

SIGNING OF SHARE SUBSCRIPTION AGREEMENT (SSA) BETWEEN TELEKOM MALAYSIA BERHAD (TM) AND DIGITAL NASIONAL BERHAD (DNB)

1. INTRODUCTION

TM wishes to announce that it has, on 7 October 2022, executed a SSA with DNB to subscribe an equity stake in DNB, the single neutral wholesale 5G network provider in Malaysia.

2. SALIENT TERMS OF THE SSA

2.1 Subject to the terms and conditions of the SSA, TM has agreed to subscribe to 100,000 ordinary shares (Subscription Shares) in DNB for RM100,000, to be completed by 14 November 2022 (Completion Date of SSA). DNB has also agreed to grant TM an additional 285,614,286 ordinary shares (Subscription Rights to Allotment) for a consideration of RM285,614,286. TM will be given a period of eighteen (18) months from the Completion Date of SSA to exercise the Subscription Rights to Allotment. Upon subscription of the Subscription Shares, TM will be required to pay RM100,000, being the subscription price for the Subscription Shares and RM285,614,286, being the subscription price of the Rights to Allotment to an escrow agent. DNB will not utilise this subscription price until the Subscription Rights to Allotment are exercised by TM.

2.2 The SSA is conditional and subject upon, inter alia:

- (i) the execution of the Access Agreement (AA), being the commercial access agreement between TM and DNB for the offtake of wholesale 5G services nationwide by TM;
- (ii) the execution of the Shareholders' Agreement (SHA) between Minister of Finance (Incorporated)'s (MoF Inc.), TM, DNB and the Other DNB Subscribers;
- (iii) the approval of the Minister of Communications and Multimedia for the changes required to the Network Facilities Provider and Network Services Provider licences, including the removal of the requirement of DNB to be wholly-owned by MoF Inc.;
- (iv) the approval of the Malaysian Communications and Multimedia Commission (MCMC) for the amendments to the board charter of DNB to the extent necessary to reflect the terms of the SHA and the Malaysian Code of Corporate Governance (save where any provision therein is not applicable to DNB);
- (v) the written consents from the respective financiers of DNB to the dilution of MOF Inc.'s equity interest in DNB and subscription by TM for the Subscription Shares and the Subscription Rights to Allotment, as required pursuant to various financial and credit facilities granted to DNB;
- (vi) the written consent or waiver from Ericsson as required pursuant to the Ericsson Turnkey Contract;
- (vii) the written waiver from TM for the dilution of MOF Inc.'s equity interest in DNB as required pursuant to the fibre leasing service agreement between DNB and TM;

- (viii) written confirmation from MCMC that no merger approval is required in relation to the subscription of Shares and rights to allotment of Shares under the SSA and related subscription agreements entered into by DNB with other investors as part of its current equity restructuring exercise (Other Share Subscription Agreements);
- (ix) the appointment of the escrow agent and the execution of the escrow agreement

(collectively, the “Conditions Precedent”).

The longest date (being the last date for the fulfilment of the Conditions Precedent) for the fulfilment of conditions precedent in paragraphs 3.1(i) to (ix) of the SSA shall be 30 October 2022, or such other date as may be agreed between TM and DNB. Any extension shall be mutually agreed in writing between the parties.

The SSA shall become unconditional on the last date on which all the Conditions Precedent have been fulfilled or satisfied (Unconditional Date).

- 2.3 In accordance with the terms and conditions of the agreement, if there is any material breach by DNB of its warranties, TM may exercise its rights to terminate the SSA. Upon termination of the SSA, the subscription price of the Rights to Allotment will be returned to TM with interest, while the Subscription Shares will be transferred to MOF Inc. or its nominee in exchange for RM100,000.

3. RATIONALE FOR THE DNB EQUITY PARTICIPATION

- 3.1 The DNB equity participation demonstrates TM’s commitment to long-term value creation for its stakeholders by leveraging on 5G technology to deliver best-in-class connectivity, solutions and customer experience. 5G will accelerate TM’s aim in offering Fixed-Mobile Convergence (FMC) and advanced digital solutions to meet the dynamic and growing needs of communities, enterprises, industry and nation.
- 3.2 With approximately 2.9 million fixed broadband subscribers as of the first half of 2022, the provisioning of 5G services will enhance TM’s position as the preferred partner in accelerating the adoption of FMC via 5G and fixed broadband solutions.
- 3.3 Through TM’s comprehensive network infrastructure, innovative products and services, and the upskilling and acquisition of technology talents, TM is well-placed to support the nation’s digital economy aspirations.
- 3.4 In addition to enabling the 5G ecosystem as a shareholder to DNB for faster infrastructure roll-out, TM will also serve as a key FMC provider towards realising Malaysia’s Digital Economy aspirations on a level playing field with other mobile operators.

4. RISKS OF THE DNB EQUITY PARTICIPATION

4.1 Acquisition risk

The proposed equity participation is expected to contribute positively to TM as stated in Section 3.1. There is a risk that the business projections of DNB may not be met due to market conditions. In mitigating such risks, TM will be able to nominate a Director to DNB Board that will have oversight to the business.

