Building a better working world

Registration No.: 199701009694 (425190-X)

Independent auditors' report to the members of Digi.Com Berhad (cont'd.) (Incorporated in Malaysia)

Report on the audit of the financial statements (cont'd.)

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current year. We have determined that there are no key audit matters to communicate in our report on the financial statements of the Company. The key audit matter for the audit of the financial statements of the Group is described below. This matter was addressed in the context of our audit of the financial statements of the Group as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the financial statements* section of our report, including in relation to this matter. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matter below, provide the basis for our audit opinion on the accompanying financial statements.

Revenue recognition

Refer to Note 2.19.1 - Revenue from contracts with customers and Note 5 - Revenue.

The Group recognised total revenue of RM6.3 billion during the financial year ended 31 December 2021. Revenue was measured taking into account the bundling of services with handsets and discounts. The inherent industry risk arises from the complexity of the telecommunications billing system. Large volumes of data with a combination of different products sold and price changes during the financial year were processed through a number of different modules in the telecommunications billing system. These may have an impact on the amount of revenue recognised during the financial year. As such, we considered revenue recognition to be a key audit matter.

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Independent auditors' report to the members of Digi.Com Berhad (cont'd.) (Incorporated in Malaysia)

Report on the audit of the financial statements (cont'd.)

Key audit matters (cont'd.)

Accuracy of revenue recognition (cont'd.)

We performed the following audit procedures amongst others:

- Obtained an understanding of the Information Technology ("IT") automated and manual controls surrounding revenue systems and processes such as capturing and recording revenue transactions, authorisation of rate changes and timely updating of approved rate changes in the billing system, and tested the operating effectiveness of these IT automated and manual controls;
- Tested end-to-end reconciliation from billing system to accounting system including verifying material revenue adjustments passed into the accounting system;
- Tested the allocation of revenue to separately identifiable components of multiple element arrangements, particularly in relation to transactions that include the delivery of handset combined with a service element in the contracts, as well as the timing of the revenue recognised; and
- Evaluated appropriateness of revenue recognition policies.

Information other than the financial statements and auditors' report thereon

The directors of the Company are responsible for the other information. The other information comprises the directors' report and annual report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon, which we obtained prior to the date of this auditors' report.

Our opinion on the financial statements of the Group and of the Company does not cover the other information and we do not express any form of assurance conclusion thereon.

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Independent auditors' report to the members of Digi.Com Berhad (cont'd.) (Incorporated in Malaysia)

Report on the audit of the financial statements (cont'd.)

Information other than the financial statements and auditors' report thereon (cont'd.)

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditors' report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the financial statements

The directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with 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

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Report on the audit of the financial statements (cont'd.)

Auditor's responsibilities for the audit of the financial statements (cont'd.)

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:

(a) Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, 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.

(b) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.

(c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

(d) Conclude on the appropriateness of the directors' 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 Group's or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.

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Independent auditors' report to the members of Digi.Com Berhad (cont'd.) (Incorporated in Malaysia)

Report on the audit of the financial statements (cont'd.)

Auditor's responsibilities for the audit of the financial statements (cont'd.)

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: (cont'd.)

(e) Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.

(f) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. 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 regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

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

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Independent auditors' report to the members of Digi.Com Berhad (cont'd.)
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Other matters

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

Ernst & Young PLT
202006000003 (LLP0022760-LCA) & AF 0039
Chartered Accountants

Tseu Tet Khong @ Tsau Tet Khong
03374/06/2022 J
Chartered Accountant

Kuala Lumpur, Malaysia
11 March 2022

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Digi.Com Berhad
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Statements of comprehensive income
For the financial year ended 31 December 2021

	Note	Group 2021 RM'000	Group 2020 RM'000	Company 2021 RM'000	Company 2020 RM'000
Revenue	5	6,335,674	6,152,747	1,135,500	1,275,000
Other income		25,775	19,048	3,493	907
Cost of materials and traffic expenses		(1,753,764)	(1,538,639)	-	-
Sales and marketing expenses		(376,675)	(404,581)	-	-
Operations and maintenance expenses		(164,079)	(169,645)	-	-
Rental expenses		(57,253)	(21,485)	-	-
Staff expenses	7(b)	(244,569)	(242,099)	-	-
Depreciation expenses	7	(1,180,305)	(1,154,114)	-	-
Amortisation expenses	12	(83,160)	(67,689)	-	-
Other expenses		(771,715)	(768,869)	(6,626)	(194)
Finance costs	6	(245,585)	(212,547)	-	-
Interest income		30,541	29,919	70	102
Profit before tax	7	1,514,885	1,622,046	1,132,437	1,275,815
Taxation	8	(352,780)	(401,077)	(19)	(24)
Profit for the financial year, representing total comprehensive income for the financial year		1,162,105	1,220,969	1,132,418	1,275,791
Attributable to:					
Owners of the parent		1,162,105	1,220,969	1,132,418	1,275,791

		Group 2021	Group 2020
Earnings per share attributable to owners of the parent - basic (sen per share)	9	14.9	15.7

The accompanying accounting policies and explanatory information form an integral part of the financial statements.

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Statements of financial position
As at 31 December 2021

	Note	Group 2021 RM'000	Group 2020 RM'000	Company 2021 RM'000	Company 2020 RM'000
Non-current assets					
Property, plant and equipment	11	2,863,675	2,883,143	-	-
Intangible assets	12	284,057	248,036	-	-
Right of use assets	13	2,828,720	3,031,878	-	-
Investments in subsidiaries	15	-	-	773,361	773,361
Other investment	16	78	78	-	-
Trade and other receivables	18	320,862	344,538	-	-
Contract costs	14	71,687	57,887	-	-
Contract assets	5	21,757	28,886	-	-
Derivative financial assets	19	26,365	61,728	-	-
		6,417,201	6,656,174	773,361	773,361
Current assets					
Inventories	17	116,568	137,207	-	-
Trade and other receivables	18	1,050,392	972,387	5	4
Contract assets	5	51,127	66,437	-	-
Income tax recoverable		-	51,676	-	-
Cash and short-term deposits	20	204,527	302,853	670	250
		1,422,614	1,530,560	675	254
Total assets		7,839,815	8,186,734	774,036	773,615
Non-current liabilities					
Loans and borrowings	21	3,835,854	4,677,523	-	-
Deferred tax liabilities	22	303,027	268,927	-	-
Other liabilities	23	136,053	120,255	-	-
		4,274,934	5,066,705	-	-

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Statements of financial position
As at 31 December 2021 (cont'd.)

	Note	Group 2021 RM'000	Group 2020 RM'000	Company 2021 RM'000	Company 2020 RM'000
Current liabilities					
Trade and other payables	24	1,444,024	1,432,986	3,882	729
Contract liabilities	5	346,088	306,283	-	-
Derivative financial liabilities	19	183	394	-	-
Loans and borrowings	21	1,123,421	774,510	-	-
Income tax payable		18,354	-	5	5
		2,932,070	2,514,173	3,887	734
Total liabilities		7,207,004	7,580,878	3,887	734
Equity					
Share capital	25	769,655	769,655	769,655	769,655
(Accumulated losses)/ retained earnings	27	(136,844)	(163,799)	494	3,226
Total equity		632,811	605,856	770,149	772,881
Total equity and liabilities		7,839,815	8,186,734	774,036	773,615

The accompanying accounting policies and explanatory information form an integral part of the financial statements.

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Statements of changes in equity
For the financial year ended 31 December 2021

	Note	← Attributable to owners of the parent → Share capital RM'000	(Accumulated losses)/ distributable retained earnings RM'000 (Note 27)	Total RM'000
Group				
At 1 January 2020		769,655	(109,668)	659,987
Total comprehensive income		-	1,220,969	1,220,969
Transaction with owners:				
Dividends on ordinary shares	10	-	(1,275,100)	(1,275,100)
At 31 December 2020		769,655	(163,799) [1]	605,856
Total comprehensive income		-	1,162,105	1,162,105
Transaction with owners:				
Dividends on ordinary shares	10	-	(1,135,150)	(1,135,150)
At 31 December 2021		769,655	(136,844) [1]	632,811
Company				
At 1 January 2020		769,655	2,535	772,190
Total comprehensive income		-	1,275,791	1,275,791
Transaction with owners:				
Dividends on ordinary shares	10	-	(1,275,100)	(1,275,100)
At 31 December 2020		769,655	3,226	772,881
Total comprehensive income		-	1,132,418	1,132,418
Transaction with owners:				
Dividends on ordinary shares	10	-	(1,135,150)	(1,135,150)
At 31 December 2021		769,655	494	770,149

Note: [1] In the previous financial years, as part of the Group's capital management initiatives, the Company received dividends in specie from its subsidiary, Digi Telecommunications Sdn. Bhd. ("DTSB"), in the form of bonus issue of redeemable preference shares and capital repayment by DTSB amounting to RM509.0 million and RM495.0 million respectively. The Company has declared part of these as special dividend to its shareholders. The deficit arose from the elimination of these intra-group dividends at Group level.

The accompanying accounting policies and explanatory information form an integral part of the financial statements.

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Statements of cash flows
For the financial year ended 31 December 2021

	Note	Group 2021 RM'000	Group 2020 RM'000	Company 2021 RM'000	Company 2020 RM'000
Cash flows from operating activities					
Profit before tax		1,514,885	1,622,046	1,132,437	1,275,815
Adjustments for:					
Amortisation of intangible assets	12	83,160	67,689	-	-
Depreciation					
- property, plant and equipment	11	697,383	678,447	-	-
- right of use assets	13	482,922	475,667	-	-
Allowance for expected credit loss on trade receivables and contract assets	31.2	54,506	81,588	-	-
Amortisation of contract cost	14	83,439	87,199	-	-
Inventories written (back)/down		(1,141)	212	-	-
Dividend income		-	-	(1,135,500)	(1,275,000)
Finance costs	6	245,585	212,547	-	-
Loss on disposal of property, plant and equipment		13,681	2,604	-	-
Loss on disposal of intangible assets		2,012	-	-	-
Gain on termination of leases		(384)	(72)	-	-
Write-off of property, plant and equipment		1,041	50,708	-	-
Write-off of intangible assets		-	120	-	-
Interest income		(30,541)	(29,919)	(70)	(102)
Reversal of provision for employee leave entitlements	23.1	-	(161)	-	-
Waiver of debt		-	-	(3,493)	(907)

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Statements of cash flows
For the financial year ended 31 December 2021 (cont'd.)

	Note	Group 2021 RM'000	Group 2020 RM'000	Company 2021 RM'000	Company 2020 RM'000
Cash flows from operating activities (cont'd.)					
Adjustments for (cont'd.):					
Employee benefits					
- share-based payment		1,357	1,871	-	-
- defined benefit plan	26	67	93	-	-
Fair value gain on foreign currency forward contracts		(211)	(25)	-	-
Unrealised foreign exchange gain		(1,435)	(259)	-	-
Operating cash flows before changes in working capital		3,146,326	3,250,355	(6,626)	(194)
Changes in working capital:					
Inventories		21,780	(46,918)	-	-
Trade and other receivables		(322,538)	126,184	(1)	-
Contract asset		22,439	8,786	-	-
Contract costs		(97,239)	(78,916)	-	-
Trade and other payables		11,383	(353,193)	6,646	256
Contract liabilities		39,805	22,711	-	-
Cash flows from operations		2,821,956	2,929,009	19	62
Advance payment for bandwidth		(4,095)	(10,872)	-	-
Interest paid		(202,387)	(246,989)	-	-
Proceeds from government grants		239,133	154,263	-	-
Payments for provisions	23.1	(27)	(334)	-	-
Taxes paid		(248,650)	(393,019)	(19)	(32)
Net cash flows from operating activities		2,605,930	2,432,058	-	30

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Statements of cash flows
For the financial year ended 31 December 2021 (cont'd.)

	Note	Group 2021 RM'000	Group 2020 RM'000	Company 2021 RM'000	Company 2020 RM'000
Cash flows from investing activities					
Purchase of property, plant and equipment		(681,817)	(617,980)	-	-
Purchase of intangible assets		(121,537)	(102,249)	-	-
Additional investment in a subsidiary		-	-	-	(610)
Dividends received from a subsidiary	5	-	-	1,135,500	1,275,000
Interest received		8,572	11,617	70	102
Proceeds from disposal of property, plant and equipment		1,113	110	-	-
Proceeds from disposal of intangible assets		344	-	-	-
Net cash flows (used in)/from investing activities		(793,325)	(708,502)	1,135,570	1,274,492
Cash flows from financing activities					
Repayment of loans and borrowings		(375,000)	(375,000)	-	-
Drawdown of loans and borrowings		-	150,000	-	-
Payment of lease liabilities		(401,415)	(379,422)	-	-
Dividends paid	10	(1,135,150)	(1,275,100)	(1,135,150)	(1,275,100)
Net cash flows used in financing activities		(1,911,565)	(1,879,522)	(1,135,150)	(1,275,100)

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Statements of cash flows
For the financial year ended 31 December 2021 (cont'd.)

	Note	Group 2021 RM'000	Group 2020 RM'000	Company 2021 RM'000	Company 2020 RM'000
Net (decrease)/increase in cash and cash equivalents		(98,960)	(155,966)	420	(578)
Effect of exchange rate changes on cash and cash equivalents		634	1,103	-	-
Cash and cash equivalents at beginning of financial year		302,853	457,716	250	828
Cash and cash equivalents at end of financial year	20	204,527	302,853	670	250

The accompanying accounting policies and explanatory information form an integral part of the financial statements.

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Notes to the Financial Statements - 31 December 2021

1. Corporate information

The Company is a public limited liability company, incorporated and domiciled in Malaysia, and is listed on the Main Market of Bursa Malaysia Securities Berhad ("Bursa Securities"). The principal place of business is located at Lot 10, Jalan Delima 1/1, Subang Hi-Tech Industrial Park, 40000 Shah Alam, Selangor Darul Ehsan. The registered office of the Company is located at 12th Floor, Menara Symphony, No. 5, Jalan Professor Khoo Kay Kim, Seksyen 13, 46200 Petaling Jaya, Selangor.

The immediate and ultimate holding companies are Telenor Asia Pte Ltd and Telenor ASA, incorporated in Singapore and Norway respectively. The ultimate holding company is listed on the Oslo Stock Exchange, Norway.

The principal activity of the Company is investment holding, whilst the principal activities of the subsidiaries are stated in Note 15. There has been no significant change in the nature of the principal activities during the financial year.

Related companies refer to companies within the Telenor Asia Pte Ltd and Telenor ASA group of companies.

2. Significant accounting policies

2.1 Basis of preparation

The financial statements of the Group and of the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

The financial statements of the Group and of the Company have been prepared on the historical cost convention unless indicated otherwise in the accounting policies below.

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

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2. Significant accounting policies (cont'd.)

2.2 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the reporting date. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied for like transactions and events in similar circumstances.

The Company controls an investee if, and only if, the Company has all the following:

(i) Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);

(ii) Exposure, or rights, to variable returns from its investment with the investee; and

(iii) The ability to use its power over the investee to affect its returns.

Subsidiaries are consolidated when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions are eliminated in full.

Losses within a subsidiary are attributed to the non-controlling interests even if that results in a deficit balance.

Business combinations

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value, and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

The Group determines that it has acquired a business when the acquired set of activities and assets include an input and a substantive process that together significantly contribute to the ability to create outputs. The acquired process is considered substantive if it is critical to the ability to continue producing outputs, and the inputs acquired include an organised workforce with the necessary skills, knowledge, or experience to perform that process or it significantly contributes to the ability to continue producing outputs and is considered unique or scarce or cannot be replaced without significant cost, effort, or delay in the ability to continue producing outputs.

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2. Significant accounting policies (cont'd.)

2.2 Basis of consolidation (cont'd.)

Business combinations (cont'd.)

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of MFRS 9 Financial Instruments, is measured at fair value with the changes in fair value recognised in the statement of profit or loss in accordance with MFRS 9. Other contingent consideration that is not within the scope of MFRS 9 is measured at fair value at each reporting date with changes in fair value recognised in profit or loss.

2.3 Investment in subsidiaries

In the Company's separate financial statements, investment in subsidiaries are accounted for at cost less impairment losses. On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is included in profit or loss.

2.4 Property, plant and equipment, and depreciation

All items of property, plant and equipment are initially recorded at cost. The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

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2. Significant accounting policies (cont'd.)

2.4 Property, plant and equipment, and depreciation (cont'd.)

Subsequent to recognition, property, plant and equipment, except for freehold land and capital work-in-progress, are measured at cost less accumulated depreciation and accumulated impairment losses, if any. The cost of an item includes expenditure that is attributable to the acquisition of the item. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. When significant parts of property, plant and equipment are required to be replaced in intervals, the Group recognises such parts as individual assets with specific useful lives and depreciation, respectively. The carrying amount of the replaced part is then derecognised. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the asset as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit and loss as incurred.

Freehold land has an unlimited useful life and is therefore not depreciated. Capital work-in-progress representing assets under construction, is also not depreciated as these assets are not yet available for its intended use. Depreciation of other property, plant and equipment is computed on a straight-line basis to write down the cost of each asset to its residual value over the estimated useful life, at the following annual rates or periods:

Buildings	2.0%
Motor vehicles	20.0%
Computer systems	20.0% - 33.3%
Furniture and fittings	20.0%
Telecommunications network	3.3% - 33.3%

The residual values, useful lives and depreciation method are reviewed at each financial year end, and adjusted prospectively, if appropriate, to ensure that the amount, method and period of depreciation are consistent with the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

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2. Significant accounting policies (cont'd.)

2.4 Property, plant and equipment, and depreciation (cont'd.)

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising from the difference between the net disposal proceeds, if any, and the net carrying amount is recognised in profit and loss in the financial year the asset is derecognised.

2.5 Intangible assets

Intangible assets acquired separately are initially measured at cost. Following initial recognition, intangible assets are measured at cost less accumulated amortisation and accumulated impairment losses, if any. The useful lives of intangible assets are assessed to be either finite or indefinite.

Intangible assets with finite useful lives are amortised over the estimated useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method are reviewed at least during each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated prospectively as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in profit and loss.

Intangible assets not yet available for use are tested for impairment annually, or more frequently if events and circumstances indicate that the carrying value may be impaired either individually or at the cash generating unit ("CGU") level. Such intangible assets are not amortised.

Any gain or loss arising from derecognition of an intangible asset is measured as the difference between the net disposal proceeds and the carrying amount of the asset, and is recognised in profit and loss when the asset is derecognised.

Computer software

Costs incurred to acquire computer software, that are not an integral part of the related hardware, are capitalised as intangible assets and amortised on a straight-line basis over the estimated useful life of 5 years.

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2. Significant accounting policies (cont'd.)

2.6 Impairment of non-financial assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets to determine whether there is any indication of impairment. If any such indication exists, impairment is measured by comparing the carrying amounts of the assets with their recoverable amounts.

For intangible assets not yet available for use, the recoverable amount is estimated at the end of each reporting period, or more frequently if events and circumstances indicate that the carrying value may be impaired either individually or at the cash generating unit ("CGU") level.

An asset's recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows, namely a CGU.

In assessing value in use, the estimated future cash flows expected to be generated by the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where the carrying amount of an asset exceeds its recoverable amount, the asset is written down to its recoverable amount. Impairment losses recognised in respect of a CGU or groups of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to those units or groups of units, if any and then, to reduce the carrying amount of the other assets in the unit or groups of units on a pro-rata basis.

An impairment is recognised whenever the carrying amount of an asset or CGU exceeds its recoverable amount, and the impairment loss is recognised as an expense in profit and loss in the period in which it arises.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. A previously recognised impairment loss is reversed if, and only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in profit or loss.

2.7 Inventories

Inventories are stated at lower of cost and net realisable value. Cost is determined using the weighted average basis. The cost of trading merchandise comprises costs of purchases and other incidental costs incurred in bringing these merchandise to their present condition and location.

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2. Significant accounting policies (cont'd.)

2.7 Inventories (cont'd.)

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

2.8 Financial assets

2.8.1 Initial recognition and measurement

Financial assets are classified, at initial recognition as, subsequently measured at amortised cost, fair value through other comprehensive income ("OCI"), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's and Company's business model for managing them. The Group and the Company initially measure a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs except for trade receivables that do not contain a significant financing component. Trade receivables that do not contain a significant financing component are measured at the transaction price determined under MFRS 15: Revenue from Contracts with Customers ("MFRS 15").

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest ("SPPI")' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's and the Company's business model for managing financial assets refer to how the financial assets are managed in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

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2. Significant accounting policies (cont'd.)

