

TELEKOM MALAYSIA BERHAD (“TM” OR “COMPANY”)

PROPOSED INTERNAL REORGANISATION INVOLVING THE TRANSFER BY TM AND ITS SELECTED WHOLLY-OWNED SUBSIDIARIES OF THEIR TELECOMMUNICATIONS BUSINESSES IN MALAYSIA TO THE WHOLLY-OWNED SUBSIDIARY OF TM, TM TECHNOLOGY SERVICES SDN BHD (FORMERLY KNOWN AS WEBE DIGITAL SDN BHD) (“TM TECH”), BY WAY OF A SCHEME OF ARRANGEMENT AND AMALGAMATION PURSUANT TO THE COMPANIES ACT 2016 (“ACT”) (“PROPOSED INTERNAL REORGANISATION”)

1. INTRODUCTION

On behalf of the Board of Directors of TM, CIMB Investment Bank Berhad wishes to announce that TM and the following wholly-owned subsidiaries of the Company (each “**Transferor**” and collectively, the “**Transferors**”) have, on 13 December 2022, entered into a conditional merger agreement (“**Merger Agreement**”) with TM Tech (as the “**Transferee**”) for purposes of implementation of the Proposed Internal Reorganisation:

- (i) Cybermall Sdn Bhd;
- (ii) Mobikom Sdn Bhd;
- (iii) Telekom Applied Business Sdn Bhd;
- (iv) Telekom Enterprise Sdn Bhd;
- (v) Telekom Multi-Media Sdn Bhd;
- (vi) Telekom Sales & Services Sdn Bhd;
- (vii) Telekom Technology Sdn Bhd;
- (viii) TM Info-Media Sdn Bhd;
- (ix) TM Net Sdn Bhd;
- (x) VADS Berhad (“**VADS**”); and
- (xi) VADS Lyfe Sdn Bhd.

Under the Proposed Internal Reorganisation:

- (a) all assets of the Transferors in relation to the Businesses (as defined below), excluding the assets that will be excluded from the Proposed Internal Reorganisation as specified in the Merger Agreement (“**Identified Assets**”); and
- (b) all liabilities of the Transferors in relation to the Businesses, excluding the liabilities which will be excluded from the Proposed Internal Reorganisation as specified in the Merger Agreement (“**Identified Liabilities**”),
(collectively, the “**Identified Assets and Liabilities**”),

shall be transferred to and be vested with TM Tech with effect on and from 1 March 2023 or such date as may be mutually agreed by the Transferors and TM Tech and as ordered by the High Court of Malaya (“**High Court**”) (“**Vesting Date**”), in consideration of the allotment and issuance of new ordinary shares in TM Tech to the Company on the Vesting Date. As part of the Proposed Internal Reorganisation, the Transferors, except TM and VADS (“**Selected Transferors**”) shall be dissolved on 31 December 2023.

The Transferors are involved in the following three business clusters (collectively, the “**Businesses**”):

- (i) Unifi: this business segment involves the service provisioning of internet access, voice over internet protocol (VOIP) and internet protocol television (IPTV) to residential and small and medium enterprises (“**SMEs**”) business customers through its optical fiber network;
- (ii) TM One: this business segment involves the provisioning of a wide range of telecommunications services and communications solutions (e.g., end-to-end managed services, business process outsourcing services, cloud services, collaboration services, connectivity services, cybersecurity services, data centre and smart services) to customers comprising of enterprise and public sectors; and

- (iii) TM Wholesale: this business segment involves the provisioning of a wide range of wholesale telecommunications services (e.g., data services, backhaul services, voice services, access services, infra services and adjacent services) to both domestic and international carriers as well as enterprise customers.

The Proposed Internal Reorganisation is undertaken to streamline the Businesses of TM and its subsidiaries (collectively, the "**TM Group**" or "**Group**"), primarily to enable TM to become a company principally engaged in investment holding with TM Tech as the main operating entity of the Group to carry on the Businesses.

Further details of the Proposed Internal Reorganisation are set out below.

2. DETAILS OF THE PROPOSED INTERNAL REORGANISATION

In accordance with the terms of the Merger Agreement, all the Identified Assets and Liabilities will be transferred to and be vested with TM Tech, with effect on and from the Vesting Date by way of a scheme of arrangement and amalgamation pursuant to a court order granted by the High Court under the Act.

