM. This Circular is available at https://www.axiata.com/investors/egm/ together with, the Administrative Notes of the EGM.

The EGM will be held on Friday, 18 November 2022 at 9.00 a.m. or any adjournment thereof, on a virtual basis. The broadcast venue for the EGM is at Auditorium, Level 32, Axiata Tower, 9 Jalan Stesen Sentral 5, Kuala Lumpur Sentral, 50470 Kuala Lumpur, Malaysia.

The voting of the EGM will be conducted by poll. If you are unable to attend and vote by yourself at the EGM, 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 Thursday, 17 November 2022 at 9.00 a.m. The proxy appointment may also be lodged electronically via Tricor's TIIH Online website at https://tiih.online no later than Thursday, 17 November 2022 at 9.00 a.m. For further information on the electronic lodgement of Proxy Form, please refer to the Administrative Notes of the EGM.

You may attend and vote by yourself at our forthcoming EGM if you wish to do so even after you have completed and returned the Proxy Form so long as you revoke the appointment of your proxy prior to the EGM.

17. FURTHER INFORMATION

Please refer to the appendices of this Circular for further information.

Yours faithfully
For and on behalf of the Board of
Axiata Group Berhad

Tan Sri Shahril Ridza Ridzuan
Chairman, Independent Non-Executive Director

SALIENT TERMS OF THE SPA

(*Unless already previously defined in this Circular, all capitalised terms in this Appendix shall have the same meanings as defined in this Appendix)*

1. Consideration

1.1. The consideration for the sale and purchase of 100% equity interest of Celcom ("**Celcom Securities**") shall be an aggregate of RM17,756,156,250 which shall be satisfied as follows:

(a) Digi shall issue the following Digi Shares on the Closing (as defined in paragraph 6 below) free from all encumbrances and together with all rights attaching to them from the Closing:

(i) 73,378,844 fully paid-up Digi Shares (if such number represents 0.63% of the post-issuance enlarged share capital of Digi (as at the Closing) or otherwise such other number of fully paid-up Digi Shares representing 0.63% of the post-issuance enlarged share capital of Digi (as at the Closing) (the "**0.63% Digi Shares**") to Telenor Asia subject to paragraph 1.2 below and against payment by Telenor Asia to Axiata of the Relevant Digi Shares Cash Consideration in accordance with the MTA; and

(ii) 3,883,129,144 fully paid-up Digi Shares (if such number represents 33.10% of the post-issuance enlarged share capital of Digi (as at the Closing)) or otherwise such other number of fully paid-up Digi Shares representing 33.10% of the post-issuance enlarged share capital of Digi (as at the Closing) (the "**33.10% Digi Shares**") to Axiata,

(collectively, the "**Digi Consideration Shares**"); and

(b) Digi shall pay Axiata an amount equal to RM1,692,733,818 (the "**Digi Cash Consideration**") at the Closing provided that the Digi Cash Consideration shall be adjusted in accordance with the terms of the SPA.

1.2. Against the contemporaneous receipt by Axiata of the Relevant Digi Shares Cash Consideration from Telenor Asia in accordance with the MTA, Axiata nominates Telenor Asia to be issued the 0.63% Digi Shares in lieu of Axiata in accordance with the terms of the MTA. Axiata undertakes that, prior to the termination of the SPA, it shall not nominate any person other than Telenor Asia to be the recipient of the 0.63% Digi Shares or withdraw or cause to be withdrawn such nomination, other than as contemplated by the SPA or the MTA.

1.3. For the purpose of paragraphs 1.1 and 1.2 above, Digi has on the date of the SPA issued a confirmation letter to Telenor Asia whereby Digi confirms and undertakes that against payment of the 0.63% Digi Shares Cash Consideration by Telenor Asia to Axiata pursuant to the MTA, Digi shall issue the 0.63% Digi Shares to Telenor Asia free from all encumbrances and together with all rights attaching to them from the Closing.

2. Adjustments to the Digi Cash Consideration

2.1. The Digi Cash Consideration may be adjusted following the determination of the adjustment for changes in net debt and net working capital amounts of Celcom Group as compared to Digi Group between 31 December 2020 and the last day of the calendar month in which all of the relevant conditions are satisfied or waived (or as the parties may otherwise mutually agree in writing) ("**Interim Closing**"). The differences up to the Interim Closing ("**Interim Adjustment Amount**") shall be adjusted against the Digi Cash Consideration payable to Axiata on the Closing as follows:

(i) if the Interim Adjustment Amount is positive, the Digi Cash Consideration shall be increased by the amount of the Interim Adjustment Amount; and

(ii) if the Interim Adjustment Amount is negative, the Digi Cash Consideration shall be reduced by the Interim Adjustment Amount.

2.2. After the Closing, the Interim Adjustment Amount shall be substituted by the Final Adjustment Amount, whereby the Final Adjustment Amount shall be changes in net debt and net working capital amounts of Celcom Group as compared to Digi Group between 31 December 2020 and the date of Closing ("**Closing Date**"). Where the substitution of the Final Adjustment Amount for the Interim Adjustment Amount:

(i) would lead to an increase in the Digi Cash Consideration paid on the Closing owing to the difference between the two amounts, Digi shall make a payment to Axiata of a sum equal to that increase; and

(ii) would lead to a reduction in the Digi Cash Consideration paid on the Closing owing to the difference between the two amounts, Axiata shall make a payment to Digi of a sum equal to that reduction.

2.3. For the avoidance of doubt, the determination of the Interim Adjustment Amount or the Final Adjustment Amount, as the case may be, is set out below:

(i) the changes in net debt and net working capital amounts of Celcom Group ("**Celcom Adjustment Amount**") shall be the amount that results from the sum of Celcom Group's:

(a) initial net debt minus net debt on the Cut-Off Date; and

(b) Cut-Off Date net working capital minus initial net working capital;

(ii) the changes in net debt and net working capital amounts of Digi Group ("**Digi Adjustment Amount**") shall be the amount that results from the sum of Digi Group's:

(a) initial net debt minus net debt on the Cut-Off Date; and

(b) Cut-Off Date net working capital minus initial net working capital;

(iii) the adjustment amount for the Interim Adjustment Amount or the Final Adjustment Amount**,** shall be the amount that results from the sum of:

(a) Celcom Adjustment Amount; minus

(b) 0.495 x Digi Adjustment Amount.

Note:

The Cut-Off Date refers to the date as at the Interim Closing or the date of the Closing, as the case may be, in determining the Interim Adjustment Amount or the Final Adjustment Amount respectively.

2.4 The calculation of the net debt on the Cut-Off Date for Digi and Celcom respectively shall be reduced by the amount of any cash that has been paid by any Digi Group member and Celcom Group member for any shared costs and expenses incurred by the parties for the purpose of integration planning activities for day-1 readiness for the benefit of MergeCo in connection with the Proposed Merger, as set out in the Costs Sharing Agreement ("**Shared Costs**"), as of or prior to the Closing.

2.5 The calculation of Digi's and Celcom's Cut-Off Date net working capital respectively for shall be increased by the amount of any account payable incurred by any Digi Group member and Celcom Group member for any Shared Costs that remains unpaid as of the Closing.

Note:

The basis for adjustments was agreed commercially between Digi and Axiata, whereby:

(a) Digi shall compensate Axiata for cash inflow into the Celcom Group or be compensated by Axiata for cash outflow from the Celcom Group between 31 December 2020 and Closing, represented by changes in the net debt and net working capital amounts of the Celcom Group for this period; and

*(b) Axiata shall compensate Digi for cash inflow into the Digi Group or be compensated by Digi for cash outflow from the Digi Group between 31 December 2020 and Closing, represented by changes in the net debt and net working capital amounts of the Digi Group for this period, multiplied by 0.495 ("**Digi Adjustment Factor**");*

Item (a) shall be compared to item (b), in which case the net amount (i.e. the Final Adjustment Amount) shall be adjusted against the RM1,693 million Digi Cash Consideration in determining the final Digi Cash Consideration and the Combination Consideration for the Proposed Merger.

As the Final Adjustment Amount can only be determined after Closing, for a more reflective cash amount payable on Closing, the Digi Cash Consideration shall be adjusted against the Interim Adjustment Amount which is to be determined based on changes in net debt and net working capital between 31 December 2020 and Interim Closing. For the avoidance of doubt, the Interim Adjustment Amount shall be further adjusted by the Final Adjustment Amount in determining the final Digi Cash Consideration and the Combination Consideration for the Proposed Merger.

Digi Adjustment Factor was derived based on the formulae of 33.1% / (1 – 33.1%), such that the adjustment takes into account Axiata's equity ownership of 33.1% in the enlarged Digi Group after the Proposed Merger.

3. Conditions Precedent

3.1. Conditions

Closing must not take place unless and until each of the following conditions precedent ("**Conditions**") has been satisfied or waived in writing:

(a) the non-interested shareholders of Digi approving the transactions contemplated by the SPA and the allotment and issuance of the 33.10% Digi Shares to Axiata and 0.63% Digi Shares to Telenor Asia upon the terms that no pre-emptive rights, if any, for the benefit of Digi shareholders shall apply to the issuance of the Digi Consideration Shares.

(b) the non-interested shareholders of Digi approving to waive their rights to receive a mandatory offer from Axiata and Axiata PACs in accordance with Paragraph 4.08(2)(b) of the Rules.

(c) Axiata's shareholders approving the transactions contemplated by the SPA, to the extent such approval is required.

(d) Where an obligation to undertake a mandatory offer arises,

(i) from the issuance of 33.10% Digi Shares to Axiata as contemplated by the SPA resulting in Axiata and Axiata PACs holding more than 33.00% of Digi Shares, the SC grants:

(A) an exemption(s) to Axiata and Axiata PACs from having to undertake a mandatory take-over offer for all the remaining Digi Shares not already owned by Axiata and Axiata PACs pursuant to the Rules; and

(B) a ruling to Axiata and Axiata PACs that the issuance of the 0.63% Digi Shares by Digi to Telenor Asia shall not constitute a disqualifying transaction under Paragraph 4.08(2)(a) of the Rules; and

(ii) through the formation of a new group of PACs between Axiata and Telenor Asia as contemplated by the SPA and the SHA, the SC grants an exemption(s) to Axiata, Telenor Asia and their PACs from having to undertake a mandatory take-over offer for all the remaining Digi Shares not already owned by Axiata, Telenor Asia and their PACs pursuant to the Rules.

(e) Where the transactions contemplated by the SPA amount to a significant change in business direction or policy of Digi, the SC grants its approval to Digi pursuant to subsection 212(2)(d) of the CMSA.

(f) Bursa Securities grants its approval for the listing of and quotation for the Digi Consideration Shares on Bursa Securities.

(g) MCMC, pursuant to the CMA, issues the following in connection with the relevant transactions contemplated by the SPA:

(i) a notice of no objection under paragraph 6.4 of the Guidelines on Mergers and Acquisitions; or

(ii) authorisation of conduct under section 140 of the CMA and Guidelines on Authorisation of Conduct.

(h) The Minister of Communications and Multimedia confirms that its approval is not required, or if such approval is required, it has been obtained for any modifications, deviations or variations required to be made to the licences or terms attached to the licenses issued pursuant to the CMA held by the members of Digi Group and the members of Celcom Group in connection with the relevant transactions contemplated by the SPA.

(i) The Minister of Communications and Multimedia or the MCMC (as the case may be) either confirms there is no change in the shareholding, major or substantial shareholding of each of the following for the purposes of their respective approvals, licences and spectrum assignments issued under the CMA or the Minister of Communications and Multimedia or the MCMC (as the case may be) grants its approval or concurrence to a change of shareholding, major or substantial shareholding of each of the following for the purposes of their respective approvals, licences and spectrum assignments issued under the CMA, in respect of the relevant transactions contemplated by the SPA:

(i) the members of Celcom Group; and
(ii) the members of Digi Group.

(j) Since the date of the SPA, no event that has a material adverse effect on, among others, (i) the business, assets and liabilities, results of operations or financial condition of Digi Group, taken as a whole or (ii) the ability of Digi to perform its obligations under the SPA ("**Digi Material Adverse Effect**") has occurred which is continuing.

(k) Since the date of the SPA, no event that has a material adverse effect on, among others, (i) the business, assets and liabilities, results of operations or financial condition of Celcom Group, taken as a whole or (ii) the ability of Axiata to perform its obligations under the SPA ("**Celcom Material Adverse Effect**") has occurred which is continuing.

(l) The warranties given by Digi in accordance with the terms of the SPA ("**Digi Warranties**") shall be true, accurate and not misleading as at the Closing Date as though made on the Closing Date (except with respect to the Digi Warranties which speak as to an earlier date or dates, in which case such the Digi Warranties shall be true, accurate and not misleading as of such earlier date or dates), except where the failure of any Digi Warranty (individually or in the aggregate) to be true, accurate and not misleading as at the Closing Date has not had and would not reasonably be expected to have a Digi Material Adverse Effect.

(m) The warranties given by Axiata in accordance with the terms of the SPA ("**Axiata Warranties**") shall be true, accurate and not misleading as at the Closing Date as though made on the Closing Date (except with respect to the Axiata Warranties which speak as to an earlier date or dates, in which case such the Axiata Warranties shall be true, accurate and not misleading as of such earlier date or dates), except where the failure of any Axiata Warranty (individually or in the aggregate) to be true, accurate and not misleading as at the Closing Date has not had and would not reasonably be expected to have a Celcom Material Adverse Effect.

(n) In respect of the USD1,000,000,000 3.064 per cent Guaranteed Notes due 19 August 2050 (the "**Axiata 2050 Notes**") issued by Axiata SPV5 (Labuan) Limited, the noteholders pass an extraordinary resolution in accordance with the terms of the Axiata 2050 Notes trust deed amending and/or waiving certain provisions of the Axiata 2050 Notes trust deed in relation to the Proposed Merger.

(o) In respect of the USD500,000,000 4.357 per cent Sukuk due 24 March 2026 (the "**Axiata 2026 Sukuk**") issued by Axiata SPV2 Berhad, the sukukholders pass an extraordinary resolution in accordance with the terms of the Axiata 2026 Sukuk declaration of trust amending and/or waiving certain provisions in the Axiata 2026 Sukuk declaration of trust and other related documents in relation to the Proposed Merger.

(p) In respect of USD500,000,000 2.163 per cent Sukuk due 19 August 2030 (the "**Axiata 2030 Sukuk**") issued by Axiata SPV2 Berhad, the sukukholders pass an extraordinary resolution in accordance with the terms of the Axiata 2030 Sukuk declaration of trust amending and/or waiving certain provisions in the Axiata 2030 Sukuk declaration of trust and other related documents in relation to the Proposed Merger.

(q) the written consent, waiver and/or amendment from International Finance Corporation ("**IFC**") and Robi Axiata Limited to the Proposed Merger under the Deed of Guarantee and Subordination dated 14 December 2015 in favour of IFC and under the Deed of Guarantee and Subordination dated 8 December 2020 in favour of IFC.

(r) In respect of the USD600,000,000 and RM867,000,000 Syndicated Multi Currency Shariah-Compliant Sustainability-Linked Financing Facilities between Axiata, as customer and Oversea Chinese Banking Corporation Limited, Labuan Branch, MUFG Bank (Malaysia Berhad) and Maybank Islamic Berhad as original financiers, the written consent, waiver and/or amendment from the financier(s) whose commitments aggregate more than 66 2/3% of the total commitments in relation to the Proposed Merger under the facility agreement dated 5 May 2020.

(s) In respect of the RM50,000,000 bank facilities (bank guarantee and letter of credit) granted by Malayan Banking Berhad ("**MBB**") to Celcom under the letter of offer dated 1 March 2013, the written consent, waiver and/or amendment from MBB in relation to the Proposed Merger.

(t) Bank Negara Malaysia grants its written approval (or where applicable, a letter of no objection) pursuant to Section 32 of the Money Services Business Act 2011 (the "**MSB BNM Approval**") for (i) the transfer by the relevant member of Celcom Group of the Merchantrade Shares (as defined in paragraph 4.1(a) below) to either (a) Axiata or its affiliate(s) or nominee(s); or (b) only if the approval in sub-paragraph (i)(a) is denied, any one or more of the other shareholders of Merchantrade; or (ii) only if the approvals in sub-paragraph (i) are denied, any change in substantial interest in Merchantrade Shares as a result of the transfer of the Celcom Securities at the Closing, in each case, to the extent such approval is required.

Note:

As at the date of this Circular, all Conditions have been fulfilled, save for the Conditions as set out in paragraph 3.1(a), (b), (c), (d)(i)(A), (d)(ii), (j), (k), (l) and (m) above.

The Condition as set out in paragraph 3.1(i) above is deemed fulfilled based on the approval, confirmations and acknowledgements received from the MCMC and the Minister.

In addition, the Condition as set out in paragraph 3.1(h) above is deemed fulfilled as there are no modifications, deviations or variations required to be made to the licences or terms attached to the licenses issued pursuant to the CMA held by the members of the Digi Group and the members of the Celcom Group based on the approval, confirmations and acknowledgements received from the MCMC and the Minister.

For information, the fulfilment of the Conditions as set out in paragraphs 3.1(j), (k), (l) and (m) above, can only be determined upon all other Conditions being met.

3.2. Termination

If the Conditions have not been satisfied or waived by 31 December 2022 (or such other date as mutually agreed in writing between the parties) or if any government agency has taken action that results in any Condition becoming incapable of satisfaction, either party may terminate the SPA by giving written notice to the other parties in accordance with and subject to the terms of the SPA.

4. Celcom Group Reorganisation

4.1. Prior to the Closing:

(a) Axiata shall procure Celcom and/or the relevant member of Celcom Group to sell, assign and transfer its entire equity interest in Merchantrade (representing approximately 20.00% of the issued shares of Merchantrade) (the "**Merchantrade Shares**") to Axiata or any of its affiliates or nominees or if required, any other shareholder of Merchantrade for cash consideration of RM1.00, free of all encumbrances and with all rights attaching on and from the date of such sale, assignment and transfer, provided that:

(i) in the event that Celcom or any relevant member of Celcom Group receives any funds or other consideration (x) in connection with the sale, assignment or transfer of the Merchantrade Shares; or (y) that arise as a result of any member of the Celcom Group having been a shareholder of Merchantrade, Celcom shall, and shall procure that the relevant member of Celcom Group shall as soon as reasonably practicable within the specified period in the SPA, pay an amount equal to the funds or other consideration received to Axiata (such obligation, the "**Merchantrade Proceeds Repayment Obligation**"); and

(ii) at Axiata's option, the transfer of the Merchantrade Shares may be effected by way of a dividend in specie to Axiata.

(b) Axiata shall procure that Celcom ceases to be a member of the Axiata Foundation for no consideration.

(sub-paragraphs (a) and (b), together, being the "**Celcom Group Reorganisation**")

(c) Following the Closing, Axiata shall, in accordance with the terms of the SPA, indemnify each member of Digi Group (which shall include any member of Celcom Group) against all losses directly incurred or suffered by each of them arising out of, or as a result of:

(i) (x) the implementation and execution of the Celcom Group Reorganisation; and / or (y) to the extent applicable under paragraph 4.1(d) below, the Merchantrade Post-Closing Sale Process (as defined in paragraph 4.1(d) below) and the related sale and transfer of the Merchantrade Shares,

subject to the terms of the SPA.

(d) If Axiata has been unable to effect the transfer of the Merchantrade Shares to Axiata, any of its affiliates or nominees, or any other shareholder of Merchantrade (as applicable) before the Closing due to an outstanding MSB BNM Approval, Axiata may complete the transfer of the Merchantrade Shares as soon as reasonably practicable following MSB BNM Approval for such transfer to Axiata, any of its affiliates or nominees, or any other shareholder of Merchantrade (as applicable) being obtained after the Closing on the same basis as if it had been obtained prior to the Closing, and otherwise in accordance with the terms of the SPA, provided that in the event that on or before the Closing:

(i) MSB BNM Approval for such transfer of the Merchantrade Shares to Axiata or any of its affiliates or nominees, or any other shareholder of Merchantrade (as applicable) is denied; and

(ii) MSB BNM Approval under sub-paragraph (ii) of paragraph 3.1(t) is obtained,

then following the Closing:

(A) Celcom shall as soon as reasonably practicable following the Closing commence a sales process to sell and transfer the Merchantrade Shares to a third party (which may be another existing shareholder of Merchantrade) (the "**Merchantrade Post-Closing Sale Process**"); and

(B) Axiata shall, and shall be exclusively entitled to, manage, conduct and pursue the Merchantrade Post-Closing Sale Process (at its own cost, pursuant to the terms of the SPA), and the sale and transfer of the Merchantrade Shares pursuant thereto and the proceeds of such sale and transfer of the Merchantrade Shares shall be included in and subject to the Merchantrade Proceeds Repayment Obligation.

5. Intra-Group Arrangements

5.1 Axiata shall procure that, prior to or on the Closing, unless otherwise agreed by the parties in writing or contemplated in the transaction documents, essentially, all Axiata intra-group contracts (other than in relation to certain Axiata continuing arrangements or pursuant to any related party transactions that Axiata is permitted to enter into between the date of the SPA and the Closing in compliance with the SPA) are terminated and of no further force and effect such that each Celcom Group member and each Axiata Group member are released and fully discharged and have no further rights, liabilities or obligations in respect thereof.