2.8 Financial assets (cont'd.)

2.8.2 Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortised cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

The Group and the Company do not have any debt instruments at fair value through OCI with recycling of cumulative gains and losses.

(a) Financial assets at amortised cost (debt instruments)

This category is the most relevant to the Group and the Company. The Group and the Company measure financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest ("EIR") method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Group's and the Company's financial assets at amortised cost includes trade and other receivables and cash and short-term deposits.

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2. Significant accounting policies (cont'd.)

2.8 Financial assets (cont'd.)

2.8.2 Subsequent measurement (cont'd.)

(b) Financial assets designated at fair value through OCI (equity instruments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under MFRS 132 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

The Group elected to classify irrevocably its non-listed equity investments under this category.

(c) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives are classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

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2. Significant accounting policies (cont'd.)

2.8 Financial assets (cont'd.)

2.8.2 Subsequent measurement (cont'd.)

(c) Financial assets at fair value through profit or loss (cont'd.)

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the profit or loss.

This category includes derivative instruments such as foreign currency forward contracts and interest rate swaps. Derivative instruments are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

2.8.3 Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's and Company's statement of financial position) when:

- The rights to receive cash flows from the asset have expired; or
- The Group and the Company have transferred their rights to receive cash flows from the asset or have assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group and the Company have transferred substantially all the risks and rewards of the asset, or (b) the Group and the Company have neither transferred nor retained substantially all the risks and rewards of the asset, but have transferred control of the asset.

When the Group and the Company have transferred their rights to receive cash flows from an asset or have entered into a pass-through arrangement, the Group and the Company evaluate if, and to what extent, they have retained the risks and rewards of ownership. When they have neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group and the Company continue to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group and the Company also recognise an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group and the Company have retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group and the Company could be required to repay.

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2. Significant accounting policies (cont'd.)

2.9 Impairment of financial assets and contract assets

The Group recognises an allowance for expected credit losses ("ECLs") for all debt instruments not held at fair value through profit or loss and contract assets. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables and contract assets, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the category of debtors and the economic environment.

The Group considers a financial asset in default when contractual payments are overdue for more than 60 days. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

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2. Significant accounting policies (cont'd.)

2.10 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and at banks and deposits with licensed banks with a maturity of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. These also include bank overdrafts, if any, that form an integral part of the Group's cash management.

Interest income is recognised in profit or loss by applying the effective interest rate to the gross carrying amount of the financial assets.

2.11 Provision for liabilities

Provisions for liabilities are recognised when the Group has a present obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. Where the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability to the present value of the expenditure expected to be required to settle the obligation. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

(a) Employee leave entitlements

Employees' entitlement to annual leave are recognised when the associated services performed by employees increase their entitlements to annual leave. A provision is made for the estimated liability for the annual leave as a result of services rendered by employees up to the end of the reporting period netted off against annual leave utilised to date.

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2. Significant accounting policies (cont'd.)

2.11 Provision for liabilities (cont'd.)

(b) Site decommissioning and restoration costs

Provision for site decommissioning and restoration costs is in respect of management's best estimate on the costs necessary to be incurred to decommission the Group's telecommunications network infrastructure and restore the previously occupied sites.

The estimated amount is determined after taking into consideration the time value of money, and the initial estimated sum is capitalised as part of the cost of property, plant and equipment. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

(c) Defined benefit plan

Provision for defined benefit plan for eligible employees is as disclosed in Note 2.16(c).

2.12 Financial liabilities

2.12.1 Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's and the Company's financial liabilities include derivative financial instruments and other financial liabilities.

2.12.2 Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

(a) Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as financial liabilities at fair value through profit or loss.

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2. Significant accounting policies (cont'd.)

2.12 Financial liabilities (cont'd.)

2.12.2 Subsequent measurement (cont'd.)

The measurement of financial liabilities depends on their classification, as described below (cont'd.):

(a) Financial liabilities at fair value through profit or loss (cont'd.)

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by MFRS 9.

Gains or losses on liabilities held for trading are recognised in the profit or loss.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in MFRS 9 are satisfied. This category includes derivative instruments such as foreign currency forward contracts and interest rate swaps.

(b) Other financial liabilities

The Group's and the Company's other financial liabilities include trade and other payables, and loans and borrowings.

After initial recognition, trade and other payables and interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the profit or loss.

This category generally applies to interest-bearing loans and borrowings and trade and other payables. For more information, refer to Note 21 and Note 24.

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2. Significant accounting policies (cont'd.)

2.12 Financial liabilities (cont'd.)

2.12.3 Derecogniton

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from 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 the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in profit or loss.

2.12.4 Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statements of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

2.13 Borrowing costs

Borrowing costs are recognised in profit and loss as an expense in the period in which they are incurred.

Borrowing costs consist of interest and other costs that the Group incurred in connection with the borrowing of funds.

2.14 Share capital and share issuance expenses

An equity instrument is any contract that evidences a residual interest in the assets of the Group and of the Company after deducting all of their liabilities. Ordinary shares are equity instruments.

The attributable incremental transaction costs of an equity transaction are accounted for as a deduction from equity, net of tax. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

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2. Significant accounting policies (cont'd.)

2.15 Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right of use ("ROU") assets representing the right to use the underlying assets.

(a) ROU assets

The Group recognises ROU assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). ROU assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of ROU assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received.

The Group elected to apply the practical expedient not to separate out non-lease components from lease components and instead account for the lease and non-lease component as a single component.

ROU assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

Leasehold land and buildings	1% - 3%
Telecommunication network sites	10% - 33%
Transmission facilities	10% - 20%
Spectrum bandwidths	6.3% – 66.7%
Stores, office buildings and kiosks	33.3%

The ROU assets are also subject to impairment. Refer to Note 2.6 for accounting policy on impairment of non-financial assets.

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2. Significant accounting policies (cont'd.)

2.15 Leases (cont'd.)

Group as a lessee (cont'd.)

(b) Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate and are dependant on a future activity are recognised as expenses in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification or a change in the lease term.

The Group's lease liabilities are included in loans and borrowings. Please refer to Note 21.

(c) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of telecommunication network sites, equipment and billboard spaces (i.e., those leases that have a lease term of 12 months or less from the commencement date). It also applies the lease of low-value assets recognition exemption to leases of office equipment and storage spaces that are considered to be low value. Lease payments on short-term leases and leases of low value assets are recognised as an expense on a straight-line basis over the lease term.

Group as a lessor

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

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2. Significant accounting policies (cont'd.)

2.16 Employee benefits

(a) Short-term benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the period in which the associated services are rendered by employees. Short-term accumulated compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences netted off against annual leave utilised to date, and short-term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

(b) Defined contribution plan

As required by law, companies in Malaysia make contributions to the state-defined contribution pension scheme known as the Employee Provident Fund, and will have no legal or constructive obligation to make further contributions in the future, over-and-above what is existingly legally required. The contributions are recognised as an expense in profit and loss in the period which the related services are rendered by employees.

(c) Defined benefit plan

The Group operates an unfunded defined benefit plan for its eligible employees. The benefits are calculated based on the length of service and the agreed percentages of eligible employees' salaries over the period of their employment and are payable upon resignation after completion of the minimum employment period of ten years or upon retirement age of sixty years. The Group's obligations under the retirement benefit scheme, calculated using the Projected Unit Credit Method, is determined based on actuarial computations by independent actuaries, through which the amount of benefit that employees have earned in return for their service in the current and prior years is estimated. That benefit is discounted in order to determine its present value.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognised immediately in other comprehensive income in the period in which they occur and recorded in defined benefit reserve. Remeasurements are not reclassified to profit and loss in subsequent periods.

Past service costs are recognised in profit and loss on the earlier of:

- The date of the plan amendment or curtailment; or
- The date that the Group recognises restructuring related costs.

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2. Significant accounting policies (cont'd.)

2.16 Employee benefits (cont'd.)

(c) Defined benefit plan (cont'd.)

Net interest and other expenses relating to defined benefit plans are calculated by applying the discount rate to the net defined benefit liability or asset and recognised in profit and loss.

The Group amended the defined benefit plan effective 1 January 2006 to restrict new entrants into the plan, and the benefits payable to be calculated based on the employees' length of service up to 31 December 2005.

2.17 Income taxes

(a) Current tax

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

Current taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity.

(b) Deferred tax

Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, and deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

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2. Significant accounting policies (cont'd.)

2.17 Income taxes (cont'd.)

(c) Sales and Services Tax ("SST")

SST is recognised as part of the expense or cost of acquisition of the asset as SST is not recoverable.

Revenue is recognised net of the amount of SST billed as it is payable to the taxation authority. SST payable to the taxation authority is included as part of payables in the statements of financial position.

2.18 Contingencies

A contingent liability or asset is a possible obligation or asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of uncertain future event(s) not wholly within the control of the Group.

Contingent liabilities and assets are not recognised in the financial statements.

2.19 Revenue recognition

2.19.1 Revenue from contracts with customers

The Group is in the business of providing telecommunication and related services.

Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services, net of indirect taxes.

The Group has generally concluded that it is the principal in its revenue arrangements because it typically controls the goods or services before transferring them to the customer.

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2. Significant accounting policies (cont'd.)

2.19 Revenue recognition (cont'd.)

2.19.1 Revenue from contracts with customers (cont'd.)

(a) Telecommunication revenue

Telecommunication revenue from postpaid and prepaid services provided by the Group are recognised over time, as the benefits of telecommunication services are simultaneously received and consumed by the customer.

Revenue from prepaid services (i.e. preloaded talk time, prepaid top-up vouchers, etc.) are recognised when services are rendered. Consideration from the sale of prepaid sim cards and reload vouchers to customers where services have not been rendered at the reporting date is deferred as contract liability until actual usage or when the cards, vouchers or reloaded amounts are expired or forfeited.

Postpaid services are provided in postpaid packages which consists of various services (i.e. call minutes, internet data, sms, etc.). These postpaid packages have been assessed to meet the definition of a series of distinct services that are substantially the same and have the same pattern of transfer and as such the Group treats these packages as a single performance obligation.

Postpaid packages are either sold separately or bundled together with the sale of a mobile device to a customer. Mobile devices can also be obtained separately from other mobile device retailers and can be used together with the postpaid packages provided by the Group. Postpaid packages and mobile devices are capable of being distinct and separately identifiable, therefore, there are two performance obligations within a bundled transaction. Accordingly, the Group allocates the transaction price based on the relative stand-alone selling prices of the postpaid packages and device.

Stand-alone selling price are based on observable sales prices; however, where stand-alone selling prices are not directly observable, estimates will be made maximising the use of observable inputs.

(b) Sale of device

Revenue from sale of device is recognised at the point in time when control of the asset is transferred to the customer, usually on delivery and acceptance of the device.

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2. Significant accounting policies (cont'd.)

2.19 Revenue recognition (cont'd.)

2.19.1 Revenue from contracts with customers (cont'd.)

(b) Sale of device (cont'd.)

Payment for the transaction price of the mobile device is typically collected at the point the customer signs up for the bundled contract, except for bundled packages that have a payment structure allowing customers to pay for the mobile device over a period of time. For these arrangements the Group discounts the transaction price using the rate that would be reflected in a separate financing transaction between the Group and its customers at contract inception, to take into consideration the significant financing component.

Certain bundled contracts provide the customer with a right to return the mobile devices during a specified time frame. The Group uses the expected value method to estimate the mobile devices that will not be returned because this method best predicts the amount of variable consideration to which the Group will be entitled. The requirements in MFRS 15 on constraining estimates of variable consideration are also applied in order to determine the amount of variable consideration that can be included in the transaction price. For mobile devices that are expected to be returned, the Group adjusts revenue and recognises a refund liability instead. Correspondingly, costs of sales is also adjusted and a right of return asset is recognised as the right to recover the mobile device from the customer.

(c) Contract balances

(i) Contract assets

A contract asset is the right to consideration in exchange for goods or services (i.e. mobile devices or telecommunication services) transferred to the customer. If the Group transfers goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional.

Contract assets are subject to impairment assessment based on the ECL model.

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2. Significant accounting policies (cont'd.)

2.19 Revenue recognition (cont'd.)

2.19.1 Revenue from contracts with customers (cont'd.)

(c) Contract balances (cont'd.)

(ii) Trade receivables

A receivable represents the Group's right to an amount of consideration that is unconditional (i.e. only the passage of time is required before payment of the consideration is due). Refer to accounting policies of financial assets in Note 2.8.

(iii) Contract liabilities

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Group performs under the contract.

For prepaid services, a contract liability is recognised when consideration is received from a customer, but services are yet to be performed.

(d) Cost to obtain a contract

The Group pays sales commissions to external sales channels and employees as an incentive for each new customer registration to the Group's telecommunication services. Sales commissions have been determined to be an incremental cost of obtaining a contract and are capitalised as contract costs when the Group expects these costs to be recovered over a period of more than one year.

Contract costs are amortised on a straight-line basis over the expected customer life cycle, which is consistent with the pattern of the related revenue. For contract costs with an amortisation period of less than one year, the Group has elected to apply the practical expendient to recognise as an expense when incurred.

Amortisation of contract costs are included as part of operating expenses in the profit or loss, based on the nature of commission costs, and not under amortisation expenses.

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2. Significant accounting policies (cont'd.)

2.19 Revenue recognition (cont'd.)

2.19.1 Revenue from contracts with customers (cont'd.)

(d) Cost to obtain a contract (cont'd.)

The Group recognises an impairment loss in profit or loss to the extent that the carrying amount of the contract costs recognised exceeds the remaining amount of consideration that the Group expects to receive in exchange for the goods or services to which the contract costs relate, less the remaining costs that relate directly to providing those goods or services (that have not been recognised as an expense).

When there are indications of impairment, relating to the CGU to which the contract costs belong, the Group will include the resulting carrying amount of contract costs after performing the impairment test above, in the carrying amount of the CGU for the purpose of applying MFRS 136.

When impairment conditions no longer exist or have improved, the Group will recognise a reversal of some or all of the impairment losses previously recognised on the contract costs. The increased carrying amount of the contract costs should not exceed the amount that would have been determined (net of amortisation) had no impairment loss been recognised previously.

2.19.2 Dividend income

Dividend income is recognised when the Company's right to receive payment is established, and is presented as revenue in profit or loss, aligned with the principal activity of the Company as an investment holding entity.

2.19.3 Lease income

Lease income is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. The aggregate costs of incentives provided to lessees are recognised as a reduction of rental income over the lease term on a straight-line basis.

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2. Significant accounting policies (cont'd.)

2.20 Government grants

As a universal service provider ("USP"), the Group is entitled to claim certain qualified expenses from the Malaysian Communications and Multimedia Commission ("MCMC") in relation to USP projects. These claims are treated as government grants and recognised at their fair values where there is reasonable assurance that the grants will be received and the Group complies with all the attached conditions.

A grant relating to the asset is deducted against the carrying amount of the asset, and recognised in profit or loss over the life of the depreciable asset by way of a reduced depreciation charge. Grant relating to expense is recognised in profit and loss by crediting directly against the related expense.

2.21 Foreign currency transactions

(a) Functional and presentation currency

The individual financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements of the Group are presented in RM, which is also the functional currency of all entities in the Group.

Transactions in foreign currencies are initially converted into RM at exchange rates prevailing at the date of transaction. At each reporting date, foreign currency monetary items are translated into RM at exchange rates prevailing at that date. Non-monetary items initially denominated in foreign currencies, which are carried at historical cost are translated using the historical rate as of the date of acquisition.

(b) Foreign currency transactions

Exchange differences arising on the settlement of monetary items or on translating monetary items at the reporting date are recognised in profit or loss. Exchange differences arising on the translation of non-monetary items carried at fair value are included in profit or loss for the period except for the differences arising on the translation of non-monetary items in respect of which gains and losses are recognised directly in other comprehensive income. Exchange differences arising from such non-monetary items are also recognised directly in other comprehensive income.

2.22 Fair value measurement

The Group measures financial instruments such as derivatives at fair value at each reporting date. The fair values of financial instruments measured at amortised cost are disclosed in Note 31.6.

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2. Significant accounting policies (cont'd.)

2.22 Fair value measurement (cont'd.)

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

(i) In the principal market for the asset or liability; or

(ii) In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

(i) Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities

(ii) Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable

(iii) Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

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2. Significant accounting policies (cont'd.)

2.23 Current versus non-current classification

The Group presents assets and liabilities in statements of financial position based on current/non-current classification. An asset is current when it is:

- Expected to be realised or intended to be sold or consumed in normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realised within twelve months after the reporting period; or
- Cash or cash equivalents unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current. A liability is current when:

- It is expected to be settled in normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the reporting period; or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Group classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

2.24 Segment reporting

The Group provides telecommunication and related services to customers across the country and its services and products essentially have a similar risk profile. Business activities of the Group are not organised by product or geographical components and its operating result is reviewed as a whole by its management. Accordingly, there is no separate segment, as disclosed in Note 33.

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3. Changes in accounting policies

3.1 Adoption of new and amended MFRSs and interpretation

The accounting policies adopted are consistent with those of the previous financial year except as follows:

On 1 January 2021, the Group and the Company adopted the following amended MFRS mandatory for annual financial periods beginning on or after 1 January 2021.

Description	Effective for annual periods beginning on or after
Amendments to MFRS 9, MFRS 139, MFRS 7, MFRS 4 and MFRS 16: Interest Rate Benchmark Reform - Phase 2	1 January 2021

The adoption of the above amendments did not have any significant effect on the financial statements of the Group and of the Company.

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3. Changes in accounting policies (cont'd.)

3.2 Standards issued but not yet effective

The standards and amendments that are issued but not yet effective up to the date of issuance of the Group's and the Company's financial statements are disclosed below. The Group and the Company intend to adopt these standards and amendments, if applicable, when they become effective.

Description	**Effective for annual periods beginning on or after**
Amendments to MFRS 16: Leases - Covid-19 Related Rent Concessions beyond 30 June 2021	1 April 2021
Amendments to MFRS 1, MFRS 9 and MFRS 141: Annual Improvements to MFRS Standards 2018-2020	1 January 2022
Amendments to MFRS 3: Reference to the Conceptual Framework	1 January 2022
Amendments to MFRS 116: Property, Plant and Equipment - Proceeds before Intended Use	1 January 2022
Amendments to MFRS 137: Provisions, Contingent Liabilities and Contingent Assets - Onerous Contracts - Cost of Fulfilling a Contract	1 January 2022
MFRS 17: Insurance Contracts	1 January 2023
Amendments to MFRS 17: Insurance Contracts	1 January 2023
Amendments to MFRS 17: Insurance Contracts - Initial Application of MFRS 17 and MFRS 9 - Comparative Information	1 January 2023
Amendments to MFRS 101: Classification of Liabilities as Current or Non-current	1 January 2023
Amendments to MFRS 101: Disclosure of Accounting Policies	1 January 2023
Amendments to MFRS 108: Definition of Accounting Estimates	1 January 2023
Amendments to MFRS 112: Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
Amendments to MFRS 10 and MFRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred

The directors expect that the adoption of the above standards and amendments will not have a material impact on the financial statements in the period of initial application.

4. Significant accounting estimates and judgements and key sources of estimation uncertainty

There were no significant judgements made in applying the accounting policies of the Group which may have significant effects on the amounts recognised in the financial statements.

Management makes key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

The following represents a summary of the critical accounting estimates and the associated key sources of estimation uncertainty.

4.1 Useful lives of property, plant and equipment and intangible assets

Depreciation and amortisation are based on management's estimates of the future estimated useful lives and residual values of property, plant and equipment and intangible assets. Estimates may change due to technological developments, modernisation initiatives, expected level of usage, competition, market conditions and other factors, which could potentially impact the average useful lives and the residual values of these assets. This may result in future changes in the estimated useful lives and in the depreciation or amortisation expenses. A 5.0% difference in the expected useful lives of these assets from management's estimates would result in approximately 3.5% (2020: 1.6%) variance in the Group's profit for the financial year. The carrying amounts of property, plant and equipment and intangible assets at the reporting date are disclosed in Note 11 and Note 12, respectively.

4.2 Provision for expected credit losses of trade receivables and contract assets

The Group uses a provision matrix to calculate ECLs for trade receivables and contract assets. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e. customer type and rating).

The provision matrix is initially based on the Group's historical observed default rates. The Group then adjusts the historical credit loss experience taking into consideration the forward-looking information. For example, if the Group's view of the forecasted economic conditions (i.e. inflation rate, unemployment rate, interest rate and economic outlook for Malaysia) are expected to significantly deteriorate over the next financial year which may lead to an increase in the unrecoverable rate of the receivables and contract assets. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The Group estimates the relationship between historical observed default rates, forecast economic conditions and ECL which may not be representative of customer's actual default in the future. The information about the provision matrix on the Group's trade receivables and contract assets is disclosed in Note 31.2.

