

ACCOUNTANTS' REPORT OF THE CELCOM GROUP



The Board of Directors
Digi.Com Berhad
Lot 10, Jalan Delima 1/1
Subang Hi-tech Industrial Park
40000 Shah Alam
Selangor

25 October 2022

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

Dear Sirs,

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

Our Opinion

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

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

Basis for Opinion

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

ACCOUNTANTS' REPORT OF THE CELCOM GROUP (Cont'd)



**The Board of Directors
Digi.Com Berhad
PwC/IM/EK/FJL/nor/0467B2
25 October 2022**

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

Basis for Opinion (continued)

Independence and Other Ethical Responsibilities

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

Responsibilities of the Directors of Celcom for the Consolidated Financial Statements

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

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

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

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

ACCOUNTANTS' REPORT OF THE CELCOM GROUP (Cont'd)



**The Board of Directors
Digi.Com Berhad
PwC/IM/EK/FJL/nor/0467B2
25 October 2022**

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

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

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

- Identify and assess the risks of material misstatement of the Consolidated Financial Statements of Celcom, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Celcom Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors of Celcom.
- Conclude on the appropriateness of the Directors of Celcom's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Celcom Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our opinion to the related disclosures in the Consolidated Financial Statements of Celcom or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our opinion. However, future events or conditions may cause the Celcom Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the Consolidated Financial Statements of Celcom, including the disclosures, and whether the Consolidated Financial Statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Celcom Group to express an opinion on the Consolidated Financial Statements of Celcom. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

ACCOUNTANTS' REPORT OF THE CELCOM GROUP (Cont'd)




**The Board of Directors
Digi.Com Berhad
PwC/IM/EK/FJL/nor/0467B2
25 October 2022**


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

Restriction on Distribution and Use

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

Yours faithfully,


PricewaterhouseCoopers PLT
LLP0014401-LCA & AF 1146
Chartered Accountants


IRVIN GEORGE LUIS MENEZES
02932/00/2024 J
Chartered Accountant

ACCOUNTANTS' REPORT OF THE CELCOM GROUP (Cont'd)

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

CONSOLIDATED FINANCIAL INFORMATION

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

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

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

ACCOUNTANTS' REPORT OF THE CELCOM GROUP (Cont'd)

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

CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

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

ACCOUNTANTS' REPORT OF THE CELCOM GROUP (Cont'd)

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

CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (CONTINUED)**

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

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

ACCOUNTANTS' REPORT OF THE CELCOM GROUP (Cont'd)

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

CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

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

ACCOUNTANTS' REPORT OF THE CELCOM GROUP (Cont'd)

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

CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (CONTINUED)

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



ACCOUNTANTS' REPORT OF THE CELCOM GROUP (Cont'd)

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

CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (CONTINUED)

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

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

ACCOUNTANTS' REPORT OF THE CELCOM GROUP (Cont'd)

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

CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

CONSOLIDATED STATEMENTS OF CASH FLOWS

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

ACCOUNTANTS' REPORT OF THE CELCOM GROUP (Cont'd)

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

CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

	Note	Financial year ended		
		31.12.2019 RM'000	31.12.2020 RM'000	31.12.2021 RM'000
CASH FLOWS FROM INVESTING ACTIVITIES				
Spectrum payments		(120,252)	(120,252)	(120,252)
Government grant received		92,388	137,049	32,806
Interest received		60,867	46,679	36,304
Purchase of property, plant and equipment		(1,017,437)	(984,133)	(949,571)
Proceed from disposal of property, plant and equipment		-	12	50
Repayment from immediate holding company		99,986	449,946	330,052
Dividend from associated company		-	4,877	5,262
(Investment in)/Withdrawal of deposits maturing more than three (3) months		(178,463)	409,915	-
Net cash used in investing activities		(1,062,911)	(55,907)	(665,349)
CASH FLOWS FROM FINANCING ACTIVITIES				
Interest paid		(225,461)	(198,460)	(192,673)
Payment for the principal portion of the lease liabilities		(376,410)	(383,745)	(414,927)
Payment for the interest portion of the lease liabilities		(190,798)	(172,050)	(152,121)
Dividend paid to shareholder		(496,994)	(749,946)	(1,000,052)
Dividends paid to non-controlling interest		(3,010)	(3,781)	(3,878)
Repayment of borrowings		(1,500,000)	(2,400,000)	(550,000)
Drawdown of borrowings		1,200,000	2,400,000	-
Net cash used in financing activities		(1,592,673)	(1,507,982)	(2,313,651)
NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS		(632,255)	1,177,859	(67,159)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR		907,089	274,834	1,452,693
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR		274,834	1,452,693	1,385,534
	Note	31.12.2019 RM'000	31.12.2020 RM'000	31.12.2021 RM'000
Cash and cash equivalents		274,834	1,452,693	1,385,534
Investment in deposits maturing more than three (3) months		409,915	-	-
DEPOSITS, CASH AND BANK BALANCES	21	684,749	1,452,693	1,385,534

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

ACCOUNTANTS' REPORT OF THE CELCOM GROUP (Cont'd)

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A BASIS OF PREPARATION

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

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

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

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

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

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

Financial year beginning on or after 1 January 2019

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

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

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

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

ACCOUNTANTS' REPORT OF THE CELCOM GROUP (Cont'd)

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A BASIS OF PREPARATION (CONTINUED)

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

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

Financial year beginning on or after 1 January 2020

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

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

Financial year beginning on or after 1 January 2021

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

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

ACCOUNTANTS' REPORT OF THE CELCOM GROUP (Cont'd)

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A BASIS OF PREPARATION (CONTINUED)

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

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

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

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

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

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

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

The amendments shall be applied prospectively.

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

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

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

The amendments shall be applied retrospectively.

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

ACCOUNTANTS' REPORT OF THE CELCOM GROUP (Cont'd)

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A BASIS OF PREPARATION (CONTINUED)

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

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

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

The amendments shall be applied retrospectively.

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

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

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

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

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

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

The amendments shall be applied retrospectively.

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

ACCOUNTANTS' REPORT OF THE CELCOM GROUP (Cont'd)

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A BASIS OF PREPARATION (CONTINUED)

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

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

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

The amendments shall be applied prospectively.

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

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

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

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

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

The amendments shall be applied prospectively.

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

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

The amendments shall be applied prospectively.

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

ACCOUNTANTS' REPORT OF THE CELCOM GROUP (Cont'd)

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B GROUP ACCOUNTING

(i) Subsidiaries

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

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

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

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

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

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

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

ACCOUNTANTS' REPORT OF THE CELCOM GROUP (Cont'd)

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B GROUP ACCOUNTING (CONTINUED)

(i) Subsidiaries (continued)

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

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

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

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

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

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

(iii) Joint arrangements

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

Interests in joint ventures are accounted for using the equity method, after initially being recognised at cost in the consolidated statement of financial position. Where necessary, in applying the equity method, adjustments are made to the financial statements of joint venture to ensure consistency of the accounting policies with those of the Group.

Under the equity method, the investment in a joint venture is initially recognised at cost, and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the joint venture in profit or loss, and the Group's share of movements in other comprehensive income of the joint venture in other comprehensive income. Dividends received are recognised

ACCOUNTANTS' REPORT OF THE CELCOM GROUP (Cont'd)

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B GROUP ACCOUNTING (CONTINUED)

(iii) Joint arrangements (continued)

The Group determines at each reporting date whether there is any objective evidence that the investment in the joint venture is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the difference adjacent to "Share of results of joint ventures" in the statement of comprehensive income.

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

When the Group ceases to equity account its joint venture because of a loss of joint control, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. This fair value becomes the initial carrying amount for the purpose of subsequently accounting for the retained interest as a financial asset. In addition, any amount previously recognised in other comprehensive income in respect of the entity is accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

If the ownership interest in a joint venture is reduced but joint control is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

(iv) Associates

Associates are all entities over which the Group has significant influence but not control or joint control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Significant influence is the power to participate in the financial and operating policy decisions of the associates but not power to exercise control or joint control over those policies.

Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment in an associate is initially recognised at cost, and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the associate in profit or loss, and the Group's share of movements in other comprehensive income of the associate in other comprehensive income. Dividends received or receivable from an associate are recognised as a reduction in the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interests in the associate, including any long-term interests that, in substance, form part of the Group's net investment in the associate, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate. The Group's investment in associates includes goodwill identified on acquisition.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the difference adjacent to "Share of results of associated company" in the statement of comprehensive income.

ACCOUNTANTS' REPORT OF THE CELCOM GROUP (Cont'd)

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B GROUP ACCOUNTING (CONTINUED)

(iv) Associates (continued)

Profits and losses resulting from upstream and downstream transactions between the Group and its associate are recognised in the Group's financial statements only to the extent of unrelated investor's interests in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

When the Group ceases to equity account its associate because of a loss of significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as a financial asset. In addition, any amount previously recognised in other comprehensive income in respect of the entity is accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

Dilution gains or losses arising in investments in associates are recognised in the income statement.

The cost of an associate acquired in stages is measured as the sum of the fair value of the interest previously held plus the fair value of any additional consideration transferred as of the date when the investment became an associate. Any gain or loss on remeasurement of the previously held stake is taken to profit or loss and any other comprehensive income recognised in prior periods in relation to the previously held stake in the acquired associate is also recognised in profit or loss or other comprehensive income if election has been made under MFRS 9. Goodwill is determined on acquisition date, based on the different between the cost of investment (which comprise of both fair value of consideration transferred for additional interest and fair value of interest previously held) and the Group's share of fair value of the associate's net assets.

The cost of acquiring an additional stake in an associate is added to the carrying amount of associate and equity accounted. Goodwill arising on the purchase of additional stake is computed using fair value information at the date the additional interest is purchased. The previously held interest is not remeasured.

Any acquisition-related costs are expensed in the periods in which the costs are incurred.

ACCOUNTANTS' REPORT OF THE CELCOM GROUP (Cont'd)

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C INTANGIBLE ASSETS

(i) Goodwill

Goodwill arises from a business combination and represents the excess of the aggregate of fair value of consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of any previous equity interest in the acquiree over the fair value of the net identifiable assets acquired and liabilities assumed on the acquisition date. If the fair value of consideration transferred, the amount of non-controlling interest and the fair value of previously held interest in the acquiree are less than the fair value of the net identifiable assets of the acquiree, the resulting gain is recognised in profit or loss.

Goodwill is not amortised but it is tested for impairment annually or more frequently if events or changes in circumstances indicate that it might be impaired, and carried at cost less accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash generating units ("CGUs"), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

(ii) License

Licences are mainly consisting of acquired telecommunication licences with allocated spectrum rights. Acquired licences are shown at cost. Licences have finite useful lives and carried at cost less accumulated amortisation. Amortisation is calculated using straight-line method, from the effective date of commercialisation of services, subject to impairment, to the end of the assignment period. Licences are not revalued.

The annual spectrum assignment fees paid for the Group's allocated spectrum rights are recognised as intangible assets when there is an obligation to pay and amortised in the period the right to use is consumed.

D PROPERTY, PLANT AND EQUIPMENT AND DEPRECIATION

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes its purchase price and any costs that are directly attributable to bringing the assets to the location and condition necessary for it to be capable of operating in the manner intended by management.

(i) Cost

Cost of telecommunications network includes cost of equipment, site surveys, contractors' charges, materials and related overheads. The cost of other property, plant and equipment comprises their purchase cost and any incidental cost of acquisition. These costs include the costs of dismantling, removal and restoration, the obligation incurred as a consequence of installing the asset.

Subsequent costs are included in the carrying amount of the asset or recognised as a separate asset, as appropriate, only when it is probable that the future economic benefit associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. Other repairs and maintenance are charged to the profit or loss during the period in which they are incurred.

ACCOUNTANTS' REPORT OF THE CELCOM GROUP (Cont'd)

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D PROPERTY, PLANT AND EQUIPMENT AND DEPRECIATION (CONTINUED)

(ii) Depreciation

Freehold land is not depreciated as it has an infinite life. Other property, plant and equipment are depreciated on a straight-line basis to write-off the cost of the assets to their residual values over their estimated useful lives.

Assets under construction are stated at cost and are not depreciated. Upon completion, assets under construction are transferred to categories of property, plant and equipment depending on the nature of the assets. Assets under construction include servicing equipment, materials and spares. Depreciation on assets under construction commences when the assets are ready for their intended use. Depreciation on property, plant and equipment ceases at the earlier of de-recognition and classification as held-for-sale.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of the reporting period.

The estimated depreciation rates assigned to other property, plant and equipment are as follows:

Buildings	2%
Furniture, fittings, office equipment, motor vehicles and renovations	10% - 33 1/3%
Telecommunication network and equipment	5% - 20%

Accounting policies applied from 1 January 2019

From 1 January 2019, lease assets (including leasehold land) are presented as a separate line item in statement of financial position. See accounting policy Note H on right-of-use assets for these assets.

(iii) Asset retirement obligations

Asset retirement obligations are required to be recognised when there is a legal/constructive obligation as a result of past event for dismantling and removing an item of property, plant and equipment and restoring the site on which the item is located and it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. The amount recognised is the estimated cost of decommissioning discounted to its present value. Changes in the estimated timing of decommissioning or decommissioning costs estimates are dealt with prospectively by recording an adjustment to the provision.

ACCOUNTANTS' REPORT OF THE CELCOM GROUP (Cont'd)

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**D PROPERTY, PLANT AND EQUIPMENT AND DEPRECIATION (CONTINUED)****(iv) Impairment**

At each financial position date, the Group assesses whether there is an indication of impairment of a category of asset exist. If such indications exist, the carrying amount of the category of assets is re-visited, and if found to be in excess of recoverable amount, it is written-down immediately to its recoverable amount. See Summary of Significant Accounting Policies Note G on impairment of non-financial assets.

(v) Gains or losses on disposal

Upon the disposal of an item of property, plant and equipment, the difference between the net disposal proceeds and the carrying amount are included in profit or loss.

(vi) Asset exchange transaction

Property, plant and equipment may be acquired in exchange for a non-monetary asset or a combination of monetary and non-monetary assets and is measured at fair values unless:

- (a) the exchange transaction lacks commercial substance; or
- (b) the fair value of neither the assets received nor the assets given up can be measured reliably.

The acquired item is measured in this way even if the Group cannot immediately de-recognise the assets given-up. If the acquired item cannot be reliably measured at fair value, its cost is measured at the carrying amount of the asset given up.

(vii) Repairs and maintenance

Repairs and maintenance are charged to the profit or loss during the period in which they are incurred. The cost of major renovations is included in the carrying amount of the asset when it is probable that future economic benefits in excess of the originally assessed standard of performance of the existing asset will flow to the Group. This cost is depreciated over the remaining useful life of the related asset.

E FINANCIAL ASSETS**(a) Classification**

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income ("OCI") or through profit or loss), and
- those to be measured at amortised cost

(b) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

ACCOUNTANTS' REPORT OF THE CELCOM GROUP (Cont'd)

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E FINANCIAL ASSETS (CONTINUED)

(c) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss ("FVTPL"), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest ("SPPI").

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. The Group reclassifies debt investments when and only when its business model for managing those assets changes.

There are three measurement categories into which the Group classifies its debt instruments:

(i) Amortised cost

Assets that are held for collection of contractual cash flows where those cash flows represent SPPI are measured at amortised cost. Interest income from these financial assets is included in other income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of comprehensive income as applicable.

(ii) Fair value through other comprehensive income ("FVOCI")

Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent SPPI, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in other income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as separate line item in the statement of comprehensive income as applicable.

(iii) FVTPL

Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVTPL. The Group may also irrevocably designate financial assets at FVTPL if doing so significantly reduces or eliminates a mismatch created by assets and liabilities being measured on different bases. Fair value changes is recognised in profit or loss and presented net within other gains/(losses) in the period which it arises.

ACCOUNTANTS' REPORT OF THE CELCOM GROUP (Cont'd)

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E FINANCIAL ASSETS (CONTINUED)

(c) Measurement (continued)

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVTPL are recognised in other gains/(losses) in the statement of comprehensive income as applicable.

(d) Subsequent measurement - impairment of financial assets

The Group assesses on a forward looking basis the expected credit losses ("ECL") associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

The Group has three types of financial instruments that are subject to the ECL model:

- Trade receivables (including intercompanies related parties balances from trading activities)
- Contract assets
- Other receivables (including deposits, intercompanies and related parties balances)

While cash and cash equivalents are also subject to the impairment requirements of MFRS 9, the identified impairment loss was immaterial.

ECL represents a probability-weighted estimate of the difference between present value of cash flows according to contract and present value of cash flows the Group expects to receive, over the remaining life of the financial instrument. For financial guarantee contracts, the ECL is the difference between the expected payments to reimburse the holder of the guaranteed debt instrument less any amounts that the Company expects to receive from the holder, the debtor or any other party.

The measurement of ECL reflects:

- an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- the time value of money; and
- reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

(i) General 3-stage approach for other receivables

At each reporting date, the Group measures ECL through loss allowance at an amount equal to 12 month ECL if credit risk on a financial instrument or a group of financial instruments has not increased significantly since initial recognition. For all other financial instruments, a loss allowance at an amount equal to lifetime ECL is required.

ACCOUNTANTS' REPORT OF THE CELCOM GROUP (Cont'd)

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E FINANCIAL ASSETS (CONTINUED)

(d) Subsequent measurement - impairment of financial assets (continued)

(ii) Simplified approach for trade receivables and contract assets

The Group applies the MFRS 9 simplified approach to measure ECL which uses a lifetime ECL for all trade receivables and contract assets. Note 31(b) sets out the measurement details of ECL.

Significant increase in credit risk

The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk, the Group compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportable forward-looking information.

The following indicators are incorporated:

- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the debtor's ability to meet its obligations
- actual or expected significant changes in the operating results of the debtor
- significant increases in credit risk on other financial instruments of the same debtor
- significant changes in the value of the collateral supporting the obligation or in the quality of third-party guarantees or credit enhancements
- significant changes in the expected performance and behaviour of the debtor, including changes in the payment status of debtor in the group and changes in the operating results of the debtor.

Regardless of the analysis above, a significant increase in credit risk is presumed if a debtor is more than 120 days past due in making a contractual payment.

Definition of default and credit-impaired financial assets

The Group defines a financial instrument as default, which is fully aligned with the definition of credit-impaired, when it meets one or more of the following criteria:

Quantitative criteria: The Group defines a financial instrument as default, when the counterparty fails to make contractual payments within 365 days when they fall due

Qualitative criteria: The debtor meets unlikeliness to pay criteria, which indicates the debtor is in significant financial difficulty. The Group considers the following instances:

- the debtor is in breach of financial covenants
- concessions have been made by the lender relating to the debtor's financial difficulty
- it is becoming probable that the debtor will enter bankruptcy or other financial reorganisation
- the debtor is insolvent

Financial instruments that are credit-impaired are assessed on individual basis.

ACCOUNTANTS' REPORT OF THE CELCOM GROUP (Cont'd)

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E FINANCIAL ASSETS (CONTINUED)

(d) Subsequent measurement - impairment of financial assets (continued)

Write-off

The Group writes off financial assets, in whole or in part, when it has exhausted all practical recovery efforts and has concluded there is no reasonable expectation of recovery. The assessment of no reasonable expectation of recovery is based on unavailability of debtor's sources of income or assets to generate sufficient future cash flows to repay the amount.

The Group may write-off financial assets that are still subject to enforcement activity. Subsequent recoveries of amounts previously written off will result in impairment gains.

Groupings of instruments of ECL measured on collective basis

(i) Collective assessment

To measure ECL, trade receivables and contract assets arising from telecommunication services have been grouped based on shared credit risk characteristics. The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same types of contracts. The Group has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

(ii) Individual assessment

Trade and other receivables with individually significant balance are separately assessed for ECL measurement.

Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is presented in the statements of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy.

ACCOUNTANTS' REPORT OF THE CELCOM GROUP (Cont'd)

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F FINANCIAL LIABILITIES

(i) Classification, recognition and measurement

Financial liabilities are classified as other financial liabilities. Management determines the classification of its financial liabilities at initial recognition according to the substance of the contractual arrangement entered into and definitions of a financial liability.

Financial liabilities, within the scope of MFRS 9, are recognised in the statement of financial position when, and only when, the Group becomes a party to the contractual provisions of the financial instrument.

Other financial liabilities are non-derivative financial liabilities. Other financial liabilities are initially recognised at fair value net of transaction costs and subsequently carried at amortised cost using effective interest method. They are included in current liabilities, except for maturities greater than 12 months after the end of the reporting date in which case they are classified as non-current liabilities.

The Group's other financial liabilities include borrowings, trade and other payables (excluding statutory liabilities). For other financial liabilities, gains and losses are recognised in profit or loss when the liabilities are de-recognised, or through the amortisation process.

(ii) De-recognition

A financial liability is de-recognised when the obligation under the liability is extinguished. When an existing financial liability is replaced by another, the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability, and the difference in the respective carrying amounts is recognised in profit or loss.

G IMPAIRMENT OF NON-FINANCIAL ASSETS

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or events or circumstances occur indicating that an impairment may exist. Property, plant and equipment and other non-current assets, including intangible assets with a definite useful life, are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less cost to sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest level for which there is separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

The impairment loss is charged to profit or loss unless it reverses a previous revaluation in which case it is charged to the revaluation surplus. Impairment losses on goodwill are not reversed. In respect of other assets, any subsequent increase in recoverable amount is recognised in profit or loss unless it reverses an impairment loss on a revalued asset in which case it is taken to revaluation surplus reserve.

ACCOUNTANTS' REPORT OF THE CELCOM GROUP (Cont'd)

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H LEASES

(a) Accounting by lessee

Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices.

Lease term

In determining the lease term, the Group considers all facts and circumstances that create an economic incentive to exercise an extension option, or not to exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not to be terminated).

The Group reassesses the lease term upon the occurrence of a significant event or change in circumstances that is within the control of the Group and affects whether the Group is reasonably certain to exercise an option not previously included in the determination of lease term, or not to exercise an option previously included in the determination of lease term. A revision in lease term results in remeasurement of the lease liabilities. See accounting policy below on reassessment of lease liabilities.

Right-of-use ("ROU") assets

ROU assets are initially measured at cost comprising the following:

- The amount of the initial measurement of lease liability;
- Any lease payments made at or before the commencement date less any lease incentive received;
- Any initial direct costs; and
- Decommissioning or restoration costs.

ROU assets that are not investment properties are subsequently measured at cost, less accumulated depreciation and impairment loss (if any). The ROU assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the ROU asset is depreciated over the underlying asset's useful life. In addition, the ROU assets are adjusted for certain remeasurement of the lease liabilities.

