

CONDITIONAL SHARE SUBSCRIPTION AGREEMENT BETWEEN INFRANATION SDN BHD (“CELCOMDIGI”), A WHOLLY-OWNED SUBSIDIARY OF CELCOMDIGI BERHAD (FORMERLY KNOWN AS DIGI.COM BERHAD) (“CDB”), MINISTER OF FINANCE (INCORPORATED) (“MOF INC.”) AND DIGITAL NASIONAL BERHAD (“DNB”)

1. INTRODUCTION

CDB wishes to announce that its wholly-owned subsidiary, CelcomDigi had on 1 December 2023 entered into a conditional share subscription agreement with MoF Inc. and DNB (“**SSA**”) to subscribe for new ordinary shares in DNB (“**DNB Shares**”) and provide shareholder advances to DNB (“**Proposed Shareholder Advance**”, together with the Proposed Subscription (as defined below) and Proposed Acquisition (as defined below), “**Proposed Transaction**”) in accordance with the terms as set out in the SSA.

Please refer to Sections 2.2.1 to 2.2.4 and **Appendix I** of this Announcement for the salient terms of the SSA.

2. DETAILS OF THE PROPOSED TRANSACTION

2.1. Background information

The Ministry of Communications and Digital (“**KKD**”) had on 3 May 2023 announced its intention to carry out a 5G policy shift from a Single Wholesale Network to a Dual Network (“**DN**”) model. It was announced that this policy shift will take effect upon DNB, a wholly-owned subsidiary of MoF Inc., achieving 80% coverage of populated areas (“**COPA**”) by end of 2023.

As part of an industry collective effort, in full support of the Government of Malaysia’s vision for the 5G DN transition and DNB achieving its 80% COPA target, the telecommunication industry players (“**telcos**”) including CDB via its wholly-owned subsidiary, CelcomDigi, have each entered into a conditional share subscription agreement with MoF Inc. and DNB. Participation in the Proposed Transaction also provides the telcos with the strategic optionality of further participation in the DN transition with the eligibility to potentially own and operate the second 5G network (“**Second 5G Network**”).

The 5G DN transition shall commence upon the issuance of the official 5G DN policy directive from KKD. In summary, the Proposed Transaction allows CelcomDigi to play a more active role in Malaysia’s 5G landscape and continue with its firm commitment in delivering 5G services to the nation.

Please refer to **Appendix II** of this Announcement for further information on DNB.

2.2. Details of the Proposed Transaction

2.2.1 Proposed Transaction

The Proposed Transaction involves:

- (i) CelcomDigi subscribing for 100,000 DNB Shares (“**Subscription Shares**”) at an issue price of RM1.00 for each DNB Share (“**Share Issue Price**”), or at the aggregate price of RM100,000 (“**Subscription Consideration**”) (“**Proposed Subscription**”) upon the conditions as set out in Section 2.2.2 of this Announcement being obtained, fulfilled or waived, as may be applicable, in accordance with the terms of the SSA; and

- (ii) Digi Telecommunications Sdn Bhd (“**DigiTel**”), a wholly-owned subsidiary of CDB, making a cash payment of RM233,233,333 to DNB as a prepayment for the 5G products and services to be delivered by DNB to DigiTel (“**AA Prepayment**”), which shall be regarded and treated as a shareholder advance by CelcomDigi to DNB (“**Shareholder Advance**”) in accordance with the terms set out in the SSA as summarised in Section 2.2.3 of this Announcement.

Pursuant to the terms of the SSA, the Shareholder Advance:

- a) does not bear any interest;
- b) has voting rights as further detailed in the SSA; and
- c) may revert to being deemed as AA Prepayment in the circumstances set out in SSA and the shareholders’ agreement to be entered into on or about the completion of the SSA between CelcomDigi, DNB and MoF Inc. among others (“**Shareholders’ Agreement**”).