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4. Significant accounting estimates and judgements and key sources of estimation uncertainty (cont'd.)

4.2 Provision for expected credit losses of trade receivables and contract assets (cont'd.)

If the historical observed default rates varies by 5.0% from management's estimates, the Group's allowance for expected credit loss on trade receivables and contract assets will cause either a 0.1% (2020: 0.2%) increase or 0.1% (2020: 0.2%) decrease respectively in the Group's profit for the financial year.

4.3 Deferred tax

Deferred tax implications arising from the changes in corporate income tax rates are measured with reference to the estimated realisation and settlement of temporary differences in the future periods in which the tax rates are expected to apply, based on the tax rates enacted or substantively enacted at the reporting date. While management's estimates on the realisation and settlement of temporary differences are based on the available information at the reporting date, changes in business strategy, future operating performance and other factors could potentially impact the actual timing and amount of temporary differences realised and settled. Any difference between the actual amount and the estimated amount would be recognised in profit and loss in the period in which actual realisation and settlement occurs. The carrying amount of deferred tax liabilities is disclosed in Note 22.

4.4 Income taxes

Significant estimation is involved in determining the Group's provision for income taxes as there are certain transactions and computations for which the final tax treatment is uncertain at the reporting date.

Where the final tax treatment of these matters are different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which determination of final tax treatment is made.

4.5 Provisions for liabilities

Provision for site decommissioning and restoration costs are provided based on the present value of the estimated future expenditure to be incurred for dismantling the inactive sites. Significant management assumption and estimation are required in determining the discount rate and the expenditure to be incurred for dismantling each network infrastructure sites. Where expectations differ from the original estimates, the differences will impact the carrying amount of provision for site decommissioning and restoration costs. The carrying amount of provision for site decommissioning and restoration costs at the reporting date is disclosed in Note 23.

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4. Significant accounting estimates and judgements and key sources of estimation uncertainty (cont'd.)

4.6 Revenue recognition - determining stand-alone selling price ("SSP")

The Group has assessed that there are two performance obligations for bundled contracts where the Group needs to allocate the transaction price between the telecommunication service and mobile device based on their relative SSP.

SSP for telecommunication services and mobile devices are based on observable sales prices; however, where certain SSP are not directly observable, estimates will be made maximising the use of observable inputs.

The estimation of SSP is a significant estimate as it will directly determine the amount of revenue to be recognised up front (sale of device) and amount of revenue to be recognised over time (telecommunication revenue). For example, a lower SSP for mobile device will result in a lower amount of revenue recognised upfront and higher amount of revenue recognised over the contract period.

The revenue recognised in the current financial year in relation to sale of device and telecommunication revenue is detailed in Note 5.

4.7 Estimating the lease term – Group as a lessee

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to exercise the option, or any periods covered by an option to terminate the lease, if it is reasonably certain not to exercise the option, within the period for which the contract is enforceable.

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. For example, for leases of certain telecommunication network sites, if the Group expects to use significant non-removable leasehold improvements beyond the date on which the lease can be terminated, the existence of those leasehold improvements may indicate that the Group might incur a more than insignificant penalty if it terminates the lease.

For leases of telecommunication network sites, other factors to consider in assessing the lease term include the technology development and potential changes in business models.

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.

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4. Significant accounting estimates and judgements and key sources of estimation uncertainty (cont'd.)

4.7 Estimating the lease term – Group as a lessee (cont'd.)

Based on the assessment of these factors, the lease term for the Group's leases relating to telecommunication network sites will normally be within a range of 3 to 10 years.

4.8 Estimating the incremental borrowing rate for leases

In measuring its lease liabilities, the Group has used its incremental borrowing rate ("IBR") to present value the future lease payments, as the interest rate implicit in the lease cannot be readily determined.

The IBR is the rate of interest that a lessee would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment.

To determine the incremental borrowing rate for its leases, the Group makes adjustments to the existing rates received from financial institutions, taking into consideration the lease term and leased assets. The Group also considers changes in the financing condition since the last offered rates from the financing institutions.

The carrying amount of lease liabilities is disclosed in Note 13.

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5. Revenue

	Group		Company	
	2021 RM'000	**2020 RM'000**	**2021 RM'000**	**2020 RM'000**
Revenue from contracts with customers (Note 5.1)	6,240,422	6,068,991	-	-
Lease income (Note 5.4)	95,252	83,756	-	-
Dividend income from a subsidiary	-	-	1,135,500	1,275,000
	6,335,674	6,152,747	1,135,500	1,275,000

5.1 Disaggregation of revenue from contracts with customers

In the following table, revenue is disaggregated by major products or service lines (which also represents the Group's defined performance obligations).

Group	**Note**	**2021 RM'000**	**2020 RM'000**
Major products/ service lines			
Telecommunication revenue	(a)	5,341,404	5,427,787
Sales of devices	(b)	899,018	641,204
Total revenue from contracts with customers		6,240,422	6,068,991

The timing of revenue recognition for respective major products or service lines are as follows:

(a) Services transferred over time
(b) Products transferred at a point in time

5.2 Contract balances

	Note	**Group 2021 RM'000**	**Group 2020 RM'000**
Non-current assets			
Trade receivables	18	122,247	129,767
Contract assets		21,757	28,886
Current assets/(liabilities)			
Trade receivables	18	437,374	389,000
Contract assets		51,127	66,437
Contract liabilities		(346,088)	(306,283)

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5. Revenue (cont'd.)

5.2 Contract balances (cont'd.)

Contract assets primarily relate to rights to consideration for mobile devices transferred to subscribers but not billed at the reporting date. Contract assets are transferred to receivables when the rights become unconditional. As at 31 December 2021, the Group has contract assets of RM72.9 million (2020: RM95.3 million) which is net of an allowance for expected credit losses of RM4.5 million (2020: RM4.5 million).

Contract liabilities mainly relate to advance consideration received from subscribers at inception of contracts, for which revenue is only recognised upon rendering of telecommunication service.

All contract liabilities at the beginning of the financial year have been recognised as revenue in the current financial year.

5.3 Right of return asset and refund liabilities

	Group	
	2021 RM'000	**2020 RM'000**
Right of return assets	-	36,740
Refund liabilities	-	(36,740)

5.4 Group as a lessor

The Group has entered into operating leases on certain network telecommunication sites. These leases have lease terms between one to six years. Lease income recognised by the Group during the financial year is RM95.3 million (2020: RM83.8 million).

The future minimum rentals receivable under non-cancellable operating leases are as follows:

	2021 RM'000	**2020 RM'000**
Within one financial year	85,967	79,962
After one financial year but not more than five financial years	182,956	224,029
More than five financial years	24,431	21,439
	293,354	325,430

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6. Finance costs

	Note	Group 2021 RM'000	Group 2020 RM'000
Interest expense on:			
- Loans and borrowings		85,306	104,200
- Others		8,822	7,820
Unwinding of discount:			
- Lease liabilities	13	112,269	126,796
- Site decommissioning and restoration costs	23.1	3,825	14,410
Net change in fair value of derivative financial instruments:			
- Interest rate swaps		35,363	(40,679)
		245,585	212,547

7. Profit before tax

Profit before tax is derived after deducting/(crediting):

	Note	Group 2021 RM'000	Group 2020 RM'000	Company 2021 RM'000	Company 2020 RM'000
Allowance for expected credit losses on trade receivables and contract assets	31.2	54,506	81,588	-	-
Depreciation		1,180,305	1,154,114	-	-
- property, plant and equipment	11	697,383	678,447	-	-
- ROU asset	13	482,922	475,667	-	-
Amortisation of contract cost	14	83,439	87,199	-	-
Auditors' remuneration:					
- statutory audit		558	638	37	35
- other services	7(a)	1,066	464	832	62
Staff expenses	7(b)	244,569	242,099	-	-
Non-executive directors' remuneration excluding benefits-in-kind	7(c)	893	897	89	90

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7. Profit before tax (cont'd.)

Profit before tax is derived after deducting/(crediting): (cont'd.)

	Note	Group 2021 RM'000	Group 2020 RM'000	Company 2021 RM'000	Company 2020 RM'000
Transmission facilities services		188,848	165,974	-	-
Inventories written (back)/down		(1,141)	212	-	-
Rental of land and buildings		36,614	2,883	-	-
Rental of equipment and others		25,204	22,579	-	-
Realised foreign exchange gain		(469)	(2,083)	-	-
Unrealised foreign exchange gain		(1,435)	(259)	-	-
Fair value gain on foreign currency forward contracts		(211)	(25)	-	-
Loss on disposal of property, plant and equipment		13,681	2,604	-	-
Loss on disposal of intangible assets		2,012	-	-	-
Gain on termination of leases		(384)	(72)	-	-
Write-off of property, plant and equipment		1,041	50,708	-	-
Write-off of intangible asset		-	120	-	-
Bad debts recovered		(21,946)	(16,149)	-	-
Waiver of debt		-	-	(3,493)	(907)
Interest income from deposits with licensed banks		(8,600)	(11,291)	(70)	(102)
Unwinding of significant financing component of revenue contracts with deferred payment scheme		(21,941)	(18,628)	-	-

(a) Fees for other services were incurred in connection with performance of agreed upon procedures, regulatory compliance reporting and services rendered as the reporting accountant for the proposed merger of the Company ("Digi") and Celcom Axiata Berhad ("Celcom"). Please refer to Note 34 for further details on the proposed merger exercise.

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7. Profit before tax (cont'd.)

(b) Staff expenses incurred by the Group net of capitalisation of employee benefits expense in property, plant and equipment during the financial year comprise:

	Note	Group 2021 RM'000	Group 2020 RM'000
Salaries and bonuses		195,411	195,223
Defined contribution plan		30,117	25,056
Defined benefit plan	26	67	93
Share-based payment		1,357	1,871
Reversal of provision for employee leave entitlements	23.1	-	(161)
Other staff related expenses		17,617	20,017
		244,569	242,099

(c) Non-executive directors' remuneration during the financial year comprises:

	Group 2021 RM'000	Group 2020 RM'000	Company 2021 RM'000	Company 2020 RM'000
Non-executive:				
Fees	893	897	89	90
Benefits-in-kind	10	11	-	-
Total	903	908	89	90

The number of non-executive directors of the Company whose total remuneration during the financial year falls within the following band is analysed below:

Non-executive directors:	Number of directors 2021	Number of directors 2020
Nil	4	6
RM100,001 - RM200,000	2	-
RM200,001 - RM300,000	1	3
RM300,001 - RM400,000	1	-

(d) During the financial year, the Group incurred professional and legal expenses amounting to RM7.4 million relating to the proposed merger which are one-off in nature. Please refer to Note 34 for further details on the proposed merger exercise.

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8. Taxation

Major components of income tax expense

The major components of income tax expense for the financial years ended 31 December 2021 and 2020 are:

	Group		Company	
	2021	**2020**	**2021**	**2020**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Statements of comprehensive income:				
Current income tax:				
- Malaysian income tax	366,046	355,202	19	24
- Over provision in prior financial years	(47,366)	(5,424)	-	-
Total current income tax	318,680	349,778	19	24
Deferred taxation (Note 22):				
- Relating to origination and reversal of temporary differences	6,101	44,959	-	-
- Under provision in prior financial years	27,999	6,340	-	-
Total deferred tax	34,100	51,299	-	-
Income tax expense recognised in profit or loss	352,780	401,077	19	24

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8. Taxation (cont'd.)

Reconciliations of income tax expense/rate applicable to profit before tax at the statutory income tax rate to income tax expense/rate at the effective income tax rate of the Group and of the Company are as follows:

	%	2021 RM'000	%	2020 RM'000
Group				
Profit before tax		1,514,885		1,622,046
Taxation at Malaysian statutory tax rate	24.0	363,572	24.0	389,291
Effect of expenses not deductible for tax purposes	1.7	25,262	1.3	20,639
Effect of income not subject to tax	-	-	(0.6)	(9,769)
Effect of different tax rate [1]	(1.1)	(16,687)	-	-
Over provision of income tax expense in prior financial years	(3.1)	(47,366)	(0.3)	(5,424)
Under provision of deferred tax expense in prior financial years	1.8	27,999	0.4	6,340
Effective tax rate/income tax expense recognised in profit or loss	23.3	352,780	24.8	401,077

[1] Effect on deferred tax arising from the one-off tax measure proposed by the Government of Malaysia in Budget 2022, whereby chargeable income above the RM100 million mark will be taxed at a rate of 33%, instead of 24% for the year of assessment 2022.

	%	2021 RM'000	%	2020 RM'000
Company				
Profit before tax		1,132,437		1,275,815
Taxation at Malaysian statutory tax rate	24.0	271,785	24.0	306,196
Income not subject to tax	(24.0)	(271,766)	(24.0)	(306,172)
Effective tax rate/income tax expense recognised in profit or loss	0.0	19	0.0	24

Domestic current income tax is calculated at the Malaysian statutory tax rate of 24% (2020: 24%) of the estimated taxable profit for the financial year.

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9. Earnings per ordinary share - basic

Earnings per ordinary share is calculated by dividing profit for the financial year, net of tax, attributable to owners of the parent by the weighted average number of ordinary shares in issue during the financial year.

	Group	
	2021	**2020**
Profit attributable to owners of the parent (RM'000)	1,162,105	1,220,969
Weighted average number of ordinary shares in issue ('000)	7,775,000	7,775,000
Basic earnings per share (sen)	14.9	15.7

No diluted earnings per ordinary share was presented as the Group does not have any convertible instrument, options, warrants and their equivalents.

10. Dividends

	Group/Company	
	2021	**2020**
	RM'000	**RM'000**
Recognised during the financial year:		
Dividends on ordinary shares:		
Fourth interim single-tier dividend (2020: 3.6 sen; 2019: 4.4 sen)	279,900	342,100
First interim single-tier dividend (2021: 3.4 sen, 2020: 4.2 sen)	264,350	326,550
Second interim single-tier dividend (2021: 3.6 sen; 2020: 3.7 sen)	279,900	287,675
Third interim single-tier dividend (2021: 4.0 sen; 2020: 4.1 sen)	311,000	318,775
	1,135,150	1,275,100

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10. Dividends (cont'd.)

	Group/Company 2021 RM'000	Group/Company 2020 RM'000
Interim dividend declared subsequent to the reporting date (not recognised as a liability as at 31 December):		
Dividends on ordinary shares:		
Fourth interim single-tier dividend (2021: 3.9 sen; 2020: 3.6 sen)	303,225	279,900

The board of directors had on 28 January 2022, declared a fourth interim single-tier dividend of 3.9 sen per ordinary share in respect of the financial year ended 31 December 2021 amounting to RM303.2 million. The financial statements for the current financial year do not reflect this fourth interim dividend. Such dividend, will be accounted for in equity as an appropriation of retained earnings in the financial year ending 31 December 2022.

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11. Property, plant and equipment

	Freehold land RM'000	Freehold buildings RM'000	Motor vehicles RM'000	Computer systems RM'000	Furniture and fittings RM'000	Tele-communi-cations network RM'000	Capital work-in-progress RM'000	Total RM'000
Group								
Cost								
At 1 January 2021	29,067	143,903	24,007	228,331	194,885	6,664,181	170,267	7,454,641
Additions	-	-	-	-	2	46,526	647,222	693,750
Disposals	-	-	-	(7)	(2,247)	(148,424)	-	(150,678)
Write offs	-	-	-	-	(25)	(15,836)	(1,041)	(16,902)
Transfers	-	-	462	26,572	8,053	617,364	(652,451)	-
At 31 December 2021	29,067	143,903	24,469	254,896	200,668	7,163,811	163,997	7,980,811
Accumulated depreciation								
At 1 January 2021	-	32,850	22,176	175,730	157,053	4,183,689	-	4,571,498
Depreciation expenses for the financial year (Note 7)	-	2,821	1,073	20,991	19,400	653,098	-	697,383
Disposals	-	-	-	(4)	(2,209)	(133,671)	-	(135,884)
Write offs	-	-	-	-	(25)	(15,836)	-	(15,861)
At 31 December 2021	-	35,671	23,249	196,717	174,219	4,687,280	-	5,117,136
Net carrying amount								
At 31 December 2021	29,067	108,232	1,220	58,179	26,449	2,476,531	163,997	2,863,675

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11. Property, plant and equipment (cont'd.)

	Freehold land RM'000	Freehold buildings RM'000	Motor vehicles RM'000	Computer systems RM'000	Furniture and fittings RM'000	Tele-communi-cations network RM'000	Capital work-in-progress RM'000	Total RM'000
Group (cont'd.)								
Cost								
At 1 January 2020	29,638	143,332	23,982	232,079	263,839	6,530,499	230,820	7,454,189
Additions	-	-	52	(56)	(1,735)	79,048	593,203	670,512
Disposals	-	-	-	(9,124)	(44,623)	(68,845)	(2,479)	(125,071)
Write offs	-	-	-	(76)	(224)	(675,319)	(2)	(675,621)
Transfers	-	-	-	38,943	4,211	608,498	(651,652)	-
Reclassifications (Note 11(c))	(571)	571	(27)	(33,435)	(26,583)	97,910	377	38,242
Reclassification from intangible assets (Note 12)	-	-	-	-	-	92,390	-	92,390
At 31 December 2020	29,067	143,903	24,007	228,331	194,885	6,664,181	170,267	7,454,641
Accumulated depreciation								
At 1 January 2020	-	29,845	20,764	187,170	209,849	4,154,451	-	4,602,079
Depreciation expenses for the financial year (Note 7)	-	2,821	1,351	6,717	27,051	640,507	-	678,447
Disposals	-	-	-	(9,121)	(44,568)	(68,668)	-	(122,357)
Write offs	-	-	-	(76)	(183)	(624,654)	-	(624,913)
Reclassifications (Note 11(c))	-	184	61	(8,960)	(35,096)	82,053	-	38,242
At 31 December 2020	-	32,850	22,176	175,730	157,053	4,183,689	-	4,571,498
Net carrying amount								
At 31 December 2020	29,067	111,053	1,831	52,601	37,832	2,480,492	170,267	2,883,143

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11. Property, plant and equipment (cont'd.)

(a) The Group acquired property, plant and equipment with an aggregate cost of RM693.8 million (2020: RM670.5 million) of which RM11.9 million (2020: RM52.5 million) relates to the provision for site decommissioning and restoration costs, as disclosed in Note 23.1.

(b) Government grants of RM230.8 million (2020: RM34.6 million) relating to additions of qualifying property, plant and equipment, were deducted before arriving at the cost of property, plant and equipment during the financial year ended 31 December 2021.

(c) The cost and accumulated depreciation for certain categories of property, plant and equipment were adjusted in the prior financial year to be consistent with the category in the asset register.

12. Intangible assets

	Computer software RM'000
Group	
Cost	
At 1 January 2021	746,251
Additions	121,537
Disposals	(21,300)
Write offs	(12)
At 31 December 2021	846,476
Accumulated amortisation	
At 1 January 2021	498,215
Amortisation expenses for the financial year	83,160
Disposals	(18,944)
Write offs	(12)
At 31 December 2021	562,419
Net carrying amount	
At 31 December 2021	284,057

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12. Intangible assets (cont'd.)

	Computer software RM'000
Group	
Cost	
At 1 January 2020	736,969
Additions	102,249
Write offs	(577)
Reclassification to property, plant and equipment (Note 11)	(92,390)
At 31 December 2020	746,251
Accumulated amortisation	
At 1 January 2020	430,983
Amortisation expenses for the financial year	67,689
Write offs	(457)
At 31 December 2020	498,215
Net carrying amount	
At 31 December 2020	248,036

Included in the cost of computer software are computer software not yet available for use of RM49.7 million (2020: RM73.2 million) as at 31 December 2021.

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13. Right of use assets

Group as a lessee

	Leasehold land and buildings RM'000	Tele-communi-cations network sites RM'000	Trans-mission facilities RM'000	Spectrum band-widths RM'000	Stores, office buildings and kiosks RM'000	Total RM'000
Carrying amount						
At 1 January 2021	19,275	1,588,426	6,389	1,407,030	10,758	3,031,878
Additions	-	267,306	1,911	14,803	4,855	288,875
Depreciation expense for the financial year (Note 7)	(361)	(340,417)	(3,094)	(130,983)	(8,067)	(482,922)
Termination	-	(8,697)	(414)	-	-	(9,111)
At 31 December 2021	18,914	1,506,618	4,792	1,290,850	7,546	2,828,720
At 1 January 2020	19,636	1,042,737	3,857	1,516,891	11,967	2,595,088
Additions	-	561,118	5,303	14,250	10,489	591,160
Revision of lease term	-	324,412	-	-	-	324,412
Depreciation expense for the financial year (Note 7)	(361)	(336,794)	(2,703)	(124,111)	(11,698)	(475,667)
Termination	-	(3,047)	(68)	-	-	(3,115)
At 31 December 2020	19,275	1,588,426	6,389	1,407,030	10,758	3,031,878

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13. Right of use assets (cont'd.)