ACCOUNTANTS' REPORT OF THE CELCOM GROUP (Cont'd)

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H LEASES (CONTINUED)

(a) Accounting by lessee (continued)

Lease liabilities

Lease liabilities are initially measured at the present value of the lease payments that are not paid at that date. The lease payments include the following:

- Fixed payments (including in-substance fixed payments), less any lease incentive receivable;
- Variable lease payments that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
- Amounts expected to be payable by the Group under residual value guarantees;
- The exercise price of a purchase and extension options if the Group is reasonably certain to exercise that option; and
- Payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

Lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used. This is the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the ROU in a similar economic environment with similar term, security and conditions.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Variable lease payments that depend on sales are recognised in profit or loss in the period in which the condition that triggers those payments occurs.

The Group presents the lease liabilities as a separate line item in the statement of financial position. Interest expense on the lease liability is presented within the finance cost in profit or loss in the statement of comprehensive income.

Reassessment of lease liabilities

The Group is also exposed to potential future increases in variable lease payments that depend on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is remeasured and adjusted against the ROU assets.

Short term leases and leases of low value assets

Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT equipment and small items of office furniture. Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line bases as an expense in profit or loss.

ACCOUNTANTS' REPORT OF THE CELCOM GROUP (Cont'd)

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I INVENTORIES

Inventories are stated at the lower of cost and net realisable value. Cost includes the actual cost of materials and incidentals in bringing the inventories to their present location and condition, and is determined on a weighted average basis. Net realisable value represents the estimated selling price less all estimated costs to completion and costs to be incurred in marketing, selling and distribution. To arrive at net realisable value, due allowance is made for obsolete, slow moving or defective inventories.

J TRADE AND OTHER RECEIVABLES

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. Other receivables generally arise from transactions outside the usual operating activities of the Group. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, where they are recognised at fair value plus transaction costs. Other receivables are recognised initially at fair value plus transaction costs. Transaction costs include transfer taxes and duties.

After recognition, trade and other receivables are subsequently measured at amortised cost using the effective interest method, less provision for impairment. See Summary of Significant Accounting Policies Note E(d) on impairment of financial assets.

K CASH AND CASH EQUIVALENTS

For the purpose of the statement of cash flows, cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes. Cash and cash equivalents comprise cash on hand, deposits held at call with financial institutions, other short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts.

In the statement of financial position, banks overdrafts are shown within borrowings in current liabilities.

ACCOUNTANTS' REPORT OF THE CELCOM GROUP (Cont'd)

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

L SHARE CAPITAL

(a) Classification

Ordinary shares and non-redeemable preference shares with discretionary dividends are classified as equity. Other shares are classified as equity and/or liability according to the substance of the contractual arrangement of the particular instrument.

(b) Share issue costs

Incremental costs directly attributable to the issue of new shares or options are deducted against equity.

(c) Dividend distribution

Liability is recognised for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the Group, on or before the end of the reporting period but not distributed at the end of the reporting period.

(d) Purchase of own shares

Where any company within the Group purchases the Company's equity instruments, the consideration paid, including any directly attributable incremental costs, net of tax, is deducted from equity attributable to the owners of the Company as treasury shares until the shares are cancelled, reissued. Where such ordinary shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related tax effects, is included in equity attributable to the owners of the Company.

M EARNINGS PER SHARE

Basic earnings per share

Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the Company, excluding any costs of servicing equity other than ordinary shares
- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares.

ACCOUNTANTS' REPORT OF THE CELCOM GROUP (Cont'd)

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

N TRADE AND OTHER PAYABLES

Trade payables represent liabilities for goods or services provided to the Group prior to the end of financial year which are unpaid. Trade payables are classified as current liabilities unless payment is not due within 12 months after the reporting period. If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value net of transaction costs incurred, which include transfer taxes and duties.

Trade payables are subsequently measured at amortised cost using the effective interest method.

O BORROWINGS AND BORROWING COSTS

(i) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. In subsequent periods, borrowings are stated at amortised cost using the effective interest method; any difference between proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings.

Interest, dividends, losses and gains relating to a financial instrument, or a component part, classified as a liability is reported within finance cost in the profit or loss.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve (12) months after the end of the reporting period.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn-down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn-down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are removed from the statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

(ii) Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

ACCOUNTANTS' REPORT OF THE CELCOM GROUP (Cont'd)

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

P INCOME TAXES

Tax expense for the period comprises current and deferred income tax. The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Group's subsidiaries, joint ventures and associates operate and generate taxable income.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred tax is provided in full, using the liability method, on temporary differences arising between the amounts attributed to assets and liabilities for tax purposes and their carrying amounts in the financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is determined using tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax is provided on temporary differences arising on investments in subsidiaries, associates and joint ventures, except for deferred tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

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

Tax benefit from investment tax incentive is recognised when the tax credit is utilised and no deferred tax asset is recognised when the tax credit is claimed.

Deferred tax assets and liabilities are off-set when there is a legally enforceable right to off-set current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

ACCOUNTANTS' REPORT OF THE CELCOM GROUP (Cont'd)

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Q EMPLOYEE BENEFITS

(i) Short-term employee benefits

Wages, salaries, paid annual leave and sick leave, bonuses, and non-monetary benefits that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled.

(ii) Contribution to Employees Provident Fund

The Group's contributions to Employees Provident Fund are charged to profit or loss in the financial year to which they relate. Once the contributions have been paid, the Group has no further payment obligations. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(iii) Termination benefits

Termination benefits are payable whenever an employee's employment is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either terminate the employment of current employees according to a detailed formal plan without possibility of withdrawal or to provide termination benefits that is within the scope of MFRS 137 and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than twelve (12) months after the end of the reporting period are discounted to present value.

(iv) Share-based compensation

The holding company, Axiata, operates a number of equity settled and share-based compensation plans as disclosed in Note 7 to the financial statements.

Axiata receives services from employees as consideration for equity instruments (options) of itself or the related subsidiaries. The fair value of the employee services received in exchange for the grant of options is recognised as an expense.

The total amount to be expensed is determined by reference to the fair value of the options granted:

- including any market performance conditions;
- excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period); and
- excluding the impact of any non-vesting conditions (for example, the requirement for employees to save).

ACCOUNTANTS' REPORT OF THE CELCOM GROUP (Cont'd)

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Q EMPLOYEE BENEFITS (CONTINUED)

(iv) Share-based compensation (continued)

At the end of each reporting period, Axiata revises its estimates of the number of options that are expected to vest based on the non-market vesting conditions and service conditions. It recognises the impact of the revision to original estimates, if any, in the consolidated profit or loss, with a corresponding adjustment to equity (if grant of options/shares of by Axiata) and payables (if grant of options/shares by the related subsidiaries).

Recharges made by the holding company in respect of options and or restricted share awards granted to its subsidiaries are accounted for as amount due to holding company.

(v) Cash-Based Long Term Incentive plan ("LTI")

The Group recognises a liability and an expense for LTI and over the vesting period, based on a formula that takes into consideration the number of employees, a performance multiplier and discount rate. Provision is recognised when the Group has a present legal or constructive obligation as a result of past events.

R PROVISION FOR LIABILITIES

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, when it is probable that an outflow of resources will be required to settle the obligation, and when a reliable estimate of the amount can be made. Where the Group expects a provision to be reimbursed (for example, under an insurance contract), the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in a settlement, is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditure expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as finance cost.

Provision for liabilities is mainly provisions for dismantling, removal or restoration and onerous contracts. Provisions are reviewed at each statement of financial position date and adjusted to property, plant and equipment or expenses to reflect the current best estimation. Where the time value of money is material, the amount of a provision is the present value of the future period expenditure expected to be required to settle the obligation.

ACCOUNTANTS' REPORT OF THE CELCOM GROUP (Cont'd)

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

R PROVISION FOR LIABILITIES (CONTINUED)

The fair value of provision for dismantling cost associated with the Group's obligation to retire plant and equipment is recognised in the period in which it is incurred and can be reasonably estimated. Such asset dismantling costs are capitalised as part of the carrying amount of the plant and equipment and depreciated over the asset's estimated useful life or captured as a component of purchase accounting. Fair value estimates of provision for dismantling cost generally involve discounting of estimated future cash flows. Periodic accretion of such liabilities due to the passage of time is recorded as a finance cost.

Adjustments are also made to the provision for dismantling cost liability to reflect changes in the estimates of and amount of expected cash flows, with an offsetting adjustment made to the related plant and equipment.

Provision for onerous contract costs are recognised as the net present value of the future cash outflow and recognised and in the period that the contracts deemed to be not generating any economic benefits. Such provisions are recognised in the profit or loss. Estimation of provision for onerous costs generally involve discounting of future cash flows. Periodic accretion of such liabilities due to passage of time is recorded as a finance cost. Any adjustment made for onerous costs due to changes in estimated cash flows are recorded in the profit or loss.

S CONTINGENT LIABILITIES AND CONTINGENT ASSETS

The Group does not recognise a contingent liability but discloses its existence in the financial statements. A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by uncertain future events beyond the control of the Group or a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in the extremely rare circumstance where there is a liability that cannot be recognised because it cannot be measured reliably.

A contingent asset is a possible asset that arises from past events whose existence will be confirmed by uncertain future events beyond the control of the Group. The Group does not recognise a contingent asset but discloses its existence where inflows of economic benefits are probable, but not virtually certain.

ACCOUNTANTS' REPORT OF THE CELCOM GROUP (Cont'd)

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

T GOVERNMENT GRANTS

As a Universal Service Provider ("USP"), the Group is entitled to claim certain qualified expenses from the relevant authorities in relation to USP projects. The claim qualifies as a government grant and is recognised at fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are recognised in profit or loss over the period necessary to match them with the costs they are intended to compensate.

Government grants relating to the purchase of assets are included in non-current liabilities as deferred income and are credited to profit or loss on the straight-line basis over the expected useful life of the related assets.

U REVENUE FROM CONTRACTS WITH CUSTOMERS

(i) Telecommunication services

The Group principally generates revenue from mobile services such as call time, messaging, data services, activation fee and sales of prepaid starter packs, interconnect services, and sale of devices and accessories.

The Group recognises revenue when a contractual performance obligation is fulfilled by transferring control over the promised services or products to a customer if collectability of the consideration is probable. Revenue is measured based on the transaction price i.e. the consideration agreed in the contract with the customer excluding amounts collected on behalf of third parties such as sales taxes. In determining the transaction price, the Group considers variable and non-cash consideration such as rebates or discounts and consideration payable to a customer such as refunds to the extent that it is highly probable that a significant reversal will not occur.

The Group recognises mobile and interconnect services revenue when services are rendered.

Customer activation fees and other advance one-time payments by the customer that do not constitute consideration for a separate performance obligation are recognised as contract liabilities and are deferred and recognised as revenue over the contracted period or period where services are transferred to customers.

Sales of prepaid starter packs with a sim card and preloaded credits are accounted for as one performance obligation as the sim card cannot be used on its own. Consideration received for prepaid credits is initially recognised as contract liability and recognised as revenue upon usage by the customer. Any credits not used are recognised in full upon expiry or customer churn, whichever earlier.

Revenue from content services rendered to customers are recognised based on gross amount billed to customers when the Group acts as a principal or recognised after netting off costs paid to content providers when the Group acts as an agent in the transaction.

ACCOUNTANTS' REPORT OF THE CELCOM GROUP (Cont'd)

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

U REVENUE FROM CONTRACTS WITH CUSTOMERS (CONTINUED)

(i) Telecommunication services (continued)

Revenue from sales of device is recognised at the point in time upon delivery and acceptance of the device by the customers where the control is being transferred to the customers.

Mobile services are offered separately and/or as a bundle along with other services and/or devices. The length of bundled contracts are usually between twelve (12) to twenty four (24) months. For bundled contracts, the Group accounts for individual products and services separately if they are distinct i.e. if a product or service is separately identifiable from other items in the bundled contract and if customers can benefit from it. Revenue is recognised on fulfilment of the individual obligations to the customer.

The total transaction price of bundled contracts is allocated among the individual performance obligations based on their relative stand-alone selling prices. The stand-alone selling prices are determined based on the observable price at which the Group sells the products and services on a stand-alone basis. For products and services that are not sold separately, the Group estimates stand-alone selling prices using other methods such as adjusted market assessment approach, cost plus margin approach or residual approach. As a result, revenue to be recognised for products (often delivered in advance) such as mobile devices that are sold at a subsidised price in a bundled contract with services is higher than the amount billed for the device, resulting in the recognition of contract assets. Contract assets are reversed and reduced over the remaining contract period.

For devices sold in bundled contracts, the consideration for the device can either be paid upfront or by instalments over the contract period. If the consideration is to be paid by instalment, the contract contains a significant financing component. The consideration will be adjusted for the effects of the financing component as finance income. For contracts with a length of less than twelve (12) months, the Group applies the practical expedient to not adjust the promised amount of consideration for the effects of significant financing component.

Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customers. If the Group performs by transferring goods or services to a customer before the customers pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional.

Contract liabilities

A contract liability is the obligation to transfer the 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.

ACCOUNTANTS' REPORT OF THE CELCOM GROUP (Cont'd)

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

U REVENUE FROM CONTRACTS WITH CUSTOMERS (CONTINUED)

(i) Telecommunication services (continued)

Contract acquisition costs

Contract costs comprise the incremental costs of obtaining a contract (mainly sales commission paid to dealers) and the costs to fulfil a contract. These costs are capitalised if it can be assumed that the costs will be compensated by future revenue from the contract. Incremental costs of obtaining a contract are additional costs that would have not been incurred had the contract not been concluded. Costs to fulfil a contract are costs relating directly to a contract that are incurred after contract inception and serve the purpose of fulfilling the contract but are incurred prior to fulfilment and cannot be capitalised under any other standard. The Group has elected the practical expedient to recognise contract costs incurred related to contracts with an amortisation period of less than one year as an expense when incurred. The capitalised contract costs are amortised on a straight-line basis over the estimated customer retention period.

(ii) Other revenue

All other revenue of the Group is recognised net of rebates/discounts upon the rendering of services or sale of products, when the transfers of risks and rewards have been completed. Other revenue is recognised over time. It is discounted to present value where deferred payments terms are included and the impact of discounting is material.

V LEASE INCOME

Lease income from operating lease is recognised on a straight-line basis over the fixed and non-cancellable term of the lease agreement, irrespective of when payments are due.

W INTEREST INCOME

Interest income includes interest from deposits with licensed banks, finance companies and other financial institutions and are recognised on an accrual basis.

X FOREIGN CURRENCIES

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The financial statements are presented in Ringgit Malaysia, which is the Company's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss. However, exchange differences are deferred in OCI when they arose from qualifying cash flow or net investment hedges or are attributable to items that form part of the net investment in a foreign operation.

ACCOUNTANTS' REPORT OF THE CELCOM GROUP (Cont'd)

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

NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION**1 GENERAL INFORMATION**

Celcom Axiata Berhad ("Company") is a public limited company, incorporated and domiciled in Malaysia.

This Accountants' Report comprises the consolidated financial information of Celcom Axiata Berhad and its subsidiaries, collectively known as "the Group" which includes the consolidated statements of financial position as at 31 December 2019, 31 December 2020 and 31 December 2021, the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the financial years ended 31 December 2019, 31 December 2020 and 31 December 2021, and a summary of significant accounting policies and other explanatory notes.

The Group is principally involved in telecommunications network capacity, infrastructure and services. There have been no significant changes in the nature of these activities during the financial years reported in the Accountants' Report.

The principal activities of the subsidiaries, associated company and joint ventures are as described in Notes 13, 14 and 15 respectively.

The address of the registered office of the Company is Level 5, Corporate Headquarters, Axiata Tower, 9 Jalan Stesen Sentral 5, Kuala Lumpur Sentral, 50470 Kuala Lumpur.

The address of the principal place of business is Level 31, @celcom, No.6, Persiaran Barat, Seksyen 52, 46200 Petaling Jaya, Selangor Darul Ehsan.

The ultimate holding company of the Group is Axiata Group Berhad ("Axiata"), a company incorporated in Malaysia and listed on the Main Market of Bursa Malaysia Securities Berhad ("Bursa Securities").

2 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, rarely equal actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

(i) Critical accounting estimates**(a) Estimated useful lives of Property, plant and equipment ("PPE")**

The Group reviews the estimated useful lives of PPE, particularly on its telecommunication network equipment, based on approved network and information technology ("IT") modernisation plans. The network and IT modernisation involve estimating when the telecommunication network equipment will be replaced. Useful lives of assets are revised accordingly. Future operational results could be materially affected by changes in useful lives.

A reduction in the estimated useful lives of PPE would increase the recorded depreciation charge and decrease the PPE balance. See Note 11 for the changes in estimated useful lives made during the year.

ACCOUNTANTS' REPORT OF THE CELCOM GROUP (Cont'd)

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

NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

2 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(i) Critical accounting estimates (continued)

(b) Provision for dismantling cost

Fair value estimates of provision for dismantling, removal or restoration generally involve discounted future cash flows, and periodic accretion of such liabilities due to the passage of time is recorded as finance cost. The significant assumptions used in estimating the provision are: timing of assets removals; cost of restorations; expected inflation rates; and the discount rates. There can be no assurances that actual costs and the probability of incurring obligations will not differ from these estimates.

(c) Taxation

Income taxes

The Group is subject to income tax in Malaysia. Judgement is involved in determining the Group-wide provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for tax matters based on estimates of whether additional taxes will be due. If the final outcome of these tax matters result in a difference in the amounts initially recognised, such differences will impact the income tax and/or deferred tax provisions in the period in which such determination is made.

Deferred tax assets

Deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which temporary differences can be utilised. This involves judgement regarding future financial performance of a particular entity in which the deferred tax asset has been recognised.

(d) Revenue from contracts with customers

Identification of performance obligation

Certain contracts with customers are bundled packages that may include sale of devices and mobile services that comprise voice, data and other services. Individual products and services are accounted for as separate performance obligations if they are distinct promised goods and services.

Judgement is involved in identifying if products and services in a bundled package are distinct as a separate promised product or service. The respective services and devices are accounted for as separate performance obligations when they are distinct i.e. if a service or device is separately identifiable from other items in the bundled contract and if a customer can benefit from it separately. The Group exercise judgement when identifying whether products and services within the bundled contract are distinct as separate performance obligations. The identification of separate performance obligations within a bundled contract affects the allocation of transaction price specified in the contract and the revenue recognised for each performance obligation.

ACCOUNTANTS' REPORT OF THE CELCOM GROUP (Cont'd)

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

NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

2 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(i) Critical accounting estimates (continued)

(d) Revenue from contracts with customers (continued)

Determination of stand-alone selling price

The Group estimates stand-alone selling price based on external inputs; methods for estimating stand-alone prices include determining the stand-alone price of similar goods and services sold by the Group, observing the stand-alone prices for similar goods and services when sold by third parties or using a cost-plus reasonable margin approach (which is sometimes the case for handsets and other equipment). Where it is not possible to reliably estimate stand-alone prices due to lack of observable stand-alone sales or highly variable pricing, which is sometimes the case for services, the stand-alone price of an obligation may be determined as the transaction price less the stand-alone prices of other obligations in the contract. The stand-alone price determined for obligations materially impacts the allocation of revenue between obligations.

(e) Determination of lease term

In determining the lease term, the Group considers all the facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

The lease term is reassessed if an option is exercised (or not exercised) or the Group becomes obligated to exercise (not to exercise) it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurred, which affect this assessment, and that is within the lessee.

(f) Fair value of derivatives and other financial instruments

Certain financial instruments such as investments and derivative financial instruments are carried on the statements of financial position at fair value, with changes in fair value reflected in the profit or loss.

Fair values are estimated by reference in part to published price quotations and in part by using valuation techniques. The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Group uses its judgement to select a variety of methods and make assumptions that are based on market conditions existing at the end of each financial reporting period.

ACCOUNTANTS' REPORT OF THE CELCOM GROUP (Cont'd)

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

NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

2 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(i) Critical accounting estimates (continued)

(g) Provision for expected credit losses of trade receivables and contract assets

The Group applies a simplified approach in calculating ECLs for trade receivables and contract assets. To measure the expected loss rates, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. The historical loss rates are adjusted to reflect forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

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 loss rates and forward-looking information on macroeconomic factors and ECL which may not be representative of customer's actual default in the future.

(ii) Critical judgements in applying the Group's accounting policies

(a) Legal claims and disputes across the Group

There are a number of ongoing legal claims and disputes across the Group. The accounting treatment of these matters are based on the Group's view of the expected outcome of these contingencies. These outcomes are assessed in consultation with legal counsel for litigation cases and internal and external experts of the Group for matters in the ordinary course of business. Provisions are recorded if it is probable that an outflow of economic benefits will be required to settle the obligation and the amount can be estimated reliably.

The outcome of ongoing legal claims and disputes are dependent on future events and the Group makes estimates and assumptions concerning these future events. The Group may be required to increase or decrease provisions for such matters due to unanticipated events and circumstances that occur during the financial year.

The ongoing legal claims and disputes of the Group as at reporting date are disclosed in Note 30 to the financial statements.

ACCOUNTANTS' REPORT OF THE CELCOM GROUP (Cont'd)

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

NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

3 REVENUE

	Financial years ended		
	<u>31.12.2019</u>	<u>31.12.2020</u>	<u>31.12.2021</u>
	RM'000	RM'000	RM'000
Revenue from contracts with customers	6,647,941	6,159,187	6,558,912
Lease income	58,194	59,644	63,810
	<u>6,706,135</u>	<u>6,218,831</u>	<u>6,622,722</u>

(a) Types of revenue from contract with customers are as follows:

	Financial years ended		
	<u>31.12.2019</u>	<u>31.12.2020</u>	<u>31.12.2021</u>
	RM'000	RM'000	RM'000
Telecommunication revenue			
(i) Mobile	5,894,343	5,306,454	5,598,460
(ii) Project Contract Revenue	44,357	73,222	78,571
(iii) Others	196,594	206,395	206,167
Sale of device	512,647	573,116	675,714
	<u>6,647,941</u>	<u>6,159,187</u>	<u>6,558,912</u>

Others mainly include fibre optic transmission and other data services.

ACCOUNTANTS' REPORT OF THE CELCOM GROUP (Cont'd)

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

NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

3 REVENUE (CONTINUED)

(b) Timing of revenue recognition for its contracts with customers are as follows:

	Financial years ended		
	31.12.2019	31.12.2020	31.12.2021
	RM'000	RM'000	RM'000
At a point in time	512,647	573,116	675,714
Over time	6,135,294	5,586,071	5,883,198
	<u>6,647,941</u>	<u>6,159,187</u>	<u>6,558,912</u>

(c) Unsatisfied performance obligations

The following table shows revenue in relation to performance obligations that are unsatisfied as at the reporting date.

	Financial years ended		
	31.12.2019	31.12.2020	31.12.2021
	RM'000	RM'000	RM'000
Telecommunication services	<u>1,184,264</u>	<u>1,123,579</u>	<u>1,090,880</u>

Management expects that approximately all of the transaction price allocated to the unsatisfied performance obligations as at the end of the financial year will be recognised as revenue within the next 1 - 2 years (2019 and 2020: 1 – 2 years).