As part of the Proposed Internal Reorganisation, the Selected Transferors will be dissolved on 31 December 2023. For the avoidance of doubt, TM and VADS will not be dissolved as part of the Proposed Internal Reorganisation.

The purchase price payable for the transfer and vesting of the Identified Assets and Liabilities of the Transferors to the Transferee shall be the total book value of the Identified Assets less the total book value of the Identified Liabilities, as at the close of the business of the Transferors, on the last business day before the Vesting Date ("**Purchase Price**"). The Purchase Price shall be determined in the manner set out in **Appendix I** of this announcement.

The Purchase Price shall be fully satisfied by TM Tech by the issuance and allotment of new ordinary shares in the capital of TM Tech to TM ("**Consideration Shares**"), at an issue price of RM1.00 each, credited as fully paid up, on the Vesting Date.

2.1 Information on TM Technology Services Sdn Bhd ("TM Tech")

TM Tech was incorporated in Malaysia under the Companies Act 1965 on 11 February 2002 as a private limited company under the name of MIB Comm Sdn Bhd and is deemed registered under the Act. It changed its name to Packet One Networks (Malaysia) Sdn Bhd on 24 January 2007, and subsequently to Webe Digital Sdn Bhd on 29 April 2016. It subsequently assumed the name of TM Technology Services Sdn Bhd on 7 December 2022. The principal activities of TM Tech are provisions of network infrastructure facilities, network services and last mile services for fixed and wireless consisting of broadband, messaging and voice.

As at 9 December 2022, being the latest practicable date prior to the date of this announcement ("**LPD**"), the total issued share capital of TM Tech is RM5,763,070,162.30 comprising 400,027,505,791 ordinary shares.

Following TM's acquisition of the remaining minority interest in TM Tech on 15 November 2022, TM Tech became the wholly-owned subsidiary of the Company. As at the LPD, the directors of TM Tech are (i) Tunku Afwida binti Tunku A.Malek; (ii) Shazril Imri bin Mokhtar; (iii) Azizi bin A.Hadi; (iv) Rossana Annizah binti Ahmad Rashid; and (v) Razidan bin Ghazalli (alternate director to Shazril Imri bin Mokhtar and Azizi bin A.Hadi).

2.2 Salient terms of the Merger Agreement

The salient terms of the Merger Agreement are set out in **Appendix I** of this announcement.

3. RATIONALE FOR THE PROPOSED INTERNAL REORGANISATION

TM is of the view that the resultant corporate structure arising from the Proposed Internal Reorganisation is the catalyst for the next phase of its continuous transformation journey.

The Proposed Internal Reorganisation will:

- (i) enable TM to reinforce its fixed-mobile convergence leadership for fixed broadband, mobile services, data services, digital content and innovative solutions;
- (ii) improve the Group's operational efficiencies and streamline its processes;
- (iii) simplify customer touchpoints and enable a more seamless customer experience; and
- (iv) align TM to industry best practices, improving TM's competitive edge among Malaysian and international telecommunications and digital players.

4. EFFECTS OF THE PROPOSED INTERNAL REORGANISATION

The Proposed Internal Reorganisation does not involve any issuance of new shares on the part of TM. Accordingly, the Proposed Internal Reorganisation will not have any effect on the issued share capital of TM and the direct and/or indirect shareholdings of the substantial shareholders of TM.

