
Axiata Group Berhad (242188-H)
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AXIATA GROUP BERHAD ANNUAL REPORT (242188-H) 2009
axiata
advancing asia

Axiata Group Berhad (242188-H)

CONTENTS

10
countries

25,000
employees

120
million customers

The name **Axiata** embodies who we are. A company that's committed to the people of Asia. Our logo, the Axiata Prism is multifaceted and multidimensional reflecting our rich heritage, diversity and vibrancy.
It is as colourful as the different countries we serve.

It shows the world that we view situations from every perspective, taking all viewpoints into account.

As one of Asia's largest telecommunications companies, we are committed to the growth of the region by providing affordable connectivity, innovative technology and nurturing world-class talent.

With over 120 million customers across 10 countries, we are advancing Asia towards a better, brighter future.

That's **Axiata**.

FINANCIAL CALENDAR
2009

QUARTERLY RESULTS

19 May 2009 (Tuesday)
Announcement date of unaudited consolidated results for the 1st quarter ended 31 March 2009

27 August 2009 (Thursday)
Announcement date of unaudited consolidated results for the 2nd quarter ended 30 June 2009

30 November 2009 (Monday)
Announcement date of unaudited consolidated results for the 3rd quarter ended 30 September 2009

24 February 2010 (Wednesday)
Announcement date of audited consolidated results for the 4th quarter ended 31 December 2009

NOTICE OF 18TH ANNUAL GENERAL MEETING AND ISSUANCE OF ANNUAL REPORT 2009

31 May 2010 (Monday)

18TH ANNUAL GENERAL MEETING

22 June 2010 (Tuesday)

BOARD OF DIRECTORS

Chairman
Non-Independent Non-Executive Director
TAN SRI DATO' AZMAN HJ. MOKHTAR

Managing Director/President &
Group Chief Executive Officer
DATO' SRI JAMALUDIN IBRAHIM

Executive Director/
Group Chief Financial Officer
DATO' YUSOF ANNUAR YAACOB

Independent Non-Executive Director
TAN SRI GHAZZALI SHEIKH ABDUL KHALID

Senior Independent Non-Executive Director
DATUK AZZAT KAMALUDIN

Independent Non-Executive Director
JUAN VILLALONGA NAVARRO

Independent Non-Executive Director
DAVID LAU NAI PEK

Non-Independent Non-Executive Director
DR. FARID MOHAMED SANI

CORPORATE INFORMATION

GROUP COMPANY SECRETARY

SURYANI HUSSEIN
LS0009277

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SHARE REGISTRAR

Tricor Investor Services Sdn Bhd
(Company No. 118401-V)
(formerly known as Tenaga Koperat Sdn Bhd)
Level 17, The Gardens North Tower
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Malaysia
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Fax : +603 2282 1886
Email: is.enquiry@mytricorglobal.com

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PricewaterhouseCoopers
(AF: 1146)
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Email: ir@axiata.com

STOCK EXCHANGE LISTING

Listed on Main Market of
Bursa Malaysia Securities Berhad
Listing Date : 28 April 2008
Stock Code : 6888
Stock Name : Axiata
Stock Sector : Trading/Services

RAISING THE BAR

Axiata emphasises a culture of excellence, to accelerate performance and propel us to the next level. Our vision is to be a leading mobile operator in the Asian region by 2015. A bold ambition that we intend to see through by constantly raising the bar.


TAN SRI DATO' AZMAN HJ. MOKHTAR
CHAIRMAN

CHAIRMAN'S STATEMENT

Dear Shareholders,

2009 was the year Axiata Group Berhad (Axiata) celebrated a landmark event in its continuing journey of transformation. Axiata introduced its new brand and identity as part of the strategies embarked upon its demerger, and emerged even stronger from the challenges of the global financial crisis in 2008 and 2009. Axiata already has the makings of a regional champion; focused on driving transformation and raising the performance bar.

AXIATA
tripled profits, surging
231.9%
YoY

I am pleased to report that Axiata recorded an outstanding performance for 2009. Against the backdrop of slowing regional economies and the global crisis, Axiata exceeded all its announced Headline Key Performance Indicators (KPIs). Group Revenue grew by 15.5% year on year (YoY) to RM13.1 billion, Earnings before Interest, Tax, Depreciation and Amortisation (EBITDA) grew 18.4% to RM5.2 billion. Profit after Tax and Minority Interests (PATAMI) surged by 231.9%, to reach RM1.7 billion and our Returns on Equity (ROE) was 11.2%[1]. Total Shareholders Return (TSR) was also up 24% in 2009.

I was also very encouraged to see significant strengthening of our capital structure, through the rights issue in the second quarter and the resultant cash position. The deleveraging of our Balance Sheet saw Net Debt to EBITDA ratio improve to 2.0x in 2009 versus 3.8x in 2008. This was followed by the recently completed USD300 million Bonds offering, marking another milestone achievement in our capital management roadmap.

Another enhancement came from the completed sale of 1.7 billion PT XL Axiata Tbk. (XL) shares, fulfilling Axiata's commitment to the Indonesian regulators to increase the free float of XL shares on the Indonesia Stock Exchange. The exercise represents the largest Indonesian secondary equity offering in more than 10 years.

[1] *Stripping out forex gains, ROE was 9% for 2009*

These financial improvements are a direct result of Axiata's concerted efforts to transform the way we do business at all levels. Not only did we introduce a new brand and identity for the Group and implemented a new distinct set of strategies and initiatives, we put in place corporate governance policies including a new code of conduct and operating procedures to ensure transparency and accountability across the Operating Companies (OpCos). With a strong focus on people, we brought in a diverse and capable set of experienced professionals and are building up our current workforce with world-class Leadership Development and Talent Management programmes; to lead the transformation both at the Corporate Centre and in each of the OpCos.

Axiata's commitment to transformation makes it a model Government-Linked Company (GLC) in the broader context of the GLC Transformation (GLCT) Programme and Khazanah Nasional Berhad's (Khazanah) intent to nurture regional champions.

The wave of transformation was carried across the Group, as our OpCos refreshed their logos to incorporate the Axiata "Prism" – a unifying symbol reflecting our rich cultural heritage, vibrant and diverse.

Accordingly, the OpCos also changed their names, incorporating the name "Axiata" as part of their legal company identity. Recently, our subsidiary in Bangladesh launched its new brand name and logo, Robi, marking the completion of the rebranding exercise, which thus far has been accomplished with positive feedback from all stakeholders.

With all these efforts, our share price on Bursa Malaysia Securities Berhad (Bursa Securities) responded positively, outperforming the Kuala Lumpur Composite Index (KLCI) by 22% in the first quarter of 2010.

Looking ahead, Axiata will certainly continue to face challenges, both from an economic and industry perspective, but we believe we are in a good position to face them.

Just as Axiata is in transformation, so is the global mobile industry. Lines are continuously blurring with change expected on all fronts – devices, consumer behaviour, network technologies, content and services as well as increasing competition, from both traditional and non-traditional sectors.

As of Q1'2010[2] the global mobile penetration rate stands at 71% whilst in Asia Pacific alone, it is 59%. By the end of 2014, Asia Pacific would have accounted for more than 50% of the world's expected 6.8 billion mobile connections.

[2] *GSM Association: Wireless Intelligence Q1' 2010*

Meanwhile, although economic conditions appear to be improving, volatility may still be an issue. The World Bank reported that the global economy contracted by 2.2% in 2009, but expects the global economy to grow by 2.7% in 2010. By contrast, East Asia and the Pacific and South Asia grew 6.8% and 5.7% in 2009 respectively and are expected to grow 8.1% and 6.9% in 2010[3]. This gives us extra comfort of the resilience of our OpCos' country economies.

What this means is that while the long-term outlook may be uncertain, complex and multi-dimensional, real opportunities for growth are there given the countries we are in and the relative stages of socio-economic development.

As innovation remains absolutely critical in this environment, the leadership of Axiata across the Group is committed to 'raising the bar' in all aspects of our business; be it in our operations, the organisation, products and services, and the entire customer experience.

I believe as Axiata progresses down its transformation journey and with its enhanced balance sheet, it is in an excellent position to capture the opportunities presented in each of the countries it operates in.

We reiterate our commitment to our purpose of "Advancing Asia" via connectivity, technology and talent. We aim to make a real difference to people's lives and help to transform the economies of the countries in which we operate.

This is in the spirit of our government's New Economic Model (NEM) which calls for the transformation of the nation into a developed high-income economy that is sustainable and inclusive.

We have bold financial targets but our targets go beyond financial measures. Axiata's economic, technology and social contribution aims to push us to a higher-income economy, with the creation of world-class processes, services and talent for our sustainable growth.

[3] *The World Bank, Global Economic Prospects 2010: Crisis, Finance, and Growth (21 January 2010)*

We reiterate our commitment to our purpose of "Advancing Asia" via connectivity, technology and talent. We aim to make a real difference to people's lives and help to transform the economies of the countries in which we operate.

Our products and services should be inclusive – to reach the masses not just the urban population, and to be affordable to all; and our talent philosophy is also based on diversity and inclusiveness.

Our focus on developing human capital is the top of our agenda. Both the Board and Management are very committed to ensure that we have not only the best management teams across the Group, but to also develop future leaders of the Group.

In this respect, Axiata will drive a major Corporate Responsibility (CR) initiative at Group level specifically around Education and Developing Talent, and at a later stage Humanitarian Efforts, with a collective approach across our OpCos.

We could not have come this far without the commitment, guidance and support of our Board, Management and employees, to all of whom I offer my thanks and congratulations for 2009's significant achievements.

In particular, I would like to record my gratitude to the late Ismael Fariz Ali and acknowledge his part in the early days of Axiata's new chapter.

I would also like to thank and congratulate Gita Irawan Wirjawan, our Independent Non-Executive Director, who had to retire from the Board when he was appointed Head of Indonesia's Investment Coordinating Agency, which is accorded ministerial position. To these gentlemen, Axiata records our appreciation for their invaluable leadership and contributions during their tenure with the Group. This year, we also welcomed on board Dr. Farid Mohamed Sani as Director.

Further, I thank our customers, partners, the media and our shareholders for their continued support and trust. As always, special mention goes to the governments and regulators of the OpCo countries for their facilitation and co-operation.

None of the above would be possible without the dedication and professionalism of the Management and employees of the Group and all its subsidiaries in their relentless pursuit for operational excellence and raising the bar for the competition.

In this aspect, I am especially pleased to announce that as we go to print, Axiata has won two top awards at the Telecom Asia Awards 2010 – Axiata for Best Regional Mobile Group and Dato' Sri Jamaludin Ibrahim, our Managing Director/ President and Group Chief Executive Officer (President & GCEO) for Telecom CEO of the Year.

In addition, our flagship domestic operator, Celcom Axiata Berhad (formerly known as Celcom (Malaysia) Berhad) won Best Mobile Carrier. These are among the many more accolades across the Group and are tremendous acknowledgements and well deserved, given that it has only been two short years since the demerger from Telekom Malaysia Berhad (TM), and only one year since Axiata came into being as a new identity.

From being TM International Berhad (TMI), we are now Axiata Group Berhad. At Axiata, we are constantly raising the bar and will continue with our transformation into a regional champion by 2015. It thus gives me great pleasure to present Axiata's Annual Report 2009.

TAN SRI DATO' AZMAN HJ. MOKHTAR
CHAIRMAN

30 April 2010


DATO' SRI JAMALUDIN IBRAHIM
MANAGING DIRECTOR/
PRESIDENT & GROUP CHIEF EXECUTIVE OFFICER

PRESIDENT & GCEO'S BUSINESS REVIEW

Dear Shareholders,

2009 has been nothing short of another milestone year for us – this is the year we came together as a new brand and a new identity, as Axiata Group Berhad, and as the Axiata family united with a common logo, our Prism. The vibrant energy that came with this new start has yielded commendable results for us – in the short 12 months since then, and indeed since the demerger, we have proven that Axiata means business.

Revenue up
15.5%
YoY

Clearly the hard work is paying off – in the last Annual Report, we shared our vision to become a regional champion by 2015 and the strategies we have put in place to get us there. In these first two years of 2008 and 2009, we set about building a "new distinct company" – revamping the organisation and the operating business model, making either basic or major fundamental changes to our governance, management, people, structure and processes, in order to transform the group into a world-class multinational company (MNC). Together with the OpcOs' top management, we either refined or revisited many of their respective strategies.

Our spectacular first full year financial performance for the year ended 31 December 2009, is testament that we are executing well on our strategies and initiatives.

Axiata has also been honoured with several local and international awards, including the Frost & Sullivan Best Telecom Group of the Year 2009, the Gold Award for the NACRA Best Designed Annual Report and the Malaysian Corporate Governance Index 2009 Merit Award. Most recently, Axiata has also won Best Regional Mobile Group at the Telecom Asia Awards 2010.

GROUP PERFORMANCE REVIEW

I am pleased to report Axiata's strong results for our first full year ended 31 December 2009 – an all round performance in terms of revenue and profit growth across all major OpCos. Almost every aspect of the Group's and OpCos' strategies were meticulously executed as planned, which saw positive quarterly trends continuing across OpCos and the Group ending the year on a position of strength.

Group Revenue grew 15.5% to RM13.1 billion YoY, EBITDA grew 18.4% to RM5.2 billion, with margin improvement up from 38.4% to 39.3%. These came from excellent performances, particularly from our Malaysian (Celcom)[1], Indonesian (XL)[2] and Bangladesh (Robi)[3] operations, with both XL and Robi showing positive Profit After Tax (PAT) from losses in 2008. This contributed to the Group's marked increase in actual PATAMI, of 231.9% YoY to RM1.7 billion. Normalised PATAMI was also up 43.6%, after adjusting for exceptional items, such as forex and finance costs related to the Idea acquisition. ROE showed 6.4 percentage points improvement.

[1] *Celcom – brand name of Celcom Axiata Berhad*
[2] *XL – brand name of PT XL Axiata Tbk*
[3] *Robi – brand name of Axiata (Bangladesh) Limited*

The Group turned Free Cash Flow (FCF) positive for the first time, up 265.2% to RM2.1 billion. The Group's balance sheet has been significantly strengthened through a series of corporate finance activities. We deleveraged our balance sheet through the rights issue of RM5.2 billion, proceeds of which went towards the paring down of our debts. Axiata's Net Debt to EBITDA ratio is now at 2.0x from 3.8x. In another effort to strengthen and streamline the Group's debt structure, Axiata converted RM2.8 billion of its conventional term loans to Islamic term financing. Most recently, Axiata embarked on a USD300 million (RM1.0 billion) bonds offering which will provide us with a better debt maturity profile.

XL also embarked on a rights issue, allowing it to reduce its debt and improve its capital structure. In another significant corporate development, Axiata recently completed the sale of 1.7 billion XL Shares (representing 19.8% equity stake) at the price of IDR3,300 (RM1.2) per share, raising approximately RM2.0 billion in gross proceeds.

At the end of 2009, the Group's total subscriber base expanded to 120.0 million, up 34.4% from a year ago making us one of the largest Southeast and South Asia mobile group.

OPERATING COMPANIES REVIEW

There was clear evidence of sustained recovery in most economies in 2009. Indonesia, Bangladesh and India especially have shown resilience against the global economic slowdown. Furthermore, inflationary led pressures eased in Sri Lanka and other markets, relatively lower to the highs of 2008.

We are particularly pleased with the excellent results of Celcom, XL and Robi. All three OpCos have increased market share and profitability, with Celcom and XL performing the best in the industry.

We also saw encouraging trends in Sri Lanka with Dialog[4], which reflects the success of Dialog's concerted focus on targeted revenue growth and cost management as well as its ability to accelerate performance in an increasingly competitive operating landscape. However, in Cambodia, Hello[5] continues to face challenges in a highly competitive market with nine operators.

We are also happy to see our Indian and Singaporean affiliates, Idea[6] and M1[7], producing solid results. We started the year cautiously, given the uncertain economic environment. With a strong emphasis on cost management, we have achieved improved EBITDA margin across most OpCos.

Accelerated Performance at Celcom and XL

Malaysia

Excellent execution of segmented marketing, as well as continued focus on mobile broadband, saw Celcom recording the highest revenue growth, up 12.8% YoY to RM6.3 billion. This coupled with implementation of a strict cost management programme saw EBITDA improve by 11.0% in the same period. Amidst a competitive environment, EBITDA margin, excluding additional Universal Service Provision (USP) and Employees Share Option Scheme (ESOS) charges, improved by 0.1 percentage point. PAT grew significantly by 19.0%, with a record amount of RM1.5 billion.

[4] *Dialog – brand name of Dialog Telekom PLC*
[5] *Hello – brand name of Hello Axiata Company Limited*
[6] *Idea – brand name of Idea Cellular Limited*
[7] *M1 – brand name of M1 Limited*

The year also saw strong growth in non-voice services, with data now contributing about 30% to revenue, from 22% a year ago. Mobile broadband saw particular traction, surpassing 500,000 customers. With an overall growth of 124.1%, Celcom is the undisputed leader in the industry with mobile broadband, it contributed close to 6% to Celcom revenue, from only 2% last year.

Focus on network cost and efficiency resulted in savings as evidenced in the decline in network costs from 11.7% to 10.3% YoY as percentage of revenue.

Celcom closed the year with 10.1 million subscribers, a growth of 15.8%.

Indonesia
Maximisation of yield and strict cost management, saw strong performance in all financial metrics at XL. The focus on quality subscribers, which began in early 2009, delivered a 14.2% hike in revenue.

Diligent focus on cost management, which included direct expenses as well as sales and marketing, saw impressive margin improvement to 44.7%, from 42.2% last year. That plus strict cost management saw EBITDA growth of 20.9% YoY. PAT turned profitable, IDR1.7 trillion (RM578.0 million) from a loss of IDR15.1 billion (RM4.7 million) in 2008.

XL has outperformed many of its rivals during the year, and subscribers grew from 26.0 million to 31.4 million. The group's focus on active customers saw improved Average Revenue Per User (ARPU), through better quality customers.

Furthermore, XL also strengthened its Balance Sheet in 2009. Healthy operational momentum, combined with smart Capex spending, resulted in positive FCF for XL. XL has used both the proceeds of the IDR2.8 trillion (RM1.0 billion) Rights Issue, completed in December, as well as the generated internal free cash to repay a significant amount of debt, reducing outstanding debt by nearly 30%. Net Debt to EBITDA ratio has significantly improved from 3.4x in 2008 to 2.0x in 2009, putting XL in excellent shape to continue growing its business.

Non-voice revenue saw strong growth with a 32.3 % increase YoY. Revenue from data services increased 269.2% while SMS revenue grew 18.9%. Alongside the emphasis on yield, moving forward XL will be focusing on this new growth segment.

Turnaround Plan Gains Traction

Bangladesh
2009 was a turnaround year for Robi, with double digit growth of 36.3% YoY in revenue. This was from a successful focus on distribution channels via a brand focus and regional push strategy. Robi has now recorded five consecutive quarters of growth, with the last quarter of 2009, the highest to date.

We are particularly pleased with the excellent results of Celcom, XL and Robi. All three companies have increased market share and profitability, with Celcom and XL performing the best in the industry.

Despite the competitive regulatory challenges, Robi recorded significant EBITDA growth of 58.0% YoY, with margin improvement up 4.6 percentage points to 33.6% in 2009, as compared to 29.0% in 2008. This was a result of high revenue growth and continuous cost management efforts such as lower network and direct costs.

Profitability showed the greatest improvement of more than 100%, with Robi turning to a profit of BDT0.9 billion (RM46.1 million) in 2009 from a loss of BDT1.2 billion (RM62.3 million) a year ago. Net Debt to EBITDA ratio is 2.1x.

YoY subscribers showed strong growth of 36.0% to 11.9 million subscribers on the back of focused attention on customer retention and reactivation of inactive customers, supported by innovative plans and tariffs.

Sri Lanka

Dialog is still facing some external challenges with revenue marginally down by 1.4% YoY. However, EBITDA improved 136.4%, from SLR1.1 billion (RM34.9 million) in Q1 to SLR2.7 billion (RM80.3 million) in Q4, representing four consecutive quarters of improvement on the back of the bold cost restructuring programme which is showing consistent quarter by quarter progress. Net Debt to EBITDA ratio is 3.4x.

Dialog recorded a loss of SLR12.2 billion (RM374.0 million) for 2009 compared to SLR2.9 billion (RM92.9 million) in 2008.

Dialog has also seen continued mobile subscriber growth amidst a competitive environment, recording an impressive 15.7% growth YoY with 6.4 million subscribers.

Cambodia

Hello is in an extremely over-crowded market which affected its financial performance overall, yet saw a 30.1% YoY increase in subscriber base. Revenue, EBITDA and PAT declined 14.1%, 18.1% and 52.5% respectively. Net Debt to EBITDA ratio is 5.7x. The year focused on a strategy review around distribution channel restructuring and per second billing initiatives with Group support.

AFFILIATES REVIEW

India

Idea became a pan-India operator in 2009 with presence in all 22 service areas in the country. Despite the challenging environment in Q2 and Q3, Q4 saw strong recovery.

Idea saw revenue up an impressive 26.2% YoY, with EBITDA up 22.7% in the same period, despite increasing price pressures in the market with competition intensifying, reflecting the resilience of the company's business model. PAT grew 9.7% YoY. Idea contributed RM44.8 million to Group profits, having been equity accounted since the second half of 2009.

Idea's healthy balance sheet, as well as its improving operational efficiencies, provides a solid base to support the group during the current market of hyper competition.

As of 17 March 2010, the Idea-Spice merger was completed.

Singapore

M1 saw evidence of improving economic conditions with an increase in its subscriber base of 7.9% YoY despite being in a developed and saturated market. For FY09 M1 recorded a decline in revenue and EBITDA of 2.4% and 2.1% respectively while PAT showed a slight improvement of 0.1%. The last quarter in 2009 particularly, showed encouraging signs across its financial scorecard. M1 looks forward to providing exciting new opportunities with the launch of the iPhone, new mobile services, and Next Generation Nationwide Broadband Network (NGNBN).

CONTINUING THE TRANSFORMATION

Laying The Foundations For A Sustainable Future

The year saw the Group consolidating, enhancing the foundations and creating a new and distinct company.

2009 was a watershed year for the group, executing our new post de-merger strategy with clockwork precision to end the year on a high. We have a new name and brand identity, with initial surveys showing regional awareness within a short period of time. Across the Group, our OpCos have refreshed their logos and changed their names to reflect the uniting Axiata identity.

We further strengthened our management teams with strong diversity across most OpCos and we improved our operating model further, especially in the areas of performance management, human resource management, financial discipline and governance.

Our cost reduction programme, a recurring theme in all the OpCos, are on track and we continue to explore further ways to reduce cost. In 2009 our cost management programme (CMP), showed tangible results especially in procurement and technology, with over RM700 million in savings.

We put special emphasis on Human Capital and Talent Development, with a clear philosophy and processes instituted. We implemented many key initiatives especially talent management and leadership development.

In the areas of Group Synergies, Best Practices, and Knowledge Management, a total of 44 initiatives were developed of which 50% have been launched and progress monitored, with multiple best practices adopted at selected OpCos – Celcom (Pricing), XL Customer Lifestyle Management (CLM) & Dialog Systems, Applications and Products (SAP). We also saw through nine governance related projects including revision of group policy covering Code of Conduct and Limits of Authority, and initiated standard Group framework agreements in Procurement.

THE JOURNEY AHEAD: RAISING THE BAR

Axiata has always had compelling growth drivers, based on our existing positions in countries with expanding economies and low penetration. Despite our 2009 achievements, we believe that we still have a long way to go to be a Regional Champion.

That is what the next phase from 2010 to 2012 is essentially about – building a 'game-changing' company. We will complete our organisational changes, perfect our OpCo engagement model, realise group synergies and develop new strategic business models, whilst further refining all our OpCo strategies and drive new strategic initiatives. Our cost structure will be benchmarked regularly, as being lean and competitive remains our top focus.

Recovery in the global economy was well underway in 2009, and we remain cautiously optimistic into 2010. Overall the Asia Pacific mobile revenue growth will moderate in the medium term; with slowing revenue growth driven by increasing penetration and lower ARPUs. However in the medium term, similar to global trends, our markets will continue to show voice revenues dominating with broadband and mobile data as the engine of growth in high penetration markets. In low penetration markets, subscriber growth would still drive revenue growth. Adjacent opportunities exist in M-Commerce and mobile advertising. Given this, our medium term objectives will be balanced between maximising returns and maintaining growth.

Axiata aims to assert its leadership in mobile broadband and mobile data services, whilst we consolidate and significantly strengthen our overall portfolio. This may include divestment of our non-core or sub-scale businesses in other countries. We will also increase our focus on segmented marketing and CLM and on touch points. Moving forward we will be maintaining our tight focus on capital discipline, in order to sustain 2009's strong performances.

Celcom is committed to its transformation plan, emphasising on customer touch points and human capital. This will be done concurrently with continued emphasis on quality revenue generating subscribers and improving network utilisation as well as efficient capex management.

XL will continue to focus on yield management with cost management, further monetising of volumes and on data services as a new revenue growth driver. There will be stronger emphasis and focus on mobile data and broadband services.

Dialog meanwhile will concentrate its efforts in driving revenue growth and market share, whilst rescaling its operational structure, modernising infrastructure and repositioning its balance sheet.

Robi aims to capture and monetise growth opportunities going forward, through further improvement in sales and distribution, network coverage as well as brand positioning. Hello aims to significantly improve its sales and distribution channels.

In summary, Axiata demonstrated its capability to deliver in 2009 – in terms of financial and non-financial performance and in driving its transformation. We will continue to piece together affordable connectivity, innovative technology and world class talent, towards our greater purpose – that of Advancing Asia. With a solid foundation, we are excited about the next phase of our journey.

ACKNOWLEDGEMENTS

There is still much work to be done – with each success, our performance bar is raised even higher. We are in the right industry and the right markets with the right talent for growth.

I would like to thank our Board for their continued guidance, our employees for their commitment and hard work, the governments and regulators for their co-operation and facilitation, and our stakeholders – the shareholders, partners, collaborators and media for their steadfast support.

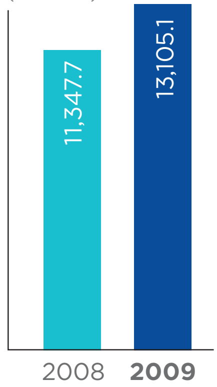
2010 is a fitting start, a new decade and the next phase in our journey – for us, it is the beginning of a game-changing phase. With everyone behind us, I am positive we will succeed.

DATO' SRI JAMALUDIN IBRAHIM
MANAGING DIRECTOR/
PRESIDENT &
GROUP CHIEF EXECUTIVE OFFICER

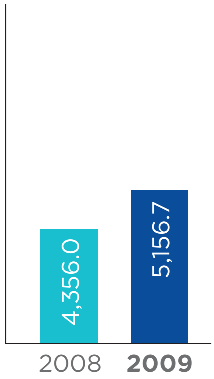
30 April 2010

TWO-YEAR GROUP FINANCIAL HIGHLIGHTS

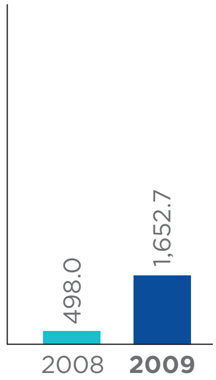
Operating Revenue
(RM Million)



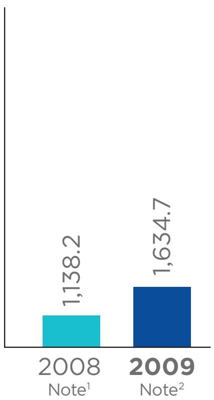
EBITDA
(RM Million)



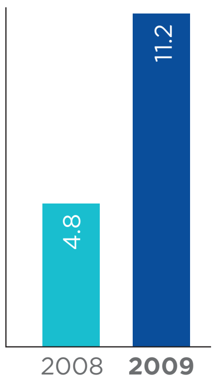
PATAMI
(RM Million)



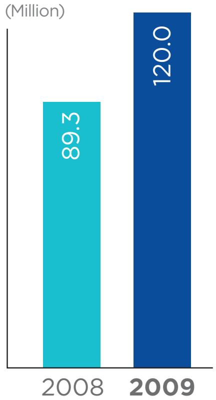
Normalised PATAMI
(RM Million)



ROE
(%)



Subscribers
(Million)

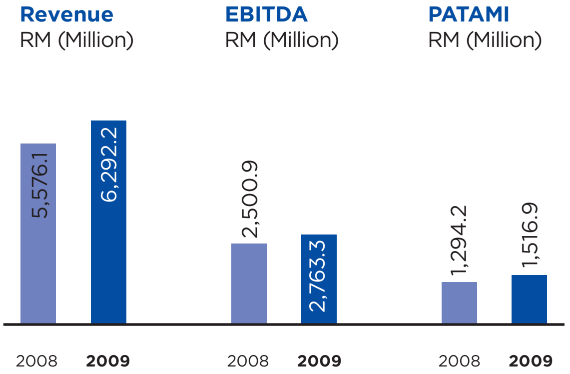


Note[1] – Normalised PATAMI excludes interest costs on TM's bridging loans (RM168.5 million), financing cost for Idea acquisition and one-off Spice costs (RM187.0 million) and foreign exchange loss (RM284.7 million).

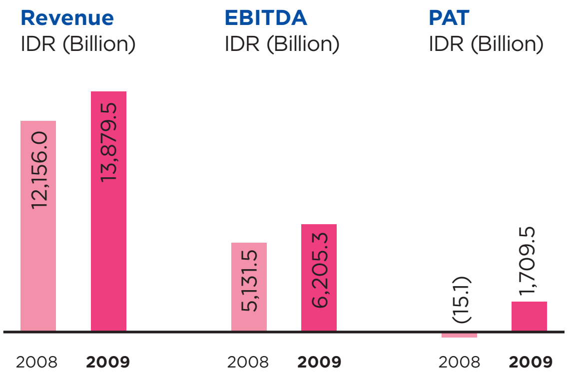
Note[2] – Normalised PATAMI excludes interest costs on TM's bridging loans (RM68.3 million), financing cost for Idea acquisition (RM204.0 million), XL one-off gain on finance lease arrangement (RM132.5 million), contribution from Idea (RM44.8 million), accelerated depreciation/asset impairment (RM236.2 million) and foreign exchange gain (RM349.2 million).

REPORTING BY GEOGRAPHICAL LOCATION

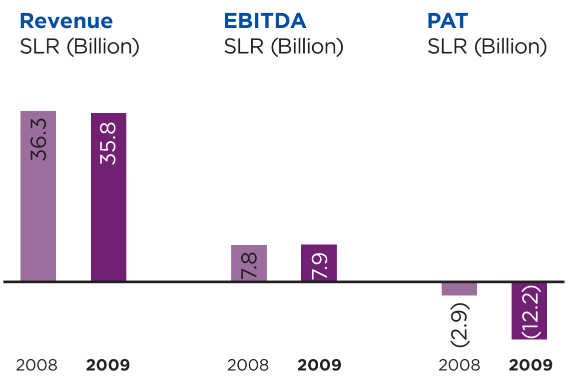
MALAYSIA



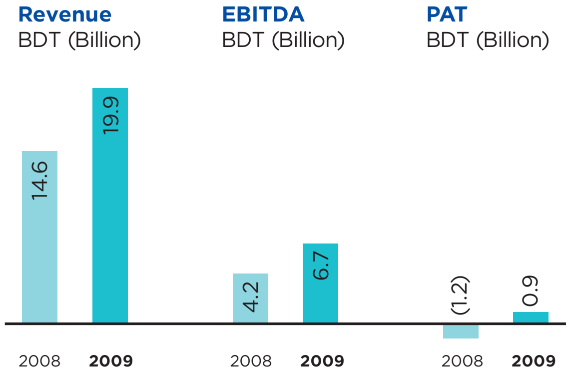
INDONESIA



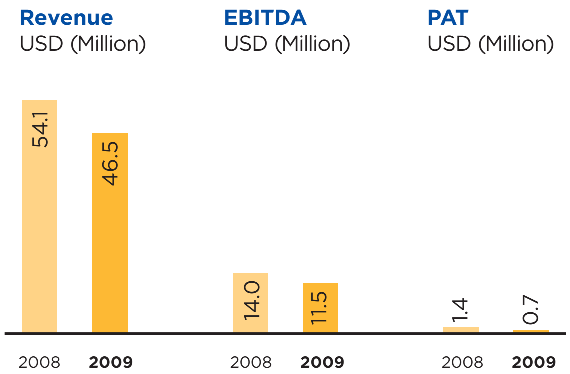
SRI LANKA



BANGLADESH



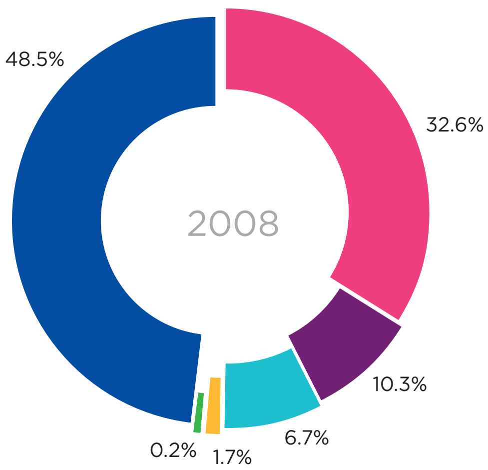
CAMBODIA

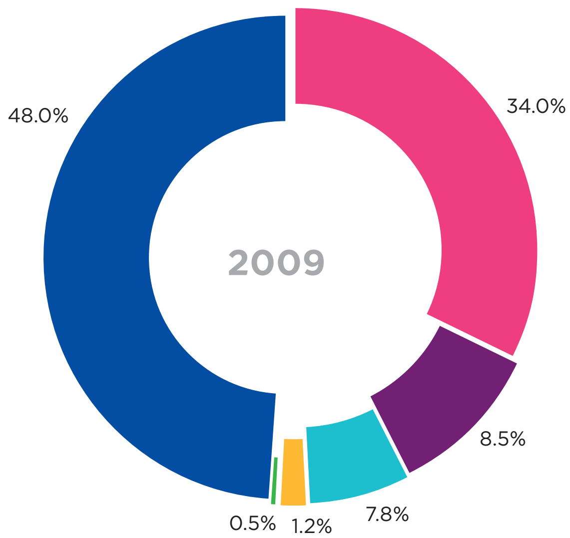


GROUP FINANCIAL OVERVIEW

OPERATING REVENUE

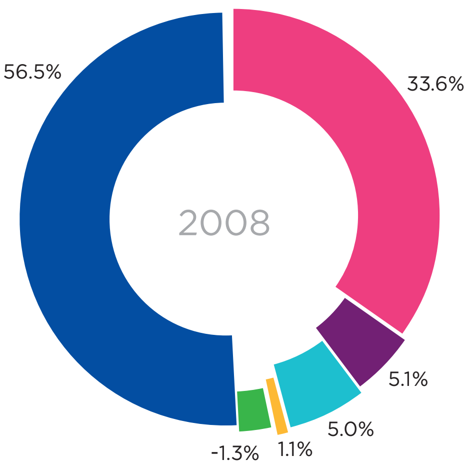
Celcom XL Dialog Robi Hello Others

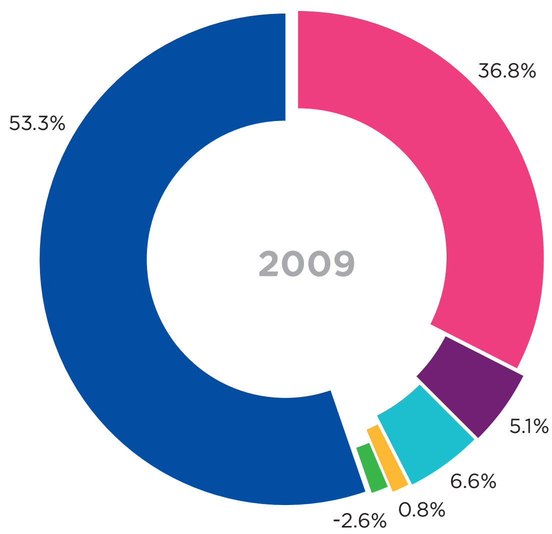




EBITDA

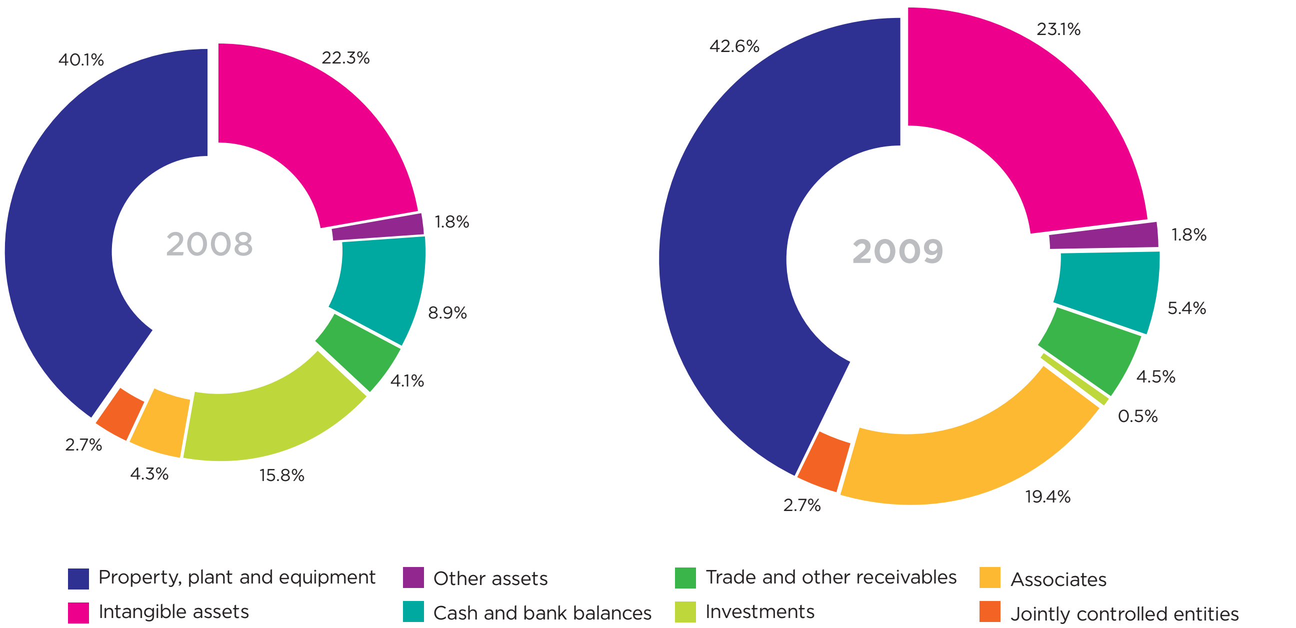
Celcom XL Dialog Robi Hello Others



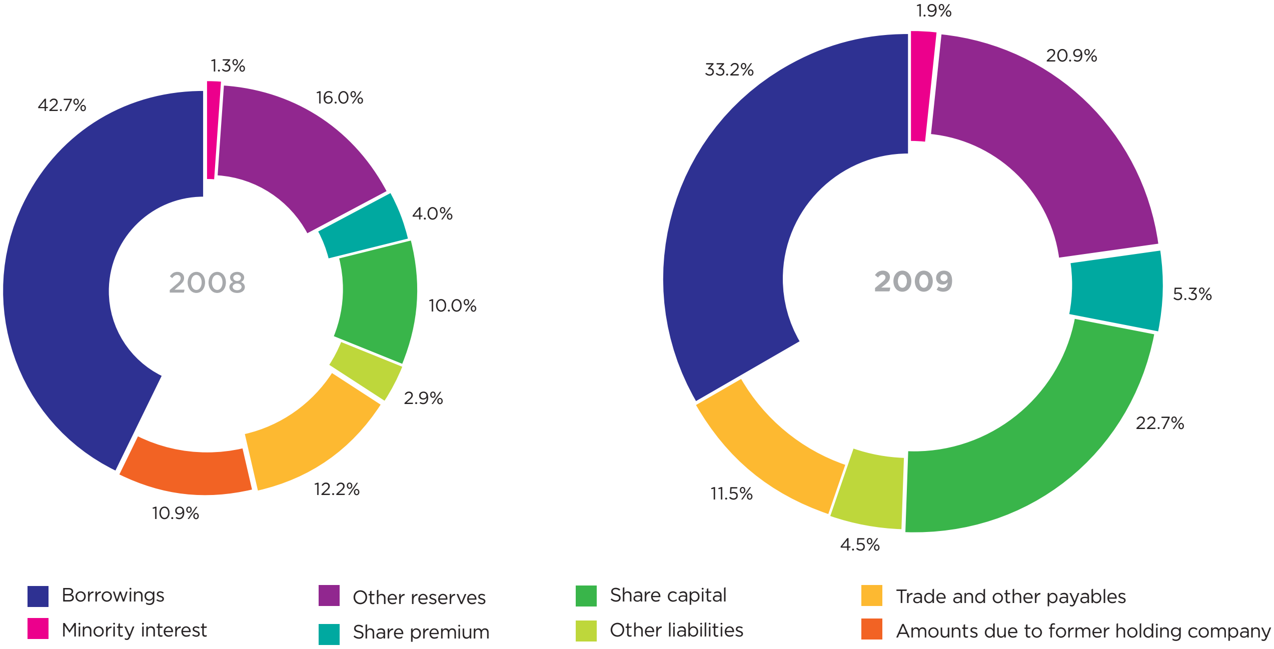


SIMPLIFIED GROUP BALANCE SHEET

Total Assets



Total Liabilities & Shareholders Equity



TWO-YEAR GROUP FINANCIAL SUMMARY

OPERATIONAL HIGHLIGHTS

All in RM Million unless stated otherwise	FY2009	FY2008
1. Operating revenue	**13,105.1**	11,347.7
2. Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA)	**5,156.7**	4,356.0
3. Earnings from Associates & Jointly controlled entities	**101.3**	(59.4)
4. Profit Before Tax (PBT)	**2,666.2**	905.8
5. Profit After Tax (PAT)	**1,755.9**	471.1
6. Profit After Tax and Minority Interests (PATAMI)	**1,652.7**	498.0
7. Normalised PATAMI	**1,634.7**	1,138.2
8. Total shareholders' equity	**18,184.1**	11,216.7
9. Total assets	**37,144.4**	37,352.4
10. Total borrowings	**12,322.8**	19,984.4
11. Subscribers (Million)	**120.0**	89.3
GROWTH RATES YoY		
1. Operating revenue	**15.5%**	13.5%
2. EBITDA	**18.4%**	5.3%
3. Total shareholders' equity	**62.1%**	15.6%
4. Total assets	**-0.6%**	52.5%
5. Total borrowings	**-38.3%**	119.7%
SHARE INFORMATION		
1. Per share		
Earnings (basic) – sen	**22**[(a)]	9[(a)]
Earnings (diluted) – sen	**21**[(a)]	—
Net assets – RM	**2.2**	3.0
2. Share price information – RM		
High	**3.74**[(b)]	7.85
Low	**1.77**[(b)]	3.12
FINANCIAL RATIO		
1. Return on shareholders' equity*	**11.2%**	4.8%
2. Return on total assets**	**4.7%**	1.3%
3. Debt equity ratio***	**0.7**	1.8

Notes:

- * PATAMI over average shareholders' equity
- ** PAT over total assets
- *** Total borrowings over total shareholders' equity
- (a) After adjustment for Rights Issue
- (b) Share price traded ex-rights from 8 April 2009 adjusting for the rights issuance of RM5.25 billion

MAJOR MILESTONES

1994

FEBRUARY 1994

A joint venture agreement was entered into between TMI and Sunpower Systems (Private) Limited to set up Dialog (then known as MTN).

1996

OCTOBER 1996

TMIB was incorporated in Bangladesh as a joint venture company between A.K. Khan & Co. Ltd. and TM.

NOVEMBER 1996

Sunpower Systems (Private) Limited divested its stake in MTN (now known as Dialog) to TMI, which resulted in Dialog becoming wholly-owned by TMI.

1998

MAY 1998

TMI via TM purchased 51.0% of Cambodia Samart Communication Company Limited (Casacom) (now known as HACL) from SAMART.

2005

JANUARY 2005

TMI through TMIL acquired the entire equity interest of Indocel, which had a 23.1% equity interest in XL.

FEBRUARY 2005

TMI through TMIL entered into a share sale agreement to acquire a 78% stake in Multinet from Nasser Khan Ghazi and Adnan Asdar.

JUNE 2005

Indocel acquired an additional 4.2% equity interest in XL from Rogan Partners, Inc.

JULY 2005

Dialog was listed on the Colombo Stock Exchange.

AUGUST 2005

TMI, Khazanah and SunShare entered into a joint venture and shareholders' agreement to establish SunShare as a joint venture company for the acquisition of equity interest in M1.

SEPTEMBER 2005

A restated joint venture and shareholders agreement was entered into by SunShare, TMI, Khazanah and TM as a new party to the earlier agreement to participate in the affairs of SunShare.

SEPTEMBER 2005

XL was listed on the Jakarta Stock Exchange (now known as the Indonesia Stock Exchange).

OCTOBER 2005

TMI through SunShare, acquired 12.1% of the equity shares in M1 from Great Eastern Telecommunications Ltd. Prior to March 2006, SunShare made on-market purchases, bringing its total equity interest in M1 to 29.8%.

OCTOBER 2005

Indocel increased its shareholding in XL to 56.9% through the exercise of its call and put option.

DECEMBER 2005

TMI through TMIL acquired a 49.0% ownership interest in MTCE through a transfer from TRI, a wholly-owned subsidiary of Celcom.

DECEMBER 2005

Dialog acquired 100% of DBN (then known as MTT Network (Private) Limited).

2006

FEBRUARY 2006

TMI obtained a 24.4% stake in SIM from SIM's parent company, SAMART. In addition, TMI has an 18.9% stake in SAMART and SAMART in turn holds 54.1% in SIM.

FEBRUARY 2006

TMI purchased the remaining 49.0% of Casacom (now known as HACL) from SAMART, and Casacom became a wholly-owned subsidiary of TMI.

MARCH 2006

TMI acquired the entire equity interest of TMI India (then known as DCIL), which had a 49.0% equity interest in Spice.

JUNE 2006

Indocel increased its shareholding in XL to 59.7% by a purchase of additional shares from AIF (Indonesia) Ltd.

SEPTEMBER 2006

Dialog acquired 90.0% of the total issued and paid-up share capital of Dialog TV (then known as Asset Media (Private) Limited) from Nihal Seneviratne Epa and Lasantha Joseph Milroy Peiris.

SEPTEMBER 2006

TMI through TMIL entered into a share sale agreement with Nasser Khan Ghazi to acquire an additional 11.0% equity interest in Multinet.

OCTOBER 2006

Casacom changed its name to TMIC (now known as HACL).

DECEMBER 2006

Dialog, through Dialog TV, entered into a share sale and purchase agreement for the acquisition of 100% of the share capital of CBNP and CBNSP from Muhunthan Canagasooryam and Niranjan Canagasooryam.

Major Milestones

2007

JUNE 2007

Indocel increased its shareholding in XL to 67.0% by a purchase of additional shares from AIF (Indonesia) Ltd.

JULY 2007

Spice was listed on the Bombay Stock Exchange. Due to the issuance of new shares by Spice in its IPO, TMI's stake was reduced to 39.2%.

SEPTEMBER 2007

Dialog acquired the remaining 10.0% of the total issued and paid-up share capital in Dialog TV, which resulted in Dialog TV becoming wholly-owned by Dialog.

DECEMBER 2007

TMI through TMIL entered into a shareholders agreement with Etisalat Indonesia in relation to the acquisition of 15.97% equity interest in XL by Etisalat Indonesia from Bella Sapphire Ventures Ltd.

2008

APRIL 2008

TMI was demerged from TM, resulting in the acquisition of 100% stake in Celcom and 51.0% stake in SunShare. TMI also acquired 16.81% and 49% additional stakes in XL and SunShare respectively from Khazanah.

APRIL 2008

TMI was listed on the Main Board of Bursa Securities.

AUGUST 2008

TMI India through TMI Mauritius acquired a 14.99% stake in Indian cellular company Idea and announced a merger of Spice with Idea.

SEPTEMBER 2008

A.K. Khan & Company Limited and affiliates disposed off its entire 30% stake in TMIB to NTT DoCoMo, INC.

OCTOBER 2008

TMI through TMI Mauritius increased its stake in Spice to 49% as a result of the mandatory general offer of Spice undertaken as part of the Spice-Idea merger.

2009

MARCH 2009

TMI changed its name to Axiata Group Berhad.

APRIL 2009

Axiata unveiled its new brand identity.

MAY 2009

TMIB changed its name to Axiata (Bangladesh) Limited.

DECEMBER 2009

Indocel increased its shareholding in XL to 86.49% pursuant to a rights issue.

DECEMBER 2009

XL changed its name to PT XL Axiata Tbk.

DECEMBER 2009

Celcom changed its name to Celcom Axiata Berhad.

2010

FEBRUARY 2010

TMIC changed its name to Hello Axiata Company Limited.

MARCH 2010

With the completion of the merger between Spice and Idea, Axiata through TMI Mauritius and TMI India increased its stake in Idea to 19.1%.

MARCH 2010

AxB launched their new identity carrying the Axiata 'Prism' with a new name 'Robi'.

APRIL 2010

M1 changed its name to M1 Limited.

APRIL 2010

Indocel reduced its shareholding in XL to 66.69% through the exercise of an international private placement of 19.8% in XL in order to increase public shareholding spread of XL shares.

APRIL 2010

Axiata SPV1 issued USD300 million aggregate principal amount of 5.375% Notes Due in 2020 guaranteed by Axiata payable semi annually in arrears on 28 October each year commencing 28 October 2010 (Notes). The Notes were listed and quoted on the Stock Exchange of Hong Kong Limited on 29 April 2010 and the Labuan International Financial Exchange on 7 May 2010.

AXIATA GALLERY


axiata
advancing asia
Cocktail Reception


GOT


OFFICIATED BY:
NACRA


axiata


Excellence


!dea


axiata
menerajui asia
celcom

AWARDS & ACCOLADES

AXIATA GROUP BERHAD

Frost & Sullivan Asia Pacific ICT Award
Best Telecom Group of the Year 2009

National Annual Corporate Report Awards (NACRA) 2009
Gold Award in the Best Designed Annual Report category

Malaysian Corporate Governance Index 2009
Merit Award

Alpha South East Asia Annual Deal Awards 2009
Best Secondary Deal of The Year 2009 in Southeast Asia

Telecom Asia Awards 2010
Telecom CEO of The Year
Best Regional Mobile Group

The Brand Laureate – SMEs Chapter Awards 2009
The Most Preferred Brand: Mobile Telecommunications Category

10th PC.com Awards
Best Mobile Broadband Service & Top 10 Power Brand Award

Telecom Asia Awards 2010
Best Mobile Carrier

Malaysia Business Leadership Award 2009 (MBLA)
Telecommunications Sector Award
(Dato' Sri Shazalli Ramly, Chief Executive Officer)

Association of Accredited Advertising Agent Malaysia and The Edge
Brand Building Hall of Fame Award
(Dato' Sri Shazalli Ramly, Chief Executive Officer)

CELCOM AXIATA BERHAD

Frost & Sullivan Malaysia Telecoms Awards
Malaysian Mobile Service Provider of the Year 2009

Frost & Sullivan Malaysia Telecoms Awards
Service Provider of the Year 2009

Malaysia's Most Valuable Brands Award (MMVB) 2009
Ranked Fourth Most Valuable Brand

Contact Centre World APAC Region Conference 2009
Silver Medal for Best Contact Centre in Asia Pacific (under 50 Agents)

Contact Centre World APAC Region Conference 2009
Bronze Medal for Best Customer Service Agent in Asia Pacific

PT XL AXIATA TBK.

Call Center Award 2009
Service Excellence in Telecommunications Industry

Investor Relations Global Rankings Award (IRGR) 2009
Top 5 Financial Disclosures Company in Asia

Indonesia Golden Ring Awards
Best Operator, Best Customer Service & Best Operator Product for XL Prepaid

Telecom Asia Awards 2009
Best Mobile Carrier
Best Emerging Market Carrier

Euromoney – Asia's Best Managed Companies 2009
Overall Most Convincing and Coherent Strategy – Indonesia

Selular Award 2009
Best Corporate Social Responsibility (CSR)

The Best Company Image 2009
Silver Award for XL Contact Centre

Marketing Award
Best Innovation in Marketing

Broadband Award 2009
Best BlackBerry Services

Gadget Award 2009
The Best Inovation BlackBerry Provider

Brand of Choice by Community
Awarded by Swa Magazine in acknowledgement of XL's services in Indonesian communities

Indonesia Human Capital Study (IHCS) Award 2009
The Best Human Capital Index in Telecommunications Industry 2009

CEO Idaman 2009
CEO *Idaman* 2009 for Telecommunications Industry
(Hasnul Suhaimi, President Director)

One of ten CEO Idaman 2009 in the Ideal Cross-industry category (Hasnul Suhaimi, President Director)

PR People of The Year 2009
Gold Winner for Company *Spokesperson* Category
(Hasnul Suhaimi, President Director)

Silver Winner for *Executive Corporate Communication* Category
(Myra Junor, GM Corporate Communication)

DIALOG TELEKOM PLC

SLIM-Nielsen People's Awards
People's Youth Brand of the Year

People's Mobile Telecom Brand of the Year

Frost & Sullivan Market Share Leadership Award 2009
Mobile Services Market

AXIATA (BANGLADESH) LIMITED

Bangladesh Mobile Phone Business Association (BMBA) Award
Best Service Provider

The Weekly Financial Mirror-Samsung Mobile & Robintex Business Award
Best Telecommunications Company

IDEA CELLULAR LIMITED

Economic Times Corporate Excellence Award 2009
Emerging Company of The Year

4th Buzziest Brand in India
Awarded by leading brand and marketing media house, agencyfaqs

Best Celebrity Endorsement of the Year Award
Awarded by NDTV for innovative communication campaigns with Brand Ambassador Abishek Bachchan

M1 LIMITED

National Arts Council's Patron of the Arts Awards 2009
Distinguished Patron of the Arts

Excellent Service Award 2009
28 Silver, 4 Gold and 5 Star awards

SAMART I-MOBILE PUBLIC COMPANY LIMITED

Prime Minister's Export Award 2009
Design Excellence Award

FEATURE ARTICLE:

THE FUTURE OF MOBILE TELECOMMUNICATIONS

The mobile telecommunications industry is one of the most rapidly growing industries in the world. The growth in mobile services has outpaced the fixed line, and the internet is beginning to replace voice as the staple business. Telecom is now less about voice and increasingly about text and images. High-speed internet access, which delivers computer-based data applications such as broadband information services and interactive entertainment, is rapidly making its way into homes and businesses around the world.

