

DIGI.COM BERHAD

Type : ANNOUNCEMENT
Subject : TRANSACTIONS (CHAPTER 10 OF LISTING REQUIREMENTS): RELATED PARTY TRANSACTIONS
Description : (I) NOVATION AGREEMENT BETWEEN DIGI TELECOMMUNICATIONS SDN BHD, PRABHU MONEY TRANSFER SDN BHD AND TELEPIN SOFTWARE CORPORATION; AND
(II) SALE AND TRANSFER OF ASSET AGREEMENT (AS DEFINED HEREIN) BETWEEN DIGI TELECOMMUNICATIONS SDN BHD AND PRABHU MONEY TRANSFER SDN BHD
(COLLECTIVELY REFERRED TO AS “THE AGREEMENTS”)

1. INTRODUCTION

Pursuant to Paragraph 10.08 (1) of the Main Market Listing Requirements (“MMLR”) of Bursa Malaysia Securities Berhad, the Board of Directors of Digi.Com Berhad (“Digi”) wishes to announce that:

- (i) a Novation Agreement dated 19 October 2016 was entered into between Digi Telecommunications Sdn Bhd (Company No. 201283-M) (“DTSB”), a wholly owned subsidiary of Digi, Prabhu Money Transfer Sdn Bhd (Company No. 766531-U) (“Prabhu”), a related company of Digi and Telepin Software Corporation (Company No. 649647-4) (“the Vendor”) to transfer and novate all rights, title, benefits, interests and obligations of DTSB under the Consolidated Contracts, as defined herein, with respect to the Financial Services and Mobile Applications;
- (ii) in conjunction with the Novation Agreement, DTSB had on 19 October 2016 entered into a Sale and Transfer of Asset Agreement with Prabhu to sell and transfer the rights, title, benefits, interests, obligations and liabilities in respect of the Financial Services and Mobile Applications under the Consolidated Contracts to Prabhu for a total cash consideration of RM1,482,000 (hereinafter referred to as “Transaction”).

2. DETAILS OF THE SALE AND TRANSFER OF ASSET

a. Information of Consolidated Contracts

DTSB and the Vendor had previously entered into a Consolidated Contract (including addendums) for the development, supply, delivery, installation, customisation, integration, testing, commissioning, migration and post implementation support service of the Common Payment Platform System.

b. Information of DTSB

DTSB is a company incorporated in Malaysia wholly-owned by Digi. The principal activity of DTSB is provision of telecommunications and related services.

c. Information of Prabhu

Prabhu is a company incorporated in Malaysia and a wholly-owned subsidiary of Telenor South East Asia Investment Pte Ltd, a related company of Telenor ASA, the ultimate major shareholder of Digi by virtue of its 100% interest in Telenor Asia Pte Ltd, the major shareholder which owns 49% shareholding in Digi (“Telenor ASA” herein defined as “Telenor”). The principal activity of Prabhu is provision of multi-country international remittance platform.

d. Information of the Vendor

The Vendor is a company incorporated in Canada. The Vendor is a software power house with niche market in mobile money and payments.

3. SALIENT TERMS OF THE AGREEMENTS

The key terms of the Agreements are:

3.1 Novation Agreement between DTSB, Prabhu and the Vendor

- (1) DTSB warrants it has duly performed and observed every terms and conditions of the Consolidated Contracts and corresponding purchase orders. DTSB agreed to indemnify Prabhu against all actions, claims, proceedings, demands, damages, penalties, charges and expenses in respect of any non-observance of the terms and conditions of the Consolidated Contracts and corresponding purchase orders prior to the effective date of the Novation Agreement. The execution and effective date of the Novation Agreement will take place once approval is granted by Digi's Board of Directors.
- (2) Prabhu covenants and undertakes to pay, perform, fulfil and observe all and every obligation, stipulation, proviso and condition, restriction, agreement and covenant respectively with respect of the Financial Services and Mobile Applications and corresponding purchase orders. Prabhu agreed to indemnify DTSB against all actions, claims, proceedings, demands, damages, penalties, charges and expenses in respect of any non-observance of the terms and conditions of the Consolidated Contracts and corresponding purchase orders subsequent to the effective date of the Agreement.