4.1 Group structure

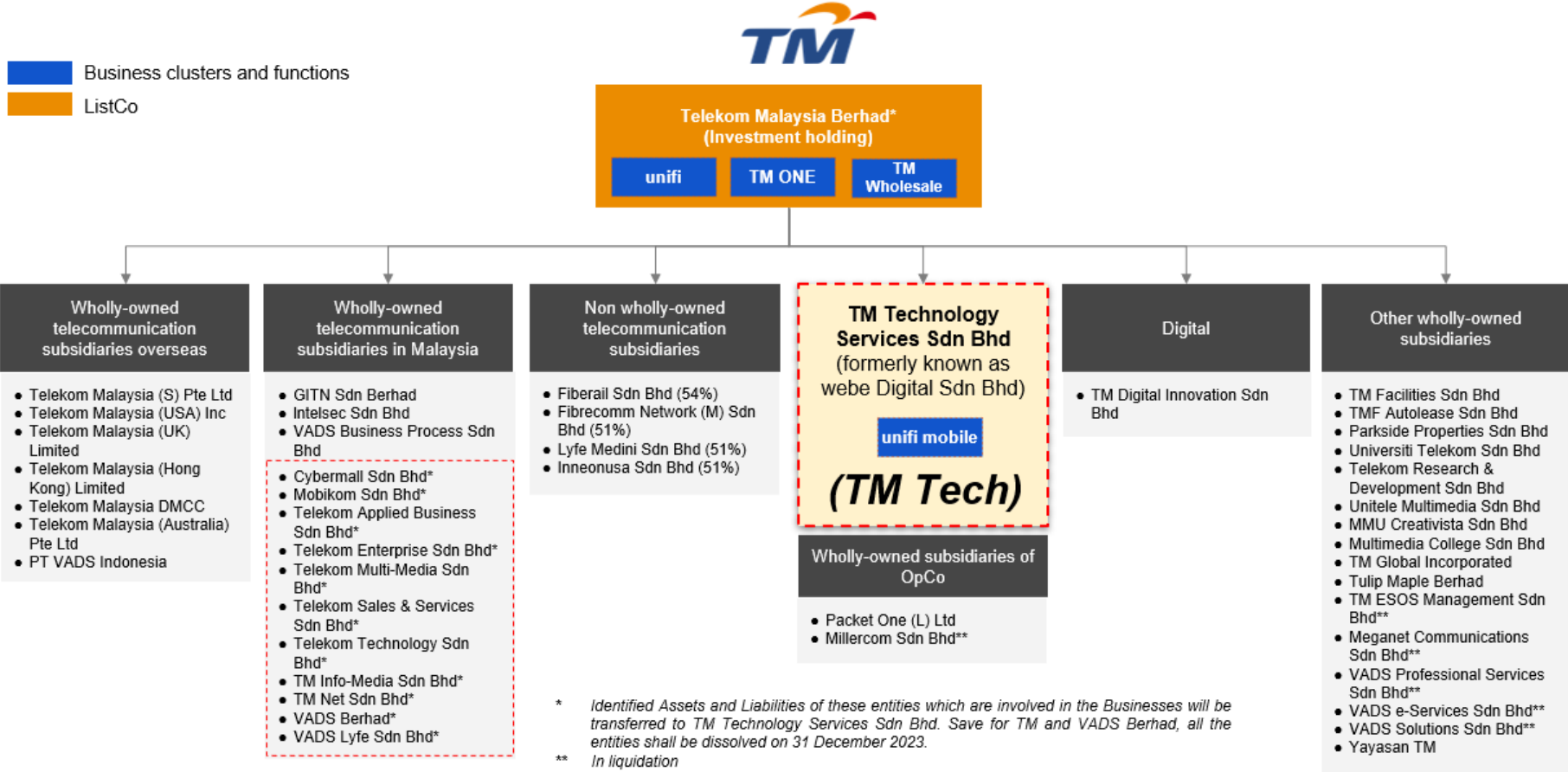
At present, TM is the listed entity carrying out both operational and investment holding functions of TM Group. Following the Proposed Internal Reorganisation, TM will be a company principally engaged in investment holding and will continue to be listed on Bursa Malaysia Securities Berhad.

In addition, TM Tech will continue to be a wholly-owned subsidiary of TM and will become the main operating subsidiary for TM Group's Businesses offering the full spectrum of fixed and mobile services as compared to its current principal activity of being solely a mobile telecommunication company.