As the industry continues to evolve, mobile telecommunications will look very different five to 10 years from now. The conventional mobile phone will no longer exist. Already we have seen that increasingly powerful devices have changed the way we live. We have seen the increased shift from basic communications to lifestyle provision as consumer behaviour is moving towards self-discovery of services. Future mobile devices will match the way we interact with our environment and user lifestyles will dictate the future designs. You can expect powerful new devices with multiple capabilities.

Networks will be based on IP, and become increasingly more powerful, with 15-100 times higher speeds. This will allow for full convergence to take place and optimised transmission of all data, voice and video communications through a single device. We will see an array of services and applications, from voice to almost anything and there will be the increased use of non-voice services by the increasingly savvy consumers.

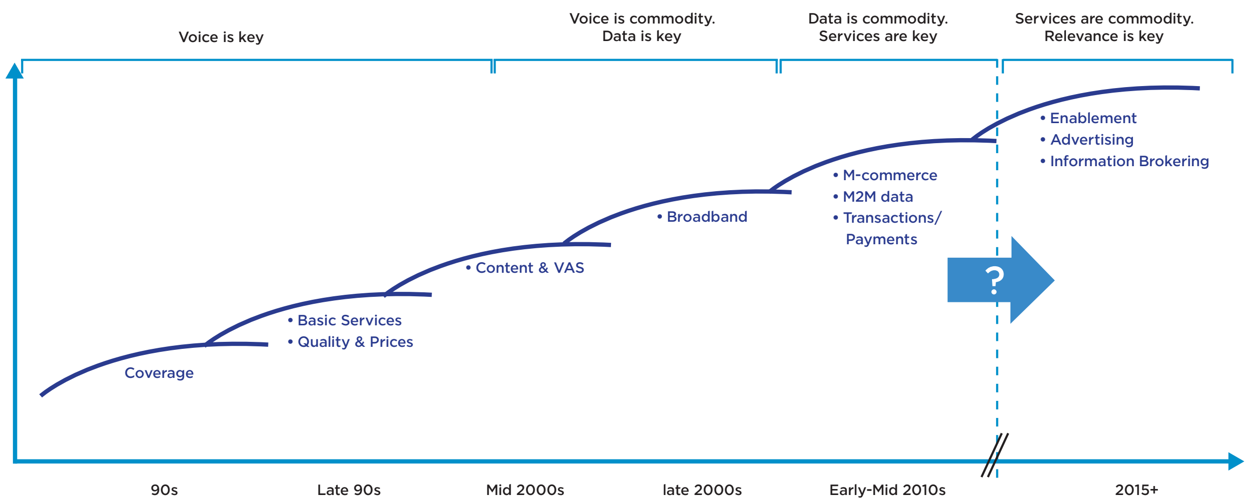
MOBILE TELECOMMUNICATION OPERATORS WILL BE ENABLERS OF SERVICE PROVISIONING

The mobile industry will need to transform beyond service provision and focus on enabling relevant services to customers. The long term role of mobile operators will be to aggregate services and leverage information, creating a compelling experience for consumers, which will be key to any operator's success.

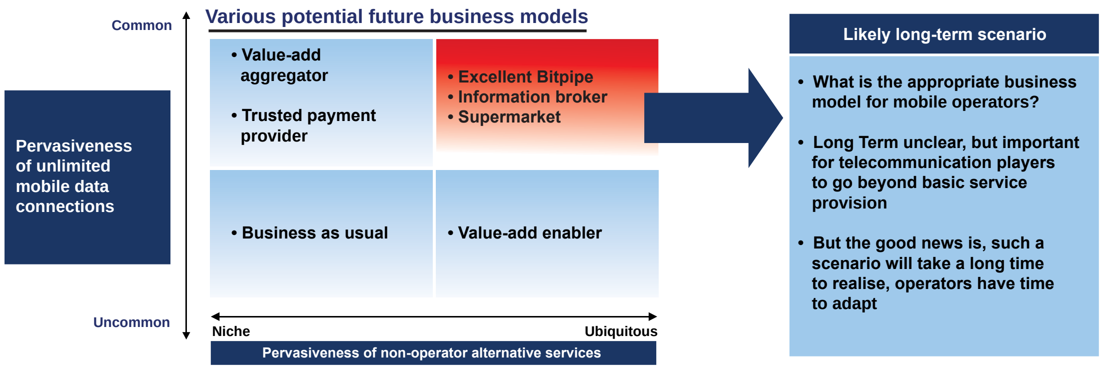
The mobile industry is bound to see major disruption with the unshackling of operator controls over the development and delivery of applications and services. These changes threaten to bypass those who choose to ignore them and reward those that welcome them.

Operators and other stakeholders alike would do well to adapt themselves to these changes in order to ensure that they stay relevant in the new mobile world order. Operators are best positioned to play the role of enablers, by unlocking their network and data assets to third parties, and in the process create value in terms of additional revenues. Operators will need to plan a clear roadmap in transforming themselves from delivery players to potentially platform providers.

THE MOBILE INDUSTRY WILL NEED TO TRANSFORM BEYOND SERVICE PROVISION



FOUR SCENARIOS AND POTENTIAL BUSINESS MODELS FOR THE INDUSTRY



STRENGTH IN DIVERSITY

Diversity is key towards achieving our ambition of becoming a regional champion. Our unique footprint across 10 countries is what gives Axiata the building blocks to build a competitive edge. Our strength is in our ability to unite people of different backgrounds and cultures around common principles towards a shared goal.

AXIATA PROFILE

Axiata is one of the largest Asian telecommunication companies, focused on high growth low penetration emerging markets. Axiata has controlling interests in mobile operators in Malaysia, Indonesia, Sri Lanka, Bangladesh and Cambodia with significant strategic stakes in India, Singapore and Iran. India and Indonesia are amongst the fastest growing markets in the world. In addition, the company has stakes in non-mobile telecommunication operations in Pakistan and Thailand.

The Group's mobile subsidiaries and associates operate under the brand name of 'Celcom' in Malaysia, 'XL' in Indonesia, 'Dialog' in Sri Lanka, 'Robi' in Bangladesh, 'Hello' in Cambodia, 'Idea' in India, 'M1' in Singapore and 'MTCE' in Iran (Esfahan).

The Group, including its subsidiaries and associates, has over 120 million mobile subscribers in Asia. The Group revenue for 2009 was RM13.1 billion. The Group provides employment to over 25,000 people across Asia.

Axiata's vision is to be a regional champion by 2015 by piecing together the best throughout the region in connectivity, technology and people, uniting them towards a single goal: Advancing Asia.

AXIATA'S JOURNEY TO DATE

The Axiata story has been a remarkable one – incorporated in Malaysia on 12 June 1992 as a private limited company under the name Telekom Malaysia International Sdn. Bhd. (TMI), operating as a division within Telekom Malaysia Berhad (TM). The initial focus was on expanding the Group's footprint, primarily through mergers and acquisitions, building a portfolio which balances interest in emerging markets with low mobile penetration rates and Best-in-Class and innovation driven subsidiaries in mature markets.

In 2008, the TM Group completed a strategic demerger exercise that saw the separation of the mobile business from TM. The demerger resulted in an enhanced TMI, which was merged with Celcom – enabling it to focus on its own core business and accelerate operational improvements and growth initiatives; emerging as an independent entity in the regional mobile telecommunications market. TMI was subsequently listed on Bursa Securities on 28 April 2008, marking a new chapter in its transformation towards becoming a regional giant in the mobile communications market.

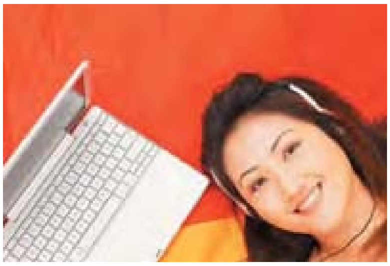
In March 2009, TMI changed its name to Axiata Group Berhad and launched a new identity, as part of a rebranding exercise aimed at enhancing its position as a leading regional mobile operator. The move was a requisite step to reinforce the Group's new business philosophy and its commitment to Advancing Asia by addressing the unfulfilled communication needs of local populations with affordable and innovative products and services. Axiata has blazed a path across the region; from 6 million customers to over 120 million across 10 countries, in a matter of 5 years, making Axiata one of the largest mobile players in South East Asia.

TOWARDS A GREATER PURPOSE

As an organisation, Axiata is transforming from being a holding company to a multinational company with a purpose. The Group is committed to the countries it operates in by playing a core role in nation development by piecing together affordable connectivity, innovating technology and developing human talent.

Advancing Asia is more than just a tagline, it drives everything we do. It is our role to bring our OpCos together and work in unison towards this common goal, by developing unmatched consumer value propositions that we are able to offer as a truly regional telco.

Axiata believes in the Asian potential. Developing and emerging markets, particularly in South and Southeast Asia, contribute to half of the world's output. This reinforces our belief that Axiata is in the right business and in the right markets for long term investment and sustainable growth, and that our contributions can make a real difference to people's lives and help to transform the countries in which we operate.



REGIONAL PRESENCE

MAJOR SUBSIDIARIES

MALAYSIA

CELCOM AXIATA BERHAD
[formerly known as Celcom (Malaysia) Berhad]
Year of Investment/Shareholding: 2008/100.0%
Nature of Business: Mobile
Subscribers: 10.1 Million
Technology Deployed: GSM, GPRS, EDGE, 3G, HSPA
No of BTS: 9,974
Network Coverage (By populated area): 98.8%

INDONESIA

PT XL AXIATA TBK.
Year of Investment/Shareholding: 2005/66.7%
Nature of Business: Mobile
Subscribers: 31.4 Million
Technology Deployed: GSM, GPRS, EDGE, 3G
No of BTS: 19,349
Network Coverage (By populated area): 90.0%

SRI LANKA

DIALOG TELEKOM PLC
Year of Investment/Shareholding: 1996/85.0%
Nature of Business: Mobile, Internet services and international data and backbone, fixed wireless and transmission infrastructure and media related services
Subscribers: 6.4 Million
Technology Deployed: GSM, GPRS, EDGE, 3G, HSPA, WiFi, WiMax, DVB-S
No of BTS: 1,680
Network Coverage (By populated area): 90.0%

BANGLADESH

AXIATA (BANGLADESH) LIMITED
Year of Investment/Shareholding: 1995/70.0%
Nature of Business: Mobile
Subscribers: 11.9 Million
Technology Deployed: GSM, GPRS, EDGE
No of BTS: 5,379
Network Coverage (By populated area): 88.0%

CAMBODIA

HELLO AXIATA COMPANY LIMITED
Year of Investment/Shareholding: 1998/100.0%
Nature of Business: Mobile
Subscribers: 769,693
Technology Deployed: GSM, GPRS, EDGE, 3G, HSPA
No of BTS: 621
Network Coverage (By populated area): 89.0%

THAILAND

SAMART CORPORATION PUBLIC COMPANY LIMITED

Year of Investment/Shareholding: 1997/19.0%
Nature of Business: Mobile Multimedia, ICT Solutions and Services and Technology-related businesses

SAMART I-MOBILE PUBLIC COMPANY LIMITED

Year of Investment/Shareholding: 2006/24.4%
Nature of Business: Mobile devices and accessories, multimedia and international busines

MAJOR ASSOCIATES/AFFILIATES

INDIA

IDEA CELLULAR LIMITED

Year of Investment/Shareholding: 2008/19.1%
Nature of Business: Mobile
Subscribers: 63.8 Million (as of March 2010)

SINGAPORE

M1 LIMITED

Year of Investment/Shareholding: 2005/29.6%
Nature of Business: Mobile and Broadband
Subscribers: 1.8 Million

OTHERS

IRAN

MOBILE TELECOMMUNICATIONS COMPANY OF ESFAHAN

Year of Investment/Shareholding: 2005/49.0%
Nature of Business: Mobile (Province of Esfahan)
Subscribers: 17,817

PAKISTAN

MULTINET PAKISTAN (PRIVATE) LIMITED

Year of Investment/Shareholding: 2005/89.0%
Nature of Business: Broadband & Long Distance and International Services

GROUP CORPORATE STRUCTURE

AS AT 30 APRIL 2010*

Axiata Group Berhad

- Celcom Axiata Berhad *[formerly known as Celcom (Malaysia) Berhad]* (Malaysia)
  - Technology Resources Industries Berhad (Malaysia)
  - Celcom Transmission (M) Sdn Bhd (Malaysia)
  - Celcom Technology (M) Sdn Bhd (Malaysia)
  - 80.0% Celcom Timur (Sabah) Sdn Bhd (Malaysia)
  - Celcom Mobile Sdn Bhd (Malaysia)
  - Alpha Canggih Sdn Bhd (Malaysia)
  - CT Paging Sdn Bhd (Malaysia)
    - C-Mobile Sdn Bhd (Malaysia)
  - 15.12% Sacofa Sdn Bhd (Malaysia)
  - 35.0% Tune Talk Sdn Bhd (Malaysia)
  - Celcom Multimedia (Malaysia) Sdn Bhd (Malaysia)
- Hello Axiata Company Limited (Cambodia)
- SunShare Investments Ltd (Labuan)
  - 29.57% M1 Limited (Singapore) ‡
- 18.96% Samart Corporation Public Company Limited (Thailand) ‡

Legend:

* = Depicting Active Subsidiaries, Associates and Affiliates

= Key Operating Companies

= Wholly-owned Subsidiaries

= Non wholly-owned Subsidiaries

= Associates/Affiliates

‡ = Listed Companies

The complete list of subsidiaries, jointly controlled entities and their respective principal activities, country of incorporation and the Group's effective interest are shown in note 45 to the financial statements on pages 275 to 282 of this Annual Report.

- 24.42% Samart I-Mobile Public Company Limited (Thailand) ‡
- TMI Mauritius Ltd (Mauritius)
  - TMI India Ltd (Mauritius)
    - 5.02%
  - 14.08%
  - 19.1% Idea Cellular Limited (India) ‡
- Axiata SPV1 (Labuan) Limited (Labuan)
- TM International (L) Limited (Labuan)
  - Indocel Holding Sdn Bhd (Malaysia)
    - 66.69% PT XL Axiata Tbk (Indonesia) ‡
  - 89.0% Multinet Pakistan (Private) Limited (Pakistan)
  - 70.0% Axiata (Bangladesh) Limited (Bangladesh)
  - 49.0% Mobile Telecommunications Company of Esfahan (Iran)
  - 84.97% Dialog Telekom PLC (Sri Lanka) ‡
    - Dialog Television (Private) Limited (Sri Lanka)
      - CBN Sat (Private) Limited (Sri Lanka)
      - Communiq Broadband Network (Private) Limited (Sri Lanka)
    - Dialog Broadband Networks (Private) Limited (Sri Lanka)

PROFILE OF DIRECTORS

From left to right:

Dato' Sri Jamaludin Ibrahim
Dato' Yusof Annuar Yaacob
Datuk Azzat Kamaludin
Tan Sri Dato' Azman Hj. Mokhtar
David Lau Nai Pek
Dr. Farid Mohamed Sani
Tan Sri Ghazzali Sheikh Abdul Khalid
Juan Villalonga Navarro

TAN SRI DATO' AZMAN HJ. MOKHTAR

Age 49, Malaysian
Appointed to the Board on 3 March 2008
Chairman, Non-Independent Non-Executive Director
(Representative of Khazanah)

Working Experience: Azman started his career in September 1983 at the then National Electricity Board (now known as Tenaga Nasional Berhad) until August 1994. Between 1994 and 1998, he was Director and Head of Research for Union Bank of Switzerland in Malaysia. Thereafter, he was Director and Head of Research at Salomon Smith Barney in Malaysia. From 2002 until May 2004, he was Managing Director of BinaFikir Sdn Bhd. From June 2004 to-date, Azman holds the position of Managing Director of Khazanah.

Qualifications: Graduated with distinction in Masters of Philosophy in Development Studies from Darwin College, Cambridge University, United Kingdom as a British Chevening scholar. He is a Fellow of the Association of Chartered Certified Accountants, UK and is a Chartered Financial Analyst. He also holds a graduate diploma in Islamic Studies from the International Islamic University, Malaysia.

Directorships of Public Companies: Iskandar Investment Berhad (Chairman), UEM Group Berhad and Yayasan Khazanah.

Other Information: Member of Iskandar Regional Development Authority, Director of Valuecap Sdn Bhd and serves on various public service bodies including the Performance Management & Delivery Unit, the Advisory Board for Cluster of Excellence Schools, the Board of Governors of the Malay College Kuala Kangsar and the Executive Committee of Malaysia International Islamic Financial Centre. He is also a member of the Kuala Lumpur Business Club, the Asia Business Council and the INSEAD East Asia Council.

Attended all 11 Board meetings held in the financial year.

DATO' SRI JAMALUDIN IBRAHIM

Age 51, Malaysian
Appointed to the Board on 3 March 2008
Managing Director/President
& Group Chief Executive Officer

Working Experience: Jamaludin was appointed as Managing Director/President and Group Chief Executive Officer on 24 March 2008. Prior to his appointment in Axiata, Jamaludin was with Maxis Communications Berhad (Maxis), which he joined in 1997 and was appointed Chief Operating Officer in the same year, and Chief Executive Officer in 1998. In 2006, he was re-designated as the Group Chief Executive Officer to reflect Maxis' international footprint. He retired from Maxis in July 2007 but remained as a Board member until February 2008. Prior to joining Maxis, he spent 16 years in the IT industry. He was the Managing Director and Chief Executive Officer of Digital Equipment Malaysia (then the second largest IT-company worldwide) from 1993 to 1997. Jamaludin also spent 12 years in IBM (1981-1993) as Systems Engineer and then in various positions in Sales, Marketing and Management. Prior to IBM, he was a lecturer in Quantitative Methods at California State University, USA in 1980.

Qualifications: Graduated from California State University, USA in 1978 with a Bachelor of Science in Business Administration and minor in Mathematics. Obtained an MBA from Portland State University, Oregon, USA in 1980.

Directorships of Public Companies: Axiata Group Companies – Celcom (Chairman), XL and M1.

Other Information: Member of the Board of Multimedia Development Corporation Sdn Bhd, GSM Association and Universiti Tun Abdul Razak. He was inducted into the Hall of Fame for 'Services to the Mobile Telecommunications Industry' by Asian Mobile News in 2004, and earned the accolade of Malaysia's 'CEO of the Year' 2000 by American Express and Business Times. He was also named Asian Mobile Operator CEO of the Year by Asian Mobile News Awards 2007. Most recently, he was voted Telecom CEO of the Year at the Telecom Asia Awards 2010.

Attended all 11 Board meetings held in the financial year.

DATO' YUSOF ANNUAR YAACOB
Age 44, Malaysian
Appointed to the Board on 1 June 2005
Executive Director/Group Chief Financial Officer

Working Experience: Yusof was the Chief Executive Officer of TM International Sdn Bhd, now known as Axiata from June 2005 till March 2008. Upon the demerger from TM, he was appointed as the Executive Director/Group Chief Financial Officer of the Company on 24 March 2008. He has had investment banking, corporate management and telecommunications experience throughout his career. Prior to joining the Company in June 2005, he was an Executive Director at OCB Berhad and a Board member of a number of other public listed companies in Malaysia.

Qualifications: Chartered Accountant by profession. Completed Chartered Institute of Management Accountants professional examination in 1987.

Directorships of Public Companies: Axiata Group Companies – Celcom, XL, Dialog, AxB and M1.

Attended all 11 Board meetings held in the financial year.

TAN SRI GHAZZALI SHEIKH ABDUL KHALID
Age 64, Malaysian
Appointed to the Board on 24 March 2008
Independent Non-Executive Director
Chairman, Board Nomination Committee,
Board Remuneration Committee and
Employees Share Option Scheme (ESOS) Committee

Working Experience: Ghazzali has made his career as a diplomat since 1971 and became the Ambassador of Malaysia to the USA in March 1999. Prior to his appointment to Washington, D.C., he served as the deputy secretary-general at the Ministry of Foreign Affairs, Malaysia. Over the years, his overseas appointments have included postings to Austria, Germany, Hong Kong, Thailand, the United Kingdom, Zimbabwe and with the Permanent Mission of Malaysia to the United Nations in New York, USA. Ghazzali is presently the Ambassador-at-large of the Ministry of Foreign Affairs, Malaysia.

Qualifications: Degree in Economics from La Trobe University, Australia.

Directorship of Public Company: Axiata Group Company – AxB (Chairman).

Attended all 11 Board meetings held in the financial year.

DATUK AZZAT KAMALUDIN
Age 64, Malaysian
Appointed to the Board on 24 March 2008
Senior Independent Non-Executive Director
Member, Board Audit Committee,
Board Nomination Committee,
Board Remuneration Committee and
ESOS Committee

Working Experience: Azzat is a lawyer by profession and is a partner of the law firm of Azzat & Izzat. Prior to being admitted as an advocate and solicitor of the High Court of Malaya in 1979, he served as an administrative and diplomatic officer with the Ministry of Foreign Affairs, Malaysia from 1970 to 1979. Between 1 March 1993 to 21 March 1999, he served as a member of the Securities Commission.

Qualifications: Degrees in Law and in International Law from Cambridge University, United Kingdom in 1968 and 1969 respectively. Thereafter, admitted as a Barrister-at-Law of the Middle Temple, London in 1970.

Directorships of Public Companies: Axiata Group
Companies – Dialog (Chairman) and Technology Resources Industries Berhad. Others – Affin Holdings Berhad, Boustead Holdings Berhad, Boustead Heavy Industries Corporation Berhad, KPJ Healthcare Berhad, Pulai Springs Resort Berhad, Visdynamics Holdings Berhad and Malaysian Directors Academy (Company Limited by Guarantee).

Attended 10 out of 11 Board meetings held in the financial year.

JUAN VILLALONGA NAVARRO

Age 57, Spanish
Appointed to the Board on 24 March 2008
Independent Non-Executive Director
Member, Board Audit Committee

DAVID LAU NAI PEK

Age 57, Malaysian
Appointed to the Board on 23 April 2008
Independent Non-Executive Director
Chairman, Board Audit Committee

Working Experience: From 1996 to 2000, Juan was Chairman and Chief Executive Officer of Telefonica, a provider of telecommunication services in Spain. Prior to joining Telefonica, he was Chief Executive Officer of Bankers Trust in Spain, Chief Executive Officer of Credit Suisse First Boston in Spain and was partner at McKinsey & Co., for nine years. Juan is currently a global entrepreneur based in London. In addition, he provides Selective Advisory Services to CEO's of large multinationals.

Qualifications: Degree in Law from Deusto University, Spain and an MBA from IESE in Barcelona, Spain.

Directorships of Public Companies: Axiata Group Company – Idea. Others – Espirito Santo Financial Holding.

Attended 6 out of 11 Board meetings held in the financial year.

Working Experience: David has over 35 years of professional experience in finance and leading financial organisations in various locations in Australia, Brunei, China, Malaysia, New Zealand, the Netherlands and the United Kingdom. He has served the Shell Group for 28 years in various capacities. His last position before he returned to Malaysia at the end of December 2008 was Vice-President Finance, Shell International Exploration and Production B.V., The Hague, the Netherlands.

Qualifications: Bachelor of Commerce degree from Canterbury University, New Zealand. Member of the Malaysian Institute of Accountants and a member of the New Zealand Institute of Chartered Accountants.

Directorships of Public Companies: Axiata Group Company – Celcom. Others – Shell Refining Company (Federation of Malaya) Berhad.

Attended 10 out of 11 Board meetings held in the financial year.

DR. FARID MOHAMED SANI

Age 34, Malaysian
Appointed to the Board on 8 January 2010
Non-Independent Non-Executive Director
(Representative of Khazanah)
Member, Board Nomination Committee,
Board Remuneration Committee and ESOS Committee

Working Experience: Farid is currently Senior Vice President of the Managing Director's office at Khazanah. He has been with Khazanah since 2004 and has also served in Khazanah's transformation management office. Prior to that, Farid was a consultant at McKinsey & Co. for two years. Farid was Alternate Director on the Board of Axiata prior to his appointment as Director.

Qualifications: Doctorate in Chemical Engineering from Cambridge University, United Kingdom and holds a Master of Engineering and Bachelor of Arts degree (Honours) from Cambridge University, United Kingdom, with a specialisation in Chemical Engineering. He graduated with First Class Honours.

Directorships of Public Companies: Axiata Group Companies – Celcom and AxB. Others – Telekom Malaysia Berhad (Alternate Director).

None of the Directors have:-

- Any family relationship with any Director and/or major shareholder of Axiata.
- Any conflict of interest with Axiata.
- Any conviction for offences within the past ten years other than traffic offences.

PROFILE OF MANAGEMENT TEAM

From left to right:

Rema Devi Nair
Datin Badrunnisa Mohd Yasin Khan
Donald James Rae
Tan Gim Boon
Dato' Sri Jamaludin Ibrahim
Azwan Khan Osman Khan

DATO' SRI JAMALUDIN IBRAHIM

Managing Director/President & Group Chief Executive Officer

Please refer to page 51 of the Annual Report.

DATO' YUSOF ANNUAR YAACOB

Executive Director/Group Chief Financial Officer

Please refer to page 52 of the Annual Report.

REMA DEVI NAIR

Head, Group Regulatory Affairs

Rema graduated from the University of Malaya, Kuala Lumpur with Bachelor of Arts (Honours) and Master in Philosophy (M.Phil) degrees in 1983 and 1987 respectively.

She has over 20 years experience in the telecommunications industry commencing in 1988 as a specialist telecommunications writer at the Business Times, Malaysia's financial daily. This was followed by over eight

From left to right:

Dr Hans Wijayasuriya
Suryani Hussein
Dato' Yusof Annuar Yaacob
Nik Hasnan Nik Abd Kadir
Norman Donald Price IV

years in TM, primarily in corporate planning and strategy. In early 1999, she joined the newly established Malaysian Communications & Multimedia Commission (MCMC), serving in various positions including Manager (Economic Regulation) and Industry Policy and Regulation. She joined TMI as Head, Regulatory and Corporate Affairs in August 2003 and undertook her current position as Head, Group Regulatory Affairs in April 2008.

Rema is a member of the Chief Regulatory Officers' Group (CROG) of the GSM Association (GSMA).

DATIN BADRUNNISA MOHD YASIN KHAN
Head, Group Human Resource

Badrunnisa holds a Bachelor of Science (Honours) 1981, in Biochemistry and Pharmacology, University of Aston in Birmingham, United Kingdom.

Badrunnisa has had over 25 years of working experience. Her career has predominantly been with Shell Malaysia with the first half focusing on IT software application and the second half in Human Resources. Before Axiata, she was with TM where she was General Manager, Leadership & Talent Management, Group HR.

DONALD JAMES RAE
Senior Group Advisor

Don graduated with a Bachelor of Commerce from University of Guelph Ontario, Canada and an MBA from University of Western Ontario, Canada in 1983 and 1987 respectively.

He started his career with Deloitte & Touche Management Consulting from 1987 to 1998, working in Canada, Hong Kong, Malaysia and Singapore, and was made Partner of the firm in 1994. His professional experience also include extensive time with Smart Communications and Essar Telecom Business Group.

Prior to joining Axiata in February 2010, Don worked as an independent consultant for the group focused on reviewing and improving operations in its Dialog business unit.

TAN GIM BOON
General Counsel, Group Legal

Gim graduated with a Bachelor of Commerce in 1993 and a Bachelor of Laws in 1995 from University of Adelaide, Australia. In 2000, he completed a Master of Laws from University of New South Wales, Australia. Gim was admitted as an Advocate and Solicitor of the High Court of Malaya in 1997 and admitted as a solicitor in New South Wales, Australia in 2002.

He joined TMI in 2004. Prior to joining Axiata, he was in private practice, having practised in Malaysia and Sydney, Australia. His areas of practice were predominantly in the fields of mergers and acquisitions, equity capital markets and corporate finance. Gim's last post before joining Axiata, was with Malaysia's largest law firm, Zaid Ibrahim & Co.

AZWAN KHAN OSMAN KHAN
Group Chief Strategy Officer

Azwan is an engineering graduate (First-Class Honours) from the Imperial College, University of London, United Kingdom with a broad mix of telecommunications and non-telecommunications experience across a range of companies. His professional experience includes extensive time with The Boston Consulting Group and Shell Malaysia. He was formerly the Senior Vice President, Corporate Strategy and Development in Celcom, a position he held from mid-2005.

Azwan is also a member of the GSMA Chief Strategy Officer Group (CSOG).

DR HANS WIJAYASURIYA
Group Chief Operating Officer

Hans is a Chartered Engineer and Fellow of the Institute of Engineering Technology (IET) United Kingdom. He holds a Degree in Electronic Engineering from the University of Cambridge, United Kingdom.

He also holds a Doctorate in Digital Mobile Communications from the University of Bristol, United Kingdom and an MBA from the University of Warwick, United Kingdom.

He also serves as the Group Chief Executive of Dialog – Axiata's market leading subsidiary in Sri Lanka – a position he has held since 1997.

Hans has served as Chairman of GSM Asia Pacific – the regional interest group of the GSM Association representing 22 Asia Pacific member countries.

SURYANI HUSSEIN
Group Company Secretary

Suryani, a qualified advocate and solicitor of the High Court of Malaya and licensed Company Secretary, spent the early years of her career in legal practice. She subsequently joined the corporate sector and was appointed Head of Legal and Secretarial, Celcom in 2002. She became the Group Company Secretary of Axiata upon its listing in April 2008. Suryani retains her leadership role as Head of Legal in Celcom.

NIK HASNAN NIK ABD KADIR
Group Chief Internal Auditor

Hasnan graduated with a Bachelor of Science (Honours) in Accounting & Financial Analysis, University of Warwick, United Kingdom. He is a Certified Internal Auditor (CIA) and a Chartered Member of the Institute of Internal Auditors, Malaysia (CMIIA).

Hasnan was appointed Axiata Group Chief Internal Auditor upon its listing in 2008. He also holds the additional role of the Chief Internal Auditor of Celcom, a position he has held since 2005. Prior to that, he was Financial Controller, Asia Pacific Service Centre, for Shell Global Solutions, a member of Shell Global Audit Network and Secretary of ATRACC Audit Committee, a Shell Accounting Transaction Services Company for Asia Pacific and Middle East, and General Manager, Finance, for a Shell International BV joint venture Company.

NORMAN DONALD PRICE IV
Group Chief Technology Officer

Don was appointed Group Chief Technology Officer in November 2008.

He started his career in the US Navy, where he initially taught reactor physics, specialising in nuclear propulsion but later moved on to communications. He joined McCaw Communications Group in the US, for whom he also spent considerable amounts of time with various telecommunication operators in Asia. His work at McCaw also led him to China, Indonesia and Philippines.

Don has more than 25 years experience in establishing and scaling new business operations in fiercely competitive environments in the region, seven years of which was with Bharti Airtel.

PROFILE OF OPERATING COMPANIES' MANAGEMENT TEAM

01

DATO' SRI MOHAMMED SHAZALLI BIN RAMLY
Chief Executive Officer
Celcom Axiata Berhad

Shazalli was appointed Chief Executive Officer and Director of Celcom on 1 September 2005. Prior to this, he was Chief Executive Officer of ntv7, Malaysia's seventh terrestrial TV station, a position he held for eight years since its launch in 1998.

Shazalli had earlier left his mark in the fast moving consumer goods industry, with Lever Brothers (1987 – 1993), followed by the Malaysian Tobacco Company (MTC) and British American Tobacco (BAT) (1993 – 1996) both in Malaysia and the United Kingdom. He also served as ASTRO's Marketing Director for two years where he pioneered the launch of ASTRO digital satellite services in Malaysia.

Shazalli, graduated from Universiti Teknologi MARA Perlis in 1982, holds a Bachelor of Science (Marketing) from Indiana University, Bloomington, Indiana, USA and an MBA from St. Louis University, Missouri, USA.

Shazalli is currently director of several companies which include Celcom; C-Mobile Sdn Bhd; Celcom Mobile Sdn Bhd and Technology Resources Industries Berhad. He is also a board member of the Kuala Lumpur Business Club and Yayasan Kebajikan Negara Malaysia.

02

HASNUL SUHAIMI
President Director
PT XL Axiata Tbk

Hasnul was appointed President Director of XL in September, 2006. Prior to joining XL, he was President Director of Indosat. He has extensive experience within the telecommunications industry, having held several directorship positions at PT IM3 and PT Telkomsel.

Hasnul started his career as an Instrument Engineer at Schlumberger in 1981. He graduated from Bandung Institute of Technology (ITB), Indonesia in 1981 with a degree in Electrical Engineering before earning his MBA from the University of Hawaii, USA, in 1992.

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DR HANS WIJAYASURIYA
Director and Group Chief Executive
Dialog Telekom PLC

Please Refer to page 56 of this Annual Report

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MICHAEL KUEHNER

Managing Director and Chief Executive Officer

Axiata (Bangladesh) Limited

Michael has had an extensive career in the telecommunications and IT industry spanning more than 30 years in various international locations. Michael has also spent considerable time in Asia. Prior to taking up the appointment with Robi he was the Head of India/Nepal Sub-Region with Nokia Siemens Networks.

In earlier roles, Michael has held executive positions in Sales and Marketing, Service and Project Management, where he was based in Germany, Russia and several North African countries.

Michael has a Masters Degree of Mathematics and Economic Science from the University of Cologne, Germany.

05

SIMON J PERKINS

Chief Executive Officer

Hello Axiata Company Limited

Simon was appointed Chief Executive Officer of Hello in June 2009.

Simon has been involved in various telecommunication companies during his career and prior to the appointment at Hello, was CEO for Vietnamobile, a mobile network operator in Vietnam. Simon spent more than 20 years with British Telecom in the UK and its operations in the USA as well as India (Bharti), Singapore (StarHub) and the regional office in Asia Pacific. Subsequently he spent five years in Indochina, as CEO of Millicom Cellular's Vietnam operations and later as CEO of its regional operations for the whole of Indochina. He also spent three years in Australia with Silk Telekom before returning to Indochina.

Simon graduated from Loughborough University of Technology, United Kingdom with an Honours Degree in Electrical and Electronic Engineering in 1983, and gained his MBA in 1993 from Warwick University, United Kingdom. Simon is also a Graduate Member of the Australian Institute of Company Directors.

06

SANJEEV AGA

Managing Director

Idea Cellular Limited

Sanjeev was appointed Managing Director of Idea on 1 November 2006. He is a Director on the Board of the Aditya Birla Management Corporation, and has been the Chairperson of the Cellular Operators Association of India.

Sanjeev has held positions in Asian Paints, Jenson & Nicholson, and Blow Plast Ltd. where he was the Managing Director from 1993 to 1998. In 1998, he was appointed CEO of Birla AT&T Ltd. He led the company through expansions, mergers and acquisitions, to be what became Idea Cellular. From May 2005 until October 2006, he was Managing Director of Aditya Birla Nuvo Ltd., a conglomerate whose interests span diverse group businesses.

Sanjeev is an Honours graduate in Physics from St. Stephen's College, Delhi, India (1971) with post graduate studies from the Indian Institute of Management, Kolkata (1973).

07
KAREN KOOI

Chief Executive Officer

M1 Limited

Karen was appointed Chief Executive Officer of M1 and to M1's Board of Directors on 22 April 2009.

Karen joined M1 as Chief Financial Officer in August 1995 and was Acting Chief Executive Officer from 1 February 2009. Prior to joining M1, she held various senior financial positions with large public listed companies, including Singapore Press Holdings Limited and City Developments Limited. She has close to 30 years of experience in management and finance.

Karen is a Fellow of the Association of Chartered Certified Accountants (United Kingdom) and holds an MBA in Investment and Finance (Distinction) from the University of Hull, United Kingdom.

08
SHAHRAM SETAYESH

Managing Director

Mobile Telecommunications Company of Esfahan

Shahram was appointed Managing Director of MTCE in January 2009. He has spent 18 years in various positions within the Telecommunication Company of Iran (TCI) group of companies. Prior to joining MTCE he was a Manager in the IT department for Telecommunications Company of Fars.

Shahram graduated from Shiraz University, Iran in 1988 with a Bachelor of Science, majoring in Computer Science. He then completed his Masters of Information Technology from the same university in 2008.

09
ADNAN ASDAR

Chief Executive Officer

Multinet Pakistan (Private) Limited

Adnan Asdar, one of the pioneers of Multinet, has been the driving force behind the Company and is responsible for spearheading the successful deployment of the nationwide optical fibre network.

Adnan has over 25 years experience in structural and forensic engineering, construction management, quality control and project management. He also plays advisory roles in several non-profit organisations primarily focused on Education and Health and is on the Executive Council Board for the Indus Valley School of Art and Architecture, The Citizen's Foundation and Indus Hospital.

Adnan has a degree in Science (Civil Engineering) from Wisconsin, USA and a Masters in Science (Civil Engineering) from Minnesota, USA.

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CHAROENRATH VILAILUCK

Executive Chairman and Chief Executive Officer

Samart Corporation Public Company Limited

Charoenrath has been Executive Chairman and Chief Executive Officer of the Samart Group since 1987. Under his vision to build an internationally recognised Thai-based technology company, Samart Group has steadily enlarged its scope of businesses, covering Mobile Multimedia, ICT Solutions and Services and other Technology-related businesses. At present, the group operates through 20 affiliates and three of them are listed on the Stock Exchange of Thailand.

Charoenrath graduated from the University of Newcastle, Australia with a Bachelor of Science (Electrical Engineering) and received a Certificate from the Thai Institute of Directors Association. Recently, he also obtained a Certificate from the National Defence College of Thailand.

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WATCHAI VILAILUCK

Executive Chairman and Chief Executive Officer

Samart I-Mobile Public Company Limited

Watchai has been Executive Chairman and Chief Executive Officer of SIM since 2003. He also holds several senior management positions in other SAMART subsidiaries.

Watchai graduated from Thammasart University, Thailand with a bachelor degree in Accounting. He obtained a Certificate from National Defence College of Thailand and received his Director's Certificate from the Thai Institute of Directors Association.

STATEMENT ON CORPORATE GOVERNANCE

The Board of Directors (Board) of Axiata recognises the fact that good corporate governance is the hallmark of successful companies. It adds value to the Company through efficient oversight and risk management, whilst encouraging innovation and entrepreneurship within the Company. The Board is therefore fully committed to excellence in corporate governance and enhancing shareholders' value.

The Board's effort in championing good governance in the early years of Axiata's listing had not gone unnoticed. The Company was recognised through a Merit Award in the inaugural Malaysian Corporate Governance (MCG) Index 2009 initiated by the Minority Shareholder Watchdog Group (MSWG). The MCG Index 2009 is a premier index for investors to determine the corporate governance levels amongst public listed companies in Malaysia. The inaugural publication of Axiata's Annual Report 2008 also received recognition in the form of Gold Award for Best Designed Annual Report at the National Annual Corporate Report Awards (NACRA) 2009. These awards motivate the Board to continue refining and improving Axiata's corporate governance systems in its pursuit to realise the above commitments.

This statement provides a description on how Axiata has applied the key principles set out in the Malaysian Code on Corporate Governance (Revised 2007) (Code) and the extent of its compliance with the best practices set out in the Code throughout the financial year ended 31 December 2009 (FY09).

THE BOARD OF DIRECTORS

Role and Responsibilities of the Board

The Board is collectively accountable to the shareholders, to oversee the overall management and performance of the business affairs of the Group in order to achieve its objectives. It provides stewardship to the Group's strategic direction and operations in order to maximise shareholder value. By pursuing its objective of creating shareholder's value, the Board takes into account the interests of all stakeholders in its decision making. The Board is guided by its documented Terms of Reference (ToR) which sets out the Board's duties and responsibilities including specific duties of the Chairman, Non-Executive Directors (NED) and Executive Directors (ED). In addition, Axiata's Limits of Authority (LOA) document clearly sets out the matters reserved for Board's consideration and decision making, the authority delegated to the President & GCEO, including the limits to which the President & GCEO can execute the authority and provides guidance on the division of responsibilities between the Board and Management.

The Board's responsibilities include providing strategic drive for the Company, overseeing the conduct of the Company's business and evaluating whether the business is being properly managed based on a predetermined performance measurement targets, identifying principal risks and ensuring the implementation of appropriate systems to manage these risks, reviewing the adequacy and the integrity of the Company's internal control systems and management information systems, ensuring the development and implementation of an investor relations programme or shareholder communication policy and ensuring succession planning. These responsibilities are carried out directly by the Board and through Board Committees.

Amongst the matters specifically reserved by the Board for its decision:-

i) Appointment to Axiata Board and Board Committees;

ii) Appointment of Axiata Nominee Directors to the Board of major subsidiaries;

iii) Appointment/termination or resignation of President & GCEO and other key positions;

iv) Group Business Plan and changes thereon, creation of new business or activities or termination of existing business or activities which specifically change the nature of the Group;

v) Mergers, acquisitions and divestures (including strategic business alliances, acquisitions or disposal of investments and equity interests);

vi) Quarterly and annually unaudited and audited accounts or any audited accounts for special purposes;

vii) Group Policies, LOA and any revisions or amendments thereto; and

viii) Recommendation on matters that are specifically reserved for the approval of Axiata's shareholders in general meetings.

On the strategy development and planning process, the Board has been playing an active role whereby a retreat session is planned at the end of each year where the Board challenges the Management by providing their input in determining the strategy for the ensuing year. A broad strategy discussion is held at mid-year to help Management prepare for the retreat session. Upon approval of the Business Plan and Budget, the Group's performance is diligently tracked through regular reporting to ensure the Group meets its goals.

The Board Audit Committee (BAC) reviews the key operational risks and controls based on the Group's Enterprise Risk Management framework and tracks the progress of risk management on a regular basis. Any key issues affecting the business and mitigation plan to manage these risks will be reported by the BAC to the Board. Further details on the risks identified by the Group are set out on pages 87 to 88 of the Annual Report.

In 2010, Axiata established a separate Risk Management Committee comprising all its Senior Management. This committee, chaired by the Chairman of the BAC, was established with the objective of having a focused discussion on the Group's risks.

Board Composition and Balance

There were changes to the Board's composition during FY09. One Independent Non-Executive Director (INED), Gita Irawan Wirjawan, resigned on 30 October 2009 following his appointment to the Indonesian Cabinet as the Head of the Investment Coordinating Agency. On 24 December 2009, Axiata lost an enterprising and hardworking Board member, a Non-Independent Non-Executive Director (NINED), Ismael Fariz Ali, after a period of illness. His then alternate, Dr Farid Mohamed Sani, was appointed to fill the vacancy on 8 January 2010.

As a result of these changes, the Board currently has eight members comprising four INEDs, two NINEDs (including the Chairman) and two EDs, namely the President & GCEO and Group Chief Financial Officer (GCFO).

Overall, the Board is satisfied with the current mix of Directors who together provide diverse professional backgrounds, a range of complementary skills, international exposure and appropriate long-standing experience in telecommunications and other areas relevant to the Group.

Further, the Board's composition reflects a proportion which is higher than the one-third minimum of independent directors as prescribed by the Code and the Bursa Securities Main Market Listing Requirements (Main LR). The composition also fairly and appropriately represents Axiata's ownership structure with a significant representation of minority interest through the INEDs. The current structure of the Board and integrity of the individual Directors ensure that no single individual or group dominates the decision making process.

The EDs, who are professionals, have direct responsibility for the Group's performance and contribute their in-depth knowledge and experience particularly in respect of the telecommunications industry and finance. The NEDs, all of whom are well qualified and outstanding individuals, are professionals in their own right and bring to the Board in-depth knowledge in their respective fields. They do not participate in the day to day of Axiata's management and do not engage in any business dealings or other relationship with Axiata to ensure they are capable of exercising judgment objectively and act in Axiata's best interest.

The INEDs not only bring quality on impartiality and inquisitive minds on decisions made by the Board, but also provide sound and valuable input in reaching such decisions.

Axiata practices a planned and structured nomination of its NEDs to sit as director in its major Opcos. This further enhances the role of the NEDs as they are able to contribute also at subsidiary level. The visibility gained on subsidiaries operations and their responsibilities towards these companies provide them with greater insight in any discussion or decision making at Axiata Board level.

Taking into account the interest of all shareholders and stakeholders, the Board has appointed Datuk Azzat Kamaludin as the Senior INED. The appointment provides shareholders with a designated contact for consultation and direct communication on areas that cannot be addressed by the Chairman and/or the President & GCEO.

The Board is planning a holistic review of the Board's composition and balance in 2010, taking into account the various feedback and current and future needs of the Group. The Board's priority is to ensure diversity in terms of skill-sets, ethnicity and nationality which are necessary for a regional group like Axiata. Nevertheless, gender diversity is also a factor that does not escape the Board's attention and will be considered along with the main criteria.

A brief profile of each Director is outlined on pages 50 to 55.

Division of Roles and Responsibilities between the Chairman and the President & GCEO

There is a clear distinction of roles between the Chairman and that of the President & GCEO where the division of their responsibilities is firmly established with each having separate and defined authority and responsibilities as documented in the Board's ToR. This division of roles and responsibilities ensures that there is a balance of power and authority, avoiding any unfettered power of decision-making in one individual.

Whilst the Chairman is responsible in ensuring the Board's effectiveness and conduct, the President & GCEO has overall responsibility for the Group's operational and business units, organisational effectiveness and implementation of policies, directives, strategies and decisions as approved by the Board.

In running the Board, the Chairman's responsibilities include:-

i) Providing leadership to the Board;

ii) Ensuring proper flow of information to the Board, reviewing adequacy and timing of documentation in support of Management's proposals;

iii) Organising and presenting the agenda based on input from Directors and ensuring that all relevant issues are on the agenda;

iv) Providing a reasonable time for discussion at the meeting and encouraging a healthy debate on issues and bring to the Board objectivity and independence in the deliberations whilst maintaining control of proceedings without dominating discussions;

v) Ensuring the balance of membership, subject to Board and shareholder approval; and

vi) Securing good corporate governance and ensuring that EDs look beyond their executive function and accept their full share of responsibilities on governance.

Appointments to the Board and Re-election of Directors

Board appointments are effected through the Board Nomination Committee (BNC), composed exclusively of NEDs, the majority of whom are independent. BNC is responsible for making recommendations to the Board on all new Board and Board Committees appointments. The selection process of candidates for appointment to the Axiata Board is guided by the Government-Linked-Company Transformation Manual-Enhancing Board Effectiveness (Green Book) and the ToR of Axiata's BNC summarised as follows:-

i) Clear selection criteria for candidate for appointment to Board established and recommended by BNC for approval by the Board. This recommendation shall be based on an annual review of the Board's required mix of skills and experience, taking into account the current, and future needs of the company;

ii) Potential candidates could be identified by the BNC, existing Directors, Chief Executive Officers, any shareholder, other Senior Executives or external adviser(s);

iii) BNC to assess the suitability of potential candidate against the established criteria. In making their recommendation for appointment to the Board, the BNC shall also consider the following:-
   - Professionalism of candidate;
   - Integrity of candidate;
   - In the case of candidates for the position of INED, evaluate the candidates' ability to discharge such responsibilities and functions as expected from INED; and
   - In the case of the position of NED, the candidate should be persons of calibre, credibility, and have the necessary skills and experience to bring an independent judgment to bear on the issues of strategy, performance and resources, including key appointments and standards of conduct.

iv) Finalised short-listed candidates and names put forward to the Board and eventually shareholders, for their approval.

Axiata does not have a policy on term limit for its INEDs. All of Axiata's INEDs were appointed in 2008 and the Board is of the view that it is premature at this juncture to set a policy on term limits for INED. The Board also believes that there are disadvantages to losing valuable contribution from Directors who have developed, over a period of time, valuable insight of the Group and its business and their continued contribution may be necessary.

The directorships held by Directors of Axiata in public listed companies and non-listed companies do not exceed the provisions of the Main LR of 10 and 15 directorships respectively.

In accordance with the Articles of Association of Axiata, newly appointed Directors during the year must submit themselves to the shareholders for election at the first Annual General Meeting (AGM) following their appointment and 1/3 of Directors are subject to re-appointment by rotation at every AGM.

Board Meetings

The Board annual meeting calendar, providing scheduled dates for meeting of the Board (including pre-Board and Board retreat session), Board Committees and AGM is prepared and circulated to all Directors during the first quarter of each new financial year. For 2010, Axiata had also taken the step to identify Board meeting agendas, 12 months in advance. This 'board calendar' is synchronised with some key events in the management planning cycle.

Pre-Board is a casual or informal session with the Board scheduled a day before the Board meeting. Management uses this opportunity to brief the Board on industry trends and technology updates, latest regulatory and statutory requirements or issues and to discuss on human capital matters or other relevant topics. It is also a forum for the Board to have initial strategic discussions and brainstorm for views and inputs.

Where any direction or decision is required expeditiously or urgently from the Board, between the scheduled meetings, special board meetings are convened. Where appropriate, decisions are taken by way of Directors' Circular Resolutions between the scheduled and special meetings.

Attendance at Board and Board Committee Meetings

During FY09, the Board met 11 times including the Board retreat session and excluding pre-Board. Below are details of attendance at Board and Board Committee meetings:-

Members	Board	BAC	BNC	BRC	ESOS Committee
Tan Sri Dato' Azman Hj. Mokhtar	11/11	–	–	–	–
Dato' Sri Jamaludin Ibrahim	11/11	–	–	–	–
Dato' Yusof Annuar Yaacob	11/11	–	–	–	–
Tan Sri Ghazzali Sheikh Abdul Khalid	11/11	–	4/4	6/6	4/4
Datuk Azzat Kamaludin	10/11	5/5	–	–	–
Juan Villalonga Navarro	6/11	3/5	–	–	–
David Lau Nai Pek	10/11	5/5	–	–	–
Gita Irawan Wirjawan[1]	5/8	–	3/4	4/4	2/4
Ismael Fariz Ali (IFA)[2]	3/11	–	1/4	2/6	1/4
Dr Farid Mohamed Sani *(Alternate to IFA)*	8/11	–	1/2[3]	2/4[3]	3/4[4]

Notes:

1 Resigned with effect from 30 October 2009

2 Demised on 24 December 2009

3 Appointed as Alternate on 26 February 2009

4 Appointed as Alternate on 12 March 2009

Access to Information and Independent Advice

The Board has direct and unrestricted access to all Company's information, whether as a full Board or in their individual capacities. In furtherance of their duties, they also have direct and unrestricted access to Management. In ensuring the effective working of the Board, all Directors also have individual and independent access to the advice and dedicated services of the Group Company Secretary.

The Group Company Secretary has the responsibility of ensuring that all appointments are properly made, and that all necessary information are obtained from Directors, both for the Company's own records and for the purposes of meeting statutory obligations, as well as obligations arising from the Main LR or other regulatory requirements.

In the discharge of their duties, the Board has the right to seek independent professional advice, if necessary, whether as a full Board or in their individual capacities, at Axiata's expense. The Chairman shall accordingly be notified and shall determine whether the external advice will be circulated to the Board. No Director has exercised this right during FY09.

Supply of Information

The agenda for each Board meeting is prepared by the Group Company Secretary based on the ‘board calendar’ and finalised in consultation with the Chairman and President & GCEO. The meeting agenda together with a set of Board papers containing information relevant to the matters to be deliberated at the Board meeting is forwarded to the Directors at least seven days in advance before the Board meeting. This is to provide sufficient time for Directors to review, consider, and if necessary, obtain further information or research on matters to be deliberated including consulting the Management or the Group Company Secretary or to seek independent advice, if necessary to ensure their readiness for the Board meetings. The processes put in place help to ensure effective Board proceedings.

Board papers are prepared in a well-structured and concise format providing both quantitative and qualitative information thereby enabling informed decisions to be made. The Board papers include among others:-

i) Minutes of meetings of the Board as well as matters arising from such meetings. Actions on all matters arising from any meeting are reported at the following meeting;

ii) Reports of meetings of all Board Committees including matters requiring the full Board’s deliberation and approval;

iii) Annual budgets and business plans;

iv) Business and investment strategies;

v) Quarterly performance reports of the Group, which include information on financial, industry and strategic business issues and update;

vi) Major operational, financial, technical, legal and regulatory issues;

vii) Technological developments and updates;

viii) Reports on risk management; and

ix) Board papers on other matters for discussion/approval.

As and when the need arises, Directors are also provided with ad hoc reports and information papers to ensure they are appraised on key business, operational, corporate, legal, regulatory and industry matters. In order to maintain confidentiality, Board papers related to sensitive Human Resource matters and major corporate proposals are hand delivered separately in sealed envelopes and may only be opened by addressees.