ACCOUNTANTS' REPORT OF THE CELCOM GROUP (Cont'd)

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

NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

4 OPERATING EXPENSES

(a) Other operating expenses

	Financial years ended		
	31.12.2019 RM'000	31.12.2020 RM'000	31.12.2021 RM'000
Property, plant and equipment written off	-	847	531
Directors' remuneration (Note 6)	2,790	3,877	5,396
Rental of premises*	177,404	206,553	183,623
Rental of motor vehicles and equipment	1,383	852	870
Loss on disposal of property, plant and equipment	-	597	257
Auditors' remuneration	1,050	1,050	1,050
Realised loss/(gain) on foreign exchange	338	7	(13)
Unrealised loss/(gain) on foreign exchange	(708)	570	(176)
Amortisation of spectrum (Note 17 (b))	182,102	182,102	182,102
Management services with related company	14,025	10,858	13,469
Customer related expenses	56,948	47,931	60,502
Apparatus assignment fees	67,305	71,203	70,104
Site operating charges	128,521	145,597	139,587
Passive infrastructure charges*	175,334	126,482	180,629
Repair and maintenance	168,415	155,485	167,862
Information Technology maintenance	164,201	137,003	137,319
Contract-related cost	37,568	71,635	71,426
Annual license fees	26,840	23,496	22,854
Fair value (gain)/loss on financial assets at fair value through profit or loss	6	(4)	(9)
Fair value gain on derivative financial instrument	-	-	(43,342)

* The rental of premises and passive infrastructure charges consist of rental from short-term leases, low value assets and variable lease payment.

ACCOUNTANTS' REPORT OF THE CELCOM GROUP (Cont'd)

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

NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

4 OPERATING EXPENSES (CONTINUED)

(b) Staff costs

Staff costs includes the following:

	Financial years ended		
	31.12.2019	31.12.2020	31.12.2021
	RM'000	RM'000	RM'000
Employees' Provident Fund	37,631	37,300	37,099
Axiata share scheme and Axiata Group Performance Based Long Term Incentive Plan ("Axiata PBLTIP") (reversal)/expenses*	(1,220)	238	1,320
Long term incentive	63,252	25,853	17,422
Termination benefits [^]	-	100,980	-

* Employees' share options and shares scheme expenses (Note 7).

[^] Termination benefits/restructuring cost arising from an internal employee restructuring program.

5 OTHER INCOME

	Note	Financial years ended		
		31.12.2019	31.12.2020	31.12.2021
		RM'000	RM'000	RM'000
Amortisation of Government grant ¹	28	68,833	83,644	208,245
Bad debts recovered		16,494	12,787	17,519
Others ²		4,785	1,467	75,094
		90,112	97,898	300,858

¹ During the financial year 2021, useful lives of certain telecommunication network and equipment, including Universal Service Provider ("USP") network equipment of the Group were assessed and reduced due to technological advancements. Correspondingly, additional deferred income relating to government grants for USP network equipment of the Group of RM91.9 million was recognised in profit or loss.

² Others substantially relates to a settlement sum received during the financial year 2021. Celcom Axiata Berhad and its wholly-owned subsidiary, Celcom Resources Berhad, had entered into a settlement agreement with DeTeAsia Holding GmbH dated 15 November 2021 in relation to two suits as disclosed in Note 30.

ACCOUNTANTS' REPORT OF THE CELCOM GROUP (Cont'd)

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

NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

6 DIRECTORS' REMUNERATION

The aggregate amount of emoluments receivable by Directors of the Company during the financial year was as follows:

	Financial years ended		
	31.12.2019 RM'000	31.12.2020 RM'000	31.12.2021 RM'000
Executive:			
Salaries	1,200	1,520	1,840
Employees' Provident Fund	248	312	460
Other emoluments	618	1,091	1,998
	<u>2,066</u>	<u>2,923</u>	<u>4,298</u>
Non-Executive and former Directors:			
Fees	<u>724</u>	<u>954</u>	<u>1,098</u>
Estimated monetary value of benefits	<u>221</u>	<u>32</u>	<u>141</u>

	Financial years ended		
	31.12.2019 RM'000	31.12.2020 RM'000	31.12.2021 RM'000
Total Executive Directors' remuneration excluding estimated monetary value of benefits and Axiata share scheme charge	2,066	2,923	4,298
Total Non-Executive and former Directors of the Company's remuneration excluding estimated monetary value of benefits	<u>724</u>	<u>954</u>	<u>1,098</u>
	<u>2,790</u>	<u>3,877</u>	<u>5,396</u>

ACCOUNTANTS' REPORT OF THE CELCOM GROUP (Cont'd)

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

NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

7 EMPLOYEES' SHARE OPTION AND SHARE SCHEME

(a) Performance-Based Employees' Share Option Scheme ("ESOS") and Restricted Share Plan ("RSP") ("Axiata Share Scheme")

The Performance-Based ESOS of Axiata was approved by its shareholders at an Extraordinary General Meeting ("EGM") held on 24 March 2009 and was implemented on 16 April 2009. On 1 June 2011, Axiata's shareholders had, at the Nineteenth AGM, approved amendments to the ESOS Bye-Laws to include the RSP. The existing Performance-Based ESOS was renamed as Axiata Share Scheme.

Axiata implemented the Axiata Share Scheme on 15 July 2011. Axiata started to offer eligible employees the entitlement to receive Restricted Share Awards ("RSA") under the RSP on 18 July 2011.

The Axiata Share Scheme was initially in force from 16 April 2009 for a period of eight (8) years. All share options were to lapse upon the expiry of the Axiata Share Scheme. All unvested shares under the RSA which were not vested were to lapse upon the expiry of the Axiata Share Scheme on 15 April 2017. However, on 20 May 2014, the shareholders of the Axiata approved an extension of the Axiata Share Scheme for a further two (2) years to 15 April 2019. The Axiata Share Scheme ended on that date.

ACCOUNTANTS' REPORT OF THE CELCOM GROUP (Cont'd)

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

NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

7 EMPLOYEES' SHARE OPTION AND SHARE SCHEME (CONTINUED)

(a) Performance-Based Employees' Share Option Scheme ("ESOS") and Restricted Share Plan ("RSP") ("Axiata Share Scheme") (continued)

The total number of the Performance-Based ESOS granted, percentage exercisable and the vesting period are as follows:

<u>ESOS</u>	<u>Grant date</u>	<u>Vesting date</u>	<u>% of options exercisable¹</u>	<u>Options over the Axiata's shares</u>	
				<u>Number of options granted to the Group</u>	<u>Exercise price RM</u>
<u>Grant 1(a), 2009</u>					
Tranche 1	16 Apr 2009	15 Apr 2011	50	30,445,700	1.81
Tranche 2	16 Apr 2009	15 Apr 2012	50	30,445,700	1.81
<u>Grant 1(b), 2010²</u>					
Tranche 1	18 Jan 2010	17 Jan 2012	50	1,050,800	3.15
Tranche 2	18 Jan 2010	17 Jan 2013	50	1,050,800	3.15
<u>Grant 2, 2010</u>					
Tranche 1	24 Feb 2010	23 Feb 2012	50	20,619,600	3.45
Tranche 2	24 Feb 2010	23 Feb 2013	50	20,619,600	3.45
<u>Grant 3(a), 2011</u>					
Tranche 1	23 Feb 2011	22 Feb 2013	50	26,830,100	5.07
Tranche 2	23 Feb 2011	22 Feb 2014	50	26,830,100	5.07

¹ The Performance-Based ESOS/RSA granted shall become exercisable/vested only upon the fulfilment of certain performance criteria for Axiata and individuals.

² The grant was made to newly hired employees who did not receive the main cycle grant and have been confirmed as at reporting date.

ACCOUNTANTS' REPORT OF THE CELCOM GROUP (Cont'd)

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

NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

7 EMPLOYEES' SHARE OPTION AND SHARE SCHEME (CONTINUED)

(a) Performance-Based Employees' Share Option Scheme ("ESOS") and Restricted Share Plan ("RSP") ("Axiata Share Scheme") (continued)

The total number of RSA granted, percentage of shares to be vested and the vesting period are as follows:

<u>Group</u>	<u>Reference date</u>	<u>Vesting date</u>	<u>% of shares to be vested¹</u>	<u>Entitlement over Axiata's shares</u>	
				<u>Number of shares granted to the Group³</u>	<u>Reference price⁵ RM</u>
<u>Grant 3(b), 2011⁴</u>					
Tranche 2	18 Jul 2011	18 Jul 2014	50 - 100	253,150	5.03
<u>Grant 4(a), 2012</u>					
Tranche 1	30 Mar 2012	30 Mar 2014	50	7,328,850	5.20
Tranche 2	30 Mar 2012	30 Mar 2015	50 - 100	7,328,850	5.20
<u>Grant 4(b), 2012⁴</u>					
Tranche 1	31 Jul 2012	31 Jul 2014	50	138,550	5.86
Tranche 2	31 Jul 2012	31 Jul 2015	50 - 100	138,550	6.86
<u>Grant 4(c), 2012⁴</u>					
Tranche 1	30 Nov 2012	30 Nov 2014	50	121,900	5.92
Tranche 2	30 Nov 2012	30 Nov 2015	50 - 100	121,900	5.92
<u>Grant 5(a), 2013</u>					
Tranche 1	20 Feb 2013	20 Feb 2015	50	7,018,200	6.27
Tranche 2	20 Feb 2013	20 Feb 2016	50 - 100	7,018,200	6.27

³ Senior management can only vest the RSA at the end of the third (3rd) year or contract period whichever is earlier. Numbers of shares originally granted are excluding the multiplier effects to be offered to management upon fulfilment of certain performance conditions on the day of vesting.

⁴ The grant was made to new employees who did not receive the main cycle grant and have been confirmed as at reporting dates.

⁵ Refers to the price at reference date for the purpose of granting the number of shares to the employees.

ACCOUNTANTS' REPORT OF THE CELCOM GROUP (Cont'd)

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

NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

7 EMPLOYEES' SHARE OPTION AND SHARE SCHEME (CONTINUED)

(a) Performance-Based Employees' Share Option Scheme ("ESOS") and Restricted Share Plan ("RSP") ("Axiata Share Scheme") (continued)

The total number of RSA granted, percentage of shares to be vested and the vesting period are as follows: (continued)

Group	Entitlement over Axiata's shares				
	Reference date	Vesting date	% of shares to be vested ¹	Number of shares granted to the Group ³	Reference price ⁵ RM
<u>RSA</u>					
<u>Grant 5(b), 2013⁴</u>					
Tranche 1	15 Aug 2013	15 Aug 2015	50	229,050	6.90
Tranche 2	15 Aug 2013	15 Aug 2016	50 - 100	229,050	6.90
<u>Grant 6(a), 2014</u>					
Tranche 1	15 Feb 2014	15 Feb 2016	50	5,859,500	6.55
Tranche 2	15 Feb 2014	15 Feb 2017	50 - 100	7,337,400	6.55
<u>Grant 6(b), 2014⁴</u>					
Tranche 1	15 Aug 2014	15 Aug 2016	50	19,250	6.95
Tranche 2	15 Aug 2014	15 Aug 2017	50 - 100	39,350	6.95
<u>Grant 7(a), 2015⁶</u>					
	15 Feb 2015	15 Feb 2018	100	1,422,500	7.11
<u>Grant 7(b), 2015^{4&6}</u>					
	15 Aug 2015	15 Aug 2018	100	208,200	5.92
<u>Grant 8(a), 2016^{4&6}</u>					
	15 Feb 2016	15 Feb 2019	100	2,067,700	5.68

³ Senior management can only vest the RSA at the end of the third (3rd) year or contract period whichever is earlier. Numbers of shares originally granted are excluding the multiplier effects to be offered to management upon fulfillment of certain performance conditions on the day of vesting.

⁴ The grant was made to newly hired employees who did not receive the main cycle grant and have been confirmed as at reporting dates.

⁵ Refers to the price at reference date for the purpose of granting the number of shares to the employees.

⁶ Effective from financial year 2015 onward, general employee of the Group was awarded a new cash-based long term incentive plan instead of Axiata Share Scheme.

ACCOUNTANTS' REPORT OF THE CELCOM GROUP (Cont'd)

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

NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

7 EMPLOYEES' SHARE OPTION AND SHARE SCHEME (CONTINUED)

(a) Performance-Based Employees' Share Option Scheme ("ESOS") and Restricted Share Plan ("RSP") ("Axiata Share Scheme") (continued)

The salient terms and conditions of the Axiata Share Scheme are as follows:

(i) Maximum number of new ordinary shares of Axiata available under the Axiata Share Scheme

The maximum amount of shares which may be:

- (a) Offered for subscription and allotted on the exercise of the total amount of Share Options under this Axiata Share Scheme; and
- (b) Allotted upon the vesting of RSA under a RSP, (collectively referred to as "Aggregate") shall not be more than 7% of the issued and paid-up ordinary share capital of Axiata at any point of time during the duration of this Axiata Share Scheme.

If Axiata undertakes a share buy-back exercise or any other corporate proposal resulting in the total number of Axiata's shares issued and/or to be issued under the Axiata Share Scheme exceeding 7% of Axiata's issued and fully paid-up ordinary share capital, all shares under the Axiata Share Scheme offered and/or granted prior to the said variation of the issued and paid-up ordinary share capital of Axiata shall remain valid and exercisable in accordance with the provisions of this Axiata Share Scheme as if that reduction had not occurred.

(ii) Basis of allocation and maximum allowable allotment

The total number of new ordinary shares of the Axiata that can be offered and allotted to any Eligible Employees (as defined in the Bye-Laws in relation to the Axiata Share Scheme) shall be at the absolute discretion of the Board (or the Axiata Share Scheme Committee that has been established to administer the Axiata Share Scheme from time to time) after taking into consideration such criteria as may be determined by the Board or the Axiata Share Scheme Committee in its/their absolute discretion.

Further, not more than 50% of Axiata's new ordinary shares made available under the Axiata Share Scheme shall be allocated, in aggregate, to Eligible Employees who are Executive Directors of Axiata or any corporation within Axiata Group or who are in senior management. In addition, not more than 10% of Axiata's new ordinary shares available under the Axiata Share Scheme will be allocated to any individual Eligible Employee who, either singly or collectively through persons connected with the Eligible Employees, holds 20% or more of Axiata's issued and fully paid-up share capital.

(iii) Eligibility

Any employee of Axiata Group (other than subsidiaries which are dormant) shall be eligible to participate in the Axiata Share Scheme if the employee, as at the dates of the respective offers of options:

- (a) has attained the age of eighteen (18) years;
- (b) has entered into a full-term contract of employment with, and is on the payroll of, a corporation within Axiata Group and whose service has been confirmed;
- (c) is not a Non-Executive or Independent Director of Axiata; and
- (d) fulfils any other criteria as may be set by the Board or the Axiata Share Scheme Committee in its absolute discretion.

ACCOUNTANTS' REPORT OF THE CELCOM GROUP (Cont'd)

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

NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

7 EMPLOYEES' SHARE OPTION AND SHARE SCHEME (CONTINUED)

- (a) Performance-Based Employees' Share Option Scheme ("ESOS") and Restricted Share Plan ("RSP") ("Axiata Share Scheme") (continued)

The salient terms and conditions of the Axiata Share Scheme are as follows: (continued)

- (iii) Eligibility (continued)

Eligibility under the Axiata Share Scheme does not confer on any Eligible Employee any claim, right to participate in, or any other right whatsoever under the Axiata Share Scheme, and an Eligible Employee does not acquire or have any right over, or in connection with, any Share Option or the RSA under this Axiata Share Scheme unless an Offer has been made by the Board to that Eligible Employee and that Eligible Employee has accepted the Offer in accordance with the terms of the Offer and the Bye-Laws governing the Axiata Share Scheme.

- (iv) Option price and RSA reference price

The subscription price payable for each of the Axiata's shares upon exercise of options is the five (5) days volume weighted average market price of the Axiata's shares immediately preceding the date of the Offer and is not lower than the nominal value of the Axiata's shares.

The reference price at which the Grantees shall be allotted new Shares pursuant to a RSA will be based on the fair value of the shares on the date of offer, but shall not in any event be lower than the nominal value of the ordinary shares.

- (v) Duration of the Axiata Share Scheme

The Axiata Share Scheme shall be in force for a period of eight (8) years from the effective date of implementation of the ESOS and RSP, being a date of full compliance with the relevant requirements of the Main Market Listing Requirements of Bursa Securities in relation to the initial Long Term Performance Based Share Option Scheme. All Share options, whether or not exercisable, shall forthwith lapse upon the expiry of the Scheme. All unvested Shares under the RSA which are not vested shall forthwith lapse upon the expiry of the Scheme on 15 April 2017. On 20 May 2014, the shareholders of the Axiata Berhad via AGM approved the extension of the scheme from eight (8) years to ten (10) years until 15 April 2019.

- (vi) Retention period

The new ordinary shares of Axiata allotted and issued pursuant to the exercise of any Share option or upon the vesting of RSA under the Axiata Share Scheme will not be subject to any retention period.

- (vii) Ranking of the new shares to be issued under the Axiata Share Scheme

Axiata's new shares to be issued pursuant to Axiata Share Scheme shall, upon allotment and issuance, rank pari-passu in all respects with the existing issued shares of Axiata except that they shall not be entitled to any dividend, right, allotment and/or other distribution in respect of which the entitlement date is before the date of allotment of such new ordinary shares.

ACCOUNTANTS' REPORT OF THE CELCOM GROUP (Cont'd)

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

NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

7 EMPLOYEES' SHARE OPTION AND SHARE SCHEME (CONTINUED)

- (a) Performance-Based Employees' Share Option Scheme ("ESOS") and Restricted Share Plan ("RSP") ("Axiata Share Scheme") (continued)

The salient terms and conditions of the Axiata Share Scheme are as follows: (continued)

Eligible Employees who are residents in Malaysia and who have been granted share options have the option to elect whether to exercise the options by way of:

- (i) Selling Flexibility; or
- (ii) To directly subscribe for shares.

Whichever option once selected shall be applicable to the exercise of the options for the full duration of the Axiata Share Scheme unless otherwise determined by the Board in their sole discretion but subject always to the provisions of the Bye-Laws and the terms of the Selling Flexibility.

Eligible Employees who are not residents in Malaysia and who have been granted options shall exercise their options by way of Selling Flexibility for the full duration of the Axiata Share Scheme but subject always to the provisions of the Bye-Laws and the terms of the Selling Flexibility for Foreign Guarantees.

ACCOUNTANTS' REPORT OF THE CELCOM GROUP (Cont'd)

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

NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

7 EMPLOYEES' SHARE OPTION AND SHARE SCHEME (CONTINUED)

(a) Performance-Based Employees' Share Option Scheme ("ESOS") and Restricted Share Plan ("RSP") ("Axiata Share Scheme") (continued)

The movement during the financial year in the number of options over the new ordinary shares of Axiata, in which the employees of the Group are entitled to, is as follows:

As at 31 December 2019

Group	Closing price at grant date RM	At 1 January 2019	Exercised	Lapsed/ Forfeited	At 31 December 2019	Fair value at grant date RM
<u>Grant 1(a), 2009</u>						
Tranche 1	1.81	473,650	(306,200)	(167,450)	-	0.54
Tranche 2	1.81	1,179,085	(993,250)	(185,835)	-	0.57
		<u>1,652,735</u>	<u>(1,299,450)</u>	<u>(353,285)</u>	<u>-</u>	
<u>Grant 1(b), 2010</u>						
Tranche 1	3.15	3,500	(3,500)	-	-	0.93
Tranche 2	3.15	30,300	(9,600)	(20,700)	-	0.98
		<u>33,800</u>	<u>(13,100)</u>	<u>(20,700)</u>	<u>-</u>	
<u>Grant 2, 2010</u>						
Tranche 1	3.45	768,850	(644,250)	(124,600)	-	1.09
Tranche 2	3.45	1,351,000	(1,227,500)	(123,500)	-	1.15
		<u>2,119,850</u>	<u>(1,871,750)</u>	<u>(248,100)</u>	<u>-</u>	
<u>Grant 3(a), 2011</u>						
Tranche 1	5.07	3,229,600	-	(3,229,600)	-	1.05
Tranche 2	5.07	4,738,600	-	(4,738,600)	-	1.10
		<u>7,968,200</u>	<u>-</u>	<u>(7,968,200)</u>	<u>-</u>	
		<u>11,774,585</u>	<u>(3,184,300)</u>	<u>(8,590,285)</u>	<u>-</u>	

The related weighted average share price at the time of exercise was RM2.74.