4.2 Non-completion of the Agreements

In the event any of the conditions precedent of the SSA is not fulfilled, the proposed equity participation may be delayed or terminated. TM seeks to limit such risk by taking reasonable steps and putting in place appropriate control measures to reduce and comply with the relevant conditions precedent so as to be able to complete proposed equity participation.

5. BRIEF INFORMATION ON THE PARTIES OF THE DNB EQUITY PARTICIPATION

5.1. TM

TM, a public listed company incorporated in Malaysia on 12 October 1984, with an issued and fully paid share capital of RM3,806,145,635 comprising 3,787,668,223 ordinary shares and 1 special rights redeemable preference share.

The principal activities of TM are the establishment, maintenance and provision of telecommunications, innovative digital solutions and related services.

5.2. DNB

On 23 February 2017, MKD Sejahtera Sdn Bhd (MKDS) 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, MKDS changed its name to Digital Nasional Sdn Bhd (DNSB).

On 29 March 2021, DNSB was converted into a public company wholly owned by the Ministry of Finance via MOF Inc. and assumed the name of Digital Nasional Berhad. 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 24 March 2021.

The current issued and paid-up capital of DNB is RM500,000,000 comprising 500,000,000 ordinary shares. DNB will be issuing a special share to MoF Inc. upon the adoption of DNB's constitution by the shareholders of DNB.

6. FINANCIAL EFFECT

6.1. Source(s) of Funding

The SSA is expected to be funded by internally generated funds.

6.2. Share Capital and Substantial Shareholders' Shareholdings

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

6.3. Earnings and Net Assets

The SSA is not expected to have any material effect to the earnings and net asset of TM Group for the financial year ending 31 December 2022. Although there is a potential earning pressure in the short term, TM Group is expected to benefit from its shareholding in DNB which will contribute to the Group's overall future performance.

7. APPROVALS REQUIRED

Save for approvals required as referred to in paragraph 2.2 above, the SSA is not subject to shareholders or any other government authorities' approval.

8. DIRECTORS' AND MAJOR SHAREHOLDERS' INTEREST

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

- a) MOF Inc., a body corporate established under the Minister of Finance (Incorporation) Act, 1957, is the holding company of DNB and a person connected to Khazanah Nasional Berhad (Khazanah);
- b) Khazanah is a major shareholder of TM with an equity interest of 20.03%;
- c) Tan Sri Mohammed Azlan Hashim (also by virtue of him being a Director of Khazanah), Shazril Imri Mokhtar, Anis Rizana Mohd Zainudin @ Mohd Zainuddin and her alternate director, Iszad Jeffri Ismail are nominee directors of MoF Inc. on TM Board; and
- d) Dato' Mohamed Nasri Sallehuddin is a nominee Director of Khazanah on TM Board.

9. BOARD AUDIT COMMITTEE STATEMENT

The Board Audit Committee (BAC) of TM, having considered all aspects of the SSA with DNB including but not limited to the rationale and basis of the investment, opines that the DNB equity participation is:

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

In considering the DNB equity participation, the BAC is of the view that the SSA will allow TM to co-invest with at least three (3) other incumbent mobile players in the Single Wholesale Network for 5G. In addition, TM's participation will create long-term value to

TM's stakeholders by leveraging on 5G technology to deliver the best connectivity, innovative solutions and better experience to its customers, despite a short-term pressure on TM Group's earnings. 5G enables TM to accelerate its FMC strategy, build strong foundation for its Enterprise business and strengthen its position as the largest fixed broadband service provider in Malaysia.

The completion of the DNB equity participation is conditional upon the signing of the SHA and fulfilment of the conditions precedent, which are expected to be completed by 30 October 2022.

10. BOARD OF DIRECTORS' STATEMENT

TM Board, save for the aforesaid Interested Directors enumerated in item 8 and having considered the views of the BAC, is of the opinion that the SSA is in the best interest of TM.

11. TOTAL AMOUNT TRANSACTED WITH THE SAME RELATED PARTY FOR THE PRECEDING 12 MONTHS

The transactions with DNB for the preceding 12 months amounted to RM64.8 million.

12. HIGHEST PERCENTAGE RATIO APPLICABLE PURSUANT TO PARAGRAPH 10.02(g) OF THE MAIN MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD (MAIN LR)

The highest percentage ratio applicable to the DNB Equity Participation pursuant to paragraph 10.02(g) of the Main LR is 3.8% based on the audited consolidated financial statements of TM for the financial year ended 31 December 2021.

13. DOCUMENTS FOR INSPECTION

A copy of the SSA is available for inspection at the registered office of the Company, Level 51 North Wing, Menara TM, Jalan Pantai Baharu, 50672 Kuala Lumpur during normal business office hours from Monday to Friday for a period of not less than 3 months from the date of this announcement.

This announcement is dated 7 October 2022.