All issues raised, discussions, deliberations, decisions and conclusions including dissenting views made at Board meetings along with clear actions to be taken by responsible parties are recorded in the minutes. Where the Board is considering a matter which a Director has an interest, the relevant Director immediately discloses his interest and abstains from participating in any discussion or voting on the subject matter.

Directors’ Training

A dedicated budget for Directors’ training is provided annually to encourage Directors to attend relevant and useful training which contribute to the effective discharge of their duties as Directors. An induction programme is organised for new Directors of the Group and this programme normally includes visits to the Group’s business and meetings with Senior Management as appropriate.

Axiata has on continuous basis, identified conferences and seminars which are considered as relevant and useful in enhancing Directors’ business acumen and professionalism in carrying out their duties. Internal briefings on key corporate governance requirements and update on changes to the Main LR, laws and regulations are also provided on a regular basis where Directors are fully informed of the impact of such developments or changes to the Company and/or the Directors.

Among the internal briefings held in 2009 were the briefing on the "Main Market and Key Changes to the Main LR" by representatives from Bursa Securities and "A Guide on Directors' Duties, Rights, Responsibilities and Liabilities" – comparison between Malaysia and a few other countries where Axiata has operations.

Group Company Secretary facilitates the organisation of internal training programmes and Directors' participation in external programmes, and keeps a record of the training received or attended by the Directors.

Particulars of external training programmes attended by Directors during FY09 covering areas of leadership, governance, finance, taxation, investment, macro-economics, capital markets, mergers and acquisitions, communications and telecommunications are as follows:-

i) Principles for Responsible Investment by United Nations Principles for Responsibility Investment held on 15 January 2009;

ii) Distress Mergers and Acquisition held on 20 February 2009;

iii) Credit Suisse 12th Asian Investment Conference 2009, Hong Kong held from 24 March to 27 March 2009;

iv) Beyond Budget Workshop held from 9 to 10 April 2009;

v) PricewaterhouseCooper's Global Communications Forum 2009, Paris held from 3 June to 5 June 2009;

vi) High Performance Leadership by Professor Dr George Kohlrieser held on 4 August 2009;

vii) Tenaga Nasional Berhad Human Resources Conference – Managing International Business held on 5 August 2009;

viii) World Capital Markets Symposium – Securities Commission Malaysia held on 10 August 2009;

ix) Directors' Continuing Education Programme held on 1 October 2009 covering:-
   - Updates on Malaysian Securities Law & Capital Markets Legislation by Gilbert Gan of Zaid Ibrahim & Co;
   - Corporate Social Responsibility & Socially Responsible Investment by Dr Geoffrey Williams of OWW Consulting Sdn Bhd;
   - Information Security Awareness by Alvin Tan of Creative Quest; and
   - Tax Updates & AFTA by Adeline Wong of Wong & Partners.

x) Khazanah Megatrends Forum – Apocalypse Averted? Reconfiguring The New Normal held from 5 to 6 October 2009;

xi) International Telecommunication Union Telecom World 2009 – Geneva, Switzerland held from 5 to 9 October 2009;

xii) Khazanah Global Lecture – Development In A Changing World by Sir John Reginald Hartnell Bond, Chairman of Vodafone (Former Executive Chairman of HSBC) held on 21 October 2009; and

xiii) Pan-Asian Telco Conference 2009 held in 2009.

In addition, members of the Board have also been invited to participate in forums and/or seminars in the capacity of moderator, panelists or chairperson in areas of their expertise. Forums and/or seminars in which members of the Board had participated are as follows:-

Tan Sri Dato' Azman Hj. Mokhtar

i) Panelist on Discussion Topic of "Update 2009: Hard Lessons about Global Imbalances" at World Economic Forum Annual Meeting, Davos-Klosters, Switzerland held from 28 January to 1 February 2009;

ii) Speaker for Global CEO Panel – Global Economic and Business Scenario for the Next Decade at World Islamic Economic Forum Foundation, Jakarta, Indonesia held from 2 to 3 March 2009; and

iii) Panelist for topic on "East Asia@Risk: Future Threats to the Recovery" and "Next Steps for Asia in Global Redesign" at 18th World Economic Forum on East Asia, Seoul, Korea held from 18 to 19 June 2009.

Dato' Sri Jamaludin Ibrahim

i) Speaker on "A Perspective from Group CEO, Axiata Group Berhad" at IBM Sales Rally – Delivering Client Value held on 15 January 2009;

ii) Speaker on "Leadership in Practice, Personal Observations and Views" at the Orange Book and Next Leadership Development Circle – G-20 CEOs and Heads of Human Resources held on 4 March 2009;

iii) Panel Member on Firms and Transformation at Khazanah Megatrends Forum – Apocalypse Averted? Reconfiguring The New Normal held from 5 to 6 October 2009;

iv) Discussion Panelists on "Will Your Company Be Here in 2020" at GIL 2009: Asia Pacific. Growth, Innovation & Leadership – A Frost & Sullivan Global Congress on Corporate Growth held on 13 October 2009; and

v) Speaker on "Ideas, Thoughts and Experience as a Prominent Leader, Most Successful Corporate Entity in Malaysia" at Kumpulan Wang Amanah Pekerja Leadership Series held on 16 December 2009.

Dato' Yusof Annuar Yaacob

Speaker for Keynote 'Visionary' at Finance & Investment Asia Conference, Singapore held from 5 to 6 November 2009.

Juan Villalonga Navarro

Panel Member on Leadership and Society at Khazanah Megatrends Forum – Apocalypse Averted? Reconfiguring The New Normal held from 5 to 6 October 2009.

Board Effectiveness Evaluation (BEE)

Axiata conducted its first BEE exercise in FY09 following completion of one year tenure on Axiata Board for most of its Board members. An external consultant was engaged to carry out the BEE by evaluating the performance of the Board as a whole, individual Board Committees, the Chairman, individual Directors' contribution and the governance processes that support the Board's work. The BEE process was led by the Chairman of the BNC with support from the Group Company Secretary.

The areas of evaluation and questionnaires under the BEE were discussed between the Chairman of the BNC and the external consultants and upon the questionnaires being finalised, they were communicated to the BNC members for their input. Once the questionnaires and improvement areas had been administered and completed by the Directors, their comments and findings were summarised, documented and reported by the Chairman of the BNC who then shared the findings with the Chairman of the Board prior to tabling to the Board. The external consultant was involved in every process of the BEE including tabling of the summarised report of the BEE which includes suggested improvement areas, to the Board.

The evaluation has taken into account areas such as effectiveness of Board in discharging its responsibilities, availabilities of positive Boardroom attributes including dynamic discussion and debate at Board and Board Committee meetings and effectiveness of Board administration tools and processes. The range of dimensions considered for the assessment of the performance of the individual Director include, inter-alia, high levels of professionalism and integrity, independence of judgment and availability of knowledge and professional competencies that adds value to the Board as a whole.

The BEE results confirmed that there is an overall satisfaction with the performance of the Board, all Board Committees, all Chairmen and President & GCEO who have operated and/or performed effectively in the discharge of duties and responsibilities. Areas identified for further enhancements were subsequently discussed and addressed as appropriate.

Board Committees

Four standing Board Committees which operate within ToRs approved by the Board assist the Board in the execution of its responsibilities:-

- BAC
- BNC
- Board Remuneration Committee (BRC)
- ESOS Committee

In addition, the Board delegates certain specific matters to other ad hoc Board committees as and when necessary.

Functions, written ToR and operating procedures of all Board Committees are clearly defined and where applicable, comply with the recommendations of the Code. The authority and ToRs will be reviewed from time to time to ensure that they are relevant and up-to-date. The members and Chairman of each Board Committee are appointed by the Board.

The deliberations, recommendations and decisions made by each Board Committee will be recorded and minuted. Minutes are then approved by the Chairman of Board Committees and confirmed by the Committees at the subsequent Committee meetings. During Board meetings, the Chairmen of the various Committees provide summary reports of the decisions and recommendations made by the Committees, and highlight to the Board should any further deliberation be required at Board level. A summary of these Committees' reports and deliberations are incorporated into the minutes of the Board meetings.

A brief description of each Board Committee is provided below:-

BAC

The members of BAC are as follows:-

i) David Lau Nai Pek – Chairman, INED

ii) Datuk Azzat Kamaludin – Senior INED

iii) Juan Villalonga Navarro – INED

Further details on the summary of activities of the BAC during FY09 and BAC ToR are set out separately in the BAC Report on pages 89 to 99 of this Annual Report.

BNC, BRC, ESOS Committee

The BNC, BRC and ESOS Committee currently comprise of the same members as follows:-

i) Tan Sri Ghazzali Sheikh Abdul Khalid – Chairman, INED

ii) Datuk Azzat Kamaluddin – Senior INED

iii) Dr Farid Mohamed Sani – NINED

BNC

The primary functions of the BNC are as follows:-

1. To recommend new nominees to the Board and any Board Committee;
2. To recommend or approve, as the case may be based on the ToR, the appointment of key management of the Group;
3. To assess the effectiveness of the Board, Board Committees and individual Directors (including the President & GCEO); and
4. To review, on an annual basis, the size of the Board and the required mix of skills, experience and responsibilities present on the Board in ensuring the continued effectiveness of the Board.

To ensure that Axiata's key directions are cascaded down and implemented in its local and overseas OpCos, one of the key functions of the BNC is to review and recommend Board candidates for directorship or Axiata's nominees in major OpCos. All decisions and appointments are made by the respective Boards of the companies after considering BNC's recommendations.

The Board, through the BNC, oversees the development of the Group's future leaders. Ultimately, the President & GCEO is responsible for identifying, developing and retaining the Company's talent pool and managing their development. In developing the talent pool, the President & GCEO and OpCo CEOs form the Axiata Talent Council, aided by the Group Head of HR. The Council meets at least twice a year to discuss on the progress of identified talents and which business demands they should aim to fulfil. A longer term view of succession plan for key roles in the Group has also been discussed and approved at the BNC. Workshops are also conducted to align the Talent Management Framework with the business strategies of the Group. In developing the identified talents, Axiata had deployed various development programmes which not only develop candidates for top management but also for various managerial positions within the Group. These programmes encompass various development bases which cover personal development, education, experience and relationship.

With regard to Board, the Board has yet to land on a structured approach and/or framework on succession planning including maintaining a 'pipeline' of potential candidates to fill in vacancy of office by the Board.

During FY09, the BNC met four times where key activities were as follows:-

- Reviewed and recommended for approval by the Board, the proposed changes in Board Membership of Axiata's OpCos;
- Reviewed and recommended for approval by the Board, the proposed changes of OpCos Management;
- Reviewed and recommended for approval by the Board, the proposed establishment of an ESOS Committee;
- Reviewed and recommended for approval by the Board, the proposed appointment of an alternate Director on the BNC and BRC; and
- Determined and implemented the 2008/2009 BEE.

BRC

The primary functions of the BRC are as follows:-

1. To assist the Board in determining the policy and structure for the compensation of NEDs and remuneration of EDs and key management of Axiata Group; and
2. To recommend to the Board the remuneration of the EDs in all its forms and compensation of NEDs, drawing from outside advice as necessary.

During FY09, a total of six BRC meetings were held and key activities were as follows:-

- Reviewed and recommended to the Board for approval, the pool for Axiata's Corporate Centre bonus and salary increment for FY09 taking into consideration the achievements of Axiata's financial performance targets;
- Reviewed and recommended to the Board for approval, KPIs of both EDs encompassing both qualitative and quantitative aspects and thereafter, reviewed the performance and achievements of EDs against the pre-determined KPIs and recommended the rewards of the EDs for approval by the Board;
- In reviewing the performance of both EDs, recommended development areas for both EDs which include reprioritisation of focus towards more significant operating companies, increased involvement in the areas of mergers and acquisition and providing more strategic advice at the operating company level; and
- Reviewed and recommended for approval by the Board, the Performance Management Framework of the Group and adoption of the same within the Group which included setting up of performance target levels with regards to guidance of rewards.

ESOS Committee

The primary functions of the ESOS Committee are as follows:-

1. Administer the ESOS Scheme in accordance with the ESOS Bye-Laws;

2. Construe and interpret the ESOS Bye-Laws and options granted under it, to define the terms therein and recommend to the Board to establish, amend and revoke rules and regulations relating to the ESOS and its administration to expedite and make the ESOS fully effective in accordance with the Bye-Laws; and

3. Determine all questions of policy and expediency that may arise in the administration of the ESOS including eligibility of the employees of the Group and the method or manner in which the grants are made to and exercised by eligible employees in accordance with the Bye-Laws.

During FY09, the ESOS Committee met four times where key activities were as follows:-

- Reviewed and endorsed documents to administer and/or implement Axiata's Long Term Performance-Based ESOS approved by Axiata shareholders on 24 March 2009 (Axiata ESOS);
- Reviewed and approved the process flow for granting of options to eligible employees of the Group;
- Reviewed the underlying principles in determining the individual performance rating to be adopted to determine the number of options to be offered to eligible employees;
- Reviewed and approved the proposal on the effective date of the Axiata ESOS and approve subsequent grant dates taking into consideration the performance of Axiata in meeting the ESOS Grant Performance Threshold and in relation to each grant of options, on inter-alia, the exercise prices, high grant quantum, grant valuation methodology and assumptions and number of options to be offered to EDs of Axiata; and
- Reviewed and approved the proposed Long Term Incentive (LTI) for Executive Officers of foreign OpCos of the Group.

DIRECTORS' REMUNERATION

Axiata provides a level of remuneration which attracts, retains and motivates EDs of the highest calibre to manage Axiata successfully. To maximise the effectiveness of the remuneration policy, careful consideration has been given to link the remuneration package with inter-alia, corporate and individual performance as well as relative shareholders' returns and the value of similar package at comparable companies. For NEDs, their remuneration reflects the experience, expertise and level of responsibilities undertaken by the NED concerned.

The BRC reviews and recommends the total remuneration package of the EDs for the Board's approval and it is the responsibility of the Board as a whole to approve the total remuneration package of the EDs. The remuneration of the EDs consists of salary, bonus, benefits-in-kind, EPF contributions and share options respectively. The EDs are not entitled to monthly fees nor are they entitled to receive any meeting allowance for the Board and Board Committee they attended.

The performance of the EDs are measured based on the achievements of their respective annual KPIs. These KPIs comprise of not only quantitative targets such as annual targeted revenue, EBITDA, PATAMI or Return on Invested Capital (ROIC) and relative performance of the OpCos but also qualitative targets which are strategic milestones and initiatives that need to be achieved and implemented on areas such as strategy, innovation, business development, synergy, human capital management and financial management, all of which are geared to enhance the 'state of preparedness' of the Group for its mid and long term future.

The evaluation on the achievement of each of the KPI against an agreed performance standard is reviewed by the BRC and the recommendations of the BRC are tabled for approval by the Board. The rewards accorded to the EDs for their achievement of their respective KPIs comprise of annual bonuses and long term incentive plan in the form of options over the shares of the Company. In the case of stock options, its vesting is further subject to further performance conditions.

NEDs are entitled to monthly fees, meeting allowances, reimbursement of expenses incurred in the course of their duties as Directors as well as benefits-in-kind. NEDs are not entitled to participate in share options. Remuneration of all Directors is decided by the Board collectively. Individual Directors do not participate in decisions regarding their own remuneration packages.

In addition to the above, the Directors are indemnified under a Directors' and Officers' (D&O) Liability Insurance against any liability incurred by them in the discharge of their duties while holding office as Axiata Directors. However, the said Insurance policy does not indemnify a Director where there is any negligence, fraud, breach of duty or breach of trust proven against him. The Directors contributed jointly to the premium of the D&O Insurance Policy.

The Directors' aggregate remuneration for FY09 distinguishing between ED and NED is set out below:-

	Fees (RM'000)	Salaries, allowances and bonus (RM'000)	Contribution to EPF (RM'000)	ESOS Expense (RM'000)	Monetary Value of Benefits -in-Kinds (RM'000)
ED	—	4,910	933	310	42
NED[1]	2,006	165	—	—	133

Notes:

[1] Fees and meeting allowances for representatives of Khazanah on the Board of Axiata are paid directly to Khazanah.

The number of Directors of the Company whose total remuneration during the financial year falls within the following band is as follows:-

		No. of Directors
ED		
RM1,450,000	- RM1,700,000	1
RM4,500,000	- RM4,550,000	1
NED		
RM0	- RM50,000.00	1
RM200,001.00	- RM250,000.00	1
RM250,001.00	- RM300,000.00	4
RM450,001.00	- RM500,000.00	2

The non-disclosure of the remuneration of individual Directors, in the Board's view, will not significantly affect the understanding and evaluation of the Group's governance and that the band disclosures as provided for under the Main LR are adequate.

RELATIONSHIP WITH SHAREHOLDERS AND OTHER STAKEHOLDERS

Communication with Shareholders and Investors

The Board recognises the need for clear, relevant, comprehensive and effective communication with Axiata's institutional investors and other shareholders to ensure that they are informed of all material business matters affecting Axiata. This full commitment to maintain transparency and accountability is part of Axiata's good corporate governance and practices apart from ensuring regulatory reporting requirements are met.

In ensuring fairness and promoting greater transparency in its communication to the market, Axiata places strong emphasis on the importance of timely and equitable dissemination of information. Axiata communicates regularly with its shareholders and stakeholders through the following medium:-

1. *Annual Report*
   Annual Report as a major channel of communication providing information on its business, financials and other key activities, which contents are continuously enhanced taking into account developments in areas like corporate governance.

2. *Announcement to Bursa Securities*
   Announcement of quarterly financial results, circulars and various announcements made throughout the year via Bursa LINK in full compliance with regulatory authorities' disclosure requirements.

3. *Press Releases*
   Press releases made to the media on all significant corporate developments and business initiatives.

4. *Quarterly Results Analyst Briefings*
   A results briefing chaired by the President & GCEO subsequent to each announcement of quarterly results to Bursa Securities. The briefing is held via conference call and provides a platform for analysts and fund managers to have a clearer understanding of Axiata's financial and operational performance. So far, there are a total of 27 equity research analysts covering Axiata.

5. *One-on-one Meetings*
   One-on-one meetings with analysts, fund managers and shareholders to provide updates on Axiata's strategy, quarterly financial performance, regulatory issues as well as changes in operating environment which may impact the Group's performance. Throughout FY09, 225 investors and analysts were met through one-on-one meetings and conference calls.

6. *Investor Conferences and Non-Deal Roadshows*
   President & GCEO, GCFO and Head of Investor Relations engage regularly with institutional investors through conferences and roadshows.

7. *Axiata's website at www.axiata.com*
   An online investor relations section provides timely information on share price, financial reports, presentations, financial calendar, ownership profile, stock exchange filings and media releases.

Shareholders and other interested parties may contact Axiata's designated Senior INED, Datuk Azzat Kamaludin to address any concerns in writing or via telephone, facsimile or electronic mail as follows:-

Tel : +6019-200 0878
+603-7725 6050
Fax : +603-7725 6070
Email : azzat@axiata.com
azzat@azzatizzat.com
Postal Address: Axiata Centre, 9 Jalan Stesen Sentral 5
Kuala Lumpur Sentral
50470 Kuala Lumpur, Malaysia

For queries regarding shareholding in Axiata, kindly contact:

Tricor Investor Services Sdn Bhd
(formerly known as Tenaga Koperat Sdn Bhd)
Tel : +603-2264 3883
Fax : +603-2282 1886
Email : is.enquiry@mytricorglobal.com
Postal Address: Level 17, The Gardens North Tower
Mid Valley City, Lingkaran Syed Putra
59200 Kuala Lumpur, Malaysia

Primary contact for investor relations:-

Feiruz Ikhwan Abdul Malek, Head, Investor Relations
Tel : +603-2263 8880
Fax : +603-2278 3337
Email : ir@axiata.com
Postal Address: Axiata Centre, 9 Jalan Stesen Sentral 5
Kuala Lumpur Sentral
50470 Kuala Lumpur, Malaysia

Annual General Meeting

Axiata held its first AGM as a listed entity on 20 May 2009. The AGM was fully utilised as the principal opportunity for the Board to meet Axiata's shareholders and for the Chairman to explain Axiata's progress and receive questions from the shareholders. After the welcome remarks by the Chairman, the proceedings commenced with the President & GCEO's presentation on highlights of Axiata's operating and financial performance. The President & GCEO also shared with the meeting the responses to questions submitted in advance by the MSWG. This was followed by the presentation of the unqualified external auditors' report to shareholders and question and answer session where shareholders were invited to raise questions on Axiata's accounts and other items for approval as well as on the Group's operations in general. The resolutions were then put to vote. The Board, Management and Axiata's external legal counsels and auditors, PricewaterhouseCoopers Malaysia were present to answer questions raised and provide clarification as required by the shareholders.

A press conference was held immediately after the AGM where the Chairman, the President & GCEO and GCFO updated the media representatives on the resolutions passed and answered questions on matters related to the Group. The results of all resolutions were announced on the same day via Bursa LINK, which is accessible on Axiata's website.

ACCOUNTABILITY AND AUDIT

Financial Reporting

The Board ensures that shareholders are presented with a clear, balanced and comprehensive Group's financial performance and prospects through the audited financial statements, quarterly announcement of results, Chairman's statement, President & GCEO's Business Review in the Annual Report as well as corporate announcements on significant developments affecting the Group in accordance with the Main LR. BAC reviews financial statements and quarterly announcement of results in the presence of external auditors and internal auditors before recommending the same for the Board's approval.

The Directors' Responsibility Statement for the audited financial statements of Axiata and the Group is set out on page 156 of the Annual Report. The details of the Company and the Group financial statements for FY09 can be found on pages 157 to 287 of the Annual Report.

Internal Control

The Board recognises that the ultimate responsibility for ensuring the Group's sound internal control system and reviewing the effectiveness lies with the Board in order to protect the Group's assets and Axiata's shareholder investments.

The Statement on Internal Control, which provides an overview of the state of internal control within the Group, is set out on pages 79 to 88 of this Annual Report.

Relationship with Auditors

Axiata's relationship with the external auditors is primarily maintained through the BAC and the Board. Key features underlying the BAC's relationship with both, internal auditors and the external auditors are detailed in the BAC Report on pages 89 to 99 of this Annual Report. A summary of the activities of the BAC during the year are set out on pages 90 to 91 of the Annual Report.

COMPLIANCE STATEMENT

The Board is of the view that Axiata has complied with the Best Practices in Corporate Governance as set out in Part 2 of the Code.

This Statement on Corporate Governance is made in accordance with the resolution of the Board of Directors dated 22 April 2010.

INTRODUCTION

Pursuant to Paragraph 15.26(b) of the Main LR of Bursa Securities, the Board of Directors of listed companies are required to include in their annual report, a "statement about the state of internal controls of the listed issuer as a group". Accordingly, the Board is pleased to provide the following statement that was prepared in accordance with the "Statement of Internal Control: Guidance for Directors of Public Listed Companies" endorsed by Bursa Securities which outlines the nature and scope of the internal controls of the Group during the financial year under review.

BOARD'S RESPONSIBILITY

The Board is responsible and accountable for maintaining a sound system of internal control and risk management practices to safeguard the shareholders' investment and the Group's assets. Such system covers not only financial controls but also operational and compliance controls. In view of the limitations inherent in any system of internal control, the system of internal control put in place can only manage risks to within tolerable levels, rather than eliminate the risk of failure to achieve business objectives. Hence, such system by its nature can only provide reasonable and not absolute assurance against material misstatement, financial loss or fraud.

STATEMENT ON INTERNAL CONTROL

The Board has in place an on-going process for identifying, evaluating, monitoring and managing significant risks that may affect the achievement of business objectives of the Group. The processes which have been instituted throughout the Group, except for associated companies and joint ventures which are not under the control of the Group, are updated and reviewed from time to time to respond to the changes in the business environment throughout the financial year under review. The Board is assisted by the Management in the implementation of the approved policies and procedures on risks and controls whereby Management identifies and assesses the risks faced and then designs, implements and monitors appropriate internal controls to mitigate and control these risks.

The Board is of the view that the system of internal controls in place for the year under review and up to the date of issuance of the financial statements is sound and sufficient to safeguard the shareholders' investment and the Group's assets.

RISK AND INTERNAL CONTROL FRAMEWORK

The Group has implemented policies on risk and internal controls to continuously identify, assess and monitor risks by establishing a Group Wide Risk Management Framework and formulate an effective system of internal controls to mitigate the risks. The Group Wide Risk Management Framework enables the identification, assessment and management of business risk in the overall context of business management including the day-to-day operations, planning and strategic initiatives throughout the Group, to provide assurance to the Board and stakeholders. The effectiveness of the Group's risk management policies and internal controls are reviewed on a regular basis and, where necessary, improved, both at the management level and at the Board level. The major risks faced by the Group are listed in Appendix 1 of this statement.

The Board's review of the Group's internal control is based on the criteria developed under the United States COSO (Committee of the Sponsoring Organisation of the Treadway Commission) Internal Control Integrated Framework, which is divided into five interrelated components of review that are designed to provide reasonable assurance on the achievement of the Group's objectives. The following key internal control structures are in place to assist the Board to maintain a proper internal control system:

KEY INTERNAL CONTROL STRUCTURES OF THE GROUP

1.0 CONTROL ENVIRONMENT

Control environment sets the tone for the Group by providing fundamental discipline and structure. Key elements of the Group's internal control system include:

1.1 Integrity and Ethical Values

- *Code of Conduct and Practice*
  The Senior Management and Board set the tone at the top for corporate behaviour and corporate governance. All employees of the Group shall adhere to the policies and guidelines as set out in the Code of Conduct of the Group which was prepared in 2009 (Code). The Code sets out principles to guide employees in carrying out their duties and responsibilities to the highest standards of personal and corporate integrity when dealing within the Group and with external parties. The Code covers areas such as compliance with respective local laws and regulations, integrity, conduct in the workplace, business conduct, protection of the Group's assets, confidentiality and conflicts of interest.

- *Guidelines on Misconduct and Discipline*
  Guidelines have been put in place in 2009 for handling misconduct and disciplinary matters. These guidelines govern the actions to be taken to manage the misconduct of employees who do not comply with the expressed and implied terms and conditions of employment.

1.2 Board Committees

- *Board Committees*

  To promote corporate governance and transparency, in addition to the Board, the Group has BAC, BNC and BRC (collectively 'Board Committees') in place. These Board Committees are established to assist the Board in its oversight of internal controls, Board effectiveness, nomination and remuneration of the Group's Directors and the Group's top key positions. The Board Committees also ensure the effectiveness of the Group's operations and that the Group's actions and operations are in accordance with approved strategies, objectives, business plans and policies. The responsibilities and authority of the Board and Board Committees are governed by clearly defined ToR.

- *BAC*

  The main responsibilities of the BAC, comprising of independent non-executive members of the Board, are to assist the Board in discharging its statutory and other responsibilities relating to internal controls, financial reporting and accounting matters, compliance, and risk management. The BAC reviews and approves the Internal Audit Charter and approves a risk-based internal and external audit plans. The BAC holds regular meetings to deliberate on findings and recommendations for improvements from both the internal and external auditors on the state of the system of internal controls, management actions and monitor the implementation of preventive and corrective actions for areas with significant and high risks. The BAC has authority to investigate any matter within its terms of reference and has full cooperation of and access to Management. It has direct access to the internal and external auditors and full discretion to invite any Director to attend its meetings.

1.3 Organisation Structure

- *Clear Organisation Structure*

  The Group has in place an appropriate organisational structure led by functional Heads that promotes good corporate governance, provides for proper segregation of duties, promotes ownership and accountability for risk taking and defines lines of accountability and delegated authority for planning, executing, controlling and monitoring business operations.

- *Corporate Centre*

  A Corporate Centre has been established to play an advisory role to add value to the subsidiaries at varying engagement levels. The broad roles of the Corporate Centre are as follows:

  1. Supporting role to the Group's Nominee Director(s)/Board;
  2. Supporting role to subsidiary management/Board; and
  3. Supporting role to subsidiary Functional Heads.

  Besides engaging in continuous day-to-day communication between subsidiaries and the Group functions, Corporate Centre also gives appropriate inputs and steers the Group on best practices through sharing of the Group's guidelines and best strategies to minimise risk exposure and to increase the efficiency and effectiveness of business operations.

1.4 Assignment of Authority and Responsibility

- *Policies and Procedures*

  Documented policies and procedures are now in place for all major aspects of the Group's business and these are regularly reviewed and updated to ensure that they remain effective and continue to support the organisation's business activities at all times as the organisation continues to grow. These policies are supported by clearly defined delegated authorities for its operating and capital expenditures, business plan and budget, and procurement of goods and services.

- *Limits of Authority (LOA)*

  In 2009, the Board approved a clearly defined and documented LOA which are to be used consistently throughout the Group. These are regularly updated to reflect changing risks or to resolve operational deficiencies. It establishes a sound framework of authority and accountability within the Group, which facilitates timely, effective and quality decision-making at the appropriate level in the Group's hierarchy.

  Axiata's LOA document clearly sets out the matters reserved for Board's consideration and decision making, the authority delegated to the President & GCEO, including the limits to which the President & GCEO can execute the authority and provides guidance on the division of responsibilities between the Board and Management.

1.5 Commitment to Competency

- *Competency Framework*

  The Group appoints employees of the necessary competencies to ensure that the people driving key operations are sufficiently skilled and exert the required qualities of professional integrity in their conduct.

- *Performance Management*

  The Group is committed to attract and retain competent, dedicated and loyal employees. Programmes and initiatives have been undertaken to ensure that the Group's human capital is equipped with the qualities and skills to drive the Group to greater heights through ongoing emphasis on performance management and employee development.

  The Group has in place a Key Performance Indicator System (KPI) as prescribed under the Government-Linked Company Transformation (GLCT) programme to link performance and compensation in order to create a high performance work culture. This system also seeks to provide clarity, transparency and consistency in planning, reviewing, evaluating and aligning employee actions and behaviours to that of the Group's vision and mission.

- *Training and Development Framework*

  It is the Group's policy to train employees at all levels so that they would be able to perform competently in their present jobs and also to train those employees who are considered to have the potential to perform duties with wider responsibilities so that they may be ready to assume them when needed. Programmes are also implemented to ensure that employees receive continuous training in various areas of work such as knowledge, health and safety, technical training, leadership and functional development.

A process was introduced in 2009 to identify the corporate talent pool within the organisation and to manage the development of the potential talent. A Corporate Policy is also in place to ensure that the President & GCEO and top management succession planning is in place.

2.0 RISK ASSESSMENT

Risk assessment involves the identification and analysis by management of risk relevant to the achievement of predetermined objectives, forming a basis for determining how the risks should be managed. Key activities involved are as follows:

2.1 Company-wide Objectives

- *Achievement of Goals and Objectives*
  The Board is responsible for setting the business direction including a clear Group vision, mission and strategic direction, which is communicated to employees at all levels. The Board also oversees the conduct of the Group's operations through various management reporting mechanisms. Through these mechanisms, the Board is informed of all major issues pertaining to internal control, regulatory compliance and risk taking.

2.2 Risk Identification and Analysis

- *Group Risk Management Framework*
  In line with the Malaysian Code on Corporate Governance, and as part of the Group's plans to further enhance the Group's system of internal control, the Group established in 2009 a risk management function that oversees the Group's risk management framework, monitors of the Group's risk profile, monitors the implementation of risk mitigating action plans and reviews and assesses the applicability of the control environment in mitigating risk.

  Group Risk Management provides quarterly consolidated Group risk profile and mitigating action plans to the BAC which will then be presented to the Board.

  Group Internal Audit undertakes independent reviews to ensure compliance of the Group Policies and to assess the effectiveness of policy implementation.

  In 2010, Axiata established a separate Risk Management Committee comprising all its Senior Management. This committee, chaired by the Chairman of the BAC, was established with the objective of having a focused discussion on the Group's risks.

- *Control Self Assessment (CSA)*
  CSA is an effective tool used by the Group for improving the business' internal controls and business processes. It allows employees of the Group to identify the risks involved in achieving the business objectives, to evaluate adequacy and effectiveness of the controls in place and activities designed to manage those risks.

2.3 Managing Change

- *Constantly Changing Business Environment*
  Risk management initiatives within the Group is strengthened continuously to ensure that the Group is able to respond effectively to the constantly changing business environment and thus able to protect and enhance stakeholders' value.

3.0 CONTROL ACTIVITIES

Control activities are the policies, procedures and practices that ensure management objectives are achieved and risk mitigation strategies are carried out. Key activities within the Group are as follows:

3.1 Policies and Procedures

- *Financial and Operational Policies and Procedures*
  There are documented procedures in place that cover management accounting, financial reporting, procurement, information systems security, compliance and other risk management issues.

The objective of the policies and procedures is to ensure that internal control principles or mechanisms are embedded in operations. This enables the Group to respond quickly to evolving risks and immediately report on any significant control failure.

- *Budgeting Process*
  A comprehensive annual budgeting process is in place to evaluate the feasibility and viability of the Group's businesses and to ensure that the Group's OpCos Business Plans are in line with the Group's future strategic planning. Annual budgets are prepared by the Group and its OpCos and presented and discussed during Board retreats to their respective Board and to the Board of Axiata for approval before the commencement of a new financial year. Upon approval of the budget, the Group's performance is then monitored and measured against the approved budget periodically by the Senior Leadership Team (SLT), which comprises the President & GCEO and all divisional heads. The Group's performance is also reported to the BAC and the Board. Reporting systems which highlight significant variances against plan are in place to track and monitor performance. On a quarterly basis, the results are reviewed by the Board to enable them to gauge the Group's overall performance compared to the approved budgets and prior periods and to take remedial actions where necessary.

- *Whistleblower Policy and Procedures*
  A whistleblower policy and its related procedures were put in place in the Group in 2009 which enables employees to raise matters in an independent and unbiased manner.

  As part of this whistleblower policy and procedures, there is an anonymous ethics and fraud hotline under the administration of the GCIA to act as a mechanism for internal and external parties to channel their complaints or to provide information in confidence on fraud, corruption, dishonest practices or other similar matters by employees of the Group. The objective of such arrangement is to encourage the reporting of such matters in good faith, with the confidence that employees making such reports will be treated fairly and, to the extent possible, be protected from reprisal.

- *Insurance and Physical Safeguard*
  The Group has an insurance programme in place to ensure that its assets are sufficiently covered against any mishap that will result in material losses. The Group also ensures that its major assets are physically safeguarded.

3.2 Security (Application and IT Network)

- *Disaster Recovery Plans (DRP) and Business Continuity Plans (BCP)*
  DRP have been put in place for some of the Group's subsidiary companies. The Group is currently developing a Group BCP Policy and Procedures to be implemented and tested periodically by its subsidiary companies.

- *Information Technology (IT) Policy*
  IT policies and procedures are in place to achieve and maintain confidentiality, integrity, availability, authenticity and reliability of information or information processing facilities. The Board of Directors understands the necessity to leverage and optimise IT investments and resources for the best interest of the Group and to safeguard its IT resources, intellectual property management and information.

3.3 Regulatory and Compliance

- *Group Regulatory Affairs (GRA)*

  Under the Group Regulatory Policy, the Group shall comply with all applicable laws and regulations, regulatory obligations and governmental policies in the jurisdictions in which it operates and ensure that it is properly protected from potential regulatory liabilities and that regulatory advice is obtained in an efficient and cost effective manner as and when required.

  GRA has also been established to create a more efficient and effective working relationship between Regulatory Affairs function with respect to regulatory issues within the Group. GRA is also kept informed and updated of all relevant regulatory matters of subsidiaries via a defined management communication process. This enables coordination, monitoring and managing a consistent approach in addressing regulatory issues affecting or likely to affect the interests of the Group for the purpose of achieving optimal regulatory outcomes for the Group.

4.0 INFORMATION AND COMMUNICATION

Information and communication support all other control components by communicating control responsibilities to employees and by providing information in a form and time frame that allows people to carry out their duties. The key activities within the Group are as follows:

4.1 Corporate Communication Policy

There is a Corporate Communication Policy in place to ensure that communications across the Group and to investors are effectively managed and meets the diverse needs of the organisation.

The Board recognises the need for a robust reporting framework given the growth of the Group's international investments and are working towards further strengthening that element of the internal control system.

4.2 Business Control Incident (BCI) Reporting

The Group also has in place BCI Reporting aimed at capturing and disseminating the lessons learnt from the internal control incidents with the objective of preventing similar incidents from occurring in other OpCos within the Group and to enable monitoring of internal control incidents that have caused significant loss. Three such incident reportings were shared with all subsidiaries in 2009.

5.0 MONITORING

Monitoring covers the oversight of internal controls by management or other parties outside the process or the application of independent methodologies, like customised procedures or standard checklists, by employees within a process. Key monitoring activities within the Group are as follows:

5.1 On-going Monitoring

- *Internal Audit Division (IAD)*

  IAD is independent and reports functionally to the BAC and administratively to the President & GCEO. IAD provides independent, objective assurance and consulting services designed to add value and improve the Group's operations. It helps the Group accomplish its business objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes. Its work practices are governed by the IA Charter.

IAD adopts a risk-based approach in formulating the annual audit plan, which aligns its activities to the key risks across the Group. This plan is reviewed and approved by the BAC. The reviews performed by IAD are aimed at assisting the BAC and Board in promoting sound risk management and good corporate governance by assessing the design and operating effectiveness of controls that govern key business processes and risks identified in the overall risk framework of the Group.

- *Financial and Operational Review*
  Quarterly financial statements and the Group's performance are reviewed by the BAC, who subsequently presents them to the Board for their review, consideration and approval. Monthly management accounts containing key financial results, operational performance indicators and budget comparisons are also issued to the SLT to enable them to have regular and updated information of the Group's performance.

5.2 Performance Reporting

- *SLT Meetings*
  SLT Meetings, which comprise of the President & GCEO and all divisional heads, are held regularly to deliberate on business performance, financial and operating risks and issues which include reviewing, resolving and approving all key business strategic measures and policies. Progress, exceptions and variations are also fully discussed and appropriate actions taken.

  Significant matters identified during these meetings are highlighted on a timely basis to the Board, who are responsible for setting the business direction and for overseeing the conduct of the Group's operations. Through these mechanisms, the Board is informed of all major control issues pertaining to internal controls, regulatory compliance and risk taking. This ensures that business objectives stay on course.

- *Major Control Issues*
  Quarterly reports on financial and operational control issues form part of the initiative to inculcate self-awareness of the financial and operational internal controls requirements of the Group.

- *Headline KPIs*
  Headline KPIs have been set and agreed upon by the Board of Directors and management of the Group as part of the broader KPI framework that the Group has in place, as prescribed under the GLCT programme. The headline KPIs represent the main corporate targets or aspirations for the year and are announced publicly as a transparent performance management practice.

RISKS IDENTIFIED BY THE GROUP

APPENDIX 1

1. Axiata's ability to achieve its strategic objectives depends on its reaction to competitive forces such as price wars. The market for mobile services in many of the countries in which the Group operates is highly competitive. Increased competition from existing and new mobile operators has resulted in, and is expected to continue to result in operators lowering monthly subscription fees and tariffs, providing mobile phone subsidies and offering attractive products and services packages.

2. Axiata operates in a region with varying degrees of political, fiscal and legal stability. This exposes Axiata to a range of political developments, and changes to regulations and laws. Any adverse changes in trends, restrictions on ownership in assets by foreigners, nationalisation of assets, adverse changes arising from, or uncertainty in the implementation of economic or legal reform, or a general economic slowdown as a result of changes in labour costs, inflation, interest rates, taxation or other political or economic developments in the key markets in Asia in which the Group operates, could materially affect the growth, prospects, financial condition or results of operations of the Group.

3. Axiata's financial results depend on the contribution of two major OpCos; Celcom and XL account for 70% of its revenue and 90% of its PATAMI. Any adverse developments in these two OpCos could as such adversely affect the Group's financial condition. In managing such concentration risks, the Group continues to face difficulties and risks when commencing businesses in new markets or expanding its operations in certain emerging markets.

4. The general macroeconomic environment in the region and the countries in the region influence the operating results of Axiata. As mobile telecommunications is predominantly a consumer-dependent industry, any economic slowdown experienced in any of its markets may adversely affect the financial health of its subscribers and consequently affect its operating revenues, profitability and growth.

5. Axiata is exposed to treasury risks such as currency exchange rates and interest rates due to the various countries it operates in. It may not be commercially viable for the Group to hedge all its currency and interest rate exposures, and volatility of interest rate and currency in the countries in which the Group operates could as such adversely affect the Group's financial condition and results of operations.

6. Axiata is affected by cost increase or high inflation leading to lower returns. Any increase in commodity or food prices in the countries in which the Group operates could lead to political, social and economic instability or decrease the income of consumers and potential customers of the Group, which in turn could have a material adverse effect on the Group's results of operations, financial condition and prospects.

7. Axiata's longer term performance is also very dependent on its discipline in capital expenditure (CAPEX) and the screening of the right CAPEX spending. Being in a highly capital intensive industry, the right CAPEX spending is crucial for the Group to remain competitive and continue providing technologically innovative and compatible services which meet customers or potential customers requirements.

8. Axiata's future performance depends on successful development and deployment of new technologies or innovation to stay ahead of the competition. The Group faces the risk of unforeseen complications in the deployment of new technologies or innovation such as erroneous estimation of commercial acceptance by customers of such new services and failure to adapt the new services effectively and economically to meet customers' demands.

9. Axiata has investments in Idea and M1 which reduces its degree of control as well as the ability to identify and manage risks. Although the Group may participate in the management of such companies through representatives in the boards of these companies, such representation does not constitute the majority of those boards and hence limits the ability to prevent these companies from engaging in activities or pursuing strategic objectives that may conflict with its interests or overall strategic objectives.

10. Axiata's business is highly dependent on the reliability of the network infrastructure and systems in each OpCos. The provision of services by the Group depends on the reliability of an integrated network which is in turn, vulnerable to damage or interruption in operations due to natural disasters, adverse weather conditions, fire, power loss, telecommunication failures, network software flaws, transmission cable cuts, acts of terrorism, breaches of security or some other events outside the Group's control. The Group continues to evaluate and ensure that adequate disaster recovery plan is in place at each OpCos to address such eventuality.

11. Violation of antitrust and competition law will expose Axiata or our employees to criminal sanctions. The telecommunications industry is generally a regulated industry and the Group's operations are regulated to varying degrees in each of the countries in which the Group operates and/or has investments.

12. Risk of old litigations in Celcom materialising and potential new ones. Any adverse judgement against Celcom Group to pay damages or new litigations could adversely affect the Group's reputation and have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

13. Axiata has a small investment in Iran which could subject Axiata to sanctions imposed by the US Department of Treasury's Office of Foreign Assets Control, the United Nations and the European Union. It is possible that the Group's activities in Iran could give rise to scrutiny or unfavourable treatment by activist groups advocating disengagement from Iran. Such circumstances could adversely affect the Group's reputation and have a material and adverse effect on its business and prospects.

The Board of Directors of Axiata is pleased to present the report on the Board Audit Committee (BAC) for the FY09.

The establishment of the BAC was formalised by a resolution of the Board of Directors on 24 March 2008 in line with the Main LR.

COMPOSITION AND MEETINGS

The BAC during the year comprised the Directors listed below and had met five times on 25 February 2009, 23 March 2009, 18 May 2009, 18 August 2009 and 25 November 2009. The composition and the attendance record of the BAC members are listed below.

Name of Directors	Status of directorship	No. of meetings attended
David Lau Nai Pek *(Chairman of the BAC)*	Independent Non-Executive Director	5 out of 5
Datuk Azzat Kamaludin	Independent Non-Executive Director	5 out of 5
Juan Villalonga Navarro	Independent Non-Executive Director	3 out of 5

BOARD AUDIT COMMITTEE REPORT

SUMMARY OF ACTIVITIES OF THE BAC

During the FY09, the BAC discharged its functions and carried out its duties as set out in the ToR. Key activities undertaken by the BAC include the following:

Risks and Controls

- A revised Group's risk management system was introduced in 2009 to identify and manage existing and emerging major business risks within the Group. This has been rolled out and adopted by all major OpCos.
- Major Group's business risks and remedial actions were reported and deliberated at the BAC each quarter; a summary of which was reported to the Board.
- A revised Group Policy, inter alia a Code of Conduct Policy and Limits of Authority (LOA) was introduced in 2009 that provides the governance framework for the Group and OpCos. This was rolled out to all OpCos.

Internal Audit

- Reviewed and approved the Group Internal Audit (GIA) Annual Business Plan inclusive of Budget and resourcing plan. The Audit Plan was prepared using a 'risk-based' approach and ensures that adequate and competent resources are available to carry out the audit plan, especially in the areas or entities with high risks.
- Reviewed internal audit reports issued by GIA on the adequacy, effectiveness and efficiency of risk management, operational and compliance issues, and governance processes across the Group.
- Reviewed the adequacy, effectiveness and timeliness of actions taken by management to resolve material issues raised by the internal audit reports across the Group.
- Reviewed the effectiveness of internal audit processes and the resources allocated to the audits.
- Assessed the performance of GIA against KPIs as approved by the BAC.

External Audit

- Adopted a collaborative approach in working with the External Auditors.
- Reviewed and approved the External Audit Plan including the scope and the fee for the annual audit.
- Reviewed the results of the external audit and reported issues arising from their audits of the quarterly and annual accounts, made recommendations to the Board for the implementation of remedial actions where necessary.
- Held four formal meetings with the External Auditors on 15 May 2009, 5 August 2009, 24 August 2009 and 19 November 2009 and one private meeting without the presence of management on 19 November 2009.
- Reviewed the performance of the External Auditors and made recommendations to the Board for their re-appointment and remuneration.

Financial Reporting

- Reviewed the Quarterly and Annual Financial Statements including announcements, taking into consideration the external audit findings and recommendations, and recommended them to the Board for their approval. The reviews, together with discussions with the External Auditors, were to ensure the financial reporting and disclosures are in compliance with the provisions of the Companies Act 1965, Main LR and applicable accounting standards in Malaysia.
- Reviewed working papers for impairment testing on a quarterly basis on some of the major investment areas.

Annual Reporting

- Reviewed and recommended Statement on Corporate Governance, Statement on Internal Control and the BAC Report to the Board for approval.
- Reviewed the related party transactions entered into by Axiata pursuant to shareholders mandate on RRPT procured at the 17th AGM of the Company held on 20 May 2009 every quarter and the reporting of these transactions in the 2009 Annual Report.

Others

- Reviewed and approved Axiata Audit Charter;
- Reviewed status of resolution of external and internal audit issues every quarter;
- Reviewed current matters in relation to compliance with legal, regulatory and statutory requirements;
- Identified cases of control weaknesses for sharing of lessons learnt within the Group to avoid similar incidents; and
- Verified the allocation of 69,111,500 share options given to the Group's eligible employees in accordance with the Long Term Performance Based ESOS for FY09. The BAC was satisfied that the allocation of the said share options was in compliance with the criteria set out in the ESOS Bye-Laws and ESOS Committee.

GROUP INTERNAL AUDIT

The internal audit function is under the purview of GIA and headed by the Group Chief Internal Auditor (GCIA), who is independent and reports directly to the BAC. The internal audit reporting structure within the Group has been organised where audit departments of the subsidiaries report directly to Board Audit Committees of the respective subsidiaries with a dotted reporting line to the GCIA. GIA has direct control and supervision for internal audit activities in those subsidiaries that do not have an audit function. GCIA also acts as the secretary to the BAC.

GIA provides independent, objective assurance on areas of operations reviewed, and recommendation based on best practices that will improve and add value to the Group. GIA identifies, coordinates and conducts global audits that are to be carried out throughout the Group and also provides standards, policies, guidelines and advice to the subsidiaries' audit functions to standardise the internal audit activities within the Group.

GIA adopts a systematic and disciplined approach to evaluate adequacy and effectiveness of the risk management, financial, operational, compliance and governance processes. A structured risk-based approach is adopted in identifying the internal audit activities that are aligned with the Group's strategic plans to ensure those risks facing the Group are adequately reviewed.

In addition, international standards and best practices are adopted to further enhance the relevancy and effectiveness of the internal audit activities.

As against the 2009 Audit Plan, a total of 160 internal audit assignments were completed at Axiata Corporate Centre and all subsidiaries. The areas of coverage include finance, sales, marketing, information and technology, billing, network, corporate governance, human resource, customer service and procurement. The audit reports of these assignments provided independent and objective assessment on the following:

- adequacy, effectiveness and efficiency of the internal control systems to manage operations and safeguard the Group's assets and shareholders' value; and
- adequacy and effectiveness of the risk management operations, governance and compliance functions to identify, manage and address potential risks facing the Group.

The internal audit reports were issued to management for their comments and to agree on action plans with deadlines to complete the necessary preventive and corrective actions. The reports were tabled at each subsidiary's BAC and summary of the key findings to BAC for due deliberation to ensure that management undertakes to carry out the agreed remedial actions. Members of the management were invited to the BAC meetings from time to time, where necessary, for further clarification purposes. Key audits that were completed in 2009 include:

- Revenue Assurance
- Network Disaster Recovery Plan
- Winning/Defence Initiatives
- Fraud Management
- Billing Enhancement
- IT Strategy, Planning and Support Systems
- Health, Safety and Environment
- Network Fault Management
- Asset Verification (of a subsidiary)
- Procurement (of a subsidiary)
- Management Control Review (on a subsidiary)

TERMS OF REFERENCE

In performing its duties and discharging its responsibilities, the BAC is guided by the ToR as follows:

1.0 FUNCTION OF THE BAC

1.1 The primary function of the BAC is to implement and support the oversight function of the Board in relation to financial reporting and internal controls as set out in the Duties and Responsibilities herein.

1.2 It is the objective of the BAC to assist the Board to assure the shareholders of Axiata that the Directors of Axiata comply with specified financial standards and required disclosure policies developed and administered by Bursa Securities and other approved accounting standard bodies. In addition, the BAC needs to ensure consistency with Bursa Securities' commitment to encourage high standards of corporate disclosure and transparency. The BAC will endeavour to adopt certain practices aimed at maintaining appropriate standards of corporate responsibility, integrity and accountability to Axiata's shareholders.

2.0 COMPOSITION OF THE BAC

2.1 The BAC must be composed of no fewer than three members, all of whom shall be Non-Executive Directors and the majority shall be Independent Non-Executive Directors.

2.2 The members of the BAC shall elect a Chairman among themselves who shall be an Independent Non-Executive Director.

2.3 The BAC shall be appointed by the Directors from amongst their members. The members of the BAC shall be nominated by Axiata's BNC and shall be appointed by resolution of the Board. No alternate director shall be appointed as a member of the BAC.

2.4 All members of the BAC, including the Chairman, will hold office only so long as they remain as Non-Executive Directors of Axiata.

2.5 Members of the BAC may relinquish their membership in the BAC with prior written notice to the Company Secretary and may continue to serve as Director of Axiata. In the event of any vacancy in the BAC resulting in non-compliance with the Main LR, Axiata must fill the vacancy within three months. The BNC will review and recommend, to the Board for approval, another director to fill up such vacancy.

2.6 Members of the BAC shall possess sound judgment, objectivity, management experience, integrity and knowledge of the industry. A member of the BAC shall excuse himself/herself from the meeting during discussions or deliberations of any matter which gives rise to an actual or perceived conflict of interest situation for him/her. This is required to avoid BAC members from participating in matters that will create conflict of interest.

2.7 Members of the BAC shall be financially literate and at least one member of the BAC:

- i) Must be a member of the Malaysian Institute of Accountants (MIA); or
- ii) If he is not a member of the MIA, he must have at least three years working experience and:
  - a) He must have passed the examinations specified in Part I of the 1st Schedule of the Accountants Acts 1967; or
  - b) He must be a member of the associations of accountants specified in Part II of the 1st Schedule of the Accountants Acts 1967; or

iii) Have a degree/masters/doctorate in accounting or finance and at least three years post qualification experience in accounting or finance; or

iv) Have at least seven years experience of being a Chief Financial Officer of a corporation or have the function of being primarily responsible for the management of the financial affairs of a corporation; or

v) Fulfills such other requirements as may be prescribed or approved by Bursa Securities.

3.0 SECRETARY OF THE BAC

3.1 The GCIA or any other person appointed by the BAC shall be the Secretary of the BAC.

3.2 The Secretary shall:

i) ensure all appointments to the BAC are properly made;

ii) ensure that the BAC receives information and papers in a timely manner to enable full and proper consideration to be given to issues;

iii) prepare the minutes of the BAC meetings and record the conclusions of the BAC in discharging its duties and responsibilities.

iv) circulate the minutes of the BAC meetings promptly to all members of the BAC and make the same available to Board members who are not members of the BAC; and

v) ensure that the minutes of the BAC meetings are properly kept and produced for inspection if required.

4.0 MEETING GUIDELINES OF THE BAC

4.1 Quorum

4.1.1 In order to form a quorum, minimum two BAC members must be present and that the majority of those present must be Independent Non-Executive Directors.

4.2 Meetings

4.2.1 The BAC shall meet at least four times a year and such additional meetings as the Chairman shall decide. The BAC meetings shall be governed by the provisions of the Company's Articles of Association relating to Board meetings unless otherwise provided for in this ToR. The BAC may establish procedures from time to time to govern its meetings, keeping of minutes and its administration.

4.2.2 Upon the request of the External Auditors, the Chairman of the BAC shall convene a meeting of the BAC to consider any matter the External Auditors believe should be brought to the attention of the Directors or Shareholders.