5.2 Digi shall procure that, prior to or on the Closing, unless otherwise agreed by the parties in writing or contemplated in the transaction documents, all Telenor intra-group contracts (other than in relation to certain Telenor continuing arrangements or pursuant to any related party transactions that Telenor is permitted to enter into between the date of the SPA and the Closing in compliance with the SPA) are terminated and of no further force and effect such that each Digi Group Member and each Telenor Group member are released and fully discharged and have no further rights, liabilities or obligations in respect thereof.

5.3 Prior to or on the Closing, Axiata and Celcom Networks shall enter into an amendment agreement which will be effective as of (and conditioned upon the occurrence of) the Closing (a) to amend the maturity date of the Celcom Shareholder Loan to the date that is six (6) months after the Closing; provided that upon written request by Celcom Networks, Axiata may at its sole discretion, extend the maturity date for an additional six (6) months; and (b) Axiata waives its right under the CNSB Shareholder Loan Agreement at the Closing to, among others, cancel its commitment and declare that all amounts accrued or outstanding under the Celcom Shareholder Loan to be due and payable by Celcom Networks to Axiata, upon the occurrence of the Mandatory Refund Event (as defined in the CNSB Shareholder Loan Agreement) at the Closing resulting from the Proposed Merger under the terms of the CNSB Shareholder Loan Agreement.

6. Closing

Completion of the transfer of the Celcom Securities to Digi, the issuance of the Digi Consideration Shares by Digi to Axiata and Telenor Asia, the payment of the Digi Cash Consideration by Digi to Axiata in accordance with the terms of the SPA and the payment of the Relevant Digi Shares Cash Consideration by Telenor Asia to Axiata pursuant to the MTA ("**Closing**") shall take place at 9:00 am on the last day of the earliest calendar month in which both (i) the Conditions at paragraphs 3.1(a) to (i), and (n) to (t) ("**Relevant Conditions**") have been satisfied or waived (in accordance with the terms of the SPA); and (ii) the Interim Adjustment Amount has been agreed by the parties or finally determined by the independent expert appointed by the parties (in each case in accordance with the terms of the SPA), or at such other place at such other time and/or on such other date as the parties may mutually agree in writing.

7. TSDTR Litigation

7.1 TSDTR Indemnity

Axiata shall indemnify and keep indemnified each member of Digi Group or Celcom Group member, and pay to them on demand, any losses incurred (but excluding certain non-direct losses) or any money or other consideration which may have to be provided by any member of Digi Group or member of Celcom Group resulting out of or arising from the TSDTR Litigation (the "**TSDTR Indemnity**").

Other than as specified in the SPA, no provision of the SPA shall qualify or limit the liability of the parties in relation to any claim under the TSDTR Indemnity, provided that the parties shall comply with paragraph 7.2 in relation to the TSDTR Litigation and the TSDTR Indemnity and any breach or non-compliance of Digi of paragraph 7.2 shall to that extent, reduce the liability of Axiata and the amount Axiata would be required to pay under the TSDTR Indemnity.

7.2 Post-closing conduct in respect of the TSDTR Litigation

(a) Following the Closing, until such time as any final compromise, settlement, expert determination or final, non-appealable decision, order or award of a court or tribunal is made in respect of the TSDTR Litigation (or the TSDTR Litigation is otherwise finally disposed of):

(i) Digi will grant to Axiata an exclusive right to conduct the TSDTR Litigation (including the assessing, contesting, disputing, defending, pursuing, compromising, settling or appealing any claim in connection with the TSDTR Litigation at Axiata's expense and by Axiata's own counsel and, Digi shall cooperate in good faith in connection therewith; and

(ii) Axiata shall have the right to take such action as it deems necessary or advisable to settle, compromise, defend, pursue or avoid such dispute and to conduct, pursue and/or agree any defence, settlement, compromise or appeal (or defend counterclaims) relating to the TSDTR Litigation in the name and on behalf of Celcom and/or any member of the Celcom Group.

(b) Each party shall (i) to the extent reasonably practicable, consult with the other party in relation to the conduct of any dispute, defence, counterclaim, compromise, settlement or appeal of the TSDTR Litigation; and (ii) from time to time, upon reasonable request of the other party, provide such other party with such information that it or any other member of its Group (including in the case of Digi, Celcom Group) may possess as to the progress of the TSDTR Litigation.

(c) Following the Closing, in the event that Digi, Celcom or any member of the Digi Group or the Celcom Group receives any money or other consideration in respect of the TSDTR Litigation and TSDTR counterclaim (whether provided as a result of a settlement, insurance or any judgment or order) (collectively, "**Claim Proceeds**"), Digi shall as soon as reasonably practicable and in any case within the specified period under the SPA pay an amount equal to such Claim Proceeds to Axiata and such Claim Proceeds shall be treated by Axiata and Digi, to the extent possible, as an adjustment to the Digi Cash Consideration.

8. Governing Law

The SPA and any non-contractual obligations arising out of or in connection with it shall be governed by English law.

9. Arbitration

Subject to the terms of the SPA, any dispute shall be referred to and finally settled by arbitration by the Singapore International Arbitration Centre in accordance with the Arbitration Rules of the Singapore International Arbitration Centre.

SALIENT TERMS OF MTA

(Unless already previously defined in this Circular, all capitalised terms in this Appendix shall have the same meanings as defined in this Appendix)

1. Celcom-Digi Combination

Axiata and Digi have entered into the SPA pursuant to which (i) the Celcom Securities held by Axiata shall be transferred to Digi, (ii) the 33.10% Digi Shares will be issued to Axiata and 0.63% Digi Shares will be issued to Telenor Asia (being Axiata's nominee) against payment by Telenor Asia to Axiata of the Relevant Digi Shares Cash Consideration and (iii) the Digi Cash Consideration shall be paid to Axiata on the Closing. Please refer to Appendix I of this Circular for the salient terms of the SPA.

The MTA is entered into between Telenor Asia, Telenor and Axiata for the purposes of, amongst others, facilitating the Proposed Celcom-Digi Combination and the Proposed Equalisation.

2. Telenor Support

Telenor shall, and shall procure that Digi, Telenor Asia and each of Telenor Asia's affiliates (each to the extent applicable) shall, cooperate with Axiata and its affiliates (including Celcom and the other members of the Celcom Group except for Merchantrade and Axiata Foundation) for the purposes of achieving the Closing in accordance with the SPA (including cooperating in connection with the satisfaction by Digi of its obligations in connection with the Conditions set out in paragraphs 3.1 (a) and 3.1(b) of Appendix I of this Circular).

3. Axiata Support

Axiata shall procure Celcom and each of Axiata's affiliates (each to the extent applicable) to, cooperate with Telenor and its affiliates (including Telenor Asia and Digi and each other member of the Digi Group) for the purposes of achieving the Closing in accordance with the SPA.

4. Digi Name Change

Each of Telenor Asia and Axiata shall, to the extent that it is within their respective powers to do so, (a) use their respective reasonable efforts to procure, as promptly as practicable after the Closing but in any event within three (3) months of the Closing Date, that Digi establish a record date for, duly call, give notice of, convene and hold a shareholders meeting (including any adjournment or postponement thereof) ("**Name Change EGM**") and if necessary establish a record date for, duly call, give notice of, convene and hold another shareholders meeting (including any adjournment or postponement thereof) ("**Second Name Change EGM**") for the purposes of passing a special resolution to change the name of Digi from "Digi.Com Berhad" to "Celcom Digi Berhad" promptly following such meeting ("**Name Change**") and (b) take all other actions necessary or advisable following such shareholders' approval to effect the Name Change. Each of Telenor Asia and Axiata hereby agree and undertake to vote in favour of such Name Change at the Name Change EGM or any Second Name Change EGM.

5. Equalisation Sale

In consideration of Axiata nominating Telenor Asia to receive the 0.63% Digi Shares to be issued by Digi directly to Telenor Asia subject to, and on the terms and conditions of the SPA, Telenor Asia shall (a) subscribe for the 0.63% Digi Shares; and (b) pay Axiata RM297,918,107 in accordance with the terms of the MTA.

SALIENT TERMS OF MTA *(Cont'd)*

6. Equalisation Closing

The closing of the Proposed Equalisation pursuant to the MTA ("**Equalisation Closing**") shall occur on the Closing Date (as defined in paragraph 2.2 of Appendix I of this Circular) at the same venue as, and concurrently with the Closing under the SPA.

7. Performance guarantee

Telenor as primary obligor (and not as surety only) absolutely, unconditionally and irrevocably, for the benefit of Axiata (a) guarantees to Axiata the payment when due of all amounts payable by Telenor Asia under the MTA; (b) undertakes to cause Telenor Asia to be bound by and comply with each of the provisions of this MTA; (c) undertakes to ensure the due, punctual and full performance by Telenor Asia, and if applicable, by each of Telenor's affiliates, of all their respective obligations under or pursuant to the MTA; and (d) agrees to indemnify Axiata against all losses, costs, claims and damages sustained by it flowing from any non-payment or default of any kind by Telenor Asia under or pursuant to the MTA.

8. Termination

The MTA may be terminated at any time prior to the Equalisation Closing:

(a) automatically and immediately if the SPA is terminated in accordance with its terms; or

(b) upon the mutual written consent of the parties.

9. Governing Law

The MTA and any non-contractual obligations arising out of or in connection with it shall be governed by English law.

SALIENT TERMS OF SHA

(Unless already previously defined in this Circular, all capitalised terms in this Appendix shall have the same meanings as defined in this Appendix)

1. Parties to the SHA

The SHA is to be entered into on the completion of the Closing (as defined in paragraph 6 of Appendix I of this Circular) and the Equalisation Closing (as defined in paragraph 6 of Appendix II of this Circular) between, Axiata and Telenor Asia (each a "**Shareholder Party**", and together the "**Shareholder Parties**") and Telenor ("**Telenor Guarantor**", together with the Axiata Guarantor (solely in the case of a Permitted Transfer (as defined in paragraph 5.2 below) by Axiata) and the Shareholder Parties each a "**Party**", and collectively the "**Parties**").

For reference, "**Axiata Guarantor**" means, in case of a Permitted Transfer by Axiata pursuant to the terms of the SHA, Axiata.

The Parties agree to enter into the SHA to establish their respective rights and obligations with respect to the activities and governance of Digi (which is to be renamed "Celcom Digi Berhad") and its subsidiaries and ownership and disposition of MergeCo's securities.

2. Governance Matters

2.1. Board composition. Each Shareholder Party shall, before appointing a director of MergeCo ("**Director**"), consult with, provide relevant information about the proposed Director and give the other Shareholder Party a reasonable opportunity to express any concern as to such proposed Director's suitability. Each Shareholder Party shall procure that the Board of MergeCo shall consist of ten (10) Directors to be nominated by a Shareholder Party or jointly nominated by the Shareholder Parties, as the case may be.

2.2. Independent Directors. The Board of MergeCo shall at all times comprise at least one-third independent non-executive Directors or such other higher fraction of independent non-executive Directors as may be prescribed by applicable laws. The Shareholder Parties agree to act in good faith in considering suitably qualified Malaysian citizens to serve on the Board of MergeCo as independent non-executive Directors; *provided that* there shall be no mandatory requirement for such independent non-executive Directors to be Malaysian citizens and the Shareholder Parties will seek to appoint directors who they believe in good faith are suitably qualified candidates.

2.3. CEO and Deputy CEO ("**DCEO**"). The initial CEO of MergeCo shall be selected by Axiata (after consultation with Telenor Asia) and the initial DCEO of MergeCo shall be selected by Telenor Asia (after consultation with Axiata).

2.4. Reserved Matters. The SHA contains provisions relating to reserved matters that no consideration, action or decision relating to any of these matters shall be taken with respect to any group company (whether by any Director (or his alternate), any director, officer, any employee or any other representative of any group company or by any Shareholder Party or any of its affiliates or any of their respective representatives), without, (a) the approval of the Board of MergeCo; (b) the prior written approval of Axiata for as long as Axiata and its affiliates holds at least the prescribed minimum percentage of Outstanding Shares in MergeCo; and (c) the prior written approval of Telenor Asia for as long as Telenor Asia and its affiliates holds at least the prescribed minimum percentage of Outstanding Shares in MergeCo.

For reference: (a) "**Outstanding Shares**" means, as of the date of determination, the Shares that are then issued and outstanding (excluding any Shares issued and allotted pursuant to any MergeCo employee share option scheme or other equity incentive plan); and (b) "**Shares**" means ordinary shares of MergeCo and any other classes or series of shares in the capital of MergeCo into which such shares are reclassified or converted (including by merger or otherwise) from time to time, together with all rights, differential rights, obligations, titles, interests and claims in such shares and all bonus shares issued in respect of such shares and shares issued pursuant to a stock split, combination or other reclassification in respect of such shares.

2.5. Deadlock. If the Shareholder Parties or the Board of MergeCo is unable to make a decision regarding a proposed action or a proposal to take an action in relation to any reserved matter (such failure to resolve or meet, a "**Deadlock**"), then Axiata or Telenor Asia may refer the matter to the designated senior officers. The designated senior officers shall discuss the Deadlock and attempt to agree on a resolution with respect to the Deadlock within the prescribed timeframe. If the Shareholder Parties or the designated senior officers cannot resolve the Deadlock, the proposal shall not proceed.

2.6. Governance Policies. The Shareholder Parties shall use their reasonable endeavours to procure that MergeCo adopts and maintains governance policies and practices ("**Governance Policies**") that reflect the highest standards of the respective governance policies adopted and maintained by each Shareholder Party as of the date of the SHA. Subject to the foregoing, MergeCo's Governance Policies shall initially be based on Digi's existing governance policies as of the date of the MTA, which shall be amended and adapted as necessary to reflect the highest standards of the respective governance policies applicable to such Shareholder Party and adopted and maintained by such Shareholder Party's Ultimate Holding Person for such Shareholder Party as of the date of the SHA; *provided that*, if there is no existing Digi policy for a Governance Policy, then (if applicable) the relevant Governance Policy of MergeCo shall initially be based on the existing Celcom governance policy as of the date of the MTA (if available), which shall be amended and adapted as necessary to reflect the highest standards of the respective governance policies adopted and maintained by each Shareholder Party as of the date of the SHA.

For reference, "**Ultimate Holding Person**" means (a) in the case of Axiata or its affiliates, Axiata or (b) in the case of Telenor Asia or its affiliates, the Telenor Guarantor.

3. Strategic Alignment

3.1. Merger Integration Plan. MergeCo shall:

(a) implement the merger integration plan as prescribed under the SHA ("**Merger Integration Plan**"), and maintain a merger integration committee ("**Merger Integration Committee**") consisting of certain members of management of MergeCo identified jointly by the Shareholder Parties (with equal representation among members nominated by Axiata and members nominated by Telenor Asia) to act as the principal advisory body to the CEO and DCEO and to supervise the implementation of the Merger Integration Plan. In addition, each of Axiata and Telenor shall have the right to appoint two (2) of its (or affiliates') employees as participants of the Merger Integration Committee.

(b) Ensure that its senior management meet with the group chief financial officers of each of Axiata and Telenor every month to review the financial and performance of the group companies and establish a joint technology committee ("**Joint Technology Committee**") which shall meet at least once every quarter, consisting of certain members of the management of MergeCo, to guide MergeCo on the appropriate and best technology and systems to be adopted. In addition, each of Axiata and Telenor shall have the right to appoint one (1) of its (or its affiliates') employee as participant of the Joint Technology Committee.

3.2. Malaysia National Innovation Center. It shall be an objective of MergeCo and its subsidiaries to accelerate technology transformation and digitalisation in Malaysia by establishing a "National Innovation Center" within the prescribed period under the SHA to foster technology transformation and digitalisation in Malaysia.

4. Standstill Restrictions

4.1. The SHA contains provisions relating to standstill restrictions whereby each Shareholder Party agrees that for a period of three (3) years on and from the date of the SHA (the "**Standstill and Lock-up Period**"), such Shareholder Party shall not, and shall cause each of its affiliates and its representatives not to, except with the prior written consent of the other Shareholder Party and subject to the exceptions as set out in the SHA, amongst others, acquire or subscribe for, or agree or offer to acquire or subscribe for any Equity Securities (or the securities of any successor to or person in control of MergeCo), any direct or indirect rights or options to acquire any Equity Securities or any forward contract, swap or other position with a value derived from the Equity Securities or a material portion of the assets of MergeCo or of its divisions or of any such successor or controlling persons.

For reference, "**Equity Securities**" means: (a) any Shares of MergeCo, other classes of shares or other equity securities; or (b) any security, right, option, warrant, appreciation right or instrument (including debt instrument) that is exercisable for, convertible into, exchangeable for, or entitles the holder to acquire or receive, with or without consideration, any Shares, other classes of shares or other equity securities (including any option to purchase or rights to subscribe for such a convertible or exchangeable security) of MergeCo.

5. Transfer of Shares

5.1. Restriction on Transfers. No Party shall make or attempt to effect any transfer of all or any portion of any Equity Securities owned or otherwise held by such Party, except in accordance with the provisions of the SHA.

5.2. Permitted Transfer. Subject to the provisions of the SHA, each of the Parties agrees, amongst others, that if it or any of its affiliates transfers any Equity Securities pursuant to a Permitted Transfer, the guarantor for that Party's group guarantees the performance of the SHA by such Permitted Transferee under the provisions of the SHA. Notwithstanding paragraph 5.1 *(Restriction on Transfers)*, the provisions set forth in, amongst others, paragraph 5.6 *(Lock-up; Right of First Offer)* shall not apply to transfers of shares that constitute Permitted Transfers.

For reference: (a) "**Permitted Transfer**" means a transfer of Shares to a Permitted Transferee; and (b) "**Permitted Transferee**" means any entity that is or is a wholly-owned subsidiary of, the applicable Ultimate Holding Person of the Shareholder Party.

5.3. Major Transfer. Each of the Parties agrees that it shall not, and shall cause its affiliates not to, transfer any Equity Securities to any third party if such third party (a "**Major Transfer Buyer**" and such Transferring Party, a "**Major Transfer Seller**") and its affiliates would, following such transfer, beneficially own 23.2% or more of the Outstanding Shares (a "**Major Transfer**") unless (a) the Major Transfer Seller has complied with its obligations under paragraph 5.4 *(Major Transfer Buyer and Remaining Party Discussions)* and paragraph 5.6(b) *(Right of First Offer)*; (b) the Major Transfer Buyer has executed a deed of adherence and agreed to be bound by the obligations and restrictions under the SHA as a Party; (c) the Major Transfer Buyer has agreed with the Remaining Party (as defined in paragraph 5.4 below) to a lock-up restriction (in substantially the same form as paragraph 5.6(a) *(Lock-up)*) for at least two (2) years following the date of the deed of adherence; and (d) the Major Transfer Seller has agreed to cease, or by operation of the terms of the SHA would cease, to be a Party to the SHA on and from the completion of the Major Transfer.

5.4. Major Transfer Buyer and Remaining Party Discussions. No less than thirty (30) Business Days before entering into a binding definitive agreement for a Major Transfer, the Major Transfer Seller shall deliver to the other Party (the "**Remaining Party**") a written notice of its intended Major Transfer. The Major Transfer Seller shall use its reasonable endeavours to facilitate discussions between the Remaining Party and the Major Transfer Buyer on, amongst others, the following topics: (a) the Major Transfer Buyer's views on the Remaining Party's strategy for MergeCo; (b) whether the Major Transfer Buyer is of comparable financial standing to the Major Transfer Seller and its guarantor and, if not, whether the Major Transfer Buyer can provide a suitable guarantor to establish a sufficient level of financial standing to support its obligations under the SHA; and (c) whether there would be any material adverse impact on the Remaining Party or the group companies as a result of the Major Transfer and whether any such adverse impact may be removed.

5.5. Transfers to Prohibited Persons. Each of the Parties agrees that it shall not and shall cause its affiliates not to knowingly transfer any Equity Securities to any person who is or whose affiliate is a competitor or a sanctioned person, *provided that* the restriction in this paragraph shall not apply to on-market sales by a Party on Bursa Securities in which a Party is unaware of the identity of the buyer at the time of such sale.

5.6. Lock-up; Right of First Offer

(a) Lock-up. During the Standstill and Lock-Up Period, no Shareholder Party shall directly or indirectly transfer any Shares, except for Permitted Transfers. After the expiry of the Standstill and Lock-up Period, no Shareholder Party shall transfer any Shares, other than (x) with the prior written consent of the other Parties, or (y) in compliance with the provisions relating to transfer of shares under the SHA and to the extent applicable, provisions relating to right of first offer (as set out in paragraph 5.6(b) below), pledging of shares (as set out in paragraph 5.6(c) below) and provisions relating to transfer-related matters under the SHA.

(b) Right of First Offer. Subject to the provisions on transfer of shares in the SHA and the other provisions of paragraph 5.6, a Shareholder Party wishing to transfer its Shares (a "**Transferring Shareholder**") may transfer any Shares to a third party only if it first provides a notice in writing (a "**Transfer Notice**") indicating its interest to transfer such Shares (the "**Offered Shares**") to the other Shareholder Party (a "**Non-Transferring Shareholder**"). A Transfer Notice must specify, amongst others, the number of Shares proposed to be so sold, the number of Shares held by the Transferring Shareholder and its affiliates; and the price per Share (which shall be for cash consideration) and other material terms upon which the Transferring Shareholder proposes to transfer the Offered Shares (the "**ROFO Offered Terms**"). The Transfer Notice shall constitute a binding offer ("**ROFO Offer**") by the Transferring Shareholder to sell all of the Offered Shares to the Non-Transferring Shareholder. If the Non-Transferring Shareholder does not deliver the relevant acceptance notice within the prescribed acceptance period, the request in the Transfer Notice will be deemed to have been declined. Upon the ROFO Offer being declined or deemed to have been declined, the Transferring Shareholder may sell all and not some only of the Offered Shares to a third party at the same or higher price and on other terms and conditions no less favorable as a whole to the third party than those contained in the ROFO Offer, subject to the terms of the SHA.