Subject to the conditions precedent as set out in paragraph 2.2.2 and 2.2.3, including due diligence findings on DNB that are satisfactory to CelcomDigi, based on the agreed form of the Shareholders’ Agreement, CelcomDigi is required to purchase from MoF Inc., 100,000,000 DNB Shares (“**MoF Inc. DNB Shares**”) at a price of RM1.00 for each DNB Share (“**MoF Inc. DNB Share Price**”), or at the aggregate purchase consideration of RM100,000,000 (“**MoF Inc. DNB Shares Purchase Consideration**”), and RM90,000,000 of MoF Inc.’s total advances to DNB (which were advanced by MoF Inc. to DNB to ensure that there is no delay in the 5G network rollout) including any accrued interests (“**MoF Inc. Advances**”) amongst others, upon MoF Inc. exercising the put option granted to it under the Shareholders’ Agreement (“**Proposed Acquisition**”).

MoF Inc. may exercise the put option any time upon DNB achieving the 80% COPA target, and the determination by KKD and/ or the Malaysian Communications and Multimedia Commission (“**MCMC**”) that the Second 5G Network is permitted and enabled to provide 5G services. If MoF Inc. fails to exercise the put option, CelcomDigi have the right to call upon and require MoF Inc. to sell to CelcomDigi the MoF Inc. DNB Shares and MoF Inc. Advances.

2.2.2 Proposed Subscription Conditions Precedent

The Proposed Subscription is conditional upon the following being obtained or fulfilled or waived, as the case may be (“**Proposed Subscription Conditions Precedent**”):

- (i) a letter from MoF Inc. waiving its pre-emptive right on the issue of the Subscription Shares;
- (ii) written consent from DNB’s lenders or waiver of certain requirements from major vendors of DNB for the dilution of MoF Inc.’s equity interest in DNB and/or change in board composition of DNB, as may be applicable, as a result of the Proposed Subscription;
- (iii) the amendment of the DNB board charter with written approval from MCMC, if required; and
- (iv) written confirmation from MCMC granting forbearance to DNB from the application of certain DNB’s licence conditions.

2.2.3 Proposed Shareholder Advance Conditions Precedent

The determination by CelcomDigi for the AA Prepayment to be regarded and treated as Shareholder Advance is conditional upon the following being obtained or fulfilled, as the case may be ("**Proposed Shareholder Advance Conditions Precedent**"):-

- (i) the due diligence findings on DNB are satisfactory to CelcomDigi;
- (ii) MoF Inc.'s written confirmation to extend the tenure of the MoF Inc. advances to DNB;
- (iii) KKD's written confirmation that only investors which have subscribed to the DNB Shares and granted shareholder advance to DNB will be eligible to be shareholders of the Second 5G Network;
- (iv) stamp duty exemptions for (a) agreements executed by MoF Inc. for 5G deployment by DNB; and (b) for the agreements contemplated in relation to the Proposed Transaction including the transactions contemplated in the SSA and/or the Shareholders' Agreement;
- (v) written confirmation from MCMC that merger approval is not required for the Proposed Subscription;
- (vi) written consent from TM Technologies Services Sdn Bhd for among others the dilution of MoF Inc.'s equity interest in DNB, the disposal by MoF Inc. of all of its DNB Shares, the change in board composition of DNB pursuant to the Shareholders' Agreement and confirmation that no additional bank guarantee is required so long as MoF Inc. remains as a shareholder in DNB;
- (vii) fulfilment of the Proposed Subscription Conditions Precedent;
- (viii) a certified true copy of an extract of the shareholder's resolution of DNB approving the execution, delivery and performance of its obligations under the SSA; and
- (ix) written consent from Maybank Islamic Berhad for DNB's adoption of its constitution to be consistent with the Shareholders' Agreement.

2.2.4 Longstop date

The Proposed Subscription Conditions Precedent and the Proposed Shareholder Advance Conditions Precedent shall be fulfilled by the later of nine (9) weeks from the date of execution of the SSA or twenty (20) business days after the board of directors of DNB ("**DNB Board**") (where the respective investor nominated directors have been appointed to the DNB Board) first board meeting ("**DNB First Board Meeting**") ("**CP Longstop Date**"). If DNB and MoF Inc. agree to an extension of the CP Longstop Date under any of the other conditional share subscription agreement with other telcos, a similar extension shall be agreed with CelcomDigi under the SSA, if requested by CelcomDigi.