Group as a lessee (cont'd.)

The Group's lease arrangements are mainly in relation to telecommunication network sites, transmission faciltlies and spectrum bandwidths which are used to support the Group's telecommunication operations. The lease arrangements generally do not allow for subleasing of the leased asset, unless there is a contractual right for the Group to sublet the lease asset to another party.

The Group also has certain leases with lease terms of 12 months or less and leases that have been determined to be low value. The Group applies the 'short-term lease' and 'lease of low-value assets' recognition exemption for these leases.

Set out below are the carrying amounts of lease liabilities (included under loans and borrowings) and the movements during the financial year:

		Group	
	Note	**2021 RM'000**	**2020 RM'000**
At 1 January		2,580,895	2,047,932
Additions		288,875	591,160
Revision of lease term		-	324,412
Unwinding of discount	6	112,269	126,796
Payments		(513,684)	(506,218)
Termination		(9,495)	(3,187)
At 31 December		2,458,860	2,580,895
Analysed as:			
Current	21	448,421	399,510
Non-current	21	2,010,439	2,181,385
		2,458,860	2,580,895

The maturity analysis of lease liabilities are disclosed in Note 31.4.

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13. Right of use assets (cont'd.)

The following are amounts recognised in profit or loss:

	Group	
	2021	**2020**
	RM'000	**RM'000**
Depreciation expense of right of use assets	482,922	475,667
Interest expense on lease liabilties	112,269	126,796
Expenses included in sales and marketing expenses:		
- short-term leases	4,565	3,977
Rental expenses presented separately on statement of comprehensive income:		
- short-term leases	57,110	21,337
- leases of low value assets	143	148
	657,009	627,925

The Group has total cash outflow for leases amounting to RM515.5 million (2020: RM473.6 million).

14. Contract costs

	Group	
	2021	**2020**
	RM'000	**RM'000**
Capitalised costs, net of amortisation	71,687	57,887
Amortisation recognised in operating expenses (Note 7)	83,439	87,199

15. Investments in subsidiaries

	Company	
	2021	**2020**
	RM'000	**RM'000**
Unquoted shares at cost	773,361	773,361

The Company has injected RM0.6 million into InfraNation Sdn. Bhd. in the prior financial year for working capital purposes.

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15. Investments in subsidiaries (cont'd.)

Details of the subsidiaries, which are incorporated in Malaysia, are as follows:

Name of company	Percentage of ownership interest held by the Group 2021 (%)	2020 (%)	Principal activities
Digi Telecommunications Sdn. Bhd. ("DTSB")	100	100	Establishment, maintenance and provision of telecommunications and related services
InfraNation Sdn. Bhd.	100	100	Provision of telecommunication infrastructure services
Subsidiaries held through DTSB			
Y3llowLabs Sdn. Bhd.	100	100	Provision of e-commerce, digital services and solutions
Digi Services Sdn. Bhd.^	-	100	Dormant

^ This subsidiary has applied for strike off in the prior financial year and was struck off during the financial year.

16. Other investment

	Group 2021 RM'000	2020 RM'000
Non-current		
Financial asset at fair value through OCI		
Unquoted shares	78	78

The investment was previously made in relation to a programme initiated by the Group to fund new digital start-ups in Malaysia.

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17. Inventories

	Group 2021 RM'000	Group 2020 RM'000
Merchandise:		
At cost	102,785	111,196
At net realisable value	13,783	26,011
	116,568	137,207

During the financial year, the amount of inventories recognised as an expense in cost of materials of the Group was RM971.0 million (2020: RM708.7 million).

18. Trade and other receivables

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Non-current				
Trade receivables (Note 18.1)	122,247	129,767	-	-
Deposits and prepayments (Note 18.2)	198,615	214,771	-	-
	320,862	344,538	-	-
Current				
Trade receivables (Note 18.1)	466,414	427,293	-	-
Other receivables	408,560	361,503	-	-
Deposits and prepayments (Note 18.2)	204,458	221,884	5	4
	1,079,432	1,010,680	5	4
Allowance for expected credit loss on trade receivables (Note 31.2)	(29,040)	(38,293)	-	-
	1,050,392	972,387	5	4
Total trade and other receivables	1,371,254	1,316,925	5	4

18.1 Trade receivables

The Group's trade receivables include receivables on deferred payment schemes amounting to RM257.8 million (2020: RM222.2 million), which allows eligible customers on bundled packages to make payment for mobile devices over a 24 month period.

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18. Trade and other receivables (cont'd.)

18.1 Trade receivables (cont'd.)

Apart from the deferred payment scheme receivables, the Group's trade receivables are non-interest bearing, and are subject to normal trade credit terms ranging from 30 to 45 days (2020: 30 to 45 days). They are recognised at their original invoice amounts which represent their fair value on initial recognition.

18.2 Deposits and prepayments

Included in deposits and prepayments are non-current and current prepayments which are advances to a network facility provider ("NFP") of RM126.1 million (2020: RM147.5 million) for provision of connectivity services for a period of 10 years and non-current and current deposits given to local city councils of RM103.8 million (2020: RM97.4 million) for public infrastructure works which are refundable upon completion.

18.3 Foreign currency exposures

As at 31 December 2021, the Group's trade receivables balances included exposure to foreign currency denominated in United States Dollar ("USD") and Special Drawing Rights ("SDR") amounting to RM5.2 million (2020: RM6.9 million) and RM22.5 million (2020: RM16.5 million) respectively.

19. Derivative financial assets/(liabilities)

		Group	
		2021	2020
		RM'000	RM'000
Non-hedging derivative financial assets/(liabilities)			
Non-current			
- Interest rate swaps	19.1	26,365	61,728
Current			
- Foreign currency forward contracts	19.2	(183)	(394)

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19. Derivative financial assets/(liabilities) (cont'd.)

19.1 Interest rate swaps

	Notional value RM'000	Fair value RM'000	Assets RM'000
Interest rate swaps:			
- 2021	1,075,000	1,101,365	26,365
- 2020	1,075,000	1,136,728	61,728

Interest rate swaps are used to manage appropriate fair value change exposure within the Group. The Group entered into interest rate swaps to hedge the fair value risk in relation to the fixed interest rates of the Islamic Medium Term Note, as disclosed in Note 21 with notional principal amounts of RM1,075.0 million (2020: RM1,075.0 million).

The interest rate swaps entitle the Group to receive interest semi-annually at fixed rates ranging from 4% to 5% per annum, and in return, pays interest quarterly at Kuala Lumpur Interbank Offer Rate plus a spread with a weighted average rate of 3% (2020: 3%) per annum. The swaps mature at varying dates based on the maturity of different tranches of the Islamic Medium Term Note.

19.2 Foreign currency forward contracts

	Contract value in foreign currency USD'000	Notional value RM'000	Fair value RM'000	Liabilities RM'000
Foreign currency forward contracts:				
- 2021	9,400	39,499	39,316	(183)
- 2020	9,500	38,639	38,245	(394)

The Group uses foreign currency forward contracts to minimise its exposure to foreign currency risks as a result of transactions denominated in currencies other than its functional currency, arising from the normal business activities. Foreign currency forward contracts are used to hedge certain payables denominated in USD for which firm commitments existed at the reporting date, extending to January and February 2022.

The foreign currency forward contracts and interest rate swap are not designated as cash flow hedges and are entered into for periods consistent with foreign currency exposure and fair value changes exposure. Any gains or losses arising from changes in the fair value of derivatives are recognised directly in profit or loss.

The method and assumptions applied in determining the fair values of the derivatives above are disclosed in Note 31.6(b).

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20. Cash and short-term deposits

	Group 2021 RM'000	Group 2020 RM'000	Company 2021 RM'000	Company 2020 RM'000
Cash and bank balances	76,927	87,253	670	250
Deposits with licensed banks	127,600	215,600	-	-
Cash and cash equivalents	204,527	302,853	670	250

Cash and cash equivalents include cash on hand and at banks and deposits with financial institutions. For the purpose of the statements of cash flows, cash and cash equivalents are net of outstanding bank overdrafts, if any.

The Group's cash and cash equivalents included amounts of foreign currency denominated in USD totalling RM2.9 million (2020: RM4.3 million) at the reporting date.

Cash at banks earns interest at floating rates based on daily bank deposit rates. The weighted average effective interest rates of deposits at the reporting date are as follows:

	Group 2021 %	Group 2020 %
Deposits with licensed banks	2	2

The deposits with licensed banks of the Group will mature within one month (2020: one month) from the end of the reporting date.

21. Loans and borrowings

	Note	Group 2021 RM'000	Group 2020 RM'000
Non-current (unsecured)			
Floating-rate term loans		107,522	329,859
Floating-rate term financing-i		219,128	367,776
Islamic medium term notes	21.1	1,498,765	1,798,503
Lease liabilities	13	2,010,439	2,181,385
		3,835,854	4,677,523
Current (unsecured)			
Floating-rate term loans		225,000	225,000
Floating-rate term financing-i		150,000	150,000
Islamic medium term notes	21.1	300,000	-
Lease liabilities	13	448,421	399,510
		1,123,421	774,510
Total loans and borrowings		4,959,275	5,452,033

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21. Loans and borrowings (cont'd.)

The weighted average effective interest/profit rates at the reporting date for borrowings and debt securities are as follows:

	Group 2021 %	2020 %
Floating-rate term loans and term financing-i	3	3
Islamic medium term notes	4	4
Lease liabilities	5	5

The above borrowings and debt securities are denominated in RM.

21.1 Islamic medium term notes

The Group through its wholly-owned subsidiary, DTSB, has established an Islamic medium term note programme of up to RM5.0 billion in nominal value ("IMTN Programme"); and an Islamic commercial papers programme of up to RM1.0 billion in nominal value ("ICP Programme"), which have a combined limit of up to RM5.0 billion in nominal value (collectively referred to as "Sukuk Programme") based on the Islamic principle of Murabahah (via a Tawarruq arrangement).

The tenures of the IMTN and ICP Programmes are for 15 and 7 years, respectively from the date of the first issuance.

As at 31 December 2021, the series of IMTN that the Group has in issue consists of:

Tranche	Tenure	Rate %	Maturity date	Nominal value RM'000
001	5 years	4	14 April 2022	300,000
002	7 years	5	12 April 2024	300,000
003	10 years	5	14 April 2027	300,000
004	7 years	4	18 September 2026	450,000
005	10 years	4	20 September 2029	450,000
Total				1,800,000

The proceeds from IMTN have been partially hedged against interest rate risk using interest rate swaps as disclosed in Note 19.

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21. Loans and borrowings (cont'd.)

The maturities of the Group's loans and borrowings at the reporting date are as follows:

	Group	
	2021	**2020**
	RM'000	**RM'000**
Less than one financial year	1,123,421	774,510
Between one and two financial years	547,762	1,022,236
Between two and five financial years	1,692,316	1,420,845
More than five financial years	1,595,776	2,234,442
	4,959,275	5,452,033

Reconciliation of liabilities arising from financing activities

	Interest bearing loans and borrowings RM'000	**Lease liabilities RM'000**	**Total RM'000**
Group			
At 1 January 2021	2,871,138	2,580,895	5,452,033
Payment	(375,000)	(401,415)	(776,415)
Non-cash changes:			
Other changes	4,277	279,380	283,657
At 31 December 2021	2,500,415	2,458,860	4,959,275
At 1 January 2020	3,101,867	2,047,932	5,149,799
Drawdown of floating-rate term financing-i	150,000	-	150,000
Payment	(375,000)	(379,422)	(754,422)
Non-cash changes:			
Other changes	(5,729)	912,385	906,656
At 31 December 2020	2,871,138	2,580,895	5,452,033

Included in the other changes are transaction costs deducted against carrying amount of loans and borrowings amortised under the EIR method, and accrued but not yet paid interest on interest-bearing loans and borrowings. The Group classifies interest paid as cash flows from operating activities.

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22. Deferred tax liabilities

	Group 2021 RM'000	Group 2020 RM'000
At 1 January	268,927	217,628
Recognised in profit and loss (Note 8)	34,100	51,299
At 31 December	303,027	268,927

The components and movements of recognised deferred tax liabilities and assets of the Group during the financial year prior to offsetting are as follows:

Deferred tax liabilities:

	Contract costs RM'000	Contract assets RM'000	Property, plant and equipment and intangible assets RM'000	Right of use assets RM'000	Total RM'000
At 1 January 2021	13,893	22,878	486,744	588,175	1,111,690
Recognised in profit and loss	9,554	17,883	90,484	(134)	117,787
At 31 December 2021	23,447	40,761	577,228	588,041	1,229,477
At 1 January 2020	15,881	29,342	462,964	470,843	979,030
Recognised in profit and loss	(1,988)	(6,464)	23,780	117,332	132,660
At 31 December 2020	13,893	22,878	486,744	588,175	1,111,690

Deferred tax assets:

	Contract liabilities RM'000	Lease liabilities RM'000	Others RM'000	Total RM'000
At 1 January 2021	(73,497)	(619,250)	(150,016)	(842,763)
Recognised in profit and loss	(57,847)	(4,897)	(20,943)	(83,687)
At 31 December 2021	(131,344)	(624,147)	(170,959)	(926,450)
At 1 January 2020	(77,243)	(489,506)	(194,653)	(761,402)
Recognised in profit and loss	3,746	(129,744)	44,637	(81,361)
At 31 December 2020	(73,497)	(619,250)	(150,016)	(842,763)

Others relate to deferred tax assets mainly arising from deductible temporary differences on provisions.

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23. Other liabilities

	Group 2021 RM'000	Group 2020 RM'000
Non-current		
Provisions (Note 23.1)	136,053	120,255
Current		
Provisions (Note 23.1)	-	-
Total other liabilities	136,053	120,255

23.1 Provisions

Group	Note	Site decommissioning and restoration costs RM'000	Defined benefit plan RM'000 (Note 26)	Total RM'000
Non-current				
At 1 January 2021		120,226	29	120,255
Capitalised as property, plant and equipment	11(a)	11,933	-	11,933
Unwinding of discount	6	3,825	-	3,825
Additional provision	7(b)	-	67	67
Paid during the financial year		-	(27)	(27)
At 31 December 2021		135,984	69	136,053
Non-current				
At 1 January 2020		53,284	11	53,295
Capitalised as property, plant and equipment	11(a)	52,532	-	52,532
Unwinding of discount	6	14,410		14,410
Additional provision	7(b)	-	93	93
Paid during the financial year		-	(75)	(75)
At 31 December 2020		120,226	29	120,255

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23. Other liabilities (cont'd.)

23.1 Provisions (cont'd.)

	Note	Employee leave entitlements RM'000
Group		
Current		
At 1 January 2021/31 December 2021		-
At 1 January 2020		420
Reversal of provision during the financial year	7(b)	(161)
Paid during the financial year		(259)
At 31 December 2020		-

24. Trade and other payables

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Trade payables	221,761	284,884	-	-
Other payables	313,051	266,259	-	-
Accruals and provisions	894,057	866,809	3,882	729
Customer deposits	15,155	15,034	-	-
	1,444,024	1,432,986	3,882	729

The Group's trade and other payables are non-interest bearing, and are subject to normal credit terms ranging from 30 to 60 days (2020: 30 to 60 days).

At 31 December 2021, the Group's trade and other payables balances included exposure to foreign currency denominated in USD, SDR and Norwegian Krone ("NOK") amounting to RM34.2 million (2020: RM22.0 million), RM17.7 million (2020: RM14.6 million) and RM3.3 million (2020: RM26.5 million) respectively.

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25. Share capital

	Group/Company			
	Number of ordinary shares		Amount	
	2021	2020	2021	2020
	Units ('000)	Units ('000)	RM'000	RM'000
Issued and fully paid				
As at 1 January and 31 December	7,775,000	7,775,000	769,655	769,655

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions and rank equally with regard to the Company's residual assets.

26. Defined benefit plan

The Group operates an unfunded defined benefit plan for its eligible employees. The estimated obligations under the retirement benefit scheme are determined based on actuarial valuation by a qualified independent actuary.

The amount recognised in the consolidated statement of financial position is determined as follows:

	Note	Group 2021 RM'000	Group 2020 RM'000
Present value of unfunded obligations	23.1	69	29

The amount recognised in profit and loss, included under staff expenses, is as follows:

	Note	Group 2021 RM'000	Group 2020 RM'000
Interest on obligations, representing increase in provision for defined benefit plan	7(b)	67	93

The principal actuarial assumption used in determining the retirement benefit obligation for the defined benefit plan, is as follows:

	Group 2021 %	Group 2020 %
Rate per annum:		
- Discount rate	5	5

Assumption regarding future mortality are based on published statistics and mortality table.

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27. Retained earnings

The Company may distribute dividends out of its entire retained earnings as at 31 December 2021 and 2020 respectively, under the single-tier system.

28. Commitments

Capital commitments

	Group 2021 RM'000	Group 2020 RM'000
Capital expenditure in respect of property, plant and equipment and intangible assets:		
Approved and contracted for	192,222	461,000
Approved but not contracted for	175,677	466,000

In addition to the above capital commitments, the Company had on 21 June 2021 entered into a conditional share sale and purchase agreement for the acquisition of the entire equity interests in Celcom via a merger exercise by way of a combination of the issuance of the Company's new shares and the payment of a cash consideration of RM1,692,733,818. Further details are disclosed in Note 34.

29. Performance guarantees

	Group 2021 RM'000	Group 2020 RM'000
Unsecured		
Guarantees given to city councils for public infrastructure works	15,674	13,957
Guarantee given to MCMC on project tenders, utility providers, land owners for security deposits and others	7,158	16,410
	22,832	30,367

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30. Significant related party disclosures

30.1 Sales and purchases of services

Related party relationships are as follows:

(i) The immediate and ultimate holding company are as disclosed in Note 1; and
(ii) The Company's subsidiaries are as disclosed in Note 15.

Significant transactions and balances with related parties of the Group during the financial year are as follows:

	Transactions		Balance due (to)/from at	
	2021	2020	2021	2020
Group	**RM'000**	**RM'000**	**RM'000**	**RM'000**
With the ultimate holding company and fellow subsidiaries				
- *Telenor ASA*			(7,950)	(8,027)
Consultancy services received	39,217	35,186		
Fees payable for licenses and trademarks	9,510	9,294		
- *Telenor GO Pte. Ltd.*			597	(367)
Personnel services received	3,449	3,468		
- *Telenor Global Services AS*			(377)	(1,773)
Sales of interconnection services on international traffic	(15,759)	(11,338)		
Purchases of inter-connection services on international traffic	17,389	8,670		
Purchases of global connectivity	3,043	3,449		
Clearing house services received for international roaming arrangements	427	389		
Services received on application operations and basic operation for data centre	19	-		

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30. Significant related party disclosures (cont'd.)

30.1 Sales and purchases of services (cont'd.)

Group (cont'd.)	Transactions 2021 RM'000	Transactions 2020 RM'000	Balance due (to)/from at 2021 RM'000	Balance due (to)/from at 2020 RM'000
With the ultimate holding company and fellow subsidiaries (cont'd.)				
- *Total Access Communication Public Company Limited*			67	(116)
Sales of international roaming services	-	(151)		
Consultancy services rendered	(263)	(69)		
- *dtac TriNet Co. Ltd.*			472	626
Sales of international roaming services	(61)	(23)		
Purchases of international roaming services	169	255		
Sales of interconnection services on international traffic	(729)	(1,466)		
Purchases of interconnection services on international traffic	300	648		
Lease income from bandwidth leasing	(3,027)	(826)		
- *Telenor Norge AS*			(5,051)	(4,398)
Consultancy services received	155	85		
Sales of international roaming services	(9)	(82)		
Purchases of international roaming services	20	33		
Business security strategy execution received	8,616	10,411		

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30. Significant related party disclosures (cont'd.)