(c) Pledging of Shares. Each Shareholder Party may pledge, charge, mortgage or otherwise specifically create a lien over any of its Shares in favour of a permitted financing bank (a "**Finance Party**") as security for any indebtedness or other obligation of such Shareholder Party, *provided that* such Finance Party shall have agreed in writing with the other Shareholder Party on behalf of it and on behalf of any other finance parties entitled to the benefit of such lien that:

(i) the Finance Party shall notify such Shareholder Party before or as soon as reasonably practicable after taking steps to enforce any such lien;

(ii) if the Finance Party expects to appoint an administrator, receiver, or similar office holder, it shall notify the other Shareholder Party promptly; and

(iii) in the event that the Finance Party takes possession or otherwise causes a sale of the Shares, or if an administrator, receiver or similar office holder is appointed, the Finance Party shall comply, or shall cause any such transfer to comply, or (if applicable) shall ensure that such administrator, receiver or similar office holder agrees in writing that it shall comply, with the provisions of paragraph 5.6(b) *(Right of First Offer)* (as if it were the Transferring Shareholder) and paragraph 5.3 *(Major Transfer)* (in the event of a transfer that would result in any person (and its affiliates) beneficially owning 26% or more of the Outstanding Shares following such transfer), in each case in favour of the other Party.

6. Termination

The SHA shall terminate upon the occurrence of any of the following events:

(a) on the date which the SHA is terminated by the written agreement of all Parties;

(b) on the date which MergeCo is wound up, liquidated, or dissolved (other than as a result of a solvent reorganisation or merger, consolidation, scheme, amalgamation in which case it shall continue to apply to the successor or surviving entity); and

(c) solely with respect to a Shareholder Party (and its applicable guarantor) if such Shareholder Party and its affiliates cease to own at least 10% of the Outstanding Shares, but without prejudice to the continuation of the SHA with respect to any other Shareholder Parties (including transferees which become Parties in accordance with the terms of the SHA).

7. Governing Law

The SHA including any non-contractual obligations arising out of or in connection with the SHA is governed by and shall be construed in accordance with English law.

INFORMATION ON CELCOM

1. History and business

Celcom was incorporated in Malaysia under the Companies Act, 1965 on 5 January 1988 as a private limited company under the name of STM Cellular Communications Sdn. Bhd. Subsequently, its name was changed to Celcom Sdn. Bhd., Cellular Communications Network (Malaysia) Sdn. Bhd. and Celcom (Malaysia) Sdn. Bhd. on 24 January 1990, 12 November 1991 and 2 December 1997 respectively. It was converted to a public company on 28 January 2002 under the name of "Celcom (Malaysia) Berhad" and assumed its present name since 28 December 2009.

In 2002, Technology Resources Industries Berhad ("**TRI**") (now known as Celcom Resources) undertook an internal restructuring exercise to reorganise the corporate structure of TRI involving, among others, the transfer of the listing status of TRI to Celcom. Subsequent to the internal restructuring exercise, TRI was delisted and Celcom was listed on the Main Board of Kuala Lumpur Stock Exchange ("**KLSE**") on 10 October 2002.

In 2003, Telekom Malaysia Berhad, Telekom Enterprise Sdn. Bhd. ("**TESB**") and its PACs undertook a mandatory general offer to acquire the remaining ordinary shares of Celcom not already owned by them which resulted in Celcom being delisted from the Official List of the KLSE and became a wholly-owned subsidiary of TM.

In 2008, TM International Berhad ("**TM International**") (now known as Axiata) undertook a corporate exercise resulting in its demerger from TM. As part of the demerger exercise, Celcom was also demerged from TM and became a wholly-owned subsidiary of TM International. TM International was then listed on the Main Board of Bursa Securities on 28 April 2008 and assumed its present name of Axiata on 31 March 2009.

Celcom is licensed to provide telecommunications services in Malaysia with a core business focus as a mobile communications network operator. Celcom began its business operations in 1989 and is one of Malaysia's first communications service providers.

The principal place of business of the Celcom Group is Level 31, @Celcom, No. 6, Persiaran Barat, Seksyen 52, 46200 Petaling Jaya, Selangor. The Celcom Group is primarily engaged in the provision of domestic mobile voice, data and digital communications services and currently provides 2G and 4G mobile services via its prepaid and postpaid packages, as well as fixed broadband services under the brand name *"Celcom*", while also providing management services to its subsidiaries. The Celcom Group's principal market for its services is Malaysia and derives all its revenue from Malaysia.

As at 31 December 2020, Celcom has approximately 8.68 million mobile subscribers, while its total subscriber market share was 18.3%, according to the MCMC Industry Performance Report 2020 ("**MCMC Report**"). Celcom's mobile subscribers have subsequently increased to approximately 9.6 million as at 31 December 2021, whilst its total subscriber market share was 18.7%, according to the MCMC Industry Performance Report 2021. The positive mobile subscriber growth figures indicate steady signs of recovery for Celcom following the loss of mobile subscribers in the first half of 2020, due to the impact of the COVID-19 pandemic.

As at the LPD, Celcom has approximately 9.4 million mobile subscribers, of which 3.2 million of these subscribers are postpaid users.

2. Share capital

As at the LPD, the issued share capital of Celcom is RM1,237,534,681 comprising 1,237,534,681 ordinary shares ("**Celcom Shares**").

3. Directors and substantial shareholders

As at the LPD, the directors of Celcom are as follows:

Name	Nationality	Designation
Tan Sri Dr Halim Shafie	Malaysian	Interim Chairman and Independent Non-Executive Director
Thayaparan S Sangarapillai	Malaysian	Deputy Chairman and Independent Non-Executive Director
Khatijah Begom Shah Mohamed	Malaysian	Independent Non-Executive Director
Datuk Mohamad Idham Nawawi	Malaysian	CEO
Himanshu Kapania	Indian	Non-Independent Non-Executive Director
Dr. Shridhir Sariputta Hansa Wijayasuriya	Sri Lankan/British	Non-Independent Non-Executive Director
Thomas Hundt	German	Non-Independent Non-Executive Director
Vivek Sood	Indian	Non-Independent Non-Executive Director

The directors do not have any direct or indirect shareholding in Celcom. Celcom is a wholly-owned subsidiary of Axiata.

As at the LPD, the substantial shareholders of Celcom and their direct and indirect shareholding in Celcom are as follows:

		Direct		Indirect	
	Country of incorporation	No. of Celcom Shares	%	No. of Celcom Shares	%
Axiata	Malaysia	1,237,534,681	100.00	-	-
Khazanah	Malaysia	-	-	1,237,534,681[(1)]	100.00

Note:

(1) Deemed interested by virtue of its 36.74% shareholding in Axiata.

4. Subsidiaries, associate and joint ventures

As at the LPD, the subsidiaries, associate and joint ventures of Celcom are as follows:

Name of company	Place/ Date of incorporation	Equity interest (%)	Share capital (RM)	Principal activities
Subsidiaries held through Celcom				
Celcom Mobile Sdn. Bhd.	Malaysia/ 15 July 1976	100.00	313,000,000	Mobile communications, network and application services and content
Celcom Networks	Malaysia/ 30 March 1990	100.00	2,575,000,000	Network telecommunications, capacity and services
Celcom Properties Sdn. Bhd.	Malaysia/ 24 August 1994	100.00	2	Property investment
Escape Axiata Sdn. Bhd.	Malaysia/ 21 May 1992	100.00	2,600,000	OTT and other on demand content services (*Inactive since 31 December 2017*) (1)
Celcom Retail Holding Sdn. Bhd.	Malaysia/ 4 August 1988	100.00	500,000	Strategic and business development, management, administrative, support services and investment holding
Celcom Intelligence Sdn. Bhd.	Malaysia/ 4 October 1989	100.00	10,000	Investment holding (*Inactive since 31 December 2017*) (1)(2)
Celcom Timur (Sabah) Sdn. Bhd.	Malaysia/ 17 January 1995	80.00	7,000,000	Fibre optic transmission network
Celcom eCommerce Sdn. Bhd.	Malaysia/ 22 June 1999	100.00	8,000,000	Electronic wallet services (*Inactive since 31 December 2018*) (1)
Celcom Resources	Malaysia/ 1 December 1966	100.00	1,000	Investment holding(3)
Bridgenet Solutions Sdn. Bhd.	Malaysia/ 24 April 2003	51.00	17,599,998	Provision of cybersecurity solution, networking solutions

Name of company	Place/ Date of incorporation	Equity interest (%)	Share capital (RM)	Principal activities
				and other ICT solutions as well as managed services provider
Infront Consulting Group (M) Sdn. Bhd.	Malaysia/ 5 March 2010	60.00	1,999,999	Provision of shared services or outsourcing services in relation to business management and integration system and provision of related services for implementation, technical services and maintenance
Subsidiary held through Celcom Retail Holding Sdn. Bhd.				
Celcom Retail Sdn. Bhd.	Malaysia/ 9 January 2007	100.00	15,000,000	Trading and distribution of communication devices and related products and managing retail stores
Subsidiary held through Celcom Resources				
Celcom Trading Sdn. Bhd.	Malaysia/ 1 November 1983	100.00	2,000,000	Dealings in marketable securities
Subsidiary held through Infront Consulting Group (M) Sdn. Bhd.				
Infront Consulting Group (S) Pte. Ltd.	Singapore/ 5 August 2011	69.00	SGD100,000	Software consultancy
Associate				
Sacofa Sdn. Bhd.	Malaysia/ 11 July 2001	15.12	134,393,268	Telecommunications infrastructure and services including all its related businesses
Joint venture held through Celcom Mobile Sdn. Bhd.				
Tune Talk Sdn. Bhd.	Malaysia/ 13 January 2006	35.00[(4)]	15,000,000	Mobile communications services

Notes:

(1) The companies have ceased their business operations and no longer generate any revenue.

(2) Celcom Intelligence Sdn. Bhd. was the immediate holding company of Celcom Planet Sdn. Bhd., a company involved in e-commerce platform business. Celcom Intelligence Sdn. Bhd. had disposed its interest in Celcom Planet Sdn. Bhd. in 2017.

(3) Celcom Resources is the immediate holding company of Celcom Trading Sdn. Bhd.

(4) Celcom was granted a call option in respect of additional 16% shareholding in Tune Talk pursuant to the shareholders' agreement of Tune Talk dated 23 December 2008, the call option was subsequently transferred to Celcom Mobile together with the shares in Tune Talk.

5. Financial information

A summary of the consolidated financial information of Celcom based on the Accountants' Report of Celcom for the past three (3) FYEs 31 December 2019, 2020 and 2021 and unaudited results of the Celcom Group for the 6-month FPE 30 June 2022 is as follows:

	Audited			**Unaudited**
	FYE 31 December			**FPE 30 June**
	***2019**	**2020**	**2021**	**2022**
	(RM'000)	**(RM'000)**	**(RM'000)**	**(RM'000)**
Revenue	6,706,135	6,218,831	6,622,722	3,338,374
Profit before tax ("**PBT**")	1,051,851	855,679	1,212,230	789,895
PATAMI	789,369	677,435	942,792	542,043
Weighted average number of Celcom Shares	1,237,535	1,237,535	1,237,535	1,237,535
Earnings per Celcom Share (sen) - Basic and diluted(1)	63.8	54.7	76.2	43.8
Share capital	1,237,535	1,237,535	1,237,535	1,237,535
NA attributable to the owners of the company	294,649	222,138	146,086	529,667
NA per Celcom Share (sen)(2)	23.8	18.0	11.8	42.8
Total equity	362,491	299,483	233,805	642,551
Total borrowings including lease liabilities	8,604,111	8,271,849	7,502,657	7,315,132
Total current assets	3,079,256	3,045,284	2,610,211	3,304,155
Total current liabilities	4,745,325	3,974,806	4,036,159	4,204,005
Total assets	12,999,342	12,570,172	11,590,674	12,408,789
Total liabilities	12,636,851	12,270,689	11,356,869	11,766,238
Current ratio(3)	0.6	0.8	0.6	0.8
Gearing ratio(4)	23.7	27.6	32.1	11.4

Notes:

* *The Celcom Group has adopted MFRS/IFRS 16 – Leases for the first time in the 2019 financial statements, which resulted in changes in accounting policies and adjustments to the Celcom Group's financial position as at 1 January 2019.*

(1) Computed based on profit attributable to owners of the company divided by weighted average number of Celcom Shares.

(2) Computed as NA attributable to the owners of the company divided by weighted average number of Celcom Shares.

(3) Computed based on total current assets divided by total current liabilities.

(4) Computed based on total borrowings including lease liabilities divided by total equity.

Commentaries

Comparison between FYE 31 December 2019 and FYE 31 December 2020

Revenue decreased by 7.3% from RM6,706.1 million for the FYE 31 December 2019 to RM6,218.8 million for the FYE 31 December 2020 due to lower contribution from the mobile segment impacted by the COVID-19 pandemic. PBT decreased by 18.7% from RM1,051.9 million for the FYE 31 December 2019 to RM855.7 million for the FYE 31 December 2020 due to Employee Restructuring Program ("**ERP**") and accelerated depreciation of 3G assets. Excluding ERP and accelerated depreciation, PBT increased by 6.7% driven by improved credit management, lower marketing spend, resolution of dispute pertaining to network expenses and recovery of indirect tax claims.

Comparison between FYE 31 December 2020 and FYE 31 December 2021

Revenue increased by 6.5% from RM6,218.8 million for the FYE 31 December 2020 to RM6,622.7 million for the FYE 31 December 2021 primarily due to higher mobile telecommunication and sale of device revenue as a result of the growth of mobile subscriber and positive take up on bundled device offerings with postpaid plans and newly launched smartphones. With higher revenue, higher other income from one-off settlement sum received in relation to litigation suits, improved credit management, lower finance cost and lower staff costs, PBT increased by 41.7% from RM855.7 million for the FYE 31 December 2020 to RM1,212.2 million for the FYE 31 December 2021.

Comparison between FPE 30 June 2022 and FPE 30 June 2021

Revenue increased by 2.0% from RM3,274.0 million for the FPE 30 June 2021 to RM3,338.4 million for the FPE 30 June 2022 mainly driven by growth in prepaid business coupled with contribution from new subsidiaries, partially offset by lower device sales. PBT increased by 153.2% from RM312.0 million for the FPE 30 June 2021 to RM789.9 million for the FPE 30 June 2022, flowing through from higher revenue, improved credit management and lower marketing spend. Further increase in PBT from the absence of accelerated depreciation of 3G assets amounting to RM229.3 million which was charged in 2021.

Accounting policies and audit qualification

For the past three (3) FYEs 31 December 2019, 2020 and 2021 under review:

(i) there were no exceptional or extraordinary items reported in Celcom's audited consolidated financial statements;

(ii) there were no accounting policies adopted by Celcom which are peculiar to Celcom due to the nature of its business or the industry which it is involved in; and

(iii) Celcom's external auditors had not issued any audit qualification on its audited consolidated financial statements.

6. Excluded assets

Pursuant to the terms of the SPA, Axiata shall, prior to the completion of the Proposed Merger, procure Celcom and/or the relevant member of the Celcom Group to sell, assign and transfer the Merchantrade Shares to Axiata or any of its affiliates or nominees, or if required, any other shareholder of Merchantrade. Celcom's share of profit and NA in Merchantrade for the FYE 31 December 2020 are approximately RM0.9 million and RM22.6 million respectively.

Accordingly, Celcom had on 2 November 2021 transferred the Merchantrade Shares to Axiata SPV4 Sdn Bhd, for a cash consideration of RM1.00. Further, Celcom will cease to be a member of Axiata Foundation prior to the completion of the Proposed Merger.

Additionally, Axiata shall procure that Celcom ceases to be a member of Axiata Foundation. Axiata Foundation is incorporated in Malaysia as a company limited by guarantee and not having a share capital. The objectives of Axiata Foundation are to develop and nurture talent pool and foster, develop and improve education.

Further, there is an intention to exclude Tune Talk Shares in from the Proposed Merger. Please refer to Section 11 of this Appendix for further details.

7. Type of assets owned

Based on Celcom's latest audited consolidated financial statements for the FYE 31 December 2021, the Celcom Group's total assets stood at approximately RM11.6 billion, which comprise the following:

Type of assets	**As at 31 December 2021**
	(RM'000)
Property, plant and equipment	4,343,942
Right-of-use assets	2,973,553
Investment in associated company	140,528
Intangible assets	779,516
Derivative financial instrument	43,342
Deferred tax assets	226,045
Trade and other receivables	1,544,845
Inventories	61,935
Financial assets at fair value through profit or loss	26
Tax recoverable	91,408
Deposits, cash and bank balances	1,385,534
Total	**11,590,674**

8. Material commitments and contingent liabilities

As at the LPD, save as disclosed below, the Board of Celcom is not aware of any material commitments incurred or known to be incurred by the Celcom Group which may have a material impact on the profits and/or NA of the Celcom Group:

Material commitments

	RM'000
CAPEX for property, plant and equipment:	
Approved and contracted for	968,944
Approved but not contracted for	280,067
Total	**1,249,011**

Please also refer to Section 9 of this Appendix for the material commitment incurred by the Celcom Group for the proposed subscription of new DNB Shares and DNB Rights to Allotment subsequent to the LPD.

Contingent liabilities

As at the LPD, save as disclosed below, the Board of Celcom is not aware of any contingent liabilities, which upon becoming enforceable, may have a material impact on the profits and/or NA of the Celcom Group:

(i) TSDTR and Bistamam's Counterclaim for Main Suit 1

As at the LPD, the value of the claim and potential exposure to liability in relation to the TSDTR and Bistamam's Counterclaim for Main Suit 1 amounts to approximately RM7,215 million.

(ii) TSDTR and Bistamam's Counterclaim for Main Suit 2

As at the LPD, the value of the claim and potential exposure to liability in relation to the TSDTR and Bistamam's Counterclaim for Main Suit 2 amounts to approximately RM7,215 million.

Further details of the TSDTR and Bistamam's Counterclaim for Main Suit 1 and TSDTR and Bistamam's Counterclaim for Main Suit 2 are set out in Section 10 of this Appendix.

9. Material contracts

Save as disclosed below, the Celcom Group has not entered into any material contract outside the ordinary course of business which are or may be material during the two (2) years immediately preceding the date of this Circular.

(i) **Share subscription agreement dated 7 October 2022 in respect of the subscription of (i) 100,000 new DNB Shares and (ii) 178,471,429 DNB Rights to Allotment**

On 7 October 2022, Celcom Mobile entered into a conditional share subscription agreement with DNB for the proposed subscription of:

(a) 100,000 new DNB Shares; and

(b) 178.47 million DNB Rights to Allotment,

which represents 12.50% equity interest in the enlarged DNB for a total cash consideration of RM178.57 million.

Pursuant to the terms of the conditional share subscription agreement with DNB, in the event the Proposed Merger is not completed by 30 June 2023, Celcom Mobile shall subscribe for an additional 113.10 million DNB Rights to Allotment, for cash consideration of RM113.10 million, such that its equity interest in the enlarged DNB will increase from 12.50% to 17.50%. Digi Tel had on the same date, entered into a similar agreement with similar terms with DNB, please refer Section 8 of Appendix V of this Circular for further details.

Under the terms of the conditional share subscription agreement with DNB entered into by Celcom Mobile and Digi Tel respectively with DNB, if the Proposed Merger completes, their collective equity interest in DNB shall not be more than 25.00% of the aggregate issued DNB Shares and granted DNB Rights to Allotment. In the event of non-completion of the Proposed Merger, Celcom Mobile will hold 17.50% equity interest in the enlarged DNB.

The conditional share subscription agreement with DNB is expected to be completed during the fourth quarter of 2022, subject to fulfilment of the following conditions precedent:

(i) the execution of an access agreement between a related corporation of Celcom Mobile and DNB for the offtake of wholesale 5G services nationwide by that related corporation of Celcom Mobile;

(ii) the execution of a shareholders' agreement between Celcom Mobile, DNB and other investors under the other share subscription agreements and Minister of Finance (Incorporated) ("**MoF Inc.**");

(iii) the approval of the Minister for the changes required to the NFP and NSP licenses held by DNB to enable DNB to meet its obligations under the conditional share subscription agreement;

(iv) the amendment of the DNB Board Charter with written approval from the MCMC;

(v) written consent from DNB's lenders;

(vi) written consent or waiver from major vendors of DNB;

(vii) written confirmation from the MCMC that no merger approval is required for the subscription of 100,000 new DNB Shares and 178.47 million DNB Rights to Allotment under the conditional share subscription agreement and the other share subscription agreements;

(viii) a certified true copy of an extract of the shareholder's resolution of DNB approving the execution, delivery and performance of its obligations under the conditional share subscription agreement;

(ix) a letter from MoF Inc. waiving its pre-emptive rights on the issue of 100,000 new DNB Shares and 178.47 million DNB Rights to Allotment to Celcom Mobile;

(x) written consent by the MoF Inc. to grant to Celcom Mobile a put option where Celcom Mobile may put to and require the MoF Inc. to purchase all shares owned by Celcom Mobile at RM 1.00 per share in the event the MCMC (or any government agency with the relevant authority) determines that:

(a) DNB is no longer the single wholesale provider of 5G services in Malaysia; or

(b) any MCMC licensee(s) (including Celcom Mobile) is entitled to re-deploy its existing spectrum to provide 5G services or is otherwise provided with or acquires spectrum to provide 5G services, whether on a wholesale or retail basis; and

(xi) the appointment of an escrow agent and execution of an escrow agreement between the escrow agent, Celcom Mobile and DNB.