ACCOUNTANTS' REPORT OF THE CELCOM GROUP (Cont'd)

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

NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

7 EMPLOYEES' SHARE OPTION AND SHARE SCHEME (CONTINUED)

(a) Performance-Based Employees' Share Option Scheme ("ESOS") and Restricted Share Plan ("RSP") ("Axiata Share Scheme") (continued)

The movement during the financial year in the number of RSA shares of Axiata, in which the employees of the Group are entitled to, is as follows:

As at 31 December 2019 (continued)

Group	Closing price at grant date RM	At 1 January 2019	Exercised	Lapsed/ Forfeited	At 31 December 2019	Fair value at grant date RM
<u>Grant 3(b), 2011</u>						
Tranche 2	5.03	18,433	-	(18,433)	-	3.90
<u>Grant 4(a), 2012</u>						
Tranche 1	5.39	21,700	-	(21,700)	-	4.39
Tranche 2	5.39	21,700	-	(21,700)	-	4.26
		<u>43,400</u>	<u>-</u>	<u>(43,400)</u>	<u>-</u>	
<u>Grant 4(b), 2012</u>						
Tranche 1	6.00	26,939	-	(26,939)	-	4.93
Tranche 2	6.00	45,631	-	(45,631)	-	4.69
		<u>72,570</u>	<u>-</u>	<u>(72,570)</u>	<u>-</u>	
<u>Grant 4(c), 2012</u>						
Tranche 1	6.19	24,447	-	(24,447)	-	4.46
Tranche 2	6.19	19,130	-	(19,130)	-	4.11
		<u>43,577</u>	<u>-</u>	<u>(43,577)</u>	<u>-</u>	

ACCOUNTANTS' REPORT OF THE CELCOM GROUP (Cont'd)

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

NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

7 EMPLOYEES' SHARE OPTION AND SHARE SCHEME (CONTINUED)

(a) Performance-Based Employees' Share Option Scheme ("ESOS") and Restricted Share Plan ("RSP") ("Axiata Share Scheme") (continued)

The movement during the financial year in the number of RSA shares of Axiata, in which the employees of the Group are entitled to, is as follows: (continued)

As at 31 December 2019 (continued)

Group	Closing price at grant date RM	At 1 January 2019	Exercised	Lapsed/ Forfeited	At 31 December 2019	Fair value at grant date RM
<u>Grant 5(a), 2013</u>						
Tranche 1	6.60	14,500	-	(14,500)	-	4.76
Tranche 2	6.60	1,055,150	-	(1,055,150)	-	4.28
		<u>1,069,650</u>	<u>-</u>	<u>(1,069,650)</u>	<u>-</u>	
<u>Grant 5(b), 2013</u>						
Tranche 1	6.90	8,350	-	(8,350)	-	4.88
Tranche 2	6.90	114,250	-	(114,250)	-	4.10
		<u>122,600</u>	<u>-</u>	<u>(122,600)</u>	<u>-</u>	
<u>Grant 6(a), 2014</u>						
Tranche 1	6.69	4,119,050	-	(4,119,050)	-	4.77
Tranche 2	6.69	4,803,050	-	(4,803,050)	-	4.20
		<u>8,922,100</u>	<u>-</u>	<u>(8,922,100)</u>	<u>-</u>	
<u>Grant 6(b), 2014</u>						
Tranche 1	6.94	16,050	-	(16,050)	-	4.72
Tranche 2	6.94	16,050	-	(16,050)	-	3.97
		<u>32,100</u>	<u>-</u>	<u>(32,100)</u>	<u>-</u>	
<u>Grant 7(a), 2015</u>						
	7.06	712,200	-	(712,200)	-	4.46
<u>Grant 7(b), 2015</u>						
	6.29	173,000	-	(173,000)	-	4.25
<u>Grant 8(a), 2016</u>						
	5.88	961,500	-	(961,500)	-	3.79
Total		<u>12,171,130</u>	<u>-</u>	<u>(12,171,130)</u>	<u>-</u>	

ACCOUNTANTS' REPORT OF THE CELCOM GROUP (Cont'd)

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

NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

7 EMPLOYEES' SHARE OPTION AND SHARE SCHEME (CONTINUED)

(a) Performance-Based Employees' Share Option Scheme ("ESOS") and Restricted Share Plan ("RSP") ("Axiata Share Scheme") (continued)

The fair value of the Performance-Based ESOS granted in which MFRS 2 applies, were determined using the Black-Scholes valuation model. The significant inputs in the model are as follows:

	Options over Axiata's shares			
	Grant 1(a)	Grant 1(b)	Grant 2	Grant 3(a)
Exercise price	RM1.81	RM3.15	RM3.45	RM5.07
Option expected term:				
- Tranche 1	5.0 years	4.5 years	4.5 years	4.0 years
- Tranche 2	5.5 years	5.0 years	5.0 years	4.5 years
Weighted average share price at grant date	RM1.81	RM3.15	RM3.45	RM5.07
Expected dividend yield	1%	1%	1%	2%
Risk free interest rates (Yield of Malaysian Government Securities)	3.0%-3.7%	3.0%-3.7%	3.0%-3.9%	3.3%-3.6%
Expected volatility	<u>31.3%⁷</u>	<u>31.1%⁷</u>	<u>34.4%</u>	<u>24.7%</u>

⁷ The expected volatility rate of the Axiata's options was derived after considering the pattern and level of historical volatility of entities in the same industry since the Axiata did not have sufficient information on historical volatility as it was only listed on the Bursa Securities on 28 April 2008.

ACCOUNTANTS' REPORT OF THE CELCOM GROUP (Cont'd)

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

NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

7 EMPLOYEES' SHARE OPTION AND SHARE SCHEME (CONTINUED)

(a) Performance-Based Employees' Share Option Scheme ("ESOS") and Restricted Share Plan ("RSP") ("Axiata Share Scheme") (continued)

The fair value of the RSA granted in which MFRS 2 applies, were determined using the Monte Carlo valuation model. The significant inputs in the model are as follows:

	Entitlement over the Axiata's shares				
	Grant 3(b)	Grant 4(a)	Grant 4(b)	Grant 4(c)	Grant 5(a)
Reference price	RM5.03	RM5.20	RM5.86	RM5.92	RM6.27
Valuation at grant date*	18 Jul 2011	16 April 2012	17 Aug 2012	10 Dec 2012	29 Mar 2013
Vesting date:					
-Tranche 1	18 Jul 2013	30 Mar 2014	31 Jul 2014	30 Nov 2014	20 Feb 2015
-Tranche 1	18 Jul 2014	30 Mar 2015	31 Jul 2015	30 Nov 2015	20 Feb 2016
Closing share price at grant date*	RM5.03	RM5.39	RM6.00	RM6.19	RM6.60
Expected dividend yield	2.54%	4.23%	4.06%	4.15%	4.58%
Risk free interest rates (Yield of Malaysian Government Securities)	3.19%-3.32%	3.09%-3.18%	2.97%-3.04%	3.00%-3.08%	2.88%-3.09%
Expected volatility#	19.9%	27.5%	19.2%	18.6%	18.7%

The expected volatility rate of the Axiata's RSA was derived using three (3) years period on daily basis historical volatility due to availability of data with more data points to increase the credibility of assumptions.

* Grant date refers to the date where majority of employees accepted the offer.

ACCOUNTANTS' REPORT OF THE CELCOM GROUP (Cont'd)

CELCOM AXIATA BERHAD

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

NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

7 EMPLOYEES' SHARE OPTION AND SHARE SCHEME (CONTINUED)

(a) Performance-Based Employees' Share Option Scheme ("ESOS") and Restricted Share Plan ("RSP") ("Axiata Share Scheme") (continued)

The fair value of the RSA granted in which MFRS 2 applies, were determined using the Monte Carlo valuation model. The significant inputs in the model are as follows: (continued)

	Entitlement over the Axiata's shares			
	Grant 5(b)	Grant 6(a)	Grant 6(b)	Grant 7(a) Grant 7(b) Grant 8(a)
Reference price	RM6.90	RM6.55	RM6.95	RM7.11 RM5.92 RM5.68
Valuation at grant date *	15 Aug 2013	07 Apr 2014	02 Sep 2014	09 Apr 2015 17 Sep 2015 14 Apr 2016
Vesting date:				
- Tranche 1	15 Aug 2015	15 Feb 2016	15 Aug 2016	-
- Tranche 2	15 Aug 2016	15 Feb 2017	15 Aug 2017	15 Aug 2018 15 Feb 2019
Closing share price at grant date*	RM6.90	RM6.69	RM6.94	RM7.06 RM6.29 RM5.88
Expected dividend yield	4.20%	3.79%	3.89%	3.96% 3.96% 4.08%
Risk free interest rates (Yield of Malaysian Government Securities)	3.17%-3.36%	3.00%-3.38%	3.46%	3.57% 3.76% 3.22%
Expected volatility*	17.4%	16.5%	15.8%	14.26% 15.2% 16.1%

The expected volatility rate of the Axiata's RSA was derived using three (3) years period on daily basis historical volatility due to availability of data with more data points to increase the credibility of assumptions.

* Grant date refers to the date where majority of employees accepted the offer.

ACCOUNTANTS' REPORT OF THE CELCOM GROUP (Cont'd)

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

NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

7 EMPLOYEES' SHARE OPTION AND SHARE SCHEME (CONTINUED)

(b) Axiata Group Performance Based Long Term Incentive Plan ("Axiata PBLTIP")

On 25 May 2016, shareholders of Axiata approved the Axiata PBLTIP and it was implemented on 30 September 2016. The total number of Axiata PBLTIP shares granted, percentage of shares to be vested and the vesting period are as follows:

	Reference date	Vesting date	Entitlement over the Axiata's shares		
			% of shares to be vested	Number of shares granted ¹	Reference price ² RM
Grant 1(a), 2017	28 Feb 2017	28 Feb 2020 ³	100	613,800	4.43

¹ Eligible employees can only vest the Axiata PBLTIP shares at the end of the third (3rd) year. Number of shares originally granted excludes the multiplier effects offered to the employees upon fulfilment of certain performance conditions on the day of vesting.

² Refer to Axiata's five-day average share price preceding reference date for the purpose of granting the number of shares to the employees of the Company.

³ The unvested Axiata PBLTIP shares are subject to retesting as disclosed in Note 7(b)(v) to the financial statements.

The salient terms and conditions of the Axiata PBLTIP are as follows:

(i) Maximum number of new ordinary shares of Axiata available under the Axiata PBLTIP

The maximum number of shares which may be allotted upon the vesting of Axiata PBLTIP shares (collectively referred to as "Aggregate") shall not be more than 7% of the issued and paid-up ordinary share capital of Axiata at any point of time during the duration of the Axiata PBLTIP.

If Axiata undertakes a share buy-back exercise or any other corporate proposal resulting in the total number of Axiata's shares issued and/or to be issued under the Axiata PBLTIP exceeding 7% of Axiata's issued and fully paid-up ordinary share capital, all shares under the Axiata PBLTIP offered and/or granted prior to the said variation of the issued and paid-up ordinary share capital of Axiata shall remain valid and exercisable in accordance with the provisions of this Axiata PBLTIP as if that reduction had not occurred.

(ii) Basis of allocation and maximum allowable allotment

The total number of new ordinary shares of the Axiata that can be offered and allotted to any one of the Eligible Employees (as defined in the Bye-Laws in relation to the Axiata PBLTIP shall be at the absolute discretion of Axiata's Board Nomination and Remuneration Committee ("BNRC") that has been established to administer the Axiata PBLTIP from time to time) after taking into consideration such criteria as may be determined by Axiata's BNRC at their absolute discretion.

Not more than 10% of Axiata's new ordinary shares available under the Axiata PBLTIP will be allocated to any individual Eligible Employees who, either singularly or collectively through persons connected with the Eligible Employees, holds 20% or more of Axiata's paid-up share capital.

ACCOUNTANTS' REPORT OF THE CELCOM GROUP (Cont'd)

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

NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

7 EMPLOYEES' SHARE OPTION AND SHARE SCHEME (CONTINUED)

(b) Axiata Group Performance Based Long Term Incentive Plan ("Axiata PBLTIP") (continued)

The salient terms and conditions of the Axiata PBLTIP are as follows: (continued)

(iii) Eligibility

Any employee of Axiata Group (other than subsidiaries which are dormant) shall be eligible to participate in the Axiata PBLTIP if the employee, as at the dates of the respective offers of options:

- (a) has attained the age of eighteen (18) years;
- (b) has entered into a full-term contract of employment with, and is on the payroll of, a corporation within Axiata Group and whose service has been confirmed;
- (c) is not a Non-Executive or Independent Director of Axiata; and
- (d) fulfils any other criteria as may be set by the Axiata's BNRC in its absolute discretion.

Eligibility under the Axiata PBLTIP does not confer on any Eligible Employee any claim, right to participate in, or any other right whatsoever under the Axiata PBLTIP and an Eligible Employee does not acquire or have any right over, or in connection with, any Axiata PBLTIP shares under this Axiata PBLTIP unless an Offer has been made by Axiata's BNRC to that Eligible Employee and that Eligible Employee has accepted the Offer in accordance with the terms of the Offer and the Bye-Laws governing the Axiata PBLTIP.

(iv) Duration of the Axiata PBLTIP

The Axiata PBLTIP shall be in force for a period of ten (10) years from the effective date of implementation, being a date of full compliance with the relevant requirements of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities"). All Axiata PBLTIP shares, whether or not vested, shall forthwith lapse upon the expiry of the Axiata PBLTIP. All unvested shares under the Axiata PBLTIP which are not vested shall forthwith lapse upon the expiry of the Axiata PBLTIP on 30 September 2026.

(v) Retesting of unvested Axiata PBLTIP shares

The Axiata PBLTIP shares that remain unvested after the vesting date will be subject to retesting on a yearly basis until certain unmet performance conditions are met or expiry of the scheme, whichever is earlier. The retest for unvested Axiata PBLTIP shares will also be subject to the Board of Director's approval.

ACCOUNTANTS' REPORT OF THE CELCOM GROUP (Cont'd)

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

NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

7 EMPLOYEES' SHARE OPTION AND SHARE SCHEME (CONTINUED)

(b) Axiata Group Performance Based Long Term Incentive Plan ("Axiata PBLTIP") (continued)

The movement during the financial year in the number of Axiata PBLTIP shares, in which the employees of the Group are entitled to, is as follows:

<u>Group</u>	At 1	<u>Adjusted¹</u>	<u>Vested</u>	<u>Lapsed/ Forfeited</u>	At 31	Weighted average fair value at grant date RM
	<u>January</u>				<u>December</u>	
<u>2019</u>						
<u>Grant 1(a), 2017</u>	<u>405,800</u>	<u>-</u>	<u>-</u>	<u>(74,300)</u>	<u>331,500</u>	<u>4.31</u>
<u>2020</u>						
<u>Grant 1(a), 2017</u>	<u>331,500</u>	<u>90,200</u>	<u>(210,600)</u>	<u>(90,700)</u>	<u>120,400</u>	<u>4.31</u>
<u>2021</u>						
<u>Grant 1(a), 2017</u>	<u>120,400</u>	<u>-</u>	<u>-</u>	<u>(37,750)</u>	<u>82,650</u>	<u>4.31</u>

¹ Being additional number of shares vested due to the multiplier effect from achieving performance targets.

The fair value of the Axiata PBLTIP shares granted in which MFRS 2 applies, were determined using the Monte Carlo valuation model. The significant inputs in the model are as follows:

	<u>Grant 1(a)</u>
Reference price	RM4.43
Grant date at valuation ¹	14 Apr 2017
Vesting date	28 Feb 2020
Closing share price at grant date ¹	RM5.06
Expected dividend yield ²	2.02%
Risk free interest rates	3.48%
Expected volatility ³	<u>20.56%</u>

¹ Grant date refers to the date where majority of employees accepted the offer.

² Yield of Malaysian Government Securities.

³ The expected volatility rate is measured over a three (3) years period on a daily basis.

ACCOUNTANTS' REPORT OF THE CELCOM GROUP (Cont'd)

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

NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

8 FINANCE INCOME AND COSTS

	Financial years ended		
	31.12.2019	31.12.2020	31.12.2021
	RM'000	RM'000	RM'000
Finance income from:			
- Fixed deposits	35,951	24,913	33,662
- Receivables	27,965	13,060	19,041
- Amount due from immediate holding company	24,578	21,766	14,611
	<u>88,494</u>	<u>59,739</u>	<u>67,314</u>
Finance costs in respect of:			
- Borrowings	(217,670)	(201,349)	(187,230)
- Lease liabilities	(190,798)	(172,050)	(152,121)
- Others	(7,828)	(7,046)	(2,836)
	<u>(416,296)</u>	<u>(380,445)</u>	<u>(342,187)</u>

9 TAXATION AND ZAKAT

	Financial years ended		
	31.12.2019	31.12.2020	31.12.2021
	RM'000	RM'000	RM'000
The taxation charge/(credit) for the Group comprises:			
Malaysian taxation			
- Current financial year	227,607	203,836	155,888
- Over accrual of tax in respect of prior financial years	(3,393)	(21,709)	(61,931) ¹
Deferred taxation (Note 25)			
- Origination and reversal of temporary differences	37,387	(18,396)	160,002
Total taxation	<u>261,601</u>	<u>163,731</u>	<u>253,959</u>
Zakat	<u>1,189</u>	<u>1,229</u>	<u>1,227</u>
Taxation and zakat	<u>262,790</u>	<u>164,960</u>	<u>255,186</u>

¹ During the financial year 2021, over accrual of tax in respect of prior financial years mainly relates to the utilisation of group relief surrendered by a related company to the subsidiaries of the Group in October 2021 as well as the impact of the Income Tax (Accelerated Capital Allowance) (Machinery and Equipment including Information and Communication Technology Equipment) Rules 2021, which was gazetted on 15 June 2021 to the prior financial year's taxation charge.

ACCOUNTANTS' REPORT OF THE CELCOM GROUP (Cont'd)

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

NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

9 TAXATION AND ZAKAT (CONTINUED)

	Financial years ended		
	31.12.2019 RM'000	31.12.2020 RM'000	31.12.2021 RM'000
Numerical reconciliation between the Malaysian tax rate and the average effective tax rate			
Profit before taxation	1,051,851	855,679	1,212,230
Tax calculated at the applicable Malaysian tax rate of 24%	252,444	205,363	290,935
Tax effects of:			
- Expenses not deductible	34,435	37,016	59,174
- Income not subject to tax	(21,885)	(56,939)	(76,036)
- Adjustments for tax of prior periods	(3,393)	(21,709)	(20,114)
Total taxation	261,601	163,731	253,959
Zakat expenses	1,189	1,229	1,227
Taxation and zakat	262,790	164,960	255,186

10 EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the total comprehensive income for the financial year attributable to equity holder by the weighted average number of ordinary shares in issue during the financial year.

	Financial years ended		
	31.12.2019	31.12.2020	31.12.2021
Profit attributable to owner of the Company (RM'000)	789,369	677,435	942,792
Weighted average number of ordinary shares in issues ('000)	1,237,535	1,237,535	1,237,535
Basic earnings per share (sen)	64	55	76

ACCOUNTANTS' REPORT OF THE CELCOM GROUP (Cont'd)

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

NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

11 PROPERTY, PLANT AND EQUIPMENT

Group	Freehold land RM'000	Buildings RM'000	Furniture, fittings, office equipment, motor vehicles and renovations RM'000	Telecom- munication network and equipment RM'000	Capital work-in- progress RM'000	Total RM'000
<u>Net Book Value</u>						
<u>At 31 December 2019</u>						
Cost	9,905	96,825	2,553,213	8,837,253	285,541	11,782,737
Accumulated depreciation and impairment losses	(4,228)	(60,005)	(2,189,330)	(4,929,848)	(15,595)	(7,199,006)
Net book value	5,677	36,820	363,883	3,907,405	269,946	4,583,731
<u>At 31 December 2020</u>						
Cost	9,905	97,664	2,652,397	9,668,795	277,526	12,706,287
Accumulated depreciation and impairment losses	(4,228)	(61,301)	(2,370,953)	(5,740,566)	(15,595)	(8,192,643)
Net book value	5,677	36,363	281,444	3,928,229	261,931	4,513,644
<u>At 31 December 2021</u>						
Cost	9,905	97,664	2,781,784	10,479,707	347,469	13,716,529
Accumulated depreciation and impairment losses	(4,228)	(62,941)	(2,580,792)	(6,709,031)	(15,595)	(9,372,587)
Net book value	5,677	34,723	200,992	3,770,676	331,874	4,343,942

ACCOUNTANTS' REPORT OF THE CELCOM GROUP (Cont'd)

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

NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

11 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Group	Freehold land RM'000	Leasehold land* RM'000	Buildings RM'000	Furniture, fittings, office equipment, renovations RM'000	Telecom- motor network and equipment RM'000	Capital work-in- progress RM'000	Total RM'000
Net Book Value							
At 1 January 2019	5,677	27,282	38,115	288,843	3,667,918	404,628	4,432,463
Reclassification arising from MFRS 16 (Note 35)	-	(27,282)	-	-	-	-	(27,282)
At 1 January 2019 (Restated)	5,677	-	38,115	288,843	3,667,918	404,628	4,405,181
Additions	-	-	-	28,216	91,881	897,340	1,017,437
Inter-classification	-	-	-	231,890	800,132	(1,032,022)	-
Depreciation	-	-	(1,295)	(185,066)	(652,526)	-	(838,887)
At 31 December 2020	5,677	-	36,820	363,883	3,907,405	269,946	4,583,731
At 1 January 2020	5,677	-	36,820	363,883	3,907,405	269,946	4,583,731
Additions	-	-	839	675	103,437	879,182	984,133
Inter-classification	-	-	-	124,575	781,775	(886,350)	-
Disposals	-	-	-	(600)	(9)	-	(609)
Write off	-	-	-	-	-	(847)	(847)
Depreciation	-	-	(1,296)	(207,089)	(844,379)	-	(1,052,764)
At 31 December 2020	5,677	-	36,363	281,444	3,928,229	261,931	4,513,644
At 1 January 2021	5,677	-	36,363	281,444	3,928,229	261,931	4,513,644
Additions	-	-	-	1,083	16,820	1,014,345	1,032,248
Inter-classification	-	-	-	132,204	812,198	(944,402)	-
Disposals	-	-	-	(299)	(8)	-	(307)
Write off	-	-	-	-	(531)	-	(531)
Depreciation	-	-	(1,640)	(213,440)	(986,032)	-	(1,201,112)
At 31 December 2021	5,677	-	34,723	200,992	3,770,676	331,874	4,343,942

* Upon adoption of MFRS 16 Leases, the Group has reclassified Leasehold Land to Right-of-Use Assets.

During the financial years 2019, 2020 and 2021, useful lives of certain telecommunication network and equipment, including Universal Service Provider ("USP") network equipment of the Group were assessed and reduced due to technology advancement. As a result, the Group recognised accelerated depreciation charges of RM11.0 million, RM166.3 million and RM268.9 million.

ACCOUNTANTS' REPORT OF THE CELCOM GROUP (Cont'd)

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

NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

12 RIGHT-OF-USE ASSETS

<u>Group</u>	<u>Leasehold land RM'000</u>	<u>Building RM'000</u>	<u>Telecom- munication network and equipment RM'000</u>	<u>Total RM'000</u>
<u>Net Book Value</u>				
<u>At 31 December 2019</u>				
At 1 January 2019	-	-	-	-
Adjustment arising from the adoption of MFRS 16 (Note 35)	27,282	421,768	3,464,458	3,913,508
At 1 January 2019 (Restated)	27,282	421,768	3,464,458	3,913,508
Additions	-	3,914	24,018	27,932
Depreciation	(424)	(24,996)	(382,413)	(407,833)
At 31 December 2019	<u>26,858</u>	<u>400,686</u>	<u>3,106,063</u>	<u>3,533,607</u>
<u>Net Book Value</u>				
<u>At 31 December 2020</u>				
At 1 January 2020	26,858	400,686	3,106,063	3,533,607
Additions*	-	363,371	91,833	455,204
Depreciation	(423)	(15,008)	(379,084)	(394,515)
Termination*	-	(400,158)	-	(400,158)
At 31 December 2020	<u>26,435</u>	<u>348,891</u>	<u>2,818,812</u>	<u>3,194,138</u>

ACCOUNTANTS' REPORT OF THE CELCOM GROUP (Cont'd)

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

NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

12 RIGHT-OF-USE ASSETS (CONTINUED)

<u>Group</u>	<u>Leasehold</u>	<u>Building</u>	<u>Telecom-</u>	<u>Total</u>
	<u>land</u>	<u>RM'000</u>	<u>munication</u>	
	<u>RM'000</u>	<u>RM'000</u>	<u>network</u>	<u>RM'000</u>
			<u>and</u>	
			<u>equipment</u>	
			<u>RM'000</u>	
<u>Net Book Value</u>				
<u>At 31 December 2021</u>				
At 1 January 2021	26,435	348,891	2,818,812	3,194,138
Additions	-	19,836	181,342	201,178
Depreciation	(423)	(21,015)	(400,325)	(421,763)
At 31 December 2021	<u>26,012</u>	<u>347,712</u>	<u>2,599,829</u>	<u>2,973,553</u>

* The Group entered into a new lease agreement for an office building. Concurrently, the previous agreement was terminated.