30.1 Sales and purchases of services (cont'd.)

	Transactions		Balance due (to)/from at	
Group (cont'd.)	**2021 RM'000**	**2020 RM'000**	**2021 RM'000**	**2020 RM'000**
With the ultimate holding company and fellow subsidiaries (cont'd.)				
- *Telenor Digital Services AS*			(3,178)	(1,506)
Consultancy fees rendered	-	(87)		
Services received on digital marketing and distribution platform	9,444	6,147		
- *Telenor Global Shared Services AS*			(10,792)	(7,338)
Services received on application operations and basic operation for data centre	4,730	10,897		
- *Telenor Myanmar Ltd.*			(451)	(443)
Sales of international roaming services	(31)	(10)		
Purchases of international roaming services	40	16		
Consultancy fees rendered	(160)	(384)		
- *Telenor Procurement Company*			(10,547)	(5,732)
Managed services received	36,103	21,780		
- *Telenor Global Services Singapore Pte. Ltd.*			869	(547)
Lease income from bandwidth leasing	(7,967)	(6,935)		
Lease expenses of bandwidth leasing	3,185	3,054		
Purchases of IP transit	251	402		

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30. Significant related party disclosures (cont'd.)

30.1 Sales and purchases of services (cont'd.)

Group (cont'd.)	Transactions 2021 RM'000	Transactions 2020 RM'000	Balance due (to)/from at 2021 RM'000	Balance due (to)/from at 2020 RM'000
With the ultimate holding company and fellow subsidiaries (cont'd.)				
- *Telenor Connexion AB*			(143)	(88)
Purchases of international roaming services	856	433		
- *Telenor Sverige AB*			3	(360)
Sales of international roaming services	(186)	101		
Purchases of international roaming services	(12)	16		
- *Telenor Pakistan AB (Private) Ltd.*			169	(37)
Sales of international roaming services	(1)	(3)		
Purchases of international roaming services	25	(98)		
Managed services rendered	(310)	(490)		
- *Telenor A/S*			7	(248)
Sales of international roaming services	(4)	(30)		
Purchases of international roaming services	17	85		
- *Tapad Inc.*			-	-
Services received on digital marketing and distribution platform	-	755		

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30. Significant related party disclosures (cont'd.)

30.1 Sales and purchases of services (cont'd.)

	Transactions		Balance due (to)/from at	
Group (cont'd.)	**2021 RM'000**	**2020 RM'000**	**2021 RM'000**	**2020 RM'000**
With the ultimate holding company and fellow subsidiaries (cont'd.)				
- *Grameenphone Ltd.*			397	(29)
Managed services rendered				
Consultancy services received	29	(1,172)		
Sales of international roaming services	8	(14)		
Purchases of international roaming services	3	377		

Amounts due (to)/from related companies which are all trade in nature are unsecured, non-interest bearing and are subject to the normal credit terms for trade receivables and trade payables, respectively.

The directors are of the opinion that the above transactions are entered into in the normal course of business and at standard commercial terms mutually agreed between both parties.

30.2 Compensation of key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group and of the Company, directly and indirectly, including directors of the Group and of the Company.

The remuneration of key management personnel during the financial year was as follows:

	Group		Company	
	2021 RM'000	**2020 RM'000**	**2021 RM'000**	**2020 RM'000**
Short-term employee benefits	14,949	12,650	89	90
Post-employment benefits	1,510	1,335	-	-
Other employment benefits	1,633	1,587	-	-
	18,092	15,572	89	90

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30. Significant related party disclosures (cont'd.)

30.2 Compensation of key management personnel (cont'd.)

Included in remuneration of key management personnel above are non-executive directors' remuneration as disclosed in Note 7(c).

31. Financial instruments

31.1 Financial risk management objectives and policies

In the normal course of conducting its business activities, the Group is exposed to a variety of financial risks, which include credit, foreign currency, liquidity and interest rate risks. The Group's overall risk management programme seeks to minimise potential adverse effects of these risks on the financial performance of the Group.

31.2 Credit risk

Credit risk is the risk of loss that may arise if a counterparty default on its obligations under a financial instrument or customer contract, leading to a financial loss. The Group's credit risk arises in the normal course of operations (primarily from trade and other receivables, and contract assets) and from its financing activities, including deposits with approved financial institutions. The maximum credit risk exposure is limited to the carrying amount of each financial asset and contract assets less allowance for impairment.

Trade receivables and contract assets

The credit risk is managed through formalised policies on credit assessment and approvals, credit limits and monitoring procedures. Credit quality of each new customer is assessed based on an internally developed credit scoring model using information such as external ratings and credit agency information. Individual risk limits are set in accordance to the risk profile established for each customer, and are reviewed periodically.

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., customer type and rating). The calculation reflects the probability-weighted outcome, and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. The Group evaluates the concentration of risk with respect to trade receivables and contract assets as low, as its customers base is large and diverse.

Trade receivables and contract assets are written off when there is no reasonable expectation of recovery, and are not subject to enforcement activity. They are not secured by any collateral or credit enhancements.

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31. Financial instruments (cont'd.)

31.2 Credit risk (cont'd.)

Trade receivables and contract assets (cont'd.)

Set out below is the information about the credit risk exposure on the Group's trade receivables and contract assets using a provision matrix:

As at 31 December 2021	Gross carrying amount RM'000	Expected credit losses RM'000	Net carrying amount RM'000
Trade receivables			
- Not past due	541,101	(13,067)	528,034
- 1 to 30 days past due	20,809	(1,914)	18,895
- 31 to 60 days past due	1,937	(1,140)	797
- 61 to 90 days past due	6,625	(1,626)	4,999
- 91 to 180 days past due	5,045	(3,800)	1,245
- More than 181 days past due	13,144	(7,493)	5,651
Total trade receivables	588,661	(29,040)	559,621
Contract assets	77,412	(4,528)	72,884
Total trade receivables and contract assets	666,073	(33,568)	632,505
As at 31 December 2020			
Trade receivables			
- Not past due	513,021	(21,960)	491,061
- 1 to 30 days past due	11,558	(2,733)	8,825
- 31 to 60 days past due	2,164	(1,230)	934
- 61 to 90 days past due	5,688	(1,464)	4,224
- 91 to 180 days past due	9,955	(2,996)	6,959
- More than 181 days past due	14,674	(7,910)	6,764
Total trade receivables	557,060	(38,293)	518,767
Contract assets	99,851	(4,528)	95,323
Total trade receivables and contract assets	656,911	(42,821)	614,090

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31. Financial instruments (cont'd.)

31.2 Credit risk (cont'd.)

Trade receivables and contract assets (cont'd.)

Set out below is the movement in allowance for expected credit losses for trade receivables and contract assets:

	Note	Trade receivables RM'000	Contract assets RM'000	Total RM'000
At 1 January 2021		38,293	4,528	42,821
Charge for the financial year	7	54,506	-	54,506
Write offs		(63,759)	-	(63,759)
At 31 December 2021		29,040	4,528	33,568
At 1 January 2020		31,016	2,386	33,402
Charge for the financial year	7	79,446	2,142	81,588
Write offs		(72,169)	-	(72,169)
At 31 December 2020		38,293	4,528	42,821

Other receivables and cash and short-term deposits

The Group's credit risk also arises from cash and short-term deposits and other receivables. The credit risk is managed through monitoring procedures.

Cash and short-term deposits are placed only with reputable licensed banks and other receivables mainly consists of amounts due from a governement regulatory body and various city councils. The Group has assessed that the credit risk from these financial instruments are low.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets (net of impairment) as disclosed in Note 31.7.

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31. Financial instruments (cont'd.)

31.3 Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group is exposed to foreign currency risk as a result of transactions denominated in currencies other than its functional currency, arising from the normal business activities. The currencies giving rise to this risk are primarily the USD, SDR and NOK. Although approximately 3% (2020: 4%) of the Group's total expenses are denominated in the above-mentioned foreign currencies, the settlements of these payables are on a net basis through clearing house services, together with revenues earned from the same operators and partners. The Group also holds cash and cash equivalents denominated in USD for working capital purposes. The Group's foreign-denominated cash and cash equivalents at the reporting date is disclosed in Note 20.

Exposure to foreign currency risk is monitored on an on-going basis and when considered necessary, the Group will consider using effective financial instruments to hedge its foreign currency risk in accordance with its foreign currency hedging policy. In line with the Group's foreign currency hedging policy, hedging is only considered for firm commitments and highly probable transactions of which hedging shall not exceed 100% of the net exposure value. Speculative activities are strictly prohibited. The Group adopts a layered approach to hedging, where a higher percentage of hedging will be executed for closer-dated exposures and with time, increase the hedge as the probability of the underlying exposure increases. These derivatives and their underlying exposures will be monitored on an on-going basis. However, these contracts are not designated as cash flow or fair value hedge.

The Group's foreign currency forward contracts are executed only with creditworthy financial institutions in Malaysia which are governed by appropriate policies and procedures.

Details of the Group's outstanding foreign currency forward contracts for the purpose of hedging certain payables denominated in USD for which firm commitments existed at the reporting date, extends to January and February 2022, are disclosed in Note 19. The effects of changes in the fair values of these derivative financial instruments have already been included in the financial statements during the financial year.

Management believes that there is no reasonably possible fluctuation in the foreign exchange rate which would cause any material effect to the Group's profit for the financial year.

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31. Financial instruments (cont'd.)

31.4 Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting financial obligations due to shortage of funds. The Group monitors and maintains a level of cash and cash equivalents deemed adequate by management, for working capital purposes and to mitigate the effects of fluctuations in cash flows. The Group invests only in highly liquid cash management funds, if any.

The Group's and the Company's trade and other payables and non-hedging derivative liabilities at the reporting date, are short-term in nature, and are payable either on-demand or within one year. Details of maturities for the Group's loans and borrowings are as disclosed in Note 21.

Analysis of financial instruments by remaining contractual maturities

The table below summarises the maturity profile of the Group's and of the Company's financial liabilities at the reporting date based on contractual undiscounted repayment obligations.

	On demand or within one year RM'000	One to two years RM'000	Two to five years RM'000	More than five years RM'000	Total RM'000
Group					
2021					
Financial liabilities					
Trade and other payables	1,148,800	-	-	-	1,148,800
Loans and borrowings	734,012	249,892	1,022,899	843,796	2,850,599
Lease liabilities	503,434	456,177	1,029,758	984,009	2,973,378
Derivative financial liabilities:					
- Foreign currency forward contracts	183	-	-	-	183
Total undiscounted financial liabilities	2,386,429	706,069	2,052,657	1,827,805	6,972,960

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31. Financial instruments (cont'd.)

31.4 Liquidity risk (cont'd.)

Analysis of financial instruments by remaining contractual maturities (cont'd.)

The table below summarises the maturity profile of the Group's and of the Company's financial liabilities at the reporting date based on contractual undiscounted repayment obligations. (cont'd.)

2020	On demand or within one year RM'000	One to two years RM'000	Two to five years RM'000	More than five years RM'000	Total RM'000
Financial liabilities					
Trade and other payables	1,106,057	-	-	-	1,106,057
Loans and borrowings	394,962	706,539	628,433	1,598,072	3,328,006
Lease liabilities	573,622	520,530	1,191,928	1,170,257	3,456,337
Derivative financial liabilities:					
- Foreign currency forward contracts	394	-	-	-	394
Total undiscounted financial liabilities	2,075,035	1,227,069	1,820,361	2,768,329	7,890,794

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31. Financial instruments (cont'd.)

31.5 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's financial instruments will fluctuate because of changes in market interest rates.

The Group is exposed to interest rate risk primarily from floating rate financial liabilities.

The Group manages its interest rate risk by having a mixed portfolio of fixed and floating rate financial liabilities that is consistent with the interest rates profiles acceptable to the Group. To manage this, the Group enters into interest rate swaps, in which the Group agrees to exchange, at specified intervals, a fixed interest rate for floating rates.

The notional principal amounts of the outstanding interest rate swaps and its fair value are disclosed in Note 19.1.

The Group's policy in dealing with interest-bearing financial liabilities is to minimise the interest expense by obtaining the most favourable interest rates available. A difference of 20 (2020: 20) basis points in interest rates applicable for the Group's entire loans and borrowings (excluding lease liabilities) would result in approximately 0.54% (2020: 0.34%) variance in the Group's profit before tax for the financial year.

31.6 Fair values

The management assessed that the fair values of cash and short-term deposits, trade and other receivables and trade and other payables approximate their carrying amounts largely due to the short-term maturities of these instruments and the insignificant impact of discounting.

The following methods and assumptions are used to estimate the fair values of the following classes of financial instruments:

(a) Loans and borrowings

The carrying amounts of the current portion of loans and borrowings are reasonable approximations of fair values due to the insignificant impact of discounting.

The carrying amounts of floating-rate term loan and term financing-i are reasonable approximations of fair values as they are floating rate instruments that are re-priced to market interest rates on or near the reporting date.

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31. Financial instruments (cont'd.)

31.6 Fair values (cont'd.)

(a) Loans and borrowings (cont'd.)

The fair values of non-current portion of borrowings and debt securities are estimated by discounting expected future cash flows at market incremental lending rate for similar types of borrowing, debt instruments or leasing arrangements at the reporting date.

(b) Derivative financial instruments

The fair value of foreign currency forward contracts is determined using quoted forward exchange rates at the reporting date.

The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves.

(c) Other investment

Investment in equity instrument represents ordinary shares not quoted on any market and does not have any comparable industry peers that is listed. The investment in unquoted equity instrument is not held for trading.

The initial acquisition cost of the unquoted equity investment is an approximate estimate of its fair value as the investee's entity is in the start-up stage.

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31. Financial instruments (cont'd.)

31.7 Classification

The carrying amounts of financial instruments under each category, are as follows:

	Note	Group 2021 RM'000	Group 2020 RM'000	Company 2021 RM'000	Company 2020 RM'000
Financial assets					
Financial assets at fair value through OCI:					
- Other investments	16	78	78	-	-
Financial assets at amortised cost:					
- Trade receivables	18	559,621	518,767	-	-
- Other receivables	18	408,560	361,503	-	-
- Deposits and prepayments	18	403,073	436,655	5	4
- Cash and short-term deposits	20	204,527	302,853	670	250
		1,575,781	1,619,778	675	254
Less: Prepayments		(209,530)	(252,657)	-	-
		1,366,251	1,367,121	675	254
Financial assets at fair value through profit or loss:					
Derivative financial assets					
- Interest rate swaps	19	26,365	61,728	-	-

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31. Financial instruments (cont'd.)

31.7 Classification (cont'd.)

The carrying amounts of financial instruments under each category, are as follows: (cont'd.)

	Note	Group 2021 RM'000	Group 2020 RM'000	Company 2021 RM'000	Company 2020 RM'000
Financial liabilities					
Financial liabilities at fair value through profit or loss:					
Derivative financial liabilities					
- Foreign currency forward contracts	19	183	394	-	-
Other financial liabilities:					
- Floating-rate term loans	21	332,522	554,859	-	-
- Islamic medium term notes	21	1,798,765	1,798,503	-	-
- Floating-rate term financing-i	21	369,128	517,776	-	-
- Lease liabilities	21	2,458,860	2,580,895	-	-
- Trade payables	24	221,761	284,884	-	-
- Other payables	24	313,051	266,259	-	-
- Accruals		598,833	539,880	3,770	644
- Customer deposits	24	15,155	15,034	-	-
		6,108,075	6,558,090	3,770	644

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31. Financial instruments (cont'd.)

31.8 Fair value measurement

The following table provides the fair value measurement hierarchy of the Group's financial assets and liabilities.

Quantitative disclosures fair value measurement hierarchy for financial assets/(liabilities) as at 31 December 2021:

	Note	Date of valuation	Total	Fair value measurement using: Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
			RM'000	RM'000	RM'000	RM'000
Financial assets/(liabilities) measured at fair value:						
Unquoted equity investments:						
- Other investment	16	31 December 2021	78	-	-	78
Derivative financial assets:						
- Interest rate swaps	19	31 December 2021	26,365	-	26,365	-
Derivative financial liabilities:						
- Foreign currency forward contracts	19	31 December 2021	(183)	-	(183)	-

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31. Financial instruments (cont'd.)

31.8 Fair value measurement (cont'd.)

The following table provides the fair value measurement hierarchy of the Group's financial assets and liabilities. (cont'd.)

Quantitative disclosures fair value measurement hierarchy for financial assets/(liabilities) as at 31 December 2020:

				Fair value measurement using		
	Note	Date of valuation	Total	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobserv-able inputs (Level 3)
			RM'000	RM'000	RM'000	RM'000
Financial assets/(liabilities) measured at fair value:						
Unquoted equity investments:						
- Other investment	16	31 December 2020	78	-	-	78
Derivative financial assets:						
- Interest rate swaps	19	31 December 2020	61,728	-	61,728	-
Derivative financial liabilities:						
- Foreign currency forward contracts	19	31 December 2020	(394)	-	(394)	-

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31. Financial instruments (cont'd.)

31.8 Fair value measurement (cont'd.)

There have been no transfers between Level 2 and Level 3 in the current financial year and prior financial year.

The fair value of unquoted equity investment is categorised as Level 3 as cost was estimated to be an appropriate measure of fair value. There was no indicator that cost might not be representative of fair value.

32. Capital management

The essence of the Group's capital management strategy is to support its long-term strategic ambitions including:

(i) its commitment to long-term sustainable dividend policy;
(ii) its financial obligations while maintaining its financial flexibility; and
(iii) its ability to support its business requirements and enable future growth.

Going-forward, the Group will continue to actively manage its capital structure to enhance shareholders' value and make adjustments to address changes in the economic environment and its business risk characteristics. The Group had during the financial year ended 31 December 2009, revised its minimum dividend pay-out policy to at least 80% of the Company's profit for the financial year, and dividend payment frequency. The dividend policy will be maintained subject to on-going assessment, and based on the availability of distributable reserves as well as the Group's future cash flow requirements and market conditions. These revisions and any other revision to its allocation of capital resources are subject to the approval of the board of directors. No changes were made in the objectives, policies or processes during the financial year ended 31 December 2021.

33. Segmental information

Segmental information is not presented as the Group is primarily engaged in the provision of mobile communication services and its related products in Malaysia.

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34. Significant events

(a) Advanced discussions to merge Digi and Celcom

On 8 April 2021, Digi was informed by Telenor ASA ("Telenor"), the ultimate holding company, that Telenor and Axiata Group Berhad ("Axiata") are in discussion to merge the telecommunication operations of Celcom and Digi, in which the parties will have an equal ownership of 33.1% each.

On 21 June 2021, Digi had entered into a conditional share sale and purchase agreement ("SPA") with Axiata for the proposed merger. Pursuant to the SPA, Digi and Axiata have agreed for Axiata to transfer 100% of the equity of Celcom which shall be satisfied by:

i) Digi issuing concurrently 3,956,507,988 fully paid-up new ordinary shares of Digi; and
ii) Digi making cash payment of RM1,692,733,818.

On 24 November 2021, Digi had engaged with MCMC to initiate the merger assessment process in accordance with MCMC's Guidelines on Mergers and Acquisitions (the "Guidelines") and the merger application had been formally received by MCMC for its assessment in accordance with the Guidelines.

The transaction will be subject to relevant boards' and shareholders' approvals by Digi and Axiata, receipt of regulatory approvals, and other customary terms and conditions. Barring any unforeseen circumstances and subject to all the requisite approvals being obtained, the proposed merger is expected to be completed by the second quarter of 2022.

(b) Outbreak of Coronavirus ("Covid-19")

In March 2020, the World Health Organisation officially announced the outbreak of COVID-19 as a global pandemic. To counter the spread of COVID-19, the Malaysian government implemented the Movement Control Order on 18th March 2020, which was then extended a few times or switched to either the Conditional Movement Control Order, the Recovery Movement Control Order or the Enhanced Movement Control Order ("EMCO") based on the country's pandemic situation from time to time. During these periods, the Group has continued its operations with approval by the Malaysian Government as the Group is in the essential industry to ensure the continuous provision of telecommunication services especially during the EMCO period in 2021.

The directors have assessed the overall impact of this situation towards the Group's and the Company's operations, financial performance and cash flows and concluded there is no material adverse effect on the Group's and the Company's financial statements for the financial year ended 31 December 2021

Nevertheless, the directors will closely monitor the current developments of COVID-19 pandemic and at the present the facilities and site works activities of the Group and of the Company are in normal and stable operation.

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Digi.Com Berhad
(Incorporated in Malaysia)

35. Subsequent event

Letter of offer for spectrum assignment in the 2600MHz spectrum band

On 11 February 2022, the Group has accepted an offer from the MCMC on granting the Group for the issuance of 2600MHz spectrum assignment ("SA") at 2x10MHz band for a period of 5 years effective from 1 July 2022, at the price component payment of RM11,760,000 being made in one lump sum before 14 February 2022 and annual fixed fee payment of RM20,759,510 payable before 15 December throughout the assignment period.

Pursuant to the acceptance of the SA, the Group had made an upfront payment for the price component of the SA to MCMC amounting to RM11,760,000. The upfront price component paid has been recognised as a prepayment and will subsequently be reclassified to right of use assets and depreciated upon SA becoming effective on 1 July 2022 in accordance with MFRS 16: Leases.