In addition, the Celcom Group intends to fund the cash considerations for the conditional share subscription agreement with DNB via internally generated funds.

10. Material litigation

As at the LPD, the Celcom Group is not engaged in any material litigation, claims and/or arbitration either as plaintiff or defendant, and the Board of Celcom is 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 the Celcom Group, save as follows:

(a) Kuala Lumpur High Court Suit No. D1-22-1960-2008 Celcom and Celcom Resources vs TSDTR & 6 Others

On 24 October 2008, Celcom and Celcom Resources commenced proceedings against five (5) of its former directors, namely (i) TSDTR, (ii) Dato' Bistamam bin Ramli ("**Bistamam**"), (iii) Dato' Lim Kheng Yew ("**DLKY**"), (iv) Axel Hass ("**AH**"), and (v) Oliver Tim Axmann ("**OTA**") (the Main Suit 1 Defendants named in items (iv) and (v) are collectively referred to as the "**Main Suit 1 DeTeAsia Representatives**"), as well as (vi) DeTeAsia Holding GmbH ("**DeTeAsia**") and (vii) Beringin Murni Sdn. Bhd. (collectively with the Main Suit 1 DeTeAsia Representatives referred to as the "**Main Suit 1 Defendants**"), seeking damages for conspiracy. Celcom and Celcom Resources claim that the Main Suit 1 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 dated 7 February 2002 ("**2002 Supplemental Agreement**") and the Amended and Restated Supplemental Agreement dated 4 April 2002 with DeTeAsia ("**ARSA**") in consideration for the renunciation by DeTeAsia of certain rights issue shares in Celcom Resources in favour of TSDTR and Bistamam.

On 23 June 2016, TSDTR and Bistamam filed a statement of defence and counterclaim against Celcom, Celcom Resources and Telekom Malaysia Berhad ("**TSDTR and Bistamam's Counterclaim for Main Suit 1**"), seeking among others, payment of the sum of RM7,214.9 million together with interest.

The trial and TSDTR and Bistamam's Counterclaim for Main Suit 1 commenced on 22 January 2018 and are ongoing.

On 15 November 2021, Celcom, Celcom Resources and DeTeAsia including the Main Suit 1 DeTeAsia Representatives reached an amicable settlement at an agreed sum which was subsequently received by Celcom from DeTeAsia without any admission as to liability in respect of this suit. Celcom and Celcom Resources have discontinued this suit with no order as to costs and without liberty to file afresh against DeTeAsia and the Main Suit 1 DeTeAsia Representatives.

The parties have filed post trial written submissions and oral submissions are now fixed for 13 December 2022.

The solicitors of Celcom and Celcom Resources are of the opinion that Celcom and Celcom Resources have reasonable prospects of successfully prosecuting the proceedings in respect of the remaining Main Suit 1 Defendants, and that Celcom and Celcom Resources have a good prospect in successfully defending TSDTR and Bistamam's Counterclaim for Main Suit 1.

(b) Kuala Lumpur High Court Suit No. D5-22-610-2006
Celcom & Another vs TSDTR & 8 Others

On 28 April 2006, Celcom and Celcom Resources instituted a claim against nine (9) of its former directors (namely (i) TSDTR, (ii) Bistamam, (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 Main Suit 2 Defendants named in items (iv) and (ix) collectively referred to as the "**Main Suit 2 DeTeAsia Representatives**") (collectively referred to as the "**Main Suit 2 Defendants**") seeking an indemnity from the Main Suit 2 Defendants, for the sums paid by Celcom to DeTeAsia in satisfaction of the award granted in August 2005 handed down by the Tribunal of the International Court of Arbitration of the International Chamber of Commerce in Paris ("**ICC Award**"). The breaches of duty complained in the legal proceedings relate mainly to the entry into a subscription agreement dated 25 June 1996 between Deutsche Telekom AG, Celcom Resources and Celcom and the ARSA ("**Subscription Agreement**"). The Main Suit 2 Defendants were inter-alia, directors of Celcom and TRI (now known as Celcom Resources) at the time of entry into the Subscription Agreement and the ARSA. Celcom and Celcom Resources claim that these agreements were entered into by the various directors of Celcom and Celcom Resources in breach of their fiduciary duties.

In this action, Celcom and Celcom Resources are seeking an indemnity in relation to the sums paid out to DeTeAsia pursuant to the ICC Award as well as damages for various breaches of fiduciary duties committed by them in relation to the entry into the Subscription Agreement and the ARSA.

On 23 June 2016, TSDTR and Bistamam served their defence and counterclaim ("**TSDTR and Bistamam's Counterclaim for Main Suit 2**"), seeking, among others, payment of the sum of RM7,214.9 million together with interest.

The trial in the High Court commenced on 22 January 2018 and it is ongoing.

On 15 November 2021, Celcom, Celcom Resources and DeTeAsia including the Main Suit 2 DeteAsia Representatives reached an amicable settlement at an agreed sum which was subsequently received by Celcom from DeTeAsia without any admission as to liability in respect of this suit. Celcom and Celcom Resources have discontinued this suit with no order as to costs and without liberty to file afresh against the Main Suit 2 DeTeAsia Representatives.

The parties have filed post trial written submissions and oral submissions are now fixed for 13 December 2022.

The solicitors of Celcom and Celcom Resources are of the opinion that Celcom and Celcom Resources have reasonable prospects of successfully prosecuting the proceedings in respect of the remaining Main Suit 2 Defendants, and that Celcom and Celcom Resources have a good prospect in successfully defending TSDTR and Bistamam's Counterclaim for Main Suit 2.

11. Other matters

Tune Talk Sdn. Bhd. ("Tune Talk") Litigation

Originating Summons ("**OS**") and Injunction

Axiata had on 13 October 2021 notified Digi, Telenor and Telenor Asia that Padda Gurtaj Singh, East Pacific Capital Private Limited and Tune Strategic Investments Limited (collectively, "**Plaintiffs**"), being shareholders of Tune Talk, had on 28 September 2021 filed an OS to the High Court of Malaya ("**High Court**") in Kuala Lumpur on Axiata, Celcom, Celcom Mobile, Tune Talk and the other shareholders of Tune Talk as defendants ("**Tune Talk Litigation**").

The OS was filed pursuant to a dispute pertaining the allegations by the Plaintiffs that the Proposed Merger would purportedly result in a change in control of a shareholder in Tune Talk which allegedly amounts to a material breach under the shareholders' agreement of Tune Talk dated 23 December 2008 ("**Tune Talk Shareholders' Agreement**") ("**Alleged Breach**"), the parties to which comprise the Plaintiffs and certain shareholders of Tune Talk.

Accordingly, the Plaintiffs had sought for the following reliefs:

(a) that Axiata be restrained from including Celcom Mobile's shareholding in Tune Talk from being included in the Proposed Merger, being the first prayer in the OS;

(b) that Celcom be restrained from revising the terms on which it provides network services to Tune Talk, being the second prayer in the OS; and

(c) that the directors of Tune Talk nominated by Celcom Mobile be restrained from voting on any decisions of the board of directors of Tune Talk, and that no decision requiring a positive vote by Celcom or Celcom Mobile be made unless with the agreement of all the remaining shareholders of Tune Talk, being the third prayer in the OS.

Axiata, Celcom and Celcom Mobile had on 11 October 2021 filed applications to the High Court in Kuala Lumpur to strike out the OS. The affidavits for the OS have also been filed and exchanged and the High Court had directed that the hearing for the OS be fixed on 9 February 2022 to dispose of the same on its merits while simultaneously disposing the objections raised in the striking out applications. The High Court had on 9 February 2022 requested Celcom and Celcom Mobile to attempt to reach a resolution by providing additional undertakings to the Plaintiffs to address their concerns. On 29 March 2022, the High Court granted an order in favour of the Plaintiffs in respect of one out of three of the Plaintiffs' prayers only, where Axiata is prohibited by an injunction from including the Tune Talk Shares, as part of the proposed sale of Axiata's shareholding in Celcom to Digi ("**the Tune Talk Injunction**"). The other prayers were dismissed. Following the said decision, Celcom, Celcom Mobile and Axiata had filed a Notice of Appeal dated 30 March 2022 at the Court of Appeal to appeal against the High Court's decision. The Court of Appeal proceeded to fix a hearing date on 7 December 2022.

The solicitors of Celcom, Celcom Mobile and Axiata are of the view that there is a good chance of having the decision overturned at the appeal with the Court of Appeal. However, as written and/or oral submission have yet to be exchanged and exhausted, the solicitors are unable to fully ascertain the potential counter arguments that the Plaintiffs may raise.

Arbitration

A Notice of Arbitration dated 8 November 2021 was also issued/notified to Axiata, Celcom and Celcom Mobile in respect of (i) a purported notice of material breach; and (ii) the subsequent compulsory transfer notice where the Plaintiffs demanded for the Tune Talk Shares to be compulsorily transferred to the other shareholders of Tune Talk as a result of the Alleged Breach ("**Arbitration**").

The Notice of Arbitration and the Response to the Notice of Arbitration have been exchanged. The Plaintiffs have written to the Asian Internal Arbitration Centre requesting to commence arbitration and to appoint one Dr. Christopher To as the arbitrator, and Dr Christopher To was appointed as a result of the parties' agreement. The oral hearing of the Arbitration will be based on the pleadings, documentary evidence and witness statements and it has been fixed on 14 November 2022 and 15 November 2022 following the virtual directions hearing on 27 September 2022.

The solicitors of Celcom and Celcom Mobile are of the view that Celcom and Celcom Mobile have a good chance of success in relation to the Arbitration.

Given that the arbitration is still pending, in the event Celcom, Celcom Mobile and Axiata are unable to overturn the High Court's decision at the Court of Appeal before the completion of the Proposed Merger, Axiata will be restrained by the Tune Talk Injunction from including the Tune Talk Shares as part of the proposed sale of Axiata's shareholding in Celcom to Digi.

Tune Talk Carve-Out

Axiata consequently issued a written notice dated 29 April 2022 to Digi and Telenor pursuant to the SPA and MTA respectively, to notify Digi and Telenor of the Tune Talk Injunction.

Pursuant to further discussion between Axiata, Digi and Telenor, as at the LPD, Digi and Axiata each has an intention to exclude the Tune Talk Shares from the MergeCo Group, notwithstanding that the Tune Talk Shares are part of the subject matter of Digi's acquisition under the SPA ("**Tune Talk Carve-Out**").

To expedite the resolution on this matter and on the Tune Talk Injunction, Celcom had initiated discussions with the Plaintiffs to resolve the Tune Talk Litigation with the objective of procuring the Plaintiffs to withdraw the OS and the Arbitration (including agreeing to lift the Tune Talk Injunction) and in return, Celcom shall offer the Tune Talk Shares to the entitled shareholders of Tune Talk in accordance with the terms of the Tune Talk Shareholders Agreement ("**Settlement**").

In the event the Settlement cannot be reached by the parties, Celcom Mobile intends to consent to the compulsory transfer notice issued by the Plaintiffs where all the Tune Talk Shares will be offered by Celcom Mobile to the entitled shareholders of Tune Talk at RM1.10 per Tune Talk Share in accordance with the terms of the Tune Talk Shareholders Agreement ("**Compulsory Transfer Notice**"). In such event, Celcom and Celcom Mobile intend to concurrently inform the Arbitrator of such development and seek a termination order to be issued by the Arbitrator with regard to the Arbitration ("**Termination Order**") prior to the hearing date for the Arbitration which has been fixed on 14 November 2022.

In addition, Axiata, Celcom and Celcom Mobile also intend to file a motion to the Court of Appeal to lift the Tune Talk Injunction as it is rendered academic and to seek an early hearing date prior to the hearing date with the Court of Appeal which has been fixed on 7 December 2022.

The solicitors of Celcom and Celcom Mobile are of the view that there is a reasonable chance of the Termination Order being issued by the Arbitrator or the Tune Talk Injunction being lifted by the Court of Appeal (with or without the Termination Order being issued) and that upon the occurrence of either event, the Tune Talk Injunction would be deemed lapsed.

The acceptance of the Compulsory Transfer Notice and the Tune Talk Carve-Out have been agreed in principle between Axiata and Digi and shall be subject to a supplemental agreement to the SPA to be entered into by the parties prior to the Closing to exclude Tune Talk from the Proposed Merger. Both parties have intended that any proceeds to be received by Celcom Mobile upon completion of the Settlement or Compulsory Transfer Notice will be retained by Celcom Mobile.

We are of the view that the Tune Talk Litigation is not a material litigation of the Celcom Group and there will not be a material impact to the Proposed Merger arising from the Tune Talk Carve-Out as the carrying amount of the investment in Tune Talk has been fully impaired and the Celcom Group has no obligations for any losses beyond that. Tune Talk has a negative shareholders' fund as at 31 December 2021 based on its audited financial statements for the FYE 31 December 2021.

For your information, the proposed transfer of Axiata's shareholding in Celcom to Digi on completion of the Proposed Merger shall be subject to the Tune Talk Injunction being lifted pursuant to the Settlement or in consequence of the Compulsory Transfer Notice, whichever is earlier. As stated in Section 15 of this Circular, the Proposed Merger is expected to be completed by 30 November 2022 ("Target Completion Date"). If the Settlement cannot be reached by the parties and the Compulsory Transfer Notice is consented to by Celcom Mobile, any delay in obtaining (i) the Termination Order; or (ii) an order from the Court of Appeal for the upliftment of the Tune Talk Injunction, may delay the Target Completion Date and such delay, if it happens, will be announced by Axiata on Bursa Securities. We do not expect such delay to extend beyond 31 March 2023.

INFORMATION ON DIGI

1. History and business

Digi was incorporated in Malaysia on 28 March 1997 and is listed on the Main Market of Bursa Securities since 18 December 1997. The principal place of business of the Digi Group is Lot 10, Jalan Delima 1/1, Subang Hi-Tech Industrial Park, 40000 Shah Alam, Selangor Darul Ehsan.

The principal activity of Digi is investment holding. The principal activity of its wholly-owned subsidiary, Digi Tel, is the establishment, maintenance and provision of telecommunications and related services. Digi Tel commenced business operations since 24 May 1995. The Digi Group's principal market for its services is Malaysia.

The Digi Group's core business is mainly providing telecommunication services and products to both retail and wholesale segment. The retail telecommunications products and services includes mobile services (voice and data services, broadband services, roaming services and add-on services), fixed services (fixed line services and fixed fibre broadband), digital content and sales of mobile devices. In the wholesale segment, the Digi Group offers mobile broadband, voice and messaging services to MVNOs, domestic and international interconnect and roaming services to other telecommunication companies. In addition to that, the Digi Group also provides other business such as operating leases arrangement to other telecommunication companies for access to network infrastructures and providing e-commerce, digital services and business solutions to enterprise customer.

The Digi Group currently serves over 10.7 million subscribers on its established network as at the LPD, of which 3.4 million of these subscribers are postpaid users.

2. Share capital

As at the LPD, the issued share capital of Digi is RM769,655,000 comprising 7,775,000,000 ordinary shares ("**Digi Shares**").

3. Directors and substantial shareholders

As at the LPD, the directors of Digi are as follows:

Name	Nationality	Designation
Haakon Bruaset Kjoel	Norwegian	Chair, Non-Independent Non-Executive Director
Yasmin Aladad Khan	Malaysian	Independent Non-Executive Director
Vimala V.R. Menon	Malaysian	Senior Independent Non-Executive Director
Wenche Marie Agerup	Norwegian	Non-Independent Non-Executive Director
Lars Erik Tellmann	Norwegian	Non-Independent Non-Executive Director
Datuk Iain John Lo	Malaysian	Independent Non-Executive Director

The directors do not have direct or indirect shareholding in Digi.

As at the LPD, the substantial shareholders of Digi and their direct and indirect shareholding in Digi are as follows:

	Direct		Indirect	
	No. of Digi Shares ('000)	%	No. of Digi Shares ('000)	%
Telenor Asia	3,809,750	49.00	-	-
Telenor Mobile Communications AS	-	-	(1)3,809,750	49.00
Telenor Mobile Holding AS	-	-	(2)3,809,750	49.00
Telenor	-	-	(3)3,809,750	49.00
EPF	(4)1,151,044	14.80	-	-
AmanahRaya Trustees Berhad - Amanah Saham Bumiputera ("**ASB**")	600,798	7.73	-	-

Notes:

(1) Deemed interested by virtue of its 100% interest in Telenor Asia.

(2) Deemed interested by virtue of its 100% interest in Telenor Mobile Communications AS.

(3) Deemed interested by virtue of its 100% interest in Telenor Mobile Holding AS.

(4) All Digi Shares are held under multiple nominee accounts.

4. Subsidiaries, associate and joint venture

As at the LPD, the subsidiaries of Digi are as follows:

Name of company	Place/ Date of incorporation	Equity interest (%)	Share capital (RM)	Principal activities
Subsidiaries held through Digi				
Digi Telecommunications Sdn Bhd ("**Digi Telecommunications**")	Malaysia/ 21 July 1990	100.00	5,176,000	Establishment, maintenance and provision of telecommunications and related services
InfraNation Sdn Bhd	Malaysia/ 10 February 2009	100.00	610,002	Telecommunications infrastructure and services

Name of company	Place/ Date of incorporation	Equity interest (%)	Share capital (RM)	Principal activities
Subsidiary held through Digi Telecommunications				
Y3llowLabs Sdn Bhd	Malaysia/ 19 December 2000	100.00	3,584,583	Providing solutions and services related to web technologies, internet, e-commerce and digital services

Digi does not have any associate or joint venture company as at the LPD.

5. Financial information

A summary of the consolidated financial information of Digi based on its audited consolidated financial statements for the past three (3) FYEs 31 December 2019, 2020 and 2021 and unaudited results of the Digi Group for the 6-month FPE 30 June 2022 is as follows:

	Audited			Unaudited
	FYE 31 December			FPE 30 June
	2019	2020	2021	2022
	(RM'000)	(RM'000)	(RM'000)	(RM'000)
Revenue	6,297,358	6,152,747	6,335,674	3,060,583
PBT	1,892,321	1,622,046	1,514,885	736,425
PATAMI	1,432,949	1,220,969	1,162,105	456,192
Weighted average number of Digi Shares	7,775,000	7,775,000	7,775,000	7,775,000
Earnings per Digi Share (sen) - Basic and diluted(1)	18.4	15.7	14.9	5.9
Share capital	769,655	769,655	769,655	769,655
NA attributable to the owners of the company	659,987	605,856	632,811	560,303
NA per Digi Share (sen)(2)	8.5	7.8	8.1	7.2
Total equity	659,987	605,856	632,811	560,303
Total borrowings including lease liabilities	5,149,799	5,452,033	4,959,275	4,749,998
Total current assets	1,857,178	1,530,560	1,422,614	1,444,526
Total current liabilities	2,757,488	2,514,173	2,932,070	2,798,917
Total assets	8,149,441	8,186,734	7,839,815	7,633,220
Total liabilities	7,489,454	7,580,878	7,207,004	7,072,917
Current ratio(3)	0.7	0.6	0.5	0.5
Gearing ratio(4)	7.8	9.0	7.8	8.5

Notes:

(1) Computed based on profit attributable to owners of the company divided by weighted average number of Digi Shares.

(2) Computed as NA attributable to the owners of the company divided by weighted average number of Digi Shares.

(3) Computed based on total current assets divided by total current liabilities.

(4) Computed based on total borrowings including lease liabilities divided by total equity.

Commentaries

Comparison between FYE 31 December 2019 and FYE 31 December 2020

The Digi Group's revenue decreased by RM144.6 million, or 2.3%, to RM6,152.7 million for the FYE 31 December 2020 from RM6,297.4 million for the FYE 31 December 2019. This decline was primarily due to the sustained pressure on consumer and business spend amidst prolonged closure of borders and non-essential business sectors caused by the COVID-19 pandemic. However, the softer revenue performance was partially offset by higher internet and digital revenue from the effort of driving sustainable revenue and subscriber mix including strategic shifts undertaken to improve the quality of the subscriber base and reduce reliance on traditional prepaid voice, leveraging on growing internet adoption. PBT of the Digi Group decreased by RM270.3 million, or 14.3%, to RM1,622.0 million for the FYE 31 December 2020 from RM1,892.3 million for the FYE 31 December 2019, mainly from softer top line development, change in revenue mix in addition to higher depreciation and amortisation attributed to MFRS 16 adjustments and recognition of Asset Retirement Obligations.