4.2.3 A member of BAC may participate in a meeting of BAC by means of a telephone conference or video conference or any other means of audio-visual communications and the person shall be deemed to be present in person at the meeting and shall be entitled to vote or be counted in a quorum accordingly.

4.2.4 Decision of BAC may be made by a Circular Resolution provided it is signed by all members.

4.2.5 The Notice and agenda for each BAC meeting with due notice of the issues to be discussed shall be sent to all members of the BAC and any other persons who may be required to attend.

4.2.6 The Chairman of the BAC shall report to the Board on any matter that should be brought to the Board's attention and provide recommendations of the BAC that requires the Board's approval at the Board meeting.

4.2.7 The BAC may invite the GCFO, the GCIA or any other management personnel, any representative of the External Auditors, other members of the Board and any other persons as deemed necessary by the BAC to be present at any meeting of the BAC.

5.0 DUTIES AND RESPONSIBILITIES OF THE BAC

In carrying out its responsibilities, the BAC's policies and procedures remain flexible to changes in circumstances and conditions that are in compliance with legal and regulatory requirements. The following are the main duties and responsibilities of the BAC:

5.1 Financial Reporting and Processes

i) Review the quarterly interim results, half-yearly results and annual financial statements of the Group prior to reporting and presenting to the Board for approval, focusing particularly on:

a) Any changes in or implementation of accounting policies and practices;

b) Significant or material adjustments with financial impact arising from the audit;

c) Significant and unusual events or exceptional activities;

d) Decision making with material financial impact;

e) The going concern assumptions; and

f) Compliance with approved accounting standards, stock exchange and other regulatory requirements.

ii) Review with the External Auditors the financial statements of Axiata before the audited financial statements are presented to the Board for approval, including:

a) Whether the External Auditors' report contains any qualifications which must be properly discussed and acted upon for purposes of resolving the contentious point of disputes in the current audit and to remove the cause of the External Auditors' concern in the conduct of future audits;

b) Any changes in or implementation of accounting policies and practices;

c) Significant and unusual events;

d) Significant changes and adjustments in the presentation of the financial statements;

e) Compliance with local and international accounting standards and other legal requirements;

f) Material fluctuations in balances in the financial statements;

g) Significant variations in audit scope and approach; and

h) Significant commitments or contingent liabilities.

and report the same to the Board.

iii) Discuss problems and reservations arising from the interim and final audits and any matters the External Auditors may wish to discuss (in the absence of the management where necessary).

iv) Propose best practices on disclosure in financial results and annual report of the Company in line with the principles set out in the Malaysian Code on Corporate Governance, other applicable laws, rules, directives and guidelines.

v) Review the integrity of the Group's internal and external financial reporting processes and assess significant deficiencies and weaknesses in the design or operation of the Group's internal accounting procedures and controls including review and assess management's follow up actions on the weaknesses of these procedures and controls as highlighted by the External Auditors and Internal Auditors as per the External Auditors' management letters.

vi) Review and discuss with management the Group's major financial risk exposures and initiatives taken to monitor and control such exposures over financial reporting which may cause adverse effect to the management's ability to record, track changes, process and summarise financial information.

5.2 Independent External Auditors

i) Consider and recommend to the Board, for it to put to the Company's Shareholders for approval in General Meetings, the appointment (and the re-appointment) of a suitable accounting firm to act as External Auditors including the audit fee payable thereof and amongst the factors to be considered for the appointment are the independence, qualification, adequacy of experience and resources of the firm and the partners and resources assigned to the audit.

ii) Consider any question of resignation (including review of any letter of resignation and report the same to the Board) or removal. In the event of a removal of External Auditors, the BAC shall provide reason(s) for the removal to the Board for approval and the External Auditors for their records.

iii) Review whether there is a reason (supported by grounds) to believe that the External Auditors are not suitable for re-appointment and report the same to the Board.

iv) Review with the External Auditors before the audit commences the audit plan and report the same to the Board.

v) Discuss nature, approach and scope of the audit before the audit commences and ensure co-ordination where more than one audit firm is involved.

vi) Review the evaluation of the system of internal control with the External Auditors and report the same to the Board.

vii) Be directly responsible for the compensation, evaluation and oversight of the External Auditors or any other auditor preparing or issuing an audit report for the Group and where appropriate, provide reports to the Board on the terms of engagement, independence and proposed fees of the External Auditors.

viii) Meet with the External Auditors, Internal Auditors or both, at least twice in the financial year (without the presence of other directors and employees of listed issuer, whenever deemed necessary) to discuss problems and reservations arising from the interim and final audits, and any matters the External Auditors may wish to discuss.

ix) Review the External Auditors' audit report, and report the same to the Board.

x) Review the External Auditors' management letter and management's response.

xi) At least annually assess and report to the Board on the independence of the External Auditors, obtaining from the External Auditors a written statement delineating all relationship between the audit and the Group and delineating any other relationships that may adversely affect the independence of the External Auditors.

xii) Monitor the extent of non-audit work to be performed by the External Auditors to ensure that the provision of non-audit services does not impair their independence or objectivity. This includes a pre-approval process for any such work and the hiring of employees or former employees of the External Auditors.

xiii) Resolve any disagreement between management and the External Auditors regarding financial reporting.

5.3 Internal Audit Function

i) Approve the Internal Audit Charter, which defines the independent purposes, authority, scope and responsibility of GIA.

ii) Discuss with the GCIA the annual internal audit scope, plans and objectives, resources, qualifications, independence, reporting structure and performance of GIA.

iii) Review the Internal Audit Plan and results of the internal audit process and where necessary to ensure:

a) That appropriate action is taken on the recommendations of GIA and report the same to the Board.

b) That the scope, functions, competency and resources of GIA are adequate and that it has the necessary authority to carry out its work and report the same to the Board; and

c) That the goals and objectives of GIA commensurate with corporate goals.

iv) Review any appraisal or assessment of the performance of the members of GIA.

v) The GCIA shall report directly to the BAC and shall be responsible for the regular review and appraisal of the effectiveness of the risk management, internal control and governance processes within the Group.

vi) The Head of Internal Audit at subsidiary to report functionally to the subsidiary BAC and on dotted line basis to the GCIA for purposes of standardising the operations of internal audit in Axiata and its subsidiaries by furnishing reports to the GCIA in relation to matters including but not limited to major control issues, audit reports, quarterly reports, and Minutes of subsidiary BAC meetings.

vii) Review internal audit results and reports from the GCIA including the report on the Group's internal controls and progress in remedying any material control deficiencies raised by GIA.

viii) Approve the appointment or termination of the GCIA and the senior staff members of GIA.

ix) Take cognisance of resignations of the GCIA and staff members of GIA and provide the resigning GCIA or staff members an opportunity to submit his/her reasons for resigning.

x) Annually review and appraise the performance of the GCIA, including the role and effectiveness of GIA.

xi) Be informed, referred to and agree on the initiation, commencement and mechanism of any disciplinary proceeding/investigation, including the nature and reasons for the said disciplinary proceeding/investigation, including the nature and reasons for the said disciplinary proceeding/investigation, as well as the subsequent findings and proposed disciplinary actions against the GCIA. As an employee of the Group, the GCIA is subject to the Group's human resource policies and guidelines, including disciplinary proceedings/investigations and actions.

xii) Review the assistance and co-operation given by the Group and its employees to the External Auditors and report the same to the Board.

xiii) Ensure that GIA should be independent of the activities they audit and should be performed with impartiality, proficiency and due professional care. The Board or the BAC should determine the remit of GIA.

xiv) Where there is an audit assignment initiated by GIA that has a bearing upon all subsidiaries or that the subsidiaries' financial results will affect the audit opinion of the Group, the respective subsidiaries Internal Audit office shall adhere to the request and include such audit assignment in its respective audit plan.

5.4 Company Oversight

i) Review the adequacy and integrity of the Group's internal control systems and management information systems, including systems for compliance with applicable laws, rules, directives and guidelines.

ii) Review the Company's policies and practices with respect to risk assessment and management.

iii) Consider major findings of internal investigations and management's response.

iv) Review management's monitoring of compliance with the Company's code of business ethics.

v) Monitor the process for dealing with complaints received by the Group regarding accounting issues, internal control matters or auditing matters and the confidential, anonymous submission by employees of concerns regarding questionable accounting or auditing matters.

vi) Consider and review any significant transactions, which are not within the normal course of business and any related party transactions and conflict of interest situation that may arise within the Group including any transaction, procedure or course of conduct that raises questions of management integrity and report the same to the Board.

vii) Verify the allocation of share options given to the Group's eligible employees is in accordance with the criteria for the employees share option scheme and the Main LR at the end of each financial year.

viii) Report promptly to Bursa Securities if the BAC views that a matter resulting in a breach of the Main LR reported by the BAC to the Board has not been satisfactorily resolved by the Board.

5.5 Other matters
Consider other matters as prescribed to the BAC by the Board.

6.0 POWERS OF THE BAC

6.1 In carrying out its duties and responsibilities, the BAC shall have the following power and authority, in accordance with the procedures to be determined by the Board and at cost to the Group:

i) Have explicit authority to investigate any matters within its ToR.

ii) Have the resources which are required to perform its duties.

iii) Have full, free and unrestricted access to any information, records, properties and personnel of Axiata and of any other companies within the Group including the minutes, reports and information of all subsidiary BACs.

iv) Have direct communication channels with the External Auditors and person(s) carrying out the Internal Audit function or activity.

v) Be able to obtain independent professional or other advice and to invite outsiders with relevant experience to attend the BAC meetings (if required) and to brief the BAC thereof.

vi) The attendance of any particular BAC meeting by other Directors and employees of the Group at the BAC's invitation and discretion and must be specific to the relevant meeting.

vii) Be able to convene meetings with External Auditors, Internal Auditors or both, excluding the attendance of other directors and Group's employees, whenever deemed necessary.

viii) The BAC Chairman shall continuously engage with the Chairman of the Board and Senior Management, such as, the President/GCEO, the GCFO, the GCIA and the External Auditors in order to be kept informed of matters affecting the Group.

ix) Have immediate access to reports on findings and recommendations from GIA in respect of any fraud or irregularities discovered and referred to GIA by the management. Any unresolved matters resulting in breach of any regulatory requirements shall be reported to the Board.

x) Have access to advice and services of the Company Secretary.

xi) Requires the Head of Internal Audit at subsidiaries and the GCIA to escalate and inform the BAC immediately on matters which has extreme risk rating.

7.0 REVIEW & EVALUATION PROCEDURES OF THE BAC

7.1 The BAC shall at least annually perform a review and an evaluation of its performance to ensure that it is meeting its responsibilities as set forth in this ToR. The review shall specifically include consideration of the following:

i) Frequency and timeliness of the BAC meetings.

ii) Adequacy and quality of information and materials provided to the BAC.

iii) Effectiveness of the BAC in carrying out the duties as set out in this ToR.

iv) Contribution of individual BAC member.

v) Appropriateness and adequacy of this ToR. The Committee shall recommend to the Board such changes to this ToR in such manner as the BAC deems appropriate.

8.0 BAC REPORT

8.1 The BAC is required to prepare a BAC Report at the end of each financial year to be included and published in the Group's annual report to include the following:

i) The composition of the BAC including the name, designation and directorship of the members (whether the Directors are independent or otherwise);

ii) The ToR of the BAC;

iii) The number of BAC meetings held during the financial year and details of attendance of each BAC member;

iv) A summary of the activities of the BAC in the discharge of its functions and duties for that financial year; and

v) A summary of the activities of the Internal Audit function.

9.0 STATEMENT ON CORPORATE GOVERNANCE

9.1 The BAC is required to recommend the statement on corporate governance at the end of each financial year for the Board's approval to be included and published in the Group's annual report:

i) a narrative statement of how the Group has applied the principles set out in Part I of the Malaysian Code on Corporate Governance to its particular circumstances; and

ii) a statement on the extent of the Group's compliance with the Best Practices in Corporate Governance set out in Part II of the Malaysian Code on Corporate Governance which statement shall specifically identify and give reasons for any areas of non-compliance with Part II and the alternatives to the Best Practices adopted by the Group (if any).

10.0 ADDITIONAL STATEMENTS

10.1 The BAC is required to recommend the following additional statements for the Board's approval to be included and published in the Group's annual report:

i) A statement explaining the Board's responsibility for preparing the Group's annual audited financial statements.

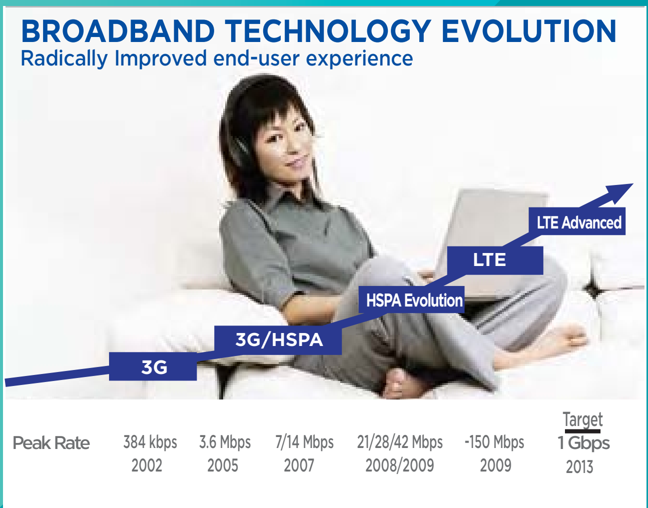
ii) A statement on the Group's state of internal control after the same is reviewed by the External Auditors with regard to the state of internal control and report the results thereof to the Board.

iii) A statement verifying allocation of share options given to the Group's eligible employees is in accordance with the criteria set out in the share option scheme for employees.

FEATURE ARTICLE:
EVOLUTION OF MOBILE BROADBAND

Mobile Broadband is simply mobile or wireless Internet, which means you get all the benefits of the Internet while you are on the go. Over the years mobile broadband has continued to be enhanced and has radically improved the end-user experience. The graph below shows the evolution of broadband technology.

TECHNOLOGY EVOLUTION



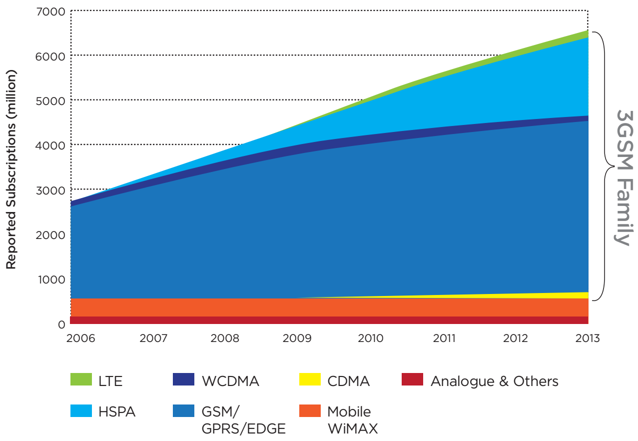
Source: Alcatel-Lucent

There are several technologies enabling Mobile Broadband services, examples include; GSM/GPRS, EDGE, WCDMA, HSPA, HSPA+, WiFi, WiMax and CDMA. The most popular are those that belong to the 3GSM family. This is primarily due to the robust eco-system and clear roadmap to Long-Term Evolution (LTE).

LTE is the next major step in mobile radio communications. It offers broadband speeds of up to 100Mbps or more, substantially increasing speeds for businesses and consumers.

LTE is expected to improve spectral efficiency, lower costs, improve services, make use of new spectrum and refarmed spectrum opportunities, and better integration with other open standards. The technology is set to bridge the gap between the mobile and consumer electronics worlds in devices such as portable games consoles, digital cameras, mobile phones and notebooks.

SUBSCRIPTIONS BY TECHNOLOGY



Source: Ovum

The unavailability of fixed broadband also offers a major opportunity for mobile broadband players in emerging markets where Mobile Broadband technologies can be used to deliver high-speed internet access to the mass market in a cost-effective and extensive manner – and for reducing the digital divide between people with easy access to information and services and those without.

The last year has seen many crucial developments in 3G technology as mobile broadband speeds have finally reached the level to move beyond basic applications such as ringtone and music downloads and has created a new wave of interest in next generation applications such as mobile payments, mobile advertising, location-based services and 3G modem uses.

THE CASE FOR ASIA

Asia is expected to become the largest regional mobile telecommunications market in the world over the next five to 10 years. According to IDC, the ICT market of the emerging economies in Asia (Bangladesh, Sri Lanka, Malaysia, Thailand, Philippines, Indonesia, Vietnam, China, and India) was worth USD111.5 billion in 2008 and is expected to reach nearly USD174.0 billion by 2012.

However the fact remains that in 2008 only 8% of the region's subscriber base was using 3G and launches in several Asian markets have left much to be desired in terms of subscriber and revenue uptake. New generations of mobile broadband technology will open new avenues for growth in Asia's wireless markets, but operators will have to be increasingly careful coming off a global recession to ensure that new services and applications will be both successful with customers as well as profitable.

APPLICATIONS

In order to reach mass market, service providers need to move beyond the young, early adopter demographic and start to target other customer segments by creating strong, attractive value propositions.

DEVICES

"Easy-to-use" devices are important to boost mobile broadband traffic growth.

- Converged mobile devices, compatible with various mobile broadband access technologies, are readily available to deliver media rich experiences.
- USB modems stimulate mobile broadband access uptake on laptops, but limited to a relatively niche laptop user group.
- The rising popularity of netbooks and Apple iPhones further unlock the potential of mass market mobile broadband take-up.
- Many operators across the world are offering substantial netbook subsidies.


3G

ENHANCING CONNECTIVITY

We aim to provide innovative solutions and services to enhance connectivity for over 120 million people across Asia. United and endorsed by our common logo, the Prism, OpCo consumers recognise that the local brand which serves them is part of a leading regional company, able to bring benefits unmatched by other providers.

BUSINESS REVIEW

ABOUT CELCOM

Celcom is the country's most experienced and premier mobile telecommunications company with over 10.1 million customers. It offers the widest coverage in the country covering 98.8% of the populated areas. Celcom has ongoing investments in network coverage, capacity and performance, and intends to maintain its technology leadership and position as the country's best mobile service provider. Celcom's core business is in providing prepaid and postpaid mobile voice services. Its strong growth has been further supplemented by the growing data services segment and mobile broadband business, making it Malaysia's leading mobile broadband provider. Celcom is also achieving significant growth in other areas of business namely m-commerce, enterprise solutions and wholesale services.

Celcom is also proud to have successfully partnered with four increasingly prominent mobile virtual network operators (MVNO) in the Malaysian telecommunications industry. Via an extensive roaming partner network, Celcom offers international roaming services in 156 countries and over 414 networks worldwide.

As a Vodafone Partner Network, Celcom is an integral part of a global alliance spanning 67 Vodafone operating companies and affiliates worldwide. This partnership provides Celcom's customers with unrivalled global coverage, the lowest IDD and roaming rates and the latest mobile technologies, whilst giving Celcom access to Vodafone's global purchasing and economies of scale.

celcom

MALAYSIA
CELCOM AXIATA BERHAD

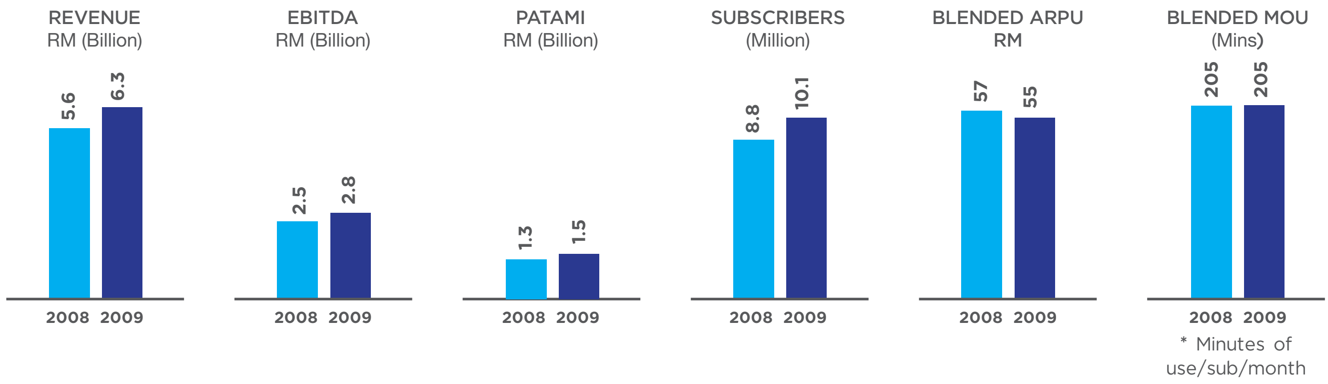
Record Breaking
15
consecutive quarters
of revenue growth

Leading mobile
broadband provider with
511,000
subscribers

Highest revenue growth
rate in three years,
annual revenue grew by
12.8%
more than
double the industry
average

Selamat Datang [Se-la-mat Da-tang]

The Malaysian rainforests are more than 130 million years old, the oldest in the world – with a staggering biodiversity of over 15,000 flowering plant and 185,000 animal species; 9% and 16% of the world's total species.



BUSINESS REVIEW 2009

The year 2009 reaffirmed Celcom's commitment to a segment-focus strategy with encouraging results. Celcom crossed the 10 million subscriber mark in the third quarter of 2009, achieving its objective of becoming the strong number two in the Malaysian mobile telecommunications market with a subscriber growth of 15.8% to 10.1 million at the end of 2009.

Celcom registered 1.3 million net additional subscribers from the end of 2008 whilst also recording the highest net additions for both postpaid and prepaid. Furthermore, Celcom is proud to lead the mobile broadband market, more than doubling its subscribers from just under a quarter of a million in 2008 to over half a million at the end of 2009. Celcom also successfully executed its strategies for its new business areas such as mobile commerce, solidified its MVNO partnerships, and expanded its client base for the mobile enterprise segment.

In addition, Celcom, through its Enterprise segment, maintained its position as the BlackBerry market leader in Malaysia with a majority share of BlackBerry users.

It also increased its share in the SME market through ongoing programmes with trade associations as well as its Value-Added Partner programme, with revamped and revised incentive structures for its resellers.

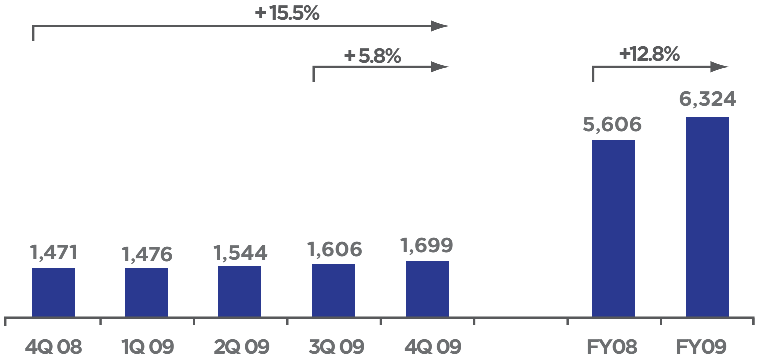
FINANCIAL PERFORMANCE

Celcom continued its stellar performance delivering one of its best financial years ever. Despite the dampened economic climate and intense domestic competition, 2009 saw Celcom growing more than double the industry average with 12.8% in annual revenue growth reaching its highest ever recorded annual revenue of RM6.3 billion.

This was also the highest revenue growth rate in the last three years. Further, this impressive performance represented a record 15 consecutive quarters of growth in revenues.

Profitability continued to improve with EBITDA growing 11.0% to RM2.8 billion compared to RM2.5 billion in the preceding year with EBITDA margin relatively stable at 44.6%. Consequently, Celcom recorded encouraging double-digit growth in pre-tax profit of 16.6%, to close at RM2.0 billion in FY09. Net profit increased by 19.0% YoY to RM1.5 billion, from RM1.3 billion in 2008.

Revenue* (RM Million)



* - For FY08, revenue from Fibrecomm was excluded due to demerger (for comparison purpose). With Fibrecomm, revenue was RM5,624 million.
- All revenue figures are inclusive of other operating income.

Revenue

+12.8%

As part of the company's effort to improve margins, the Smart Spend initiative was launched during the year where the company aggressively capitalised on cost saving opportunities in the network, and sales and marketing areas without compromising on service. Meanwhile, in its efforts to increase data capacity and coverage, Celcom's total capex spending for 2009 was around RM770 million with almost 45.0% spent on 3G.

INITIATIVES

Distribution Channels

2009 saw tremendous growth in Celcom's retail universe. Exclusive key dealers surpassed the 1,500 mark, contributing to the company's rapid growth in the postpaid voice and data segments. The year ended with Celcom as the undisputed leader in the mobile broadband space.

In addition to the expansion in traditional dealerships, Celcom also ventured into personalised home-to-home channels and enhanced its penetration into the IT retail arena. This is in line with its strategy to lead Celcom to the number one position in the telecommunications industry via mobile broadband.

Broadband

In 2009, Celcom maintained its position as the leading Mobile Broadband provider with 511,000 subscribers, and an overall broadband growth of 124.1% from the previous year, contributing close to 6% of Celcom's revenue as compared to only 2% in 2008. Celcom also launched Malaysia's first data only mobile broadband prepaid pack, as well as the Celcom Broadband Weekly Unlimited service and Celcom Broadband Youth Package to postpaid and prepaid customers.

Enterprise

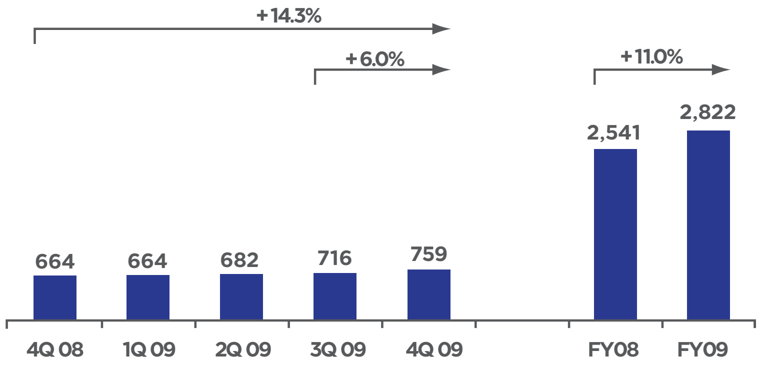
Celcom's Enterprise division consolidated its position in 2009 as the dominant business mobile provider in Malaysia. It rebranded its name to Celcom Biz, from PowerTools previously, and enjoys a dominant share of the corporate and employee market in the country.

Whilst maintaining its position as the BlackBerry market leader in Malaysia, Celcom Biz is also the largest Machine-to-Machine (M2M) solutions provider in the country, and also provides bulk messaging, microwave leased circuits, satellite services, mobile PABX, and customised vertical mobile applications.

EBITDA

+11.0%

EBITDA (RM Million)



*Excluding holding company recharge of RM23 million for FY09

Greater focus was placed on increasing Celcom Biz's Machine-to-Machine (M2M), leased circuits, Very Small Aperture Terminal (VSAT) and GSM Payphone business. Other than that, Celcom also renewed its Vodafone partnership, with greater emphasis on Vodafone Global Enterprise (VGE) accounts, which resulted in a number of key MNC customer acquisitions.

Tighter integration with Vodafone also resulted in the launch of Vodafone Spend Manager and Vodafone Invoice Manager Products, which provide MNCs with full visibility into their communications' spending.

Customer Service

Launched in 2009, the Online Customer Service (OCS), is an alternative channel for customers to manage individual and family mobile phone accounts with just a click of a mouse.

The service aims to increase customers' satisfaction by providing them with the ease and convenience to further enhance their mobile lifestyles.

Technology

Celcom embarked on various initiatives and measures for technology enhancements throughout 2009. The initiatives, in general, included network modernisation, enhancement of customer touch points, fixing the fundamentals for IT & Billing areas, as well as tightening and enhancing IP network security. The 3G network coverage, capacity and quality have been continuously enhanced throughout the year to cater to the increasing customer demand on data related services.

The 2G network, already mature, had minimal coverage expansion with a focus mainly on rural mobile coverage and to address customer needs.

On service quality enhancement initiatives, Celcom had established a new Service Operation Centre (SOC), a dedicated contact point for technical customer complaints.

Celcom is proud to have been certified with the ISO 9001:2008 Provision of Billing Change Request Lifecycle Management (CRLM) Certification by the Certification Panel SIRIM QAS International Sdn. Bhd.

STRATEGIC ALLIANCES

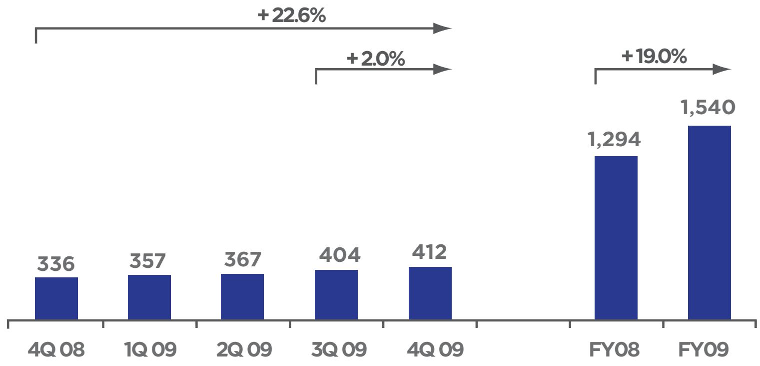
Celcom continues to strengthen and maintain its strategic alliances with its four MVNOs. **Merchantrade** specifically targets the foreign workers segment and continued its strong growth momentum especially in the fourth quarter of 2009. From the end of the third quarter to the end of the fourth quarter of 2009, Merchantrade saw a phenomenal growth of close to 150% in active subscribers, as a result of revising its rates to compete with an intensifying market segment.

Meanwhile, **REDtone Mobile** saw its subscribers double in 2009. REDtone Mobile is an MVNO partner that provides high speed Internet service, data solutions and discounted VoIP services mainly targeting the SME market.

PATAMI

+19.0%

PATAMI (RM Million)



*Excluding holding company recharge of RM23 million in FY09

XOX, which specifically targets the Chinese segment, was launched in early 2009 and has been experiencing encouraging growth. XOX hit the 100,000 subscriber mark in October 2009. The latest partnership is with **Tune Talk**, which was launched in August 2009. Targeting the low-end mass market segments, the MVNO was formed as part of Celcom's and Tune Group's initiative with AirAsia.

NEW PRODUCTS & SERVICES

POSTPAID

Celcom maintained its position as the undisputed leader in postpaid services by offering new packages that offer customers better benefits and bigger savings. The postpaid offerings include **Celcom Exec 20, Celcom Exec 50, Celcom Exec 250, and Celcom 1+5 Plan**.

PREPAID

Xpax

Celcom has close to 8 million prepaid subscribers, with more than half under the **Xpax** prepaid brand. Targeted specifically to the youth, Xpax gained new energy in 2009 with the launch of its **Got Life campaign: Got Best Rates, Got Biggest Bonuses, Got Best Privileges.**

The NEW Xpax prepaid plan offers unprecedented convenience, flexibility and value by giving the lowest rates, the biggest bonuses and the best privileges to customers, enabling them to keep their friends and loved ones close, regardless of which network they are on.

S.O.X. and U.O.X.

The first and only prepaid service designed for students, **S.O.X. (School of X)** is offered exclusively to secondary students between the ages of 12 and 18, whereas **U.O.X. (University of X)** is targeted at students aged 18 to 25 in higher learning institutions.

Both prepaid products offer users the best rates, best bonuses and privileges, as well as no credit expiry until the age of 25, provided that they have a minimum monthly usage of RM1.

Prabayar Celcom Blue

Prabayar Celcom Blue is another prepaid brand from Celcom targeted towards customers who are looking for the best value from a prepaid service. The pack comes loaded with free daily content as added value for customers, as well as exclusive offerings and rewards such as *Teman 20*, *Bonus Banyak Guna*, *Bonus Setia*, and *Bonus Hari Jadi*.

Celcom Sukses

Prabayar Celcom Sukses was launched in partnership with Celcom's sister company XL of Indonesia, and is targeted primarily at Indonesian migrant workers. The Sukses brand also offers the lowest call and IDD rates bundled with great contents for mobile phone users through its portal; **Channel Sukses**.

BlackBerry Prepaid

The first to introduce **Daily Unlimited Prepaid Plans on BlackBerry**, Celcom's BlackBerry Prepaid is available to all of Celcom's prepaid segments, giving customers unlimited social networking and chatting with its Daily Package for as low as RM1 per day.

INTERNATIONAL AND VALUE ADDED SERVICES

International Direct Dial (IDD) and International Roaming (IR)

Celcom's IDD rates offer tariffs as low as 18sen/minute to popular destinations such as Canada, China, Hong Kong, Indonesia, Singapore and the USA. For International Roaming, Celcom introduced several initiatives in 2009 such as **RM38 Data Unlimited Daily Roaming Tariff (DUDRT)** under the Axiata Group of Companies. A first in the region, where Celcom data users will be capped when roaming to a maximum of RM38 per day, to allow for affordable usage of broadband when overseas.

This was followed by a **Prepaid Roaming promotion**, in which Celcom's prepaid customers were able to direct dial whilst roaming. In August 2009, **Celcom's In Flight and On Sea** services were launched simultaneously.

Besides the aforementioned promotions, Celcom also introduced **Roam Saver** for postpaid and prepaid, offering up to 82% savings on its roaming rates for calls made from Brunei, Indonesia, Singapore, and Thailand to Malaysia.

M-Commerce

In 2009, Celcom introduced **Celcom AirCash**, the region's first USSD (Unstructured Supplementary Service Data) based Mobile Financial Service, which was nominated for a GSMA Asia Mobile Awards 2009 for Best Mobile Money Service.

Unlimited Facebook and Twitter via SMS service

The first of its kind in Malaysia, the **Facebook SMS** service gives customers access to their mobile Facebook accounts.

Meanwhile the **Twitter SMS** service enables customers to follow, receive, or post unlimited Twitter messages, also known as "tweets", from any mobile device with basic SMS capability for only RM1 per week.

Zakat Fitrah payment system via SMS

This facility enables Celcom subscribers to pay Zakat Fitrah via SMS, and the service was launched in five states including Selangor, Melaka, Kedah, Perlis and Terengganu.

REGULATORY OVERVIEW

In 2009, regulatory activity centred around carry-over matters that began with the 2008 reviews undertaken by the Malaysian Communications and Multimedia Commission, on the Access List and Mandatory Standards on Access. Variations to the Commission Determinations on these two subjects necessitated the review of Access Agreements amongst all operators.

Apart from this, there has been on-going industry discussions on implementation plans of the 3+8 mobile number structure. The implementation is targeted to take off in the last quarter of 2010.

New features of MNP were proposed or introduced throughout the year including ID-check, free tariff transparency services via SMS, porting fees ceiling, limiting prepaid lines as well as business continuity plans (BCP) arrangements for MNP. In April 2009, Celcom was awarded 15 sites in Sabah and Sarawak, to build Community Broadband Centres (CBC) as part of the Universal Service Provision (USP) programme, followed by another 22 additional sites around Malaysia in November 2009.

OUTLOOK FOR 2010

Celcom begins 2010 with strong momentum from 2009, with an optimistic outlook and position. While the economy has shown favourable signs of improvement, the outlook for the economy is still cautious. However, the telecommunications industry continues to be relatively unscathed, maintaining satisfactory EBITDA margins across the region. The Malaysian mobile market is at saturation point. Penetration rates reached 106.2% at the end of 2009, with the two leading operators at over 10 million subscribers each.

In 2009, Celcom has been growing its business, exceeding the industry average in most areas and is looking to lead the market again in 2010, with improved revenue streams. In fulfilling the nation's pent up demand for broadband, Celcom will accelerate its mobile broadband initiative as well as continue to enhance data services and Value Added Services (VAS).

The Enterprise segment holds huge potential amidst the economic slowdown and though Celcom has improved its dominance in this space, it intends to drive the business deeper.

Celcom will continue to strengthen and defend its strongholds, with its segment-oriented strategies, while being focused on driving a culture that places the customer first. As part of its efforts to enhance customer experience over the next two years, it will progressively roll out Celcom Blue Cube outlets to replace all existing retail touch points and, where viable, move into targeted new geographies.

Whilst 2009 ended a three-year turnaround phase for Celcom, the year 2010 marks the start of its transformation phase towards being the number one provider of mobile and broadband services in Malaysia. The entire transformation will focus on improving its network infrastructure and human capital development, to further enhance the overall customer experience.

2009 ended a three-year turnaround phase for Celcom, the year 2010 marks the start of its transformation phase towards being the number one provider of mobile and broadband services in Malaysia

ABOUT XL

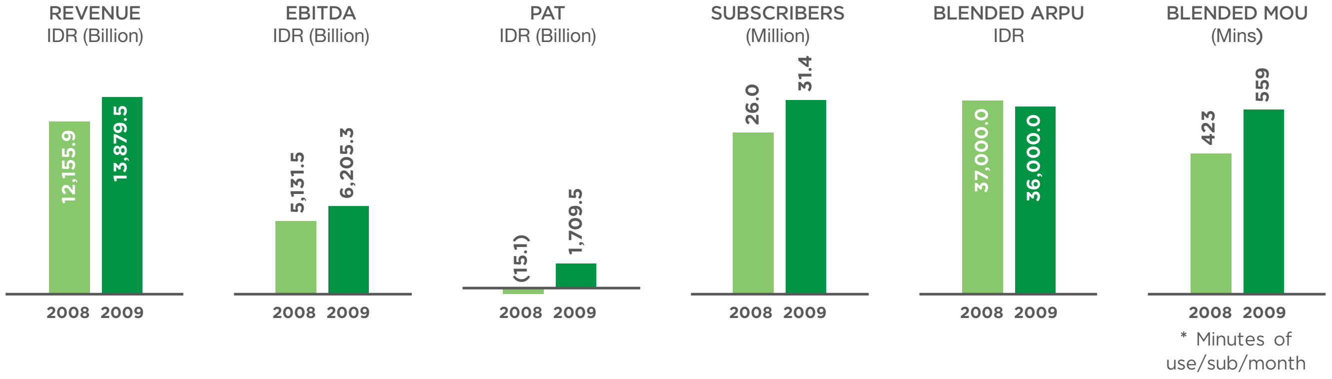
XL, which started commercial operations in 1996, is the fastest growing mobile telecommunications provider in the industry with extensive coverage throughout Indonesia. XL's business primarily consists of providing voice, data and other value-added mobile telecommunications services. XL operates its network under a GSM 900 and GSM 1800 licence from the Minister of Communications and Information of Indonesia. XL also has a Closed Local Loop Network Provider licence as well as licences for Voice Over Internet Protocol (VOIP), Internet Service Provider (ISP) and Network Access Point. XL was allocated 3G spectrum in early 2006 and introduced its 3G service in Indonesia in September 2006.

To date, XL has built 19,349 Base Transceiver Station towers all around Indonesia serving 31.4 million customers. XL is committed to continuously strengthening its quality and coverage, in order to serve its customers' communication needs anytime, anywhere.

INDONESIA
PT XL AXIATA TBK.

Selamat Datang [Se-la-mat Da-tang]

There are 742 languages and dialects spoken by 300 distinct native ethnicities in the Indonesian archipelago of more than 17,000 islands, of which only 6,000 are inhabited.



BUSINESS REVIEW 2009

The ‘minutes factory’ strategy which XL embarked on in mid-2007 helped it pioneer an affordable tariff scheme, the first within the Indonesian telecommunications industry, based on changing customer behavioural patterns and catering to their different needs. This allowed XL to gain 7% in revenue market share over the past two years as it grew faster than the industry. XL also saw a fivefold increase in outgoing minutes per subscriber.

In 2008, XL continued to offer attractive tariffs to its subscribers.

In 2009, XL introduced various innovative service packages, continuously increasing outgoing minutes throughout the year.

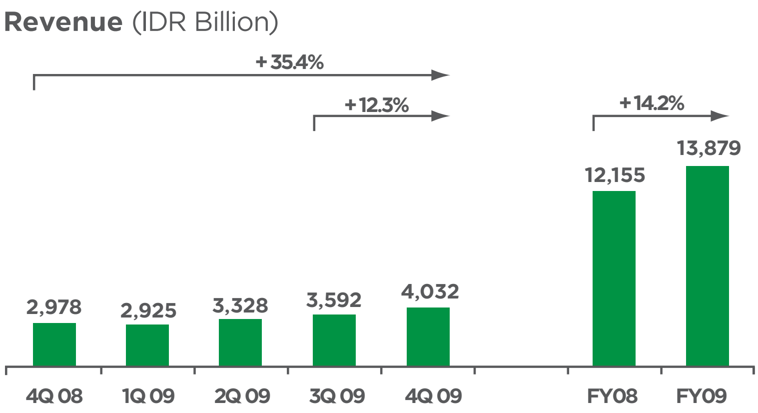
In response to the booming popularity of BlackBerry usage in 2009, XL pioneered the first affordable service package with daily charging, which was recognised with several awards. With broadband, XL expanded its services by launching competitive Mobile Data and Wireless Data Service Packages, the latter offering mobile internet access via a dongle. As a result of these new initiatives, XL enjoyed a growth of 32.3% in non-voice revenue in 2009 compared to 2008.

At the end of 2009, XL had close to 250,000 BlackBerry customers making XL the number one brand in BlackBerry services.

XL also focused on improving its service quality by aligning its marketing programmes to its network capacity, which resulted in a flatter traffic profile in 2009 compared to that of 2008 and 2007.

REVENUE

+14.2%



FINANCIAL PERFORMANCE

Revenue grew 14.2% to IDR13.9 trillion on the back of XL's more affordable tariffs, driving heavier usage. A smart spending policy stabilised OPEX despite the revenue increase. The combination of top line growth combined with lean cost management allowed EBITDA to grow by 20.9% to IDR6.2 trillion with margins improving to 44.7%.

CAPEX spending was prudent in 2009 decreasing to IDR5.3 trillion.

XL turned FCF positive in the second quarter of 2009, recording FCF of IDR2.6 trillion by the end of the year. XL paid a total of IDR400 billion and USD556 million in debts, with proceeds from the Rights Issue and internal cash flow. Total Debt at the end of 2009 was IDR13.5 trillion, a 28.1% decrease.

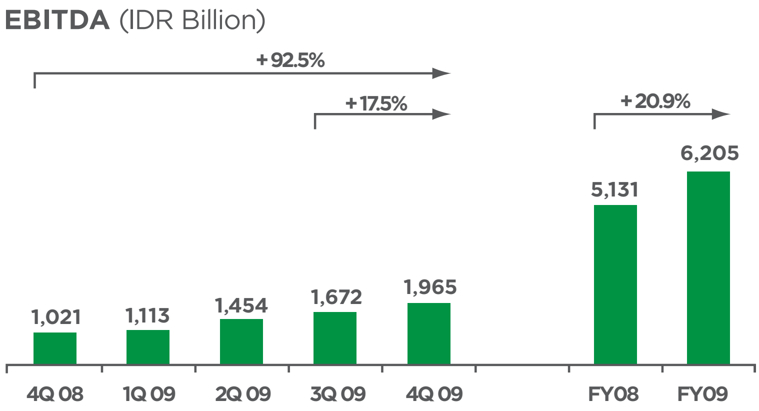
INITIATIVES

The key business initiatives implemented during the year, and the continued focus in 2010 are:

- **Marketing:** XL rejuvenated its brand value by adding elements of 'Fun and Excitement', creating products which were aligned to a network capacity strategy, delivering customised products that met customers' needs regionally and improved the visibility of its products.
- **Network:** XL ensured sufficient capacity to support promotional programmes and continuously improved network quality in areas where XL products are sold.
- **Distribution Channels:** XL improved its visibility and coverage in its network areas by optimising supply and demand of starter packs and top ups. XL also improved on management of its channels and engagement with dealers.
- **Human Resources:** XL restructured its organisation to further realise the potential value of its employees and improve efficiency.

EBITDA

+20.9%



Value of the Brand
As pricing gaps among operators narrowed, competition has moved beyond price to brand value. Potential customers are now looking for schemes that will appeal to them and meet their needs. In response to this, XL recreated its brand image with elements of 'Fun and Excitement', and at the same time offered numerous new VAS aligned with its 'Fun' image.

Value of Quality Subscribers
Over the past two years XL has seen significant increase in the number of subscribers. XL has shifted its focus this year from acquiring subscribers to improving the quality of subscribers. Several initiatives were implemented in order to acquire new subscribers as well as drive further usage from current subscribers. In the past, starter pack oversupply had given rise to low quality subscribers and the "calling card phenomenon." In order to address this, XL has been monitoring and optimising the supply and demand of its starter packs in the market through better management and reload distribution. Further, XL promoted the need for other services, apart from voice and SMS, to its subscribers. As a result, XL improved its underlying prepaid revenue generating subscriber base by 49%.

Value of Innovation
In its efforts to offer affordable connectivity, XL launched four new tariffs, in addition to its two existing ones. Subscribers can easily switch between packages by simply accessing *123#. XL also launched BlackBerry One, where customers can choose between daily and monthly pricing schemes. For Mobile Data Services and Wireless Data Services, XL offered different pricing schemes based on usage and volume, as well as unlimited volume. In addition, aside from voice and SMS, a number of VAS were launched in 2009 in line with XL's theme of 'Value Beyond Price'. Innovative technologies have also been deployed, by leveraging on the latest technologies for its network services.

Value of Efficiency
Smart cost management was implemented throughout XL, in marketing, distribution channels, and human resources, concentrating on all elements of cost. Increased rigour on expense justification was put in place to ensure any spend had commensurate returns. By applying a lean organisation model, XL was able to keep expenses growth lower than revenue growth, which led to maximisation of profit.

Technology Deployed
In line with XL's 2009 theme of "Value Beyond Price", XL made technology investments which were more aligned to its marketing programmes. Thus, CAPEX spending was driven by marketing and business needs rather than network activities alone.

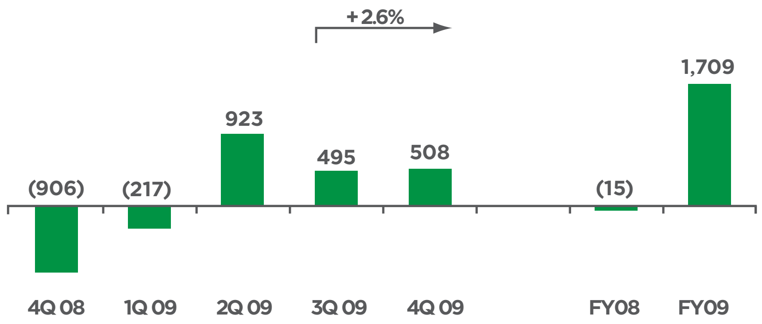
REGULATORY OVERVIEW

Several key regulatory directions came through during the year with mixed results for the company. One key decision was the Ministerial Decree on the allocation of an additional 5Mhz block of 3G spectrum to existing 3G operators, Telkomsel and Indosat.

Other 3G operators including XL, will also be allocated similar additional 3G spectrum and have been given up to one year to take up their respective allocations.

There was also more clarity on the issue of telecommunications towers, with the issuance of the Guideline on the Joint Development and Operation of Telecommunication Tower, jointly issued by the Minister of Home Affairs, Minister for Public Works, Minister of Communications and Informatics and Head of the Investment Coordinating Agency.

PAT (IDR Billion)



The Guideline provides an administrative and technical framework for the development and operation of towers for telecommunication services and, amongst others, stipulates that such towers should be made available on a non-discriminatory basis to multiple users.

On the licensing front, XL had its Modern Licensing of Closed Local Loop Network provider licence renewed on 29 April 2009. Under Indonesian licensing regulations, telecommunication licences are open ended and are subject to periodic review every 5 years.

OUTLOOK FOR 2010

As competition moves beyond price, XL's commitment to provide quality and value has helped its continuous growth and profitability. Non-voice services have grown rapidly and will become a major source of growth in the future business model. XL will focus on capitalising on opportunities in data, VAS, and other services whilst keeping tariffs affordable.

XL's target is to outperform the industry in terms of revenue and EBITDA. Plans are already underway to increase focus on high quality subscribers.

While 2009 focused on innovative pricing and lean cost management, in 2010 XL will commit to delivering a superior customer experience, prudent CAPEX spending, more efficient distribution channels and in developing a more skilled and innovative workforce.

While 2009 focused on innovative pricing and lean cost management, in 2010 XL will commit to delivering a superior customer experience

ABOUT DIALOG

Dialog is Sri Lanka's flagship telecommunications service provider, which operates Dialog Mobile – the country's largest mobile network with over six million subscribers. Dialog holds the distinction of being the first company in Sri Lanka to achieve a market capitalisation of USD1 billion, which now stands at SLR59 billion (2009) representing 5.4% of the market capitalisation on the Colombo Stock Exchange

In addition to its core business of mobile telephony, Dialog operates a wide portfolio of multi-sensory connectivity services. This includes Dialog TV (DTV), a direct-to-home satellite television service and Dialog Global which operates a wide portfolio of international telecommunication services. In addition, Dialog Broadband (DBN) offers fixed-line services and broadband internet, whilst Dialog Tele-Infrastructure (DTI) is the company's telco infrastructure arm. Dialog holds the leadership position in almost all of its business spheres, with innovation, superior technological solutions and world-class customer service serving as catalysts for growth.

Since the late 90's Dialog has spearheaded the exponential growth of the country's mobile telecommunications sector, propelling it to a status on par with the developed world. Dialog operates on GSM and HSPA networks that support the very latest in multimedia and mobile internet, coupled with the distinction of being the first to launch commercial 3G operations in South Asia.

Dialog

SRI LANKA
DIALOG TELEKOM PLC

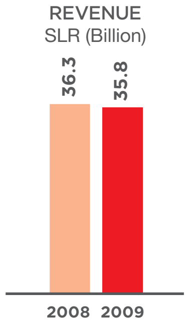
Opened its **100th**
Service Centre
offering the best
island wide
coverage and services

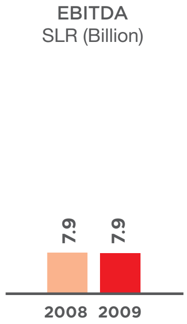
1st
to provide
mobile services
in the liberated
Northern Province

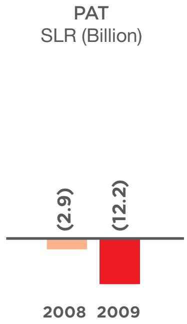
Launched **'Nenasa'** –
the country's
first ever
dedicated education channel

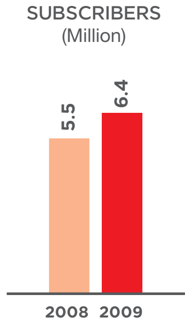
ආයුබෝවන් [Ah-you-bow-one]

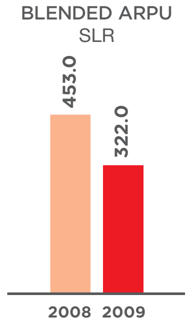
Sri Lanka appointed to office the world's first woman Prime Minister – Mrs. Sirimavo Bandaranaike in 1960, a significant milestone for women's empowerment.

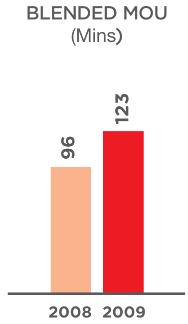












* Minutes of use/sub/month

BUSINESS REVIEW 2009

Dialog has maintained its market share, reaffirming its position as the leader in the mobile market amidst macroeconomic externalities. It consolidated its position as the leader in 2009 by maintaining its SIM market share at 48% and revenue share at 57% despite intense competition. Dialog has elevated the user experience to a new dimension through many Sri Lankan firsts and continuous investment in technology, deepening its ties with its over 6.4 million subscribers.

DTI the company's infrastructure arm continues to offer state-of-the-art infrastructure as well as microwave and fibre optic transmission technologies. The Metro Colombo Ethernet project, one of DTI's most capital intensive projects will deliver fibre optic cables to all major locations in the metropolis, enabling the company to deliver super fast fibre link coverage that can be leveraged by multiple businesses to provide consumers with voice, video conferencing, data and other related services. Corporate consumers can expect a host of new services as a direct result of the investment made.

The ongoing Metro project has plans to cover a road network of over 150km by the end of 2010, with an additional 119km covering the Colombo and greater Colombo areas. By the end of 2009, nearly 180 km was completed under the National Optical Fibre Project, delivering fibre optic connectivity to the Southern and Central Provinces.

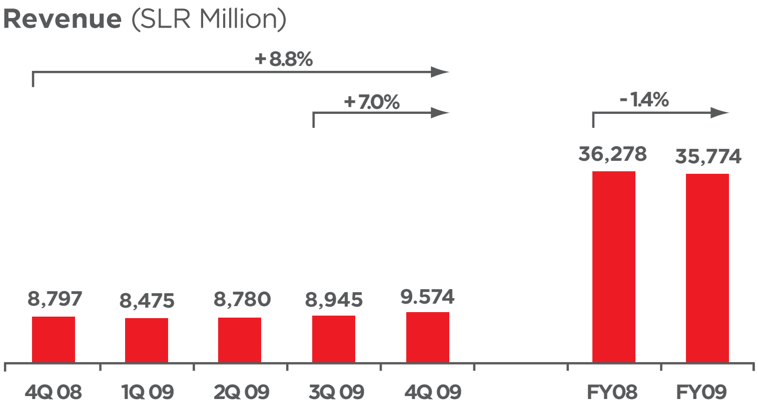
Dialog Global continued its impressive growth from the strong base established in 2008 with international business operations continuing to post positive revenue and international partner growth in its primary business lines of International Wholesale and International Roaming. Overall, revenues grew by 33% in 2009.