36. Authorisation of financial statements for issue

The financial statements for the financial year ended 31 December 2021 were authorised for issue in accordance with a resolution of the directors on 11 March 2022.

UNDERTAKING

1. Introduction

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. By the terms of Authorisation No.1 of 2022, MCMC's authorisation to Celcom and Digi to proceed with the Proposed Merger is valid only for a period of one (1) year from 28 June 2022.

This letter and authorisation followed Digi and Celcom's (collectively "**Merging Parties**") submission on 21 July 2021 to MCMC of Form 1 on Application for Assessment of Mergers and Acquisitions ("**Merger Assessment Application**") under MCMC's Guidelines on Mergers and Acquisitions dated 17 May 2019 ("**M&A Guidelines**") and pursuant to Section 133 of the CMA (which prohibits conduct which will lead to a substantial lessening of competition) and Section 139 of the CMA which empowers MCMC to direct a licensee in a dominant position to cease a conduct (which includes mergers and acquisitions) in a relevant communications market which has or may have the effect of substantially lessening competition in any communications market. MCMC commenced its Phase 1 assessment on 23 September 2021 and Phase 2 assessment on 23 November 2021.

Upon completing MCMC's merger assessment, MCMC issued a Statement of Issues ("**SOI**") on 1 April 2022 seeking possible remedies from the Merging Parties to address competition concerns arising from the Proposed Merger. The Merging Parties submitted the Authorisation of Conduct Application on 16 June 2022 together with proposed undertakings after MCMC notified the Merging Parties that the commitments would only be accepted via an undertaking under Section 140 of the CMA and such application was required. On 28 June 2022, MCMC issued Authorisation No.1 of 2022 stating that the competition concerns had been significantly mitigated by the commitments, that the benefits arising from the Proposed Merger outweigh the costs and with the Undertaking in place, that MCMC is satisfied that the Proposed Merger is in the national interest.

The Undertaking is to address MCMC's competition concerns highlighted in their SOI outlining their views on potential competition concerns arising from the Proposed Merger.

(a) ***<u>Competition concerns highlighted in the SOI</u>***

MCMC's view on potential competition concerns primarily relate to the following markets which may have the effects of substantially lessening competition as a result of the Proposed Merger:

(i) the national the national retail market for mobile and low-speed fixed broadband and data services, including the related local distribution channel markets;

(ii) the national retail market for mobile voice and Person-to-Person (i.e. P2P) messaging services, including the related local distribution channel market(s);

(iii) the national wholesale market for mobile voice and P2P messaging services (including network sharing arrangements); and

(iv) the national wholesale market for mobile broadband services (including network sharing arrangements).

(b) ***Undertaking and commentaries***

A summary of the Undertaking together with commentaries has been set out below and the full text of the Undertaking has been reproduced in Section 3 below:

(i) **Spectrum divestment within three (3) years of Closing**

This undertaking entails the commitment for the divestment of 70 MHz of the MergeCo Group's spectrum across 1800 MHz, 2100 MHz and 2600 MHz. The first band to be returned to MCMC within two (2) years from Closing and the second and third bands to be returned three (3) years from Closing.

For information, spectrum is used in telecom industry for wireless communications and services, to transmit mobile network (voice and data) through radio frequencies, in order to deliver network coverage and capacity.

Intended objective

The MergeCo Group commits to handback spectrum bands amounting to 33% of its spectrum portfolio, to holistically reduce any perceived spectrum advantage arising from the Proposed Merger, as the extent of mobile network coverage and capacity are largely dependent on the available spectrum resources.

The MergeCo Group will return the total combined spectrum to MCMC in stages over a period of two (2) to three (3) years after completion of the Proposed Merger. As at the LPD, the order of spectrum band handover has not been finalised and parties are required to notify MCMC six months after the completion of the Proposed Merger.

Following handover of spectrum, MCMC will compensate the MergeCo Group on a prorated basis for the remaining duration of the spectrum assignments and/or apparatus assignment after undertaking due diligence ("**Spectrum Compensation**").

Operational and financial impact to the MergeCo Group

Arising from the spectrum divestment, the sites in the network will have less capacity at an aggregate level, resulting in higher congestion in the network. In order to address the congestion, the MergeCo Group is expected to incur additional costs and expenditures to upgrade the capacity of the sites, such as equipment upgrades and sites densification. However, the amount of such additional costs and expenditures can only be determined after completion of the Proposed Merger given that a detailed network planning and robust integration plan is required. A detailed network planning and robust integration plan is crucial to ensure that spectrum handover will not cause degradation to network quality. The planning includes, amongst others, to determine:

(i) the location of sites that may be impacted by the spectrum divestment; and

(ii) the preferred order of spectrum to be handed over to MCMC.

Once the location of sites that will be affected by spectrum divestment are determined, the MergeCo Group will assess the extent of upgrades required for each of these sites and the suitable solutions to support the upgrade in order to maintain network quality.

In view that the spectrums to be divested represent approximately 33% of total combined spectrum of the MergeCo Group, a large number of sites are expected to be affected. Therefore, the processes involved in determining the extent of upgrades required for each individual site and the associated costs and expenditures are expected to be extensive and the outcome can only be determined upon the completion of the assessment exercise, after Closing. Additionally, the total costs and expenditures are also subject to discussions with selected vendors.

Given the large number of sites are expected to be affected by the spectrum divestment, additional CAPEX and operational costs, even after netting off against the Spectrum Compensation, may be substantial.

(ii) **MVNO wholesale remedies**

This undertaking entails the commitment for the establishment of a separate independent business unit for MVNO wholesale business under the MergeCo Group within 6 months after Closing and ensuring continuity of access to wholesale services for MVNOs at terms no worse off than existing agreements for a duration of three (3) years from the Closing.

Intended objective

This would allow current MVNOs to continue on agreed wholesale terms and provide a fair treatment to potentially new MVNOs who may seek MVNO access services from the MergeCo Group.

Operational and financial impact to the MergeCo Group

The MergeCo Group's MVNO wholesale business will be transferred to a separate business unit independent from the MergeCo Group's mobile retail businesses.

Accordingly, the MVNO wholesale business will be independent in its decision making to ensure continued fair access for MVNOs, and in turn maintain healthy competition within the telecommunications industry.

The management reporting structure has reflected the establishment of a separate independent business unit, as disclosed in Section 10 of Appendix V of this Circular.

Notwithstanding the above, as the MVNO wholesale business will continue to contribute to the earnings of the MergeCo Group, this remedy is not expected to have material impact to the financials of the MergeCo Group.

MergeCo has also committed to ensure continuity of access to wholesale services for existing and new MVNOs following certain terms of fair pricing and non-discriminatory access for three (3) years from Closing. The implementation risk to fulfil this undertaking is low.

(iii) **Divestment of Yoodo Business**

This undertaking entails the commitment for divestment of Yoodo Business within eighteen (18) months from Closing ("**Divestiture Period**"), failing which Merging Parties commit to cease Yoodo's operations within three (3) months of the expiry of the Divestiture Period.

Yoodo Business currently offers fully digital and customisable retail mobile plans to subscribers.

Intended objective

Yoodo, is a distinct and separable prepaid product brand within Celcom launched in January 2018. It is a customisable mobile plan offered via digital channels, providing customers with flexibility to choose and change their combination of data, voice and messaging usage, as well as roaming and other international direct dial services. Yoodo also provides various data content add-on services for lifestyle segments such as e-sports, social media, music and entertainment.

The divestment of Yoodo Business aims to reduce the market influences of the MergeCo Group in the prepaid segment.

Operational and financial impact to the MergeCo Group

As at 31 December 2021, Yoodo's subscriber base comprises less than 3.0% of Celcom's subscribers for its prepaid product segment, and less than 2.0% of the total number of subscribers of Celcom's postpaid and prepaid products. For the FYEs 31 December 2019, 2020 and 2021, the revenue contribution from the Yoodo Business was less than 1.0% of the total revenue of the Celcom Group, and the assets used in the operations of the Yoodo Business are also immaterial to the Celcom Group.

In addition, Yodoo Business is currently managed relatively independently and separately from the Celcom Group's existing business and the MergeCo Group would have eighteen (18) months from Closing to divest or prepare for an orderly and smooth cessation of operations.

As such, the divestment or cessation of the Yoodo Business is not expected to have a material adverse effect to the operations of the MergeCo Group as well as to the revenue of the MergeCo Group's prepaid segment or to the consolidated revenue.

(iv) **Removal of exclusivity arrangements with distributors**

This undertaking entails the commitment by the MergeCo Group for the removal of exclusivity arrangements with its exclusive distributors in Sabah, Labuan, Sarawak, Terengganu, Pahang and Kelantan, and for not entering into new exclusivity arrangements with exclusive distributors or other distributors in these regions within three (3) years from Closing, unless otherwise approved by MCMC.

Intended objective

This allows competitors the opportunity to access the same distribution networks and strengthen their position in these retail markets geographically.

Operational and financial impact to MergeCo Group

Distributors in affected regions will be able to work with the MergeCo Group's competitors, thereby reducing barriers for entry into local distribution and channel market and increasing competition to the MergeCo Group as competitors are able to reach more touchpoints than their current footprint in an open market.

However, any operational and financial impact to the MergeCo Group is not expected to be material as the removal of the exclusivity does not require the MergeCo Group to facilitate arrangements between distributors and competitors. The competitors of the MergeCo Group would need to independently engage and negotiate with said distributors, during which the MergeCo Group would have sufficient time to adjust its marketing strategies such as improving loyalty programme with distributors and acceleration of sales digitalisation through modernisation to ensure continuous availability of the MergeCo Group products nationwide.

(v) **<u>Single corporate brand</u>**

This undertaking entails the commitment to position the existing Celcom's and Digi's prepaid and postpaid products as products under a single MergeCo Group corporate brand within two (2) years from Closing.

Intended objective

This helps to avoid customers and brand confusion within the market.

Operational and financial impact to the MergeCo Group

This will be undertaken in the MergeCo Group's transition plan as part of a planned corporate branding exercise. It would involve the rebranding of a large number of touchpoints across dealers, franchise and own stores, as well as proper training to market and sell Celcom and Digi products after the introduction of a single corporate the MergeCo brand.

The positioning of Celcom's and Digi's brand as products within two (2) years from Closing will be carefully considered under the MergeCo Group's corporate branding exercise to ensure customers are well informed and MergeCo's corporate brand is strengthened as part of the transition plan.

The costs to be incurred over two (2) years include the cost of introducing new MergeCo brand and related marketing, advertising and promotional materials across the distribution network. However, as some of these costs will replace the planned marketing costs which is already part of the business-as-usual refresh cycle, the additional costs to be incurred to fulfil this undertaking is not expected to be significant. The implementation risk to fulfil this undertaking is also not expected to be material.

(c) ***Monitoring mechanism for the performance of Undertaking***

Pursuant to the Undertaking, MCMC has rights to supervise and inspect the MergeCo Group from Closing until each Undertaking is fulfilled. In this regard, the MergeCo Group is required to report compliance of the Undertaking audited by an approved independent auditor to MCMC on a quarterly basis.

2. Risks surrounding execution of Undertaking or delayed performance of Undertaking

MCMC's grant of its authorisation for the Proposed Merger is subject to the MergeCo Group's performance of the Undertaking (as set out in Section 1 above). The Undertaking obliges the MergeCo Group to, amongst others, divest certain spectrum bands, establish a separate and independent MVNO business and ensuring continuity of access to wholesale services to MVNOs, divest the Yoodo Business, removal of exclusivity arrangements with its exclusive distributors in Sabah, Labuan, Sarawak, Terengganu, Pahang and Kelantan and position both the Digi's and Celcom's prepaid and postpaid brands as products under a single MergeCo Group corporate brand.

Spectrum divestment requires detailed network planning and a robust integration plan to ensure that such spectrum divestment will not cause degradation to network quality that will impact the MergeCo Group's customers. The planning includes, amongst others, determining the location of sites that may be impacted and the preferred order of spectrum to be handed over to MCMC. It is expected to impact a large number of sites serving approximately 20 million subscribers.

Risks associated with the spectrum divestment are operationally complex, and issues such as supply chain disruption and shortage of regional or local contractors, which are outside of the MergeCo Group's control, could cause a delay to the planned network integration or network upgrade. The MergeCo Group could be obligated to perform the Undertaking and to return the relevant spectrum band to MCMC before the network integration is properly completed, with the consequence of possible degradation to network quality, impacting customer experience and causing challenges for the MergeCo Group to comply with its service quality requirements.

Meanwhile, Celcom and Digi have past experiences in conducting exercises of similar nature as part and parcel of the business, such as internal reorganisation of their business units, negotiating contracts with vendors and distributors, and branding exercise for their products, albeit on a smaller scale. In view of this, and since the MergeCo Group will engage the necessary vendors and consultants to advise on the implementation on the Undertaking, the risks arising from the implementation of the remaining terms of the Undertaking are not expected to be material.

Although MergeCo Group will continue to engage with MCMC including having regular dialogue to address the progress or potential issues to ensure the performance of the Undertaking, if the MergeCo Group fails to perform any part of the Undertaking according to its terms, the CMA expressly provides a right for MCMC or any person to apply to court to enforce the same. Failure by the MergeCo Group to comply with a court order will result in the MergeCo Group being in contempt of court and liable to a reprimand and/or a fine (resulting in reputational damage) and its officers who caused or wilfully permitted or contributed to the contempt of court may also be reprimanded, fined or imprisoned.

Further if there is a material change of circumstance since the date of MCMC's issue of the notice of no objection, MCMC may revoke its authorisation of the Proposed Merger, and may commence investigations on whether MergeCo has engaged in conduct in breach of Section 133 and/or Section 139 of the CMA (which upon conviction could result in a fine not exceeding RM500,000 or imprisonment for a term not exceeding five (5) years or to both). MCMC or any other person may also seek an injunction under Section 142 of the CMA against the MergeCo Group in respect of any prohibited conduct.

Additionally, the extent of costs and expenditures that will be incurred in connection with the necessary steps to be taken to enable the spectrum divestment without affecting the network quality cannot be quantified at this juncture. The determination of such costs and expenditures will be subject to, amongst others, the detailed network planning and assessment to determine the extent of upgrades required, the suitable solutions to support the upgrade, as well as vendor selection process, as these processes will only be carried out after the completion of the Proposed Merger.

There is no assurance that the total costs and expenditures in connection with fulfilling the Undertaking including spectrum divestment, will not be significantly more than as anticipated, and/or such costs and expenditures will have a material adverse impact to the earnings and earnings per share of MergeCo.

3. Undertakings to MCMC

The full text of the Undertaking has been reproduced below:

Definition and Interpretation

No	Definitions	Interpretation
1.	1800MHz Spectrum	2x5MHz of spectrum in the 1800MHz band (1745-1750/1840-1845MHz), expiring 30 June 2032, or such other date as revised by MCMC.
2.	2100MHz Spectrum	2x10MHz of spectrum in the 2100MHz band (1950-1960/2140-2150MHz), expiring 1 April 2034, or such other date as revised by MCMC.
3.	2600MHz Spectrum	2x20MHz of spectrum in the 2600MHz band (2530-2540/2650-2660MHz, and 2560- 2570/2680-2690MHz), expiring 30 June 2027, or such other date as revised by MCMC
4.	Audit Report	Audit Report based on accepted Malaysian auditing standards as agreed and accepted by MCMC.
5.	Closing	The date of completion of the merger transaction
6.	Divestment Spectrum	1800MHz spectrum, 2100MHz spectrum and 2600MHz spectrum
7.	Divestiture Period	The period of eighteen (18) months from Closing
8.	Divestment Business	The business the Applicant commits to divest i.e. Yoodo
9.	Effective Date	Date of registration of the undertaking
10.	Expiry Date	Three (3) years from date of application to register the undertaking
11.	Integration Period	The period of three (3) years from Closing
12.	MergeCo	The post-closing holding company of the Applicant (to be named "**Celcom Digi Berhad**")
13.	MergeCo Wholesale Business	The business of MergeCo offering Wholesale Services to MVNOs
14.	MVNO	Mobile Virtual Network Operator
15.	Network Integration Completion	Completion of network site consolidation, expected within three (3) years of Closing
16.	Undertaking	Means this undertaking provided by the Applicant under subsection 140(3) of the CMA

No	Definitions	Interpretation
17.	Wholesale Services	Refers to facilities and/or services for access to the mobile network of the MergeCo used to provide public cellular services to the public, for the purpose of a MVNO providing retail mobile communications services to end customers, which may include access to the facilities and services used by MergeCo to provide: (a) voice, data and other application services, as selected by the MVNO; and (b) services over mobile networks including GSM, LTE, IMT-Advanced, LTE-Advanced and any other mobile networks that are available.
18.	Yoodo	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"

1. Persons giving the Undertaking

1.1. This Undertaking is given to the Malaysian Communications and Multimedia Commission ("**MCMC**") by Celcom Axiata Berhad ("**Celcom**") and Digi Telecommunications Sdn. Bhd. ("**Digi**") (collectively referred to as the "**Applicant**") for the purpose of an authorisation of the proposed merger between Celcom and Digi.Com Berhad ("**Digi.Com**") (hereafter referred to as "**Proposed Merger**") under subsection 140(3) of the Communications and Multimedia Act 1998 ("**CMA**")**.**

2. Background

Parties to the Proposed Merger

2.1. On 21 June 2021, Axiata Group Berhad ("**Axiata**") and Digi.Com entered into a share purchase agreement to combine their respective telecommunications businesses in Malaysia i.e. Celcom and Digi.

2.2. Digi.Com is the current holding company of Digi, and will assume full ownership of Celcom by way of the following transactions:

2.2.1. Axiata will transfer 100% of its equity interest in Celcom to Digi.Com;

2.2.2. Digi.Com will issue new shares to Axiata and Telenor Asia Pte. Ltd. such that each recipient entity will hold 33.10% of Digi.Com's total issued share capital; and

2.2.3. Axiata together with Malaysian institutional funds will own over 51% of the MergeCo.

2.3. Upon completion of the Proposed Merger, Digi.Com will become the holding company of both Celcom and Digi, with the operations of both entities merged, subject to the terms of this Undertaking.

Applicant's Background

Digi

2.4. Digi.Com is listed on Bursa Malaysia and its mobile service operations are undertaken by its subsidiary, Digi. Digi commenced operations in May 1995 when it launched its fully digital GSM1800 services. It offers mobile voice, data, roaming and value-added services on both prepaid and postpaid plans. Over the last twenty-six (26) years, Digi had established a mobile network with 10.32 million subscribers[1] (as at Q4 2021). Digi currently holds an individual Network Facilities Provider ("**NFP**") licence and an individual Network Service Provider ("**NSP**") licence, both of which are valid until 2025, and an Applications Service Provider ("**ASP**") class licence. Additionally, Digi operates a nationwide mobile network, utilising spectrum in the 900 MHz, 1800 MHz, 2100 MHz and 2600 MHz bands.

Celcom

2.5. Celcom was incorporated in Malaysia on 5 January 1988 and commenced business on 21 August 1989. It offers mobile voice, data, roaming and value-added services on both prepaid and postpaid plans. Celcom's business is focused on the domestic mobile services segment, and it operates a nationwide mobile network utilising 900 MHz, 1800 MHz, 2100 MHz and 2600 MHz spectrum bands. Celcom currently holds an individual NFP licence and an individual NSP licence, both of which are valid until 2025, and an ASP class licence. As at Q4 2021, Celcom has 9.60 million subscribers.[2]

3. MCMC's assessment on the Proposed Merger

3.1. On 23 September 2021, MCMC commenced Phase 1 assessment of the Proposed Merger upon receiving a complete Form 1 on Application for Assessment on Mergers and Acquisitions and on 23 November 2022, MCMC commenced Phase 2 assessment upon receiving a complete Form 2 on Application for Assessment on Mergers and Acquisitions.

3.2. On 1 April 2022, MCMC issued a Statement of Issues ("**SOI**") to the Applicant. The SOI sets out MCMC's preliminary view on competition effects that could arise from the Proposed Merger and invited the Applicant to submit their comments and remedies to address the concern.

MCMC's competition concerns

3.3. MCMC's preliminary assessment indicated that the Proposed Merger is likely to raise competition concerns in the following communications markets:

3.3.1. the national retail market for mobile and low-speed fixed broadband and data services, including the related local distribution channel market(s);

3.3.2. the national retail market for mobile voice and Person-to-Person ("**P2P**") messaging services, including the related local distribution channel market(s);

3.3.3. the national wholesale market for mobile voice and P2P message services (including network sharing arrangements); and

3.3.4. the national wholesale market for mobile broadband services (including network sharing arrangements).