Comparison between FYE 31 December 2020 and FYE 31 December 2021

The Digi Group's revenue increased by RM182.9 million or 3.0% to RM6,335.7 million for the FYE 31 December 2021 from RM6,152.7 million for the FYE 31 December 2020. This increase was primarily due to improved core segment revenue stemming from solid momentum from business solutions, fibre and digital service revenues, alongside stronger device sales to support Mobile Postpaid growth more than offsetting a modest decline of mobile Consumer Prepaid and Postpaid segments. Higher device revenue for the year reflected high demand of PhoneFreedom 365 programme. PBT of the Digi Group decreased by RM107.2 million, or 6.6%, to RM1,514.9 million for the FYE 31 December 2021 from RM1,622.0 million for the FYE 31 December 2020, mainly due to higher cost of goods and services driven by growth in device and digital service, higher network-related cost from network expansion, higher depreciation charges from accelerated depreciation arising from 3G network shutdown and increased finance cost.

Comparison between FPE 30 June 2021 and FPE 30 June 2022

The Digi Group's revenue softened by RM108.1 million or 3.4% to RM3,060.6 million for the FPE 30 June 2022 from RM3,168.7 million for the FPE 30 June 2021. This decrease was largely resulted from softer commercial momentum in Prepaid and digital services coupled with lower sales of device, overshadowing the growth in Postpaid, business solutions and Fibre. Prepaid revenue declined as a result of weaker acquisition and demand for internet passes while the effect of the exit of the lower end low value and high-rotational part of the migrant segment has been largely completed. Postpaid and Fibre revenue grew on continued subscription growth and effective churn management following the Digi Group's strategy to offer attractive smart bundles and entry-level plans. Improved business-to-business solutions attributed to higher take-ups of mobile, digital and advanced managed services from SMEs and corporates. PBT of the Digi Group increased by RM5.1 million, or 0.7%, to RM736.4 million for the FPE 30 June 2022 from RM731.3 million for the FPE 30 June 2021, mainly due to lower cost of goods and services in line with lower device and digital service sales, offset by higher operating expenditures due to underlying inflation effects, network expansion and higher professional and legal expenses in relation to the Proposed Merger.

Accounting policies and audit qualification

For the past three (3) FYEs 31 December 2019, 2020 and 2021 under review:

(i) there were no exceptional or extraordinary items reported in Digi's audited consolidated financial statements;

(ii) there are no accounting policies adopted by Digi which are peculiar to Digi due to the nature of its business or the industry which it is involved in; and

(iii) Digi's external auditors had not issued any audit qualification on its audited consolidated financial statements.

6. Type of assets owned

Based on Digi's latest audited consolidated financial statements for the FYE 31 December 2021, the Digi Group's total assets stood at RM7.8 billion, which comprise the following:

Type of assets	**As at 31 December 2021**
	(RM'000)
Property, plant and equipment	2,863,675
Right-of-use assets	2,828,720
Financial assets at fair value through other comprehensive income	78
Contract costs	71,687
Contract assets	72,884
Intangible assets	284,057
Deferred tax assets	
Trade and other receivables	1,371,254
Inventories	116,568
Derivative financial assets	26,365
Cash and short-term deposits	204,527
Total	**7,839,815**

7. Material commitments and contingent liabilities

As at the LPD, save as disclosed below, the Board of Digi is not aware of any material commitments incurred or known to be incurred by the Digi Group which may have a material impact on the profits and/or NA of the Digi Group:

Material commitments

In respect of property, plant and equipment*:	RM'000
Approved and contracted for	207,331
Approved but not contracted for	227,855
Total	**435,186**

***Note*:**

* *Mainly in relation to purchase of telecommunications network assets and IT systems.*

Please also refer to Section 8 of this Appendix for material commitment incurred by the Digi Tel for the proposed subscription of new DNB Shares and DNB Rights to Allotment subsequent to the LPD.

Contingent liabilities

As at the LPD, the Board of Digi is not aware of any contingent liabilities, which upon becoming enforceable, may have a material impact on the profits and/or NA of the Digi Group.

8. Material contracts

Save for the SPA and except as disclosed below, the Digi Group has not entered into any material contract outside the ordinary course of business which are or may be material during the two (2) years immediately preceding the date of this Circular.

On 7 October 2022, Digi Tel had entered into a conditional share subscription agreement with DNB for the proposed subscription of:

(i) 100,000 new DNB Shares; and

(ii) 178.47 million DNB Rights to Allotment,

which represents 12.50% equity interest in the enlarged DNB for a total cash consideration of RM178.57 million.

Pursuant to the terms of the conditional share subscription agreement with DNB, in the event the Proposed Merger is not completed by 30 June 2023, Digi Tel shall subscribe for an additional 113.10 million DNB Rights to Allotment, for cash consideration of RM113.10 million, such that its equity interest in the enlarged DNB will increase from 12.50% to 17.50%. Celcom Mobile had on the same date, entered into a similar agreement with similar terms with DNB, please refer Section 9 of Appendix IV of this Circular for further details.

Under the terms of the conditional share subscription agreement entered into by Digi Tel and Celcom Mobile respectively with DNB, if the Proposed Merger completes, their collective equity interest in DNB shall not be more than 25.00% of the aggregate issued DNB Shares and granted DNB Rights to Allotment. In the event of non-completion of the Proposed Merger, Digi Tel will hold 17.50% equity interest in the enlarged DNB.

The conditional share subscription agreement entered into by Digi Tel with DNB is expected to be completed during the fourth quarter of 2022, subject to the fulfilment of the following conditions precedent:

(i) the execution of the access agreement between Digi Tel and DNB for the offtake of wholesale 5G services nationwide by Digi Tel;

(ii) the execution of a shareholders' agreement between Digi Tel, all other invited mobile network operators, MoF Inc. and DNB;

(iii) the approval of the Minister for the changes required to the NFP and NSP licences held by DNB to enable DNB to meet its obligations under the conditional share subscription agreement;

(iv) the amendment of the DNB Board Charter with written approval from the MCMC;

(v) the written consents from DNB's lenders;

(vi) the written consent or waiver from major vendors of DNB;

(vii) written confirmation from MCMC that no merger approval is required in relation to the subscription of 100,000 new DNB Shares and 178.47 million DNB Rights to Allotment under the conditional share subscription agreement and other share subscription agreements;

(viii) the certified true copy of an extract of the shareholder's resolution of DNB approving the execution, delivery and performance of its obligations under the conditional share subscription agreement;

(ix) the letter from MoF Inc. waiving its pre-emptive right in respect of 100,000 new DNB Shares and 178.47 million DNB Rights to Allotment to Digi Tel;

(x) the written consent from MoF Inc. to grant Digi Tel a put option where Digi Tel may put to and require MoF Inc. to purchase all shares owned by Digi Tel at RM1.00 per share in the event the MCMC (or any government agency with the relevant authority) determines that:

    (a) DNB is no longer the single wholesale provider of 5G services in Malaysia; or

    (b) any MCMC licensee(s) (including Digi Tel) is entitled to re-deploy its existing spectrum to provide 5G services or is otherwise provided with or acquires spectrum to provide 5G services, whether on a wholesale or retail basis;

(xi) the appointment of the escrow agent and the execution of the escrow agreement; and;

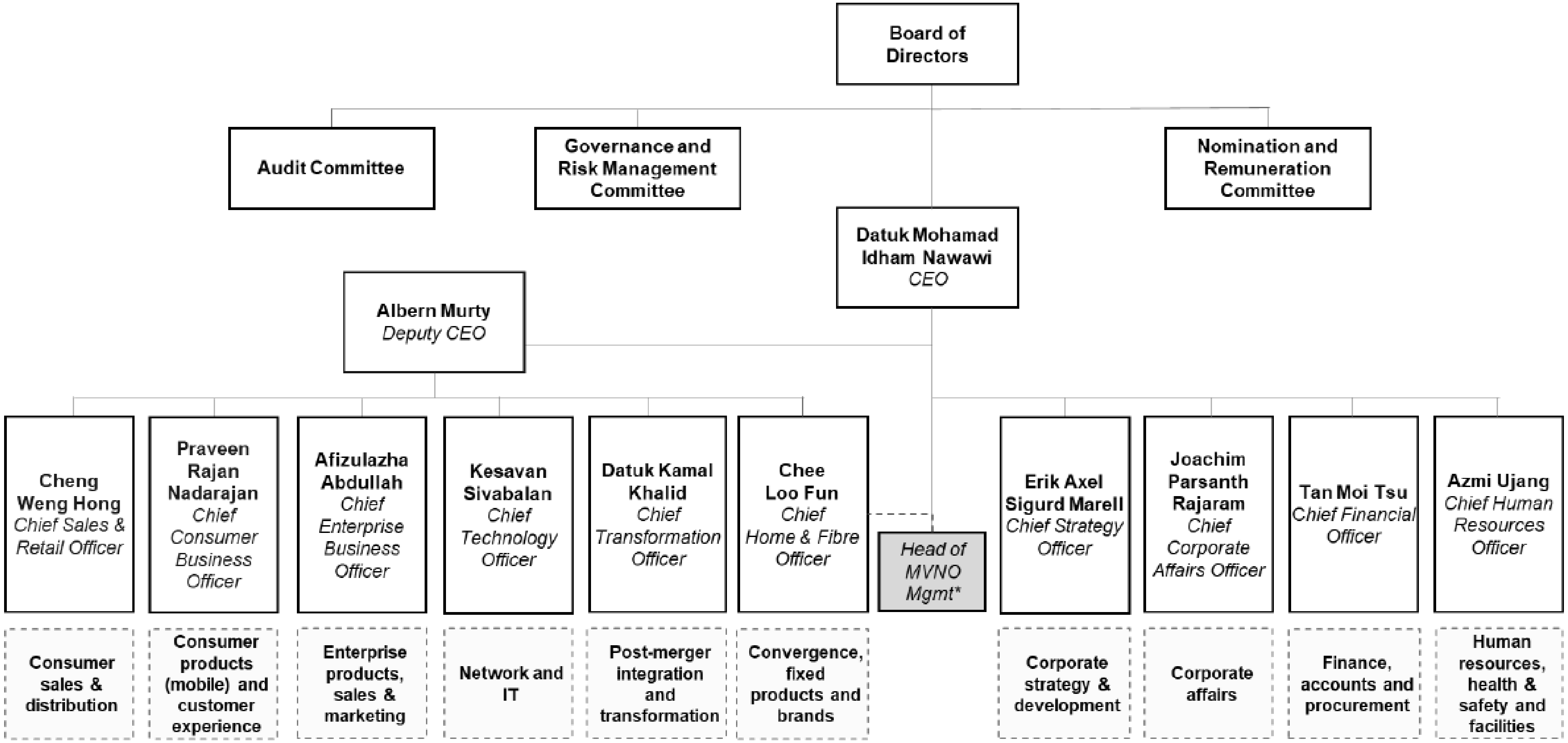
(xii) the approval of the shareholders of Digi subject to the terms of the conditional share subscription agreement.

The Digi Group intends to fund the cash considerations for the conditional share subscription agreement with DNB via a combination of internally generated funds and/or external borrowings.

9. Material litigation

As at the LPD, the Digi Group is not engaged in any material litigation, claims and/or arbitration either as plaintiff or defendant, and the Board of Digi is 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 the Digi Group.

10. Management Reporting Structure of MergeCo



Note:

* *The Head of MVNO Management is not a Key Senior Management role. It reports directly to the CEO and administratively to the Chief Home & Fibre Officer. It is empowered and responsible for independently maintaining a reference access offer and making services available to all new and existing customers through commercially negotiated access agreements.*

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The Board of Directors
Axiata Group Berhad
Level 5, Corporate Headquarters
Axiata Tower
9 Jalan Stesen Sentral 5
Kuala Lumpur Sentral
50470 Kuala Lumpur

25 October 2022

PwC/TICE/IM/EK/TZW/zu/0572B2

Dear Sirs,

Reasonable Assurance Report on the Compilation of Pro Forma Consolidated Statement of Financial Position

1. We have completed our reasonable assurance engagement to report on the compilation of the Pro Forma Consolidated Statement of Financial Position of Axiata Group Berhad (the "Company") as at 31 December 2021 (the "Pro Forma Consolidated Statement of Financial Position"). The Pro Forma Consolidated Statement of Financial Position which we have stamped for the purpose of identification, has been compiled by the Directors of the Company (the "Directors") for inclusion in the circular to shareholders of the Company for the proposed merger of the telecommunication operations of Celcom Axiata Berhad ("Celcom") and Digi.Com Berhad ("Digi") (the "Proposed Merger").

2 The applicable criteria on the basis of which the Directors have compiled the Pro Forma Consolidated Statement of Financial Position are described in the notes thereon to the Pro Forma Consolidated Statement of Financial Position.

3. The Pro Forma Consolidated Statement of Financial Position has been compiled by the Directors, for illustrative purposes only, to show the effects of the events or transactions as set out in the notes thereon to the Pro Forma Consolidated Statement of Financial Position on the Company's consolidated statement of financial position as at 31 December 2021 had the events or transactions been effected on that date. As part of this process, information about the Company's consolidated financial position has been extracted by the Directors from the Company's consolidated financial statements for the financial year ended 31 December 2021, on which an audit report has been published.

PricewaterhouseCoopers PLT (LLP0014401-LCA & AF 1146), Chartered Accountants, Level 10, Menara TH 1 Sentral, Jalan Rakyat, Kuala Lumpur Sentral, P O Box 10192, 50706 Kuala Lumpur Malaysia
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The Board of Directors
Axiata Group Berhad
PwC/TICE/IM/EK/TZW/zu/0572B2
25 October 2022

The Directors' Responsibility for the Pro Forma Consolidated Statement of Financial Position

4. The Directors are responsible for compiling the Pro Forma Consolidated Statement of Financial Position on the basis set out in the notes thereon to the Pro Forma Consolidated Statement of Financial Position and in accordance with the Malaysian Institute of Accountants' ("MIA") Guidance Note for Issuers of Pro Forma Financial Information.

Reporting Accountants' Responsibilities

5. Our responsibility is to express an opinion, about whether the Pro Forma Consolidated Statement of Financial Position has been compiled, in all material respects, by the Directors on the basis set out in the notes thereon to the Pro Forma Consolidated Statement of Financial Position and in accordance with the MIA's Guidance Note for Issuers of Pro Forma Financial Information.

6. We conducted our engagement in accordance with International Standard on Assurance Engagements 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus" ("ISAE 3420"), issued by the MIA. This standard requires that we plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled, in all material respects, the Pro Forma Consolidated Statement of Financial Position on the basis set out in the notes thereon to the Pro Forma Consolidated Statement of Financial Position and in accordance with the MIA's Guidance Note for Issuers of Pro Forma Financial Information.

7. For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Pro Forma Consolidated Statement of Financial Position, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Pro Forma Consolidated Statement of Financial Position. In providing this opinion, we do not accept any responsibility for such reports or opinions beyond that owed to those to whom those reports or opinions were addressed by us at the dates of their issue.

8. The purpose of the Pro Forma Consolidated Statement of Financial Position is solely to illustrate the impact of significant events or transactions on unadjusted financial information of the Company as if the events had occurred or the transactions had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the events or transactions at that date would have been as presented.

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The Board of Directors
Axiata Group Berhad
PwC/TICE/IM/EK/TZW/zu/0572B2
25 October 2022

Reporting Accountants' Responsibilities (continued)

9. A reasonable assurance engagement to report on whether the Pro Forma Consolidated Statement of Financial Position has been compiled, in all material respects, on the basis of the applicable criteria, involves performing procedures to assess whether the applicable criteria as disclosed in the notes thereon to the Pro Forma Consolidated Statement of Financial Position used by the Directors in the compilation of the Pro Forma Consolidated Statement of Financial Position provides a reasonable basis for presenting the significant effects directly attributable to the events or transactions, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and

- The Pro Forma Consolidated Statement of Financial Position reflects the proper application of those adjustments to the unadjusted financial information.

10. The procedures selected depend on our judgment, having regard to our understanding of the nature of the Company, the events or transactions in respect of which the Pro Forma Consolidated Statement of Financial Position has been compiled, and other relevant engagement circumstances. The engagement also involves evaluating the overall presentation of the Pro Forma Consolidated Statement of Financial Position.

11. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our Independence and Quality Control

12. We have complied with the independence and other ethical requirement of the By-Laws (on Professional Ethics, Conduct and Practice) of the MIA and the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants, which are founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

13. Our firm applies the International Standard on Quality Control 1 "Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagement" and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

The Board of Directors
Axiata Group Berhad
PwC/TICE/IM/EK/TZW/zu/0572B2
25 October 2022

Our Opinion

14 In our opinion, the Pro Forma Consolidated Statement of Financial Position has been compiled, in all material respects, on the basis set out in the notes thereon to the Pro Forma Consolidated Statement of Financial Position and in accordance with MIA's Guidance Note for Issuers of Pro Forma Financial Information.

Restriction on Distribution and Use

15 This report is issued for the sole purpose of inclusion in the circular to shareholders of the Company in connection with the Proposed Merger and should not be used or relied upon for any other purpose. Accordingly, we will not accept any liability or responsibility to any other party to whom our report is shown or into whose hands it may come.

Yours faithfully,

PRICEWATERHOUSECOOPERS PLT
LLP0014401-LCA & AF 1146
Chartered Accountants

Kuala Lumpur

Axiata Group Berhad
(Incorporated in Malaysia)

PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 DECEMBER 2021

1. INTRODUCTION

The Pro Forma Consolidated Statement of Financial Position of Axiata Group Berhad ("Axiata" or the "Company") and its subsidiaries ("Axiata Group" or the "Group") together with the notes thereon, of which the Directors are solely responsible, have been compiled for inclusion in the Circular to Shareholders of the Company in connection with the proposed merger of the telecommunication operations of Celcom Axiata Berhad ("Celcom") and Digi.com Berhad ("Digi") (the "Proposed Merger").

The Pro Forma Consolidated Statement of Financial Position as at 31 December 2021 (the "Pro Forma SOFP") has been compiled based on the assumption that the Proposed Merger as set out in Note 1.1 was effected on 31 December 2021.

1.1 Proposed Merger

(a) Details of Proposed Merger

The combination of the respective businesses of Celcom and Digi in Malaysia is expected to create a digital converged service provider.

As part of the completion of the Proposed Merger, Celcom and Digi shall be merged by way of a transfer of Axiata's entire equity interest in Celcom to Digi, whereby Axiata will receive:

i. the Consideration Shares, comprising 3,883,129,144 new ordinary shares in Digi ("Digi Shares") or such number of new Digi Shares representing 33.10% of the enlarged issued Digi Shares to be issued by Digi;

ii. the Digi Cash Consideration, comprising cash consideration of RM1,692,733,818, subject to adjustment as set out in the conditional share purchase agreement dated 21 June 2021 and the amendment to the share purchase agreement dated 17 June 2022 entered into between Axiata and Digi ("SPA"), from Digi; and

iii. RM297,918,107 ("Relevant Digi Shares Cash Consideration") from Telenor Asia Pte Ltd ("Telenor Asia") as consideration for the proposed subscription of the 73,378,844 new Digi Shares or such number of new Digi Shares representing 0.63% of the enlarged issued share capital of Digi ("Relevant Digi Shares") by Telenor Asia and payment of the Relevant Digi Shares Cash Consideration to Axiata in accordance with the terms of the Master Transaction Agreement dated 21 June 2021 ("MTA") entered into between Axiata, Telenor Asia and Telenor ASA ("Telenor") for the Proposed Merger ("Proposed Equalisation").

In consideration of the receipt of the Relevant Digi Shares Cash Consideration by Axiata pursuant to the Proposed Equalisation, Digi shall issue the Relevant Digi Shares to Telenor Asia. Upon completion of the Proposed Equalisation, Telenor Asia and Axiata will each have equal shareholding of 33.10% in Digi.

Following the completion of the Proposed Merger, Digi is proposed to be renamed as "Celcom Digi Berhad" and will continue to be listed on the Main Market of Bursa Malaysia Securities Berhad. The enlarged Digi following the completion of the Proposed Merger is hereafter referred to as MergeCo.

Further to the above, pursuant to the agreed form of the shareholders' agreement to be entered into between Axiata, Telenor Asia and Telenor, the parties have agreed to establish their respective rights and obligations with respect to the activities and governance of the MergeCo and the ownership and disposition of the MergeCo's securities. For purposes of illustration in the Pro Forma SOFP, the investment in the MergeCo is assumed to be an investment in an associate and is accounted for using the equity method of accounting.

Digi and Axiata each have an intention to exclude the 5,250,000 ordinary shares in Tune Talk Sdn. Bhd. ("Tune Talk") held by Celcom Mobile Sdn. Bhd. from the Proposed Merger. The intended exclusion of Tune Talk is not illustrated in the Pro Forma SOFP as there is no definitive agreement entered as yet by the relevant parties on the intended exclusion as at the approval date of the Pro Forma SOFP by the Board of the Company.