2.2.5 Basis and justification for the consideration

The Subscription Consideration, the MoF Inc. DNB Shares Purchase Consideration and MoF Inc. Advances, which are to be fully satisfied in cash, were arrived at on a "willing-

buyer willing-seller” basis, after taking into consideration, amongst others, the Share Issue Price which is the same price subscribed by MoF Inc. and to be subscribed by the other telcos, the MoF Inc. DNB Share Price which is the same price subscribed by MoF Inc., and the MoF Inc. Advances which is the amount advanced by MoF Inc. and any accrued interests.

The Board believes that the Proposed Transaction is in the best interest of CDB and its group of companies (“**Group**”) after taking into consideration, amongst others, the rationale for the Proposed Transaction as set out in Section 3 of this Announcement.

2.2.6 Source(s) of Funding

The Proposed Transaction is expected to be funded via a combination of internally generated funds and/or borrowings.

2.2.7 Liabilities to be assumed by CDB

There are no liabilities including contingent liabilities and/or guarantees to be assumed by CDB arising from the Proposed Transaction.

3. RATIONALE FOR THE PROPOSED TRANSACTION

The Proposed Transaction represents a solid commitment from CDB along with the other telcos to support the Government of Malaysia’s 5G ambition for DNB to achieve its 80% COPA target, as well as to be eligible to participate in the nation’s 5G DN transition. CDB believes that the 5G DN model will benefit the nation’s digital agenda, leveraging on the existing network and infrastructure resources from industry players to enable seamless 4G to 5G connectivity as well as mitigation against the risk of single point failure.

4. PROSPECTS OF DNB

4.1 5G as the next primary communications technology layer

5G, as the next generation in cellular network technology, is expected to be transformative providing benefits for consumers, enterprises, and the society. The main advantages of 5G, over 4G, include greater transmission speeds, lower latency, the ability to connect a greater number of devices and greater capacity providing connectivity adjusted to specific consumer and enterprise use cases. The high speeds, and low latency and high reliability of 5G is expected to facilitate accelerated digital transformation of enterprises through development of specific use cases to enhance productivity, efficiency, safety, and reliability.

4.2 Expansion of 5G coverage

DNB has achieved 73% COPA in Malaysia as at 31 October 2023 and is targeting to reach its 80% COPA target by the end of 2023.

5. RISK FACTORS

5.1. Acquisition risk

The equity participation in DNB is expected to contribute positively to CDB as stated in Sections 2 and 3 of this Announcement. However, there is a risk that the business projections and targets of DNB may not be met. The current terms of the Proposed Transaction comprise comprehensive provisions to ensure that all participating telcos and MoF Inc. will be fully committed to jointly support DNB to achieve its targets, mitigating such risk.

5.2. Non-completion risk

In the event any of the Proposed Subscription Conditions Precedent and / or the Proposed Shareholder Advance Conditions Precedent is not fulfilled, the Proposed Transaction may be delayed or terminated. Notwithstanding such risk, CDB endeavours to work together with DNB and MoF Inc. to ensure that the Proposed Subscription Conditions Precedent and the Proposed Shareholder Advance Conditions Precedent are fulfilled in a timely manner to facilitate the completion of the Proposed Transaction. There are also interim governance provisions outlined in the SSA and Shareholders' Agreement to ensure prompt decision making to support DNB's operations and the achievement of the 80% COPA target in the event of delayed completion.