13 INVESTMENTS IN SUBSIDIARIES

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

<u>Name of subsidiary</u>	<u>Ownership interest</u>			<u>Country</u>	<u>and place of</u>	<u>Principal</u>
	<u>directly held by</u>					
	<u>2019</u>	<u>2020</u>	<u>2021</u>			
	<u>%</u>	<u>%</u>	<u>%</u>	<u>incorporation</u>	<u>activities</u>	
Celcom Mobile Sdn. Bhd.	100	100	100	Malaysia	Mobile communications, network and application services and content	
Celcom Networks Sdn. Bhd.	100	100	100	Malaysia	Network telecommunications, capacity and services	
Celcom Properties Sdn. Bhd.	100	100	100	Malaysia	Property investment	
Escape Axiata Sdn. Bhd.	100	100	100	Malaysia	Dormant	

ACCOUNTANTS' REPORT OF THE CELCOM GROUP (Cont'd)

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

NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

13 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Details of the subsidiaries, incorporated in Malaysia, are as follows: (continued)

Name of subsidiary	Ownership interest directly held by the parent			Country and place of incorporation	Principal activities
	2019 %	2020 %	2021 %		
Celcom Retail Holding Sdn. Bhd.	100	100	100	Malaysia	Strategic and business development, management, administrative, support services and investment holding
Celcom Intelligence Sdn. Bhd.	100	100	100	Malaysia	Dormant
Celcom Timur (Sabah) Sdn. Bhd.	80	80	80	Malaysia	Fibre optic transmission services
Celcom eCommerce Sdn. Bhd.	100	100	100	Malaysia	Dormant
Celcom Resources Berhad	100	100	100	Malaysia	Investment holding
<u>Subsidiary held through Celcom Retail Holding Sdn. Bhd.</u>					
Celcom Retail Sdn. Bhd.	100	100	100	Malaysia	Trading and distribution of communication devices and related products and managing retail stores
<u>Subsidiary held through Celcom Resources Berhad</u>					
Celcom Trading Sdn. Bhd.	100	100	100	Malaysia	Dealings in marketable securities

The non-controlling interest of the Group for the financial year is attributed to Celcom Timur (Sabah) Sdn. Bhd., which is not material in the view of the Directors.

ACCOUNTANTS' REPORT OF THE CELCOM GROUP (Cont'd)

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

NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

14 INVESTMENT IN ASSOCIATED COMPANY

	<u>31.12.2019</u>	<u>31.12.2020</u>	<u>As at</u> <u>31.12.2021</u>
	RM'000	RM'000	RM'000
In Malaysia:			
Unquoted shares, at cost	25,669	25,669	25,669
Share of post-acquisition reserves	90,648	106,769	114,859
	<u>116,317</u>	<u>132,438</u>	<u>140,528</u>
Represented by:			
Group's share of net assets of associated company	<u>116,317</u>	<u>132,438</u>	<u>140,528</u>

The associate of the Group as at 31 December which was incorporated in Malaysia is as follows:

Name of associate	Effective interest			Principal activities
	<u>2019</u>	<u>2020</u>	<u>2021</u>	
	%	%	%	
Sacofa Sdn. Bhd.	15.12	15.12	15.12	Telecommunications infrastructure and services company including all its related businesses

The summarised financial information of a material associate of the Group for the financial year ended 31 December is as follows:

	For financial year ended		
	<u>31.12.2019</u>	<u>31.12.2020</u>	<u>31.12.2021</u>
	RM'000	RM'000	RM'000
Revenue	244,246	235,397	242,724
Profit after tax	15,926	138,876	88,303
	<u> </u>	<u> </u>	<u> </u>
			<u>As at</u>
	<u>31.12.2019</u>	<u>31.12.2020</u>	<u>31.12.2021</u>
	RM'000	RM'000	RM'000
Non-current assets	587,665	646,865	682,091
Current assets	370,800	393,790	481,713
Current liabilities	(94,325)	(61,819)	(122,949)
Non-current liabilities	(94,848)	(102,923)	(111,436)
Net assets	<u>769,292</u>	<u>875,913</u>	<u>929,419</u>
Group's share of net assets	<u>116,317</u>	<u>132,438</u>	<u>140,528</u>

ACCOUNTANTS' REPORT OF THE CELCOM GROUP (Cont'd)

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

NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

15 INVESTMENTS IN JOINT VENTURES

	As at		
	31.12.2019	31.12.2020	31.12.2021
	RM'000	RM'000	RM'000
In Malaysia:			
Unquoted shares, at cost	29,190	29,190	5,250
Share of post-acquisition reserves	(7,481)	(6,621)	(5,250)
	<u>21,709</u>	<u>22,569</u>	<u>-</u>
Represented by:			
Group's share of net assets of joint ventures	<u>21,709</u>	<u>22,569</u>	<u>-</u>

The joint ventures of the Group as at 31 December 2020 incorporated in Malaysia are as follows:

Name of joint venture	Effective interest			Principal activities
	2019	2020	2021	
	%	%	%	
PLDT Malaysia Sdn. Bhd. ¹	49	49	-	Mobile Virtual Network Operator
Tune Talk Sdn. Bhd.	35	35	35	Mobile communications services
Merchantrade Asia Sdn. Bhd. ²	20	20	-	Provision of money services business (remittance business and currency business), communication business and payment business

¹ PLDT Malaysia Sdn. Bhd. ("PLDT Malaysia") commenced members' voluntary winding-up on 14 August 2019 pursuant to Section 432 (2) (a) of the Companies Act 2016. The Liquidator of PLDT Malaysia lodged the required return with the Registrar of Companies and Official Receiver on 4 December 2020. Pursuant to Section 459(5) of the Companies Act 2016, 3 months after the lodgement of such return, PLDT Malaysia was dissolved on 5 March 2021.

² On 2 November 2021, the Company completed the transfer of its 20% equity interest (the "Sale Shares") in Merchantrade Asia Sdn. Bhd. ("Merchantrade") to Axiata at a cash consideration of RM1.00. Axiata nominated Axiata SPV4 Sdn. Bhd., a wholly-owned subsidiary of Axiata to receive the Sale Shares. Pursuant to this, Merchantrade was no longer the Group's joint venture effective 2 November 2021. The difference between the carrying amount of the Group and the cash consideration was recognised as distribution of a non-cash asset by the Company to its holding company.

ACCOUNTANTS' REPORT OF THE CELCOM GROUP (Cont'd)

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

NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

15 INVESTMENTS IN JOINT VENTURES (CONTINUED)

The summarised financial information of a joint venture of the Group for the financial year ended 31 December is as follows:

	For financial year ended		
	31.12.2019	31.12.2020	31.12.2021
	RM'000	RM'000	RM'000
Revenue	128,750	136,780	158,215
(Loss)/Profit after tax	(33,065)	4,300	(18,885)
	As at		
	31.12.2019	31.12.2020	31.12.2021
	RM'000	RM'000	RM'000
Non-current assets (including goodwill)	51,835	101,405	-
Current assets	199,840	230,990	-
Current liabilities	(122,780)	(183,060)	-
Non-current liabilities	(20,350)	(36,490)	-
Net assets	108,545	112,845	-
Group's share of net assets	21,709	22,569	-

The Group's share of losses in investment in Tune Talk Sdn. Bhd. not recognised:

	As at		
	31.12.2019	31.12.2020	31.12.2021
	RM'000	RM'000	RM'000
Share capital	15,000	15,000	15,000
Accumulated losses	(154,277)	(108,763)	(58,786)
Net liabilities	(139,277)	(93,763)	(43,786)
Share of net liabilities not recognised	(48,747)	(32,817)	(15,325)
Share of current year profit not recognised	4,230	15,930	17,492

The Group has not recognised share of losses related to Tune Talk Sdn. Bhd. beyond its investment of RM5.25 million since the Group has no obligation in respect of these losses and the carrying value of the investment is nil.

ACCOUNTANTS' REPORT OF THE CELCOM GROUP (Cont'd)

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

NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

16 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	<u>2019</u>	<u>2020</u>	<u>As at</u> <u>2021</u>
	RM'000	RM'000	RM'000
Unquoted shares in Malaysia	50	50	-

- (a) On 25 July 2011, the Group had completed the subscription of shares in Konsortium Rangkaian Serantau Sdn. Bhd. ("KRSSB"). The Group's shareholding in KRSSB is 50,000 ordinary shares of RM1.00 each representing 4.17% equity interest therein, amounting to RM50,000. The Group recorded an impairment of RM50,000 in the profit or loss during the financial year 31 December 2021.
- (b) In addition, the Group owns more than one half of the voting power in Tripoly Communication Technology Corporation Ltd, which, due to permanent loss of control or significant influence has been accounted as an investment. The carrying value of this entity at 31 December 2019, 31 December 2020 and 31 December 2021 is RM Nil.

Special Liquidation of this entity commenced on 20 February 2008 pursuant to Chapter 3 Procedures for Liquidation of Foreign-Funded Enterprise of the People's Republic of China.

In view of the above, the financial statements of this entity have not been consolidated nor equity accounted for. The Directors are of the view that the amounts would be insignificant to the Group results.

ACCOUNTANTS' REPORT OF THE CELCOM GROUP (Cont'd)

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

NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

17 INTANGIBLE ASSETS

	<u>2019</u>	<u>2020</u>	<u>As at</u> <u>2021</u>
	RM'000	RM'000	RM'000
Goodwill	117,141	117,141	117,141
Spectrum	786,075	724,225	662,375
	<u>903,216</u>	<u>841,366</u>	<u>779,516</u>

(a) Goodwill

The carrying value of the Group's goodwill on acquisition of subsidiary company as at the date of the statement of financial position was assessed for impairment.

Goodwill is allocated to the individual subsidiary, which is also the cash-generating unit ("CGU") identified. The goodwill balance relates to Celcom Mobile.

- (i) The recoverable amount of the CGU is determined based on the value-in-use ("VIU") calculation. The following assumptions have been applied in the VIU calculation.

	<u>2019</u>	<u>2020</u>	<u>As at</u> <u>2021</u>
Revenue growth rate	0.8% - 1.6%	4.5% - 10.6%	3.2% - 6.5%
Terminal growth rate	0%	0.71%	0.7%
Pre-tax discount rate	11.0%	11.0%	11.3%

The VIU calculation apply a discounted cash flow model using approved cash flow projections based on financial budgets and forecasts covering a three-year period.

- (ii) Impact of possible change in key assumptions

The Group's review includes the key assumptions related to sensitivity in the cash flow projections.

Based on the sensitivity analysis performed, no reasonably possible changes in the base case assumptions would cause the carrying amount of the CGU to exceed their recoverable amount.

No impairment loss was required as at 31 December 2019, 31 December 2020, and 31 December 2021 on the goodwill related to Celcom Mobile as the recoverable amount was in excess of their carrying amount.

ACCOUNTANTS' REPORT OF THE CELCOM GROUP (Cont'd)

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

NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

17 INTANGIBLE ASSETS (CONTINUED)

(b) Spectrum

	<u>2019</u>	<u>2020</u>	<u>As at</u> <u>2021</u>
	RM'000	RM'000	RM'000
At 1 January	847,925	786,075	724,225
Addition	120,252	120,252	120,252
Amortisation	(182,102)	(182,102)	(182,102)
At 31 December	<u>786,075</u>	<u>724,225</u>	<u>662,375</u>

In 2016, the Malaysian Communications and Multimedia Commission ("MCMC") assigned to the Group 2 x 10MHz in 900MHz and 2 x 20MHz in 1800 MHz spectrum bands. The fee paid for the 900MHz spectrum and the 1800MHz spectrum of RM436.4 million and RM380.3 million respectively was for a period of 15 years commencing 1 July 2017.

In 2018, MCMC reissued the spectrum assignment of the 2100MHz band to the Group. The spectrum fee paid of RM118.4 million was for a period of 16 years commencing 2 April 2018.

18 DERIVATIVE FINANCIAL INSTRUMENT

	<u>2019</u>	<u>2020</u>	<u>As at</u> <u>2021</u>
	RM'000	RM'000	RM'000
Convertible warrants of associated company	-	-	43,342

The warrants issued by Sacofa Sdn. Bhd. ("Sacofa"), an associate company of the Group was constituted under the deed poll dated 28 January 2009. Under the deed poll, a total 64,171,634 warrants had been issued to the shareholders on the entitlement basis of one (1) free warrant for every one (1) existing Sacofa ordinary share. The Group were issued 12,834,327 warrants, in equivalent to the number of Sacofa's ordinary share held by the Group.

<u>Counterparty</u>	<u>Underlying number</u> <u>of shares</u>	<u>Period</u>	<u>Strike price</u>
Sacofa	12,834,327	28 Jan 2009 -25 Jan 2025	RM1.50/share + any adjustments

During the financial year, the exercise period of the warrants was extended for another three (3) years from 25 January 2022 to 25 January 2025.

ACCOUNTANTS' REPORT OF THE CELCOM GROUP (Cont'd)

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

NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

19 INVENTORIES

	<u>2019</u>	<u>2020</u>	<u>As at</u> <u>2021</u>
	RM'000	RM'000	RM'000
SIM, recharge cards and devices	71,447	50,384	61,935

20 TRADE AND OTHER RECEIVABLES

	<u>2019</u>	<u>2020</u>	<u>As at</u> <u>2021</u>
	RM'000	RM'000	RM'000
Trade receivables	1,057,550	866,627	866,282
Provision for impairment	(389,108)	(326,438)	(312,244)
	<u>668,442</u>	<u>540,189</u>	<u>554,038</u>
Contract assets	203,613	209,920	226,810
Provision for impairment	(51,951)	(72,813)	(87,091)
	<u>151,662</u>	<u>137,107</u>	<u>139,719</u>
Amount due from holding company (non-trade)	790,534	342,796	5,580

ACCOUNTANTS' REPORT OF THE CELCOM GROUP (Cont'd)

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

NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

20 TRADE AND OTHER RECEIVABLES (CONTINUED)

	<u>2019</u>	<u>2020</u>	<u>As at</u> <u>2021</u>
	RM'000	RM'000	RM'000
Amounts due from related companies (trade)	48,614	16,721	3,917
Prepayments	527,932	548,623	536,388
	<u>576,546</u>	<u>565,344</u>	<u>540,305</u>
Amount due from other former associated company (non-trade)	128,074	128,074	128,074
Provision for impairment	(128,074)	(128,074)	(128,074)
	<u>-</u>	<u>-</u>	<u>-</u>
Deposits	176,545	184,000	188,588
Provision for impairment	(81,317)	(106,423)	(111,249)
	<u>95,228</u>	<u>77,577</u>	<u>77,339</u>
Other receivables	530,480	391,097	314,101
Provision for impairment	(49,507)	(59,070)	(86,237)
	<u>480,973</u>	<u>332,027</u>	<u>227,864</u>
Funds placed with third parties (non-trade)	184,730	184,730	184,730
Provision for impairment	(184,730)	(184,730)	(184,730)
	<u>-</u>	<u>-</u>	<u>-</u>
Amount due from former Executive Directors of TRI (non-trade)	49,843	49,843	49,843
Provision for impairment	(49,843)	(49,843)	(49,843)
	<u>-</u>	<u>-</u>	<u>-</u>
	<u>2,763,385</u>	<u>1,995,040</u>	<u>1,544,845</u>

ACCOUNTANTS' REPORT OF THE CELCOM GROUP (Cont'd)

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

NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

20 TRADE AND OTHER RECEIVABLES (CONTINUED)

	<u>2019</u>	<u>2020</u>	<u>As at</u> <u>2021</u>
	RM'000	RM'000	RM'000
Trade and other receivables due within 12 months	2,266,110	1,458,683	1,071,308
Trade and other receivables due after 12 months	<u>497,275</u>	<u>536,357</u>	<u>473,537</u>
	<u>2,763,385</u>	<u>1,995,040</u>	<u>1,544,845</u>

Trade and other receivables due after 12 months relates to prepayment for transmission services, deferred credits to subscribers and deposits.

Information about the impairment of trade receivables and the Group's exposure to credit risk is disclosed in Note 31(b).

Movement in the contract assets is as follow:

	<u>2019</u>	<u>2020</u>	<u>As at</u> <u>2021</u>
	RM'000	RM'000	RM'000
As 1 January	167,629	151,662	137,107
Transfer to trade receivables	(155,705)	(164,583)	(157,100)
New subscriptions	158,158	170,890	173,990
Less: Provision for impairment	<u>(18,420)</u>	<u>(20,862)</u>	<u>(14,278)</u>
	<u>151,662</u>	<u>137,107</u>	<u>139,719</u>

The currency exposure profile for trade and other receivables are as follows:

	<u>2019</u>	<u>2020</u>	<u>As at</u> <u>2021</u>
	RM'000	RM'000	RM'000
- United States Dollar	57,756	31,793	15,376
- Special Drawing Rights	<u>3,016</u>	<u>382</u>	<u>496</u>
	<u>60,772</u>	<u>32,175</u>	<u>15,872</u>

ACCOUNTANTS' REPORT OF THE CELCOM GROUP (Cont'd)

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

NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

21 DEPOSITS, CASH AND BANK BALANCES

	<u>2019</u>	<u>2020</u>	<u>As at</u> <u>2021</u>
	RM'000	RM'000	RM'000
Cash on hand	92	104	107
Cash at banks	220,978	420,059	400,504
	<u>221,070</u>	<u>420,163</u>	<u>400,611</u>
Deposits under Islamic principles	409,915	983,348	882,363
Deposits with licensed banks	53,764	49,182	102,560
	<u>463,679</u>	<u>1,032,530</u>	<u>984,923</u>
Cash and bank balances	684,749	1,452,693	1,385,534
Deposits maturing more than three (3) months	(409,915)	-	-
Cash and cash equivalent	<u>274,834</u>	<u>1,452,693</u>	<u>1,385,534</u>

The Group placed its cash and bank balances with licensed financial institutions with rating ranging from P1 to P2 and P-2, P-1 to P-2 and P1, and P-1 to P-2 and P1 as at 31 December 2019, 31 December 2020 and 31 December 2021, respectively, in managing its credit exposure.

ACCOUNTANTS' REPORT OF THE CELCOM GROUP (Cont'd)

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

NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

21 DEPOSITS, CASH AND BANK BALANCES (CONTINUED)

The currency exposure profile for cash and bank balances is as follows:

	<u>2019</u>	<u>2020</u>	<u>As at</u> <u>2021</u>
	RM'000	RM'000	RM'000
- United States Dollar	1,229	9,739	14,193
- Euro	89	85	192
- Others	36	38	23
	<u>1,354</u>	<u>9,862</u>	<u>14,408</u>

The Group places overnight deposits with licensed banks.

During the financial year 31 December 2019, 31 December 2020, and 31 December 2021, the interest rates for fixed deposits and daily placements ranged from 3.1% to 4.2%, 1.75% to 2.15% and 1.75% to 2.20%, respectively per annum for the Group.

The deposits are placed mainly with a number of creditworthy financial institutions. There is no major concentration of deposits in any single financial institution. Maturity range of deposits are as follows:

(In days)	<u>Group</u>	
	From	To
Financial year ended 31 December 2021	Overnight	63
Financial year ended 31 December 2020	Overnight	90
Financial year ended 31 December 2019	Overnight	<u>366</u>

ACCOUNTANTS' REPORT OF THE CELCOM GROUP (Cont'd)

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

NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

22 BORROWINGS

	2019	2020	As at 2021
	RM'000	RM'000	RM'000
Current			
Sukuk (Unsecured) ⁽ⁱ⁾	1,248,870	581,379	624,969
Shareholder loans ⁽ⁱⁱ⁾	-	17,881	17,813
Commodity Murabahah Term Financing-i ("CMTF-i") (Unsecured) ⁽ⁱⁱⁱ⁾	4,562	-	-
	<u>1,253,432</u>	<u>599,260</u>	<u>642,782</u>
Non-current			
Sukuk (Unsecured) ⁽ⁱ⁾	2,291,904	1,748,965	1,150,000
Shareholder loans ⁽ⁱⁱ⁾	-	2,400,000	2,400,000
CMTF-i (Unsecured) ⁽ⁱⁱⁱ⁾	1,200,000	-	-
	<u>3,491,904</u>	<u>4,148,965</u>	<u>3,550,000</u>
	<u>4,745,336</u>	<u>4,748,225</u>	<u>4,192,782</u>
Total Borrowings			
- Sukuk (Unsecured) ⁽ⁱ⁾	3,540,774	2,330,344	1,774,969
- Shareholder loans ⁽ⁱⁱ⁾	-	2,417,881	2,417,813
- CMTF-i (Unsecured) ⁽ⁱⁱⁱ⁾	1,204,562	-	-
	<u>4,745,336</u>	<u>4,748,225</u>	<u>4,192,782</u>

(i) Sukuk

In August 2012, Celcom Networks Sdn Bhd ("Celcom Networks"), a wholly-owned subsidiary of the Company undertook a fund raising exercise through the issuance of RM5.0 billion nominal value Sukuk under a Sukuk Programme. The tenure of the Sukuk Programme ranges from 3 to 10 years from the date of the first issuance under the Sukuk Programme. The Sukuk Programme is rated AA+ by Malaysian Rating Corporation Berhad agency. The Sukuk is unsecured and was utilised primarily for the refinancing of the Group's existing debt as well as to finance the Group's capital expenditure and working capital requirements. The Sukuk Programme was issued under Islamic financing principle of Murabahah, a Shariah principle and concept approved by the SC Shariah Advisory Council.

During the financial year 2019, Celcom Networks completed the issuance as a new borrowing, CMTF-i amounting to RM1.2 billion to finance the repayment of Series 3 of Sukuk borrowing of RM1.5 billion which had fallen due.

During the financial year 2020, Celcom Networks finance the RM1.2 billion repayment of Sukuk Series 4 which had fallen-due on 28 August 2020 and the CMTF-i of RM1.2 billion with shareholder loans from Axiata.

During the financial year 2021, the Sukuk borrowings, which consists of Sukuk Series 5 and Sukuk Series 7 of RM400.0 million and RM150.0 million respectively, matured on 27 August 2021 and 28 October 2021 respectively. These borrowings were settled using internally generated funds.