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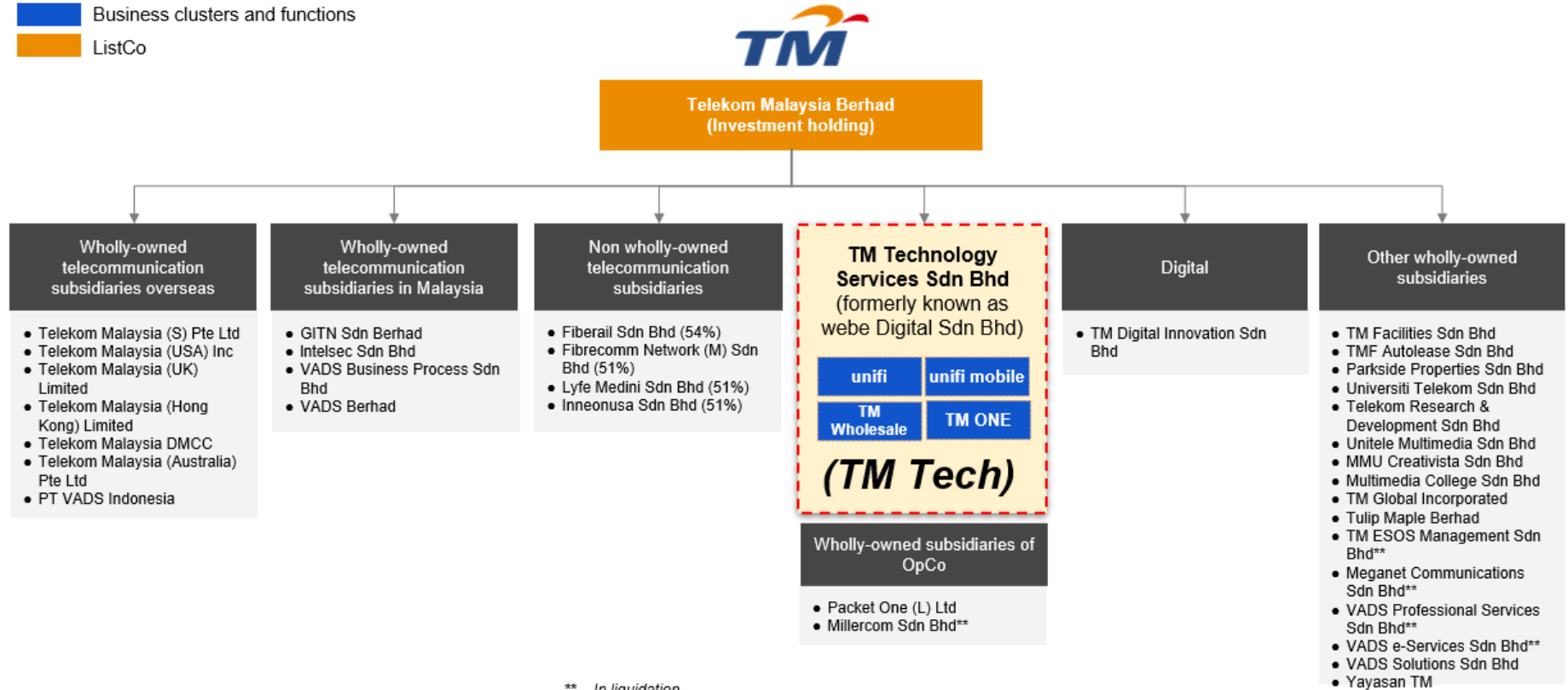
The shareholding structure and corporate structure of the TM Group as at the LPD and upon completion of the Proposed Internal Reorganisation are as follows:

Before the Proposed Internal Reorganisation



After the Proposed Internal Reorganisation

- Business clusters and functions
- ListCo



For the avoidance of doubt, notwithstanding the change to the corporate structure, there is no change to the businesses of TM Group, which continues to own and operate the same existing businesses prior to and immediately upon completion of the Proposed Internal Reorganisation.

4.2 Net assets (“NA”), NA per share, gearing, earnings and earnings per share (“EPS”)

The Proposed Internal Reorganisation is not expected to have any material financial impact on the consolidated NA, NA per share, gearing, consolidated earnings and EPS of the TM Group as it is an internal reorganisation within the Group’s wholly-owned subsidiaries.

5. APPROVALS REQUIRED

The Proposed Internal Reorganisation is conditional upon a vesting order (granted by the High Court pursuant to the Act) being obtained to enable the Merger Agreement to be effected, which application shall be made jointly by the Transferors and the Transferee to the High Court.

The Proposed Internal Reorganisation is not conditional upon any other corporate exercise undertaken or to be undertaken by the Company.

6. INTERESTS OF DIRECTORS, MAJOR SHAREHOLDERS AND/OR PERSONS CONNECTED

None of the Directors, major shareholders of the Company and/or persons connected with them has any interests, direct or indirect, in the Proposed Internal Reorganisation.

7. ESTIMATED TIMEFRAME FOR COMPLETION

Barring any unforeseen circumstances, the Proposed Internal Reorganisation is expected to complete by 31 December 2023.