5.3. 5G rollout risk

The 5G roll-out is dependent on among others, the involvement and efforts of DNB's various vendors and implementation partners to achieve its stated roll out targets of 80% COPA by end of 2023. Although there are specific timelines agreed by the vendors and partners to deliver the same to DNB, there can be no assurance that the vendors and partners are able to meet the agreed timeline. Any significant and continued delays on the part of the vendors and partners may adversely impact DNB's ability to meet its obligations. Any delays to the 80% COPA target shall delay the transition into the 5G DN model. Delays may also result in actions being taken by MCMC which may include fines being imposed, and suspension or termination of DNB's licence by MCMC. Nevertheless, there are provisions in the SSA and Shareholders' Agreement to ensure that all participating telcos and MoF Inc. will be fully committed to jointly support DNB to achieve its target, ensuring that this risk is equally shared among all participating parties.

5.4. Additional funding risk

There may be possible delays and costs overrun in the timeline to achieve 80% COPA by end of 2023. However, DNB will be receiving revenue from the access agreements entered into by DNB with the participating telcos which mitigates the additional funding risk. As highlighted in Section 5.3 of this Announcement, the risk of any delays is mitigated by the shared commitment among the telcos and MoF Inc. to ensure that DNB achieves its target.

5.5. DN transition risk

A key consideration for this Proposed Transaction is to allow the industry to form the Second 5G Network. As announced by the Government, MoF Inc. will eventually exit DNB upon achieving its 80% COPA target and equity participants will be eligible to become shareholders of the Second 5G Network. The exact details of the 5G DN transition are still uncertain as it is dependent on the decisions of certain government-led workstreams. However, the Shareholders' Agreement provides for mechanisms that allow for regulatory oversight from the relevant government agency to facilitate a smooth and efficient 5G DN transition.

6. APPROVALS REQUIRED

Save for approvals required as referred to in Sections 2.2.2 and 2.2.3 of this Announcement, the Proposed Transaction is not subject to shareholders or any other government authorities' approval.

The Proposed Transaction is not conditional or inter-conditional upon any corporate exercise/scheme being proposed or undertaken by CDB.

7. FINANCIAL EFFECT

7.1. Share Capital and Substantial Shareholders' Shareholdings

The Proposed Transaction will not have any effect on the issued and paid-up share capital of CDB as well as the substantial shareholders' shareholdings in CDB.

7.2. Earnings, Net Assets and Gearing

The Proposed Transaction is not expected to have any material effect to the earnings, net asset and gearing of CDB for the financial year ending 31 December 2023.

It is in the best interest of CDB to benefit from its shareholding in DNB which will contribute to the CDB's overall future performance.

8. INTERESTS OF DIRECTORS, MAJOR SHAREHOLDERS & PERSONS CONNECTED

Save as disclosed below, none of our directors, major shareholders and/or persons connected to them have any interest, direct or indirect, in the Proposed Transaction.

MoF Inc. as an indirect shareholder of CDB by virtue of the following:

- (i) MoF Inc., a body corporate established under the Minister of Finance (Incorporation) Act, 1957, is the holding company of DNB and Khazanah Nasional Berhad ("**Khazanah**");
- (ii) Khazanah is a major shareholder of Axiata Group Berhad ("**Axiata**") with an equity interest of 36.73%; and
- (iii) Axiata is a major shareholder of CelcomDigi with an equity interest of 33.1%,

is interested in the Proposed Transaction ("**Interested Major Shareholder**").

9. TRANSACTION WITH SAME RELATED PARTY FOR THE PRECEDING 12 MONTHS

Save for the Proposed Transaction, the recurrent related party transactions that have been disclosed in the circular dated 21 April 2023 to CDB's shareholders and approved by its shareholders on 23 May 2023, as well as the related party transactions disclosed in its audited financial statements for the financial year end ("**FYE**") 31 December 2022, there were no transactions entered into by the Group with the Interested Major Shareholder and / or persons connected with them for the preceding 12 months up to the date of this Announcement.

10. BOARD AUDIT COMMITTEE STATEMENT

CDB's Board Audit Committee ("**BAC**"), having considered all aspects of the Proposed Transaction including but not limited to the rationale and basis of the Proposed Transaction, opines that the Proposed Transaction is:

- (i) in the best interest of CDB;
- (ii) fair and reasonable and on normal commercial terms; and
- (iii) not detrimental to the interest of the minority shareholders of CDB.