ACCOUNTANTS' REPORT OF THE CELCOM GROUP (Cont'd)

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

NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

22 BORROWINGS (CONTINUED)

(i) Sukuk (continued)

The Sukuk Programme issuance as at 31 December is as follows:

Series	Interest rate	Tenure	Issue date	Maturity	Notional amount		
					2019 RM'000	2020 RM'000	2021 RM'000
Series 4	3.90%	8 years	29/08/2012	28/08/2020	1,200,000	-	-
Series 5	4.05%	9 years	29/08/2012	27/08/2021	400,000	400,000	-
Series 6	4.20%	10 years	29/08/2012	29/08/2022	400,000	400,000	400,000
Series 7	4.85%	5 years	28/10/2016	28/10/2021	150,000	150,000	-
Series 8	5.27%	10 years	28/10/2016	28/10/2026	350,000	350,000	350,000
Series 9	4.85%	5 years	29/08/2017	29/08/2022	200,000	200,000	200,000
Series 10	5.05%	7 years	29/08/2017	29/08/2024	350,000	350,000	350,000
Series 11	5.20%	10 years	29/08/2017	29/08/2027	450,000	450,000	450,000
					<u>3,500,000</u>	<u>2,300,000</u>	<u>1,750,000</u>

(ii) The shareholder loans as at 31 December 2020 and 2021 are as follows:

Tranche	Interest rate	Tenure	Issue date	Maturity	Notional amount RM'000
1	3.3%	10 years	28/08/2020	27/08/2030	1,200,000
2	3.6%	15 years	27/11/2020	27/08/2035	1,200,000
					<u>2,400,000</u>

(iii) The CMTF-i program as at 31 December 2019 is as follows:

	Interest rate	Tenure	Issue date	Maturity	Notional amount RM'000
Cost of Fund + 0.5%		3 years	27/08/2019	27/08/2022	<u>1,200,000</u>

The key financial covenants of the Sukuk and CMTF-i are as follows:

- The Group's Debts over Assets ratio shall, at all times, not exceed 1.8 times.
- Celcom Networks, the Issuers shall maintain an EBITDA ("Earnings Before Interest/Profit, Tax, Depreciation and Amortisation") to Borrowing/Financing Costs ratio of not less than 2.5 times.

The Group is in compliance with these covenants at each reporting date.

The Sukuk, shareholder loans and CMTF-i are denominated in Ringgit Malaysia.

ACCOUNTANTS' REPORT OF THE CELCOM GROUP (Cont'd)

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

NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

22 BORROWINGS (CONTINUED)

Maturity of borrowings

	As at		
	2019	2020	2021
	RM'000	RM'000	RM'000
Fixed-rate borrowings:			
Within 1 year	1,248,870	599,260	642,782
More than one year and less than two years	550,000	600,000	-
More than two years	1,741,904	3,548,965	3,550,000
	<u>3,540,774</u>	<u>4,748,225</u>	<u>4,192,782</u>
			As at
	2019	2020	2021
	RM'000	RM'000	RM'000
Floating-rate borrowings:			
Within 1 year	4,562	-	-
More than two years	1,200,000	-	-
	<u>1,204,562</u>	<u>-</u>	<u>-</u>

The carrying amounts and fair value of the fixed-rate borrowings are as follows:

	Carrying amount			As at Fair value		
	2019	2020	2021	2019	2020	2021
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Borrowings	3,540,774	4,748,225	4,192,782	3,622,270	4,779,500	3,969,460

The fair values are based on observable market data (level 2).

The Group's net movement of borrowings is as follows:

	As at		
	2019	2020	2021
	RM'000	RM'000	RM'000
As at 1 January	5,053,127	4,745,336	4,748,225
Repayment	(1,500,000)	(2,400,000)	(550,000)
Drawdown	1,200,000	2,400,000	-
Interest paid	(225,461)	(198,460)	(192,673)
Finance costs	217,670	201,349	187,230
As at 31 December	<u>4,745,336</u>	<u>4,748,225</u>	<u>4,192,782</u>

ACCOUNTANTS' REPORT OF THE CELCOM GROUP (Cont'd)

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

NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

23 TRADE AND OTHER PAYABLES

	<u>2019</u>	<u>2020</u>	<u>As at</u> <u>2021</u>
	RM'000	RM'000	RM'000
Trade payables	505,306	337,291	271,165
Amounts due to related companies	357,672	246,948	294,161
Other payables*	178,203	139,388	157,238
Accrued expenses	1,265,181	1,481,082	1,437,984
Contract liabilities	285,397	349,655	392,006
Accrued Universal Service Provision charges and business license	416,484	332,676	344,035
Provision for long term incentives	60,359	54,945	56,197
	<u>3,068,602</u>	<u>2,941,985</u>	<u>2,952,786</u>

The credit terms amounts due to related companies, trade payables and other payables vary from 30 to 60 days depending on the contract terms.

* Includes zakat provisions of RM1.1 million, RM1.4 million and RM1.1 million as at 31 December 2019, 31 December 2020, and 31 December 2021, respectively.

The currency exposure profile for trade and other payables is as follows:

	<u>2019</u>	<u>2020</u>	<u>As at</u> <u>2021</u>
	RM'000	RM'000	RM'000
- United States Dollar	86,794	38,715	33,912
- Euro	13	-	-
- Special Drawing Rights	6,010	276	586
	<u>92,817</u>	<u>38,991</u>	<u>34,498</u>

ACCOUNTANTS' REPORT OF THE CELCOM GROUP (Cont'd)

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

NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

23 TRADE AND OTHER PAYABLES (CONTINUED)

Movement in the contract liabilities is as follow:

	<u>2019</u>	<u>2020</u>	<u>As at</u> <u>2021</u>
	RM'000	RM'000	RM'000
At 1 January	295,053	285,397	349,655
Revenue recognised that was included in the contract liability balance at the beginning of the financial year	(295,053)	(285,397)	(349,655)
Increase due to cash received, excluding amounts recognised as revenue during the financial year	285,397	349,655	392,006
	<u>285,397</u>	<u>349,655</u>	<u>392,006</u>

24 SHARE CAPITAL

	<u>Number of Ordinary Shares</u>		
	<u>2019</u>	<u>2020</u>	<u>As at</u> <u>2021</u>
Ordinary shares paid up capital: As at 31 December	1,237,535	1,237,535	1,237,535

	<u>2019</u>	<u>2020</u>	<u>As at</u> <u>2021</u>
	RM'000	RM'000	RM'000
Ordinary shares paid up capital: As at 31 December	1,237,535	1,237,535	1,237,535

ACCOUNTANTS' REPORT OF THE CELCOM GROUP (Cont'd)

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

NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

25 DEFERRED TAXATION

Deferred tax assets and liabilities are off-set when there is a legally enforceable right to set-off current tax assets against current tax liabilities and when the deferred taxes relate to the same tax authority. The following amounts, determined after appropriate off-setting, are shown in the statement of financial position:

	<u>2019</u>	<u>2020</u>	<u>As at</u> <u>2021</u>
	RM'000	RM'000	RM'000
Deferred tax assets			
- To be recovered after more than 12 months	79,960	129,551	113,855
- To be realised within 12 months	184,221	154,775	112,190
	<u>264,181</u>	<u>284,326</u>	<u>226,045</u>
Deferred tax liabilities			
- To be recovered after more than 12 months	225,459	199,085	372,247
- To be recovered within 12 months	156,863	184,986	113,545
	<u>382,322</u>	<u>384,071</u>	<u>485,792</u>
At 1 January	157,649	118,141	99,745
Adjustment from the implementation of MFRS 16	(76,895)	-	-
At 1 January (Restated)	80,754	118,141	99,745
Current financial year charged to profit or loss arising from (Note 9):			
- Property, plant and equipment	(13,738)	(5,156)	102,721
- Provisions and others	(6,646)	49,294	2,301
- Contract assets	(3,833)	(3,491)	627
- Contract liabilities	2,318	(15,422)	(10,164)
- Tax losses	65,780	(41,739)	66,206
- Leases	(6,494)	(1,882)	(1,689)
Subtotal	<u>37,387</u>	<u>(18,396)</u>	<u>160,002</u>
At 31 December	<u>118,141</u>	<u>99,745</u>	<u>259,747</u>

ACCOUNTANTS' REPORT OF THE CELCOM GROUP (Cont'd)

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

NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

25 DEFERRED TAXATION (CONTINUED)

	<u>2019</u>	<u>2020</u>	<u>As at</u> <u>2021</u>
	RM'000	RM'000	RM'000
(a) Deferred tax assets			
Property, plant and equipment	3,341	8,984	6,851
Provisions and others [#]	314,575	265,281	262,980
Tax losses	24,467	66,206	-
Leases	83,389	85,271	86,960
Contract liabilities	68,495	83,917	94,081
	<u>494,267</u>	<u>509,659</u>	<u>450,872</u>
Offsetting	(230,086)	(225,333)	(224,827)
Deferred tax assets (after off-setting)	<u>264,181</u>	<u>284,326</u>	<u>226,045</u>

[#] Provision and others relates to timing differences due to bonus, USP, expected credit losses and others.

(b) Deferred tax liabilities

	<u>2019</u>	<u>2020</u>	<u>As at</u> <u>2021</u>
	RM'000	RM'000	RM'000
Property, plant and equipment	576,011	576,498	677,086
Contract assets	36,397	32,906	33,533
	<u>612,408</u>	<u>609,404</u>	<u>710,619</u>
Offsetting	(230,086)	(225,333)	(224,827)
Deferred tax liabilities (after offsetting)	<u>382,322</u>	<u>384,071</u>	<u>485,792</u>

ACCOUNTANTS' REPORT OF THE CELCOM GROUP (Cont'd)

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

NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

25 DEFERRED TAXATION (CONTINUED)

- (c) In accordance with the Malaysian Finance Act 2021 which was gazetted on 31 December 2021, the Group's unutilised tax losses can now be carried forward for ten (10) (2020: seven (7) years) consecutive years of assessment ("YAs"). This is effective retrospectively from YA2019. This existing unutilised tax losses previously carried forward up to YA2018 can now be carried forward until YA2028 (2020: YA2025).

The tax losses are available for set off against future taxable profit with a time limit of utilisation are as follows:

	<u>2019</u>	<u>2020</u>	<u>As at</u> <u>2021</u>
	RM'000	RM'000	RM'000
Expiring in the financial year ending:			
- 31 December 2025	248,874	273,351	-
- 31 December 2027	-	149,436	-
- 31 December 2028	-	-	146,928
	<u>248,874</u>	<u>422,787</u>	<u>146,928</u>

- (d) The unutilised tax losses and unabsorbed capital allowance of which no deferred tax asset is recognised in the statements of financial position are as follows:

	<u>2019</u>	<u>2020</u>	<u>As at</u> <u>2021</u>
	RM'000	RM'000	RM'000
Unutilised tax losses	146,928	146,928	146,928
Unabsorbed capital allowance	58,859	58,701	58,701
	<u>205,787</u>	<u>205,629</u>	<u>205,629</u>

The benefits of these tax losses and credits will only be obtained if the relevant subsidiaries derive future assessable income of a nature and amount sufficient for the benefits to be utilised.

ACCOUNTANTS' REPORT OF THE CELCOM GROUP (Cont'd)

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

NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

26 PROVISION FOR LIABILITIES

	<u>2019</u>	<u>2020</u>	<u>As at</u> <u>2021</u>
	RM'000	RM'000	RM'000
Provision for dismantling costs	124,716	171,630	174,158
Provision for long term incentives	59,135	37,746	1,208
	<u>183,851</u>	<u>209,376</u>	<u>175,366</u>

(a) Provision for dismantling costs

	<u>2019</u>	<u>2020</u>	<u>As at</u> <u>2021</u>
	RM'000	RM'000	RM'000
At 1 January	116,695	124,716	171,630
Current financial year	3,345	40,198	(463)
Accretion of interest	4,676	6,716	2,991
At 31 December	<u>124,716</u>	<u>171,630</u>	<u>174,158</u>

Provision for dismantling costs relates to dismantling, removal and site restoration costs of telecommunication sites and leased office and buildings. The provision is estimated using the assumption that decommissioning will only take place upon the expiry of the lease terms (inclusive of secondary terms) of 3 to 30 years.

(b) Provision for long term incentives

	<u>2019</u>	<u>2020</u>	<u>As at</u> <u>2021</u>
	RM'000	RM'000	RM'000
At 1 January	91,979	119,494	92,691
Current financial year	63,252	25,853	17,422
Accretion of interest	2,914	330	-
Payment made	(38,651)	(52,986)	(52,708)
At 31 December	119,494	92,691	57,405
Reclassified to short term liabilities (Note 23)	(60,359)	(54,945)	(56,197)
	<u>59,135</u>	<u>37,746</u>	<u>1,208</u>

Provision for long term incentives represent provision for cash based long term incentive compensation for employees. The payout is based on employee and Group's performance.

ACCOUNTANTS' REPORT OF THE CELCOM GROUP (Cont'd)

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

NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

27 LEASE LIABILITIES

	<u>2019</u>	<u>2020</u>	<u>As at</u> <u>2021</u>
	RM'000	RM'000	RM'000
Current	387,617	385,849	440,580
Non-Current	3,471,158	3,137,775	2,869,295
	<u>3,858,775</u>	<u>3,523,624</u>	<u>3,309,875</u>
<u>The movement in lease liabilities are as follows:</u>			
At 1 January	4,207,253	3,858,775	3,523,624
Additions*	27,932	455,204	201,178
Interest accrued	190,798	172,050	152,121
Termination*	-	(406,610)	-
Repayment:			
- principal	(376,410)	(383,745)	(414,927)
- interest expense	(190,798)	(172,050)	(152,121)
Lease liabilities	<u>3,858,775</u>	<u>3,523,624</u>	<u>3,309,875</u>

* During the financial year 2020, the Group entered into a new lease agreement for an office building. Concurrently, the previous agreement was terminated.

The Group leases office building, retail outlets and site spaces for installing network equipment on telecommunication structures. Rental contracts are typically between 3 to 30 years (inclusive of secondary terms). Lease terms are negotiated on an individual basis and contain a wide range of terms and conditions.

The Group is also exposed to potential future cash outflow on variable lease payments, which are not included in the lease liability until the event or condition that triggers those payment occurs. The variable lease payments are in relation to the number of equipment installed on network sites.

ACCOUNTANTS' REPORT OF THE CELCOM GROUP (Cont'd)

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

NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

28 DEFERRED INCOME

	<u>2019</u>	<u>2020</u>	<u>As at</u> <u>2021</u>
	RM'000	RM'000	RM'000
At 1 January	338,736	362,291	415,696
Addition	92,388	137,049	32,806
Amortisation	(68,833)	(83,644)	(208,245)
At 31 December	<u>362,291</u>	<u>415,696</u>	<u>240,257</u>

The deferred income mainly relates to the government grants received/receivable by the Group. RM41.3 million (2020: RM86.5 million, 2019: RM83.6 million) of the deferred income are expected to be realised within the next 12 months by the Group.

29 COMMITMENTS

Outstanding commitments at the statement of financial position date not provided for in the financial statements are as follows:

	<u>2019</u>	<u>2020</u>	<u>As at</u> <u>2021</u>
	RM'000	RM'000	RM'000
Capital expenditure for property, plant and equipment:			
Approved and contracted for	<u>426,043</u>	<u>522,542</u>	<u>829,609</u>

ACCOUNTANTS' REPORT OF THE CELCOM GROUP (Cont'd)

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

NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

30 CONTINGENT LIABILITIES

<u>Description</u>	<u>Potential exposure/ claims 2019, 2020 & 2021 RM million</u>
(a) <u>Celcom Malaysia Berhad (now known as Celcom Axiata Berhad) & Technology Resources Industries Berhad (now known as Celcom Resources Berhad) vs Tan Sri Dato' Tajudin Ramli & 6 others ("Conspiracy Suit")</u>	7,215

In 2008, Celcom Malaysia Berhad (now known as Celcom Axiata Berhad) ("Celcom") and Technology Resources Industries Berhad (now known as Celcom Resources Berhad) ("Celcom Resources") initiated a claim against 5 of its former directors, namely (i) Tan Sri Dato' Tajudin Ramli ("TSDTR"), (ii) Dato' Bistamam bin Ramli ("DBR"), (iii) Dato' Lim Kheng Yew ("DLKY"), (iv) Axel Hass ("AH"), and (v) Oliver Tim Axmann ("OTA") (the Defendants named in items (iv) and (v) are collectively referred to as the "DeTeAsia representatives"), as well as DeTeAsia Holding GmbH ("DeTeAsia"), and Beringin Murni Sdn. Bhd. ("collectively with the DeTeAsia representatives referred to as the Defendants") for conspiring with each other to injure Celcom and Celcom Resources by causing and/or committing them to enter into various agreements in relation to certain rights issue shares in Celcom Resources. Celcom and Celcom Resources are seeking damages for conspiracy against the Defendants. Celcom and Celcom Resources reached an amicable settlement with DLKY and the said companies filed their respective notice of discontinuance with no order as to costs and without liberty to file afresh against DLKY on 6 March 2015.

On 15 November 2021, Celcom and Celcom Resources reached an amicable settlement with DeTeAsia including the DeTeAsia representatives. The settlement was entered into without any admission of liability by the parties and pursuant to the above, Celcom and Celcom Resources filed their respective notice of discontinuance with no order as to costs and without liberty to file afresh against DeTeAsia and the DeTeAsia representatives. The Company has also received the settlement amount as at 31 December 2021.

Two (2) of the Defendants, TSDTR and DBR filed a counterclaim against Celcom and Celcom Resources seeking among others, payment of the sum of RM6,246.5 million or alternatively the sum of RM7,214.9 million together with interest, for damages for breach of an alleged global settlement involving, inter alia, the present action, and also for conspiracy and misrepresentation in inducing TSDTR to withdraw a counterclaim in another suit. Full trial of the case commenced on 22 January 2018. The trial against TSDTR and DBR for the Conspiracy Suit is still ongoing at the High Court level. Oral submissions by parties against TSDTR and DBR was heard by the Kuala Lumpur High Court on 20 April 2022. The Kuala Lumpur High Court has vacated the hearing date fixed on 7 June 2022. The hearing date has been fixed on 13 December 2022.

The Directors, based on legal advice received, are of the view that Celcom and Celcom Resources' prospects of successfully defending TSDTR and DBR's counterclaim for the Conspiracy Suit are reasonably good and that the Celcom and Celcom Resources do not expect there to be any outflow of resources embodying economic benefits in respect of the counterclaim.

ACCOUNTANTS' REPORT OF THE CELCOM GROUP (Cont'd)

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

NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

30 CONTINGENT LIABILITIES (CONTINUED)

<u>Description</u>	<u>Potential exposure/ claims 2019, 2020 & 2021 RM million</u>
<p>(b) <u>Celcom & Celcom Resources vs TSDTR & 8 others ("Indemnity Suit")</u></p> <p>In 2006, Celcom and Celcom Resources initiated a claim against 9 of its former directors, (namely (i) TSDTR, (ii) Bistamam, (iii) DLKY, (iv) Dieter Sieber ("DS"), (v) Frank-Reinhard Bartsch ("FRB"), (vi) Joachim Gronau, (vii) Joerg Andreas Boy ("JAB"), (viii) AH, and (ix) OTA, (the Defendants named in items (iv) to (ix) collectively referred to as the "DeTeAsia representatives") ("collectively referred to as Defendants") seeking inter alia, for indemnity in respect of the sums paid out to DeTeAsia under the Award dated 2 August 2005 handed down by the Tribunal of the International Court of Arbitration of the International Chamber of Commerce in Paris and damages for breach of their fiduciary duties. Celcom and Celcom Resources reached an amicable settlement with DLKY and the said companies filed their respective notice of discontinuance with no order as to costs and without liberty to file afresh against DLKY on 6 March 2015.</p> <p>On 15 November 2021, Celcom and Celcom Resources reached an amicable settlement with DeTeAsia including the DeTeAsia representatives. The settlement was entered into without any admission of liability by the parties and pursuant to the above, Celcom and Celcom Resources filed their respective notice of discontinuance with no order as to costs and without liberty to file afresh against DeTeAsia and the DeTeAsia representatives. The Company has also received the settlement amount as at 31 December 2021.</p> <p>Two (2) of the Defendants, TSDTR and DBR filed a counterclaim against Celcom and Celcom Resources seeking among others, payment of the sum of RM6,246.5 million or alternatively the sum of RM7,214.9 million together with interest, for damages for breach of an alleged global settlement involving, inter alia, the present action, and also for conspiracy and misrepresentation in inducing TSDTR to withdraw a counterclaim in another suit. Full trial of the case commenced on 22 January 2018 and is still on-going at the High Court level. The trial against TSDTR and DBR in relation to the Indemnity Suit is still ongoing at the High Court level. Oral submissions by parties against TSDTR and DBR was heard by the Kuala Lumpur High Court on 20 April 2022. The Kuala Lumpur High Court has vacated the hearing date fixed on 7 June 2022. The hearing date has been fixed on 13 December 2022.</p> <p>The Directors, based on legal advice received, are of the view that Celcom and Celcom Resources' prospects of successfully defending TSDTR and DBR's counterclaim for the Indemnity Suit are reasonably good and that the Celcom and Celcom Resources do not expect there to be any outflow of resources embodying economic benefits in respect of the counterclaim.</p>	<p>7,215</p>

ACCOUNTANTS' REPORT OF THE CELCOM GROUP (Cont'd)

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

NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

31 FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks through its normal operations, including:

- (a) Market risks
 - (i) Foreign exchange risk – risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.
 - (ii) Fair value interest rate risk – risk that the value of a financial instrument will fluctuate due to changes in market interest rates.
 - (iii) Cash flow interest rate risk – risk that future cash flows associated with a financial instrument will fluctuate. In the case of a floating rate debt instrument, such fluctuations result in a change in the effective interest rate of the financial instrument, usually without a corresponding change in its fair value.
- (b) Credit risk – risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.
- (c) Liquidity risk (funding risk) – risk that an entity will encounter difficulty in raising funds to meet commitments associated with financial instruments.

The Group's overall financial risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. Financial risk management is carried out through regular management monitoring of the Group risk management process to ensure that an appropriate balance of risk and control is achieved. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and Group's activities. Guidelines for authority levels and exposure limits are in place to prevent unauthorised transactions.

(a) Market risks

(i) Foreign exchange risk

Foreign exchange risk arises mainly from its operational purchase of services and capital expenditure.

The Group is not exposed to significant foreign exchange risk on its operating activities as most transactions and balances are denominated in Ringgit Malaysia except for certain cash and bank balances, receivables and payables which are denominated in United States Dollar.

ACCOUNTANTS' REPORT OF THE CELCOM GROUP (Cont'd)

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

NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

31 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Market risk (continued)

(i) Foreign exchange risk (continued)

The Group does not use derivative financial instruments to protect against the volatility associated with foreign currency transactions. Exposure to foreign currency risk is continuously monitored to keep the net exposure at an acceptable level. The Group's foreign currency exposure on its monetary financial assets and liabilities are disclosed in Notes 20, 21 and 23 to the financial statements.

At 31 December, if the currency had weakened/strengthened by 10% against the United States Dollar with all other variables held constant, the effects on profit after tax arising from the net financial liability/asset position will be as follows:

	← Increase/(Decrease) →		
	2019 RM'000	2020 RM'000	As at 2021 RM'000
United States Dollar against Ringgit Malaysia			
- Strengthened	(2,114)	214	(330)
- Weakened	2,114	(214)	330

(ii) Fair value and cash flow interest rate risk

The Group's borrowings taken by its subsidiaries to finance its operations as at 31 December 2019 comprised floating-rate CMTF-i borrowing and fixed-rate Sukuk borrowings and as at 31 December 2020 and 31 December 2021 comprised fixed-rate Sukuk borrowings and shareholder loans. The Group does not use financial derivatives to hedge against the interest rate risk. Management monitors the Group's interest rate profile on an ongoing basis.