8. DOCUMENT FOR INSPECTION

The Merger Agreement will be available for inspection at the registered office of TM at Level 51, North Wing, Menara TM, Jalan Pantai Baharu, 50672 Wilayah Persekutuan Kuala Lumpur, from Monday to Friday (except public holidays) at the business hours for a period of three months commencing from the date of this announcement.

This announcement is dated 14 December 2022.

SALIENT TERMS OF THE MERGER AGREEMENT

The salient terms of the Merger Agreement are as follows:

Proposed Internal Reorganisation

The Identified Assets and Liabilities will be transferred to and be vested with TM Tech, with effect on and from the Vesting Date, and the Selected Transferors will be dissolved on 31 December 2023, by way of a scheme of arrangement and amalgamation pursuant to a court order granted by the High Court pursuant to the Act. For the avoidance of doubt, TM and VADS will not be dissolved as part of the Proposed Internal Reorganisation.

Condition Precedent

The Proposed Internal Reorganisation is conditional upon a vesting order (granted by the High Court pursuant to the Act) being obtained to enable the Merger Agreement to be effected, which application shall be made jointly by the Transferors and the Transferee to the High Court.

Purchase Price

The Purchase Price shall be fully satisfied by TM Tech by the issuance and allotment of the Consideration Shares, at an issue price of RM1.00 each, credited as fully paid up, on the Vesting Date.

The Purchase Price shall be determined in the following manner:

- (a) Each Transferor shall prepare a completion statement, based on its management accounts, as at the close of the business of the Transferors, on the last business day before the Vesting Date ("**Calculation Time**"). The management accounts will be prepared in accordance with the approved accounting standards issued by the Malaysian Accounting Standards Board.
- (b) The completion statements shall set out, as at Calculation Time:
 - (i) the book value:
 - (A) of the Identified Assets of the respective Transferors;
 - (B) of the Identified Liabilities of the respective Transferors,as aggregates and of each individual item which makes up the aggregate; and
 - (ii) the Purchase Price.

Each Transferor shall on the Vesting Date, deliver to the Transferee the completion statement which it has prepared. The contents of the completion statement prepared by each of the Transferors shall be final and binding on the Transferors and the Transferee.

Completion

Subject to the satisfaction of the condition precedent referred to above, the completion of the Merger Agreement shall take place on the Vesting Date.

At and on the Vesting Date:

- (a) the Transferee shall issue and allot the Consideration Shares to TM; and

- (b) the Transferors shall hand over to the Transferee the Identified Assets and all other documents and materials relating to the Identified Assets and Liabilities in the possession of the Transferors, including but not limited to:
- (i) all relevant documents (including certificates and documents of title) in respect of or in connection with the Identified Assets and Liabilities of the Transferors;
 - (ii) all books, files, records, manuals and all other documents specifically related to the operations and day to day conduct of the Businesses and all correspondences relating to the Businesses in the format (manual, electronic or other media) which the same are maintained by the Transferors as at the Vesting Date, including statutory books, accounting and tax records and all documents relating to the Identified Assets and Liabilities of the Transferors, including but not limited to all records and documents relating to loans and advances, debts, receivables and choses in action comprised in the Identified Assets and Liabilities; and
 - (iii) such other documents as are necessary or requisite to procure the registration of the Identified Assets in favour of the Transferee unless these documents are not within the control or custody of the Transferors.

The Transferee shall, with effect on and from the Vesting Date assume all the Identified Assets and Liabilities, and all rights and obligations (including the obligation to pay and perform all the duties, obligations and liabilities) with respect to the Identified Assets and Liabilities.

The Transferors and TM Tech shall lodge an authenticated copy of the vesting order together with an authenticated copy of the Merger Agreement with:

- (a) the Companies Commission of Malaysia within seven days of the date of the vesting order being obtained;
- (b) the appropriate authorities, if any, concerned with the registration or recording of dealings in any property both movable and immovable, or any interest in movable and immovable property transferred pursuant to the vesting order; and
- (c) the tax authorities and other relevant authorities, agencies, departments, where necessary.

The Transferors and TM Tech shall, unless otherwise directed by the High Court, procure that the vesting order be published in not less than two daily newspapers published in Malaysia, one of which shall be in the national language of Malaysia and the other in the English language.

The Transferors and TM Tech agree to comply with each and every condition that may be imposed by the High Court when granting the vesting order.

Transfer of Employees

The Transferors and the Transferee will cooperate with each other for the purpose of ensuring that there shall be continuity of employment with respect to the Transferors' employees.