Having established leadership in GSM roaming with coverage of 211 destinations worldwide, encompassing over 530 networks, the company concentrated on enhancing the breadth and quality of its GPRS/EDGE, 3G/HSPA, and CAMEL (pre-paid voice roaming) relationships by growing bilateral partnerships with global carriers by 50% during the year.

Dialog was the first mobile operator in the country to extend its GSM network to the newly liberated areas in the Northern Province, expanding coverage without compromising on quality. With the end of the civil war, Dialog rolled out its network in the north in less than 90 days after the liberation, delivering its promise of connectivity to its customers.

As an initiative in the ongoing cost rescaling programme, Dialog modernised its network to a 100% Next Generation Network (NGN) Core Network via migration of all mobile core network elements from legacy Time-division multiplexing (TDM) to IP based switching. Dialog's NGN core network will support the Company's rapidly growing subscriber base in addition to enabling a host of advanced subscriber features and convergence opportunities.

Dialog, in partnership with Aero Mobile, launched the first in-flight calling service which enables customers to safely use their mobile phone on selected flights. Dialog's International roaming customers now have access to in-flight connectivity with 14 international airlines. Dialog also extended this service by connecting customers on vessels operated by 24 Cruise operators for in cabin and ocean-based connectivity.



Dialog Mobile, unveiled yet another first for its prepaid customers with 'Dialog Discount Zones' in December 2009. Dialog is the first and the only operator in the country to introduce this revolutionary location and time based discount scheme.

Dialog continues to expand its wide portfolio of content, establishing itself as the prime mobile operator in enhancing user experience through VAS. Non-voice revenue has seen unprecedented growth during the past years and presents new opportunity due to the commoditisation of voice. Over 20 VAS products were launched in 2009, among them breaking news service on government policy, key initiatives and national news, SMS block, Friend Finder, Anonymous SMS Chat, Mobile Music etc. capitalising on the growth in non-voice services.

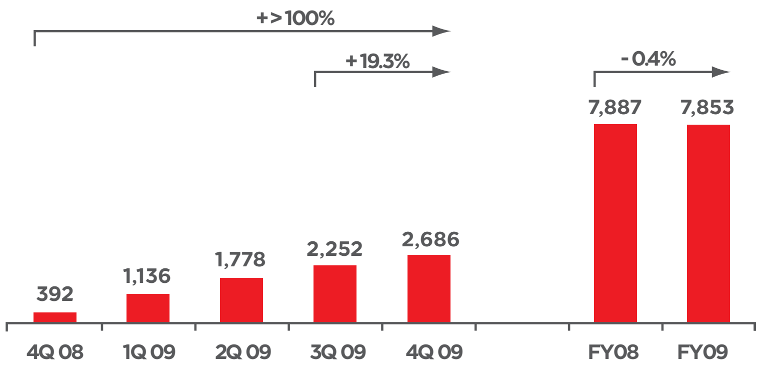
A boom in data services was evident in 2009, especially driven by Mobile Broadband based on HSPA technology. Total Data services grew by 2.1x during the year with over 28,000 subscribers opting for Mobile Broadband. Other data services that saw an increase were GPRS and SMS, registering revenue growth of 32% and 7.5% respectively.

Subsidiaries of Dialog DBN and DTV demonstrated similar positive performance trends in their respective markets during 2009.

The broadband and voice bundled products (SmartHome and BoxOffice) offered by DBN demonstrated significant growth in 2009. Despite broadband only subscribers growing marginally, contribution from the above product portfolio led to a robust 104% YoY growth in broadband revenue. SmartHome and BoxOffice customer base grew by 162% and 64% respectively during the second half of 2009.

The year 2009 was a tough period for DTV with regard to acquisition of new subscribers. On the backdrop of innovative sales and marketing programmes, the subscriber base grew by 22% YoY, where nearly 150,000 Sri Lankan homes were connected by the end of 2009. DTV continues to be the undisputed leader in the Pay TV market with an estimated market share of 83% in 2009.

EBITDA (SLR Million)



FINANCIAL PERFORMANCE

Dialog recorded revenue of SLR32.5 billion for 2009, a decrease of 2% YoY, amidst continued aggressive price competition. Despite the YoY drop in revenue, improvement in macro economic trends, fuelled by the return of peace during the second half of the year, helped the company to register positive revenue gains during the third and fourth quarters. International voice termination grew by 57% YoY primarily driven by the increased international communication needs of Sri Lankan's in the Northern and Eastern Provinces. Dialog also benefited from increased tourist arrivals in the fourth quarter which positively impacted inbound roaming revenues.

DBN's total revenue dropped by 7% YoY mainly due to reduction in connection fee revenue on acquisition of new CDMA subscribers. However, total revenues, excluding connection fees, increased by a robust 23%

YoY. DTV recorded revenue of SLR1.6 billion, up 28% YoY. Revenue growth was fuelled by aggressive market performance characterised by strong subscriber growth of 22% YoY.

The Group recorded consolidated revenue of SLR35.8 billion in 2009, a marginal decrease of 1.4% YoY compared to 2008. Group direct costs and operating costs grew by 12% and 41% YoY respectively. Group EBITDA was at SLR7.9 billion. Total non-operating costs was at SLR20.8 billion resulting in a Group NPAT of negative SLR12.2 billion in 2009.

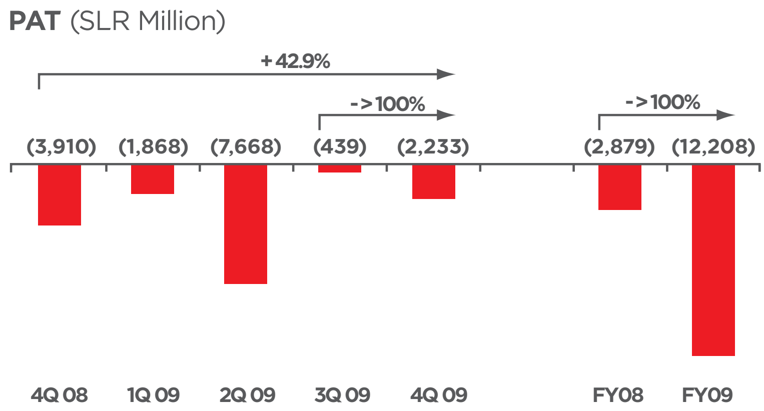
NPAT was significantly impacted by non-recurring charges of SLR11.1 billion arising from one-off adjustments for international best practice aligned Fixed Asset treatment, forward looking network modernisation and a portfolio of strategic cost re-scaling initiatives.

Negative contributions from DBN (SLR2.6 billion) and DTV (SLR769 million) resulted in the dilution of the Group earnings by a total of SLR3.0 billion, (inclusive of consolidated adjustments), resulting in a Group Loss of SLR12.2 billion for 2009 compared to SLR2.9 billion in 2008.

REGULATORY OVERVIEW

In the aftermath of the cessation of 30 years of internal conflict, the challenges faced by the Sri Lanka telecommunications sector are numerous. However, there have also been positive developments. In a move to transform Sri Lanka into a digital economy, the Telecommunications Regulatory Commission of Sri Lanka (TRCSL) has called for Expressions of Interest for Consulting Services on Policy and Regulatory Framework for Next Generation Networks as well as invited applications for a National Backbone Licence and Service Agreement aimed at building and operating a national backbone network in Sri Lanka in 2009.

A few changes to the existing taxation regime were also instituted, resulting in mixed results to Dialog. While Value Added Tax (VAT) was reduced from 15% to 12%, the Nation Building Tax (NBT) imposed during the year, initially at the rate of 1%, was subsequently increased to 3%.



An Environment Conservation Levy (ECL) of 2%, although contested in court, was also imposed on mobile subscribers during the year.

An interconnection costing study was completed by TRCSL in the second half of 2009 and extensive discussions were held between TRCSL and telecommunication operators to introduce a cost-based interconnection regime. This was however, not implemented during 2009 and is expected to see traction in the coming year.

OUTLOOK FOR 2010

Mobile Industry

The mobile telecommunications sector in Sri Lanka witnessed accelerated growth, reaching close to 68% penetration in 2009. Dialog is the country's largest mobile service provider with a market share of 48%. A study by Nokia revealed that Sri Lanka has the lowest Total Cost of Ownership (TCO) with a mobile phone being less than USD 5, making it highly affordable, a key driver for high penetration rates. Further, liberalisation of the Northern province will provide an opportunity for greater network investments and new subscriber growth.

Competition is stiff with the country's operators jostling for market position, largely through tariffs and basic non-voice services. Dialog will focus its efforts in maintaining mobile revenue market share whilst rescaling its operational structure, modernising infrastructure and repositioning its balance sheet.

Broadband Industry

The growth in broadband penetration fell short of industry and International Telecommunication Union's (ITU) annual growth estimate of 22-25% for 2009-2011. According to TRCSL, internet and email subscriber growth was 15.6% in 2008, whereas in 2009 it only grew by 2.6%. However, improvements in the current economic conditions and increase in computer penetration is expected to enhance demand in the future.

Fixed-Line and Data Industry

Sri Lanka's fixed telephone sector exhibited signs of saturation in 2009. Based on TRCSL data, the fixed line customer base declined marginally by 0.5% during 2009. However, with newly liberated regions opening up for economic integration and the low fixed line penetration in the region, the North and East provinces offer significant growth opportunities going forward.

Pay TV Industry

The continued economic downturn witnessed during 2009 curtailed growth in the Pay TV sector. Pay TV is still perceived as a non essential luxury item in Sri Lanka and changing this mindset has been the single most challenging task for the players in the industry. At present, TV penetration is approximately 78% out of which pay TV penetration is still at a very low level and has much room to grow when economic conditions turns positive. However, the affordable prices, variety of channels and the convenience of easy activation led to this sector's significant growth in 2009.

Dialog has elevated the user experience to a new dimension through many Sri Lankan firsts and continuous investment in technology, deepening its ties with its over 6.4 million subscribers

ABOUT ROBI

Robi is a dynamic and leading countrywide GSM communication solutions provider and is a joint venture company between Axiata and NTT DoCoMo of Japan. The company commenced operations under the Aktel brand on 15 November 1997 and embarked on a new journey with the brand name of Robi on 28 March 2010.

Robi attained its first million customer base in 2004, followed by 5 million in 2006 and 10 million in 2009. Covering all 64 districts of the country, Robi was the first mobile operator to connect Tetulia and Teknaf, the northern and southern most points of Bangladesh. It was also the first operator to provide seamless coverage along the Dhaka-Chittagong highway. Robi has the widest International Roaming coverage in Bangladesh connecting 553 operators across 207 countries.

Robi operates the GSM 900 and 1800 cellular services. Its GSM service is based on a robust network architecture and a cutting edge Intelligent Network (IN), which provides peace-of-mind solutions in terms of voice clarity, extensive nationwide network coverage, and multiple global partners for international roaming. Robi, being the most innovative operator in the country, launched the first ever Prepaid mobile service and other innovative services.

With its strengths and competencies developed over the years, Robi aims to provide the best, in terms of coverage and connectivity to its customers all over Bangladesh.

robi

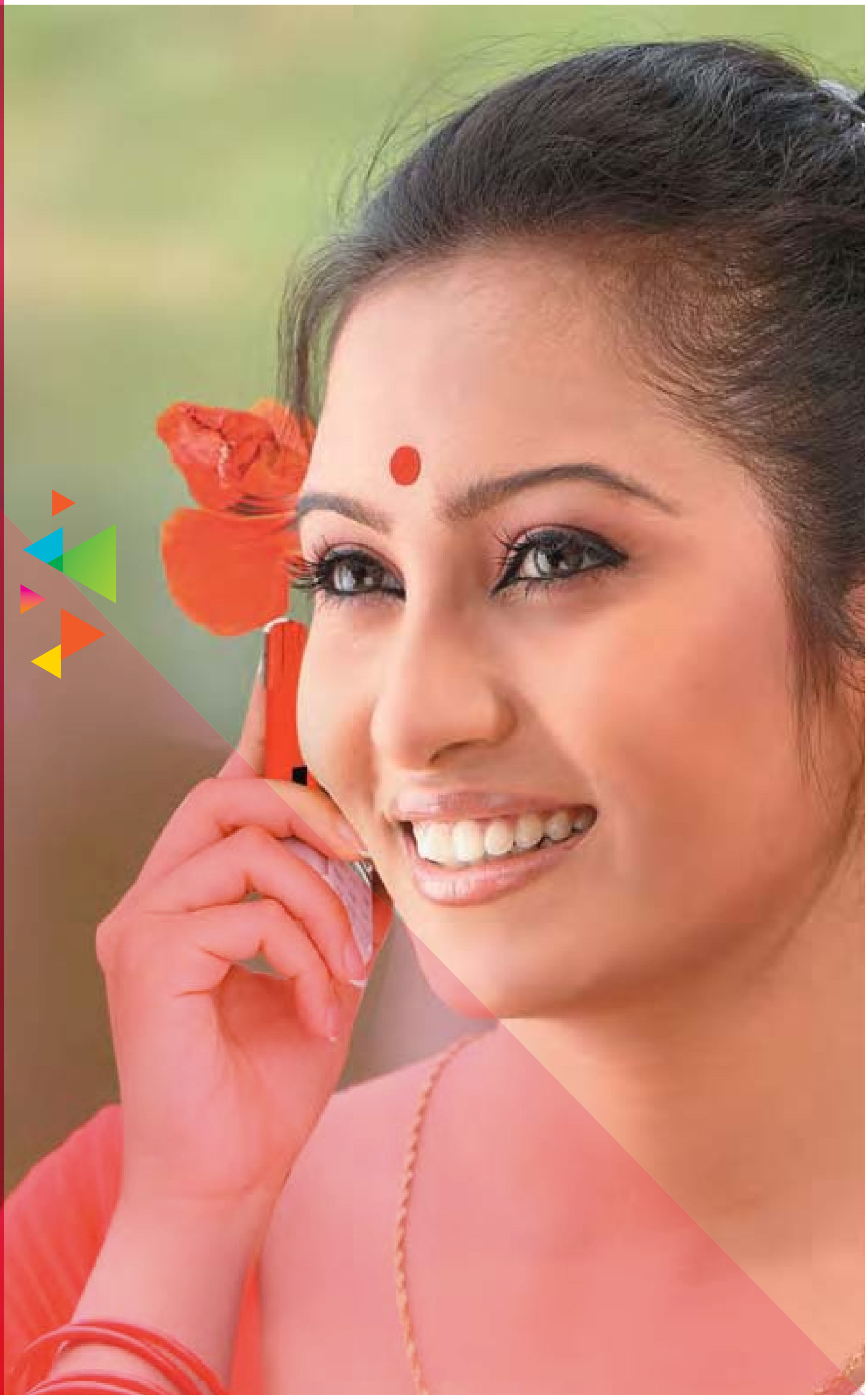
BANGLADESH

AXIATA (BANGLADESH) LIMITED

Fastest growing
telco in Bangladesh

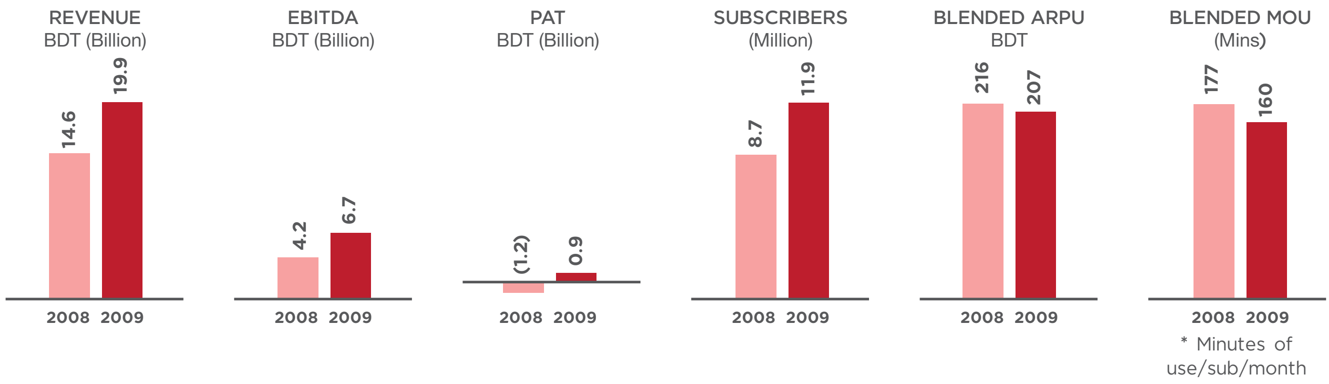
5
consecutive quarters
of QoQ revenue growth
+36.3% YoY

Turnaround performance,
PATAMI +>100%
profit of
BDT857 million



স্বাগতম [shaa-go-tom]

Bangladesh is the first country in the world to be established on language-based nationalism. In recognition of the Bengali Language Movement Day, UNESCO has proclaimed 21 February as International Mother Language Day.



BUSINESS REVIEW 2009

In 2009 Robi embarked on several initiatives to strengthen its position in the market, including the strengthening of distribution and channels to improve product reach, availability and visibility. It also moved away from a regional focus strategy to nationwide focus. In efforts to drive business growth, Robi enhanced its marketing promotions through aggressive campaigns.

FINANCIAL PERFORMANCE

2009 was a turnaround year for Robi, seeing further improvements in market share with five consecutive quarters of growth. Robi saw consistent performance, 14 consecutive months of YoY and eight consecutive months of MoM revenue growth, with the support of strong improvement in its revenue generating base (RGB). Despite the regulatory challenges facing the market, Robi recorded significant EBITDA margin improvement to 33.6% in FY09, as compared to 29.0% in FY08, as a result of high revenue growth and continuous cost management efforts such as lower network and direct costs.

Profitability showed the greatest turnaround, recording a profit of BDT857 million in 2009 from a loss of BDT1.18 billion a year ago.

REGULATORY OVERVIEW

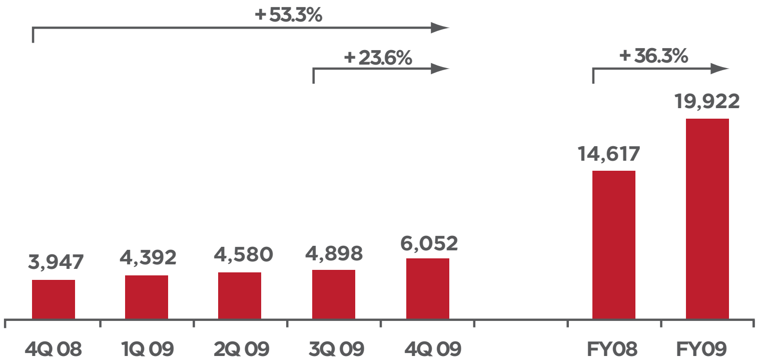
As part of ongoing reforms in the telecommunications sector, the Bangladesh Telecommunication Regulatory Commission (BTRC) conducted a number of public consultations during the year to solicit feedback on various strategic issues. This included Significant Market Power (SMP) and Competition Regulation in July 2009, the implementation of Unified Licensing Regime (ULR) in October 2009 as well as Draft Regulatory and Licensing Guidelines for Interconnection Exchange service (ICX), International Gateway services (IGW) and Internet International Gateway service (IIG) in October 2009.

Despite efforts to reform the sector, the Bangladesh telecommunications sector continues to be challenged by a fragmented licensing regime, its current regulatory frameworks and a high taxation regime. Mobile operators continue to be prevented from participating in certain new licence opportunities.

Additionally, the National Budget for fiscal year 2009-2010 was passed, retaining the supplementary duty for telecommunications equipment at 20% and SIM tax at BDT800 each, in order to support Bangladesh's budget deficit. Corporate tax for non-listed entities such as Robi is fixed at 45%. Robi, together with Association of Mobile Telecom Operators in Bangladesh (AMTOB), the industry association, continues to engage with primary stakeholders to appeal for a reduction of such entry barriers.

During the year, BTRC also continued to monitor illegal VoIP in the country. The company, in collaboration with BTRC, implemented a self-regulatory process in curbing illegal call termination based on a monthly reporting process to the regulator. Moving forward, we expect more favourable regulatory reforms to be introduced in the sector, particularly in the area of licence renewal, competition safeguards, cost-based interconnection as well as consumer protection.

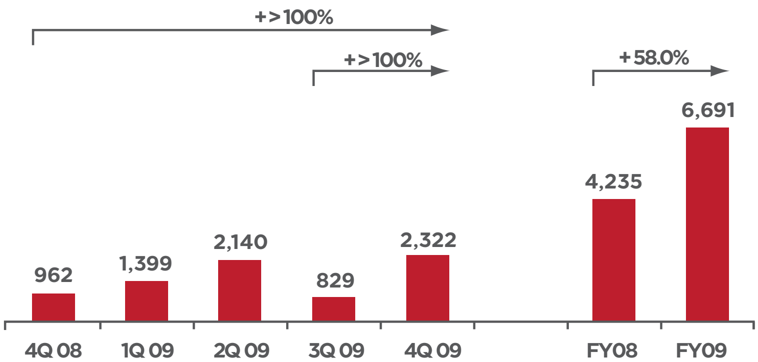
Revenue (BDT Million)



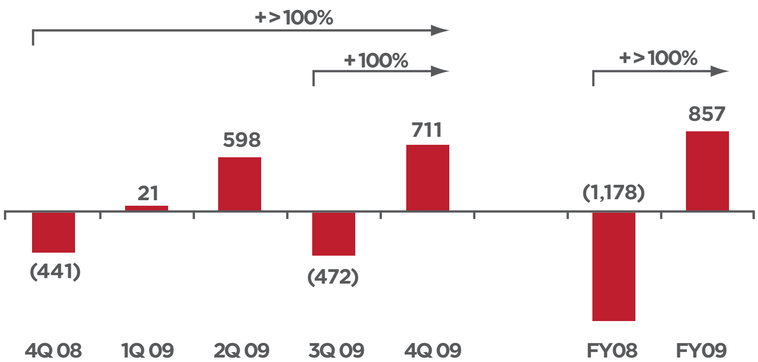
OUTLOOK FOR 2010

Bangladesh, with a population of over 160 million and teledensity of 32% remains a growth market for telecommunication services. The industry continues to develop at a rapid pace and is expected to register growth of 11% in revenue and 18% growth in subscribers in 2010. The pent up demand for communication services makes it an attractive growth market despite the potential impact of new entrants in 2010.

EBITDA (BDT Million)



PAT (BDT Million)



With its strengths and competencies developed over the years, Robi aims to provide the best, in terms of coverage and connectivity to its customers all over Bangladesh

ABOUT HELLO

A pioneer in Cambodia's telecommunications industry, the company began its services with analog mobile technology in the early 90s. The company began providing services on the GSM 900/1800 frequency bands under a 35-year cellular concession in 1996 and over the next few years has grown organically to expand its network coverage and market share.

In 2007, the company's name was changed to Telekom Malaysia International (Cambodia) Company Limited (TMIC).

A rebranding exercise saw it operating under the brand name of Hello. Since then, with extensive network coverage in all cities, provinces and main trunk roads of Cambodia, the company has continued to grow by addressing the communication needs of the local population with affordable and innovative products and services. In 2009 Hello launched its 3G services and BlackBerry smart phones.

In March 2010, the company changed its name to Hello Axiata Company Limited (HACL). Hello is committed to bringing the latest technologies and solutions to every corner of the kingdom, delivering enhanced communications that will improve the quality of life of every Cambodian. With excellent network quality, Hello has strong presence in key provinces through its network of hellopoint branch offices and a comprehensive range of voice and data services.

hello

CAMBODIA

HELLO AXIATA COMPANY LIMITED

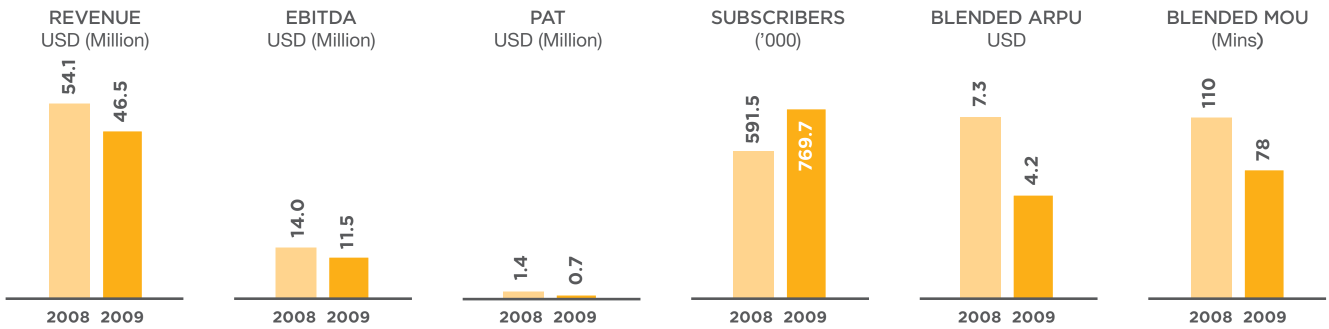
30.1%
subscriber growth
YoY

The first to launch
BlackBerry services
in Cambodia

Leading
enterprise
postpaid and data
service provider

សួស្តី [sue-saw-day]

Greetings between Cambodians are dependent on the relationship, hierarchy and age between the people – if one intends to show greater respect the bow is lower and the hands brought higher.



* Minutes of use/sub/month

BUSINESS REVIEW 2009

2009 saw Hello capturing an additional 4% market share, closing the year with 770 thousand subscribers. This was achieved on the back of aggressive subscriber acquisition programmes. Hello also revamped its marketing and distribution channels.

FINANCIAL PERFORMANCE

Due to the intensely competitive market environment, revenue declined to USD46.5 million from USD54.1 million in 2008. Despite the success of its Cost Management Programme, which achieved a savings of USD1.7 million, net profit after tax declined to USD0.7 million.

REGULATORY OVERVIEW

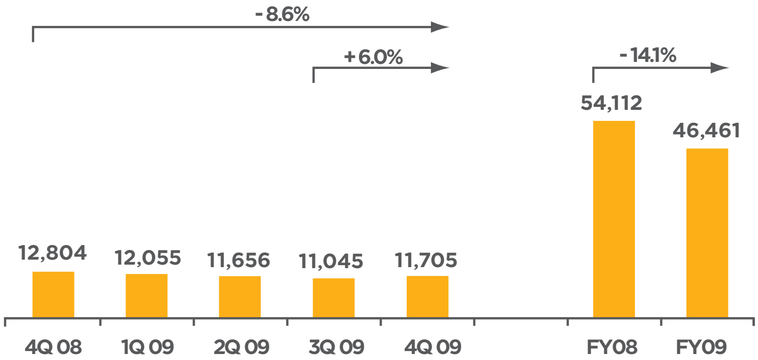
In 2009, Cambodia witnessed intense competition in the telecommunications sector which led to new entrants offering retail prices below cost, thereby affecting, amongst others, the quality of calls between different mobile networks. This has resulted in several government interventions aimed at stabilising the market.

The government has issued an Inter-Ministerial Prakas on Minimum Tariffs of Mobile and Fixed Telephone Services and Interconnection Fees issued on 7 December 2009 setting, amongst others, the minimum retail tariffs for mobile services and reiterating several points from previous edicts which had earlier determined the interconnection fees.

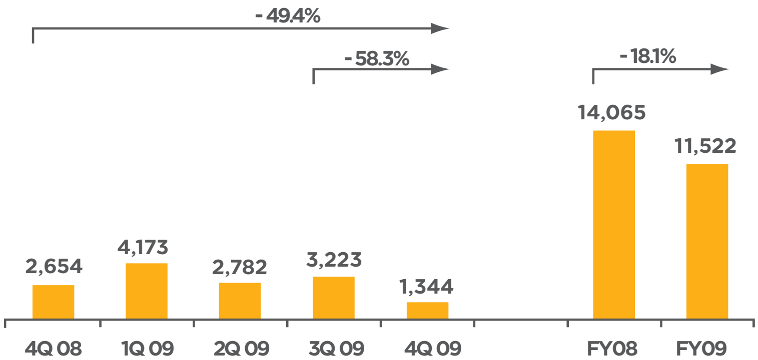
A highlight for the year however, was the successful formation by the telecommunication operators of an Industry Association which will provide a platform for the industry to address common issues in the future. Registration of the industry association is still on-going.

Following the conclusion of the telecommunications sector policy reform and capacity building initiative in April 2008, Cambodia has yet to implement the new telecommunications legislative and regulatory framework envisaged.

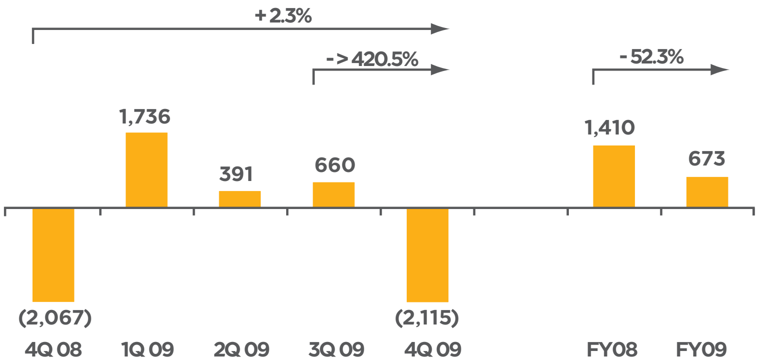
Revenue (USD '000)



EBITDA (USD '000)



PAT (USD '000)



OUTLOOK FOR 2010

The Cambodian market faces fierce competition with nine operators addressing a total population of around 14 million. Price wars have reduced ARPUs and eroded margins for all three major operators. However, with an estimated average growth of 26% over the next five years, the Cambodian market remains an attractive market to be in.

Hello aims to become the number two player in the market, focusing on regional expansion and capitilising on the increased demand for data. In 2010, Hello will continue with its Cost Management Programme, maximising on infrastructure sharing and enhancing network utilisation.

Hello has strong presence in key provinces through its network of hellopoint branch offices and a comprehensive range of voice and data services

ABOUT IDEA

Idea is a public listed company, having been listed on the Bombay Stock Exchange (BSE) and the National Stock Exchange (NSE) in March 2007.

Idea is a pan India integrated GSM operator covering the entire telephony landscape of the country, and has National Long Distance and International Long Distance operations with over 63 million subscribers.

Idea offers affordable and world-class mobile services to varied segments of mobile users. Be it high end users, or low-end, price sensitive consumers, Idea's tariff plans are designed to suit every pocket. From basic voice and SMS services to high-end value added and GPRS/EDGE services such as BlackBerry, Datacard, Mobile TV, Games etc, Idea is seen as an innovative, customer focused brand.

Idea has partnerships with over 400 operators to ensure that customers are always connected whilst on the move, within the country or other parts of the world.

Idea's majority shareholder is Aditya Birla Group, an Indian multinational operating in 25 countries with 130,000 employees.

!dea

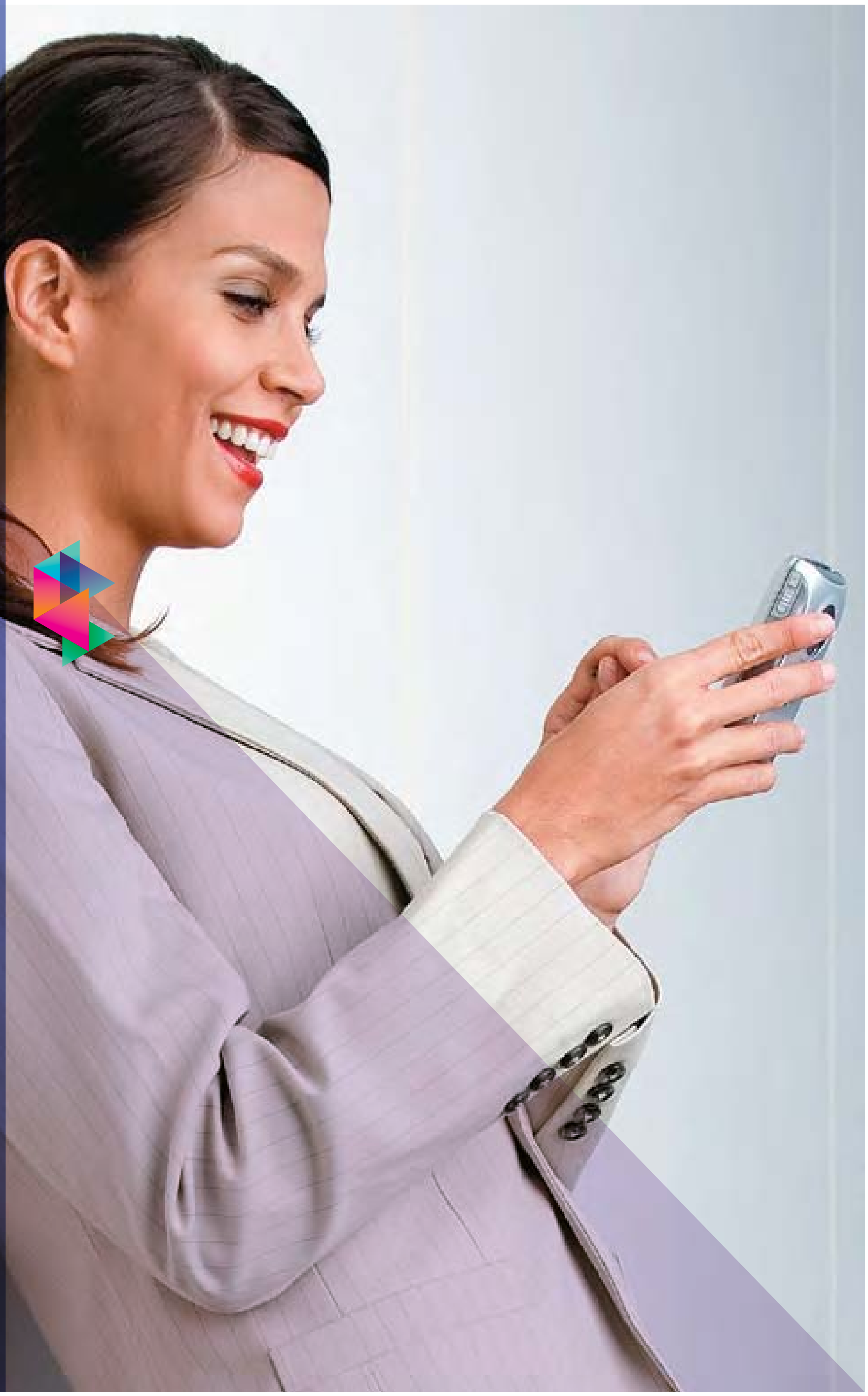
INDIA

IDEA CELLULAR LIMITED

The third largest GSM operator in India, by revenue
the fastest growing mobile operator
in the world's fastest growing telephony market

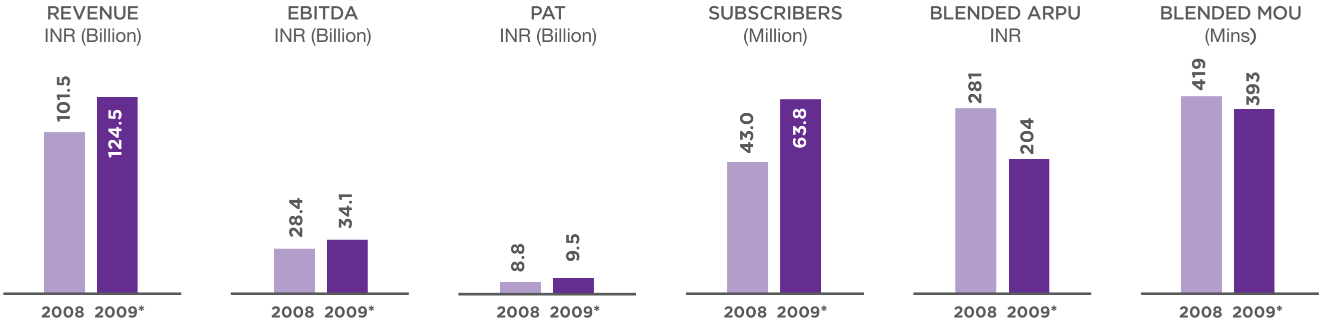
A pan-India integrated GSM operator with
National Long Distance & International Long Distance services

The most customer friendly and competitive
prepaid offerings
in **India**



नमस्ते [Na-mas-te]

With 26 recognised languages and 1,600 regional dialects, India is a country where the dialect changes every 4 miles; yet has the largest circulation of English newspapers in the world.



* Minutes of use/sub/month

* 2009 financial year ending 31 March 2010

BUSINESS REVIEW 2009

The Indian telecommunications sector witnessed fierce price competition in the past twelve months (April 2009 to March 2010), with a flood of new launches across service areas.

Lower tariffs coupled with higher channel payout by new competitors, and increased incidence of multiple SIM ownership led to an all-time high in reported subscriber net additions. In such a scenario, improving capacity utilisation and operational efficiencies; leveraging of spectrum and scale advantage in incumbent service areas; a calibrated approach for new areas; sophisticated processes; brand power; and a strong balance sheet, positioned Idea to emerge competitively stronger during and after the current difficult phase of market overcapacity and hyper competition. Idea recorded the highest revenue growth amongst other listed telcos in India, resulting in an increased market share in a hyper competitive market.

FINANCIAL PERFORMANCE

The regulatory impact of grant of licences for dual technology and to new players, became evident in the form of increased competition in 2009. Even though the Indian telecommunications market already has arguably the world's lowest tariffs, increased competition and price cuts meant erosion in average realised rate per minute.

For the financial year ending 31 March 2010, Idea recorded revenue of INR124.5 billion; EBITDA of INR34.1 billion. PAT was at INR9.5 billion.

REGULATORY OVERVIEW

India's regulatory environment is highly dynamic, marked by significant decisions made by Department of Telecommunications (DoT) throughout 2009 especially in the area of interconnection, merger and acquisitions, MNP as well as spectrum.

On 9 March 2009, after consultation with the industry, the Telecommunications Regulatory Authority of India (TRAI) amended its Interconnection Usage Charges (IUC) to effect changes in the interconnection settlement regime. Accordingly, termination charges for incoming calls were reduced to INR 0.20 per minute from INR0.30 per minute, whilst the termination charges for international incoming calls increased from INR0.30 per minute to INR0.40 per minute.

On the merger and acquisition front, DoT on 23 July 2009 tightened conditions for the sale of equity by promoters, by imposing a 3-year lock-in period for the sale of equity for those whose share capital is 10% or more, and whose net-worth had been considered for Unified Access Service (UAS) licence eligibility.

The Government also undertook earnest efforts to implement MNP. On 20 March 2009, DoT issued MNP operator licences to two companies. They were required to provide MNP services to mobile operators in each Licenced Service Area (LSA) within six months in Metro and Category 'A' service areas, and nationwide within one year. Nevertheless, due to complexities surrounding the roll-out of MNP services, its implementation has been postponed several times. The Government has now set 30 June 2010 as the next target rollout date.

During the later part of the year, clarity relating to 3G and Broadband Wireless Access (BWA) spectrum auction processes emerged with DoT's issuance in October 2009 of a revised Information Memorandum (IM). The revised IM summarised the steps for pre-qualification and participation in the auction, rules and timetable of the auction, and provided background information on the Indian telecommunications market and regulatory environment. This has since been followed by a Notice Inviting Applications (NIA) in early 2010 underlining the auction process in greater clarity.

OUTLOOK FOR 2010

The year 2010 may become a year of consolidation rather than that of high growth. Both margins and costs will be under pressure as new operators have resorted to pricing as a method to enter the market, and gain market share. New growth areas will be in low ARPU areas and the focus will be on customer service, branding and retention.

A frontrunner in introducing revolutionary tariff plans, Idea has the distinction of offering the most customer friendly and competitive Prepaid offerings, for the first time in India, in an increasingly segmented market

ABOUT M1

M1 is a leading integrated communications service provider in Singapore with 1.8 million customers. It provides a full range of voice and data communication services over its GSM and High Speed Packet Access (HSPA) network, as well as fixed and mobile broadband.

M1 also provides international call services to both mobile and fixed line customers. It has partnered operators globally to provide its customers coverage and roaming services in over 230 countries and territories.

M1 was the first mobile operator in Singapore to offer High Speed Downlink Packet Access (HSDPA) in December 2006 when it launched 'M1 Broadband' - Singapore's first true island-wide wireless broadband service. With the completion of M1's HSPA network upgrade in October 2009, it can now support downlink speeds of up to 21 Mbps nationwide and 28 Mbps in selected areas, as well as an uplink speed of up to 5.76 Mbps.

Widely known as an innovative operator with an established brand, M1 aims to be the leader in personal voice, business and data communications, focusing on value, quality and customer service.

M1 is listed on the Singapore Exchange and its current major shareholders are SunShare Investments Ltd, Keppel Telecoms Pte Ltd and SPH Multimedia Private Limited.

SINGAPORE
M1 LIMITED

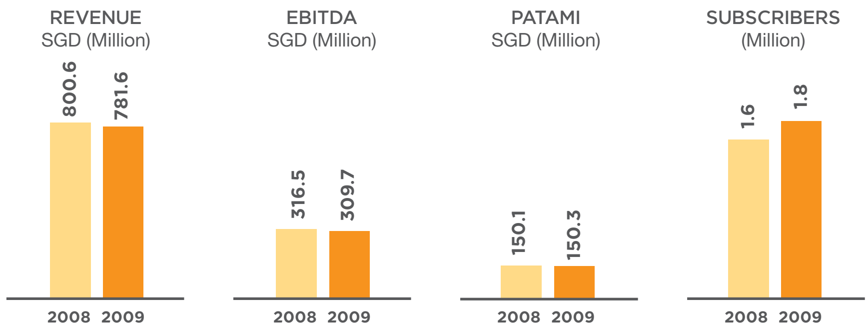
Led the market with
the most attractive
iPhone
tariff plans in Singapore

1st
operator in
Asia Pacific
to adopt MIMO technology
and achieved Singapore's
fastest download speed of
28Mbps in October 2009

Introduced **Take 3** –
a revolutionary mobile
phone programme –
with zero upfront
expenses

Welcome [Wel-kum]

With over 6,400 people per square kilometre, Singapore is the second most densely populated country in the world after Monaco.



BUSINESS REVIEW 2009

As at 31 December 2009, M1 had a total of 1.8 million mobile customers, comprising 912 thousand postpaid and 846 thousand prepaid customers.

The postpaid segment remains the mainstay of M1's business, contributing 51.9% of total customer base and 87.3% of total mobile telecommunications revenue in 2009. While voice usage remains the key contributor to postpaid revenue, M1 continued to see growth in non-voice usage, particularly in the area of data services. Contribution from non-voice services rose from 23.4% in 2008 to 26.0% in 2009, driven by the growth in mobile broadband customer base.

The prepaid base grew by 13.1% in 2009. Throughout the year, M1 embarked on several promotional activities and continued to enhance its price plans and provide superior value to its prepaid customers.

As a result, prepaid market share rose to 24.9% in 2009, from 24.3% a year earlier.

M1 continues to focus on service differentiation by providing world class services to its customers, as well as leading in innovation.

Since 2008, M1 has embarked on several key initiatives to transform itself from a pure mobile player to a full-service operator. In September 2009, M1 strengthened its corporate service offerings with the acquisition of a corporate Internet service provider. Subsequently renamed as M1 Connect, the Group now offers a full suite of data and communications products and services to corporate and public sector customers in Singapore. Further, with the commercial launch of the Next Generation Nationwide Broadband Network (NGNBN) in 2010, M1 will be able to offer residential and corporate customers flexible bundles of fixed and mobile, voice and data services.

With the completion of the upgrading of its 3G and HSPA networks in October 2009, M1 was able to support downlink speeds of up to 21Mbps nationwide and 28Mbps in selected areas, as well as an uplink speed of up to 5.76Mbps. These initiatives underscore M1's strong commitment to provide customers an advanced and innovative high-speed mobile broadband service on one of the most modern and sophisticated networks in the region.

With the upcoming commercial launch of NGNBN, 2010 will be an exciting year for M1. While it will likely lead to an increase in competitive activities, M1 will be better positioned to capitalise on new opportunities arising from the new network, including the provision of fixed voice and fixed broadband services.

FINANCIAL PERFORMANCE

Amidst a challenging economic and operating environment, M1's operating revenue declined 2.4% YoY to SGD781.6 million. However, EBITDA margin on service revenue improved by 1.3% points to 44.2% as a result of ongoing cost management initiatives. NPAT was stable at SGD150.3 million.

REGULATORY OVERVIEW

The Infocomm Development Authority (IDA) had, in April 2009, appointed the Operating Company for Singapore's NGNBN. The NGNBN will offer pervasive ultra-high speed connectivity in Singapore. Scheduled to start offering commercial services in 2010, NGNBN will provide an Open Access environment where M1 can compete more effectively in the area of fixed broadband services as a Retail Service Provider (RSP).

OUTLOOK FOR 2010

The Singapore government has further revised the 2010 growth forecast upwards to 7% – 9%, from the earlier 4.5% – 6.5%, which reflects increased strength in the near term growth momentum. Despite the upward revision, M1 continues to maintain a cautious outlook as the pace of recovery is likely to be uneven amid uncertainties in the external environment.

Looking ahead, M1 will continue to strengthen its core competencies in mobile and support new business areas relating to NGNBN. On the mobile front, M1 aims to upgrade its mobile network in 2010 to achieve downlink speed of 42Mbps, and maintain its lead in performance and reliability. The announcement by Media Development Authority (MDA), in March 2010, on mandatory cross carriage of exclusive content in the pay TV market, will benefit M1 in the longer term, given the intention to be a full-service operator and offer a more comprehensive suite of communication services to customers.

Widely known as an innovative operator with an established brand, M1 aims to be the leader in personal voice, business and data communications, focusing on value, quality and customer service

PAKISTAN
MULTINET PAKISTAN (PRIVATE) LIMITED

خوش آمدید [Kush-aam-deed]

ABOUT MULTINET

Multinet, an affiliate of Axiata, leverages on Axiata's extensive resources and global reach to develop and deliver Domestic and International communications solutions for Carriers and Enterprise.

With the availability of its own fibre infrastructure connecting 107 cities across Pakistan, Multinet is focused on services for the B2B segments with needs for fibre based broadband connectivity, both domestic and international. Multinet's network also enables it to serve the Service Provider segment which targets the growing domestic enterprise market demand. Multinet broadband delivers superior and scalable speeds of up to 100Mbps with services delivered through Fibre-To-The-Premises (FTTP) technology rather than copper wires. Further, it also enables multiple and leading edge business services such as two-way video calls, improved data storage facilities and highly secure bandwidth solutions for business.

Multinet is committed to leveraging its underlying end-to-end network assets to develop innovative managed solutions to meet the needs of its Carrier and Enterprise business customers.

FINANCIAL PERFORMANCE

For the financial year ended 31 December 2009, the company delivered a significant increase in total revenue to PKR2,023.6 million, compared to PKR585.5 million in 2008, a YoY increase of over 245%. EBIDTA increased to PKR284.3 million in 2009 from PKR40 million in 2008. Profit was PKR570.7 million compared to PKR0.9 million in 2008.

ABOUT MTCE

MTCE commenced operations on 24 June 2002 as the first provider of mobile prepaid SIM cards in Iran. The company is licenced to operate a GSM 900 MHz mobile communication service with a capacity of 35,000 customers in the Esfahan province of the Islamic Republic of Iran. The licence is valid for a 15-year period commencing 19 May 2001.

As at 31 December 2009, the company operates 64 BTSs in 12 cities within the Esfahan Province.

FINANCIAL PERFORMANCE

Greater market competition has significantly affected MTCE's financial performance. As a result, MTCE's revenue reduced significantly from IRR26.3 billion to IRR12.0 billion during the year. MTCE registered a negative EBITDA of IRR12.9 billion during the year in comparison with a positive EBITDA of IRR5.8 billion a year ago.

Mobile Telecommunication Company Of Esfahan

IRAN
MOBILE TELECOMMUNICATIONS COMPANY OF ESFAHAN

سلام [sa-lam]

SAMART

THAILAND
SAMART CORPORATION PUBLIC COMPANY LIMITED

สวัสดี [sa-wat-dee]

ABOUT SAMART

SAMART has interests in various subsidiaries. As a group, its business activities are divided into three major business units: Mobile Multimedia, ICT Solutions and Services and Technology-related businesses, operated through its subsidiaries and affiliates. SAMART and two of its subsidiaries are listed on the Stock Exchange of Thailand (SET).

The mobile multimedia unit focuses on integrated mobile and interactive media business including information, education, entertainment, images and voices via advanced media.

The main business comprises of the sale of mobile phones in domestic and overseas markets as well as a variety of content.

The ICT Solutions and Services unit provides telecommunication systems services through a range of telecommunication networks. The unit also serves the market with total ICT solutions, systems and design, and installation for both public and private sectors.

FINANCIAL PERFORMANCE

For the year ended 31 December 2009, total revenue was THB17.3 billion, up slightly from THB16.3 billion in 2008. Revenue from sales and services was THB17.1 billion compared to THB15.9 billion in 2008, an increase of 7.4%. Other income decreased from THB423 million to THB266 million in 2009. Sales and service income was higher due to higher revenue from ICT Solutions and Services group. Revenue from mobile phone sales on the other hand remained weak.

On a consolidated basis, SAMART reported net profit of THB455 million as compared to THB261 million in 2008, an increase of 74% YoY.

ABOUT SIM

SIM, a company listed on the Stock Exchange of Thailand (SET), is a majority-owned subsidiary of SAMART.

SIM offers instant wireless information services and mobile content, along with the distribution of mobile phones and accessories. Its business operations are divided into three core segments: mobile business, multimedia business and international business.

SIM's mobile business includes the distribution of mobile phones, mobile phones bundled with content referred to as the i-mobile package, accessories and SIM cards.

The multimedia business provides voice services, non-voice or multimedia services and the provision of infotainment services.

SIM's international business involves the distribution of mobile phones and mobile phones bundled with content providing multimedia services abroad, mainly in Malaysia, Indonesia, Vietnam, Bangladesh and India.

FINANCIAL PERFORMANCE

For the year ended 31 December 2009, total revenue was THB9.0 billion, a decrease of THB2.4 billion or 20.7%, compared to 2008. The decrease was mainly due to the mobile and international business that was impacted by the domestic and regional economic recession and the lower average selling price per unit compared to 2008.

Net profit was THB116 million, an increase of THB2 million or 1.3% compared to 2008. Net profit margin also increased from 1.0% in 2008 to 1.3% in 2009.

i-mobile by SAMART

THAILAND
SAMART I-MOBILE PUBLIC COMPANY LIMITED

สวัสดี [sa-wat-dee]

FEATURE ARTICLE:

MOBILE APP STORES

A NECESSARY CHALLENGE FOR MOBILE NETWORK OPERATORS (MNO)

Mobile App stores are a developer to consumer merchandising channel; a go-to-market vehicle that allows consumers/developers to distribute and retail their applications directly to end consumers. This presents an opportunity for MNOs to find a way to stay relevant and monetise this trend.

Following the phenomenal success of Apple's App Store, a multitude of vendors and MNOs have launched, or are planning to launch, their own stores in an attempt to capitalise on the increasing user demand for mobile applications. mobile phone vendors and OS (operating system) platform owners have been leading the development of application stores, or 'app stores', during the past few months because of their close relationships with the developer community, which tends to target particular OSs or application platforms, enabling them to launch stores relatively quickly.

Vendor-led app store	**Launch date**	**Payment methods**
Apple's App Store	July 2008	Credit card
Samsung's app store	January 2009	Credit card
Google Android Marketplace	February 2009 (started to accept paid-for applications)	Google Checkout
BlackBerry App World	April 2009	Credit card and PayPal
Nokia Ovi Store	May 2009	Credit card and operator on-phone billing (only in selected markets)

KEY BUILDING BLOCKS FOR APP STORES

To understand the future of app stores one must not only look at their historical evolution, but also at their genetic make-up. The diagram below presents the five key elements of an App Store and their potential evolution over the next few years.

Key Building Blocks

Building block	Developer market	Billing & settlement	Distribution surface	Delivery & in-life management	Retailing & Merchandising
Description	process for submission, certification, targeting and pricing of applications	merchanism for billing, settlement and reporting of application sales	size of addressable market across mobile phone OEMs, operators and regions	app download, silent install, in-place access, app licensing and in-life app management	app discovery, app promotion, premium placement, search and recommendations
Evolution					
2000-2007 open APIs, closed route to market	complex, undocumented & fragmented approach for certification and pricing	developers had to set up own billing or use premium SMS with only 10%-50% going to developer	distribution done on region-by-region AND handset-by-handset basis	download separate from access, lack of updates, no rights management	app promotions and discovery via complex shortcodes and scattered website ads
2008-2009 the iTunes Store cloning era	single websites for submission, certification, targeting and pricing of applications	credit-card billing, fast time-to-settlement, 70% rev share as the norm	global distribution on a per-platform basis (OSX, 560, Blackberry, etc)	transparent app download, install, access and in-life app updating	on-device app discovery, 1-click purchase, auto-mated recommendations
2010-2012 the app stores everywhere era	10s of marketplaces, emergence of marketplace aggregators	ubiquitous operator billing approaching 70% rev share, and multitude of revenue models	global distribution on per-platform OR per-operator basis	app delivery extends to B2B apps and meddleware that can be background-downloaded & installed	segment-specific retailing of apps, social recommendations and developer back-channel
Roles					
MNO unique value add	none	established billing relationship and credit line	none	none	can aggregate apps across devices/stpres and promote 'preferred' apps
OEM unique value add	platform certification, developer tools, developer communities	none	cross-operator and cross-regional distribution	on-device integration for transparent app install, access & lifecycle management	none

Source: VisionMobile research

THE CHALLENGES & OPPORTUNITIES FOR MNOs

As major vendors open their own app stores to sell mobile content directly to end users, MNOs are at increasing risk of being disintermediated from the content value chain. MNOs' recent initiatives have largely been designed to address this threat. For example, Vodafone unveiled its global initiative in May 2009, when it promised to offer its application developers a single point of access to its 289 million users worldwide and more recently, 24 operators from around the world have come together to launch a joint wholesale application community (WAC) that aims to pool joint developer communities and platforms to target a base of about 3 billion subscribers

MNOs are well-placed to enhance some aspects of the user experience by utilising their core network assets. For example, their billing assets offer an intuitive payment experience. MNOs provide premium-rate SMS services and a mobile Internet billing platform, which offer end users an extremely easy-to-use payment process. Several major vendors' app stores offer credit card and PayPal payment methods, but these tend to be cumbersome in comparison to operators' on-phone billing mechanisms.