In considering the Proposed Transaction, the BAC is of the view that the SSA should be completed to allow for participation in the 5G DN transition which provides for the long-term value creation for

its shareholders by leveraging on 5G technology to deliver the best connectivity, innovative solutions and better experience to its customers.

The completion of the Proposed Transaction is conditional upon the Proposed Share Subscription Conditions Precedent and Proposed Shareholder Advance Conditions Precedent, which are expected to be completed by first quarter 2024.

11. BOARD OF DIRECTORS' STATEMENT

CDB Board, having considered the views of the BAC, all aspects of the Proposed Transaction including but not limited to the rationale and basis of the Proposed Transaction, is of the opinion that the Proposed Transaction is:

- (i) in the best interest of the CDB;
- (ii) fair and reasonable and on normal commercial terms; and
- (iii) not detrimental to the interest of the minority shareholders of CDB.

12. HIGHEST PERCENTAGE RATIO

The highest percentage ratio applicable to the Proposed Transaction, pursuant to paragraph 10.02(g)(iii) of the Main Market Listing Requirements, is 1.4%, with the possibility of rising to 2.6% upon the completion of the SSA and execution of the Shareholders Agreement based on the unaudited consolidated financial statements of CDB as at 30 September 2023.

13. ESTIMATED TIMEFRAME FOR APPLICATION TO THE AUTHORITIES AND COMPLETION

CelcomDigi has been informed that the applications by DNB to the relevant authorities for the Proposed Transaction as set out in Sections 2.2.2 and 2.2.3 of this Announcement are expected to be made in accordance with the provisions of the SSA.

Barring any unforeseen circumstances and subject to all approvals being obtained, the Proposed Transaction is expected to be completed by first quarter 2024.

14. DOCUMENT FOR INSPECTION

The SSA is available for inspection at CDB's registered office at Level 30, Menara CelcomDigi, No. 6, Persiaran Barat, Seksyen 52, 46200 Petaling Jaya, Selangor, Malaysia during normal business hours from Mondays to Fridays (except public holidays) for a period of 3 months from the date of this announcement.

This announcement is dated 1 December 2023.

APPENDIX I – SALIENT TERMS OF THE SSA

In addition to the salient terms of the SSA as set out in Section 2.2.1 to Section 2.2.4 of this Announcement, the other salient terms of the SSA are as follows:

TERMINATION

The SSA contains the following termination provisions:

- (i) In the case where the relevant authority and/or third-party rejects or makes an adverse determination in connection with any Proposed Subscription Conditions Precedent or Proposed Shareholder Advance Conditions Precedent, CelcomDigi may elect to terminate the SSA, and must notify DNB of its election to terminate the SSA within the agreed period.
- (ii) In the event that any of the Proposed Subscription Conditions Precedent or Proposed Shareholder Advance Conditions Precedent is not satisfied or obtained by the CP Longstop Date through no fault of either party and despite all reasonable efforts by either party, then the SSA may be terminated by either party by giving written notice to the other party.
- (iii) If prior to the DNB First Board Meeting, DNB and/or MOF Inc. is in breach of any of its pre-completion covenants and undertakings, CelcomDigi shall be entitled by written notice to DNB and MoF Inc. to terminate the SSA.
- (iv) If DNB's completion obligations under the SSA are fulfilled and CelcomDigi does not make the Shareholder Advance to DNB, DNB shall be entitled to require CelcomDigi through a written notice to remedy such breach and if CelcomDigi fails to do so, DNB shall be entitled to, amongst others, terminate the SSA.
- (v) If CelcomDigi's completion obligations under the SSA are fulfilled and the Shareholder Advance is paid or made by CelcomDigi, and DNB and/or MoF Inc. fails to fulfil all its completion obligations under the SSA, CelcomDigi shall be entitled by a written notice to require DNB and/or MoF Inc. to remedy such breach and if DNB and/or MoF Inc. fails to do so, CelcomDigi shall be entitled to, amongst others, terminate the SSA.
- (vi) If prior to the completion of the SSA, CelcomDigi becomes aware of any breach of certain fundamental representations and warranties or covenants by DNB, CelcomDigi shall be entitled by written notice to DNB to terminate the SSA.
- (vii) In the event of any law which comes into effect prior to the completion of the SSA which has the effect of prohibiting, restraining or making illegal the consummation of the transactions contemplated by the SSA, CelcomDigi shall be entitled by written notice to DNB to terminate the SSA.