3.2 Sale and Transfer of Asset Agreement between DTSB and Prabhu

Prabhu shall pay the amount of RM1,482,000 to DTSB within sixty (60) days upon receipt of DTSB's invoice. Risk and transfer of the assets shall pass from DTSB to Prabhu on the effective date of the Agreements. The execution and effective date of the Sale and Transfer of Asset Agreement will be dated concurrently with the effective date of the Novation Agreement in order to be consistent with the risk and passing of title of the Financial Services and Mobile Applications from DTSB to Prabhu.

4. BASIS AND JUSTIFICATION OF ARRIVING THE CONSIDERATION

Digi has made a business decision to enter into the Novation and Sale and Transfer Agreement with Prabhu, an experienced financial service provider, specializing in international remittance, to take over the Financial Services and Mobile Applications at cost, with no additional mark up above the total cost incurred.

The total cost incurred in developing the Financial Services and Mobile Applications amounted to RM2,533,000. In developing the Financial Services and Mobile Applications, DTSB has incurred RM1,051,000 in solution implementation, installation and commissioning customizing to its information technology environment which is not applicable to the information technology environment of Prabhu. As such these costs will not be transferred to Prabhu and Digi will recognise a loss on disposal upon the transfer of Financial Services and Mobile Applications.

Total consideration receivable from Prabhu, RM1,482,000, for Financial Services and Mobile Applications was at an arm's length basis after taking into consideration the

above basis. The Transaction consideration will be satisfied entirety in cash and the proceeds will be utilised for working capital purposes.

5. RATIONALE FOR THE TRANSACTION

The rationale is to allow Digi to focus on its core business and streamline all future financial services including international remittance through Prabhu.

6. RISK FACTORS

The Board of Directors of Digi does not foresee any significant risk arising from the novation of Consolidated Contracts and sale and transfer of Financial Services and Mobile Applications, other than normal commercial contract terms.

7. FINANCIAL EFFECTS OF THE TRANSACTION

The Transaction does not have material effects on the share capital and substantial shareholdings, net assets per share, earnings and gearing of the Company.

8. HIGHEST PERCENTAGE RATIO

The highest percentage ratio applicable to the Transaction pursuant to Paragraph 10.02(g) of the MMLR of Bursa Malaysia Securities Berhad is approximately 0.49% based on the latest audited financial statements of Digi Group for the financial year ended 31 December 2015.

9. APPROVAL REQUIRED

The Transaction is not subject to the approval of the Company's shareholders or any relevant government authorities.

10. DIRECTORS' AND MAJOR SHAREHOLDERS' INTERESTS

Mr Morten Karlsen Sorby, Mr Tore Johnsen, Mr Lars-Ake Valdemar Norling and Ms Kristin Muri Moller, who are acting as nominees/representatives of Telenor, and Mr Albern A/L Murty, the Chief Executive Officer of Digi, who is also a Director of Telenor Global Services AS, a related company of Telenor are deemed interested in the Transaction. Hence, the interested Directors have abstained and will continue to abstain from all deliberations and voting on the Transaction at all Board meetings.

Save as disclosed, none of the Directors and/or major shareholders of Digi and/or person connected with them have any interest, whether direct or indirect, in the Transaction.

11. AUDIT & RISK COMMITTEE'S STATEMENT

The Audit & Risk Committee (with the exception of Mr Tore Johnsen), having considered all the relevant factors in respect of the Transaction is of the opinion that entering into the Transaction is in the best interest of the Company as the Transaction is entered under fair, reasonable and on normal commercial terms which are not detrimental to the interest of the minority shareholders and due to the reason stated in the rationale.

12. DIRECTORS' STATEMENT

The Board of Directors of Digi (with the exception of Mr Morten Karlsen Sorby, Mr Tore Johnsen, Mr Lars-Ake Valdemar Norling and Ms Kristin Muri Moller), having considered all aspects of the Transaction, is of the opinion that the Transaction is fair and reasonable and is in the best interest of Digi Group.

This announcement is dated 19 October 2016.