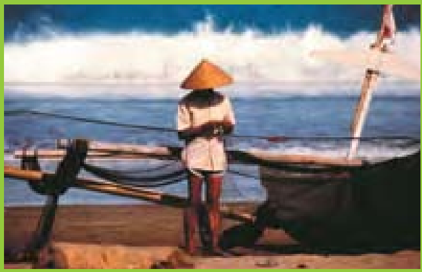
MNOs will also need to overcome some significant obstacles. Device fragmentation will be a considerable barrier to providing a wide selection of applications to end users and to maintaining quality. Devices differ in terms of their OS (for example, Android, Linux, Microsoft Windows Mobile, Palm and Symbian), application platform (for example, BREW, C++ and Java) and capabilities (for example, screen size and resolution, memory capacity and battery power).

This requires content and application providers to develop multiple versions of each of their products to accommodate the diversification in mobile phones, which result in high development costs and therefore inhibits the proliferation and quality of mobile applications. This issue will be more challenging for MNOs than device vendors, because MNOs will need to operate app store platforms that are suitable for multiple device types, whereas device vendors can focus on one or very few platforms.

Despite these challenges, MNOs should work to incorporate app stores into their service portfolios in order to capitalise on the growing consumer demand for mobile applications, retain control of the end-user relationship and therefore maintain their relevance to the content value chain.

ADVANCING ASIA

Axiata is committed to Advancing Asia via connectivity, technology and talent. We have bold financial targets but our targets go beyond financial measures. Ultimately, we aim to make a difference and bring real change – transforming people's lives and the economies of the countries in which we operate.



Axiata is an organisation that is transforming itself in all aspects of its operations. Corporate Responsibility (CR) remains an integral part in this journey of transformation. Axiata is Advancing Asia by bringing affordable connectivity, innovative technology and world class talent to the countries that we operate in. We are focused on doing things better, and more efficiently and effectively towards generating long term economic, social and environmental value to all our stakeholders. We are constantly reviewing our practices and efforts, embracing innovation as the key enabler towards achieving our ambitions. Axiata approaches CR from the following perspectives: Marketplace, People, Environment and Community.

MARKETPLACE PERSPECTIVE

Axiata is commited towards operating in an ethical and transparent manner with its customers, employees, business partners, media and shareholders.

Following the demerger exercise on 28 April 2008, Axiata Group continued to adopt TM's policies while taking measures to tailor them to Axiata. The revised Group Policies were implemented in March 2009 and forms an essential part of the Corporate Governance framework of the Group. These Group Policies state the principles and set the tone by which business is conducted across the Group.

Corporate Governance

Axiata's commitment to corporate governance is reflected in the various initiatives which are stated within the detailed Statement of Corporate Governance available within this Annual Report on pages 64 to 78.

Risk Management

Risk management is integral to the Group's business especially in view of the dispersion of its operations. Managing risks enables the Group to achieve its objectives and create value for its shareholders, satisfy its customers, protect its employees and assets. The Group is committed to manage those risks that arise in the course of Axiata's business to an acceptable level, so as to maximise opportunities and minimise negative outcomes.

Procurement Practice

Axiata had in 2008 established a Group Procurement function to standardise procurement policy and processes across the Group. The role of this team is to maximise the buying power of the group, to develop strategic partnerships with key vendors and leverage synergy thoughout the Group. To achieve this goal, a spend analysis and benchmarking initiative has been put in place. The overall objective of this function is to optimise capital expenditure utilisation and reduce operating costs through the adoption of a total cost of ownership methodology.

In 2009, cost benchmarking was implemented across the group. Axiata also moved towards a partnership model with its infrastructure partners as a prelude to signing group wide frame agreements in 2010.

CORPORATE RESPONSIBILITY

Axiata provides affordable and innovative mobile communication services covering over 1.5 billion people across Asia from remote villages to large cities. Our companies have invested more than USD10 billion over the last five years in technology and networks to deliver cutting edge services to more than 120 million customers. And by bringing employment and career opportunities to 25,000 people, we are developing human capital throughout the region.

PEOPLE PERSPECTIVE

Axiata's vision is to be a regional champion by 2015. The development of our talent pool of 25,000 employees towards fulfilling their potential is key to the future success of the Group.

Several initiatives have been put in place to ensure we become a Company that develops World Class Talent.

Talent Management and Leadership Development

In 2009, Axiata implemented a comprehensive Group-wide Talent Management programme, including the framework, assessment methodology and process for each OpCo to follow and govern at both the OpCo and Group levels. Currently about 48 CxO potentials within the Group have been identified and their development closely monitored. The target is to have 100 such potentials by 2015, with a high readiness level to succeed the existing CxOs and also to contribute to the human capital agenda of the countries that Axiata operates in.

The OpCos themselves are looking into establishing the talent pipeline at other levels within their organisations including top-quality graduate intake. Subsequently, four development platforms were established and a comprehensive development plan implemented for the identified potentials. The development platforms are designed to enable Axiata to leverage on its regional operations by exposing them to different markets and cultures.

The leadership development programme was rolled out across the Group, creating a platform where leaders get to work on real business issues in a safe environment as they internalise what they have learned. Self-awareness workshops, based on assessment of the individuals, had high traction with the incumbents. CEOs from across the Group also share their leadership insights with the participants.

As a testament to the Group's commitment to developing talent, Axiata also has an active Group Talent Council made up of the Top Management from Corporate Centre and all the OpCos, chaired by the Group CEO and facilitated by Group HR as secretariat. The Council meets regularly to ensure the talent management framework continues to address current and future business needs and monitors the development of the identified potentials.

To supplement the current potentials from within the Group, steps are being taken to extend the talent management framework to include the recruitment of top graduates. The Young Talent Programme aims to identify fresh graduates to be part of the talent pipeline.

This 12-month programme will include on-the-job experience and intensive education-based development involving a combination of workshops, projects, coaching and opportunities to network with diverse groups of people – from peers to senior leadership teams in various functions and countries. A rigorous selection process is employed to ensure that Axiata recruits fresh graduates with high-potential to be accelerated in their development from the start of their career.

Talent Attraction

Axiata is also taking steps to establish itself as an employer of choice by strengthening its Employee Value Proposition. Steps taken include:

- A robust talent management and leadership development programme
- Facilitating regional career prospects through open resourcing and encouraging cross-country assignments
- Encouraging diversity of its employee population
- Differentiated compensation and rewards based on performance
- A high performance and integrity culture

Talent Retention

As part of its talent retention initiatives, Axiata continues to benchmark itself against other top-performing companies in terms of overall remuneration. In 2009, Axiata also introduced a highly performance based ESOS as a retention tool.

Axiata Asean Leadership Forum

Axiata is committed to shaping the future of Asia by developing human capital throughout the region. The Axiata Asean Leadership Forum is in line with our objective to nurture talent via self-learning and development, leadership and functional programmes, cross-country assignments and exposures, with coaching and mentoring opportunities from our leaders and captains of industry. The forum is an annual series organised by Asian Strategy & Leadership Institute (ASLI) with the support of Axiata, which brings together Government, Business and Thought Leaders to reflect on the key challenges facing ASEAN and business opportunities in the region.

The Axiata 7th Asean Leadership Forum – with its theme of Transforming ASEAN, moving forward, was held on 5 April 2010 in Kuala Lumpur, where the Prime Minister of Malaysia, Dato' Sri Mohd Najib Tun Razak delivered the Keynote Address and received the inaugural ASEAN Transformational Leader Award.

ENVIRONMENTAL PERSPECTIVE

As a regional telecommunications group, Axiata is aware of the need to reduce the environmental impact of its operations. There are over 27,000 BTS sites across the group which consume approximately 324,000 Mwh of energy units every year. The energy is mainly used for operating BTSs, air conditioners and the battery charging system. In sites where grid power is available for less than 24 hours, diesel generators (DG) and valve-regulated lead-acid (VRLA) batteries are used. The running of diesel generators is not only 13 times more expensive but also causes carbon dioxide (CO_2) emissions which is highly detrimental to the environment.

The Group has launched a cross OpCo programme to manage energy efficiency in its networks. One of the objectives of the programme is to conduct trials in finding optimal alternative energy solutions and to deploy them across the Opcos.

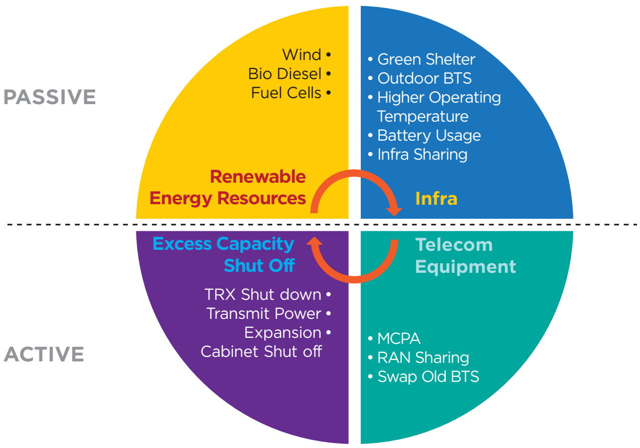
Among the initiatives taken include:

- Deployment of Green Hybrid sites utilising solar, wind and biodiesel
- Phasing out of old generation BTSs which consume a lot of power and trialing excess capacity shutdown functions
- Reducing diesel consumption through reduction in number of DGs; use of fuel efficient DGs and batteries as prime back up
- Use of power efficient air conditioners and reducing running time, and eventually migration towards utilisation of outdoor BTSs which do not need air conditioning
- Use of new generation deep discharge batteries based on new technology which are able to operate at higher temperatures

Axiata has to date deployed 23 green sites and adopted the energy efficient programme, saving 215 MWh units of energy translating to USD22 million in energy cost and more importantly 142 tonnes reduction in CO_2 emissions.

The Group's Power Saving initiatives were shortlisted for the Green Network Award organised by GSMA.

Axiata has been focusing on passive elements in its energy saving initiatives. In the future, Axiata will focus on active elements of energy efficiency such as introducing mandatory active functions/features that can contribute to power savings based on site traffic, e.g. transceivers that will go on shutdown mode automatically when traffic in the area is low.



Moving forward, the group will continue to explore new green energy deployment. The target is to deploy 200 green mobile sites by 2012 and reduce CO_2 emissions by up to 30% by 2015.

COMMUNITY PERSPECTIVE

The Group's efforts towards community development remains focused on **education and developing talent**, via schools, scholarships, learning and development programmes as well as **humanitarian efforts**. The latter is through technology and non-technology assistance especially in Disaster Mitigation and Relief Programmes and ICT for Development.

At Group level, Axiata is reviewing its entire CR portfolio in 2010/2011 with a strong emphasis on secondary education and building well-rounded individuals, towards nurturing future leaders of Asia.

Humanitarian work has included the group wide relief effort, spearheaded by Axiata, via its subsidiaries in Malaysia, Indonesia and Singapore, to help those affected by the devastating earthquake in Sumatra last year. This included a donation by Axiata Group and a coordinated group-wide SMS campaign in Malaysia, Indonesia and Singapore.

In Malaysia, Celcom conducted an immediate SMS donation drive to create awareness and humanitarian involvement within its customer base of over 10 million. Alongside this, XL started an SMS campaign to raise funds for the victims. Concurrently in Singapore, Axiata's affiliate M1 also launched an SMS drive.

SRI LANKA

Axiata is particularly proud of CR efforts seen at Dialog. Dialog's Sustainability scorecard captured in its first Sustainability Report following Global Reporting Initiative (GRI) guidelines attained an A+ standard. Dialog was also recently awarded the Platinum rating for Corporate Accountability in Sri Lanka, the first such index launched by Sting Consultants, in collaboration with LMD magazine. The Corporate Accountability ratings evaluate and recognise Sri Lanka's listed companies along multiple sustainable development dimensions, including their contribution to social, environmental and economic development.

Dialog is the only operator to have won three GSMA World Awards for its innovations in the use of wireless technology. Some of their award winning projects includes the launch of its Disaster Emergency Warning Network (DEWN), Asia's first ever mobile-based mass scale disaster warning network.

Nenasa Digital Bridge Programme

Dialog piloted the Digital Bridge distance learning initiative across rural schools in partnership with the Ministry of Education (MoE) Sri Lanka. The Digital Bridge project is aimed at giving rural marginalised students the opportunity to engage in interactive learning from experienced teachers. The project targets at connecting 1,000 schools (roughly 10% of total schools in the country) by providing them television sets and decoder units to enable them to access a satellite educational channel, 'Nenasa' (wisdom). By doing this, nearly 500,000 rural students have access to high quality educational content and materials.

Dialog Technology Scholarships
The Dialog scholarship programme offers scholarships for best performers in technology streams for tertiary and secondary education. Aimed at building the knowledge capital for the ICT industry and developing the intellectual capital of Sri Lanka's future leaders, the programme also creates greater awareness about opportunities in the telecommunication industry among the youth of Sri Lanka. Going beyond funding, Dialog supports interaction between the scholars and its employees, which facilitates mentoring, internships and soft skills development to prepare these scholars for a position of community leadership and service. To date more than 750 advanced level and university scholarships have been given out.

Dialog has also been awarded the prestigious GSMA Grant of the Mobile Money for the Unbanked Programme. The grant is to reduce the infrastructure gap that exists in rural areas by making mCommerce more accessible, convenient and affordable to rural customers. Dialog will focus on regions deficient in financial services infrastructure, and on initiatives to enhance people's lives by providing a range of mCommerce services at affordable price including utility bill payment, person-to-person money transfers, over-the-counter payments and cash withdrawal/ deposits.

MALAYSIA
Celcom continues with its partnership with MERCY Malaysia towards providing communication facilities in humanitarian relief efforts. Celcom together with MERCY launched an initiative in 2009 in aid of victims of the Israeli attacks on the Gaza strip. Celcom customers were able to do their part and contribute by downloading MERCY Malaysia wallpapers at RM3 each. All proceeds were forwarded to MERCY Malaysia. Celcom also provides the organisation with hardware devices such as BlackBerry smartphones, mobile phones, satellite phones and USB/ 3G datacards, together with free usage of modems for key personnel.

Celcom also launched the "Celcom Broadband Cares" campaign, a month long campaign in aid of selected shelters and homes in September 2009 which exceeded its initial projections. The success of the campaign was in part attributable to the active support of Celcom Broadband customers, whereby for each successful Celcom Broadband Weekly or Daily Unlimited subscription, RM1 was contributed towards the campaign.

INDONESIA
XL's initiatives in educational development are done via the Indonesia Berprestasi (Indonesia Accomplish) platform, focusing on public education and ICT education. Initiatives include: Komputer Untuk Sekolah (Computers for Our Schools) which was specifically designed as an integrated and sustainable five-year scheme, whereby XL provides computers and internet connection to 100 educational institutions and schools throughout Indonesia. To supplement the equipment and internet connection, XL also provides training in the proper use of the internet as well as English training for teachers.

XL also collaborated with ICT Watch, an NGO involved in Information and Telecommunication, to launch the Internet Sehat (Healthy Internet) campaign, an educational programme that seeks to impart the proper use of the internet. In support of this campaign, XL printed and disseminated Internet Sehat booklets, held seminars, and sought to directly engage and inform teachers and schools alike as part of its Komputer untuk Sekolah programme.

For the first time, XL launched the Khazanah Scholarship programme in 2009. This effort was carried out in collaboration with Yayasan Khazanah, CIMB Niaga and XL.

Under this programme, four high school graduates from Indonesia were selected to pursue bachelor's degrees with leading universities in Malaysia.

In cooperation with the Dharma Wanita Pusat Foundation, XL also granted educational incentives to underprivileged Indonesian students who achieved excellent academic results.

XL supports the Taman Pintar (Smart Park) programme which provides free internet connection and interactive learning materials on telecommunications. XL has also in 2009, built a school, as well as reading parks and libraries for schools in various parts of Indonesia. Together with the Nurani Dunia Foundation, XL donated a mobile library to serve the Jakarta area as well as donated various books to promote reading among Indonesian children.

In 2009, a number of devastating quakes struck Indonesia including parts of West Java and West Sumatra. XL dispatched vital telecommunications assistance as well as support in the form of funding and goods for the victims. XL has also established a set of Standard Operating Procedures that govern the method for engaging and providing assistance during calamities so as to ensure that relief efforts are carried out in the best possible way.

BANGLADESH

Robi is committed towards building a better Bangladesh and is actively involved in various CR programmes. With a view to contributing towards the sustainable development of socio economic and ecological condition of the people of Bangladesh, Robi is focusing on their primary needs as well as the culture and heritage of the country.

English in Schools (EIS), Robi's biggest ever CR programme, is a language learning programme to promote English language learning at secondary schools across the country. Under this three year (initially) long project, EIS reaches out to 0.7 million students and 10,000 teachers of 1,000 secondary level schools. These 1000 schools receive three free copies of The Daily Star, five days a week, along with a special EIS content page once a week as an English learning tool, both for the students as well as the teachers. The upcoming phases of EIS are mostly concentrated on basic English development through various programmes. EIS aims to build a better future for the young students, helping them with the 'Learn English and Think Global' programme, being implemented in partnership with The Daily Star, Bangladesh's leading daily newspaper.

Robi was also awarded the prestigious GSMA Grant of the Mobile Money for the Unbanked Programme. Under the mCommerce initiative, Robi will be introducing SMS and IVR based services with the aim of assisting financially constrained rural communities who wish to mobilise money in an easier and faster manner.

By reaching out to the under banked and the unbanked, Robi is enabling individuals to create financial identities which will benefit the whole community.

In conjunction with the introduction of its new brand, Robi initiated “Robi Polli” (Robi Village), a project to illuminate 500 homes in 50 villages across Bangladesh with solar energy.

In an effort to help empower women and eradicate poverty, Robi has embarked on a vocational programme to enhance the womens’ skills and encourage home base businesses. Under this initiative, Robi, in cooperation with Ain o Salish Kendra (ASK), a legal aid and human rights organisation, donated sewing machines to the underprivileged. Robi hopes that the sewing machines will help the women earn their own livelihood towards a better future.

Robi is also running ‘Shustho Nari, Shustho Paribar’ (Healthy Woman, Healthy Family), a programme which organises free health camps to help the underprivileged women in the society stay healthy and care for their families in a healthy way.

INDIA

In India, Idea embarked on a campaign titled ‘Talk for India Hour’. The campaign was held in conjunction with the first anniversary of 26/11, whereby multiple sites in the Indian city of Mumbai were attacked with bombs and gunfire in a coordinated terror attack on 26 November 2008. The nationwide campaign reached out to approximately 55 million Idea subscribers. Approximately INR12.5 million was generated from the campaign. Idea doubled the amount, and contributed a total of INR25 million to the Prime Minister’s National Defence Fund, which went towards procuring better protective gear for Indian police personnel.

SINGAPORE

Causes related to children remained the focus of M1’s fund-raising programme for the less privileged segments of the community. Besides traditional beneficiaries such as CARE (Children-at-Risk Empowerment Association), Beyond Social Services and the Fairy Godparent Programme, M1 also reached out to support the Singapore Children’s Society, Children’s Cancer Foundation and the Spastic Children’s Association of Singapore. Staff volunteers from the SunCare Club complement the corporate programme with their personal time and touch by organising social activities throughout the year for the children from the various organisations that M1 supports.

Theatre companies such as The Necessary Stage and the Singapore Repertory Theatre have been long-term partners of M1 in its support of the arts in Singapore in general and in helping to nurture a more creative and dynamic arts scene.

As part of the nurturing efforts, M1 also contributed to arts institutions such as the School of the Arts, Nanyang Academy of Fine Arts and LaSalle College of the Arts.

In sports, M1 continued to support the Singapore Rugby Union in popularising rugby in schools and tertiary institutions. M1 ventured into netball for the first time by partnering Netball Singapore in its promotion of the game in schools and at the club and national levels. M1 also participated in the J P Morgan Corporate Challenge as a sponsor and competitor.

M1’s business partners and employees were crucial partners in M1’s two major fund-raising activities as were M1 customers who were involved in SMS donation campaigns for the benefit of the President’s Challenge and victims of the Indonesian earthquake via Mercy Relief and the Singapore Red Cross.

FINANCIAL STATEMENTS

DIRECTORS' RESPONSIBILITY STATEMENT

The Directors are required by the Companies Act, 1965 to prepare financial statements for each financial year which have been made out in accordance with Financial Reporting Standards, the MASB approved Accounting Standards in Malaysia for Entities other than Private Entities and the provisions of the Companies Act, 1965 so as to exhibit a true and fair view of the state of affairs of the Group and Company as at 31 December 2009, and of the results and cash flows of the Group and Company for the financial year then ended.

In preparing the financial statements, the Directors have:-

- Selected and applied the appropriate and relevant accounting policies on a consistent basis;
- Made judgments and accounting estimates that are reasonable and prudent in the circumstances; and
- Prepared the annual audited financial statements on a going concern basis.

The Directors are responsible to ensure that the Group and the Company keeps accounting records which disclose with reasonable accuracy the financial position of the Group and Company.

The Directors also have the overall responsibilities to take such steps to safeguard the assets of the Group and for the establishment, designation, implementation and maintenance of appropriate accounting and internal control systems for the prevention and detection of fraud and other irregularities relevant to the preparation and fair presentation of financial statements that are free from material misstatement.

The Directors have pleasure in submitting their report together with the audited financial statements of the Group and Company for the financial year ended 31 December 2009.

PRINCIPAL ACTIVITIES

The principal activities of the Group are the provision of mobile communication services and network transmission related services.

The principal activities of the Company are investment holding and consultancy services on an international scale, where it has investments in subsidiaries and associates. The principal activities of the subsidiaries are mainly the provision of mobile communication services and network transmission related services.

The principal activities of the subsidiaries are set out in Note 45 to the financial statements. There has been no significant change in the nature of the activities of the Group and the Company during the financial year.

CHANGE OF NAME

On 31 March 2009, the Company changed its name from TM International Berhad to Axiata Group Berhad.

FINANCIAL RESULTS

The results of the operations of the Group and the Company for the financial year were as follows:

	Group RM'000	Company RM'000
Profit for the financial year attributable to:		
– equity holders of the Company	1,652,682	3,020,747
– minority interests	103,226	—
Net profit for the financial year	1,755,908	3,020,747

In the opinion of the Directors, the results of the operations of the Group and the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature other than as disclosed in the financial statements.

DIVIDENDS

No dividend has been paid, declared or proposed since the end of the previous financial year. The Directors do not recommend the payment of any dividends for the current financial year.

SHARE CAPITAL

During the financial year:

a) the authorised share capital of the Company was increased from RM5,000,000,000 divided into 5,000,000,000 ordinary shares of RM1 each to RM12,000,000,000 by the creation of 7,000,000,000 new ordinary shares of RM1 each; and

b) the issued and paid up share capital of the Company increased from RM3,753,401,980 comprising 3,753,401,980 ordinary shares of RM1 each to RM8,445,154,455 by the allotment and issuance of 4,691,752,475 new ordinary shares of RM1 each at the issue price of RM1.12 each in conjunction with the rights issue exercise as mentioned in Note 13(c) to the financial statements.

The above mentioned new ordinary shares issued in conjunction with the rights issue ranked pari passu in all respects with the existing ordinary shares of the Company.

RESERVES AND PROVISIONS

All material transfers to or from reserves or provisions during the financial year have been disclosed in the financial statements.

EMPLOYEES SHARE OPTIONS SCHEME ("ESOS")

The Performance-Based ESOS of the Company was approved by its shareholders at an Extraordinary General Meeting ("EGM") held on 24 March 2009 and implemented on 16 April 2009. The details of the Performance-Based ESOS are disclosed in Note 14(a) to the financial statements.

The Company has been granted exemption by the Companies Commission of Malaysia vide a letter dated 11 February 2010 from having to disclose in this report the names of persons to whom options have been granted during the financial year and holdings pursuant to Section 169(11) of the Companies Act, 1965, except for the information on employees who were granted options representing more than 400,000 ordinary shares and above.

EMPLOYEES SHARE OPTIONS SCHEME ("ESOS") (CONTINUED)

The list of employees of the Company and its subsidiary who were granted options representing more than 400,000 ordinary shares each under the Performance-Based ESOS during the financial year are as follows:

Name	**Designation as at 31.12.2009**	**Number of options granted**	**Number of options exercised**	**Forfeited due to resignation/ Voluntary Separation Scheme**	**Balance as at 31.12.2009**
Dato' Sri Jamaludin Ibrahim	Managing Director/ President and Group Chief Executive Officer	1,146,900	–	–	1,146,900
Dato' Yusof Annuar Yaacob	Executive Director and Group Chief Financial Officer	464,600	–	–	464,600
Dato' Sri Mohammed Shazalli bin Ramly	Chief Executive Officer, Celcom Axiata Berhad [*formerly known as Celcom (Malaysia) Berhad*] ("Celcom")	557,500	–	–	557,500

DIRECTORS

The Directors who have held office during the period since the date of last report are as follows:

Tan Sri Dato' Azman Hj. Mokhtar	
Dato' Sri Jamaludin Ibrahim	
Dato' Yusof Annuar Yaacob	
Tan Sri Ghazzali Sheikh Abdul Khalid	
Datuk Azzat Kamaludin	
David Lau Nai Pek	
Juan Villalonga Navarro	
Gita Irawan Wirjawan	(Resigned on 30 October 2009)
Ismael Fariz Ali	(Demised on 24 December 2009)
Dr Farid Mohamed Sani	(Ceased as Alternate to Ismael Fariz Ali on 24 December 2009 and appointed as Director on 8 January 2010)

In accordance with Article 65 of the Company's Articles of Association, Dr Farid Mohamed Sani retires from the Board at the Eighteenth Annual General Meeting and, being eligible, offers himself for re-election.

DIRECTORS (CONTINUED)

In accordance with Article 99 (ii) of the Company's Article of Association, Dato' Sri Jamaludin Ibrahim and Tan Sri Ghazzali Sheikh Abdul Khalid retire from the Board at the Eighteenth Annual General Meeting and, being eligible, offer themselves for re-election.

DIRECTORS' INTERESTS

In accordance with the Register of Directors' Shareholdings, the Directors who held office at the end of the financial year and have interest in shares or options over shares in the Company are as follows:

	Number of ordinary shares of RM1 each of the Company			
	Balance as at 1.1.2009	**Additions**	**Disposed**	**Balance as at 31.12.2009**
Indirect interest				
Dato' Sri Jamaludin Ibrahim^	—	450,000	—	450,000

^ Held under CIMSEC Nominees (Tempatan) Sdn Bhd

	Number of options over ordinary shares of RM1 each of the Company				
	Balance as at 1.1.2009	**Granted**	**Exercised**	**Expired**	**Balance as at 31.12.2009**
Dato' Sri Jamaludin Ibrahim@	—	1,146,900	—	—	1,146,900
Dato' Yusof Annuar Yaacob@	—	464,600	—	—	464,600
Dato' Yusof Annuar Yaacob#	500,000	—	—	500,000	—

@ At an EGM held on 24 March 2009, the shareholders of the Company approved the grant of options to Dato' Sri Jamaludin Ibrahim and Dato' Yusof Annuar Yaacob to further subscribe up to 5.5 million and 2.5 million new ordinary shares of RM1 each of the Company respectively to be issued under the Performance-Based ESOS for the Executive Directors and eligible employees of the Group.

Pursuant to the demerger of Telekom Malaysia Berhad ("TM") Group ("TM Demerger"), as disclosed in Note 14(b) to the financial statements, eligible employees who have been granted the option to acquire TM shares have the rights to acquire TM shares and the Company's shares on the basis of one (1) ordinary share of RM1 each of the Company for every TM share held for each TM option remained unexercised on 22 April 2008, being the entitlement date to participate in the distribution of the shares of the Company. The option expired on 16 September 2009.

DIRECTORS' INTERESTS (CONTINUED)

Other than as disclosed above, in accordance with the register of Directors' shareholdings, none of the other Directors in office at the end of the financial year have any direct or indirect interest in any shares and options over ordinary shares in the Company, or its related corporations during the financial year.

DIRECTORS' BENEFITS

Since the end of the previous financial year, none of the Director has received or become entitled to receive any benefit (except for the Directors' fees, remuneration and other emoluments as disclosed in Note 8(c) to the financial statements) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which he is a member, or with a company in which he has a substantial financial interest.

During and at the end of the financial year, no arrangement subsisted to which the Company or any its related corporations, was a party, being arrangements with the object(s) of enabling the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of the Company or any other body corporate other than the Performance-Based ESOS of the Company and the 2008 Demerger Special ESOS of the former holding company, details as disclosed in Note 14(a) and (b) respectively to the financial statements.

STATUTORY INFORMATION ON THE FINANCIAL STATEMENTS

Before the income statements and balance sheets of the Group and Company were made out, the Directors took reasonable steps:

(a) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and have satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for doubtful debts; and

(b) to ensure that any current assets which were unlikely to be realised at their book value in the ordinary course of business had been written down to their expected realisable values.

At the date of this report, the Directors are not aware of any circumstances:

(a) which would render the amounts written off for bad debts or the amount of the allowance for doubtful debts in the financial statements of the Group and Company inadequate to any substantial extent; or

(b) which would render the values attributed to current assets in the financial statements of the Group and Company misleading; or

(c) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and Company misleading or inappropriate.

STATUTORY INFORMATION ON THE FINANCIAL STATEMENTS (CONTINUED)

In the interval between the end of the financial year and the date of this report:

(a) no items, transactions or other events of material and unusual nature has arisen which, in the opinion of the Directors, would substantially affect the results of operations of the Group and the Company for the financial year in which the report is made; and

(b) no charge has arisen on the assets of any company in the Group which secures the liability of any other person nor any contingent liability arisen in any company in the Group.

No contingent or other liability of the Group and Company has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may affect the ability of the Group and Company to meet its obligations when they fall due.

At the date of this report, the Directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements, which would render any amount stated in the financial statements misleading.

AUDITORS

The auditors, PricewaterhouseCoopers, have expressed their willingness to continue in office.

Signed on behalf of the Board of Directors in accordance with their resolution dated 23 February 2010.

DATO' SRI JAMALUDIN IBRAHIM
DIRECTOR

DATO' YUSOF ANNUAR YAACOB
DIRECTOR

Kuala Lumpur

	Note	Group 2009 RM'000	Group 2008 RM'000	Company 2009 RM'000	Company 2008 RM'000
Operating revenue	7	**13,105,054**	11,347,711	**3,787,241**	19,617
Operating costs					
- depreciation, impairment and amortisation	8(a)	**(2,860,346)**	(2,338,465)	**(1,881)**	(588)
- foreign exchange gains/(losses)		**450,000**	(207,644)	**(54,227)**	370,802
- other operating costs	8(b)	**(7,948,329)**	(7,000,175)	**(151,757)**	(75,693)
Other operating income/(loss)	9	**467,617**	178,941	**32,887**	(3,624)
Operating profit before finance cost		**3,213,996**	1,980,368	**3,612,263**	310,514
Finance income	10	**109,967**	99,319	**58,334**	30,994
Finance cost					
- Finance cost excluding foreign exchange losses		**(896,256)**	(876,299)	**(313,430)**	(319,397)
- Net foreign exchange gains/(losses) on financing activities		**137,225**	(238,140)	**(11,213)**	(84,869)
	10	**(759,031)**	(1,114,439)	**(324,643)**	(404,266)
Jointly controlled entity					
- share of results (net of tax)	26	**(59,494)**	(142,440)	**—**	—
Associates					
- share of results (net of tax)	27	**160,783**	83,007	**—**	—
Profit/(loss) before taxation		**2,666,221**	905,815	**3,345,954**	(62,758)
Taxation	11	**(910,313)**	(434,723)	**(325,207)**	(2,883)
Profit/(loss) for the financial year		**1,755,908**	471,092	**3,020,747**	(65,641)
Attributable to:					
- equity holders of the Company		**1,652,682**	497,983	**3,020,747**	(65,641)
- minority interests		**103,226**	(26,891)	**—**	—
Profit/(loss) for the financial year		**1,755,908**	471,092	**3,020,747**	(65,641)
Earnings per share (sen)					
- basic	12(a)	**22**	9	**—**	—
- diluted	12(b)	**21**	—	**—**	—

The above income statements are to be read in conjunction with the notes to the financial statements on pages 170 to 284.

BALANCE SHEETS
AS AT 31 DECEMBER 2009

		Group		Company	
	Note	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
CAPITAL AND RESERVES					
Share capital	13	**8,445,154**	3,753,402	**8,445,154**	3,753,402
Share premium		**1,972,964**	1,494,954	**1,972,964**	1,494,954
Other reserves	15	**7,765,967**	5,968,367	**3,074,400**	42,474
Total capital and reserves attributable to equity holders of the Company		**18,184,085**	11,216,723	**13,492,518**	5,290,830
Minority interests		**696,363**	480,790	**—**	—
Total equity		**18,880,448**	11,697,513	**13,492,518**	5,290,830
NON-CURRENT LIABILITIES					
Borrowings	16	**10,173,464**	10,546,052	**4,756,000**	3,200,000
Provision for liabilities	20	**208,915**	120,706	**—**	—
Deferred tax liabilities	19	**1,247,758**	777,263	**—**	—
Total non-current liabilities		**11,630,137**	11,444,021	**4,756,000**	3,200,000
		30,510,585	23,141,534	**18,248,518**	8,490,830
NON-CURRENT ASSETS					
Intangible assets	21	**8,563,450**	8,326,345	**—**	—
Property, plant and equipment	22	**15,815,333**	14,959,670	**10,018**	2,776
Investment properties	23	**2,027**	2,036	**—**	—
Prepaid lease payments	24	**359,103**	328,352	**—**	—
Subsidiaries	25	**—**	—	**5,369,035**	5,359,362
Jointly controlled entities	26	**1,006,277**	1,013,202	**—**	—
Associates	27	**7,209,558**	1,589,905	**323,706**	291,703
Investments	28	**180,567**	5,914,428	**179,685**	179,685
Long term receivables	29	**129,876**	358	**—**	—
Amounts due from subsidiaries	18	**—**	—	**11,835,009**	10,634,221
Deferred tax assets	19	**180,429**	141,188	**—**	—
Total non-current assets		**33,446,620**	32,275,484	**17,717,453**	16,467,747

	Note	Group 2009 RM'000	Group 2008 RM'000	Company 2009 RM'000	Company 2008 RM'000
CURRENT ASSETS					
Inventories	30	**35,344**	77,263	**—**	—
Amounts due from subsidiaries	18	**—**	—	**687,838**	638,740
Amounts due from related companies	18	**—**	—	**1,400**	575
Trade and other receivables	31	**1,559,158**	1,539,878	**11,676**	95,613
Marketable securities		**7**	6	**—**	—
Tax recoverable		**97,054**	129,035	**—**	3
Cash and bank balances	32	**2,006,172**	3,330,731	**408,500**	7,210
Total current assets		**3,697,735**	5,076,913	**1,109,414**	742,141
CURRENT LIABILITIES					
Trade and other payables	33	**4,263,067**	4,538,473	**83,747**	63,635
Borrowings	16	**2,149,374**	5,413,299	**300,000**	4,368,025
Amounts due to subsidiaries	18	**—**	—	**190,620**	222,918
Amount due to former holding company	17	**—**	4,063,613	**—**	4,063,613
Current tax liabilities		**221,329**	195,478	**3,982**	867
Total current liabilities		**6,633,770**	14,210,863	**578,349**	8,719,058
Net current (liabilities)/assets		**(2,936,035)**	(9,133,950)	**531,065**	(7,976,917)
		30,510,585	23,141,534	**18,248,518**	8,490,830

The above balance sheets are to be read in conjunction with the notes to the financial statements on pages 170 to 284.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2009

		Attributable to equity holders of the Company								
		Non-distributable						Distributable		
	Note	Share capital* RM'000	Share premium RM'000	Currency translation differences RM'000	Capital contribution RM'000	Merger reserve RM'000	ESOS reserve RM'000	Retained profits RM'000	Minority interests RM'000	Total equity RM'000
At 1 January 2009		3,753,402	1,494,954	(658,456)	16,598	346,774	–	6,263,451	480,790	11,697,513
Currency translation differences arising during the financial year										
- subsidiaries		–	–	248,397	–	–	–	–	22,288	270,685
- jointly controlled entity		–	–	52,219	–	–	–	–	–	52,219
- associates		–	–	(166,877)	–	–	–	–	–	(166,877)
Net gain not recognised in the income statement		–	–	133,739	–	–	–	–	22,288	156,027
Profit for the financial year		–	–	–	–	–	–	1,652,682	103,226	1,755,908
Total recognised income for the financial year		–	–	133,739	–	–	–	1,652,682	125,514	1,911,935
Rights issue during the financial year	13(c)	4,691,752	563,010	–	–	–	–	–	–	5,254,762
Rights issue of a subsidiary		–	–	–	–	–	–	–	90,259	90,259
Share issue expenses		–	(85,000)	–	–	–	–	–	–	(85,000)
Dividends paid to minority interests		–	–	–	–	–	–	–	(200)	(200)
Employees' share option scheme										
- value of employees' services	14(a)	–	–	–	–	–	11,179	–	–	11,179
At 31 December 2009		8,445,154	1,972,964	(524,717)	16,598	346,774	11,179	7,916,133	696,363	18,880,448

* Issued and fully paid ordinary shares of RM1 each

	Note	Share capital* RM'000	Share premium RM'000	Currency translation differences RM'000	Capital contribution RM'000	Merger reserve RM'000	Retained profits RM'000	Minority interests RM'000	Total equity RM'000
		← Attributable to equity holders of the Company					→		
			← Non-distributable			→	Distributable		
At 1 January 2008		3,577,393	317,629	(312,800)	9,113	346,774	5,765,468	675,748	10,379,325
Currency translation differences arising during the financial year									
- subsidiaries		–	–	(129,492)	–	–	–	(31,556)	(161,048)
- jointly controlled entity		–	–	(206,936)	–	–	–	–	(206,936)
- associates		–	–	(9,228)	–	–	–	–	(9,228)
Net loss not recognised in the income statement		–	–	(345,656)	–	–	–	(31,556)	(377,212)
Profit for the financial year		–	–	–	–	–	497,983	(26,891)	471,092
Total recognised (expense)/income for the financial year		–	–	(345,656)	–	–	497,983	(58,447)	93,880
Share issuance during the financial year		176,009	1,205,630	–	–	–	–	–	1,381,639
Dilution of equity interest in a subsidiary		–	–	–	–	–	–	303	303
Acquisition of additional equity interest in a subsidiary		–	–	–	–	–	–	(210,036)	(210,036)
Rights issue of a subsidiary		–	–	–	–	–	–	102,771	102,771
Share issue expenses		–	(28,305)	–	–	–	–	–	(28,305)
Dividends paid to minority interests		–	–	–	–	–	–	(29,549)	(29,549)
Employees' share option scheme of former holding company									
- value of employees' services	14(b)	–	–	–	16,663	–	–	–	16,663
- recharge		–	–	–	(9,178)	–	–	–	(9,178)
At 31 December 2008		3,753,402	1,494,954	(658,456)	16,598	346,774	6,263,451	480,790	11,697,513

* Issued and fully paid ordinary shares of RM1 each

The above Consolidated Statements of Changes in Equity are to be read in conjunction with the notes to the financial statements on pages 170 to 284.

COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2009

		Issued and fully paid ordinary shares of RM1 each		Non-Distributable			Distributable	
	Note	Number of shares '000	Nominal value RM'000	Share premium RM'000	Capital contribution RM'000	ESOS reserve RM'000	Retained profits RM'000	Total RM'000
At 1 January 2009		**3,753,402**	**3,753,402**	**1,494,954**	**16,598**	**–**	**25,876**	**5,290,830**
Rights Issue during the financial year	13(c)	**4,691,752**	**4,691,752**	**563,010**	**–**	**–**	**–**	**5,254,762**
Profit for the financial year		**–**	**–**	**–**	**–**	**–**	**3,020,747**	**3,020,747**
Share issue expenses		**–**	**–**	**(85,000)**	**–**	**–**	**–**	**(85,000)**
Employees' share option scheme								
– value of employees' services	14(a)	**–**	**–**	**–**	**–**	**11,179**	**–**	**11,179**
At 31 December 2009		**8,445,154**	**8,445,154**	**1,972,964**	**16,598**	**11,179**	**3,046,623**	**13,492,518**
At 1 January 2008		35,693	35,693	58,329	824	–	91,517	186,363
Share issuance during the financial year		3,717,709	3,717,709	1,464,930	–	–	–	5,182,639
Loss for the financial year		–	–	–	–	–	(65,641)	(65,641)
Share issue expenses		–	–	(28,305)	–	–	–	(28,305)
Employees' share option scheme of former holding company								
– value of employees' services	14(b)	–	–	–	16,663	–	–	16,663
– recharge		–	–	–	(889)	–	–	(889)
At 31 December 2008		3,753,402	3,753,402	1,494,954	16,598	–	25,876	5,290,830

The above Company Statements of Changes in Equity are to be read in conjunction with the notes to the financial statements on pages 170 to 284.

	Note	Group		Company	
		2009	**2008**	**2009**	**2008**
		RM'000	**RM'000**	**RM'000**	**RM'000**
Cash flows from/(used in) operating activities	34	**4,636,315**	2,387,795	**3,018,231**	(401,254)
Cash flows (used in)/from investing activities	34	**(3,169,985)**	(11,562,252)	**49,211**	(173,047)
Cash flows (used in)/from financing activities	34	**(2,768,296)**	10,550,820	**(2,666,140)**	553,775
Net (decrease)/increase in cash and cash equivalents		**(1,301,966)**	1,376,363	**401,302**	(20,526)
Effect of exchange rate changes		**45,438**	(29,149)	**(12)**	402
Cash and cash equivalents at beginning of the financial year		**3,236,757**	1,889,543	**7,210**	27,334
Cash and cash equivalents at end of the financial year	32	**1,980,229**	3,236,757	**408,500**	7,210

The above cash flow statements are to be read in conjunction with the notes to the financial statements on pages 170 to 284.

1. GENERAL INFORMATION

The principal activities of the Group are the provision of mobile communication services and network transmission related services.

The principal activities of the Company are investment holding and consultancy services on an international scale, where it has investments in subsidiaries and associates. The principal activities of the subsidiaries are mainly the provision of mobile communication services and network transmission related services.

The principal activities of the subsidiaries are set out in Note 45 to the financial statements. There has been no significant change in the nature of the activities of the Group and the Company during the financial year.

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

The address of the principal place of business of the Company is Axiata Centre, 9 Jalan Stesen Sentral 5, Kuala Lumpur Sentral, 50470 Kuala Lumpur.

2. CHANGE OF NAME

On 31 March 2009, the Company changed its name from TM International Berhad to Axiata Group Berhad.

3. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The financial statements of the Group and the Company have been prepared in accordance with the provisions of the Companies Act, 1965 and Financial Reporting Standards, the MASB Approved Accounting Standards in Malaysia for Entities Other Than Private Entities.

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

The Group restructuring completed in the previous financial year as disclosed in Note 6(l) to the financial statements satisfied the applicable criteria to be treated as a business combination involving entities under common control. Accordingly, the Group has applied the principles of the predecessor method of merger accounting by which the restructured group was presented in such a manner as to depict that it had been in its resultant form for the financial year ended 2008 covered by the Group's financial statements in accordance with the Group accounting policy detailed in Note 4(a)(i).

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

3. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (CONTINUED)

The preparation of financial statements in conformity with Financial Reporting Standards ("FRS"), requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of the revenue 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 Group's and the Company's financial statements are disclosed in Note 5 to the financial statements.

Adoption of New and Revised FRS

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

There is no new accounting standards, amendments to published standards and interpretations to existing standards effective for the Group's and Company's financial year ended 31 December 2009 and applicable to the Group and Company.

(b) Standards, amendments to published standards, interpretations and improvements to existing standards that are applicable to the Group and Company but not yet effective

The Group and Company will apply the following new standards, amendments to standards and interpretations from the effective dates stated:

- The revised FRS 3 "Business Combinations" (effective prospectively from 1 July 2010). The revised standard continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the income statement. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs should be expensed. On application of the revised standards, expenses previously capitalised will be expensed, resulting in higher charges to the income statement on acquisition transactions.
- FRS 7 "Financial Instruments: Disclosures" (effective from 1 January 2010) provides information to users of financial statements about an entity's exposure to risks and how the entity manages those risks. The improvement FRS 7 clarifies that entities must not present total interest income and expense as a net amount within finance costs on the face of the income statement.

3. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (CONTINUED)

(b) Standards, amendments to published standards, interpretations and improvements to existing standards that are applicable to the Group and Company but not yet effective (continued)

- FRS 8 "Operating Segments" (effective from 1 July 2009) replaces FRS 114_{2004} Segment Reporting. The new standard requires a 'management approach', under which segment information is reported in a manner that is consistent with the internal reporting provided to the chief operating decision-maker. The improvement to FRS 8 (effective from 1 January 2010) clarifies that entities that do not provide information about segment assets to the chief operating decision-maker will no longer need to report this information. Prior year comparatives must be restated.

- The revised FRS 101 "Presentation of Financial Statements" (effective from 1 January 2010) prohibits the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the statement of changes in equity. 'Non-owner changes in equity' are to be presented separately from owner changes in equity. All non-owner changes in equity will be required to be shown in a performance statement, but entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and statement of comprehensive income).

  Where entities restate or reclassify comparative information, they will be required to present a restated balance sheet as at the beginning comparative period in addition to the current requirement to present balance sheets at the end of the current period and comparative period. It is likely that both the income statement and statement of comprehensive income will be presented as performance statements.

- FRS 107 "Cash Flow Statements" (effective from 1 January 2010) clarifies that only expenditure resulting in a recognised asset can be categorised as a cash flow from investing activities.

- FRS 110 "Events After the Balance Sheet Date" (effective from 1 January 2010) reinforces existing guidance that a dividend declared after the reporting date is not a liability of an entity at that date given that there is no obligation at that time.

- FRS 116 "Property, Plant and Equipment" (consequential amendment to FRS 107) (effective from 1 January 2010) requires entities whose ordinary activities comprise of renting and subsequently selling assets to present proceeds from the sale of those assets as revenue and should transfer the carrying amount of the asset to inventories when the asset becomes held for sale. A consequential amendment to FRS 107 states that cash flows arising from purchase, rental and sale of those assets are classified as cash flows from operating activities.

- FRS 117 "Leases" (effective from 1 January 2010) clarifies that the default classification of the land element in a land and building lease is no longer an operating lease. As a result, leases of land should be classified as either finance or operating, using the general principles of FRS 117.

- FRS 118 "Revenue" (effective from 1 January 2010) provides more guidance when determining whether an entity is acting as a 'principal' or as an 'agent'.

3. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (CONTINUED)

(b) Standards, amendments to published standards, interpretations and improvements to existing standards that are applicable to the Group and Company but not yet effective (continued)

- FRS 119 "Employee Benefits" (effective from 1 January 2010) clarifies that a plan amendment that results in a change to the extent in which benefit promises are affected by future salary increases is a curtailment, while an amendment that changes benefits attributable to past service gives rise to a negative past service cost if it results in a reduction in the present value of the defined benefit obligation. The definition of return on plan assets has been amended to state that plan administration costs are deducted in the calculation of return on plan assets only to the extent that such costs have been excluded from measurement of the defined benefit obligation.

- FRS 120 "Accounting for Government Grants and Disclosure of Government Assistance" (effective from 1 January 2010) clarifies that the benefit of a below market rate government loan is measured as a difference between the carrying amount in accordance with FRS 139 and the proceeds received.

- FRS 123 "Borrowing Costs" (effective from 1 January 2010) which replaces FRS 123_{2004}, requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. The option of immediately expensing those borrowing costs is removed. The improvement to FRS 123 clarifies that the definition of borrowing costs includes interest expense calculated using the effective interest method defined in FRS 139. The initial application of the standard will constitute a change in accounting policy as the Group and Company have opted to expense off borrowing costs in the current accounting policy. The Group and Company will have to capitalise all borrowing costs in relation to the capital expenditure incurred effective 1 January 2010 on qualifying assets, thus resulting in lower borrowing costs in the income statement and higher property, plant and equipment balance.

- The revised FRS 127 "Consolidated and Separate Financial Statements" (effective prospectively from 1 July 2010) requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognised in profit or loss. On application of the revised standard, gains or losses or goodwill which would have arisen under the current policy on transactions with minority interests, will be recognised in reserves.

  FRS 127 "Consolidated and Separate Financial Statements" (effective from 1 January 2010) clarifies that where an investment in a subsidiary that is accounted for under FRS 139 is classified as held for sale under FRS 5, FRS 139 would continue to be applied.

- FRS 128 "Investments in Associates" (effective from 1 January 2010) clarifies that an investment in an associate is treated as a single asset for impairment testing purposes. Reversals of impairment are recorded as an adjustment to the carrying amount of the investment to the extent that the recoverable amount of the associate increases.

3. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (CONTINUED)

(b) Standards, amendments to published standards, interpretations and improvements to existing standards that are applicable to the Group and Company but not yet effective (continued)

- FRS 128 "Investments in Associates" and FRS 131 "Interests in Joint Ventures" (consequential amendments to FRS 132 "Financial Instruments: Presentation" and FRS 7 "Financial Instruments: Disclosure" (effective from 1 January 2010) clarify that where an investment in associate or joint venture is accounted for in accordance with FRS 139, only certain, rather than all disclosure requirements in FRS 128 or FRS 131 need to be made in addition to disclosures required by FRS 132 and FRS 7.

- FRS 134 "Interim Financial Reporting" (effective from 1 January 2010) clarifies that basic and diluted earnings per share ("EPS") must be presented in an interim report only in the case when the entity is required to disclose EPS in its annual report.

- FRS 136 "Impairment of Assets" (effective from 1 January 2010) clarifies that the largest cash-generating unit (or group of units) to which goodwill should be allocated for the purposes of impairment testing is an operating segment before the aggregation of segments with similar economic characteristics. The improvement also clarifies that where fair value less costs to sell is calculated on the basis of discounted cash flows, disclosures equivalent to those for value in use should be made.

- FRS 138 "Intangible Assets"
  - Improvement effective from 1 January 2010 clarifies that a prepayment may only be recognised in the event that payment has been made in advance of obtaining right of access to goods or receipt of services. This means that an expense will be recognised for mail order catalogues when the entity has access to the catalogues and not when the catalogues are distributed to customers. It confirms that the unit of production method of amortisation is allowed.
  - Improvement effective from 1 July 2010 clarifies that a group of complementary intangible assets acquired in a business combination is recognised as a single asset if the individual asset has similar useful lives.

- FRS 139 "Financial Instruments: Recognition and Measurement" (effective from 1 January 2010) establishes principles for recognising and measuring financial assets, financial liabilities and some contracts to buy and sell non-financial items. Hedge accounting is permitted under strict circumstances. The amendments to FRS 139 provide further guidance on eligible hedged items. The amendment provides guidance for two situations. On the designation of a one-sided risk in a hedged item, the amendment concludes that a purchased option designated in its entirety as the hedging instrument of a one-sided risk will not be perfectly effective. The designation of inflation as a hedged risk or portion is not permitted unless in particular situations. The improvement to FRS 139 clarifies that the scope exemption in FRS 139 only applies to forward contracts but not options for business combinations that are firmly committed to being completed within a reasonable timeframe.

3. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (CONTINUED)

(b) Standards, amendments to published standards, interpretations and improvements to existing standards that are applicable to the Group and Company but not yet effective (continued)

- The amendments to FRS 2 "Share-based Payment: Vesting Conditions and Cancellations" (effective from 1 January 2010) deals with vesting conditions and cancellations. It clarifies that vesting conditions are service conditions and performance conditions only. Other features of a share-based payment are not vesting conditions. These features would need to be included in the grant date for fair value transactions with employees and others providing similar services; they would not impact the number of awards expected to vest or valuation thereof subsequent to grant date. All cancellations, whether by the entity or by other parties, should receive the same accounting treatment. The improvement to FRS 2 (effective from 1 July 2010) clarifies that contributions of a business on formation of a joint venture and common control transactions are outside the scope of FRS 2.

- FRS 140 "Investment Property" (effective from 1 January 2010) requires assets under construction or development for future use as investment property to be accounted as investment property rather than property, plant and equipment. Where the fair value model is applied, such property is measured at fair value. However, where fair value is not reliably measurable, the property is measured at cost until the earlier of the date construction is completed and fair value becomes reliably measurable. It also clarifies that if a valuation obtained for an investment property held under lease is net of all expected payments, any recognised lease liability is added back in order to determine the carrying amount of the investment property under the fair value model.