The fixed-rate borrowings exposed the Group to fair value interest rate risk and the floating-rate borrowing exposed the Group to cash flow interest rate risk. If the interest rate on the floating-rate CMTF-i borrowing had increased/decreased by 25 basis points with all other variables held constant, this will result in a higher/lower interest expense of RM3 million for the year ended 31 December 2019.

(b) Credit risk

The Group's credit risks mainly arise from trade receivables, contract assets, other receivables, deposits and cash and bank balances.

Trade receivables and contract assets

Credit risks are minimised and monitored via limiting the Group's dealings with creditworthy customers. Credit risk of the Group is managed through formalised policy on credit assessment and approvals, credit limits and monitoring procedures. The Group has no significant concentration of credit risk from trade receivables and contract assets due to its diverse customer base.

ACCOUNTANTS' REPORT OF THE CELCOM GROUP (Cont'd)

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

NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

31 FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (continued)

Other receivables

The Group's credit risk also arises from other receivables including amounts due from related companies, deposits and others. The credit risk is managed through monitoring procedures.

Deposits, cash and bank balances

The Group places its cash at banks, deposits under islamic principles and deposits with licensed banks with creditworthy financial institutions. The Group's policies limit the concentration of financial exposure to any single financial institution. The credit quality of the financial institutions in respect of cash at banks, deposits under islamic principles and deposits with licensed banks is set out in Note 21.

The maximum credit risk exposure of financial assets of the Group are approximately their carrying amounts as at the end of the reporting period.

Measurement of ECL

(i) Trade receivables and contract assets using simplified approach

The expected loss rates are based on the payment profiles of sales over a period of 24 months before reporting date and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified Kuala Lumpur Interbank Offered Rate 3-month ("KLIB3M") and the Consumer Price Index (2020: KLIB3M, 2019: Gross domestic product growth rate) to be the most relevant factor, and accordingly adjusts the historical loss rates based on expected changes in these factors. At every reporting date, the historical loss rates are updated and changes in the forward-looking estimates are analysed.

(ii) Other receivables using general 3-stage approach

The Group uses three categories for other receivables which reflect their credit risk and how the loss allowance is determined for each of those categories. A summary of the assumptions underpinning the Group's ECL model is as follows:

Category	Group's definition of category	Basis of recognising ECL
Performing	Debtors have a low risk of default and a strong capacity to meet contractual cash flows	Twelve (12) month ECL
Underperforming	Debtors for which there is a significant increase in credit risk or significant increase in credit risk is presumed if interest and/or principal repayments are 120 days past due	Lifetime ECL
Non-performing	Interest and/or principal repayments are 365 days past due or there is evidence indicating the asset is credit-impaired	Lifetime ECL

ACCOUNTANTS' REPORT OF THE CELCOM GROUP (Cont'd)

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

NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

31 FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (continued)

Measurement of ECL (continued)

(ii) Other receivables using general 3-stage approach (continued)

Based on the above, loss allowance is measured on either twelve (12) month ECL or lifetime ECL using a PD x LGD x EAD methodology as follows:

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

In deriving the PD and LGD, the Group considers historical data by each debtor by category and adjusts for forward-looking macroeconomic data. Loss allowance is measured at a probability-weighted amount that reflects the possibility that a credit loss occurs and the possibility that no credit loss occurs. No significant changes to estimation techniques or assumptions were made during the reporting period.

Reconciliation of loss allowance

(i) Trade receivables and contract assets using simplified approach

The loss allowance for trade receivables and contract assets as at 31 December reconciles to the opening loss allowance for that provision as follows:

	Contract Assets			Trade receivables		
	2019 RM'000	2020 RM'000	2021 RM'000	2019 RM'000	2020 RM'000	2021 RM'000
Opening loss allowance as at 1 January	33,531	51,951	72,813	333,724	389,108	326,438
Increase in loss allowance recognised in profit or loss during the year	18,420	20,862	14,278	134,100	62,422	(14,194)
Receivables written off	-	-	-	(78,716)	(125,092)	-
Loss allowance as at 31 December	51,951	72,813	87,091	389,108	326,438	312,244

ACCOUNTANTS' REPORT OF THE CELCOM GROUP (Cont'd)

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

NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

31 FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (continued)

Reconciliation of loss allowance (continued)

(ii) Other receivables using general 3-stage approach

The loss allowance for other receivables as at 31 December reconciles to the opening loss allowance for that provision as follows:

	<u>2019</u>	<u>2020</u>	<u>Group</u>
	RM'000	RM'000	RM'000
Loss allowance as at 1 January	462,932	493,471	528,140
Increase in loss allowance recognised in profit or loss during the year	<u>30,539</u>	<u>34,669</u>	<u>31,993</u>
Loss allowance as at 31 December	<u><u>493,471</u></u>	<u><u>528,140</u></u>	<u><u>560,133</u></u>

ACCOUNTANTS' REPORT OF THE CELCOM GROUP (Cont'd)

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

NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

31 FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (continued)

Maximum exposure to credit risk

(i) Trade receivables and contract assets using simplified approach

The following table contains an analysis of the credit risk exposure of financial instruments for which an ECL allowance is recognised. The gross carrying amount of financial assets below also represents the Group's maximum exposure to credit risk on these assets:

	Current RM'000	> 30 days RM'000	> 60 days RM'000	> 90 days RM'000	> 120 days RM'000	Total RM'000
<u>Group</u>						
<u>31 December 2019</u>						
Expected loss rate*	10.6% - 20.2%	19.3% - 33.0%	62.8% - 67.6%	95.6% - 98.2%	95.6% - 98.2%	
Gross carrying amount						
- trade receivables	526,378	92,214	44,605	41,913	352,440	1,057,550
- contract assets	203,613	-	-	-	-	203,613
Loss allowance						
- trade receivables	(110,541)	(14,326)	(15,795)	(19,224)	(229,222)	(389,108)
- contract assets	(51,951)	-	-	-	-	(51,951)
Carrying amount	567,499	77,888	28,810	22,689	123,218	820,104

* The expected loss rate comprises trade receivable and contract assets customers with different risk profiles and excludes individual specific loss rate.

ACCOUNTANTS' REPORT OF THE CELCOM GROUP (Cont'd)

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

NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

31 FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (continued)

Maximum exposure to credit risk (continued)

(i) Trade receivables and contract assets using simplified approach (continued)

The following table contains an analysis of the credit risk exposure of financial instruments for which an ECL allowance is recognised. The gross carrying amount of financial assets below also represents the Group's maximum exposure to credit risk on these assets: (continued)

	<u>Current</u> RM'000	> 30 <u>days</u> RM'000	> 60 <u>days</u> RM'000	> 90 <u>days</u> RM'000	> 120 <u>days</u> RM'000	<u>Total</u> RM'000
<u>Group</u>						
<u>31 December 2020</u>						
Expected loss rate*	10.2% - 20.9%	19.2% - 31.6%	63.3% - 63.6%	97.3% - 99.2%	97.3% - 99.2%	
Gross carrying amount						
- trade receivables	418,730	95,553	33,607	43,185	275,552	866,627
- contract assets	209,920	-	-	-	-	209,920
Loss allowance						
- trade receivables	(117,938)	(10,848)	(8,838)	(11,929)	(176,885)	(326,438)
- contract assets	(72,813)	-	-	-	-	(72,813)
Carrying amount	437,899	84,705	24,769	31,256	98,667	677,296

* The expected loss rate comprises trade receivable and contract assets customers with different risk profiles and excludes individual specific loss rate.

ACCOUNTANTS' REPORT OF THE CELCOM GROUP (Cont'd)

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

NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

31 FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (continued)

Maximum exposure to credit risk (continued)

(i) Trade receivables and contract assets using simplified approach (continued)

The following table contains an analysis of the credit risk exposure of financial instruments for which an ECL allowance is recognised. The gross carrying amount of financial assets below also represents the Group's maximum exposure to credit risk on these assets: (continued)

	<u>Current</u> RM'000	> 30 <u>days</u> RM'000	> 60 <u>days</u> RM'000	> 90 <u>days</u> RM'000	> 120 <u>days</u> RM'000	<u>Total</u> RM'000
<u>Group</u>						
<u>31 December 2021</u>						
Expected loss rate*	9.7% - 19.9%	18.8% - 30.2%	62.8% - 63.8%	95.0% - 99.6%	95.0% - 99.6%	
Gross carrying amount						
- trade receivables	597,823	64,875	16,099	14,233	173,252	866,282
- contract assets	226,810	-	-	-	-	226,810
Loss allowance						
- trade receivables	(148,330)	(11,211)	(3,977)	(12,273)	(136,453)	(312,244)
- contract assets	(87,091)	-	-	-	-	(87,091)
Carrying amount	589,212	53,664	12,122	1,960	36,799	693,757

* The expected loss rate comprises trade receivable and contract assets customers with different risk profiles and excludes individual specific loss rate.

ACCOUNTANTS' REPORT OF THE CELCOM GROUP (Cont'd)

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

NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

31 FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (continued)

Maximum exposure to credit risk (continued)

(ii) Other receivables using the general 3-stage approach

The following table contains an analysis of the credit risk exposure of other receivables for which an ECL allowance is recognised. The gross carrying amount of other receivables disclosed below also represents the Group's maximum exposure to credit risk on these assets:

	Average expected credit loss rate	Basis for recognition of expected credit loss provision	Estimated gross carrying amount at default RM'000	Loss allowance RM'000	Carrying amount (net of impairment provision) RM'000
<u>31 December 2019</u>					
Performing	-	12 month ECL	1,268,865	-	1,268,865
Underperforming	42%	Lifetime ECL	252,816	(106,332)	146,484
Non-performing	100%	Lifetime ECL	387,139	(387,139)	-
			<u>1,908,820</u>	<u>(493,471)</u>	<u>1,415,349</u>
<u>31 December 2020</u>					
Performing	-	12 month ECL	609,776	-	609,776
Underperforming	47%	Lifetime ECL	300,346	(141,001)	159,345
Non-performing	100%	Lifetime ECL	387,139	(387,139)	-
			<u>1,297,261</u>	<u>(528,140)</u>	<u>769,121</u>
<u>31 December 2021</u>					
Performing	-	12 month ECL	249,587	-	249,587
Underperforming	73%	Lifetime ECL	238,087	(172,974)	65,113
Non-performing	100%	Lifetime ECL	387,159	(387,159)	-
			<u>874,833</u>	<u>(560,133)</u>	<u>314,700</u>

ACCOUNTANTS' REPORT OF THE CELCOM GROUP (Cont'd)

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

NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

31 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. In the management of liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group's operations and where required, mitigate the effects of fluctuation in cash flows.

As at 31 December 2021, the Group's current liabilities exceeded its current assets by RM1,425.9 million (2020: RM929.5 million, 2019: RM1,666.1 million). Total current liabilities of the Group includes RM642.8 million of borrowings and RM440.6 million of lease liabilities.

The Sukuk Programme (Programme) was launched on 29 August 2012 and to date RM6,500.0 million has been raised under the programme. In December 2021, the Malaysian Rating Corporation Berhad affirmed the Sukuk Programme rating to be AA+ with a stable outlook. As at 31 December 2021 the Group has RM3,250.0 million that is available for issuance under the Programme. The Group is able to issue new Sukuk under the Programme to finance its capital expenditure and/or working capital. Any issuance of new Sukuk will be subject to market conditions such as market liquidity and market lending rates at the point of issuance. The Group is confident that it will be able to successfully issue the available amounts under the Programme, if needed, in the next twelve (12) months from the date of the financial statements, in view of the affirmed rating of AA+ and the Group's financial performance.

The Group has obtained a new short-term revolving credit (STRC-i) facility of RM450 million on 29 August 2022 to repay its Sukuk Murabahah as disclosed in Note 37 (g). Whenever necessary, the Group will consider other short-term funding facilities for working capital purposes. The Group's net cash flow generated from operating activities for the financial year 2021 was RM2,911.8 million (2020: RM2,741.7 million, 2019: RM2,023.3 million). In addition, Celcom Group's deposits, cash and bank balances as at 31 December 2021 was RM1,385.5 million (2020: RM1,452.7 million, 2019: RM684.7 million).

The Group's twelve (12) month cash flow forecasts have been prepared taking into account expected revenue growth and past performance. Based on these cash flow forecasts and available undrawn facilities, the Group is able to generate sufficient cash flows for the next twelve (12) months from the date of the financial statements to meet operational and financing needs including capital commitments set out in Note 29 as and when they fall due in the next twelve (12) months from the date of the financial statements.

ACCOUNTANTS' REPORT OF THE CELCOM GROUP (Cont'd)

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

NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

31 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Liquidity risk (continued)

The table below analyses the Group's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

Group

	Less than 1 year RM'000	Between 1 and 2 years RM'000	Between 2 and 5 years RM'000	Over 5 years RM'000	Total contractual undiscounted cash flows RM'000	Total carrying amount RM'000
<u>At 31 December 2019</u>						
Trade payables	505,306	-	-	-	505,306	505,306
Amounts due to related companies	357,672	-	-	-	357,672	357,672
Other payables	127,310	-	-	-	127,310	127,310
Accrued expenses	1,202,596	-	-	-	1,202,596	1,202,596
Borrowings	1,406,910	709,775	2,388,121	907,090	5,411,896	4,745,336
Lease liabilities	560,861	537,509	1,514,277	2,286,727	4,899,374	3,858,775
	<u>4,160,655</u>	<u>1,247,284</u>	<u>3,902,398</u>	<u>3,193,817</u>	<u>12,504,154</u>	<u>10,796,995</u>
<u>At 31 December 2020</u>						
Trade payables	337,291	-	-	-	337,291	337,291
Amounts due to related companies	246,948	-	-	-	246,948	246,948
Other payables	92,333	-	-	-	92,333	92,333
Accrued expenses	1,393,855	-	-	-	1,393,855	1,393,855
Borrowings	742,295	768,820	759,285	3,884,445	6,154,845	4,748,225
Lease liabilities	537,971	514,004	1,479,321	1,865,227	4,396,523	3,523,624
	<u>3,350,693</u>	<u>1,282,824</u>	<u>2,238,606</u>	<u>5,749,672</u>	<u>12,621,795</u>	<u>10,342,276</u>

ACCOUNTANTS' REPORT OF THE CELCOM GROUP (Cont'd)

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

NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

31 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Liquidity risk (continued)

	Less than 1 year RM'000	Between 1 and 2 years RM'000	Between 2 and 5 years RM'000	Over 5 years RM'000	Total contractual undiscounted cash flows RM'000	Total carrying amount RM'000
<u>At 31 December 2021</u>						
Trade payables	271,165	-	-	-	271,165	271,165
Amounts due to related companies	294,161	-	-	-	294,161	294,161
Other payables	103,247	-	-	-	103,247	103,247
Accrued expenses	1,300,516	-	-	-	1,300,516	1,300,516
Borrowings	768,820	142,320	1,082,420	3,384,067	5,377,627	4,192,782
Lease liabilities	576,696	557,137	1,488,062	1,393,061	4,014,956	3,309,875
	<u>3,314,605</u>	<u>699,457</u>	<u>2,570,482</u>	<u>4,777,128</u>	<u>11,361,672</u>	<u>9,471,746</u>

(d) Capital risk management

The Group's capital is managed by Axiata.

Axiata monitors capital on the basis of the gearing ratios of its respective subsidiaries. This ratio is calculated as net debt by total capital. Net debt is calculated as total borrowings (including 'current and non-current borrowings' as shown in the consolidated statement of financial position) less cash and bank balances, and total equity is calculated as 'equity' in the consolidated statement of financial position.

The Group's objective when managing capital is to safeguard the Group's abilities to continue as a going concern while at the same time provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

ACCOUNTANTS' REPORT OF THE CELCOM GROUP (Cont'd)

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

NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

31 FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Capital risk management (continued)

The gearing ratios were as follows:

	<u>2019</u> RM'000	<u>2020</u> RM'000	<u>2021</u> RM'000
Total borrowings (Note 22)	4,745,336	4,748,225	4,192,782
Less: Cash and bank balances (Note 21)	(684,749)	(1,452,693)	(1,385,534)
Net debt	4,060,587	3,295,532	2,807,248
Total equity	362,491	299,483	233,805
Total capital	<u>4,423,078</u>	<u>3,595,015</u>	<u>3,041,053</u>
Gearing ratio	<u>91.8%</u>	<u>91.7%</u>	<u>92.3%</u>

(e) Fair value estimation

The carrying amounts of financial assets and liabilities classified within current assets and current liabilities approximate their fair values due to the relatively short term nature of these financial instruments.

The table below analyses financial instruments carried and disclosed at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identified assets or liabilities (level 1)
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices, level 2)
- Inputs for the asset or liability that are not based on observable market data (that is unobservable inputs, level 3)

The following table represents the fair value level of the financial assets and liabilities that are measured and disclosed at fair value as at the statement of financial position date.

	<u>Level 1</u> RM'000	<u>Level 2</u> RM'000	<u>Level 3</u> RM'000	<u>Total</u> RM'000
<u>At 31 December 2019</u>				
<u>Group</u>				
Financial assets at fair value through profit or loss:				
Trading securities	13	-	-	13
Financial assets at fair value through other comprehensive income:				
Equity securities	-	-	50	50
	<u>13</u>	<u>-</u>	<u>50</u>	<u>63</u>

ACCOUNTANTS' REPORT OF THE CELCOM GROUP (Cont'd)

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

NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

31 FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Fair value estimation (continued)

	<u>Level 1</u> RM'000	<u>Level 2</u> RM'000	<u>Level 3</u> RM'000	<u>Total</u> RM'000
<u>At 31 December 2020</u>				
<u>Group</u>				
Financial assets at fair value through profit or loss:				
Trading securities	17	-	-	17
Financial assets at fair value through other comprehensive income:				
Equity securities	-	-	50	50
	<u>17</u>	<u>-</u>	<u>50</u>	<u>67</u>
<u>At 31 December 2021</u>				
<u>Group</u>				
Financial assets at fair value through profit or loss:				
Trading securities	26	-	-	26
Derivative financial instrument ¹	-	43,342	-	43,342
	<u>26</u>	<u>43,342</u>	<u>-</u>	<u>43,368</u>

¹ The determination of the fair value of derivative financial instrument that are linked to and must be settled by delivery of unquoted equity instruments is subjective and involves significant estimates due to the use of assumptions and certain unobservable inputs. The Group's and the Company's derivative financial instrument was valued using the Black Scholes Model and is sensitive to data inputs including stock price, dividend yield and volatility.

ACCOUNTANTS' REPORT OF THE CELCOM GROUP (Cont'd)

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

NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

31 FINANCIAL RISK MANAGEMENT (CONTINUED)

(f) Off-setting financial assets and financial liabilities

GroupFinancial assets

The following financial assets, which is included as part of trade and other receivables are subject to offsetting, enforceable master netting arrangements and similar agreements.

	<u>Gross amounts of recognised financial assets</u> RM'000	<u>Gross amounts of recognised financial liabilities set-off in the statement of financial position</u> RM'000	<u>Net amounts of recognised financial assets presented in the statement of financial position</u> RM'000
<u>At 31 December 2019</u>			
Trade receivables			
- Interconnect	171,637	(43,907)	127,730
Amounts due from related companies			
- Site rental	60,885	(12,271)	48,614
Amounts due from holding company	<u>926,261</u>	<u>(135,727)</u>	<u>790,534</u>
<u>At 31 December 2020</u>			
Trade receivables			
- Interconnect	168,439	(10,483)	157,956
Amounts due from related companies			
- Site rental	12,271	(12,271)	-
Amounts due from holding company	<u>637,234</u>	<u>(294,438)</u>	<u>342,796</u>
<u>At 31 December 2021</u>			
Trade receivables			
- Interconnect	30,420	(11,831)	18,589
Amounts due from related companies			
- Site rental	12,271	(12,271)	-
Amounts due from holding company	<u>188,274</u>	<u>(182,694)</u>	<u>5,580</u>
	108		
	534		



ACCOUNTANTS' REPORT OF THE CELCOM GROUP (Cont'd)

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

NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

31 FINANCIAL RISK MANAGEMENT (CONTINUED)

(f) Off-setting financial assets and financial liabilities (continued)

GroupFinancial liabilities

The following financial liabilities, which is included as part of trade and other payables are subject to offsetting, enforceable master netting arrangements and similar agreements.

	<u>Gross amounts of recognised financial liabilities</u> RM'000	<u>Gross amounts of recognised financial assets set-off in the statement of financial position</u> RM'000	<u>Net amounts of recognised financial liabilities presented in the statement of financial position</u> RM'000
<u>At 31 December 2019</u>			
Trade payables			
- Interconnect	(94,087)	43,907	(50,180)
Amounts due to related companies			
- Site rental	(369,943)	12,271	(357,672)
Amounts due to holding company	(135,727)	135,727	-
	<u>(599,757)</u>	<u>191,905</u>	<u>(407,852)</u>
<u>At 31 December 2020</u>			
Trade payables			
- Interconnect	(42,773)	10,483	(32,290)
Amounts due to related companies			
- Site rental	(134,894)	12,271	(122,623)
Amounts due to holding company	(294,438)	294,438	-
	<u>(472,105)</u>	<u>317,192</u>	<u>(154,913)</u>
<u>At 31 December 2021</u>			
Trade payables			
- Interconnect	(20,576)	11,831	(8,745)
Amounts due to related companies			
- Site rental	(147,882)	12,285	(135,597)
Amounts due to holding company	(182,694)	182,694	-
	<u>(351,152)</u>	<u>206,800</u>	<u>(144,352)</u>

ACCOUNTANTS' REPORT OF THE CELCOM GROUP (Cont'd)

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

NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

32 RELATED PARTY TRANSACTIONS

The Company is a wholly-owned subsidiary of Axiata.

Transactions with related companies comprise transactions between the Group and fellow subsidiaries of Axiata such as PT XL Axiata Tbk, Smart Axiata Co. Ltd., Dialog Axiata Plc, Axiata Management Services Sdn. Bhd., edotco Malaysia Sdn. Bhd. Group, Axiata Digital Services Sdn. Bhd., Axiata Business Services Sdn. Bhd., Ncell Axiata Limited and Robi Axiata Limited.

Transactions with associated company and joint ventures comprise transactions between the Group and Sacofa Sdn. Bhd., Tune Talk Sdn. Bhd. and Merchantrade Asia Sdn. Bhd.

Key management is categorised as head or senior management officers of key operating divisions within the Group. Key management compensation is disclosed in Note 32(e) below.