1. INTRODUCTION (CONTINUED)

1.1 Proposed Merger (continued)

(b) Use of proceeds

For the purposes of illustration in the Pro Forma SOFP, it is assumed that the Digi Cash Consideration and the Relevant Digi Shares Cash Consideration (the "Cash Proceeds") have been received on 31 December 2021. The Cash Proceeds are expected to be utilised by Axiata Group in the following manner:

Details of utilisation	Amounts RM'000
Repayment of bank borrowings[1]	1,890,652
Estimated expenses relating to the Proposed Merger[2]	100,000
Total*	1,990,652

Notes:

* *The actual proceeds to be received from the Proposed Merger are subject to adjustments upon determination of the Interim Adjustment Amount and the Final Adjustment Amount, as the case may be, as set out in the SPA. If the actual proceeds received from the Proposed Merger are higher or lower than the Cash Proceeds, any surplus or shortfall will be adjusted to the proceeds earmarked for the repayment of borrowings and/or to be used for the working capital of Axiata Group, as the case may be. For purposes of illustration in the Pro Forma SOFP, the assumed Cash Proceeds is expected to increase by RM156.3 million as set out in Note 2.2.1(c) and this has been included in deposits, cash and bank balances.*

(1) *Axiata intends to use RM1,890.7 million of the Cash Proceeds to pare down Axiata Group's borrowings which have not been drawn down as at 31 December 2021. The borrowings are only expected to be repaid over a period of up to twenty-four (24) months from the completion of the Proposed Merger after taking into consideration, amongst others, the potential interest savings and penalty cost arising from the early repayment, the maturity dates of the borrowings and exposure to foreign currency loans. Should the actual repayment of borrowing be lower, the surplus will be used as working capital for Axiata Group. For purposes of illustration in the Pro Forma SOFP, the proceeds earmarked for repayment of bank borrowings have been included in deposits, cash and bank balances.*

(2) *The estimated expenses relating to the Proposed Merger comprise professional fees of advisers, regulatory fees and other related costs. If the amount to be used to defray the estimated expenses is higher than estimated, the Company will fund the shortfall using the Company's internally generated funds. However, if the actual expenses relating to the Proposed Merger are lower than the estimated amount, the surplus will be used to repay Axiata Group's borrowings and/or working capital for Axiata Group.*

Out of total estimated expenses of RM100.0 million, RM31.1 million has been incurred and paid during the financial year ended 31 December 2021. For purposes of illustration in the Pro Forma SOFP, the remaining RM68.9 million has been assumed to be incurred and paid on 31 December 2021.

2. PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION

The Pro Forma SOFP as at 31 December 2021 has been compiled for illustrative purposes only to show the effects on the audited consolidated SOFP of the Company as at 31 December 2021 based on the assumption that the Proposed Merger set out in Note 1.1 had been effected on 31 December 2021, and should be read in conjunction with the notes in this section.

	Audited	Pro Forma
	Consolidated SOFP as at 31 December 2021	After the Proposed Merger
	RM'000	RM'000
CAPITAL AND RESERVES ATTRIBUTABLE TO OWNERS OF THE COMPANY		
Share capital	13,905,207	13,905,207
Reserves	4,100,117	14,882,365
Total equity attributable to owners of the Company	18,005,324	28,787,572
Non-controlling interests	7,060,505	6,973,505
Total equity	25,065,829	35,761,077
NON-CURRENT LIABILITIES		
Borrowings	14,819,079	13,669,079
Derivative financial instruments	91,162	91,162
Deferred income	260,360	20,103
Deferred gain on sale and leaseback assets	307,754	307,754
Trade and other payables	1,116,080	1,114,872
Provision for asset retirement	747,795	573,637
Deferred taxation	1,377,516	891,724
Lease liabilities	8,412,149	7,276,139
Total non-current liabilities	27,131,895	23,944,470
	52,197,724	59,705,547
NON-CURRENT ASSETS		
Intangible assets	21,722,687	17,029,202
Contract cost assets	232,519	232,519
Property, plant and equipment	26,975,288	22,632,307
Right-of-use assets	8,983,213	7,722,396
Associates	257,898	13,242,346
Joint ventures	25,569	25,569
Financial assets at fair value through other comprehensive income	220,744	220,744
Financial assets at fair value through profit or loss	5,678	5,678
Derivative financial instruments	76,817	33,475
Trade and other receivables	1,280,866	807,330
Deferred taxation	358,530	201,520
Total non-current assets	60,139,809	62,153,086

2. PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

The Pro Forma SOFP as at 31 December 2021 has been compiled for illustrative purposes only to show the effects on the audited consolidated SOFP of the Company as at 31 December 2021 based on the assumption that the Proposed Merger set out in Note 1.1 had been effected on 31 December 2021, and should be read in conjunction with the notes in this section. (continued)

	Audited	Pro Forma
	Consolidated SOFP as at 31 December 2021	After the Proposed Merger
	RM'000	RM'000
CURRENT ASSETS		
Inventories	222,747	160,812
Trade and other receivables	5,060,933	6,581,149
Derivative financial instruments	121	121
Financial assets at fair value through profit or loss	65	39
Tax recoverable	109,514	18,106
Deposits, cash and bank balances	6,969,352	7,661,841
	12,362,732	14,422,068
Assets classified as held-for-sale	47,889	47,889
Total current assets	12,410,621	14,469,957
LESS: CURRENT LIABILITIES		
Trade and other payables	13,555,061	10,910,222
Deferred income	3,609	3,609
Deferred gain on sale and leaseback assets	123,902	123,902
Borrowings	4,231,416	3,606,447
Lease liabilities	1,758,846	1,593,455
Derivative financial instruments	20,497	20,497
Current tax liabilities	653,031	653,020
	20,346,362	16,911,152
Liabilities classified as held-for-sale	6,344	6,344
Total current liabilities	20,352,706	16,917,496
Net current liabilities	(7,942,085)	(2,447,539)
	52,197,724	**59,705,547**
Key Ratios:		
Number of Axiata shares in issue ('000) (1)	9,174,986	9,174,986
Net assets attributable to owners of the Company per share (RM) (2)	1.96	3.14
Total borrowings including lease liabilities (3)	29,221,490	26,145,120
Gearing (times)(4)	1.17	0.73

Notes:

(1) Number of shares in issue as at 31 December 2021 as extracted from the audited financial statements of the Company for the financial year ended 31 December 2021.

(2) Computed based on the total equity attributable to owners of Axiata divided by total number of Axiata shares in issue.

(3) Computed based on the sum of total borrowings (current and non-current) and lease liabilities.

(4) Computed based on the total borrowings (including lease liabilities) divided by total equity.

PRICEWATERHOUSECOOPERS PLT
KUALA LUMPUR
for identification only
Chartered Accountants

2. PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

2.1 Basis of preparation

The Pro Forma SOFP as at 31 December 2021 has been compiled based on the audited consolidated financial statements of the Company for the financial year ended 31 December 2021 which has been prepared in accordance with the Malaysian Financial Reporting Standards ("MFRS") and International Financial Reporting Standards ("IFRS"). The audit opinion issued on the financial statements was not subject to any qualification or modification.

The Pro Forma SOFP as at 31 December 2021 has been compiled in accordance with the Malaysian Institute of Accountants' Guidance Note for Issuers of Pro Forma Financial Information for illustrative purposes only to show the effects of the Proposed Merger as set out in Note 1.1 on the audited consolidated SOFP of the Company as at 31 December 2021 had the Proposed Merger been effected on 31 December 2021 and should be read in conjunction with the notes to the Pro Forma SOFP. Such information, because of its hypothetical nature, does not give a true picture of the actual effects of the transactions or events on the financial information presented had the transaction or event occurred on 31 December 2021. Further, such information does not purport to predict the Group's future financial position.

2.2 Adjustments in arriving at Pro Forma Consolidated Statement of Financial Position

2.2.1 Gain from the Proposed Merger

For purposes of illustration in the Pro Forma SOFP, it is assumed that the Proposed Merger was completed on 31 December 2021. The Proposed Merger is accounted for as a disposal of Celcom and an acquisition of an associate by Axiata, being the MergeCo.

For purposes of illustration in the Pro Forma SOFP, the net estimated gain from the Proposed Merger is computed as follows:

	RM'000
Total assumed consideration from the Proposed Merger[1]	15,271,938
Less: Carrying amount of net assets of Celcom as at 31 December 2021 in the Group's financial statements (Note 2.2.2)	(4,420,751)
Less: Balance estimated expenses relating to the Proposed Merger[2]	(68,939)
Net estimated gain from the Proposed Merger as at 31 December 2021	**10,782,248**

Note:

[1] For illustration purposes, the assumed consideration from the Proposed Merger is computed based on the following:

(a) 3,883,129,144 Digi Shares, representing 33.1% of shareholding in MergeCo, at an assumed RM3.38 per Digi Share amounting to RM13,124,976,507. The assumed price per share of RM3.38 is based on the closing price of Digi Shares as at 30 September 2022, being the latest practicable date for purposes of issuance of the Circular to Shareholders of the Company. The assumed price per share above should not be taken to represent the actual consideration upon completion of the Proposed Merger. The price per share as at the completion date could result in a consideration that may be materially different from the assumed share price in the illustration above;

(b) Assumed Cash Proceeds of RM1,990,651,925 comprising of RM1,692,733,818 from Digi and RM297,918,107 from Telenor Asia (Note 1.1(a)(ii) and 1.1(a)(iii)); and

(c) Adjustments to the Digi Cash Consideration as set out in the SPA based on the pre-determined ratio on the changes in net debt and net working capital amounts of Digi and Celcom respectively between 31 December 2020 and the last day of the calendar month in which conditions precedent of the SPA are satisfied or waived. For purposes of illustration in the Pro Forma SOFP, the last day of the calendar month in which conditions precedent of the SPA are satisfied or waived is 31 December 2021. As such, the assumed Cash Proceeds to be paid by Digi to Axiata is increased by RM156,310,000 (Note 1.1(a)(ii)).

[2] Out of total estimated expenses of RM100.0 million, RM31.1 million has been incurred and paid during the financial year ended 31 December 2021. Hence, the remaining estimated expenses to be incurred for the Proposed Merger is RM68.9 million.

2. PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

2.2 Adjustments in arriving at Pro Forma Consolidated Statement of Financial Position (continued)

2.2.2 De-consolidation of Celcom's carrying amount

Items	**Carrying amount of net assets of Celcom as at 31 December 2021*** **RM'000**
Non-current assets:	
Property, plant and equipment	4,342,981
Intangible assets	4,693,485
Right-of-use assets	1,260,817
Associates	140,528
Derivative financial instruments	43,342
Trade and other receivables	473,536
Deferred taxation	157,010
Total non-current assets	**11,111,699**
Current assets:	
Inventories	61,935
Trade and other receivables	1,060,676
Amounts due from Axiata Group	10,634
Financial assets at fair value through profit or loss	26
Deposits, cash and bank balances	1,385,534
Tax recoverable	91,408
Total current assets	**2,610,213**
Non-current liabilities:	
Borrowings	1,150,000
Lease liabilities	1,136,010
Deferred income	240,257
Amounts due to Axiata Group	2,400,000
Trade and other payables	1,208
Provision for asset retirement	174,158
Deferred taxation	485,792
Total non-current liabilities	**5,587,425**
Current liabilities:	
Trade and other payables	2,655,473
Amounts due to Axiata Group	180,892
Borrowings	624,969
Lease liabilities	165,391
Current tax liabilities	11
Total current liabilities	**3,626,736**
Total net assets	**4,507,751**
Less: Non-controlling interest	**(87,000)**
Total net assets attributable to the owner of the Company	**4,420,751**

** For purposes of illustration in the Pro Forma SOFP, the net assets of Celcom deconsolidated are based on the respective carrying amounts of Celcom included in the Company's consolidated statement of financial position as at 31 December 2021 before intercompany eliminations.*

2. PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

2.2 Adjustments in arriving at Pro Forma Consolidated Statement of Financial Position (continued)

2.2.3 Balances due from/(to) Axiata Group assumed by MergeCo

For illustrative purposes, the following balances due to/(from) Celcom prior to the Proposed Merger will be payable to/(assumed by) MergeCo:

	RM'000
Amounts payable to MergeCo – current	10,634
Amounts due to Axiata Group assumed by MergeCo – non-current [1]	(2,400,000)
Amounts due to Axiata Group assumed by MergeCo – current	(180,892)

[1] For illustrative purposes, the amounts due to Axiata Group by MergeCo of RM2,400 million will be settled within 12 months of 31 December 2021. Accordingly, this balance has been reclassified to trade and other receivables – current in the Pro Forma SOFP (Note 2.3.4).

2.3 Notes to the Pro Forma Consolidated Statement of Financial Position

The movement in selected assets and liabilities of the Group are as follows:

2.3.1 Deposits, cash and bank balances

The movements in deposits, cash and bank balances within current assets are as follows:

	RM'000
Audited as at 31 December 2021	6,969,352
Add: Assumed Cash Proceeds from the Proposed Merger (Notes 1.1 (b))	2,146,962
Less: Cash and bank balances of Celcom deconsolidated (Note 2.2.2)	(1,385,534)
Less: Balance estimated expenses relating to the Proposed Merger (Note 2.2.1)	(68,939)
Per Pro Forma SOFP	**7,661,841**

2.3.2 Reserves

The movement in reserves within equity are as follows:

	RM'000
Audited as at 31 December 2021	4,100,117
Add: Gain on Proposed Merger (Note 2.2.1)	10,782,248
Per Pro Forma SOFP	**14,882,365**

2.3.3 Associates

The movement in associates are as follows:

	RM'000
Audited as at 31 December 2021	257,898
Less: Associates of Celcom deconsolidated (Note 2.2.2)	(140,528)
Add: Investment in MergeCo (Note 2.2.1)[1]	13,124,976
Per Pro Forma SOFP	**13,242,346**

[1] For purposes of illustration in the Pro Forma SOFP, the issuance of 3,883,129,144 Digi Shares to Axiata represents 33.1% shareholding in MergeCo. This provides Axiata with significant influence over MergeCo. Accordingly, the investment in MergeCo is assumed to be accounted for as an investment in an associate for illustrative purposes in the Pro Forma SOFP.

2. PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

2.3 Notes to the Pro Forma Consolidated Statement of Financial Position (continued)

The movement in selected assets and liabilities of the Group are as follows (continued):

2.3.4 Trade and other receivables – current

The movement in current trade and other receivables are as follows:

	RM'000
Audited as at 31 December 2021	5,060,933
Less: Current trade and other receivables of Celcom deconsolidated (Note 2.2.2)	(1,060,676)
Add: Amounts due to Axiata Group assumed by MergeCo – non-current (Note 2.2.3)	2,400,000
Add: Amounts due to Axiata Group assumed by MergeCo – current (Note 2.2.3)	180,892
Per Pro Forma SOFP	**6,581,149**

2.3.5 Trade and other payables

The movement in current trade and other payables are as follows:

	RM'000
Audited as at 31 December 2021	13,555,061
Less: Current trade and other payables of Celcom deconsolidated (Note 2.2.2)	(2,655,473)
Add: Amounts payable to MergeCo (Note 2.2.3)	10,634
Per Pro Forma SOFP	**10,910,222**

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Chartered Accountants

3. APPROVAL BY BOARD OF DIRECTORS

The Pro Forma Consolidated Statement of Financial Position has been approved for issue in accordance with a resolution of the Board of Directors of Axiata Group Berhad on 25 October 2022.

Signed on behalf of the Board of Directors.

Tan Sri Shahril Ridza Ridzuan
Director

Vivek Sood
Joint Acting Group Chief Executive Officer &
Group Chief Financial Officer

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The Board of Directors
Axiata Group Berhad
Level 5, Corporate Headquarters
Axiata Tower
9 Jalan Stesen Sentral 5
Kuala Lumpur Sentral

25 October 2022

PwC/IM/EK/FJL/nor/0467B2

Dear Sirs,

Reporting Accountants' Opinion on the Consolidated Financial Statements contained in the Accountants' Report of Celcom Axiata Berhad

Our Opinion

We have audited the accompanying consolidated financial statements of Celcom Axiata Berhad ("Celcom") and its subsidiaries ("Celcom Group") which comprise the consolidated statements of financial position as at 31 December 2019, 31 December 2020 and 31 December 2021 of Celcom, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows of Celcom for the financial years ended 31 December 2019, 31 December 2020 and 31 December 2021, and notes to the consolidated financial statements, including a summary of significant accounting policies (together, the "Consolidated Financial Statements"), as set out on pages 1 to 122. The Consolidated Financial Statements have been prepared for purposes of inclusion in the circular to shareholders of Axiata Group Berhad in connection with the proposed merger of Celcom and Digi.Com Berhad (the "Proposal").

In our opinion, the accompanying Consolidated Financial Statements give a true and fair view of the consolidated financial position of Celcom as at 31 December 2019, 31 December 2020 and 31 December 2021 and of its consolidated financial performance and cash flows for each of the financial years ended 31 December 2019, 31 December 2020 and 31 December 2021 in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards.

Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the paragraph below under the header *Reporting Accountants' Responsibilities for the Audit of the Consolidated Financial Statements* section of our opinion. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

PricewaterhouseCoopers PLT (LLP0014401-LCA & AF 1146), Chartered Accountants, Level 10, Menara TH 1 Sentral, Jalan Rakyat, Kuala Lumpur Sentral, P O Box 10192, 50706 Kuala Lumpur Malaysia
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The Board of Directors
Axiata Group Berhad
PwC/IM/EK/FJL/nor/0467B2
25 October 2022

Reporting Accountants' Opinion on the Consolidated Financial Statements contained in the Accountants' Report of Celcom Axiata Berhad (continued)

Basis for Opinion (continued)

Independence and Other Ethical Responsibilities

We are independent of Celcom Group in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Responsibilities of the Directors of Celcom for the Consolidated Financial Statements

The directors of Celcom (the "Directors of Celcom") are responsible for the preparation of the consolidated financial statements of Celcom for the financial years ended 31 December 2019, 31 December 2020 and 31 December 2021 that gives a true and fair view in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards. The Directors of Celcom are also responsible for such internal control as the Directors of Celcom determine is necessary to enable the preparation of the Consolidated Financial Statements that is free from material misstatement, whether due to fraud or error.

In preparing the Consolidated Financial Statements of Celcom, the Directors of Celcom are responsible for assessing the Celcom Group'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 the Directors of Celcom either intend to liquidate Celcom Group or to cease operations, or have no realistic alternative but to do so.

Reporting Accountants' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the Consolidated Financial Statements of Celcom as a whole are free from material misstatement, whether due to fraud or error, and to issue a 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 approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Consolidated Financial Statements.

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The Board of Directors
Axiata Group Berhad
PwC/IM/EK/FJL/nor/0467B2
25 October 2022

Reporting Accountants' Opinion on the Consolidated Financial Statements contained in the Accountants' Report of Celcom Axiata Berhad (continued)

Reporting Accountants' Responsibilities for the Audit of the Consolidated Financial Statements (continued)

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Consolidated Financial Statements of Celcom, 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 Celcom Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors of Celcom.

- Conclude on the appropriateness of the Directors of Celcom'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 Celcom Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our opinion to the related disclosures in the Consolidated Financial Statements of Celcom 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 opinion. However, future events or conditions may cause the Celcom Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the Consolidated Financial Statements of Celcom, including the disclosures, and whether the Consolidated Financial Statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Celcom Group to express an opinion on the Consolidated Financial Statements of Celcom. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors of Celcom 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.

pwc

The Board of Directors
Axiata Group Berhad
PwC/IM/EK/FJL/nor/0467B2
25 October 2022

Reporting Accountants' Opinion on the Consolidated Financial Statements contained in the Accountants' Report of Celcom Axiata Berhad (continued)

Restriction on Distribution and Use

This opinion is issued for the sole purpose of inclusion in the circular to shareholders of Axiata Group Berhad in connection with the Proposal and should not be relied on for any other purposes. Accordingly, we will not accept any liability or responsibility to any other party to whom our opinion is shown or into whose hands it may come.

Yours faithfully,

PricewaterhouseCoopers PLT
LLP0014401-LCA & AF 1146
Chartered Accountants

CELCOM AXIATA BERHAD
(Incorporated in Malaysia)
Registration No. 198801000113 (167469-A)

CONSOLIDATED FINANCIAL INFORMATION

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Note	31.12.2019 RM'000	31.12.2020 RM'000	31.12.2021 RM'000
		Financial year ended		
Revenue	3	6,706,135	6,218,831	6,622,722
Other income	5	90,112	97,898	300,858
Operating expenses				
- Depreciation of property, plant and equipment	11	(838,887)	(1,052,764)	(1,201,112)
- Depreciation of right-of-use assets	12	(407,833)	(394,515)	(421,763)
- Cost of inventories		(719,645)	(788,807)	(890,846)
- Billing charges from other telecommunications companies		(680,998)	(458,249)	(428,251)
- Marketing, advertising and promotion expenses		(418,938)	(364,535)	(354,266)
- Staff cost	4(b)	(551,627)	(626,295)	(551,636)
- Universal Service Provision contribution		(268,458)	(172,584)	(252,984)
- Impairment of trade and other receivables		(183,059)	(117,953)	(32,077)
- Other operating expenses	4(a)	(1,342,944)	(1,186,500)	(1,313,116)
Profit from operations		1,383,858	1,154,527	1,477,529
Finance income	8	88,494	59,739	67,314
Finance costs	8	(416,296)	(380,445)	(342,187)
Share of results of associated company (net of tax)	14	2,408	20,998	13,351
Share of results of joint ventures (net of tax)	15	(6,613)	860	(3,777)
Profit before taxation		1,051,851	855,679	1,212,230
Taxation and zakat				
- Company and subsidiaries	9	(262,790)	(164,960)	(255,186)
Profit/Total comprehensive income for the financial year		789,061	690,719	957,044
Attributable to				
- Owner of the Company		789,369	677,435	942,792
- Non-controlling interest		(308)	13,284	14,252
Total comprehensive income for the financial year		789,061	690,719	957,044
Basic earnings per share (sen) attributable to owners of the Company	10	64	55	76

The summary of significant accounting policies and notes on page 9 to 122 form part of these financial statements.