- FRS 5 "Non-current Assets Held for Sale and Discontinued Operations"
  - Improvement effective from 1 January 2010 clarifies that FRS 5 disclosures apply to non-current assets or disposal groups that are classified as held for sale and discontinued operations.
  - Improvement effective from 1 July 2010 clarifies that all of a subsidiary's assets and liabilities are classified as held for sale if a partial disposal sale plan results in loss of control. Relevant disclosure should be made for this subsidiary if the definition of a discontinued operation is met.

- The amendments to FRS 132 "Financial Instruments: Presentation" and FRS 101 (revised) "Presentation of Financial Statements" – "Puttable Financial Instruments and Obligations Arising on Liquidation" (effective from 1 January 2010) require entities to classify puttable financial instruments and instruments that impose on the entity an obligation to deliver to another party a prorata share of the net assets of the entity only on liquidation as equity, if they have particular features and meet specific conditions.

- IC Interpretation 9 "Reassessment of Embedded Derivatives" (effective from 1 January 2010) requires an entity to assess whether an embedded derivative is required to be separated from the host contract and accounted for as a derivative when the entity first becomes a party to the contract. Subsequent reassessment is prohibited unless there is a change in the terms of the contract that significantly modifies the cash flows that otherwise would be required under the contract, in which case reassessment is required. The improvement to IC Interpretation 9 (effective from 1 July 2010) clarifies that this interpretation does not apply to embedded derivatives in contracts acquired in a business combination, businesses under common control or the formation of a joint venture.

3. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (CONTINUED)

(b) Standards, amendments to published standards, interpretations and improvements to existing standards that are applicable to the Group and Company but not yet effective (continued)

- IC Interpretation 10 "Interim Financial Reporting and Impairment" (effective from 1 January 2010) prohibits the impairment losses recognised in an interim period on goodwill and investments in equity instruments and in financial assets carried at cost to be reversed at a subsequent balance sheet date.

- IC Interpretation 11 "FRS 2 Group and Treasury Share Transactions" (effective from 1 January 2010) provides guidance on whether share-based transactions involving treasury shares or involving group entities should be accounted for as equity-settled or cash-settled share-based payment transactions in the stand-alone accounts of the parent and group companies.

- IC Interpretation 13 "Customer Loyalty Programmes" (effective from 1 January 2010) clarifies that where goods or services are sold together with a customer loyalty incentive, the arrangement is a multiple-element arrangement and the consideration receivable from the customer is allocated between the components of the arrangement using fair values.

- IC Interpretation 14 "FRS 119 The Limit on a Defined Benefit Asset, Minimum Funding Requirements and Their Interaction" (effective from 1 January 2010) provides guidance on assessing the limit in FRS 119 on the amount of the surplus that can be recognised as an asset.

- IC Interpretation 16 "Hedges of a Net Investment in a Foreign Operation" (effective from 1 July 2010) clarifies the accounting treatment in respect of net investment hedging. This includes the fact that net investment hedging relates to differences in functional currency not presentation currency, and hedging instruments may be held by any entity in the group. The requirements of FRS 121 "The Effects of Changes in Foreign Exchange Rates" do apply to the hedged item.

- IC Interpretation 17 "Distribution of Non-Cash Assets to Owners" (effective from 1 July 2010) provides guidance on accounting for arrangements whereby an entity distributes non-cash assets to shareholders either as a distribution of reserves or as dividends. FRS 5 has also been amended to require that assets are classified as held for distribution only when they are available for distribution in their present condition and the distribution is highly probable.

- The Group has applied the transitional provision in the respective standards which exempts entities from disclosing the possible impact arising from the initial application of the following standards and interpretations on the financial statements of the Group and Company.
  - FRS 139, Amendments to FRS 139 on eligible hedged items, Improvement to FRS 139 and IC Interpretation 9
  - FRS 7 and Improvement to FRS 7

- Aside from FRS 139, and the proposed changes to FRS 3, FRS 101, FRS 123 and FRS 127, the adoption of the standards, amendments to published standards and interpretations to existing standards is not anticipated to have a material impact on the financial statements of the Group and Company.

3. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (CONTINUED)

(c) Standards, amendments to published standards and IC interpretation that are not relevant and not yet effective for the Group's and Company's operations

- The amendment to FRS 1 "First-time Adoption of Financial Reporting Standards" and FRS 127 "Consolidated and Separate Financial Statements: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate".
- FRS 4 "Insurance Contract".
- IC Interpretation 12 "Service Concession Arrangements".
- IC Interpretation 15 "Agreements for Construction of Real Estates".
- FRS 129 "Financial Reporting in Hyperinflationary Economies".

4. SIGNIFICANT ACCOUNTING POLICIES

(a) Economic entities in the Group

(i) Subsidiaries

Subsidiaries are those companies or other entities (including special purpose entities) in which the Group has power to exercise control over the financial and operating policies so as to obtain benefits from their activities, generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are consolidated using the purchase method of accounting except for certain business combinations which were accounted for using the predecessor method of merger accounting, as follows:

- subsidiaries that were consolidated prior to 1 April 2002 in accordance with Malaysian Accounting Standard 2 "Accounting for Acquisitions and Mergers", the generally accepted accounting principles prevailing at that time.
- business combinations consolidated on/after 1 April 2002 but with agreement dates before 1 January 2007 that meet the conditions of a merger as set out in FRS 122_{2004} "Business Combinations".
- internal group reorganisations, as defined in FRS 122_{2004}, consolidated on/after 1 April 2002 but with agreement dates before 1 January 2007 where:
  - the ultimate shareholders remain the same, and the rights of each such shareholder, relative to the others, are unchanged; and
  - the minorities' share of net assets of the Group is not altered by the transfer
- business combinations involving entities or businesses under common control with agreement dates on/after 1 January 2007.

4 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Economic entities in the Group (continued)

(i) Subsidiaries (continued)

The Group has taken advantage of the exemption provided by FRS 122_{2004} and FRS 3 to apply these Standards prospectively. Accordingly, business combinations entered prior to the respective effective dates have not been restated to comply with these standards.

Under the predecessor method of merger accounting, the results of subsidiaries are presented as if the merger had been effected throughout the current and previous years. The assets and liabilities combined are accounted for based on the carrying amounts from the perspective of the common control shareholder at the date of transfer. On consolidation, the cost of the merger is cancelled with the values of the shares received. Any resulting credit difference is classified as equity and regarded as a non-distributable reserve. Any resulting debit difference is adjusted against any suitable reserve. Any share premium, capital redemption reserve and any other reserves which are attributable to share capital of the merged enterprises, to the extent that they have not been capitalised by a debit difference, are reclassified and presented as movement in other capital reserves.

Under the purchase method of accounting, subsidiaries are fully consolidated from the date on which control is transferred to the Group and are excluded from consolidation from the date that control ceases. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired at the date of acquisition is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the Consolidated Income Statement.

Minority interests represent that portion of the profit or loss and net assets of subsidiaries attributable to equity interest that are not owned, directly or indirectly through the subsidiaries by the parent. It is measured at the minorities' share of the fair values of the subsidiaries' identifiable assets and liabilities at the acquisition date and the minorities' share of changes in subsidiaries' equity since that date. Separate disclosure is made of minority interests.

Where more than one exchange transaction is involved, any adjustment to the fair value of the subsidiary's identifiable assets, liabilities and contingent liabilities relating to previously held interests of the Group is accounted for as a revaluation.

4 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Economic entities in the Group (continued)

(i) Subsidiaries (continued)

Intragroup transactions, balances and unrealised gains or losses on transactions between Group companies are eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the accounting policies adopted by the Group.

The gain or loss on disposal of a subsidiary is the difference between the net disposal proceeds and the Group's share of the subsidiary's net assets as of the date of disposal, including the cumulative amount of any exchange differences that relate to that subsidiary which were previously recognised in equity, and is recognised in the Consolidated Income Statement.

(ii) Transactions with minority interests

The Group applies a policy of treating transactions with minority interests as transactions with parties external to the Group. Disposals of shares to minority interests result in gains and losses for the Group that are recorded in the Income Statement. Purchases of shares from minority interests result in goodwill, being the difference between any consideration paid and the relevant share of the carrying value of net assets of the subsidiary acquired.

(iii) Jointly controlled entities

Jointly controlled entities are companies, partnerships or other entities over which there is contractually agreed sharing of control by the Group with one or more parties where the strategic financial and operation decisions relating to the entity requires unanimous consent of the parties sharing control.

The Group's interest in jointly controlled entities are accounted for in the consolidated financial statements using the equity method of accounting. Equity accounting involves recognising the Group's share of the post acquisition results of the jointly controlled entities in the Consolidated Income Statement and its share of post acquisition movements in reserve within reserves. The cumulative post acquisition movements are adjusted against the cost of the investment and includes goodwill on acquisition (net of accumulated impairment loss).

The Group recognises the portion of gains or losses on the sale of assets by the Group to the jointly controlled entities that is attributable to the other venturers. The Group does not recognise its share of profits or losses from the jointly controlled entities that result from the purchase of assets by the Group from the jointly controlled entities until it resells the assets to an independent party.

However, a loss on the transaction is recognised immediately if the loss provides evidence of a reduction in the net realisable value of current assets or an impairment loss. Where necessary, in applying the equity method, adjustments are made to the financial statements of jointly controlled entities to ensure consistency of the accounting policies with those of the Group.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Economic entities in the Group (continued)

(iv) Associates

Associates are companies, partnerships or other entities in which the Group exercises significant influence but which it does not 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 control over those policies.

Investments in associates are accounted for in the consolidated financial statements using the equity method of accounting. Equity accounting is discontinued when the Group ceases to have significant influence over the associates. The Group's investments in associates include goodwill identified on acquisition, net of any accumulated impairment loss.

The Group's share of its associates' post-acquisition profits or losses is recognised in the Consolidated Income Statement, and its share of post-acquisition movements in reserve is recognised within reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investments. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group's interest is reduced to nil and recognition of further loss is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates; unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Where necessary, in applying the equity method, appropriate adjustments are made to the financial statements of the associates to ensure consistency of accounting policies with those of the Group.

Dilution gains and losses are recognised in the Income Statement.

For incremental interest in associates, the date of acquisition is the date at which significant influence is obtained. Goodwill is calculated at each purchase date based on the fair value of assets and liabilities identified. The previously acquired stake is stepped up to fair value and the share of profits and equity movements for the previously acquired stake is recorded directly to equity.

(b) Intangible assets

(i) Goodwill

Goodwill represents the excess of the cost of acquisition of subsidiaries, jointly controlled entities and associates over the Group's share of the fair value of the identifiable net assets including contingent liabilities of subsidiaries, jointly controlled entities and associates at the date of acquisition. Goodwill on acquisition occurring on or after 1 January 2002 in respect of a subsidiary is included in the Consolidated Balance Sheet as an intangible asset.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Intangible assets (continued)

(i) Goodwill (continued)

Goodwill is carried at cost less accumulated impairment losses. Goodwill is tested for impairment at least annually, or when events or circumstances occur indicating that an impairment may exist. Impairment of goodwill is charged to the Consolidated Income Statement as and when it arises. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity disposed.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. Each cash-generating unit or a group of cash-generating units represents the lowest level within the Group at which goodwill is monitored for internal management purposes and which are expected to benefit from the synergies of the combination. The Group allocates goodwill to each business segment in each country in which it operates.

Goodwill on acquisition of jointly controlled entities and associates occurring on or after 1 January 2002 is included in the investments in jointly controlled entities and associates respectively. Such goodwill is tested for impairment as part of the overall carrying amount.

Goodwill on acquisitions that occurred prior to 1 January 2002 was written off against reserves in the financial year of acquisition.

(ii) Licences

Acquired licences are shown at cost. Licences have finite useful lives and are 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.

(c) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items.

(i) Cost

The cost of telecommunication network includes cost of equipment, site surveys, contractors' charges, materials and related overhead. 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 which was incurred as a consequence of installing the asset.

Subsequent cost is included in the carrying amount of the asset or recognised 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 value of the replaced part is derecognised. All other repairs and maintenance are charged to the Income Statement during the period in which they are incurred.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Property, plant and equipment (continued)

(ii) Depreciation and residual value

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 in years as summarised below:

Buildings	5 – 50 years
Telecommunication network equipment	3 – 20 years
Movable plant and equipment	5 – 8 years
Computer support systems	3 – 5 years

Depreciation on assets under construction or capital work-in-progress commence when the assets are ready for their intended use. Depreciation on property, plant and equipment ceases at the earlier of derecognition and classification as held for sale.

The assets' residual values and useful lives are reviewed and adjusted as appropriate at each balance sheet date.

(iii) Impairment

At each balance sheet date, the Group assesses whether there is any indication of impairment. If such indication exists, an analysis is performed to assess whether the carrying value of the asset is fully recoverable. A write down is made if the carrying value exceeds the recoverable amount (see significant accounting policies Note 4(f) on impairment of non-financial assets).

(iv) Gains or losses on disposal

Gains or losses on disposal are determined by comparing the proceeds with the carrying amount of the related asset and are included in the Income Statement.

(v) Asset exchange transaction

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

- the exchange transaction lacks commercial substance; or
- 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 derecognise 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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Property, plant and equipment (continued)

(vi) Repairs and maintenance

Repairs and maintenance are charged to the Income Statement 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.

(d) Investment properties

Investment properties principally comprising freehold land and buildings, are held for long term rental yields or for capital appreciation or both, and are not occupied by the Group.

Investment properties are stated at cost less accumulated depreciation and impairment losses. Investment properties are depreciated on a straight line basis to write off the cost of investment properties to their residual values over their estimated useful lives as summarised as below:

Freehold land	Indefinite useful life
Buildings	50 years

On disposal of an investment property, or when it is permanently withdrawn from use and no future economic benefits are expected, then it shall be derecognised (eliminated from balance sheet). The difference between the net disposal proceeds and the carrying amount is recognised as profit or loss in the period of the retirement or disposal.

(e) Investments

(i) Subsidiaries and associates

The investments in subsidiaries and associates are shown at cost. Where an indication of impairment exists, the carrying value of the investment is assessed and written down immediately to its recoverable amount (see significant accounting policy note 4(f) on impairment of non-financial assets).

On disposal of an investment, the difference between net disposal proceeds and the carrying amount is charged or credited to the Income Statement.

(ii) Other long term investments

Other long term investments are shown at cost and an allowance for diminution in value other than temporary is made for each non current investment individually where, in the opinion of the Directors, there is a decline other than temporary in the value of the investments, and recognised as an expense in the financial year in which the decline is identified.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Investments (continued)

(iii) Marketable securities (current investments)

Marketable securities are carried at the lower of cost and market value, determined on an aggregate portfolio basis by category of investment. Cost is derived at weighted average basis. Market value is calculated by reference to stock exchange quoted selling prices at the close of business on the balance sheet date. Increase or decrease in the carrying amount of marketable securities is credited or charged to the Income Statement.

On disposal of an investment, the difference between net disposal proceeds and the carrying amount is credited or charged to the Income Statement.

(f) Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested for impairment annually, and as and when events or circumstances occur indicating that an impairment may exist. Property, plant and equipment and other non-current assets, including intangible assets with 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). Assets other than goodwill that suffered an impairment are reviewed for possible reversal at each reporting date.

The impairment loss is charged to Income Statement 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 the Income Statement unless it reverses an impairment loss on revalued asset in which case it is taken to revaluation surplus.

(g) Inventories

Inventories are stated at lower of cost and net realisable value.

Cost is determined on a weighted average basis and comprises all cost of purchase and other cost incurred in bringing the inventories to their present location. The cost of finished goods and work in progress comprises design costs, raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs.

Net realisable value represents the estimated selling price in the ordinary course of business, less all estimated costs to completion and applicable variable selling expenses. In arriving at the net realisable value, due allowance is made for all obsolete and slow moving items.

Inventories include maintenance spares acquired for the purpose of replacing damaged or faulty plant or spares and supplies used in constructing and maintaining the network.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Trade and other receivables

Trade receivables are carried at anticipated realisable value. Bad debts are written off and specific allowances are made for trade receivables considered to be doubtful of collection. The allowance is established when there is objective evidence that the Group and the Company will not be able to collect all amounts due according to the original terms of receivables.

(i) Cash and cash equivalents

For the purpose of the Cash Flow Statements, cash and cash equivalents comprise cash on hand, deposits held at call with banks, other short term, highly liquid investments with original maturities of three months or less and bank overdrafts. Deposits held as pledged securities for term loans granted are not included as cash and cash equivalents.

Bank overdrafts are included within borrowings in current liabilities in the balance sheet.

(j) Share capital

(i) Classification

Ordinary share with discretionary dividends are classified as equity. Other shares are classified as equity and/or liability according to the economic substance of the particular instrument.

Distribution to holders of a financial instrument classified as an equity instrument is charged directly to equity.

(ii) Share issue expenses

Incremental external costs directly attributable to the issuance of new shares or options are shown in equity as a deduction, net of tax from the proceeds.

(iii) Dividend to shareholders of the Company

Dividends are recognised as a liability in the period in which they are declared.

(k) Bonds, notes, debentures and borrowings

Bonds, notes and debentures, are stated at the net proceeds received on issue. The finance costs which represent the difference between the net proceeds and the total amount of the payments of these borrowings are allocated to periods over the term of the borrowings at a constant rate on the carrying amount and are charged to the Income Statement.

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

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the balance sheet date.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Leases

Lease of assets where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the Income Statement on a straight line basis over the lease period.

When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

Upfront payments on leasehold land are classified as prepaid lease payments and amortised on a straight line basis over the remaining lease period.

(m) Income taxes

Current tax expense is determined according to the tax laws of each jurisdiction in which the Group operates and include all taxes based upon the taxable profits, including withholding taxes payable by foreign subsidiaries, jointly controlled entities or associates on distributions of retained earnings to companies in the Group, and real property gains taxes payable on disposal of properties.

Deferred tax is recognised 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 is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at that time of the transaction affects neither accounting nor taxable profit or loss.

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

The Group's share of income taxes of jointly controlled entities and associates are included in the Group's share of results of jointly controlled entities and associates.

Deferred tax is determined using tax rates (and tax laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

(n) Provisions

Provisions are recognised when the Group and the Company have 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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) Provisions (continued)

(i) Provision for liabilities

Provision for liabilities is mainly, provisions for dismantling, removal or restoration. Provisions are reviewed at each balance sheet date and adjusted 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.

(ii) Other provisions

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 interest expense.

(o) 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 circumstances 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.

In the acquisition of subsidiaries by the Group under a business combination, the contingent liabilities assumed are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest.

The Group recognises separately the contingent liabilities of the acquirers as part of allocating the cost of a business combination where their fair values can be measured reliably. Where the fair values cannot be measured reliably, the resulting effect will be reflected in the goodwill arising from the acquisitions.

Subsequent to the initial recognition, the Group measures the contingent liabilities that are recognised separately at the date of acquisition at the higher of the amount that would be recognised in accordance with the provisions of FRS 137 and the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with FRS 118.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) Revenue recognition

Operating revenue comprises the fair value of the consideration received or receivables for the sale of products and rendering of services net of returns, duties, sales discounts and sales taxes paid, after eliminating sales within the Group. Operating revenue is recognised or accrued at the time of the provision of the products or services.

Dividend income from investment in subsidiaries, jointly controlled entities, associates and other investments is recognised when a right to receive payment is established.

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

(q) Employee benefits

(i) Short term employee benefits

Wages, salaries, paid annual leave and sick leave, bonuses and non-monetary benefits are accrued in the period in which the associated services are rendered by employees of the Group.

(ii) Contribution to Employees Provident Fund ("EPF")

The Group's contributions to EPF are charged to the Income Statement in the period 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 as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than twelve months after the balance sheet date are discounted to present value.

(iv) Share-based compensation

Employees services received in exchange for the grant of the share options of the Company or a Group company is recognised as an expense in the Income Statement over the vesting periods of the grant with a corresponding increase in equity.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(q) Employee benefits (continued)

(iv) Share-based compensation (continued)

The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each balance sheet date, the Group revises its estimates of the number of options that are expected to become exercisable. The impact of the revision of original estimates, if any, is recognised in the income statement, with a corresponding adjustment to equity. Options to which the grantees are not qualified to exercise shall lapse, be null and void.

Recharges made in respect of share options granted prior to the demerger by the former holding company as disclosed in Note 14(b) to the financial statements are accounted for as a reduction in equity recorded and an increase in amounts payable to the grantor of the options.

(v) Other long term employee benefits

Other long-term employee benefits such as deferred compensation paid 12 months or more after service period are calculated based on the Group's policy using the same methodology as for the simplified other post employment benefits.

(r) Deferred revenue

Deferred revenue comprises

(i) The unutilised balance of airtime and access fee in respect of prepaid cards sold to customers. Such revenue amounts are recognised as revenue upon utilisation of airtime and activation of access right by the customer.

(ii) The value of advance billings made to customers in respect of the rental of fibre optic network. Such amounts are recognised as revenue systematically over the period covered by the advance billings.

(s) Subscriber acquisition costs

Subscriber acquisition costs comprise handset and other subsidies and dealers commission offered under usage contracts in excess of 1 year. Subscriber acquisition costs are amortised over the contract period and reviewed annually for impairment. Subscriber acquisition cost is included in Trade and Other Receivables.

Other subscriber acquisition costs under usage contracts less than one (1) year are recognised in the Income Statement as incurred.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(t) Indefeasible right of use ("IRU")

The Group has entered into certain indefeasible right of use agreements with its customers. An IRU is a right to use a specified amount of capacity for a specific time period that cannot be revoked or voided. Such agreements are accounted for either as lease or service transactions.

Those IRU agreements that provide the lessee with exclusive right to the purchased capacity and limit the purchased capacity to a specified fibre are accounted as lease transactions. Other IRUs are accounted for as service contracts.

IRU agreements that transfer substantially all the risks and rewards of ownership to the lessee are classified as sale-type leases. All other IRU leases are classified as operating leases.

(u) 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 government grant and is recognised at fair value where there is 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 the Income Statement 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 the Income Statements on the straight line basis over the expected life of the related assets.

(v) Foreign currencies

(i) Functional and presentation currency

The consolidated financial statements are presented in Ringgit Malaysia, which is the Company's 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").

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. 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 the Income Statement.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(v) Foreign currencies (continued)

(iii) Group companies

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each Income Statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations are taken to shareholders equity. When a foreign operation is disposed of or sold, such exchange differences that were recorded in equity are recognised in the Income Statement as part of the gain or loss on disposal.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity completed on or after 1 January 2006 are treated as assets and liabilities of the foreign entity and are recorded in the functional currency of the foreign entity and translated at the exchange rate prevailing at balance sheet date. For acquisition of foreign entities completed prior to 1 January 2006, goodwill and fair value adjustments continue to be recorded at the exchange rates at the respective date of acquisitions.

(w) Financial instruments

(i) Description

A financial instrument is any contract that gives rise to both a financial asset of one enterprise and a financial liability or equity instrument of another enterprise.

A financial asset is any asset that is cash, a contractual right to receive cash or another financial asset from another enterprise, a contractual right to exchange financial instruments with another enterprise under conditions that are potentially favourable, or an equity instrument of another enterprise.

A financial liability is any liability that is a contractual obligation to deliver cash or another financial asset to another enterprise, or to exchange financial instruments with another enterprise under conditions that are potentially unfavourable.

(ii) Financial instruments recognised on the Balance Sheet

The particular recognition and measurement method for financial instruments recognised on the balance sheet is disclosed in the individual significant accounting policy statements associated with each item.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(w) Financial instruments (continued)

(iii) Financial instruments not recognised on the Balance Sheet

The Group is a party to financial instruments that comprise foreign currency forward contracts and interest rate swap agreements. These instruments are not recognised in the financial statements on inception.

Foreign currency forward contracts and cross currency swaps

The Group enters into foreign currency forward contracts to protect the Group from movements in exchange rates by establishing the rate at which a foreign currency asset or liability will be settled.

Exchange gains and losses on contracts are recognised when settled at which time they are included in the measurement of the transaction hedged.

Interest rate swap contracts

Any differential to be paid or received on an interest rate swap contract is recognised as a component of interest income or expense over the period of the contract. Gains and losses on early termination of interest rate swaps or on repayment of the borrowing are taken to the Income Statement.

(iv) Fair value estimation for disclosure purposes

The fair value of publicly traded financial instruments is based on quoted market prices at the balance sheet date. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward foreign exchange contracts is determined using forward exchange market rates at the balance sheet date.

In assessing the fair value of non-traded financial instruments, the Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date. Quoted market prices are used if available or other techniques, such as estimated discounted value of future cash flows, are used to determine fair value. In particular, the fair value of financial liabilities is estimated by discounting the future contractual cash flows at the current market interest rate available to the Group for similar financial instruments.

The carrying values for financial assets and liabilities with a maturity of less than one year are assumed to approximate their fair values.

(x) Segment reporting

Segment reporting is presented for enhanced assessment of the Group's risks and returns. A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that is subject to risks and returns that are different from other geographical segments.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(x) Segment reporting (continued)

Segment revenue, expense, assets and liabilities are those amounts resulting from the operating activities of a segment that are directly attributable to the segment and the relevant portion that can be allocated on a reasonable basis to the segment.

Segment revenue, expense, assets and liabilities are determined before intra-group balances and intra-group transactions are eliminated as part of the consolidation process, except to the extent that such intra-group balances and transactions are between group enterprises within a single segment. Inter-segment pricing is based on similar terms as those available to other external parties.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

5.1 Critical judgements in applying the Group's and Company's accounting policies

In determining and applying accounting policies, judgement is often required in respect of items where the choice of specific policy could materially affect the reported results and financial position of the Group. The following accounting policies require subjective judgements, often as a result of the need to make estimates about the effect of matters that are inherently uncertain.

(a) Intangible Assets

The Group has applied judgement in determining the treatment of the annual fees payable over ten (10) years in respect of a 3G spectrum licence granted to a foreign subsidiary. The annual fee is charged to the Income Statement when incurred based on management's judgement that future annual fees will no longer be payable upon the decision by the subsidiary to return the licence. Management considers the annual payment to be usage fees based on interpretation of the licence conditions, written confirmation from the Directorate General of Post and Telecommunication, Indonesia and current year assessment of 3G operations. The annual fees are therefore not considered part of the acquisition cost of the licence.

Should the regulations and conditions with regards to the payment of the annual fees be amended in the future with the consequence that payment of the remaining outstanding annual fees cannot be avoided upon the subsidiary surrendering the licence, the Group will recognise an intangible asset and a corresponding liability at the present value of the remaining annual fees at that point in time.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

5.2 Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, rarely equal to the related actual results. The Group, and to a large extent the activities, are governed by the legal, regulatory and business environment in the countries which the Group operates in and which the Group has investments in. The business of the Group is subject to a number of risks, many of which are beyond the Group's control.

The main risks relating to the Group's business are as follows:

- Increasing competition in the countries the Group operates in
- Difficulties in commencing or expanding business in certain emerging markets
- Political and social developments in the region the Group operates in
- Worldwide economic downturn
- Significant expansion of capital investments required
- Difficulties in developing new products and services at competitive prices

To enhance the information content of the estimates, certain key variables that are anticipated to have material impact to the Group's results and financial position are tested for sensitivity to changes in the underlying parameters. 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 year are mentioned below.

(i) *Impairment of Goodwill*

The Group tests goodwill for impairment annually in accordance with its accounting policy and whenever events or change in circumstances indicate that this is necessary within the financial year.

The assumptions used, results and sensitivity of the impairment assessment are disclosed in Note 21 to the financial statements.

(ii) *Impairment of Property, Plant and Equipment, Intangible Assets (other than goodwill) and Investments*

The Group assesses impairment of the assets mentioned above whenever the events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable i.e. the carrying amount of the asset is more than the recoverable amount. Recoverable amount is measured at the higher of the fair value less cost to sell for that asset and its value-in-use.

Projected future cash flows used in impairment testing of the assets mentioned above are based on Group's estimates calculated based on historical, sector and industry trends, general market and economic conditions, changes in technology and other available information.

The assumptions used, results and sensitivity of the impairment assessments of investments in subsidiaries, a joint controlled entity and associates are disclosed in Notes 25, 26 and 27 to the financial statements respectively.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

5.2 Critical accounting estimates and assumptions (continued)

(iii) Estimated Useful Lives of Property, Plant and Equipment

The Group reviews annually the estimated useful lives of property, plant and equipment based on factors such as business plan and strategies, expected level of usage and future technological developments. Future results of operations could be materially affected by changes in these estimates brought about by changes in the factors mentioned. A reduction in the estimated useful lives of property, plant and equipment would increase the recorded depreciation and decrease the property, plant and equipment.

The impact of the review of the useful lives of property, plant and equipment is disclosed in Note 22 to the financial statements.

(iv) Taxation

Income taxes

The Group is subject to income tax in numerous jurisdictions. 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 assets are recognised to the extent that it is probable that future taxable profit 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.

(v) Contingent Liabilities

Determination of the treatment of contingent liabilities is based on the management's view of the expected outcome of contingencies after consulting legal counsel for litigation cases and experts internal and external to the Group for matters in the ordinary course of business. Please refer to Note 35(c) to the financial statements for legal proceedings that the Group is involved in as at 31 December 2009.

6. SIGNIFICANT GROUP RESTRUCTURING, ACQUISITIONS AND DILUTION OF INTEREST

(I) Group restructuring

In the previous financial year, pursuant to the TM Demerger, TM, the Company, Telekom Enterprise Sdn Bhd ("TESB") and Celcom had on 10 December 2007 entered into the following agreements:

(i) Disposal of 38,250,000 ordinary shares of RM1 each representing 51% of the equity interest in Fibrecomm Network (M) Sdn Bhd by Celcom Transmission (M) Sdn Bhd to TESB for a total consideration of RM33.0 million.

(ii) Disposal of 1,237,534,681 ordinary shares of RM1 each representing the entire equity interest in Celcom by TESB to the Company for a total consideration of RM4,677.0 million.

(iii) Disposal of 37,433,992 Redeemable Convertible Preference Shares ("RCPS") of USD0.01 each representing 51% of the equity interest in SunShare Investments Ltd ("SunShare") by TM to the Company for a total consideration of RM141.0 million.

(iv) Transfer of the 3G Spectrum Assignment by TM to Celcom for a total cash consideration of RM40.1 million; and

(v) Inter company settlement of RM3,041.0 million by the Group to TM.

The net consideration of RM7,866.1 million on the above agreements was satisfied as follows:

(a) the sum of RM2,925.0 million payable by the Company to TM within 12 months from the date of completion and subject to interest charged of 5.90% per annum on the outstanding balance.

(b) the sum of RM1,100.0 million payable by the Company to TM within 12 months from the date of completion and subject to interest charged of 6.72% per annum on the outstanding balance.

(c) the sum of RM3,801.0 million by way of issuance of ordinary shares of RM1 each of the Company to TM and its nominees, and

(d) the sum of RM40.1 million to be satisfied in cash.

The Group restructuring above qualified as a business combination involving entities under common control. The Group has applied the predecessor method of merger accounting in respect if the acquisition of Celcom and SunShare as described in Note 3 to the financial statements.

(II) Acquisitions during the financial year

(a) Acquisition of interest in Tune Talk Sdn Bhd ("Tune Talk")

On 23 December 2008, a Subscription Agreement and a Shareholders' Agreement were entered into between Celcom and Tune Ventures Sdn Bhd, Tune Strategic Investments Limited ("TSIL") and six (6) individuals and Tune Talk. Pursuant to the completion of the Subscription Agreement condition precedent, on the 12 February 2009, Celcom subscribed for 2,625,000 new ordinary shares at a subscription price of RM1 each for a total cash consideration of approximately RM2.6 million representing 38.16% equity interest of the enlarged issued and paid-up share capital of Tune Talk. As the result, Tune Talk became an associate of Celcom following the completion of the subscription of the above mentioned shares on 16 February 2009.

6. SIGNIFICANT GROUP RESTRUCTURING, ACQUISITIONS AND DILUTION OF INTEREST (CONTINUED)

(II) Acquisitions during the financial year (continued)

(a) Acquisition of interest in Tune Talk Sdn Bhd ("Tune Talk") (continued)

On 30 July 2009, Celcom has subscribed to a further 1,050,000 new ordinary shares of RM1 each in Tune Talk for a total cash consideration of RM1.05 million. Pursuant to the additional share subscription, Celcom's shareholding in Tune Talk increased from 2,625,000 ordinary shares of RM1 each to 3,675,000 ordinary shares of RM1 each representing 42.78% of the enlarged issued and paid-up share capital of Tune Talk.

Tune Talk had in October and December 2009, issued additional shares of 1,908,833 to 2 of the existing individual shareholders, TSIL and 2 of the Directors of Tune Talk resulting with Celcom eventual shareholding in Tune Talk reducing to 35.00% of the issued and paid-up share capital of RM10.5 million.

The acquisition did not have significant impact to the Group during the current financial year.

(b) Acquisition of additional interest in C-Mobile Sdn Bhd ("C-Mobile")

On 19 February 2009, CT Paging Sdn Bhd ("CT Paging"), a wholly-owned subsidiary of Celcom, entered into a Shares Sale Agreement with I-Mobile International Co Ltd ("I-Mobile") for the purchase of 2,550,000 ordinary shares of RM1 each in C-Mobile, representing 51% of the issued and paid up share capital of C-Mobile for a total purchase consideration of approximately RM2.6 million. The acquisition was completed on 2 March 2009, giving rise to goodwill amount of RM4.7 million following which C-Mobile became a wholly owned subsidiary of CT Paging.

On 24 March 2009, CT Paging subscribed to a further 10,000,000 new ordinary shares of RM1 each in C-Mobile for a total cash consideration of RM10.0 million. Pursuant to the above, C-Mobile's paid up share capital increased from 5,000,000 to 15,000,000 ordinary shares of RM1 each.

The acquisition did not have any significant impact to the Group during the current financial year.

(c) Acquisition of additional interest of 2.70% in PT XL Axiata Tbk (formerly known as PT Excelcomindo Pratama Tbk) ("XL")

During the financial year, XL, a subsidiary of Indocel Holding Sdn Bhd ("Indocel"), a wholly owned subsidiary of the Company held via TM International (L) Limited ("TMIL") issued a total of 1,418.0 million new ordinary shares of IDR100 each under a rights issue exercise of USD300.0 million (in equivalent amount in IDR) on the basis of one (1) Rights Share for every five (5) existing ordinary share at an issuance price of IDR2,000 per ordinary share ("XL Rights Issue").

6. SIGNIFICANT GROUP RESTRUCTURING, ACQUISITIONS AND DILUTION OF INTEREST (CONTINUED)

(II) Acquisitions during the financial year (continued)

(c) Acquisition of additional interest of 2.70% in PT XL Axiata Tbk (formerly known as PT Excelcomindo Pratama Tbk) ("XL") (continued)

The Group through Indocel, had subscribed its full entitlement of 1,188,187,400 new ordinary shares under the XL Rights Issue for a total cash consideration of RM855.5 million (equivalent to IDR2,376.4 billion). Pursuant to a Standby Buyer Agreement entered into by Indocel with XL on 13 October 2009, Indocel had further subscribed to all the unsubscribed Rights Shares of 229,584,890 ordinary Shares, representing 2.70% of the enlarged issued and paid up capital of XL after the XL Rights Issue for a total cash consideration of RM165.3 million (approximately IDR459.2 billion). The XL Rights Issue was completed on 11 December 2009 following which, the Group's effective equity interest in XL had increased from 83.79% to 86.49%.

The details of the acquisition of 2.70% equity interest of XL are as follow:

	2009 RM'000
Purchase consideration	165,301
Carrying value of net assets acquired	(77,130)
Goodwill	88,171

The goodwill on acquisition arising from the above transaction was included in intangible assets.

(d) On 1 December 2009, the Company had incorporated Axiata SPV1 (Labuan) Limited ("Axiata SPV1"), a limited liability company, in the Federal Territory of Labuan, Malaysia under the Offshore Companies Act, 1990. The authorised share capital of Axiata SPV1 is USD13,000 divided into 13,000 ordinary shares of USD1 each of which USD1 has been paid-up.

(III) Acquisitions in the previous financial year

(a) Acquisition of additional interest of 16.80% in XL

On 6 February 2008, the Group through Indocel, entered into a Share Purchase Agreement ("SPA") with Khazanah Nasional Berhad ("Khazanah") for the purchase of additional 1,191,553,500 ordinary shares of Indonesian Rupiah 100 each in XL, representing approximately 16.80% of the issued and paid-up share capital of XL for a purchase consideration of RM1,425.0 million to be satisfied through the issuance of 158,716,182 new ordinary shares of RM1 each of the Company. The acquisition was completed on 25 April 2008. Consequently, the Group's effective equity interest in XL increased from 66.99% to 83.79%, giving rise to an additional goodwill of RM1,038.0 million. On the date of acquisition, the fair value of the purchase consideration was RM1,245.8 million reflecting the market value of the shares issued by the Company as disclosed in Note 39(a) to the financial statements.

6. SIGNIFICANT GROUP RESTRUCTURING, ACQUISITIONS AND DILUTION OF INTEREST (CONTINUED)

(III) Acquisitions in the previous financial year (continued)

(b) Acquisition of 49.00% interest in SunShare

On 6 February 2008, the Company entered into a SPA with Khazanah for the purchase of the remaining of 2 Class “A” ordinary shares of USD1 each and 35,965,998 RCPS of USD0.01 each in SunShare (then a jointly controlled entity), representing approximately 49.00% of the issued and paid-up share capital of SunShare for a purchase consideration of RM155.0 million to be satisfied through the issuance of 17,292,798 new ordinary shares of RM1 each of the Company. The asset acquisition was completed on 25 April 2008. Consequently, SunShare became a wholly owned subsidiary of the Company. On the date of acquisition, the fair value of the purchase consideration was RM135.8 million reflecting the market value of the shares issued by the Company as disclosed in Note 39(b) to the financial statements.

(c) Acquisition of 9.80% interest in Spice Communications Limited (“Spice”)

On 24 October 2008, TMI India Ltd (“TMI India”), a wholly owned subsidiary of the Company held via TMI Mauritius Ltd (“TMIM”), acquired 67,612,650 ordinary share of Rs10 each in Spice representing 9.80% of the issued and paid-up share capital of Spice for a purchase consideration of USD123.3 million (RM437.7 million). Effectively the Group’s direct equity interest in Spice, which remained a jointly controlled entity, increased from 39.20% to 49.00%.

(d) Acquisition of 14.99% interest in Idea Cellular Limited (“Idea”)

On 13 August 2008, the Group acquired 464,734,670 ordinary shares of Rs10 each in Idea representing 14.99% of the enlarged issued and paid-up share capital in Idea for RM5,734.3 million.

(e) Other acquisitions and incorporation

During the previous financial year, the Group incurred additional investments in the following subsidiaries:

(i) 0.17% additional interest in Dialog Telekom PLC (“Dialog”) for a purchase consideration of RM3.4 million. Consequently, the Group’s equity interest in Dialog increased from 84.80% to 84.97% as at 31 December 2008; and

(ii) Undertook Axiata (Bangladesh) Limited (formerly known as TM International (Bangladesh) Limited) (“AXB”) rights issue of 47,950,000 ordinary shares of BDT100 each representing 70.00% of the enlarged issued and paid up share capital in AXB for USD70.0 million. The equity interest in AXB remains at 70.00% as at 31 December 2008.

The above acquisitions have no material effect to the results of the Group.

6. SIGNIFICANT GROUP RESTRUCTURING, ACQUISITIONS AND DILUTION OF INTEREST (CONTINUED)

(IV) Dilution of interest during the financial year

(a) During the financial year, Sacofa Sdn Bhd ("Sacofa"), an associate of the Group and Celcom, undertook a refinancing exercise which entails amongst others the issuance of up to RM400.0 million Islamic Medium Term Notes, the issuance of up to RM50.0 million Islamic Commercial Paper and the 64.2 million bonus issue of warrants on the entitlement basis of one (1) free warrant for every one (1) existing Sacofa ordinary share held ("Refinancing Exercise"). The Refinancing Exercise which was undertaken to refinance Sarawak Gateways Sdn Bhd's existing RM240.0 million Sukuk Ijarah and Sacofa's RM160.0 million Sukuk Istisna. The Refinancing Exercise was completed on 6 March 2009.

On 19 February 2009, the State Financial Secretary Inc ("SFS") exercised 20,700,000 warrants which resulted in the increase in Sacofa's issued and fully paid-up share capital from RM64.2 million to RM84.9 million ("SFS Warrants Exercise"). With the completion of the SFS Warrant Exercise, the Group's and Celcom's equity interest in Sacofa was diluted from 20.00% to 15.12%. The dilution in interest did not have significant impact to the Group.

7. OPERATING REVENUE

	Group		Company	
	2009	**2008**	**2009**	**2008**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Mobile services	**11,731,713**	10,120,290	**—**	—
Dividend income	**—**	—	**3,754,188**	12,210
Others	**1,373,341**	1,227,421	**33,053**	7,407
Total operating revenue	**13,105,054**	11,347,711	**3,787,241**	19,617

Others include revenue from interconnect services, leased services, pay television transmission and other data services.

8(a) DEPRECIATION, IMPAIRMENT AND AMORTISATION

	Group		Company	
	2009	**2008**	**2009**	**2008**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Depreciation of property, plant and equipment ("PPE")	**2,745,805**	2,300,846	**1,168**	588
Depreciation of investment properties	**9**	8	**–**	–
Impairment of PPE	**83,627**	12,838	**–**	–
Impairment of goodwill	**4,670**	–	**–**	–
Write off of PPE	**2,747**	5,068	**713**	–
Amortisation of intangible assets	**21,876**	19,705	**–**	–
Write-off of deferred expenditure	**1,612**	–	**–**	–
Total depreciation, impairment and amortisation	**2,860,346**	2,338,465	**1,881**	588

8(b) OTHER OPERATING COSTS

	Group		Company	
	2009	**2008**	**2009**	**2008**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Allowance for doubtful debts (net of bad debt recoveries)	**163,359**	95,078	**–**	–
Amortisation of prepaid lease payments	**58,564**	45,601	**–**	–
Business licence fees	**489,929**	314,257	**–**	–
Charges and commissions	**78,823**	82,897	**29**	–
Cost of SIM and recharge cards	**149,484**	177,923	**–**	–
Domestic interconnect and international outpayment	**1,505,291**	1,387,789	**–**	–
Maintenance	**486,459**	499,760	**757**	464
Marketing, advertising and promotion	**1,283,885**	1,404,821	**25,031**	1,498
Professional fees	**151,995**	80,698	**32,641**	10,189
Rental – land and buildings	**439,817**	305,615	**3,356**	1,416
Rental – equipment	**135,403**	101,645	**175**	–
Rental – others	**49,790**	50,334	**143**	–
Roaming costs	**198,103**	194,650	**–**	–
Penalty costs	**8,360**	16,579	**–**	–
Staff costs (including remuneration of Executive Directors of the Company)[1]	**905,612**	758,415	**65,491**	35,216
Staff costs capitalised in PPE	**(4,574)**	(4,650)	**–**	–
Supplies and inventories	**145,980**	156,082	**979**	–
Transportation and travelling	**76,057**	82,171	**6,267**	5,535
Universal Service Provision/Obligation Contribution	**443,144**	323,775	**–**	–
Utilities	**365,010**	261,287	**299**	44
Others[2]	**817,838**	665,448	**16,589**	21,331
Total other operating costs	**7,948,329**	7,000,175	**151,757**	75,693

8(b) OTHER OPERATING COSTS (CONTINUED)

	Group		Company	
	2009	**2008**	**2009**	**2008**
	RM'000	**RM'000**	**RM'000**	**RM'000**
[1] Staff costs include:				
Staff costs excluding Directors:				
- salaries, allowances, overtime and bonus	**683,318**	576,948	**49,875**	27,630
- termination benefits	**31,249**	23,889	**—**	21
- contribution to Employees Provident Fund ("EPF")	**60,350**	52,739	**5,558**	3,446
- other staff benefits	**109,025**	63,763	**1,895**	1,378
- ESOS expense (Note 14(a),(b))	**10,943**	33,996	**2,010**	311
Remuneration of Executive Directors of the Company (Note 8(c))	**6,153**	2,430	**6,153**	2,430
	901,038	753,765	**65,491**	35,216

	Group		Company	
	2009	**2008**	**2009**	**2008**
	RM'000	**RM'000**	**RM'000**	**RM'000**
[2] Others include:				
Audit fees:				
- PricewaterhouseCoopers Malaysia	**1,440**	1,293	**815**	685
- Member firm of PricewaterhouseCoopers International Limited*	**2,489**	2,356	**—**	—
- Others	**37**	23	**—**	—
	3,966	3,672	**815**	685
Audit related fees	**2,262**	863	**2,243**	791
Tax and tax related services	**1,983**	301	**1,273**	19
Other non-audit services	**1,678**	1,529	**1,187**	460
	9,889	6,365	**5,518**	1,955

* Separate and independent legal entity from PricewaterhouseCoopers Malaysia

8(c) DIRECTORS' REMUNERATION

	Group		Company	
	2009	**2008**	**2009**	**2008**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Remuneration of Executive Directors of the Company:				
– salaries, allowances and bonus	**4,910**	1,893	**4,910**	1,893
– contribution to EPF	**933**	344	**933**	344
– ESOS expense (Note 14(a),(b))	**310**	193	**310**	193
	6,153	2,430	**6,153**	2,430
Remuneration of Non-Executive Directors of the Company:				
– fees and allowances	**2,123**	1,958	**1,921**	1,489
	8,276	4,388	**8,074**	3,919

Estimated monetary value of benefits of Directors amounted to RM175,481 (2008: RM79,000) for the Group and Company.

9. OTHER OPERATING INCOME/(LOSS)

	Group		Company	
	2009	**2008**	**2009**	**2008**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Dissolution of a subsidiary	**–**	(2,491)	**–**	(3,633)
Reversal of impairment in an associate company	**–**	–	**32,003**	–
Loss on dilution of an associate company (Note 6(IV)(a))	**(2,027)**	–	**–**	–
Gain on dilution of subsidiaries	**–**	214	**–**	–
Gain on disposal of PPE	**913**	816	**–**	–
Penalty on breach of contract	**15,594**	8,478	**–**	–
Tower rental income	**204,510**	90,272	**–**	–
Gain from derecognition of finance lease agreement	**167,981**	–	**–**	–
Others	**80,646**	81,652	**884**	9
Total other operating income/(loss)	**467,617**	178,941	**32,887**	(3,624)

10. FINANCE INCOME/(COST)

	Group 2009 RM'000	Group 2008 RM'000	Company 2009 RM'000	Company 2008 RM'000
Total finance income	**109,967**	99,319	**58,334**	30,994
Finance cost from borrowings	**(812,853)**	(700,390)	**(230,027)**	(140,511)
Net foreign exchange gain/(loss) on financing activities	**137,225**	(238,140)	**(11,213)**	(84,869)
Finance cost for loan from former holding company	**(68,163)**	(168,493)	**(68,163)**	(168,493)
Profit payable on Islamic Private Debt Securities	**(15,240)**	(4,958)	**(15,240)**	–
Others	**–**	(2,458)	**–**	(10,393)
Total finance cost	**(759,031)**	(1,114,439)	**(324,643)**	(404,266)
Net finance cost	**(649,064)**	(1,015,120)	**(266,309)**	(373,272)

11. TAXATION

The taxation expense for the Group and the Company comprise:

	Group 2009 RM'000	Group 2008 RM'000	Company 2009 RM'000	Company 2008 RM'000
Malaysia:				
Income tax				
– Current year	**513,695**	501,247	**324,793**	1,904
– Prior year	**(13,989)**	(6,011)	**4**	10
	499,706	495,236	**324,797**	1,914
Overseas:				
Income tax				
– Current year	**6,185**	12,914	**410**	969
– Prior year	**(30)**	(611)	**–**	–
Deferred tax (net)				
– Originating and reversal of temporary differences	**443,005**	(17,763)	**–**	–
– Change in tax rate	**(25,273)**	(50,214)	**–**	–
– Deductible temporary differences under recognised in previous financial years	**(13,280)**	(4,839)	**–**	–
Total taxation	**910,313**	434,723	**325,207**	2,883

The Company has obtained Approved Operational Headquarters status for a period of ten (10) years, effective on 1 January 2003.

The current income tax is calculated at the statutory tax rate of 25% (2008: 26%) of the estimated assessable profit for the financial year.

11. TAXATION (CONTINUED)

The explanation of the relationship between taxation expense and profit before taxation is as follows:

Numerical reconciliation between taxation expense and the product of accounting profit multiplied by the Malaysian tax rate:

	Group		Company	
	2009	**2008**	**2009**	**2008**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Profit/(loss) before taxation	**2,666,221**	905,815	**3,345,954**	(62,758)
Taxation calculated at the applicable Malaysian taxation rate of 25% (2008: 26%)	**666,555**	235,512	**836,489**	(16,317)
Tax effects of:				
– income not subject to tax	**(35,371)**	(101,964)	**(629,863)**	(77,984)
– shares of results of jointly controlled entity and associates	**(25,322)**	15,453	**—**	—
– different taxation rates in other countries	**18,890**	(19,253)	**(1,065)**	(2,519)
– expenses not deductible for taxation purposes	**338,785**	363,205	**119,642**	91,071
– unrecognised tax losses	**(652)**	3,445	**—**	8,622
– change in statutory tax rate	**(25,273)**	(50,214)	**—**	—
– (over)/under accrual of income tax (net)	**(14,019)**	(6,622)	**4**	10
– deductible temporary differences under recognised in previous financial years	**(13,280)**	(4,839)	**—**	—
Total taxation	**910,313**	434,723	**325,207**	2,883

12. EARNINGS PER SHARE

(a) Basic Earnings Per Share

Basic earnings per share ("EPS") of the Group is calculated by dividing the profit attributable to equity holders by the weighted average number of ordinary shares of the Company in issue during the financial year.

	Group	
	2009	**2008**
Profit attributable to equity holders (RM'000)	**1,652,682**	497,983
Weighted average number of ordinary shares in issue ('000)	**7,665,487**	5,425,206[1]
Basic EPS (sen)	**22**	9[1]

12. EARNINGS PER SHARE (CONTINUED)

(a) Basic Earnings Per Share (continued)

[1-] The comparative basic EPS has been restated to reflect the rights issue during the financial year, as analysed below:

	Group 2008 As previously reported	2008 Restated
Weighted average number of ordinary shares in issue, prior to adjustment for rights issue ('000)	3,694,732	3,694,732
Adjustment for rights issue during the financial year ('000)	—	1,730,474
Weighted average number of ordinary shares in issue ('000)	3,694,732	5,425,206
Basic EPS (sen)	13	9

(b) Diluted earnings per share

For diluted EPS calculation, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all dilutive potential ordinary shares. The Company has share options granted to employees under the Performance-Based ESOS as disclosed in Note 14(a) to the financial statements during the financial year which are dilutive potential ordinary shares and is assumed to have been converted into ordinary shares.

In respect of share options over the ordinary shares of the Company, a calculation is performed to determine the number of shares that could have been acquired at fair value based on the monetary value of the subscription rights attached to outstanding share options. The calculation serves to determine the unexercised shares options outstanding for the purpose of computing the dilution. No adjustment is made to profit attributable to equity holder for the financial year for the share options calculation.

	Group 2009
Profit attributable to equity holders (RM'000)	**1,652,682**
Adjusted Weighted average number of ordinary shares in issue ('000)	**7,665,487**
Adjusted for ESOS ('000)	**23,706**
Weighted average number of ordinary shares for purposes of computing diluted EPS ('000)	**7,689,193**
Diluted EPS (sen)	**21**

Diluted EPS was not presented in the financial statements in the previous financial year as there was no dilutive potential ordinary shares.

13. SHARE CAPITAL

	Group 2009 RM'000	Group 2008 RM'000	Company 2009 RM'000	Company 2008 RM'000
Ordinary shares of RM1 each				
Authorised:				
At beginning of financial year	**5,000,000**	5,000,000	**5,000,000**	500,000
Created during the financial year (Note (b))	**7,000,000**	—	**7,000,000**	4,500,000
At end of the financial year	**12,000,000**	5,000,000	**12,000,000**	5,000,000
Issued and fully paid:				
At beginning of financial year	**3,753,402**	3,577,393	**3,753,402**	35,693
Issued during the financial year				
– as part of demerger (Note (a))	**—**	—	**—**	3,541,700
– acquisition of XL and SunShare (Note 6(III)(a) and (b))	**—**	176,009	**—**	176,009
– rights issue (Note (c))	**4,691,752**	—	**4,691,752**	—
At end of the financial year	**8,445,154**	3,753,402	**8,445,154**	3,753,402

(a) As disclosed in Note 6(I), the net consideration in respect of the Group Restructuring was partially satisfied by the issuance of 3,541,700,000 ordinary shares of RM1 each of the Company at a premium of RM0.073. The ordinary shares are issued as part settlement of the consideration payable by the Company to TM of RM3,801,000,000 under the demerger agreement entered between the Company and TM;

(b) On 24 March 2009, the Company increased its authorised share capital of the Company from RM5,000,000,000 divided into 5,000,000,000 ordinary shares of RM1 each to RM12,000,000,000 by the creation of 7,000,000,000 new ordinary shares of RM1 each; and

(c) On 6 May 2009, the issued and paid up share capital of the Company was increased from RM3,753,401,980 comprising 3,753,401,980 ordinary shares of RM1 each to RM8,445,154,455 by the allotment and issuance of 4,691,752,475 new ordinary shares of RM1 each at the issue price of RM1.12 each in conjunction with the rights issue exercise as mentioned in Note 37(b) to the financial statements.

The above mentioned share rank pari-passu in all respects with the existing ordinary shares of the Company.