1. HISTORY AND BUSINESS

On 23 February 2017, MKD Sejahtera Sdn Bhd was incorporated in Malaysia under the Companies Act 2016 as a private limited company with a principal activity of a real estate and property developer. On 19 March 2021, MKD Sejahtera Sdn Bhd changed its name to Digital Nasional Sdn Bhd.

On 29 March 2021, Digital Nasional Sdn Bhd was converted into a public company wholly-owned by MoF Inc. DNB's principal activity is to own, build and operate a 5G network and infrastructure exclusively and to provide access to its network to licensed telecommunications service providers in Malaysia.

DNB commenced operations on 1 June 2021.

2. SHARE CAPITAL AND SUBSTANTIAL SHAREHOLDERS

As at 17 November 2023, being the latest practicable date preceding the date of this Announcement ("LPD"), the issued share capital of DNB is RM500,000,000 comprising 500,000,000 DNB Shares.

As at the LPD, the sole shareholder of DNB is MoF Inc.

MoF Inc. is a body corporate incorporated under the Minister of Finance (Incorporation) Act 1957.

3. DIRECTORS

As at the LPD, the directors of DNB are Datuk Johan Bin Mahmood Merican, Mr Ma Sivanesan a/l Marimuthu @ Muthiah and Dr Anand Raghawa Prasad. Effective 23 November 2023, Dr Anand Raghawa Prasad has retired from DNB Board.

4. LICENCES

DNB, the licensee, was granted by MCMC, the licensor, the NFP and NSP (collectively referred to as "**Licences**") pursuant to the Communications and Multimedia Act 1998 ("**CMA**") to exclusively undertake the 5G infrastructure and network rollout. The Licences are valid from 1 June 2021 until 31 May 2031.

The Licences provide, amongst others, that:

- (i) DNB is allowed to undertake the wholesale activities for 5G services only, to other persons licensed under the CMA;
- (ii) DNB is not allowed to undertake the retail services for the 5G services;
- (iii) with respect to type of network facilities, they consist of:
 - (a) fixed lines and cables;
 - (b) radio communications transmitters and links; and
 - (c) towers, poles, ducts and pits used in conjunction with other network facilities.

DNB shall obtain prior written approval of the Minister of Communications and Multimedia before commencing with the provisions of any other facilities;

APPENDIX II – INFORMATION ON DNB (cont'd)

- (iv) DNB is allowed the use of the following frequency bands by way of Apparatus Assignment for a period specified in the assignment for the purpose of the provisioning of 5G wholesale services:
 - (a) 700MHz (703-743 MHz paired with 758-798 MHz);
 - (b) 3.5GHz (3.4-3.6 GHz); and
 - (c) 28 GHz (26.5-28.1 GHz);
- (v) DNB's obligation to interconnect and provide access:
 - (a) DNB shall permit interconnection and provide access to its network facilities and network services;
 - (b) Access and interconnection shall be provided on reasonable, non-discriminatory and equitable terms and conditions, based on requirements stipulated by access seekers;
 - (c) Terms and conditions, including wholesale pricing shall be determined or approved by the MCMC; and
 - (d) DNB shall obtain approval from MCMC on the reference access offer of the wholesale services provided and shall publish its reference access offer in a publicly accessible website.

The sources of funding for DNB comprise a combination of bank borrowings, shareholder's advance, equity and internal resources.

5. FINANCIAL SUMMARY

For the financial year ended 31 December 2022, DNB recorded an audited net loss after tax of RM570,550,000 and net liabilities of RM235,286,000.