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1 https://digi.listedcompany.comimisc/InvestorPresentation/4Q2021 Investor Pres.pdf
2 https://www.axiata.corniinvestorsiquarterly-results/

3.4 As such the Applicant reverted with proposed remedies to alleviate MCMC's competition concerns namely in five (5) areas i.e. spectrum, mobile virtual network operators ("**MVNO**") arrangement, prepaid divestment, resellers and branding.

3.5. The Applicant has agreed to provide this Undertaking and MCMC is authorising this conduct (i.e. the merger as described in this Undertaking) under section 140 of the CMA, on condition that the Undertaking is provided. The remedies provided will address the MCMC's concerns about the Proposed Merger having the purpose or effect of substantially lessening of competition ("**SLC**") in the identified communications markets as per paragraph 3.3.

Undertakings

3.6. The Applicant hereby undertakes that it shall commit to carry out the following undertakings to alleviate MCMC's concerns.

Spectrum Divestment

3.7. The Applicant shall divest a total of 70MHz of spectrum in the following three (3) bands (each referred to as a "**Band**") to address the issue of spectrum concentration post merger.

3.7.1. Divest 10MHz in the 1800MHz spectrum band
3.7.2. Divest 20MHz in the 2100MHz spectrum band
3.7.3. Divest 40MHz in the 2600MHz spectrum band

3.8. The Applicant shall complete technical handover of the Divestment Spectrum by the earlier of the date of Network Integration Completion and the expiry of the Integration Period, which is at most three (3) years from Closing. The spectrum divestment will occur in the form of the spectrum being returned to MCMC in phases during the 3-year period.

3.9. The Applicant shall return to MCMC the first Band of Divestment Spectrum within **two (2) years** from Closing. The Applicant shall return to MCMC the second and third Bands of the Divestment Spectrum within **three (3) years** from Closing. The Applicant will notify MCMC **six (6) months** after Closing, of which Band will be returned within **two (2) years** from Closing and which Bands will be returned within **three (3) years** from Closing.

3.10. The Applicant shall bear all the fees and charges associated with spectrum divestment and technical handover.

3.11. MCMC will compensate the Applicant on a prorated basis for the remaining duration of the spectrum assignments and/or apparatus assignment, after undertaking due diligence, following the handover of the spectrum in the related spectrum Bands.

MVNO Wholesale Remedy

3.12. The Applicant will ensure MVNOs are no worse off (compared to the position immediately prior to the Effective Date) and there is continuity of access for existing and new MVNOs to wholesale services provided by MergeCo for a duration of **three (3) years** from Closing.

3.13. In fulfilling its obligations, the Applicant must:

3.13.1 ensure the continuity of access to wholesale services for existing and new MVNOs for the duration of **three (3) years** from Closing by (subject to acceptance by MVNOs):

(a) ensuring fair pricing, fair and non-discriminatory access and to maintain and promote healthy competition in the retail and wholesale mobile market;

(b) introducing price capping (no increase from current rate as at the Effective Date);

(c) removal/waiver of any contractual lock-in agreements in place as at the Effective Date; and

(d) implementing fair usage policy to ensure any excessive usage by MVNOs and their subscribers is charged fairly.

3.13.2 The Applicant will establish a separate independent MVNO wholesale business ("**MVNO Business Unit**") and transfer the MergeCo Wholesale Business to the MVNO Business unit, thereby ensuring separation from MergeCo's retail mobile business, within **six (6) months** from Closing. The Applicant shall maintain the separation for a period of **three (3) years** after implementing transfer to MVNO Business Unit.

(a) The Head of MVNO business unit will report directly to the Chief Executive Officer ("**CEO**") and administratively to a CxO in MergeCo's fixed line business unit (the "**Fixed CxO**")**.** The structure of the MVNO Business Unit will be as contained in **Schedule 1** of this Undertaking.

(b) The MVNO Business Unit shall maintain a Reference Access Offer and make its services available to all new and existing MVNOS through commercially negotiated access agreements, unless otherwise agreed by an MVNO.

(c) The Head of MVNO is empowered to make all decisions pertaining to the commercial terms of MVNO access agreements (including, but not limited to, wholesale pricing), independent of the Fixed CxO. Matters pertaining to the commercial terms of MVNO access agreements and pricing shall not be discussed with or otherwise disclosed to the Fixed CxO or the Management Committee. Similarly, matters pertaining to retail mobile pricing of MergeCo shall not be discussed with or otherwise disclosed to the Head of the MVNO Business Unit.

(d) The relationship and reporting lines between the Head of the MVNO Business Unit and the Fixed CxO will be limited to administrative and human resource matters only which amongst others include approval of Head of the MVNO Business Unit's:

(i) annual leave;

(ii) expenses and benefits claims;

(iii) operating budget such as travel, entertainment, team-building, training, etc. (i.e. not related to commercial terms of the MVNO agreements or arrangements); and

(iv) approval of hiring, training and career development plans for employees of the MVNO Business Unit.

(e) The relationship and reporting lines between the Head of the MVNO Business Unit and CEO will cover all strategic and operational areas related to the MergeCo's wholesale business, which includes:

(i) Setting of the MVNO's Business Unit's targets and investment, including KPI for the Head of the MVNO Business Unit;

(ii) Evaluation of the Head of the MVNO Business Unit KPIs and performance;

(iii) Performance management and monitoring of the MVNO Business Unit; and

(iv) Decisions relating to wholesale pricing, access, and other contractual terms of new and existing MVNOs.

Prepaid Divestment – Yoodo

3.14. The Applicant undertakes to divest the business of Celcom's Yoodo brand (that is, the **Divestment Business**) within **eighteen (18) months** from Closing via a sales auction process at a minimum floor price no less than the cost incurred by the Applicant in providing the products and services.

3.15. If the Applicant fails to divest the Divestment Business **within eighteen (18) months** from Closing, the Applicant commits to cease Yoodo's operation within **three (3) months** of the expiry of the Divestiture Period.

3.16. This divestment of the Divestment Business includes:

3.16.1. All tangible and intangible assets (including intellectual property rights) used exclusively by Yoodo or which are necessary for the operation of the Yoodo business;

3.16.2. The employment or engagement of personnel who exclusively and predominantly work for Yoodo to the purchaser (which personnel, if consent to transfer with Yoodo is required by law, has given such consent);

3.16.3. all contracts, leases, and commitments related to Yoodo; and

3.16.4. all subscribers, credit and other business records of Yoodo.

3.17. The Divestment Business shall not include assets not used exclusively by Yoodo or are not otherwise necessary for the operation of Yoodo.

3.18. The Applicant shall make available to the purchaser the details of all suppliers currently supporting the operation of Yoodo.

3.19. The purchaser of Yoodo shall be independent of the Applicant and its stakeholders.

3.20. The Applicant shall, for a period of **three (3) years** after the completion of the sale of the Divestment Business, not acquire, whether directly or indirectly, the possibility of exercising influence *over* the whole or part of the Divestment Business, unless otherwise approved by MCMC.

3.21. Upon cessation of Yoodo's operations in accordance with paragraph 3.15 above, the Applicant shall not restore or otherwise *revive* the Yoodo brand.

3.22. The Applicant shall not absorb directly or indirectly Yoodo's subscribers from the Effective Date until the **three (3) year period** referred to in paragraph 3.20 has expired.

3.23. At the option of the purchaser (who shall communicate its uptake of such option within a deadline prior to completion of the sale of the Divestment Business), the Divestment Business would include the benefit, for a transitional period of up to **six (6) months** after the date of completion of the sale of the Divestment Business and on terms and conditions to be negotiated, of all current arrangements under which the Applicant supplies products or services to Yoodo, provided that the supply of such products and services shall be provided:

3.23.1. in the same manner as provided during the last **twelve (12) months** prior to completion of the sale of the Divestment Business, save for a reasonable ramp-down of those supplies by the end of the transitional period;

3.23.2. at the current consideration but at no less than the costs incurred by the Applicant in providing the products and services; and

3.23.3. on a reasonable efforts basis with liability of the Applicant to the purchaser being limited to events of wilful misconduct.

3.24. In order to enable potential purchasers to carry out reasonable due diligence of the Divestment Business, the Applicant shall, subject to customary confidentiality assurances and dependent on the stage of the divestiture process, provide potential purchasers sufficient information with regards to the Divestment Business.

Retail Distribution Dealership Remedy

3.25. The Applicant undertakes the following:

3.25.1. Before the expiry of the Integration Period i.e. **three (3) years** from closing, to remove exclusive arrangements with its exclusive distributors[3] in Sabah, Labuan, Sarawak, Terengganu, Pahang and Kelantan; and

3.25.2. For a period of **three (3) years** after Closing, the Applicant will not enter into any new exclusivity arrangements with exclusive distributors or other distributors in these regions, unless otherwise approved by MCMC.

3.26. The list of exclusive distributors is contained in **Schedule 2** of this Undertaking.

Single Corporate Brand

3.27. The Applicant will position Digi and Celcom's prepaid and postpaid brands as products under a single corporate brand **within two (2) years** from Closing.

3.28. The Applicant shall ensure that the processes and systems are in place to fulfil the commitment in paragraph 3.27 within the specified duration.

4. Commencement and terms of the Undertaking

4.1. This Undertaking comes into effect (Effective Date) when MCMC accepts and registers this Undertaking.

[3] Exclusive distributors are distributors servicing non-Celcom or Digi branded retail outlets with whom the Applicant has entered into contractual arrangements for the exclusive sale and distribution of retail mobile telecommunications services in specific geographical locations.

4.2. In accordance with subsection 111(3) of the CMA, an undertaking will expire **three (3) years (Expiry Date)** from the date of the application to register the undertaking. The Applicant undertakes to submit a new undertaking **six (6) months** prior to the Expiry Date of this Undertaking to fulfil the requirements under this Undertaking that extend beyond the Expiry Date.

4.3. As the timelines stipulated in this Undertaking will commence from Closing, the Applicant is required to notify MCMC of the official date of Closing on or around the date of Closing.

5. Cessation of ongoing obligations

Withdrawal

5.1. In line with subsection 140(4) and section 113 of the CMA, the Applicant may withdraw this Undertaking at any time by notifying MCMC in writing.

5.2 Upon withdrawal of this Undertaking, the authorisation corresponding to this Undertaking shall be deemed never to be given and the conduct may be subjected to regulatory actions.

5.3 Without limiting paragraph 6, the MCMC may, at any time, revoke its acceptance of this Undertaking and the authorisation corresponding to this Undertaking shall be deemed never to be given if the MCMC becomes aware that any information provided to it at any time by the Applicant was false or misleading other than in an immaterial respect.

Survival

5.4 This Undertaking will continue to be enforceable unless and until the earlier of:

5.4.1 this Undertaking is withdrawn by the Applicant in accordance to section 113 of the CMA;

5.4.2 a new undertaking has been registered in accordance to section 114 of the CMA; or

5.4.3. the Expiry Date.

6 Enforcement

6.1. The Applicant acknowledges and agrees that MCMC may apply to court for the enforcement of this Undertaking if this Undertaking has not been complied with in accordance with the CMA.

6.2 Without limiting the MCMC's powers under the CMA and otherwise at law, the Applicant acknowledge and agree that MCMC may take action against the Applicant at any time during the period of Undertaking on the following grounds:

6.2.1 the information provided by the Applicant to MCMC was false or misleading other than in an immaterial respect;

6.2.2 if the Proposed Merger effected is materially different to the transaction submitted to MCMC for assessment; or

6.2.3. there has been a material change of circumstance since MCMC approved the application for authorisation of conduct.

7 Reporting Obligation

7.1. From the date of Closing, and until each undertaking is fulfilled, MCMC has the rights to supervise and inspect the Applicant and MergeCo in connection with this Undertaking.

7.2 The Applicant is required to report their compliance with this Undertaking to MCMC on a quarterly basis, commencing no less than **three (3) months** after the Effective Date.

8 Independent Audit

Obligation to appoint an Approved Independent Auditor

8.1. The Applicant must, at their own cost, appoint within three (3) months of the Effective Date and maintain throughout the term of this undertaking the appointment of an approved independent auditor to audit and report the Applicant's compliance with this undertaking.

8.2 MCMC shall have the discretion to approve or reject in writing with regards to the identity of the proposed independent auditor proposed to be appointed by the Applicant.

8.3. Without limiting MCMC's discretion in deciding whether to approve a proposed independent auditor, the factors that MCMC may have regard to include:

8.3.1. the qualification and experience of the identified auditor;

8.3.2. whether the identified auditor is fully independent of the Applicant; and

8.3.3. whether draft terms of the appointments and the draft audit plan are consistent with this undertaking and acceptable to MCMC.

8.4. MCMC may revoke an approved independent auditor's status if MCMC becomes aware that any information provided to it in relation to the appointment of the approved independent auditor was incorrect, inaccurate or misleading.

8.5. If MCMC rejects a proposed independent auditor or revokes approval of an approved independent auditor, the Applicant must promptly propose a new independent auditor in accordance with this paragraph 8.

8.6. If the Applicant does not promptly appoint (or re-appoint) an independent auditor in accordance with this paragraph 8, MCMC may appoint such an auditor and they will be considered to be the approved independent auditor for the purposes of this Undertaking.

Audit Report

8.7. The approved independent auditor must conduct an audit and prepare a detailed report ("**Audit Report**") that includes:

8.7.1. the approved independent auditor's procedures in conducting the audit, or any change to audit procedures and processes since the previous Audit Report;

8.7.2. a full report of the Applicant's compliance with this Undertaking;

8.7.3. identify any areas of uncertainty or ambiguity contained in this Undertaking;

8.7.4. all the reasons for the conclusions reached in the Audit Report;

8.7.5. any qualifications made by the approved independent auditor in forming his or her views;

8.7.6. any recommendations by the approved independent auditor to improve the audit plan, the auditing process, the Applicant's processes or reporting systems in relation to the compliance with this Undertaking and the Applicant's compliance with this Undertaking; and

8.7.7. the implementation and outcome of any prior recommendations by the approved independent auditor.

8.8. The approved independent auditor shall provide an Audit Report to MCMC within 30 days from the end of each quarter in a calendar year while this Undertaking is in force.

8.9. The Applicant must implement any recommendations made by the approved independent auditor in the Audit Report, and notify MCMC of the implementation of the recommendations, within **ten (10) business days** after receiving the Audit Report or such other period as agreed in writing with MCMC.

9. Disclosure of this Undertaking

9.1. The Applicant acknowledges that MCMC shall maintain a register of this Undertaking, in both physical form and electronic media as provided for under section 81 of the CMA.

10. No Derogation

10.1. This Undertaking does not prevent MCMC from taking enforcement action at any time whether during or after the period of this Undertaking in respect of any breach by the Applicant of any term of this Undertaking.

10.2. Nothing in this Undertaking is intended to restrict the right of MCMC to take action under the CMA in the event that the Applicant does not fully implement and/or perform its obligations under this Undertaking or in any other event where MCMC decides to take action under the CMA for other non-compliances.

11. Costs

11.1. The Applicant shall bear all costs incurred in relation to this Undertaking, including the costs of any independent auditor appointed pursuant to Section 8.

12. Governing Law

12.1. The Applicant recognises and acknowledges that this Undertaking shall be governed and construed in all respects in accordance with the Malaysian law.

12.2. In the event of a dispute or claim arising from this Undertaking, the Applicant undertakes to submit to the courts of Malaysia.

13. Notices

13.1 Any notice or communication to the MCMC pursuant to this Undertaking must be sent to:

Head, Market Regulation Division
Malaysian Communications and Multimedia Commission
MCMC Tower 1, Jalan Impact
63000 Cyberjaya
Selangor.

Executed as an Undertaking

Executed by Celcom Axiata Berhad and Digi Telecommunications Sdn. Bhd. pursuant to section 140(3) of the CMA.

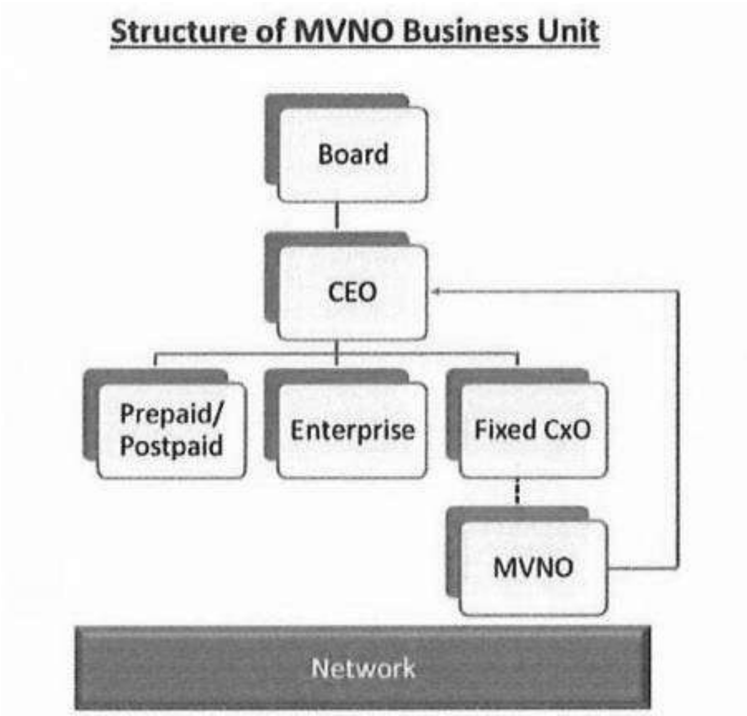
Sign by		
For and on behalf of	]	
CELCOM AXIATA BERHAD	]	**SIGNED**
(Company Reg. No.: 198801000113	]	
(167469-A))	]	**DATUK IDHAM NAWAWI**
Date: 28 June 2022	]	Chief Executive Officer

Sign by		
For and on behalf of	]	
DIGI TELECOMMUNICATIONS SDN BHD	]	**SIGNED**
(Company Reg. No.: 199001009711	]	
(201283-M))	]	**PRAVEEN RAJAN**
Date: 28 June 2022	]	Director & Acting Chief Executive Officer

Accepted by Malaysian Communications and Multimedia Commission pursuant to section 140(3) of the Communications and Multimedia Act 1998

Sign by		
For and on behalf of	]	
MALAYSIAN COMMUNICATIONS AND	]	**SIGNED**
MULTIMEDIA COMMISSION	]	
	]	**MOHD ALI HANAFIAH MOHD YUNUS**
Date: 28 June 2022	]	Chief Operating Officer

SCHEDULE 1: MVNO BUSINESS UNIT SEPARATION STRUCTURE*



Note:
*** The actual business unit names may differ from the above.**

UNDERTAKING *(Cont'd)*

SCHEDULE 2: LIST OF RETAIL EXCLUSIVE DISTRIBUTORS

Distributor	Location	Touchpoints
[C-I-C]*	Sabah & Labuan	[C-I-C]
[C-I-C]	Sarawak	[C-I-C]
[C-I-C]	Kelantan, Pahang & Terengganu	[C-I-C]
Total		**4,801**

Note:
*** Redacted due to commercial confidential information**

FURTHER INFORMATION

1. DIRECTORS' RESPONSIBILITY STATEMENT

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

All information relating to Digi as contained in this Circular has been obtained from publicly available information and/or documents provided by the Board and/or management of Digi. Therefore, the responsibility of our Board with respect to such information is limited to ensuring that such information is accurately reproduced in this Circular.

2. CONSENTS AND CONFLICT OF INTEREST

2.1. Maybank IB

Maybank IB, being the Principal Adviser to Axiata for the Proposed Merger, has given and has not subsequently withdrawn its written consent to the inclusion of its name and all references thereto in the form and context in which it appears in this Circular.

Maybank IB and its related and associated businesses ("**Maybank Group**") form a diversified financial group and are engaged in a wide range of investment and commercial banking, brokerage, securities trading, asset and fund management and credit transaction services businesses. The Maybank Group has engaged and may in the future, engage in transactions with and perform services for Axiata Group and/or any of its affiliates, in addition to the role set out in this Circular. In addition, in the ordinary course of business, any member of the Maybank Group may at any time offer or provide its services to or engage in any transaction (on its own account or otherwise) with any member of Axiata Group, Axiata's shareholders, and/or Axiata's affiliates and/or any other entity or person, hold long or short positions in securities issued by Axiata and/or Axiata's affiliates, and may trade or otherwise effect transactions for its own account or the account of its other customers in debt or equity securities or senior loans of any member of Axiata Group and/or its affiliates. This is a result of the businesses of the Maybank Group generally acting independently of each other and accordingly, there may be situations where parts of the Maybank Group and/or its customers now have or in the future, may have interest or take actions that may conflict with the interest of Axiata Group. Nonetheless, the Maybank Group is required to comply with the applicable laws and regulations issued by the relevant authorities governing its advisory business, which require, among others, segregation between dealing and advisory activities and Chinese wall between different business divisions.