CELCOM AXIATA BERHAD
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CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Note	31.12.2019 RM'000	31.12.2020 RM'000	As at 31.12.2021 RM'000
NON-CURRENT ASSETS				
Property, plant and equipment	11	4,583,731	4,513,644	4,343,942
Right-of-use assets	12	3,533,607	3,194,138	2,973,553
Investment in associated company	14	116,317	132,438	140,528
Investment in joint ventures	15	21,709	22,569	-
Financial assets at fair value through other comprehensive income	16	50	50	-
Intangible assets	17	903,216	841,366	779,516
Derivative financial instrument	18	-	-	43,342
Deferred tax assets	25	264,181	284,326	226,045
Trade and other receivables	20	497,275	536,357	473,537
		9,920,086	9,524,888	8,980,463
CURRENT ASSETS				
Inventories	19	71,447	50,384	61,935
Trade and other receivables	20	2,266,110	1,458,683	1,071,308
Financial assets at fair value through profit or loss		13	17	26
Tax recoverable		56,937	83,507	91,408
Deposits, cash and bank balances	21	684,749	1,452,693	1,385,534
		3,079,256	3,045,284	2,610,211
CURRENT LIABILITIES				
Borrowings	22	1,253,432	599,260	642,782
Trade and other payables	23	3,068,602	2,941,985	2,952,786
Tax liabilities		35,674	47,712	11
Lease liabilities	27	387,617	385,849	440,580
		4,745,325	3,974,806	4,036,159
NET CURRENT LIABILITIES		(1,666,069)	(929,522)	(1,425,948)
		8,254,017	8,595,366	7,554,515

CELCOM AXIATA BERHAD
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CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (CONTINUED)

	Note	31.12.2019 RM'000	31.12.2020 RM'000	As at 31.12.2021 RM'000
CAPITAL AND RESERVES ATTRIBUTABLE TO OWNER OF THE COMPANY				
Share capital	24	1,237,535	1,237,535	1,237,535
Accumulated losses		(942,886)	(1,015,397)	(1,091,449)
Total equity attributable to owner of the Company		294,649	222,138	146,086
Non-controlling interest		67,842	77,345	87,719
TOTAL EQUITY		362,491	299,483	233,805
NON-CURRENT LIABILITIES				
Borrowings	22	3,491,904	4,148,965	3,550,000
Deferred tax liabilities	25	382,322	384,071	485,792
Provision for liabilities	26	183,851	209,376	175,366
Deferred income	28	362,291	415,696	240,257
Lease liabilities	27	3,471,158	3,137,775	2,869,295
		7,891,526	8,295,883	7,320,710
		8,254,017	8,595,366	7,554,515

The summary of significant accounting policies and notes on page 9 to 122 form part of these financial statements.

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CELCOM AXIATA BERHAD
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CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

		Attributable to owners of the Company					
		Issued and paid up ordinary shares					
	Note	Number of shares '000	Share capital RM'000	Accumulated losses RM'000	Total RM'000	Non-controlling interest RM'000	Total RM'000
As at 1 January 2019		1,237,535	1,237,535	(991,129)	246,406	71,160	317,566
Adjustments arising from adoption of: MFRS 16 Leases		-	-	(244,132)	(244,132)	-	(244,132)
As at 1 January 2019 (Restated)		1,237,535	1,237,535	(1,235,261)	2,274	71,160	73,434
Total comprehensive income for the financial year		-	-	789,369	789,369	(308)	789,061
Transactions with owners:							
Dividends paid	34	-	-	(496,994)	(496,994)	-	(496,994)
Dividends to non-controlling interest		-	-	-	-	(3,010)	(3,010)
		-	-	(496,994)	(496,994)	(3,010)	(500,004)
As at 31 December 2019		1,237,535	1,237,535	(942,886)	294,649	67,842	362,491

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Chartered Accountants

CELCOM AXIATA BERHAD
(Incorporated in Malaysia)
Registration No. 198801000113 (167469-A)

CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (CONTINUED)

		Attributable to owners of the Company					
		Issued and paid up ordinary shares					
	Note	Number of shares	Share capital	Accumulated losses	Total	Non-controlling interest	Total equity
		'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 January 2020		1,237,535	1,237,535	(942,886)	294,649	67,842	362,491
Profit/Total comprehensive income for the financial year		-	-	677,435	677,435	13,284	690,719
Transactions with owners:							
Dividends paid	34	-	-	(749,946)	(749,946)	-	(749,946)
Dividends to non-controlling interest		-	-	-	-	(3,781)	(3,781)
		-	-	(749,946)	(749,946)	(3,781)	(753,727)
At 31 December 2020		1,237,535	1,237,535	(1,015,397)	222,138	77,345	299,483

CELCOM AXIATA BERHAD
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CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (CONTINUED)

		Attributable to owners of the Company					
		Issued and paid up ordinary shares					
	Note	Number of shares '000	Share capital RM'000	Accumulated losses RM'000	Total RM'000	Non-controlling interest RM'000	Total RM'000
As at 1 January 2021		1,237,535	1,237,535	(1,015,397)	222,138	77,345	299,483
Total comprehensive income for the financial year		-	-	942,792	942,792	14,252	957,044
Transactions with owners:							
Dividends paid to shareholder of the Company	34	-	-	(1,000,052)	(1,000,052)	-	(1,000,052)
Distribution of non-cash asset	15, 34	-	-	(18,792)	(18,792)	-	(18,792)
Dividends to non-controlling interest		-	-	-	-	(3,878)	(3,878)
		-	-	(1,018,844)	(1,018,844)	(3,878)	(1,022,722)
As at 31 December 2021		1,237,535	1,237,535	(1,091,449)	146,086	87,719	233,805

The summary of significant accounting policies and notes on page 9 to 122 form part of these financial statements.

CELCOM AXIATA BERHAD
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CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Note	31.12.2019 RM'000	31.12.2020 RM'000	31.12.2021 RM'000
			Financial year ended	
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before taxation		1,051,851	855,679	1,212,230
Adjustments for:				
Depreciation of property, plant and equipment		838,887	1,052,764	1,201,112
Depreciation of right-of-use assets		407,833	394,515	421,763
Lease termination		-	(6,452)	-
Fair value loss/(gain) on financial assets at fair value through profit or loss		6	(4)	(9)
Fair value gain on derivative financial instrument		-	-	(43,342)
Impairment of financial assets at fair value through other comprehensive income		-	-	50
Provision for obsolete inventories (net of reversals)		1,516	4,933	3,756
Inventory written-off		16	7	-
Property, plant and equipment written-off		-	847	531
Loss on disposal of property, plant and equipment		-	597	257
Amortisation of intangible assets		182,102	182,102	182,102
Impairment of trade and other receivables		183,059	117,953	32,077
Amortisation of government grant		(68,833)	(83,644)	(208,245)
Unrealised (gain)/loss on foreign exchange		(708)	570	(176)
Finance costs		416,296	380,445	342,187
Finance income		(88,494)	(59,739)	(67,314)
Share of results of associated company (net of tax)		(2,408)	(20,998)	(13,351)
Share of results of joint ventures (net of tax)		6,613	(860)	3,777
		2,927,736	2,818,715	3,067,405
Decrease in inventories		37,038	16,123	(15,307)
(Increase)/Decrease in receivables		(4,149)	213,510	118,986
(Decrease)/Increase in payables		(640,444)	(108,946)	(108,457)
Cash generated from operating activities		2,320,181	2,939,402	3,062,627
Zakat paid		(3,084)	(995)	(1,227)
Taxes paid		(293,768)	(196,659)	(149,559)
Net cash generated from operating activities		2,023,329	2,741,748	2,911,841

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CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

		Financial year ended		
	Note	31.12.2019 RM'000	31.12.2020 RM'000	31.12.2021 RM'000
CASH FLOWS FROM INVESTING ACTIVITIES				
Spectrum payments		(120,252)	(120,252)	(120,252)
Government grant received		92,388	137,049	32,806
Interest received		60,867	46,679	36,304
Purchase of property, plant and equipment		(1,017,437)	(984,133)	(949,571)
Proceed from disposal of property, plant and equipment		-	12	50
Repayment from immediate holding company		99,986	449,946	330,052
Dividend from associated company		-	4,877	5,262
(Investment in)/Withdrawal of deposits maturing more than three (3) months		(178,463)	409,915	-
Net cash used in investing activities		(1,062,911)	(55,907)	(665,349)
CASH FLOWS FROM FINANCING ACTIVITIES				
Interest paid		(225,461)	(196,460)	(192,673)
Payment for the principal portion of the lease liabilities		(376,410)	(383,745)	(414,927)
Payment for the interest portion of the lease liabilities		(190,798)	(172,050)	(152,121)
Dividend paid to shareholder		(496,994)	(749,946)	(1,000,052)
Dividends paid to non-controlling interest		(3,010)	(3,781)	(3,878)
Repayment of borrowings		(1,500,000)	(2,400,000)	(550,000)
Drawdown of borrowings		1,200,000	2,400,000	-
Net cash used in financing activities		(1,592,673)	(1,507,982)	(2,313,651)
NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS		(632,255)	1,177,859	(67,159)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR		907,089	274,834	1,452,693
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR		274,834	1,452,693	1,385,534

	Note	31.12.2019 RM'000	31.12.2020 RM'000	31.12.2021 RM'000
Cash and cash equivalents		274,834	1,452,693	1,385,534
Investment in deposits maturing more than three (3) months		409,915	-	-
DEPOSITS, CASH AND BANK BALANCES	21	684,749	1,452,693	1,385,534

The summary of significant accounting policies and notes on page 9 to 122 form part of these financial statements.

PRICEWATERHOUSECOOPERS PLT KUALA LUMPUR for identification only Chartered Accountants

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SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A BASIS OF PREPARATION

The consolidated financial statements of the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRS") and International Financial Reporting Standards ("IFRS") in connection with the proposed merger of the Company with Digi.Com Berhad.

The financial statements of the Group have been prepared under the historical cost convention, except as disclosed in the summary of significant accounting policies.

The financial statements of the Group are presented in Ringgit Malaysia ("RM") and all values are rounded to the nearest thousand (RM'000) except when otherwise indicated.

The preparation of financial statements in conformity with MFRS requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reported period. It also requires Directors to exercise their judgement in the process of applying the Group's accounting policies. Although these estimates and judgement are based on the Directors' best knowledge of current events and actions, actual results may differ. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 2 to the financial statements.

(a) Standards, amendments to published standards and Issues Committee ("IC") Interpretations that are effective to the Group

The standards, amendments and improvements to published standards and IC interpretations that are effective for the Group are as follows:

Financial year beginning on or after 1 January 2019

- MFRS 16 "Leases"
- Amendments to MFRS 9 – "Prepayment features with negative compensation"
- Amendments to MFRS 128 – "Long-term interests in associates and joint ventures"
- Amendments to MFRS 119 – "Plan amendment, curtailment or settlements"
- IC Interpretation 23 "Uncertainty over Income Tax Treatments"
- Annual Improvements to MFRSs 2015 – 2017 Cycle

The Group has adopted MFRS 16 'Leases' ("MFRS 16") for the first time in the 2019 financial statements, which resulted in changes in accounting policies. The detailed impact of the changes in the accounting policies are set out in Note 35.

The details of the accounting policies on leases are disclosed separately in Note H.

Other than that, the adoption of other amendments listed above did not have any impact on the current period or any prior period and is not likely to affect future periods.

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SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A BASIS OF PREPARATION (CONTINUED)

(a) Standards, amendments to published standards and Issues Committee ("IC") Interpretations that are effective to the Group (continued)

The standards, amendments and improvements to published standards and IC interpretations that are effective for the Group are as follows: (continued)

Financial year beginning on or after 1 January 2020

- The Conceptual Framework for Financial Reporting (Revised 2018)
- Amendments to MFRS 101 "Presentation of Financial Statements" and MFRS 108 "Definition of Material"
- Amendments to MFRS 3 "Definition of Business"
- Amendments to MFRS 9 "Financial Instruments", MFRS 139 "Financial Instruments: Recognition and Measurement" and MFRS 7 "Financial Instruments: Disclosures - 'Interest Rate Benchmark Reform'

The adoption of the amendments did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

Financial year beginning on or after 1 January 2021

- Amendments to MFRS 16 "Leases" – COVID-19-Related Rent Concessions
- Amendments to MFRS 9 "Financial Instruments", MFRS 139 "Financial Instruments: Recognition and Measurement", MFRS 7 "Financial Instruments: Disclosures", MFRS 4 "Insurance Contracts" and MFRS 16 "Leases" on 'Interest Rate Benchmark Reform—Phase 2'

The adoption of the above did not have any significant impact to the Group.

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SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A BASIS OF PREPARATION (CONTINUED)

(b) Amendments to published standards that are applicable to the Group but not yet effective

The Group will apply the following in the financial year beginning on/after 1 January 2022:

- Annual Improvements to MFRS 9 - Fees in the 10% test for derecognition of financial liabilities clarifies that only fees paid or received between the borrower and the lender, including the fees paid or received on each other's behalf, are included in the cash flow of the new loan when performing the 10% test.

  An entity shall apply the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

  The impact of Annual Improvements to MFRS 9 is not expected to have material impact to the Group.

- Amendments to MFRS 3 "Business Combinations" - Reference to Conceptual Framework replace the reference to Framework for Preparation and Presentation of Financial Statements with 2018 Conceptual Framework. The amendments did not change the current accounting for business combinations on acquisition date.

  The amendments provide an exception for the recognition of liabilities and contingent liabilities should be in accordance with the principles of MFRS 137 "Provisions, Contingent Liabilities and Contingent Assets" and IC Interpretation 21 "Levies" when falls within their scope. It also clarifies that contingent assets should not be recognised at the acquisition date.

  The amendments shall be applied prospectively.

  The impact of amendments to MFRS 3 is not expected to have material impact to the Group.

- Amendments to MFRS 116 "Property, Plant and Equipment" - Proceeds before intended use prohibit an entity from deducting from the cost of a property, plant and equipment the proceeds received from selling items produced by the property, plant and equipment before it is ready for its intended use. The sales proceeds should instead be recognised in profit or loss.

  The amendments also clarify that testing whether an asset is functioning properly refers to assessing the technical and physical performance of the property, plant and equipment.

  The amendments shall be applied retrospectively.

  The impact of amendments to MFRS 116 is not expected to have material impact to the Group.

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SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A BASIS OF PREPARATION (CONTINUED)

(b) Amendments to published standards that are applicable to the Group and but not yet effective (continued)

The Group will apply the following in the financial year beginning on/after 1 January 2022: (continued)

- Amendments to MFRS 137 "Provisions, Contingent Liabilities and Contingent Assets" - Onerous contracts - cost of fulfilling a contract clarify that direct costs of fulfilling a contract include both the incremental cost of fulfilling the contract as well as an allocation of other costs directly related to fulfilling contracts. The amendments also clarify that before recognising a separate provision for an onerous contract, impairment loss that has occurred on assets used in fulfilling the contract should be recognised.

  The amendments shall be applied retrospectively.

  The amendments to MFRS 137 are not expected to have material impact to the Group.

The Group will apply the following amendments to standard in the financial year beginning on/after 1 January 2023:

- Amendments to MFRS 101 - Classification of liabilities as current or non-current clarify that a liability is classified as non-current if an entity has a substantive right at the end of the reporting period to defer settlement for at least 12 months after the reporting period.

  If the right to defer settlement of a liability is subject to the entity complying with specified conditions (for example, debt covenants), the right exists at the end of the reporting period only if the entity complies with those conditions at that date. The amendments further clarify that the entity must comply with the conditions at the end of the reporting period even if the lender does not test compliance until a later date.

  The assessment of whether an entity has the right to defer settlement of a liability at the reporting date is not affected by expectations of the entity or events after the reporting date

  In addition, the amendments clarify that when a liability could be settled by the transfer of an entity's own equity instruments (e.g. a conversion option in a convertible bond), conversion option that is not an equity instrument as defined in MFRS 132 "Financial Instruments: Presentation" is considered in the current or non-current classification of the convertible instrument.

  The amendments shall be applied retrospectively.

  The impact of amendments to MFRS 101 is being assessed by the Group.

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SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A BASIS OF PREPARATION (CONTINUED)

(b) Amendments to published standards that are applicable to the Group but not yet effective (continued)

The Group will apply the following amendments to standard in the financial year beginning on/after 1 January 2023: (continued)

- Amendments to MFRS 112 "Income Taxes" - Deferred Tax related to Assets and Liabilities arising from a Single Transaction clarify that the initial exemption rule does not apply to transactions where both an asset and a liability are recognised at the same time such as leases and decommissioning obligations. Accordingly, entities are required to recognise both deferred tax assets and liabilities for all deductible and taxable temporary differences arising from such transactions.

  The amendments shall be applied prospectively.

  The impact of amendments to MFRS 112 is being assessed by the Group.

- Amendments to MFRS 101 and MFRS Practice Statement 2 "Disclosure of accounting policies" - The amendments to MFRS 101 require companies to disclose material accounting policies rather than significant accounting policies. Entities are expected to make disclosure of accounting policies specific to the entity and not generic disclosures on MFRS applications.

  The amendment explains an accounting policy is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

  Also, accounting policy information is expected to be material if, without it, the users of the financial statements would be unable to understand other material information in the financial statements. Accordingly, immaterial accounting policy information need not be disclosed. However, if it is disclosed, it should not obscure material accounting policy information.

  MFRS Practice Statement 2 was amended to provide guidance on how to apply the concept of materiality to accounting policy disclosures.

  The amendments shall be applied prospectively.

  The impact of amendments to MFRS 101 is being assessed by the Group.

- Amendments to MFRS 108 "Accounting Policies, Changes in Accounting Estimates and Errors" – Definition of Accounting Estimates. The amendments to MFRS 108, redefined accounting estimates as "monetary amounts in financial statements that are subject to measurement uncertainty". To distinguish from changes in accounting policies, the amendments clarify that effects of a change in an input or measurement technique used to develop an accounting estimate is a change in accounting estimate, if they do not arise from prior period errors.

  The amendments shall be applied prospectively.

  The impact of amendments to MFRS 108 is being assessed by the Group.

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SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B GROUP ACCOUNTING

(i) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the relevant activities of the entity. The existence and effect of potential voting rights that are currently exercisable or convertible are considered only if the rights are substantive when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement and fair value of any pre-existing equity interest in the subsidiary. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

If the business combination is achieved in stages, the carrying amount of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date, any gains or losses arising from such re-measurement are recognised in profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with MFRS 9 in profit or loss. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recognised as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the profit or loss. The accounting policy of goodwill is stated in Note C(i) to the financial statements. Goodwill is carried at cost less accumulated impairment losses, if any.

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SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B GROUP ACCOUNTING (CONTINUED)

(i) Subsidiaries (continued)

The Group applies predecessor accounting to account for business combinations under common control. Under predecessor accounting, assets and liabilities acquired are not restated to their respective fair values. They are recognised at the carrying amounts from the consolidated financial information of the ultimate holding company of the Group and adjusted to conform with the accounting policies adopted by the Group. The difference between any consideration given and the aggregate carrying amounts of the assets and liabilities (as of the date of the transaction) of the acquired entity is recognised as an adjustment to equity. No additional goodwill is recognised.

The acquired entity's results, assets and liabilities are consolidated as if both the acquirer and acquiree had always been combined. Consequently, the consolidated financial information reflect both entities' full year's results. The comparative information is restated to reflect the combined results of both entities. Acquisition-related costs are expensed as incurred.

Inter-company transactions, balances and unrealised gains and losses on transactions between the Group's companies are eliminated. Profits and losses resulting from inter-company transactions that are recognised in assets are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of comprehensive income, statement of changes in equity and statement of financial position respectively.

(ii) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in equity attributable to owners of the Group.

(iii) Joint arrangements

A joint arrangement is an arrangement of which there is contractually agreed sharing of control by the Group with one or more parties, where decisions about the relevant activities relating to the joint arrangement require unanimous consent of the parties sharing control. The classification of a joint arrangement as a joint operation or a joint venture depends upon the rights and obligations of the parties to the arrangement. A joint venture is a joint arrangement whereby the joint ventures have rights to the net assets of the arrangement. A joint operation is a joint arrangement whereby the joint operators have rights to the assets and obligations for the liabilities, relating to the arrangement.

Interests in joint ventures are accounted for using the equity method, after initially being recognised at cost in the consolidated statement of financial position. Where necessary, in applying the equity method, adjustments are made to the financial statements of joint venture to ensure consistency of the accounting policies with those of the Group.

Under the equity method, the investment in a joint venture is initially recognised at cost, and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the joint venture in profit or loss, and the Group's share of movements in other comprehensive income of the joint venture in other comprehensive income. Dividends received or receivable

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SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B GROUP ACCOUNTING (CONTINUED)

(iii) Joint arrangements (continued)

The Group determines at each reporting date whether there is any objective evidence that the investment in the joint venture is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the difference adjacent to "Share of results of joint ventures" in the statement of comprehensive income.