(a) Sale of goods and services

	<u>2019</u>	<u>2020</u>	<u>Group</u>
	RM'000	RM'000	2021
			RM'000
<u>Related companies</u>			
Interconnect and roaming charges	55,851	41,513	13,328
Telecommunication services	25,437	27,027	29,815
	<u> </u>	<u> </u>	<u> </u>
<u>Joint ventures companies</u>			
Telecommunications services	135,128	244,322	281,726
	<u> </u>	<u> </u>	<u> </u>

ACCOUNTANTS' REPORT OF THE CELCOM GROUP (Cont'd)

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

NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

32 RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Purchase of services

	<u>2019</u>	<u>2020</u>	<u>Group</u> <u>2021</u>
	RM'000	RM'000	RM'000
<u>Holding company</u>			
Services recharged	14,025	10,858	13,469
<u>Related companies</u>			
Interconnect and roaming charges	108,894	64,045	18,348
Infrastructure related lease, site rental and services	623,357	578,507	652,537
Marketing and content	18,980	48,848	18,966
Information technology services	-	58,194	44,019
Tower enhancement services	38,511	39,128	13,513
	<u>789,742</u>	<u>788,722</u>	<u>747,383</u>
<u>Associated company</u>			
(i) Leased line and maintenance fees	34,343	31,544	40,236
(ii) Others	45,468	44,580	47,899
	<u>79,811</u>	<u>76,124</u>	<u>88,135</u>
<u>Joint ventures companies</u>			
Revenue sharing	4,352	1,161	1,163

ACCOUNTANTS' REPORT OF THE CELCOM GROUP (Cont'd)

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

NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

32 RELATED PARTY TRANSACTIONS (CONTINUED)

	<u>2019</u>	<u>2020</u>	<u>Group</u> <u>2021</u>
	RM'000	RM'000	RM'000
(c) Interest charged			
Interest income on advances to immediate holding company	24,578	21,766	14,611
Interest expense on shareholders loan	-	17,881	82,800
	<u> </u>	<u> </u>	<u> </u>
(d) Year-end balances arising from sale/purchases of goods/services, advances and payments/collections on behalf			
	<u>2019</u>	<u>2020</u>	<u>Group</u> <u>2021</u>
	RM'000	RM'000	RM'000
Receivables from:			
- Holding company	790,534	342,796	5,580
- Subsidiaries	-	-	-
- Related companies	48,614	16,721	3,917
- Joint ventures companies	47,775	42,417	20,064
	<u> </u>	<u> </u>	<u> </u>
Payables to:			
- Related companies	357,672	246,948	294,161
	<u> </u>	<u> </u>	<u> </u>

ACCOUNTANTS' REPORT OF THE CELCOM GROUP (Cont'd)

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

NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

32 RELATED PARTY TRANSACTIONS (CONTINUED)

(e) Key management compensation

Key management personnel are the persons who have authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly. Key management personnel of the Group are the Chief Officers and Heads of Divisions.

Remuneration of key management is disclosed below:

	<u>2019</u>	<u>2020</u>	<u>Group</u> <u>2021</u>
	RM'000	RM'000	RM'000
Salaries and other short-term employee benefits			
- Salaries	23,177	24,455	23,114
- Contribution to employees provident funds	3,476	3,551	4,232
- Other allowances and emoluments	14,185	15,829	24,956
- Estimated money value of benefits	195	52	59
Total	<u>41,033</u>	<u>43,887</u>	<u>52,361</u>

Executive Directors' remuneration as disclosed in Note 6 is included in the key management compensation.

(f) Government-related entities

The Government of Malaysia and bodies controlled or jointly-controlled by the Government of Malaysia are related parties of the Group. The Government of Malaysia has significant influence over the Group. The Group enters into transactions with many of these bodies, which include but are not limited to:

- Receiving telecommunications services, including interconnection revenue/charges
- Purchasing of goods, including use of public utilities and amenities
- Placing of bank deposits

The Group has established its procurement policies and approval processes for purchases of products and services, which do not depend on whether the counterparties are Government-related entities or not.

The Group provides telecommunications services as part of its ordinary operations. The Group has made transactions, which are collectively, but not individually significant, with these Government-related entities. These telecommunications services are carried out on commercial terms that are consistently applied to all customers.

ACCOUNTANTS' REPORT OF THE CELCOM GROUP (Cont'd)

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

NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

33 FINANCIAL INSTRUMENTS BY CATEGORY

<u>Group</u>	<u>2019</u> RM'000	<u>2020</u> RM'000	<u>2021</u> RM'000
<u>Assets in statement of financial position, categorised as amortised cost</u>			
Trade and other receivables (excluding prepayments and contract assets)	2,083,791	1,309,310	868,738
Cash and bank balances	684,749	1,452,693	1,385,534
	<u>2,768,540</u>	<u>2,762,003</u>	<u>2,254,272</u>
Assets in statement of financial position, categorised as financial assets at fair value through other comprehensive income	50	50	-
Assets in statement of financial position, categorised as fair value through profit or loss	13	17	43,368
<u>Liabilities in statement of financial position, categorised as other financial liabilities at amortised cost</u>			
Borrowings	4,745,336	4,748,225	4,192,782
Trade and other payables (excluding statutory liabilities, provisions for liabilities and contract liabilities)	2,192,884	2,070,427	1,969,089
	<u>6,938,220</u>	<u>6,818,652</u>	<u>6,161,871</u>

ACCOUNTANTS' REPORT OF THE CELCOM GROUP (Cont'd)

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

NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

34 DIVIDENDS

	<u>2019</u>	<u>2020</u>	<u>Group</u>
	RM'000	RM'000	2021
			RM'000
In respect of the financial year ended 31 December 2018			
- interim single-tier-tax-exempt dividend of RM0.24 per share on 1,237,534,681 shares paid on 28 March 2019	297,008	-	-
In respect of the financial year ended 31 December 2019			
- interim single-tier-tax-exempt dividend of RM0.1616 per share on 1,237,534,681 shares paid on 6 December 2019	199,986	-	-
In respect of the financial year ended 31 December 2020			
- interim single-tier-tax-exempt dividend of RM0.202 per share on 1,237,534,681 shares paid on 7 April 2020	-	249,982	-
In respect of the financial year ended 31 December 2020			
- interim single-tier-tax-exempt dividend of RM0.404 per share on 1,237,534,681 shares paid on 2 December 2020	-	499,964	-
In respect of the financial year ended 31 December 2021			
- interim single-tier-tax-exempt dividend of RM0.2828 per share on 1,237,534,681 shares paid on 24 August 2021	-	-	349,975
In respect of the financial year ended 31 December 2021			
- interim single-tier-tax-exempt dividend of RM0.2828 per share on 1,237,534,681 shares paid on 30 November 2021	-	-	349,975
In respect of the financial year ended 31 December 2021			
- interim single-tier-tax-exempt dividend of RM0.2425 per share on 1,237,534,681 shares paid on 31 December 2021	-	-	300,102
	<u>496,994</u>	<u>749,946</u>	<u>1,000,052</u>

On 2 November 2021 and as disclosed in Note 15, the Company had distributed a non-cash asset being an investment in a joint venture of RM18,792,000 to Axiata Group Berhad.

The Directors do not recommend the payment of a final dividend for the current financial year.

ACCOUNTANTS' REPORT OF THE CELCOM GROUP (Cont'd)

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

NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

35 CHANGES IN ACCOUNTING POLICIES

Applied from 1 January 2019

(a) Measurement of lease liabilities

The Group's adoption of MFRS 16 from 1 January 2019 resulted in changes in accounting policies and adjustment to the Group's financial position as at 1 January 2019. The new accounting policies under MFRS 16 are set out in Note H to the financial statements.

The impact of the adoption of the new standard MFRS 16 by the Group is set out below:

	As previously reported RM'000	Reclassification RM'000	Adjustments RM'000	As restated RM'000
Total equity:				
Reserves				
-Accumulated losses	991,129	-	244,132	1,235,261
Net assets:				
Property, plant and equipment	4,432,463	(27,282)	-	4,405,181
ROU assets	-	27,282	3,886,226	3,913,508
Lease liabilities	-	-	(4,207,253)	(4,207,253)
Deferred taxation, net	(157,649)	-	76,895	(80,754)

In the previous year, the Group only recognised lease assets and lease liabilities in relation to leases that were classified as 'finance leases' under MFRS 117 "Leases"

The Group has applied MFRS 16 with the date of initial application of 1 January 2019 by applying the simplified retrospective transition method.

Under the simplified retrospective transition method, the 2018 comparative information was not restated and the cumulative effects of initial application of MFRS 16 where the Group, a lessee were recognised as an adjustment to the opening balance of retained earnings as at 1 January 2019. The comparative information continued to be reported under the previous accounting policies governed under MFRS 117 'Leases' and IC Interpretation 4 'Determining whether an Arrangement Contains a Lease'.

On adoption of MFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of MFRS 117 "Leases". These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The Group's weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 4.7% depending on the lease term of the contracts.

ACCOUNTANTS' REPORT OF THE CELCOM GROUP (Cont'd)

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

NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

35 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

Applied from 1 January 2019 (continued)

(a) Measurement of lease liabilities (continued)

For leases previously classified as finance leases the Group recognised the carrying amount of the lease asset and lease liability immediately before transition, which were measured applying MFRS 117 as the carrying amount of the right of use asset and the lease liability at the date of initial application. The measurement principles of MFRS 16 are only applied after that date.

(a) Practical expedient applied

In applying MFRS 16 for the first time, the Group has applied the following practical expedients permitted by the standards:

- applying a single discount rate to a portfolio of leases with reasonably similar characteristics;
- relying on previous assessments on whether leases are onerous as an alternative to performing an impairment review – there were no onerous contracts as at 1 January 2019;
- excluding initial direct costs for remeasurement of ROU assets at the date of initial application;
- accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases; and
- using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Group has also elected not to reassess whether a contract is or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying MFRS 117 and Interpretation 4 "Determining whether an Arrangement contains a Lease".

ACCOUNTANTS' REPORT OF THE CELCOM GROUP (Cont'd)

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

NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

35 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

Applied from 1 January 2019 (continued)

(a) Measurement of lease liabilities (continued)

The reconciliation between the operating lease commitments disclosed applying MFRS 117 at 31 December 2018 to the lease liabilities recognised at 1 January 2019 is as below:

	Group RM'000
Operating lease commitments disclosed as at 31 December 2018	4,398,775
Less: Short-term leases not recognised as a liability	(47,613)
Add: Existing leases contracts as at 31 December 2018 previously not included in the operating lease commitments	534,185
	<u>4,885,347</u>
Discounted using the lessee's incremental borrowings rate of at the date of application	3,794,228
Add: adjustments as a result of different treatment of extension options	413,025
Lease liability recognised as at 1 January 2019	<u>4,207,253</u>
Of which are:	
Non-current	365,460
Current	3,841,793
	<u>4,207,253</u>

(b) Measurement of right-of-use assets

The associated right-of-use assets for land, buildings and telecommunication equipment leases were measured on a retrospective basis as if the new rules had always been applied. Other right-of-use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at 31 December 2018.

36 SIGNIFICANT EVENTS DURING THE PERIOD

(a) COVID-19 (Coronavirus Disease 2019)

Late in 2019, news first emerged from China about the COVID-19. The situation at the end of year 2019 was that a limited number of cases of an unknown virus had been reported to the World Health Organisation. In the first few months of 2020, the virus spread globally including Malaysia. Due to the increased number of cases several restrictions were placed in year 2020. Whilst these restrictions did cause disruptions in operations, the impact to the Group was not significant as the mobile telecommunication services were deemed as essential services and allowed to operate under strict Standard Operating Policies. The restrictions continued until October 2021. The Group's results for year 2021 is also not significantly impacted due to these restrictions.

ACCOUNTANTS' REPORT OF THE CELCOM GROUP (Cont'd)

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

NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

36 SIGNIFICANT EVENTS DURING THE PERIOD (CONTINUED)

(b) Proposed merger between Celcom Axiata Berhad and Digi.Com Berhad

On 8 April 2021, Axiata announced that Axiata and Telenor Asia Pte Ltd ("Telenor Asia") (collectively, the "Parties") are in advanced discussions to undertake a merger of the telco operations of Celcom and Digi (a company listed on the Main Market of Bursa Malaysia Securities Berhad), in which Axiata and Telenor Asia will have equal ownership of the combined entity ("MergeCo") estimated at 33.10% each ("Proposed Merger").

On 21 June 2021, Axiata announced that the Parties have successfully concluded the due-diligence exercise and signed the following agreements for the Proposed Merger:

- (i) conditional share purchase agreement with Digi ("SPA"); and
- (ii) master transaction agreement with Telenor Asia and Telenor ASA ("Telenor") ("MTA").

On the closing of the SPA, Axiata intends to enter into a 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 ("SHA").

(The SPA, MTA and the agreed form of the SHA are collectively referred to as the "Transaction Agreements").

At completion, the merger of Celcom and Digi will result in Axiata receiving newly issued ordinary shares in Digi, representing 33.10% of the enlarged issued share capital of Digi, cash consideration of RM2.0 billion adjusted with movement in net debt and working capital of which RM1.7 billion from Digi as new debt and RM297.9 million from Telenor Asia for the purpose of ownership equalisation under the terms of the Transaction Agreements.

On 28 June 2022, Malaysian Communications and Multimedia Commission ("MCMC") has issued to Celcom and Digi Telecommunications Sdn. Bhd., a Notice of No Objection ("Notice") dated 28 June 2022. The Notice was issued further to MCMC's completion of its assessment of the Proposed Merger and Celcom and Digi's application for authorisation of conduct on 16 June 2022 and notifies Celcom and Digi that MCMC does not object to the Proposed Merger. The Notice also states that MCMC has reviewed the undertakings offered by Celcom and Digi in connection with the application ("Undertaking").

ACCOUNTANTS' REPORT OF THE CELCOM GROUP (Cont'd)

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

NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

36 SIGNIFICANT EVENTS DURING THE PERIOD (CONTINUED)

(b) Proposed merger between Celcom Axiata Berhad and Digi.Com Berhad (continued)

Celcom and Digi believe that the Undertaking fully addresses the issues identified by MCMC and ensures that consumers in Malaysia will continue to benefit from effective competition in mobile telecommunications services. The Undertaking includes:

1. Divestment of 70 MHz of MergeCo's spectrum across 1800 MHz, 2100 MHz, and 2600 MHz, the first band to be returned to MCMC within 24 months after completion of the merger and the second and third bands to be returned within 36 months after completion of the merger;
2. Establishing a separate independent business unit for Mobile Virtual Network Operator ("MVNO") wholesale business under MergeCo within 6 months after completion of the merger and ensuring continuity of access to wholesale services for MVNOs at terms no worse off than existing agreements;
3. Divestment of Celcom's "Yoodo" brand within the stipulated time after completion of the merger as committed to MCMC, which currently offers fully digital and customisable retail mobile plans to subscribers;
4. Enabling non-exclusive distributors in the Sabah, Sarawak, Kelantan, Pahang and Terengganu regions by the end of Year 3 after completion of the merger; and
5. Positioning the existing Digi and Celcom brands as products under a single MergeCo corporate brand by the end of Year 2 after completion of the merger.

On 15 September 2022, Securities Commission Malaysia ("SC") has approved the proposed merger subject to Digi complying with the requirements of SC's equity guidelines pertaining to the implementation of the proposed merger.

Completion of the transaction will be subject to the approval of both Axiata and Digi shareholders, regulatory approvals and other customary terms and conditions. Barring unforeseen circumstances, the Proposed Merger is expected to be completed within the second half of 2022.

ACCOUNTANTS' REPORT OF THE CELCOM GROUP (Cont'd)

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

NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

37 EVENTS AFTER REPORTING PERIOD FOR FINANCIAL YEAR ENDED 31 DECEMBER 2021

- (a) On 15 November 2021, the Company entered into the following agreements for the proposed subscription and proposed acquisition of a total of 1,308,297 ordinary shares in Bridgenet Solutions Sdn. Bhd. ("Bridgenet") representing 51% of the enlarged issued and paid-up share capital of Bridgenet for a total cash consideration of RM36.1 million:
- (i) a conditional Share Subscription Agreement dated 15 November 2021 ("Share Subscription Agreement") entered into between the Company, Bridgenet as issuer and Pang Cheng Hing, Leong Kin Man, Loy Kuang Haow and Queenie Lee Wei Leng (collectively known as "Existing Shareholders") for the proposed subscription by the Company of 565,289 new Bridgenet Shares at a subscription price of RM15.6 million. As a result of the issuance of the Subscriptions Shares, Bridgenet's issued ordinary shares will increase to 2,565,289 shares ("Enlarged Share Capital");
 - (ii) a conditional Share Sale Agreement dated 15 November 2021 ("SSA1") entered into between the Company and Existing Shareholders for the proposed acquisition of 743,008 of Enlarged Share Capital from the Existing Shareholders for a total cash consideration of RM20.5 million subject to adjustments in accordance with the terms of the SSA1; (hereinafter referred to as the "Proposed Bridgenet Acquisition").

Both the Share Subscription Agreement and SSA1 shall be contemporaneous and conditional upon one another. Upon completion of the Proposed Bridgenet Acquisition on 8 January 2022, the Company will effectively own 51% of Bridgenet resulting in Celcom becoming the beneficial owner of the said equity interest. As at 15 February 2022, Celcom became the legal owner of the 51% equity interest.

- (b) On 26 August 2021, the Company entered into the following agreements for the proposed acquisition and proposed subscription of a total of 362,827 ordinary shares in Infront Consulting Group (M) Sdn. Bhd. ("Infront Malaysia") representing 60% of the enlarged issued and paid-up share capital of Infront Malaysia for a total cash consideration of RM5.5 million:
- (i) a conditional Share Purchase Agreement dated 26 August 2021 ("SPA") entered into between the Company and Redynamics Asia Sdn. Bhd. ("Vendor") for the proposed acquisition of 258,115 Infront Malaysia Shares ("Sale Shares") from the Vendor for a total cash consideration of RM4.0 million, comprising an initial payment of RM2.0 million subject to adjustments in accordance with the terms of the SPA and deferred payments of RM2.0 million upon certain profit guarantee targets being achieved.
 - (ii) a conditional Share Subscription Agreement dated 26 August 2021 ("SSA2") entered into between the Company as investor, Infront Malaysia as issuer and the Vendor for the proposed subscription by the Company of 104,712 new Infront Malaysia Shares at a subscription price of RM1.5 million; (hereinafter referred to as the "Proposed Infront Acquisition").

Both the SPA and the SSA2 shall be contemporaneous and conditional upon one another. Upon completion of the Proposed Infront Acquisition on 3 January 2022, Celcom will effectively own 60% of Infront Malaysia resulting in Celcom becoming the beneficial owner of the said equity interest. As at 20 January 2022, Celcom became the legal owner of the 60% equity interest.

- (c) The Company accepted an offer from MCMC for the 2x10MHz spectrum in the 2600MHz band. The Company had paid an upfront fee for the assigned spectrum of RM11.76 million on 11 February 2022. The effective period for the spectrum commences 1 July 2022 for a period of 5 years and an annual fee component of RM20.76 million is payable throughout the validity of the spectrum assignment.

ACCOUNTANTS' REPORT OF THE CELCOM GROUP (Cont'd)

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

NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

37 EVENTS AFTER REPORTING PERIOD FOR FINANCIAL YEAR ENDED 31 DECEMBER 2021 (CONTINUED)

- (d) In March 2021, the Government of Malaysia (the "Government") first announced Digital Nasional Berhad ("DNB") as the special purpose vehicle to own, implement and manage 5G infrastructure and provide equal access wholesale 5G services to licensed telecommunications companies ("telcos") under Single Wholesale Network ("SWN") model. On 16 March 2022, the Government further announced that Malaysia will proceed with its 5G rollout via the SWN model operated by DNB. The Government has also announced that it will offer up to 70% equity in DNB to telcos and retain the remaining 30% stake.

On 7 October 2022, Celcom Mobile Sdn Bhd ("CMSB"), a wholly-owned subsidiary of the Company, has entered into a conditional Share Subscription Agreement ("SSA") with DNB for the subscription by CMSB of (i) 100,000 ordinary shares in DNB ("Subscription Shares") for the sum of RM100,000 and (ii) 178,471,429 Rights to Allotment ("Subscription Rights to Allotment") for the sum of RM178,471,429 (collectively, the "Subscription Price").

Each Right to Allotment will entitle CMSB to have the right to allotment of one ordinary shares in DNB with certain rights as set out in the SSA (including the same rights as accorded to the holder of ordinary shares in DNB) as if ordinary shares relating to the Right of Allotment has been allotted, issued and registered in the name of CMSB in the register of members of DNB.

Upon completion of the SSA and if the proposed merger as detailed in Note 36(b) is completed by 30 June 2023, the Group will hold 12.5% of the enlarged issued and paid-up share capital of DNB. In the event that the proposed merger is not completed by 30 June 2023, the subscription rights to allotment of ordinary shares shall be increased by 5% to 291,566,668 at a subscription price of RM291,566,668 which will result in the Group holding 17.5% of the enlarged issued and paid-up share capital of DNB.

The Company intends to enter into a shareholders' agreement with the existing shareholder and other new investors of DNB by the completion date of the SSA.

- (e) On 8 April 2022, the Company declared a tax exempt first interim dividend under the single tier system of 12.80 sen per ordinary share of the Company for the financial year ending 31 December 2022. The dividend totaling RM158.4 million was paid on 8 April 2022.
- (f) On 17 August 2022, the Board of Directors had declared of an interim single-tier tax exempt dividend of 25.86 sen per ordinary share in respect of the financial year ending 31 December 2022 to its sole shareholder, Axiata amounting to a total dividend payout of RM320.3 million.
- (g) On 29 August 2022, Celcom Networks fully repaid its Sukuk Murabahah Series 6 and 9 of RM400.0 million and RM200.0 million via a new short-term revolving credit (STRC-i) facility of RM450.0 million and internally generated funds of RM150.0 million upon maturity. The Sukuk Series 6 and 9 carried coupon rates of 4.20% and 4.85% per annum (payable semi-annually) and had a tenure of 10 and 5 years from the date of issuance respectively.

38 APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements have been approved for issue in accordance with a resolution of the Directors on 25 October 2022.

ACCOUNTANTS' REPORT OF THE CELCOM GROUP (Cont'd)

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

STATEMENT BY DIRECTORS

We, Tan Sri Dr Halim Shafie and Datuk Mohamad Idham Bin Nawawi, two of the Directors of Celcom Axiata Berhad (the "Company"), state that, in the opinion of the Directors, the consolidated financial statements set out on pages 1 to 122 are drawn up so as to give a true and fair view of the financial position of the Company and its subsidiaries (the "Group") as at 31 December 2019, 31 December 2020 and 31 December 2021 and of their financial performance and cash flows for each of the financial years ended 31 December 2019, 31 December 2020 and 31 December 2021 in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards.

Signed on behalf of the Board of Directors in accordance with their resolution dated 25 October 2022.



TAN SRI DR HALIM SHAFIE
DIRECTOR



DATUK MOHAMAD IDHAM BIN NAWAWI
DIRECTOR