As at the LPD, the Maybank Group has extended credit facilities amounting to RM4,599.1 million to Axiata Group, of which RM1,563.3 million is outstanding, in its ordinary course of business. Notwithstanding, Maybank IB is of the view that the aforesaid lending relationship will not give rise to a conflict of interest situation in its capacity as Principal Adviser for the Proposed Merger as:

(i) the extension of credit facilities arose in the ordinary course of business of the Maybank Group;

(ii) the conduct of the Maybank Group in its banking business is strictly regulated by the Financial Services Act 2013, Islamic Financial Services Act 2013 and the Maybank Group's own internal controls and checks; and

(iii) the total outstanding amount owed by Axiata Group to the Maybank Group is not material when compared to the audited NA of the Maybank Group as at 31 December 2021 of RM85.8 billion.

Maybank IB confirms that it is not aware of any circumstance that exists or is likely to exist which would give rise to a possible conflict of interest situation in its capacity as Principal Adviser to Axiata for the Proposed Merger.

2.2. PricewaterhouseCoopers PLT ("PwC")

PwC, being the Reporting Accountants to Axiata for the Proposed Merger, has given and has not subsequently withdrawn its written consent to the inclusion of its name, its reasonable assurance report on the pro forma consolidated statement of financial position of Axiata as at 31 December 2021, its audit opinion on the historical consolidated financial statements of Celcom for the FYEs 31 December 2019, 31 December 2020 and 31 December 2021 contained in the Accountants' Report of Celcom and all references thereto in the form and context in which they appear in this Circular.

PwC confirms that it is not aware of any circumstance that exists or is likely to exist which would give rise to a possible conflict of interest situation in its capacity as the Reporting Accountants to Axiata for the Proposed Merger.

3. MATERIAL COMMITMENTS AND CONTINGENT LIABILITIES

3.1. Material commitments

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

CAPEX – Property, plant and equipment	RM'000
Approved and contracted for	4,877,749
Total	**4,877,749**

3.2. Contingent liabilities

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

Description	RM'000
Litigation and claims by third parties against our Group	15,346,212
Total	**15,346,212**

4. DOCUMENTS AVAILABLE FOR INSPECTION

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

(i) Constitution of Axiata, Digi and Celcom;

(ii) audited consolidated financial statements of Axiata, Celcom and Digi for the past two (2) FYEs 31 December 2020 and 31 December 2021 and the unaudited quarterly financial results of Axiata, Celcom and Digi for the FPE 30 June 2022;

(iii) proforma consolidated statement of financial position of Axiata referred to in Appendix VI of this Circular;

(iv) Accountants' Report of Celcom referred to in Appendix VII of this Circular;

(v) Definitive Agreements;

(vi) the conditional share subscription agreements dated 7 October 2022 between Celcom Mobile and DNB referred to in Section 9 of Appendix IV of this Circular;

(vii) letters of consent referred to in Section 2 above; and

(viii) relevant cause papers in respect of the material litigation referred to in Section 10 of Appendix IV of this Circular.

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

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT THE EXTRAORDINARY GENERAL MEETING ("EGM") OF AXIATA GROUP BERHAD ("AXIATA" OR "COMPANY") WILL BE HELD AS A VIRTUAL MEETING CONDUCTED ENTIRELY THROUGH LIVE STREAMING AND REMOTE VOTING USING THE REMOTE PARTICIPATION AND VOTING FACILITIES FROM THE BROADCAST VENUE AT AUDITORIUM, LEVEL 32, AXIATA TOWER, 9 JALAN STESEN SENTRAL 5, KUALA LUMPUR SENTRAL, 50470 KUALA LUMPUR, MALAYSIA ON FRIDAY, 18 NOVEMBER 2022 AT 9.00 A.M. OR AT ANY ADJOURNMENT THEREOF, FOR THE PURPOSE OF CONSIDERING AND IF THOUGHT FIT, PASSING WITH OR WITHOUT MODIFICATIONS, THE FOLLOWING RESOLUTION:

ORDINARY RESOLUTION

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

THAT, subject to the approvals of all relevant authorities and/or parties being obtained, approval be and is hereby given to the Company to undertake the proposed merger of the telecommunication operations of the Company's wholly-owned subsidiary, Celcom Axiata Berhad ("**Celcom**") and Digi.Com Berhad ("**Digi**" or '**MergeCo**") involving:

(i) the transfer of 100% equity interest of Celcom held by the Company for a total consideration of RM17,756,156,250 to be settled by:

(a) issuance by Digi of 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, valued at RM15,765,504,325 to the Company;

(b) the issuance by Digi of 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**") to Telenor Asia Pte Ltd ("**Telenor Asia**") as nominee of the Company subject to, among others, the receipt by the Company of a cash consideration of RM297,918,107 ("**Relevant Digi Shares Cash Consideration**"); and

(c) subject to adjustment as set out in the SPA (as defined below), the payment by Digi of a cash consideration of RM1,692,733,818 to the Company,

(collectively, "**Proposed Celcom-Digi Combination**"); and

(ii) Telenor Asia shall subscribe for the Relevant Digi Shares and pay the Company the Relevant Digi Shares Cash Consideration ("**Proposed Equalisation**"),

in accordance with the terms and conditions of the following agreements and the arrangements as further described in the Company's circular to shareholders dated 28 October 2022:

(i) conditional share purchase agreement dated 21 June 2021 and the amendment to the share purchase agreement dated 17 June 2022 entered into between the Company and Digi for the Proposed Celcom-Digi Combination ("**SPA**") and as varied by the costs sharing agreement dated 25 July 2022 entered into between the Company, Celcom and Digi; and

(ii) master transaction agreement dated 21 June 2021 entered into between the Company, Telenor Asia and Telenor ASA ("**Telenor**") for the Proposed Equalisation.

(hereinafter referred to as "**Proposed Merger**").

AND THAT, subject to the approvals of all relevant authorities and/or parties being obtained, approval be and is hereby given to the Company, as part of the Proposed Merger, to execute the agreed form of shareholders' agreement with Telenor Asia and Telenor to establish the respective rights and obligations of the parties with respect to the activities and governance of MergeCo as well as ownership and disposition of the securities in MergeCo.

AND FURTHER THAT, the Board of Directors of the Company ("**Board**") be and is hereby authorised and empowered to do all acts, deeds and things and to execute, sign, deliver and cause to be delivered on behalf of the Company, all such agreements, arrangements and documents as may be necessary, expedient and/or appropriate in the best interest of the Company in order to implement, finalise, give full effect to and complete the Proposed Merger (including without limitation, to delegate such authority to designated officer(s)), with full powers to assent to and/or accept any conditions, variations, arrangements and/or amendments as may be imposed or permitted by any relevant authorities and/or parties in connection with the Proposed Merger.

FURTHER NOTICE IS HEREBY GIVEN THAT for the purpose of determining a member who shall be entitled to attend, speak and vote at this EGM, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd in accordance with Clause 75 of the Company's Constitution and Section 34(1) of the Securities Industry (Central Depositories) Act 1991 ("**SICDA**") to issue a General Meeting Record of Depositors as at 9 November 2022. Only a depositor whose name appears in the General Meeting Record of Depositors as at 9 November 2022 shall be entitled to attend the said meeting or appoint proxies to attend, speak and vote on his/her behalf.

By Order of the Board

Suryani Hussein (LS0009277)
Group Company Secretary
Kuala Lumpur, Malaysia

28 October 2022

Notes:

Virtual Meeting

1. *The Broadcast Venue is strictly for the purpose of compliance with Section 327(2) of the Companies Act, 2016 and Clause 72(i) of the Company's Constitution which stipulate that the Chairman of the meeting shall be present at the main venue of the EGM in accordance with Clause 72(ii) of the Company's Constitution which allows a meeting of members to be held at more than one venue, using any technology or method that enables the members to attend and exercise their right to speak and vote at the general meeting.*

2. *No shareholders from the public are permitted to be physically present nor to be admitted at the Broadcast Venue on the day of the EGM.*

3. *Shareholders and proxies will have to register to attend the EGM remotely by using the Remote Participation and Voting Facilities ("**RPV**") according to the procedures as set out in the Administrative Notes.*

4. *Shareholders and proxies may raise questions before the EGM to the Chairman or Board via our Share Registrar, Tricor Investor & Issuing House Services Sdn Bhd ("**Tricor**")'s TIIH Online website at https://tiih.online by selecting 'e-Services' to login and submit the questions electronically no later than Thursday, 17 November 2022 at 9.00 a.m. The Chairman or Board will endeavour to address the questions received at the EGM.*

5. *Shareholders and proxies may also pose questions via real time submission of typed text at the EGM via Tricor's TIIH Online website at https://tiih.online, by selecting 'e-Services' to login and submit the questions electronically.*

Proxy and/or Authorised Representative

1. *A member entitled to attend and vote at the above Meeting is entitled to appoint a proxy without any restriction to the qualification of the proxy to attend and vote in his/her stead.*

2. *The Company shall be entitled to reject any instrument of proxy lodged if the member is not shown to have any shares entered against his name in the Register and/or subject to Clause 41 of the Company's Constitution in relation to the Record of Depositors made available to the Company.*

3. *A member entitled to attend and vote at the Meeting is not entitled to appoint more than two proxies to attend and vote on his/her behalf. Where a member appoints two proxies, the appointment shall be invalid unless the percentage of the shareholding to be represented by each proxy is specified.*

4. *Where a member is an authorised nominee as defined under the SICDA, it may appoint at least one proxy but not more than two proxies in respect of each Securities Account it holds with ordinary shares of the Company standing to the credit of the said Securities Account.*

   Every appointment submitted by an authorised nominee as defined under the SICDA, must specify the CDS Account Number.

5. *Where a member of the Company is an Exempt Authorised Nominee which holds ordinary shares in the Company for multiple beneficial owners in respect of each securities account (omnibus account), there is no limit to the number of proxies which the Exempt Authorised Nominee may appoint in respect of each omnibus account it holds.*

6. *The instrument appointing a proxy shall:*

   (a) *in the case of an individual, be signed by the appointer or by his/her attorney; or*

   (b) *in the case of a corporation, be either under its common seal or signed by its attorney or an officer on behalf of the corporation.*

   If the instrument appointing a proxy is signed by an officer on behalf of the corporation, it should be accompanied by a statement reading "signed as authorised officer under an Authorisation Document, which is still in force, no notice of revocation has been received". If the instrument appointing a proxy is signed by the attorney duly appointed under a power of attorney, it should be accompanied by a statement reading "signed under a power of attorney, which is still in force, no notice of revocation has been received".

   Any alteration to the instrument appointing a proxy must be initialed.

7. *In view that this is a virtual meeting, we strongly advise the members who are unable to attend, speak and vote at the EGM via the RPV to appoint the Chairman of the meeting as his/her proxy and indicate the voting instructions in the Proxy Form.*

   (a) *Where a member of the Company is an authorised nominee as defined in the SICDA, the beneficial owner of the shares held by the authorised nominee may request the authorised nominee to appoint him/her as a proxy to attend, speak and vote remotely via the RPV at the EGM.*

   (b) *Where a member of the Company is an Exempt Authorised Nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account (omnibus account), each beneficial owner of the shares or where the shares are held on behalf of joint beneficial owners, such joint beneficial owners, shall be entitled to instruct the exempt authorised nominee to appoint the Chairman of the meeting to attend and vote remotely at the EGM via the RPV on his/her/their behalf.*

   (c) *Authorised nominees, Exempt Authorised Nominee and corporate members are to refer to the Administrative Notes of the EGM for further details.*

8. *A corporation which is a member, may by resolution of its Directors or other governing body authorise such person as it thinks fit to act as its representative at the Meeting, in accordance with Clause 101 of the Company's Constitution. Pursuant to Section 333(3) of the Companies Act, 2016, if the corporation authorises more than one person, every one of the representative is entitled to exercise the same powers on behalf of the corporation as the corporation could exercise if every one of the representative was an individual member of the Company. However, if more than one of the representatives do not purport to exercise the power in the same way, the power is treated as not exercised.*

9. The instrument appointing a proxy together with the duly registered power of attorney referred to in Note 6 above, if any, must be deposited at the office of 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 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 lodgment of Proxy Form, kindly refer to the Administrative Notes of the EGM.

10. Pursuant to Paragraph 8.29A of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, the resolution set out in the Notice of EGM will be put to vote on poll.

PROXY FORM

(Before completing the form, please refer to the notes overleaf)

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

"A" I/We, ______________________________
(NAME AS PER NRIC/CERTIFICATE OF INCORPORATION IN CAPITAL LETTERS)

with (NEW NRIC NO.)__________(OLD NRIC NO.)__________(COMPANY NO.) __________

of ______________________________
(FULL ADDRESS)

__________________ (TELEPHONE/MOBILE NO.) __________________

being a member/members of **AXIATA GROUP BERHAD** hereby appoint______________________________
(NAME AS PER NRIC IN CAPITAL LETTERS)

with (NEW NRIC NO.)__________________(OLD NRIC NO.) __________________

of ______________________________
(FULL ADDRESS)

or failing him/her, the Chairman of the Meeting*, as my/our **first** proxy to vote for me/us on my/our behalf at the Extraordinary General Meeting ("**EGM**") of **AXIATA GROUP BERHAD** to be held as virtual meeting conducted entirely through live streaming and remote voting using the Remote Participation and Voting Facilities from the Broadcast Venue at Auditorium, Level 32, Axiata Tower, 9 Jalan Stesen Sentral 5, Kuala Lumpur Sentral, 50470 Kuala Lumpur, Malaysia on Friday, 18 November 2022 at 9.00 a.m. or any adjournment thereof.

"B" If you wish to appoint a second proxy, please complete this section.

I/We, ______________________________
(NAME AS PER NRIC/CERTIFICATE OF INCORPORATION IN CAPITAL LETTERS)

with (NEW NRIC NO.)__________(OLD NRIC NO.)__________(COMPANY NO.) __________

of ______________________________
(FULL ADDRESS)

__________________ (TELEPHONE/MOBILE NO.) __________________

being a member/members of **AXIATA GROUP BERHAD** hereby appoint______________________________
(NAME AS PER NRIC IN CAPITAL LETTERS)

with (NEW NRIC NO.)__________________(OLD NRIC NO.) __________________

of ______________________________
(FULL ADDRESS)

or failing him/her, the Chairman of the Meeting*, as my/our **second** proxy to vote for me/us on my/our behalf at the EGM of **AXIATA GROUP BERHAD** to be held as virtual meeting conducted entirely through live streaming and remote voting using the Remote Participation and Voting Facilities from the Broadcast Venue at Auditorium, Level 32, Axiata Tower, 9 Jalan Stesen Sentral 5, Kuala Lumpur Sentral, 50470 Kuala Lumpur, Malaysia on Friday, 18 November 2022 at 9.00 a.m. or any adjournment thereof.

Note:

* Strike out if inapplicable

For appointment of two proxies, percentage of shareholdings to be represented by the proxies:-	
	Percentage (%)
Proxy* "A"	
Proxy* "B"	
TOTAL	100%

*Please fill in the proportion of the holding to be presented by each proxy

*My/Our proxy/proxies is/are to vote as indicated below:-

Please indicate with an 'X' in the appropriate box against the resolution how you wish your proxy to vote. If no instruction is given, this form will be taken to authorise the proxy to vote or abstain at his/her discretion.

	Resolution	Proxy "A"		Proxy "B"	
		For	Against	For	Against
1.	Ordinary Resolution - Proposed Merger of the Telecommunication Operations of Celcom Axiata Berhad and Digi.Com Berhad				

Signed this day of 2022

No. of ordinary shares held	CDS Account No. of Authorised Nominee*
	- -

*Applicable to shares held through a nominee account

Signed this day of 2022

Signature(s)/Common Seal of member(s)

NOTES:

Proxy and/or Authorised Representative

1. *A member entitled to attend and vote at the above Meeting is entitled to appoint a proxy without any restriction to the qualification of the proxy to attend and vote in his/her stead.*

2. *The Company shall be entitled to reject any instrument of proxy lodged if the member is not shown to have any shares entered against his name in the Register and/or subject to Clause 41 of the Company's Constitution in relation to the Record of Depositors made available to the Company.*

3. *A member entitled to attend and vote at the Meeting is not entitled to appoint more than two proxies to attend and vote on his/her behalf. Where a member appoints two proxies, the appointment shall be invalid unless the percentage of the shareholding to be represented by each proxy is specified.*

4. *Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991 ("SICDA"), it may appoint at least one proxy but not more than two proxies in respect of each Securities Account it holds with ordinary shares of the Company standing to the credit of the said Securities Account.*

   Every appointment submitted by an authorised nominee as defined under the SICDA, must specify the CDS Account Number.

5. *Where a member of the Company is an Exempt Authorised Nominee which holds ordinary shares in the Company for multiple beneficial owners in respect of each securities account (omnibus account), there is no limit to the number of proxies which the Exempt Authorised Nominee may appoint in respect of each omnibus account it holds.*

6. *The instrument appointing a proxy shall:-*

   (a) *in the case of an individual, be signed by the appointer or by his/her attorney; or*

   (b) *in the case of a corporation, be either under its common seal or signed by its attorney or an officer on behalf of the corporation.*

   If the instrument appointing a proxy is signed by an officer on behalf of the corporation, it should be accompanied by a statement reading "signed as authorised officer under an Authorisation Document, which is still in force, no notice of revocation has been received". If the instrument appointing a proxy is signed by the attorney duly appointed under a power of attorney, it should be accompanied by a statement reading "signed under a power of attorney, which is still in force, no notice of revocation has been received".

   Any alteration to the instrument appointing a proxy must be initialed.

7. *In view that this is a virtual meeting, we strongly advise the members who are unable to attend, speak and vote remotely via the Remote Participation and Voting Facilities ("RPV") at the EGM to appoint the Chairman of the meeting as his/her proxy and indicate the voting instructions in the Proxy Form.*

   (a) *Where a member of the Company is an authorised nominee as defined in the SICDA, the beneficial owner of the shares held by the authorised nominee may request the authorised nominee to appoint him/her as a proxy to attend, speak and vote remotely via the RPV at the EGM.*

   (b) *Where a member of the Company is an Exempt Authorised Nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account (omnibus account), each beneficial owner of the shares or where the shares are held on behalf of joint beneficial owners, such joint beneficial owners, shall be entitled to instruct the exempt authorised nominee to appoint the Chairman of the meeting to attend and vote remotely via RPV at the EGM on his/her/their behalf.*

   (c) *Authorised nominees, Exempt Authorised Nominees and corporate members shall refer to the Administrative Notes of the EGM for further details.*

8. *A corporation which is a member, may by resolution of its Directors or other governing body authorise such person as it thinks fit to act as its representative at the Meeting, in accordance with Clause 101 of the Company's Constitution. Pursuant to Section 333 (3) of the Companies Act, 2016, if the corporation authorises more than one person, every one of the representative is entitled to exercise the same powers on behalf of the corporation as the corporation could exercise if every one of the representative was an individual member of the Company. However, if more than one of the representatives do not purport to exercise the power in the same way, the power is treated as not exercised.*

9. *The instrument appointing a proxy together with the duly registered power of attorney referred to in Note 6 above, if any, must be deposited at the office of the Share Registrar, Tricor Investor & Issuing House Services Sdn Bhd ("Tricor"), Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia or 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 lodgment of Proxy Form, kindly refer to the Administrative Notes of the EGM.*

10. *Pursuant to Paragraph 8.29A of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, the resolution set out in the Notice of the EGM will be put to vote on poll.*

Members Entitled to Attend, Speak and Vote

11. *For purposes of determining a member who shall be entitled to attend, speak and vote at the EGM, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd, in accordance with Clause 75 of the Company's Constitution and Section 34(1) of the SICDA, to issue a General Meeting Record of Depositors as at 9 November 2022. Only a depositor whose name appears in the General Meeting Record of Depositors as at 9 November 2022 shall be entitled to attend, speak and vote at the said meeting or appoint proxy(ies) on his/her behalf.*

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AFFIX
STAMP

AXIATA GROUP BERHAD [Company No.: 199201010685 (242188-H)]
c/o TRICOR INVESTOR & ISSUING HOUSE SERVICES SDN BHD
Unit 32-01, Level 32
Tower A, Vertical Business Suite
Avenue 3, Bangsar South
No. 8, Jalan Kerinchi
59200 Kuala Lumpur
Malaysia

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