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

When the Group ceases to equity account its joint venture because of a loss of joint control, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. This fair value becomes the initial carrying amount for the purpose of subsequently accounting for the retained interest as a financial asset. In addition, any amount previously recognised in other comprehensive income in respect of the entity is accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

If the ownership interest in a joint venture is reduced but joint control is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

(iv) Associates

Associates are all entities over which the Group has significant influence but not control or joint control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Significant influence is the power to participate in the financial and operating policy decisions of the associates but not power to exercise control or joint control over those policies.

Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment in an associate is initially recognised at cost, and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the associate in profit or loss, and the Group's share of movements in other comprehensive income of the associate in other comprehensive income. Dividends received or receivable from an associate are recognised as a reduction in the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interests in the associate, including any long-term interests that, in substance, form part of the Group's net investment in the associate, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate. The Group's investment in associates includes goodwill identified on acquisition.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the difference adjacent to "Share of results of associated company" in the statement of comprehensive income.

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SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B GROUP ACCOUNTING (CONTINUED)

(iv) Associates (continued)

Profits and losses resulting from upstream and downstream transactions between the Group and its associate are recognised in the Group's financial statements only to the extent of unrelated investor's interests in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

When the Group ceases to equity account its associate because of a loss of significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as a financial asset. In addition, any amount previously recognised in other comprehensive income in respect of the entity is accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

Dilution gains or losses arising in investments in associates are recognised in the income statement.

The cost of an associate acquired in stages is measured as the sum of the fair value of the interest previously held plus the fair value of any additional consideration transferred as of the date when the investment became an associate. Any gain or loss on remeasurement of the previously held stake is taken to profit or loss and any other comprehensive income recognised in prior periods in relation to the previously held stake in the acquired associate is also recognised in profit or loss or other comprehensive income if election has been made under MFRS 9. Goodwill is determined on acquisition date, based on the different between the cost of investment (which comprise of both fair value of consideration transferred for additional interest and fair value of interest previously held) and the Group's share of fair value of the associate's net assets.

The cost of acquiring an additional stake in an associate is added to the carrying amount of associate and equity accounted. Goodwill arising on the purchase of additional stake is computed using fair value information at the date the additional interest is purchased. The previously held interest is not remeasured.

Any acquisition-related costs are expensed in the periods in which the costs are incurred.

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SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C INTANGIBLE ASSETS

(i) Goodwill

Goodwill arises from a business combination and represents the excess of the aggregate of fair value of consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of any previous equity interest in the acquiree over the fair value of the net identifiable assets acquired and liabilities assumed on the acquisition date. If the fair value of consideration transferred, the amount of non-controlling interest and the fair value of previously held interest in the acquiree are less than the fair value of the net identifiable assets of the acquiree, the resulting gain is recognised in profit or loss.

Goodwill is not amortised but it is tested for impairment annually or more frequently if events or changes in circumstances indicate that it might be impaired, and carried at cost less accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash generating units ("CGUs"), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

(ii) License

Licences are mainly consisting of acquired telecommunication licences with allocated spectrum rights. Acquired licences are shown at cost. Licences have finite useful lives and carried at cost less accumulated amortisation. Amortisation is calculated using straight-line method, from the effective date of commercialisation of services, subject to impairment, to the end of the assignment period. Licences are not revalued.

The annual spectrum assignment fees paid for the Group's allocated spectrum rights are recognised as intangible assets when there is an obligation to pay and amortised in the period the right to use is consumed.

D PROPERTY, PLANT AND EQUIPMENT AND DEPRECIATION

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes its purchase price and any costs that are directly attributable to bringing the assets to the location and condition necessary for it to be capable of operating in the manner intended by management.

(i) Cost

Cost of telecommunications network includes cost of equipment, site surveys, contractors' charges, materials and related overheads. The cost of other property, plant and equipment comprises their purchase cost and any incidental cost of acquisition. These costs include the costs of dismantling, removal and restoration, the obligation incurred as a consequence of installing the asset.

Subsequent costs are included in the carrying amount of the asset or recognised as a separate asset, as appropriate, only when it is probable that the future economic benefit associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. Other repairs and maintenance are charged to the profit or loss during the period in which they are incurred.

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SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D PROPERTY, PLANT AND EQUIPMENT AND DEPRECIATION (CONTINUED)

(ii) Depreciation

Freehold land is not depreciated as it has an infinite life. Other property, plant and equipment are depreciated on a straight-line basis to write-off the cost of the assets to their residual values over their estimated useful lives.

Assets under construction are stated at cost and are not depreciated. Upon completion, assets under construction are transferred to categories of property, plant and equipment depending on the nature of the assets. Assets under construction include servicing equipment, materials and spares. Depreciation on assets under construction commences when the assets are ready for their intended use. Depreciation on property, plant and equipment ceases at the earlier of de-recognition and classification as held-for-sale.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of the reporting period.

The estimated depreciation rates assigned to other property, plant and equipment are as follows:

Buildings	2%
Furniture, fittings, office equipment, motor vehicles and renovations	10% - 33 1/3%
Telecommunication network and equipment	5% - 20%

Accounting policies applied from 1 January 2019

From 1 January 2019, lease assets (including leasehold land) are presented as a separate line item in statement of financial position. See accounting policy Note H on right-of-use assets for these assets.

(iii) Asset retirement obligations

Asset retirement obligations are required to be recognised when there is a legal/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 can be made. The amount recognised is the estimated cost of decommissioning discounted to its present value. Changes in the estimated timing of decommissioning or decommissioning costs estimates are dealt with prospectively by recording an adjustment to the provision.

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SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D PROPERTY, PLANT AND EQUIPMENT AND DEPRECIATION (CONTINUED)

(iv) Impairment

At each financial position date, the Group assesses whether there is an indication of impairment of a category of asset exist. If such indications exist, the carrying amount of the category of assets is re-visited, and if found to be in excess of recoverable amount, it is written-down immediately to its recoverable amount. See Summary of Significant Accounting Policies Note G on impairment of non-financial assets.

(v) Gains or losses on disposal

Upon the disposal of an item of property, plant and equipment, the difference between the net disposal proceeds and the carrying amount are included in profit or loss.

(vi) Asset exchange transaction

Property, plant and equipment may be acquired in exchange for a non-monetary asset or a combination of monetary and non-monetary assets and is measured at fair values unless:

(a) the exchange transaction lacks commercial substance; or

(b) the fair value of neither the assets received nor the assets given up can be measured reliably.

The acquired item is measured in this way even if the Group cannot immediately de-recognise the assets given-up. If the acquired item cannot be reliably measured at fair value, its cost is measured at the carrying amount of the asset given up.

(vii) Repairs and maintenance

Repairs and maintenance are charged to the profit or loss during the period in which they are incurred. The cost of major renovations is included in the carrying amount of the asset when it is probable that future economic benefits in excess of the originally assessed standard of performance of the existing asset will flow to the Group. This cost is depreciated over the remaining useful life of the related asset.

E FINANCIAL ASSETS

(a) Classification

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income ("OCI") or through profit or loss), and

- those to be measured at amortised cost

(b) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

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SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E FINANCIAL ASSETS (CONTINUED)

(c) **Measurement**

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss ("FVTPL"), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest ("SPPI").

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. The Group reclassifies debt investments when and only when its business model for managing those assets changes.

There are three measurement categories into which the Group classifies its debt instruments:

(i) Amortised cost

Assets that are held for collection of contractual cash flows where those cash flows represent SPPI are measured at amortised cost. Interest income from these financial assets is included in other income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of comprehensive income as applicable.

(ii) Fair value through other comprehensive income ("FVOCI")

Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent SPPI, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in other income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as separate line item in the statement of comprehensive income as applicable.

(iii) FVTPL

Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVTPL. The Group may also irrevocably designate financial assets at FVTPL if doing so significantly reduces or eliminates a mismatch created by assets and liabilities being measured on different bases. Fair value changes is recognised in profit or loss and presented net within other gains/(losses) in the period which it arises.

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SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E FINANCIAL ASSETS (CONTINUED)

(c) Measurement (continued)

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVTPL are recognised in other gains/(losses) in the statement of comprehensive income as applicable.

(d) Subsequent measurement - impairment of financial assets

The Group assesses on a forward looking basis the expected credit losses ("ECL") associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

The Group has three types of financial instruments that are subject to the ECL model:

- Trade receivables (including Intercompanies related parties balances from trading activities)
- Contract assets
- Other receivables (including deposits, intercompanies and related parties balances)

While cash and cash equivalents are also subject to the impairment requirements of MFRS 9, the identified impairment loss was immaterial.

ECL represents a probability-weighted estimate of the difference between present value of cash flows according to contract and present value of cash flows the Group expects to receive, over the remaining life of the financial instrument. For financial guarantee contracts, the ECL is the difference between the expected payments to reimburse the holder of the guaranteed debt instrument less any amounts that the Company expects to receive from the holder, the debtor or any other party.

The measurement of ECL reflects:

- an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- the time value of money; and
- reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

(i) General 3-stage approach for other receivables

At each reporting date, the Group measures ECL through loss allowance at an amount equal to 12 month ECL if credit risk on a financial instrument or a group of financial instruments has not increased significantly since initial recognition. For all other financial instruments, a loss allowance at an amount equal to lifetime ECL is required.

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SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E FINANCIAL ASSETS (CONTINUED)

(d) Subsequent measurement - impairment of financial assets (continued)

(ii) Simplified approach for trade receivables and contract assets

The Group applies the MFRS 9 simplified approach to measure ECL which uses a lifetime ECL for all trade receivables and contract assets. Note 31(b) sets out the measurement details of ECL.

Significant increase in credit risk

The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk, the Group compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportable forward-looking information.

The following indicators are incorporated:

- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the debtor's ability to meet its obligations
- actual or expected significant changes in the operating results of the debtor
- significant increases in credit risk on other financial instruments of the same debtor
- significant changes in the value of the collateral supporting the obligation or in the quality of third-party guarantees or credit enhancements
- significant changes in the expected performance and behaviour of the debtor, including changes in the payment status of debtor in the group and changes in the operating results of the debtor.

Regardless of the analysis above, a significant increase in credit risk is presumed if a debtor is more than 120 days past due in making a contractual payment.

Definition of default and credit-impaired financial assets

The Group defines a financial instrument as default, which is fully aligned with the definition of credit-impaired, when it meets one or more of the following criteria:

Quantitative criteria: The Group defines a financial instrument as default, when the counterparty fails to make contractual payments within 365 days when they fall due

Qualitative criteria: The debtor meets unlikeliness to pay criteria, which indicates the debtor is in significant financial difficulty. The Group considers the following instances:

- the debtor is in breach of financial covenants
- concessions have been made by the lender relating to the debtor's financial difficulty
- it is becoming probable that the debtor will enter bankruptcy or other financial reorganisation
- the debtor is insolvent

Financial instruments that are credit-impaired are assessed on individual basis.

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SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E FINANCIAL ASSETS (CONTINUED)

(d) Subsequent measurement - impairment of financial assets (continued)

Write-off

The Group writes off financial assets, in whole or in part, when it has exhausted all practical recovery efforts and has concluded there is no reasonable expectation of recovery. The assessment of no reasonable expectation of recovery is based on unavailability of debtor's sources of income or assets to generate sufficient future cash flows to repay the amount.

The Group may write-off financial assets that are still subject to enforcement activity. Subsequent recoveries of amounts previously written off will result in impairment gains.

Groupings of instruments of ECL measured on collective basis

(i) Collective assessment

To measure ECL, trade receivables and contract assets arising from telecommunication services have been grouped based on shared credit risk characteristics. The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same types of contracts. The Group has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

(ii) Individual assessment

Trade and other receivables with individually significant balance are separately assessed for ECL measurement.

Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is presented in the statements of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy.

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SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F FINANCIAL LIABILITIES

(i) Classification, recognition and measurement

Financial liabilities are classified as other financial liabilities. Management determines the classification of its financial liabilities at initial recognition according to the substance of the contractual arrangement entered into and definitions of a financial liability.

Financial liabilities, within the scope of MFRS 9, are recognised in the statement of financial position when, and only when, the Group becomes a party to the contractual provisions of the financial instrument.

Other financial liabilities are non-derivative financial liabilities. Other financial liabilities are initially recognised at fair value net of transaction costs and subsequently carried at amortised cost using effective interest method. They are included in current liabilities, except for maturities greater than 12 months after the end of the reporting date in which case they are classified as non-current liabilities.

The Group's other financial liabilities include borrowings, trade and other payables (excluding statutory liabilities). For other financial liabilities, gains and losses are recognised in profit or loss when the liabilities are de-recognised, or through the amortisation process.

(ii) De-recognition

A financial liability is de-recognised when the obligation under the liability is extinguished. When an existing financial liability is replaced by another, the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability, and the difference in the respective carrying amounts is recognised in profit or loss.

G IMPAIRMENT OF NON-FINANCIAL ASSETS

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or events or circumstances occur indicating that an impairment may exist. Property, plant and equipment and other non-current assets, including intangible assets with a definite useful life, are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less cost to sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest level for which there is separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

The impairment loss is charged to profit or loss unless it reverses a previous revaluation in which case it is charged to the revaluation surplus. Impairment losses on goodwill are not reversed. In respect of other assets, any subsequent increase in recoverable amount is recognised in profit or loss unless it reverses an impairment loss on a revalued asset in which case it is taken to revaluation surplus reserve.

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SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H LEASES

(a) Accounting by lessee

Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices.

Lease term

In determining the lease term, the Group considers all facts and circumstances that create an economic incentive to exercise an extension option, or not to exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not to be terminated).

The Group reassesses the lease term upon the occurrence of a significant event or change in circumstances that is within the control of the Group and affects whether the Group is reasonably certain to exercise an option not previously included in the determination of lease term, or not to exercise an option previously included in the determination of lease term. A revision in lease term results in remeasurement of the lease liabilities. See accounting policy below on reassessment of lease liabilities.

Right-of-use ("ROU") assets

ROU assets are initially measured at cost comprising the following:
- The amount of the initial measurement of lease liability;
- Any lease payments made at or before the commencement date less any lease incentive received;
- Any initial direct costs; and
- Decommissioning or restoration costs.

ROU assets that are not investment properties are subsequently measured at cost, less accumulated depreciation and impairment loss (if any). The ROU assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the ROU asset is depreciated over the underlying asset's useful life. In addition, the ROU assets are adjusted for certain remeasurement of the lease liabilities.

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SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H LEASES (CONTINUED)

(a) Accounting by lessee (continued)

Lease liabilities

Lease liabilities are initially measured at the present value of the lease payments that are not paid at that date. The lease payments include the following:

- Fixed payments (including in-substance fixed payments), less any lease incentive receivable;
- Variable lease payments that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
- Amounts expected to be payable by the Group under residual value guarantees;
- The exercise price of a purchase and extension options if the Group is reasonably certain to exercise that option; and
- Payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

Lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing is used. This is the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the ROU in a similar economic environment with similar term, security and conditions.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Variable lease payments that depend on sales are recognised in profit or loss in the period in which the condition that triggers those payments occurs.

The Group presents the lease liabilities as a separate line item in the statement of financial position. Interest expense on the lease liability is presented within the finance cost in profit or loss in the statement of comprehensive income.

Reassessment of lease liabilities

The Group is also exposed to potential future increases in variable lease payments that depend on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is remeasured and adjusted against the ROU assets.

Short term leases and leases of low value assets

Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT equipment and small items of office furniture. Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line bases as an expense in profit or loss.

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SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I INVENTORIES

Inventories are stated at the lower of cost and net realisable value. Cost includes the actual cost of materials and incidentals in bringing the Inventories to their present location and condition, and is determined on a weighted average basis. Net realisable value represents the estimated selling price less all estimated costs to completion and costs to be incurred in marketing, selling and distribution. To arrive at net realisable value, due allowance is made for obsolete, slow moving or defective inventories.

J TRADE AND OTHER RECEIVABLES

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. Other receivables generally arise from transactions outside the usual operating activities of the Group. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, where they are recognised at fair value plus transaction costs. Other receivables are recognised initially at fair value plus transaction costs. Transaction costs include transfer taxes and duties.

After recognition, trade and other receivables are subsequently measured at amortised cost using the effective interest method, less provision for impairment. See Summary of Significant Accounting Policies Note E(d) on impairment of financial assets.

K CASH AND CASH EQUIVALENTS

For the purpose of the statement of cash flows, cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes. Cash and cash equivalents comprise cash on hand, deposits held at call with financial institutions, other short term, highly liquid Investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts.

In the statement of financial position, banks overdrafts are shown within borrowings in current liabilities.

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Chartered Accountants

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SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

L SHARE CAPITAL

(a) Classification

Ordinary shares and non-redeemable preference shares with discretionary dividends are classified as equity. Other shares are classified as equity and/or liability according to the substance of the contractual arrangement of the particular instrument.

(b) Share issue costs

Incremental costs directly attributable to the issue of new shares or options are deducted against equity.

(c) Dividend distribution

Liability is recognised for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the Group, on or before the end of the reporting period but not distributed at the end of the reporting period.

(d) Purchase of own shares

Where any company within the Group purchases the Company's equity instruments, the consideration paid, including any directly attributable incremental costs, net of tax, is deducted from equity attributable to the owners of the Company as treasury shares until the shares are cancelled, reissued. Where such ordinary shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related tax effects, is included in equity attributable to the owners of the Company.

M EARNINGS PER SHARE

Basic earnings per share

Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the Company, excluding any costs of servicing equity other than ordinary shares

- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares.

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SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

N TRADE AND OTHER PAYABLES

Trade payables represent liabilities for goods or services provided to the Group prior to the end of financial year which are unpaid. Trade payables are classified as current liabilities unless payment is not due within 12 months after the reporting period. If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value net of transaction costs incurred, which include transfer taxes and duties.

Trade payables are subsequently measured at amortised cost using the effective interest method.

O BORROWINGS AND BORROWING COSTS

(i) **Borrowings**

Borrowings are recognised initially at fair value, net of transaction costs incurred. In subsequent periods, borrowings are stated at amortised cost using the effective interest method; any difference between proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings.

Interest, dividends, losses and gains relating to a financial instrument, or a component part, classified as a liability is reported within finance cost in the profit or loss.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve (12) months after the end of the reporting period.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn-down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn-down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are removed from the statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

(ii) **Borrowing costs**

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantlally ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

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SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

P INCOME TAXES

Tax expense for the period comprises current and deferred income tax. The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Group's subsidiaries, joint ventures and associates operate and generate taxable income.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred tax is provided in full, using the liability method, on temporary differences arising between the amounts attributed to assets and liabilities for tax purposes and their carrying amounts in the financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is determined using tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax is provided on temporary differences arising on investments in subsidiaries, associates and joint ventures, except for deferred tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

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

Tax benefit from investment tax incentive is recognised when the tax credit is utilised and no deferred tax asset is recognised when the tax credit is claimed.

Deferred tax assets and liabilities are off-set when there is a legally enforceable right to off-set current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

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SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Q EMPLOYEE BENEFITS

(i) Short-term employee benefits

Wages, salaries, paid annual leave and sick leave, bonuses, and non-monetary benefits that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled.

(ii) Contribution to Employees Provident Fund

The Group's contributions to Employees Provident Fund are charged to profit or loss in the financial year to which they relate. Once the contributions have been paid, the Group has no further payment obligations. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(iii) Termination benefits

Termination benefits are payable whenever an employee's employment is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either terminate the employment of current employees according to a detailed formal plan without possibility of withdrawal or to provide termination benefits that is within the scope of MFRS 137 and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than twelve (12) months after the end of the reporting period are discounted to present value.

(iv) Share-based compensation

The holding company, Axiata, operates a number of equity settled and share-based compensation plans as disclosed in Note 7 to the financial statements.

Axiata receives services from employees as consideration for equity instruments (options) of itself or the related subsidiaries. The fair value of the employee services received in exchange for the grant of options is recognised as an expense.

The total amount to be expensed is determined by reference to the fair value of the options granted:

- including any market performance conditions;
- excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period); and
- excluding the impact of any non-vesting conditions (for example, the requirement for employees to save).

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SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Q EMPLOYEE BENEFITS (CONTINUED)

(iv) Share-based compensation (continued)

At the end of each reporting period, Axiata revises its estimates of the number of options that are expected to vest based on the non-market vesting conditions and service conditions. It recognises the impact of the revision to original estimates, if any, in the consolidated profit or loss, with a corresponding adjustment to equity (if grant of options/shares of by Axiata) and payables (if grant of options/shares by the related subsidiaries).

Recharges made by the holding company in respect of options and or restricted share awards granted to its subsidiaries are accounted for as amount due to holding company.

(v) Cash-Based Long Term Incentive plan ("LTI")

The Group recognises a liability and an expense for LTI and over the vesting period, based on a formula that takes into consideration the number of employees, a performance multiplier and discount rate. Provision is recognised when the Group has a present legal or constructive obligation as a result of past events.

R PROVISION FOR LIABILITIES

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, when it is probable that an outflow of resources will be required to settle the obligation, and when a reliable estimate of the amount can be made. Where the Group expects a provision to be reimbursed (for example, under an insurance contract), the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in a settlement, is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditure expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as finance cost.

Provision for liabilities is mainly provisions for dismantling, removal or restoration and onerous contracts. Provisions are reviewed at each statement of financial position date and adjusted to property, plant and equipment or expenses to reflect the current best estimation. Where the time value of money is material, the amount of a provision is the present value of the future period expenditure expected to be required to settle the obligation.