14. EMPLOYEES' SHARE OPTION SCHEME ("ESOS")

(a) Performance-Based ESOS

The Performance-Based ESOS of the Company was approved by its shareholders at an EGM held on 24 March 2009 and implemented on 16 April 2009.

The total number of the Performance-Based ESOS options granted, percentage of options exercisable by an Eligible Employee and the vesting period is as follows:

Performance -Based ESOS	Grant date	Vesting date	% of options exercisable*	Options over the Company's shares Number of options granted	Exercise price (RM)
Tranche 1	16 April 2009	15 April 2011	50	34,555,750	1.81
Tranche 2	16 April 2009	15 April 2012	50	34,555,750	1.81

* The options granted shall become exercisable only upon the fulfilment of certain performance criteria for the Company and individuals.

The Performance-Based ESOS will expire on 15 April 2017.

The salient terms and conditions of the Performance-Based ESOS are as follows:

(i) Maximum number of new ordinary shares of the Company available under the Performance-Based ESOS

The total number of ordinary shares of the Company that may be offered under the Performance-Based ESOS shall not exceed 7% of the Company's issued and paid-up ordinary share capital at any time during the duration of the Performance-Based ESOS.

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

(ii) Basis of allocation and maximum allowable allotment

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

14. EMPLOYEES' SHARE OPTION SCHEME ("ESOS") (CONTINUED)

(a) Performance-Based ESOS (continued)

(ii) Basis of allocation and maximum allowable allotment (continued)

Further, not more than 50% of the Company's new ordinary shares made available under the Performance-Based ESOS shall be allocated, in aggregate, to Eligible Employees who are Executive Directors of the Company or any corporation within the Group or who are in senior management. In addition, not more than 10% of the Company's new ordinary shares available under the Performance-Based ESOS 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 the Company's issued and paid-up share capital.

(iii) Eligibility

Any employee of the Group (other than subsidiaries which are dormant) shall be eligible to participate in the Performance-Based ESOS 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 the Group and whose service has been confirmed;

(c) is not a non-executive or independent director of the Company; and

(d) fulfils any other criteria as may be set by the Board or the ESOS Committee in its absolute discretion.

Eligibility under the Performance-Based ESOS does not confer on any Eligible Employee any claim, right to participate in, or any other right whatsoever under the Performance-Based ESOS, and an Eligible Employee does not acquire or have any right over, or in connection with, any option or the Company's shares under the Performance-Based ESOS 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 Performance-Based ESOS.

(iv) Option price

The subscription price payable for each of the Company's shares upon exercise of options is the 5-day volume weighted average market price of the Company's shares immediately preceeding the date of the Offer and is not lower than the nominal value of the Company's shares.

(v) Duration of the Performance-Based ESOS

The Performance-Based ESOS shall be in force for a period of 8 years from the effective date of implementation of the ESOS, being a date of full compliance with the relevant requirements of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") in relation to the Performance-Based ESOS.

14. EMPLOYEES' SHARE OPTION SCHEME ("ESOS") (CONTINUED)

(a) Performance-Based ESOS (continued)

(vi) Retention period

The new ordinary shares of the Company allotted and issued pursuant to the exercise of any option under the Performance-Based ESOS will not be subject to any retention period.

(vii) Ranking of the new shares to be issued under the Performance-Based ESOS

The Company's new shares to be issued upon the exercise of options shall, upon allotment and issuance, rank pari-passu (equally) in all respects with the existing issued shares of the Company 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.

Eligible Employees who are residents in Malaysia and who have been granted 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 Performance-Based ESOS 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 Performance-Based ESOS but subject always to the provisions of the Bye-Laws and the terms of the Selling Flexibility for Foreign Guarantees.

The movement during the financial year in the number of options over the new ordinary shares of RM1 each of the Company, in which the employees of the Group and Company are entitled to, is as follows:

Group

	Exercise price	At 1 January 2009	Granted	Adjusted	Exercised	Lapsed	At 31 December 2009	Fair value at grant date (RM)
Axiata shares								
Tranche 1	1.81	–	34,555,750	(279,150)	–	–	34,276,600	0.54
Tranche 2	1.81	–	34,555,750	(279,150)	–	–	34,276,600	0.57
		–	69,111,500	(558,300)	–	–	68,553,200	

14. EMPLOYEES' SHARE OPTION SCHEME ("ESOS") (CONTINUED)

(a) Performance-Based ESOS (continued)

Company

	Exercise price	At 1 January 2009	Granted	Adjusted	Exercised	Lapsed	At 31 December 2009	Fair value at grant date (RM)
Axiata shares								
Tranche 1	**1.81**	**–**	**4,141,250**	**(143,100)**	**–**	**–**	**3,998,150**	**0.54**
Tranche 2	**1.81**	**–**	**4,141,250**	**(143,100)**	**–**	**–**	**3,998,150**	**0.57**
		–	**8,282,500**	**(286,200)**	**–**	**–**	**7,996,300**	

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

	Axiata Options Tranche 1-2
Exercise price	RM1.81
Option expected term	
- Tranche 1	5 years
- Tranche 2	5.5 years
Weighted average share price at grant date	RM1.81
Expected dividend yield	1%
Risk free interest rates (Yield of Malaysian Government securities)	3.0% – 3.7%
Expected volatility*	31.3%

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

14. EMPLOYEES' SHARE OPTION SCHEME ("ESOS") (CONTINUED)

(a) Performance-Based ESOS (continued)

The amounts recognised in the financial statements as disclosed in Note 8(b) and 8(c) for all employees (including Directors) to the financial statements arising from the Performance-Based ESOS are summarised as below:

	Group		Company	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
(a) Options over the Company's shares granted to employees under the Performance – Based ESOS	**11,179**	–	**1,506**	–
	11,179	–	**1,506**	–

(b) 2008 Demerger Special ESOS

On 10 December 2007, the former holding company, TM, had announced that, in conjunction with the TM Demerger, an Employees' Share Option Scheme ("Special ESOS") for Eligible Employees and Executive Director(s) of the TM Group (other than subsidiaries that are dormant) (collectively referred to as "Eligible Employees") was established. This Special ESOS was subsequently approved by the shareholders at an EGM held on 6 March 2008.

Allocation and Exercise Price of Special ESOS

On 17 March 2008, TM issued 137,592,300 shares ("Special ESOS Shares"), representing 4.0% of the issued and paid-up share capital of TM, to TM ESOS Management Sdn Bhd ("TEM"). The actual number of options over these shares granted during the financial year up to 31 December 2008 is as follows:

The Group	Grant date	Number of options granted ('000)
– initial allocation	31 March 2008*	23,473.0
– additional allocation to non-executive employees	22 April 2008	134.0
– additional allocation to promotees**	16 October 2008	0.6

* This is the deemed grant date as most of the offer made on 17 March 2008 has been duly accepted by the Eligible Employees.

** These additional options were granted due to promotion during the financial year ended 31 December 2008.

14. EMPLOYEES' SHARE OPTION SCHEME ("ESOS") (CONTINUED)

(b) 2008 Demerger Special ESOS (continued)

The Special ESOS was designed with the intention to retain the employees of the Group during the transitional period of the TM Demerger. In this regards, the total options granted to each employee vested are as follows:

	Vesting date/Percentage of options exercisable (%)				
	Tranche 1		Tranche 2		Tranche 3
Grant date	**31 Mar 2008**	**22 Apr 2008**	**16 Sept 2008**	**16 Oct 2008**	**16 Mar 2008**
31 March 2008	40	–	30	–	30
22 April 2008	–	40	30	–	30
16 October 2008	–	–	–	50	50

For options granted before TM Demerger, at grant date, the employees were entitled to options over the ordinary shares of TM ("TM Options") only. TM Options were granted in contemplation of the TM Demerger. With this, the TM Options were granted on the basis that the value of the options would include the options over the ordinary shares of the Group ("Axiata Options") at demerger.

Pursuant to the distribution of Axiata shares via dividend in specie to effect the TM Demerger on 25 April 2008, 137,295,600 ordinary shares of the Company were distributed to TEM on the basis of one (1) share for each TM share held by TEM. Consequently, the Eligible Employees are entitled to one (1) Axiata Option for each TM Option remained unexercised on that date. The allocation on 16 October 2008 included one (1) Axiata Option for each TM Option granted on that date. The TM Options and Axiata Options can be exercised independently.

The exercise price of TM Options and Axiata Options was adjusted as follows after the TM Demerger:

	Exercise price (RM)		
	Prior to demerger	Subsequent to demerger	
Grant date	**TM Options**	**TM Options**	**Axiata Options**
31 March 2008	9.70	2.71	6.99
22 April 2008	9.70	2.71	6.99
16 October 2008	n/a	3.14	6.56

Subsequent to capital repayment by TM to its shareholders in May 2009, the exercise price of TM Options was adjusted as follows:

	Exercise price (RM)	
Grant date	**Before capital repayment**	**After capital repayment**
31 March 2008	2.71	1.91
22 April 2008	2.71	1.91
16 October 2008	3.14	2.22

14. EMPLOYEES' SHARE OPTION SCHEME ("ESOS") (CONTINUED)

(b) 2008 Demerger Special ESOS (continued)

Pursuant to the Company's rights issue in April 2009, TEM had subscribed to 64.3 million rights out of 171.3 million rights entitled, for a total cash payment of RM72.0 million. Accordingly, the exercise price of Axiata Options was adjusted as follows and additional number of Axiata Options were allotted to entitled employee based on the ratio 1:1.4645, consistent with the alternation of the capital structure of the Company.

	Exercise price (RM)	
Grant date	**Before right issue**	**After right issue**
31 March 2008	6.99	4.77
22 April 2008	6.99	4.77
16 October 2008	6.56	4.47

General features of the Special ESOS

(i) Maximum number of TM Shares available under the Special ESOS

The total number of TM Shares offered under the Special ESOS shall not exceed 137,592,300 ordinary shares of RM1 each in TM, representing up to 4% of the existing issued and paid-up share capital of TM.

(ii) Eligibility

Eligibility for participation by an employee or Executive Director in the Special ESOS shall be subject to the terms and conditions contained in the Bye-Laws for the Option Scheme, which includes the employee or Executive Director:

(a) has attained the age of eighteen (18) years; and

(b) is employed on full time basis by and on the payroll of a corporation within the TM Group.

(iii) Duration of the Special ESOS

The Special ESOS shall be in force for a period of eighteen (18) months from the grant date which is 16 September 2009, unless extended or renewed by TM's Board for another twelve (12) months or a shorter period as it deems fit, subject to TM shareholders' approval.

On expiry of the Special ESOS, the remaining unexercised options shall be sold to the market, at the discretion of the Option Committee.

(iv) Maximum Allowable Allocation

The number of options that shall be granted to Eligible Employees is at the discretion of the Option Committee subject to the following and item (vi) below:

(a) Not more than 50% of the shares available under Special ESOS shall be granted, in aggregate, to Eligible Employees who are Executive Directors or Senior Management and above.

(b) Not more than 10% of the shares available under Special ESOS shall be granted to any individual Eligible Employee who, either singly or collectively through persons connected with him, holds 20% or more of the issued and paid-up capital of TM.

14. EMPLOYEES' SHARE OPTION SCHEME ("ESOS") (CONTINUED)

(b) 2008 Demerger Special ESOS (continued)

(v) Subscription price

The subscription price of each RM1 share shall be the five (5) day weighted average market price of the share immediately preceding the date of offer with maximum discount of up to 10.0%. Post TM Demerger, the subscription price of each RM1 share of TM and the Company shall be the five (5) day weighted average market price of the shares immediately preceding the date of offer respectively, with maximum discount of up to 10.0% each. The combined subscription price shall not be less that RM9.70, being the subscription price prior to demerger.

(vi) Alteration in capital structure

In the event of any alteration in capital structure of TM during the option period which expires on 16 September 2009, such corresponding alterations shall be made in:

(a) the number of new shares in relation to Special ESOS so far as unexercised;

(b) and/or the subscription price.

(vii) Ranking of new TM Shares

The new shares to be issued under the Special ESOS shall, upon allotment and issuance, rank equally in all respects with the existing shares except that they shall not entitle the holders to any dividend, right, allotment and/or other distributions in respect of which the entitlement date is before the date of issuance of such new TM Shares.

(viii) Trust arrangement

The Special ESOS will be implemented through TEM, a trust company established by TM to act as a trustee to acquire, hold and manage the Special ESOS Shares and other related benefits under the Special ESOS.

TEM shall grant the Options to Eligible Employees only on the instructions of the Options Committee to be appointed by TM's Board. Excess unallocated shares will be sold in the open market at the fair market value upon the expiration of the Special ESOS.

14. EMPLOYEES' SHARE OPTION SCHEME ("ESOS") (CONTINUED)

(b) 2008 Demerger Special ESOS (continued)

The options granted do not confer any right to participate in any share issue of any other company.

The movement during the financial year in the number of Special ESOS options over the ordinary shares of RM1 each of TM and ordinary shares of RM1 each of the Company in which the employees of the Group and Company are entitled to, is as follows:

2009

	Exercise price (RM)	At 1 January	Granted	Adjusted	Exercised	Lapsed	At 31 December	Fair value at grant date (RM)
TM shares								
Tranche 1	**2.71/1.91**	**6,027,560**	**–**	**–**	**(6,027,560)**	**–**	**–**	**0.82**
Tranche 2	**2.71/1.91**	**6,599,070**	**–**	**–**	**(6,599,070)**	**–**	**–**	**0.80**
Tranche 3	**2.71/1.91**	**7,219,470**	**–**	**427,660**	**(6,898,070)**	**(749,060)**	**–**	**0.79**
		19,846,100	**–**	**427,660**	**(19,524,700)**	**(749,060)**	**–**	

2008

	Exercise price (RM)	At 1 January	Granted	Adjusted	Exercised	Lapsed	At 31 December	Fair value at grant date (RM)
TM shares								
Tranche 1	2.71	–	9,389,200	495,360	(3,827,700)	(29,300)	6,027,560	0.82
Tranche 2	2.71	–	7,041,900	444,870	(752,700)	(135,000)	6,599,070	0.80
Tranche 3	2.71	–	7,041,900	444,870	–	(267,300)	7,219,470	0.79
		–	23,473,000	1,385,100	(4,580,400)	(431,600)	19,846,100	

14. EMPLOYEES' SHARE OPTION SCHEME ("ESOS") (CONTINUED)

(b) 2008 Demerger Special ESOS (continued)

Pre-TM Demerger, a total of 73,400 options granted under the Special ESOS were exercised by Eligible Employees at an exercise price of RM9.70 per share.

2009

	Exercise price (RM)	At 1 January	Granted	Adjusted	Exercised	Lapsed	At 31 December	Fair value at grant date (RM)
Axiata shares								
Tranche 1	**6.99/4.77**	**9,642,020**	**–**	**–**	**–**	**(9,642,020)**	**–**	**0.66**
Tranche 2	**6.99/4.77**	**7,327,590**	**–**	**–**	**–**	**(7,327,590)**	**–**	**0.86**
Tranche 3	**6.99/4.77**	**7,195,290**	**–**	**–**	**–**	**(7,195,290)**	**–**	**1.03**
		24,164,900	**–**	**–**	**–**	**(24,164,900)**	**–**	

2008

	Exercise price (RM)	At 1 January	Granted	Adjusted	Exercised	Lapsed	At 31 December	Fair value at grant date (RM)
Axiata shares								
Tranche 1	6.99	–	9,389,200	536,520	(68,600)	(215,100)	9,642,020	0.66
Tranche 2	6.99	–	7,041,900	420,690	–	(135,000)	7,327,590	0.86
Tranche 3	6.99	–	7,041,900	420,690	–	(267,300)	7,195,290	1.03
		–	23,473,000	1,377,900	(68,600)	(617,400)	24,164,900	

Details relating to Special ESOS options exercised during the financial year are as follows:

Exercise date	Fair value of TM Shares at share issue date	Exercise price/ Number of options exercised	
	RM/share	**RM2.71**	**RM1.91**
1.1.2009 to 31.1.2009	**3.18 – 3.74**	**412,400**	**–**
1.2.2009 to 28.2.2009	**3.02 – 3.44**	**1,443,000**	**–**
1.3.2009 to 31.3.2009	**2.16 – 2.42**	**5,431,800**	**–**
1.4.2009 to 30.4.2009	**1.77 – 2.69**	**6,762,500**	**–**
1.5.2009 to 31.5.2009	**2.14 – 2.46**	**2,832,800**	**–**
1.6.2009 to 30.6.2009	**2.20 – 2.40**	**–**	**145,400**
1.7.2009 to 31.7.2009	**2.37 – 2.96**	**–**	**366,500**
1.8.2009 to 31.8.2009	**2.92 – 3.18**	**–**	**409,600**
1.9.2009 to 16.9.2009	**3.09 – 3.17**	**–**	**1,720,700**
		16,882,500	**2,642,200**

14. EMPLOYEES' SHARE OPTION SCHEME ("ESOS") (CONTINUED)

(b) 2008 Demerger Special ESOS (continued)

The fair value of the Special ESOS granted in which FRS 2 applies, were determined using the Black Scholes Valuation model. The significant inputs in the model are as follows:

	Special ESOS			
	TM Options Tranche 1-3		Axiata Options Tranche 1-3	
Exercise price	RM2.71	RM3.14	RM6.99	RM6.56
Option life (number of days to expiry)				
- Tranche 1	183	n/a	183	n/a
- Tranche 2	350	182	350	182
- Tranche 3	534	335	534	335
Weighted average share price at grant date	RM3.58	RM3.32	RM7.25	RM5.00
Expected dividend yield	5.6%	5.6%	1.8%	1.8%
Risk free interest rates (Yield of Malaysian Government securities)	3.4%	3.7%	3.4%	3.7%
Expected volatility	21.5%	27.1%	24.6%	23.2%
TM share historical volatility period:				
From	31.03.2006	16.10.2007	—*	—*
To	31.03.2008	16.10.2008	—*	—*

The volatility measured at the standard deviation of continuously compounded share return is based on statistical analysis of daily share prices over the last 1 to 2 years from the grant date.

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

14. EMPLOYEES' SHARE OPTION SCHEME ("ESOS") (CONTINUED)

(b) 2008 Demerger Special ESOS (continued)

The amounts recognised in the financial statements as disclosed in Note 8(b) and 8(c) for all employees (including Directors) to the financial statements arising from the Special ESOS are summarised as below:

	Group		Company	
	2009	**2008**	**2009**	**2008**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Equity settlement arrangements:				
(a) options over Axiata shares granted to Axiata Group employees	**–**	16,663	**–**	–
(b) options over TM shares granted to Axiata Group employees	**74**	17,526	**814**	504
	74	34,189	**814**	504

(c) ESOS of Dialog

On 11 July 2005, the Board of Directors of Dialog resolved and issued 199,892,741 ordinary shares of Dialog at the Initial Public Offering ("IPO") price of Sri Lanka Rupee ("SLR") twelve (12) to an ESOS Trust, being 2.7% of the issued share capital of Dialog.

Of the total ESOS shares that were transferred to the ESOS Trust, 88,841,218 shares (44.4%) were granted at the point of the IPO. The balance 111,051,523 shares (56.6%) shall be allocated to employees as an ongoing performance incentive. The ESOS Trust entitlement via the rights issue was 15,452,020 shares. From the total entitlement, 5,668,600 shares were sold in the stock market. On the Trustees' approval, the remaining rights entitlement amounting to 9,783,420 shares was exercised by the ESOS Trust.

The principal features of ESOS are as follows:

(i) The eligibility for participation in ESOS is at the discretion of the ESOS Committee appointed by the Board of Directors of Dialog;

(ii) Except the existing tranche, the exercise price of the ESOS shares will be based on the five (5) days weighted average market price of Dialog's shares immediately preceding the offer date for options, with the ESOS Committee having the discretion to set an exercise price up to 10% lower than that derived weighted average market price; and

(iii) Options are conditional on an employee satisfying the following:

- has attained the age of eighteen (18) years;
- is employed full-time by and on the payroll of a company within Dialog Group; and
- has been in the employment of Dialog Group for a period of at least one (1) year of continuous service prior to and up to the offer date, including service during the probation period.

14. EMPLOYEES' SHARE OPTION SCHEME ("ESOS") (CONTINUED)

(c) ESOS of Dialog (continued)

The total number of shares granted was 88,841,218. As at 31 December 2009, 59,717,218 shares have been exercised or forfeited and 29,124,000 shares remain unexercised and are exercisable before 12 July 2010.

The movement in the number of ESOS shares is as follows:

2009

Grant date	Exercise price SLR	At 1 January '000	Granted '000	Exercised '000	Forfeited* '000	At 31 December '000	Fair value at grant date SLR
11 July 2005	**12**	**35,008**	**—**	**—**	**(5,884)**	**29,124**	**4.4**

2008

Grant date	Exercise price SLR	At 1 January '000	Granted '000	Exercised '000	Forfeited* '000	At 31 December '000	Fair value at grant date SLR
11 July 2005	12	37,529	—	(793)	(1,728)	35,008	4.4

* Options forfeited are allocated back to the ESOS Trust for future reallocation. Total reallocated shares as at 31 December 2009 is 8,614,000.

The fair values of options granted in which FRS 2 applies, were determined using the Black Scholes Valuation model. The significant inputs into the model are as follows:

Exercise price	**SLR12**
Option life (number of days to expiry)	1,826
Weighted average share price at grant date	SLR12
Expected dividend yield	2.1%
Risk free interest rates (Yield of treasury bond of Central Bank of Sri Lanka)	10.0%
Expected volatility	28.2%

The above volatility rate was derived after considering the pattern and level of historical volatility of entities in the same industry since Dialog does not have sufficient information on historical volatility as it was only listed on the Colombo Stock Exchange in July 2005 during the grant date.

The volatility measured at the standard deviation of continuously compounded share return is based on statistical analysis of daily share prices of these entities over the last two (2) years from the grant date.

15. OTHER RESERVES

	Group		Company	
	2009	**2008**	**2009**	**2008**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Retained profits	**7,916,133**	6,263,451	**3,046,623**	25,876
Capital contribution reserve	**16,598**	16,598	**16,598**	16,598
Merger reserve	**346,774**	346,774	**—**	—
ESOS reserve	**11,179**	—	**11,179**	—
Currency translation differences arising from translation of:				
– subsidiaries	**(312,031)**	(560,428)	**—**	—
– jointly controlled entity	**(54,538)**	(106,757)	**—**	—
– associates	**(158,148)**	8,729	**—**	—
Total other reserves	**7,765,967**	5,968,367	**3,074,400**	42,474

The Group's capital contribution reserve relates to the ESOS of TM, the former holding company, which were made available to the employees of the Group as disclosed in Note 14(b) to the financial statements.

The Group's ESOS reserve relates to the Performance-Based ESOS of the Company, which were made available to the employees of the Group as disclosed in Note 14(a) to the financial statements.

Subject to agreement by the Inland Revenue Board, the Company has sufficient tax credits under Section 108 of the Income Tax Act, 1967 available to pay tax franked dividends out of approximately RM5.6 million (2008: RM5.3 million) of its retained profits as at 31 December 2009.

In addition, the Company has tax exempt income accounts as at 31 December 2009 amounting to approximately RM149.2 million (2008: RM149.2 million) available for distribution as tax exempt dividends to shareholders subject to the availability of retained profits. The tax exempt income accounts are subject to agreement by the Inland Revenue Board. The remaining retained profits can be distributed as tax exempt dividends under the Single Tier Tax system.

16. BORROWINGS

	2009				2008			
	W.A.R.F.	**Non-current**	**Current**	**Total**	**W.A.R.F.**	**Non-current**	**Current**	**Total**
Group		**RM'000**	**RM'000**	**RM'000**		**RM'000**	**RM'000**	**RM'000**
OVERSEAS								
Secured:								
Borrowings from financial institutions (a)	**5.04%**	**314,249**	**65,526**	**379,775**	6.17%	397,326	47,243	444,569
Other borrowings (b)	**2.89%**	**466,092**	**109,352**	**575,444**	2.76%	318,633	126,416	445,049
Bank overdrafts (Note 32)	**–**	**–**	**–**	**–**	20.50%	–	1,374	1,374
Unsecured:								
Notes (c)	**9.48%**	**538,405**	**199,376**	**737,781**	8.80%	921,360	–	921,360
Rated Cumulative Redeemable Preference Shares (d)	**10.22%**	**74,825**	**37,413**	**112,238**	19.08%	114,562	22,913	137,475
Borrowings from financial institutions (e)	**7.12%**	**3,021,588**	**630,007**	**3,651,595**	9.04%	4,634,551	508,654	5,143,205
Other borrowings	**2.42%**	**977,305**	**218,561**	**1,195,866**	2.78%	959,620	257,741	1,217,361
Bank overdrafts (Note 32)	**13.17%**	**–**	**7,302**	**7,302**	19.71%	–	80,933	80,933
Total	**5.70%**	**5,392,464**	**1,267,537**	**6,660,001**	7.89%	7,346,052	1,045,274	8,391,326

* W.A.R.F. – Weighted Average Rate of Finance

16. BORROWINGS (CONTINUED)

Group	2009 W.A.R.F.	2009 Non-current RM'000	2009 Current RM'000	2009 Total RM'000	2008 W.A.R.F.	2008 Non-current RM'000	2008 Current RM'000	2008 Total RM'000
MALAYSIA								
Secured:								
Borrowings from financial Institutions (f)	**1.62%**	**25,000**	**5,000**	**30,000**	–	–	–	–
Unsecured:								
Borrowings from financial institutions (g)	**2.92%**	**4,756,000**	**875,372**	**5,631,372**	3.91%	3,200,000	4,368,025	7,568,025
Bank overdrafts (Note 32)	**3.48%**	**–**	**1,465**	**1,465**	–	–	–	–
Total	**3.13%**	**4,781,000**	**881,837**	**5,662,837**	3.91%	3,200,000	4,368,025	7,568,025
TOTAL BORROWINGS	**4.64%**	**10,173,464**	**2,149,374**	**12,322,838**	6.07%	10,546,052	5,413,299	15,959,351

* W.A.R.F. – Weighted Average Rate of Finance

Group	2009 RM'000	2008 RM'000
Long term borrowings are repayable as follows:		
After one year and up to five years	**9,398,761**	10,246,013
After five years and up to ten years	**774,703**	300,039
	10,173,464	10,546,052

16. BORROWINGS (CONTINUED)

Company	2009 W.A.R.F.	2009 Non-current RM'000	2009 Current RM'000	2009 Total RM'000	2008 W.A.R.F.	2008 Non-current RM'000	2008 Current RM'000	2008 Total RM'000
Unsecured:								
Borrowings from financial Institutions (g)	**3.13%**	**4,756,000**	**300,000**	**5,056,000**	3.91%	3,200,000	4,368,025	7,568,025

* W.A.R.F. – Weighted Average Rate of Finance

Company	2009 RM'000	2008 RM'000
Long term borrowings are repayable as follows:		
After one year and up to five years	**4,756,000**	3,200,000

(a) Secured by way of fixed charge on certain property, plant and equipment of subsidiaries, AXB, Dialog Broadband Networks (Private) Limited and Multinet (Pakistan) Pte Ltd as disclosed in Note 22(c) to the financial statements.

(b) Supplier credit that bears 0% interest during the first 2 years and is repayable from 2008 to 2014. This supplier credit is secured by way of fixed charge on property, plant and equipment of AXB as disclosed in Note 22(c) to the financial statements.

(c) Notes consist of the following:

	2009 RM'000	2008 RM'000
USD250.0 million, 7.125%	**199,376**	443,038
IDR1,500.0 billion, 10.35%	**538,405**	478,322
	737,781	921,360

XL is required to comply with certain conditions, such as limitations on assets sale and/or leaseback transactions, and maintain its debt to EBITDA ratio not to exceed 4.5 to 1.0 over the period of borrowings.

As at 31 December 2009, XL had completed the partial buyback of RM632.5 million (USD190.5 million) from the USD250.0 million Notes. The buy back was completed on 18 January 2010.

16. BORROWINGS (CONTINUED)

(d) Consists of 5,000 million Rated Cumulative Redeemable Preference Shares ("RCRPS") of SLR1 each issued by Dialog during 2007, redeemable at par. The shares are mandatorily redeemable on 31 May 2012 with redemption schedule as set out below.

	Redemption value per RCRPS
2008	10%
2009	15%
2010	25%
2011	25%
2012	25%

The dividend is cumulative and payable semi-annually, at the Average Weighted Prime Lending Rate less a discount of 0.9%. The RCRPS issued by Dialog have been classified as liabilities and accordingly, dividends on these RCRPS are utilised in the Income Statement as finance cost.

(e) Borrowings from financial institutions

Included in the balance are borrowings of a subsidiary subjected to certain covenants.

The covenants require the subsidiary to comply with certain conditions, such as hedging, limitations on certain asset sales or transfers, maintaining the majority ownership of the subsidiary's shares directly or indirectly by the Company and maintaining its debt to EBITDA ratio not exceeding 3.0 to 1.0.

(f) The terms of the loan requires a predetermined portion of lease rental proceeds due to a subsidiary to be placed in a debt reserve account with the bank to meet the debt serving requirements. The terms of the loan also require certain financial covenants to be met.

(g) Included in unsecured domestic borrowings from financial institutions are borrowings of the Company which are subjected to certain covenants. The covenants require that certain ratios are to be met in respect of Group EBITDA/Interest Expense and Group Total Borrowings/Shareholders' Funds.

The currency exposure profile of borrowings is as follows:

	Group		**Company**	
	2009 RM'000	**2008 RM'000**	**2009 RM'000**	**2008 RM'000**
Ringgit Malaysia	**4,231,465**	5,600,000	**4,200,000**	5,600,000
US Dollar	**3,869,291**	5,953,469	**856,000**	1,968,025
Indonesian Rupiah	**3,219,762**	2,990,322	**–**	–
Bangladesh Taka	**62,502**	284,971	**–**	–
Sri Lanka Rupee	**267,078**	447,448	**–**	–
Singapore Dollar	**575,372**	578,429	**–**	–
Other currencies	**97,368**	104,712	**–**	–
	12,322,838	15,959,351	**5,056,000**	7,568,025

17. AMOUNTS DUE TO FORMER HOLDING COMPANY

The former holding company, TM, ceased to be the holding company of the Company upon demerger of the TM Group (as disclosed in Note 6(l)), whilst continuing to have common shareholders with the Company.

	Group		Company	
	2009	**2008**	**2009**	**2008**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Advances	**—**	4,063,613	**—**	4,063,613

Advances at 31 December 2008, which were unsecured, consisted of the following:

(a) Interest bearing advances of RM4,025.0 million bears interest of 5.90% and 6.72% per annum on RM2,925.0 million and RM1,100.0 million respectively, which are payable within twelve (12) months from the date of completion of the group restructuring; and

(b) RM38.6 million is non interest bearing and has no fixed term of repayment.

The Group and Company paid RM2,000.0 million and RM2,025.0 million on 31 March 2009 and 24 April 2009 respectively and the balance owing to the former holding company was fully paid on 14 May 2009.

18. AMOUNTS DUE FROM/(TO) SUBSIDIARIES AND RELATED COMPANIES

Current portion

The currency exposure profile of the current portion of amounts due from subsidiaries and related companies is as follows:

	Amounts due from subsidiaries		Amounts due from related companies	
	2009	**2008**	**2009**	**2008**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Interest bearing[1]				
Singapore Dollar	**—**	578,429	**—**	—
Non-interest bearing				
Ringgit Malaysia	**40,289**	16,762	**—**	—
US Dollar	**37,743**	25,791	**201**	575
Singapore Dollar	**609,806**	17,758	**—**	—
Others	**—**	—	**1,199**	—
	687,838	638,740	**1,400**	575

[1] Effective interest rate of 4.39% as at 31 December 2008.

18. AMOUNTS DUE FROM/(TO) SUBSIDIARIES AND RELATED COMPANIES (CONTINUED)

Amounts due from subsidiaries and related companies are unsecured and have no fixed terms of repayment. The related companies of the Company are its associates and its indirectly held jointly controlled entity.

All amounts due to subsidiaries are denominated in Ringgit Malaysia, unsecured, interest free and have no fixed terms of repayment.

Non-current portion

The currency exposure profile of the non-current portion of amounts due from subsidiaries is as follows:

	Amounts due from subsidiaries	
	2009 RM'000	**2008 RM'000**
Interest bearing[2]		
US Dollar	**47,049**	48,279
Non-interest bearing		
Ringgit Malaysia	**4,545,943**	3,416,614
US Dollar	**7,242,017**	7,169,328
	11,835,009	10,634,221

[2] Effective interest rate of 3.93% as at 31 December 2009 (2008: 6.11%)

The non-interest bearing amounts due from subsidiaries are unsecured and are treated as an extension of investments in subsidiaries and consequently is classified as long term.

19. DEFERRED TAX

Deferred tax assets and liabilities are offset 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 offsetting, are shown in the balance sheet:

	Group	
	2009	**2008**
	RM'000	**RM'000**
Subject to income tax:		
Deferred tax assets	**(180,429)**	(141,188)
Deferred tax liabilities	**1,247,758**	777,263
Total deferred tax	**1,067,329**	636,075
At 1 January	**636,075**	718,995
– property, plant and equipment	**517,066**	(88,782)
– tax losses	**(146,163)**	7,913
– provision and others	**33,549**	8,053
Charge/(credit) to income statement (Note 11)	**404,452**	(72,816)
– currency translation differences	**26,802**	(10,104)
At 31 December	**1,067,329**	636,075

The tax effect of deductible temporary differences and unutilised tax losses of the Group and the Company for which no deferred tax asset is recognised in the balance sheet are as follows:

	Group		Company	
	2009	**2008**	**2009**	**2008**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Deductible temporary differences	**46,211**	44,496	**3,275**	1,189
Unutilised tax losses	**70,718**	66,495	**–**	–
	116,929	110,991	**3,275**	1,189

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

19. DEFERRED TAX (CONTINUED)

Breakdown of cumulative balances by each type of temporary difference:

	Group	
	2009	**2008**
	RM'000	**RM'000**
(a) Deferred Tax Assets		
– Property, plant and equipment	**127,294**	201,740
– Tax losses	**166,368**	18,075
– Provision and others	**195,327**	158,253
Offsetting	**(308,560)**	(236,880)
Total deferred tax assets	**180,429**	141,188
(b) Deferred Tax Liabilities		
– Property, plant and equipment	**1,522,989**	1,046,436
– Provision and others	**33,329**	(32,293)
Offsetting	**(308,560)**	(236,880)
Total deferred tax liabilities	**1,247,758**	777,263

20. PROVISION FOR LIABILITIES

The provision for liabilities relates to provision for dismantling costs of existing telecommunication network and equipment.

	Group	
	2009	**2008**
	RM'000	**RM'000**
At 1 January	**120,706**	87,196
Current year provision	**83,027**	25,986
Accretion of interest	**9,541**	8,511
Over accrual in previous financial year	**(3,572)**	—
Currency translation differences	**(149)**	92
	209,553	121,785
Utilised during the financial year	**(638)**	(1,079)
At 31 December	**208,915**	120,706

21. INTANGIBLE ASSETS

Group	Goodwill RM'000	Licenses RM'000	Total RM'000
Net book value			
At 1 January 2009	**8,164,605**	**161,740**	**8,326,345**
Additions	**92,841**	**—**	**92,841**
Currency translation differences	**160,780**	**10,030**	**170,810**
Impairment	**(4,670)**	**—**	**(4,670)**
Amortisation	**—**	**(21,876)**	**(21,876)**
At 31 December 2009	**8,413,556**	**149,894**	**8,563,450**
Net book value			
At 1 January 2008	7,268,116	150,320	7,418,436
Additions	1,039,229	40,100	1,079,329
Currency translation differences	(142,740)	(8,975)	(151,715)
Amortisation	—	(19,705)	(19,705)
At 31 December 2008	8,164,605	161,740	8,326,345
At 31 December 2009			
Cost	**8,442,038**	**220,151**	**8,662,189**
Accumulated amortisation	**—**	**(70,257)**	**(70,257)**
Accumulated impairment	**(28,482)**	**—**	**(28,482)**
Net book value	**8,413,556**	**149,894**	**8,563,450**
At 31 December 2008			
Cost	8,188,417	219,117	8,407,534
Accumulated amortisation	—	(57,377)	(57,377)
Accumulated impairment	(23,812)	—	(23,812)
Net book value	8,164,605	161,740	8,326,345

The remaining amortisation period of acquired licences range from one (1) year to eight (8) years.

21. INTANGIBLE ASSETS (CONTINUED)

(a) Impairment tests for goodwill

The Group undertakes an annual test for impairment of its cash-generating units.

The following cash-generating units, being the lowest level of asset for which there are separately identifiable cash flows, have carrying amounts of goodwill that are considered significant in comparison with the Group's total goodwill:

	2009 RM'000	2008 RM'000
Mobile services		
Indonesia	**4,272,396**	4,021,564
Malaysia	**4,031,110**	4,031,110
Mobile services and others		
Multiple units without significant goodwill	**110,050**	111,931
Total	**8,413,556**	8,164,605

The amount of goodwill initially recognised is dependent upon the allocation of the purchase price to the fair value of identifiable assets acquired and the liabilities assumed. The determination of the fair value of the assets and liabilities is based, to a considerable extent, on management's judgement.

(i) Key assumptions used in the value in use ("VIU")

The recoverable amounts of the cash-generating units including goodwill in these tests are determined based on VIU calculations.

The VIU calculations apply a discounted cash flow model using cash flow projections based on forecasts and projections approved by management covering a three-year period for the mobile business in Malaysia and a five-year period for the mobile business in Indonesia. These forecasts and projections reflect management's expectation of revenue growth, operating costs and margins for each cash-generating unit based on past experience and future outlook.

Cash flows beyond the third year for the mobile business in Malaysia and fifth year for the mobile business in Indonesia are extrapolated in perpetuity using estimated terminal growth rates which takes into consideration the current GDP, inflation and average growth rate for the telecommunication industry. These rates have been determined with regards to projected growth rates for the respective markets in which the cash-generating units participate and are not expected to exceed the long term average growth rates for those markets.

21. INTANGIBLE ASSETS (CONTINUED)

(a) Impairment tests for goodwill (continued)

(i) Key assumptions used in the value in use ("VIU") (continued)

Discount rates applied to the cash flow forecasts are derived from the cash-generating units pre-tax weighted average cost of capital plus a reasonable risk premium at the date of the assessment of the respective cash-generating units.

The following assumptions have been applied in the VIU calculations:

	2009		**2008**	
	Malaysia	**Indonesia**	**Malaysia**	**Indonesia**
	%	**%**	**%**	**%**
Pre-tax discount rate	**15.2**	**16.4**	14.5	16.6
Terminal growth rate	**1.5**	**3.3**	1.5	3.0
Revenue growth	**6.0 over 3 years**	**9.0 to 13.6 over 5 years**	9.0 over 3 years	5.0 to 20.0 over 10 years

(ii) Impact of possible change in key assumptions

The Group's review includes an impact assessment of changes in key assumptions. Sensitivity analysis show that no impairment loss is required for the carrying amount of goodwill assessed, including where realistic variations are applied to key assumptions.

(b) Impairment of goodwill

During the financial year, the Group has recognised an impairment of RM4.7 million for the goodwill on acquisition of the 51.00% equity interest in C-Mobile as disclosed in Note 6(II)(b) to the financial statements.

22. PROPERTY, PLANT AND EQUIPMENT

Group	Freehold land RM'000	Buildings RM'000	Telecommunication network equipment RM'000	Movable plant and equipment RM'000	Computer support systems RM'000	Capital work-in-progress RM'000	Total RM'000
Net book value							
At 1 January 2009	25,793	144,367	12,112,444	211,726	292,818	2,172,522	14,959,670
Additions	5,669	22,751	1,275,189	52,953	133,839	1,524,920	3,015,321
Acquisitions through business combination	—	—	—	6,331	555	—	6,886
Assetisation	—	40,940	2,381,583	24,299	77,686	(2,524,508)	—
Disposals	(9)	(911)	(120,848)	(2,095)	(5,005)	—	(128,868)
Write off	—	(329)	(2,081)	(307)	(30)	—	(2,747)
Depreciation	—	(27,459)	(2,490,947)	(75,826)	(151,573)	—	(2,745,805)
Impairment	—	—	(8,495)	(54)	(5)	(75,073)	(83,627)
Currency translation differences	(275)	1,281	704,171	2,355	10,856	76,115	794,503
At 31 December 2009	31,178	180,640	13,851,016	219,382	359,141	1,173,976	15,815,333
At 31 December 2009							
Cost	38,243	305,158	23,307,233	536,775	1,368,220	1,294,863	26,850,492
Accumulated depreciation	—	(98,849)	(9,138,453)	(311,922)	(998,296)	—	(10,547,520)
Accumulated impairment	(7,065)	(25,669)	(317,764)	(5,471)	(10,783)	(120,887)	(487,639)
Net book value	31,178	180,640	13,851,016	219,382	359,141	1,173,976	15,815,333

22. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Group	Freehold land RM'000	Buildings RM'000	Telecom-munication network equipment RM'000	Movable plant and equipment RM'000	Computer support systems RM'000	Capital work-in-progress RM'000	Total RM'000
Net book value							
At 1 January 2008	25,047	123,667	9,320,947	189,610	216,983	2,283,583	12,159,837
Additions	537	3,641	3,068,685	53,630	164,030	2,361,037	5,651,560
Assetisation	—	39,544	2,226,719	27,817	50,396	(2,344,476)	—
Disposals	—	(56)	(56,351)	(864)	(15)	(191)	(57,477)
Write off	—	—	(4,929)	(137)	(2)	—	(5,068)
Depreciation	—	(22,999)	(2,084,926)	(60,019)	(132,902)	—	(2,300,846)
Impairment	—	—	(16,704)	(21)	—	3,887	(12,838)
Currency translation differences	209	570	(340,997)	1,710	(5,672)	(131,318)	(475,498)
At 31 December 2008	25,793	144,367	12,112,444	211,726	292,818	2,172,522	14,959,670
At 31 December 2008							
Cost	32,858	243,537	19,305,008	459,436	1,158,691	2,220,836	23,420,366
Accumulated depreciation	—	(73,501)	(6,882,955)	(242,291)	(855,096)	—	(8,053,843)
Accumulated impairment	(7,065)	(25,669)	(309,609)	(5,419)	(10,777)	(48,314)	(406,853)
Net book value	25,793	144,367	12,112,444	211,726	292,818	2,172,522	14,959,670

22. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(a) The net book value of plant and machineries held under hire purchase and finance lease arrangements are as follows:

	2009 RM'000	2008 RM'000
Telecommunication network equipment	**5,587**	9,527
Movable plant and equipment	**2,019**	3,614
	7,606	13,141

(b) During the financial year, the Group incurred net impairment losses of RM83.6 million (2008: RM12.8 million). The allowance for the impairment losses relates primarily to the write down of certain telecommunication network assets in which the assets had been written down to its recoverable values, net of reversal of impairment losses of RM5.2 million (2008: RM16.0 million) in relation to capital work-in-progress made on a subsidiary's long outstanding projects which are now completed.

(c) Net book value of property, plant and equipment of certain subsidiaries pledged as security for borrowings (Note 16(a) and (b) to the financial statements) are as follow:

	2009 RM'000	2008 RM'000
Telecommunication network	**1,761,655**	1,600,651
Movable plant and equipment	**66,067**	73,538
Computer support systems	**2,518**	5,889
Land	**6,013**	7,189
Buildings	**20,281**	21,976
	1,856,534	1,709,243

(d) There had been a change in the expected pattern of consumptions of future economic benefits embodied in certain telecommunication network equipment of subsidiaries within the Group due to physical verification exercise and assets replacement plans. The revision was accounted for as a change in accounting estimate and has increased the depreciation charge during the financial year for the Group by RM300.9 million (2008: RM295.7 million).

(e) XL owns land located throughout Indonesia with Building Use Rights (*Hak Guna Bangunan* or "*HGB*") for periods of 20 to 30 years which will expire between 2012 to 2039.

As at 31 December 2009, there are 129 locations with a total book value of RM17.3 million and for which HGB certificates are in process.

22. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Company	Movable plant and equipment Office equipment RM'000	Furniture and fitting RM'000	Mobile equipment RM'000	Motor vehicles RM'000	Total RM'000
Net book value					
At 1 January 2009	**1,294**	**644**	**159**	**679**	**2,776**
Additions	**3,841**	**4,905**	**377**	**–**	**9,123**
Write-off	**(185)**	**(519)**	**(9)**	**–**	**(713)**
Depreciation	**(705)**	**(278)**	**(78)**	**(107)**	**(1,168)**
At 31 December 2009	**4,245**	**4,752**	**449**	**572**	**10,018**
At 31 December 2009					
Cost	**6,031**	**5,695**	**598**	**751**	**13,075**
Accumulated depreciation	**(1,786)**	**(943)**	**(149)**	**(179)**	**(3,057)**
Net book value	**4,245**	**4,752**	**449**	**572**	**10,018**
Net book value					
At 1 January 2008	1,082	733	72	51	1,938
Additions	540	102	101	683	1,426
Depreciation	(328)	(191)	(14)	(55)	(588)
At 31 December 2008	1,294	644	159	679	2,776
At 31 December 2008					
Cost	2,375	1,309	230	751	4,665
Accumulated depreciation	(1,081)	(665)	(71)	(72)	(1,889)
Net book value	1,294	644	159	679	2,776

23. INVESTMENT PROPERTIES

Group	Freehold land RM'000	Buildings RM'000	Total RM'000
Net book value			
At 1 January 2009	**1,787**	**249**	**2,036**
Depreciation	**—**	**(9)**	**(9)**
At 31 December 2009	**1,787**	**240**	**2,027**
At 31 December 2009			
Valuation	**1,787**	**413**	**2,200**
Accumulated depreciation	**—**	**(173)**	**(173)**
Net book value	**1,787**	**240**	**2,027**
Net book value			
At 1 January 2008	1,787	257	2,044
Depreciation	—	(8)	(8)
At 31 December 2008	1,787	249	2,036
At 31 December 2008			
Valuation	1,787	413	2,200
Accumulated depreciation	—	(164)	(164)
Net book value	1,787	249	2,036

23. INVESTMENT PROPERTIES (CONTINUED)

Details of independent professional valuations of freehold and buildings carried out by the Group is as follows:

Year of valuation	Description of property	Valuation RM'000	Basis of valuation
1988	Freehold land and building at Jalan Ampang, Kuala Lumpur	2,200	Open market basis

The land and building held at valuation has not been valued since it was first valued in 1988. The Directors have not adopted a policy of regular revaluation of such assets. As permitted under the transitional provision of FRS 116 "Property, Plant and Equipment", these assets continue to be stated at their 1988 valuation less accumulated depreciation.

The fair value of the property was estimated at RM12.2 million as at 12 August 2009, based on a valuation performed by an independent professionally qualified valuer during the financial year ended 31 December 2009. The valuation was based on current price in an active market.

24. PREPAID LEASE PAYMENTS

	Group 2009 RM'000	Group 2008 RM'000
Net book value		
At 1 January	**328,352**	321,860
Additions	**54,738**	79,956
Amortisation	**(58,564)**	(45,601)
Currency translation	**34,577**	(27,863)
At 31 December	**359,103**	328,352
Represented by:		
Cost	**617,890**	521,982
Accumulated amortisation	**(258,787)**	(177,345)
Accumulated impairment losses	**—**	(16,285)
Net book value	**359,103**	328,352

24. PREPAID LEASE PAYMENTS (CONTINUED)

The prepaid lease rentals were payment for rights to use the followings:

	Group	
	2009	2008
	RM'000	RM'000
Short leasehold land	**58,165**	66,630
Long leasehold land	**300,938**	261,722
At 31 December	**359,103**	328,352

25. SUBSIDIARIES

	2009			2008		
	Malaysia	Overseas	Total	Malaysia	Overseas	Total
The Company	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Unquoted investments, at cost	**5,187,159**	**181,876**	**5,369,035**	5,177,486	181,876	5,359,362

The Group's equity interest in subsidiaries, their respective principal activities and countries of incorporation are listed in Note 45 to the financial statements.

The recoverability of the investment in subsidiaries is dependent on factors as disclosed in Note 21 to the financial statements under "Impairment test for goodwill".

26. JOINTLY CONTROLLED ENTITY

	Group	
	2009	2008
	RM'000	RM'000
Share of net assets of jointly controlled entity		
– quoted investment	**1,006,277**	1,013,202
Market value	**1,555,153**	831,803

* the investment in jointly controlled entity, Spice, is closely held, thus the market price of the shares may not reflect the fair value.

26. JOINTLY CONTROLLED ENTITY (CONTINUED)

The Group's share of the revenue and results of the jointly controlled entities is as follows:

	Group 2009 RM'000	Group 2008 RM'000
Revenue	**483,402**	374,658
Other income	**6,725**	14,880
Expenses excluding tax	**(549,508)**	(541,622)
Share of profit of an associate of a jointly controlled entity	**—**	11,324
Loss before taxation	**(59,381)**	(140,760)
Taxation	**(113)**	(1,680)
Loss after taxation	**(59,494)**	(142,440)

The Group's share of the assets and liabilities of the jointly controlled entities is as follows:

	Group 2009 RM'000	Group 2008 RM'000
Non-current assets	**1,814,510**	1,688,450
Current assets	**129,401**	229,596
Current liabilities	**(284,963)**	(250,256)
Non-current liabilities	**(652,671)**	(654,588)
Net assets	**1,006,277**	1,013,202

The Group's share of contingent liabilities of a jointly controlled entity amounted to RM61.9 million (2008: RM46.1 million).

The Group's equity interest in the jointly controlled entity, the principal activities and country of incorporation is listed in Note 46 to the financial statements.

26. JOINTLY CONTROLLED ENTITY (CONTINUED)

In accordance with the proposed merger between Spice and Idea ("Proposed Merger") as disclosed in Note 37(a) to the financial statements, upon completion of the proposed transaction, the Group will cease to have any direct equity interest in Spice, but will have an equity interest of approximately 19.10% (or 19.00% on a fully diluted basis) in the merged Idea Group. The Courts in India have approved the Proposed Merger and following the filings of the relevant Court Orders sanctioning the Proposed Merger with the Registrar of Company in India, the Proposed Merger has become unconditional. As at the date of the financial statements, the Proposed Merger has yet to be completed.

The Group undertook a test for impairment of its investment in Spice together with Idea on a merged basis as mentioned in Note 27 to the financial statements. No impairment loss was required for the carrying amount of investment in Spice assessed as at 31 December 2009 as the recoverable amount was in excess of its carrying amount.

27. ASSOCIATES

		2009			**2008**	
	Malaysia RM'000	**Overseas RM'000**	**Total RM'000**	**Malaysia RM'000**	**Overseas RM'000**	**Total RM'000**
The Group						
Share of net assets of associates						
Quoted investments	**–**	**7,172,946**	**7,172,946**	–	1,550,836	1,550,836
Unquoted investments	**28,887**	**7,725**	**36,612**	25,646	13,423	39,069
Total	**28,887**	**7,180,671**	**7,209,558**	25,646	1,564,259	1,589,905
Market value of quoted investments	**–**	**3,513,504**	**3,513,504**	–	1,058,821	1,058,821
The Company						
At cost:						
Quoted investments	**–**	**323,706**	**323,706**	–	323,706	323,706
Accumulated impairment	**–**	**–**	**–**	–	(32,003)	(32,003)
	–	**323,706**	**323,706**	–	291,703	291,703
Market value of quoted investments	**–**	**301,050**	**301,050**	–	286,927	286,927

27. ASSOCIATES (CONTINUED)

The Group's share of revenue and profit of associates is as follows:

	2009 RM'000	2008 RM'000
Revenue	**1,848,962**	979,297
Profit after taxation	**160,783**	83,007

The Group's share of assets and liabilities of associates is as follows:

	2009 RM'000	2008 RM'000
Non-current assets	**8,262,942**	1,942,290
Current assets	**1,065,989**	422,146
Current liabilities	**(1,136,604)**	(425,965)
Non-current liabilities	**(982,769)**	(348,566)
Net assets	**7,209,558**	1,589,905

The Group's share of contingent liabilities of associates amounted to RM655.1 million (2008: RM361.9 million).

The Group's equity interest in the associates, their respective principal activities and countries of incorporation are listed in Note 47 to the financial statements.

(a) The shareholders of Idea had, at an EGM held on 25 June 2009, approved the amendments of Idea's Articles of Association to incorporate 'special rights' accorded to the Company so long as the Company holds at least 10% of the issued share capital of Idea ("Amending Articles"). The provisions of the Amending Articles are as outlined in the Subscribers Agreement dated 25 June 2008 between the Company and its wholly-owned subsidiary, TMIM and Idea in relation to the subscription by TMIM of approximately 14.99% of the enlarged issued and paid-up share capital of Idea, which amongst others includes:

(i) The Company's rights upon further issue of ordinary shares by Idea

Any offer of Idea Shares or any other convertible securities into Idea Shares or right to call for the issue of Idea Shares which will cause for dilution in shareholding of the Company's interest is to be offered to the Company or its nominees as to maintain a base shareholding level on a full diluted basis or at a rate agreed at any time.

27. ASSOCIATES (CONTINUED)

(ii) Axiata's Directors

Axiata will have the right to:

- nominate to, and/or remove or replace from, the Board, one Director; and
- nominate and/or remove or replace the Nominee Director as a member of the Audit Committee of Idea.

(iii) Proceedings of the Audit Committee

Idea will cause full details of all transfer or obligations or any other material transactions or arrangements between Idea and any of its affiliates regardless of whether or not a price is charged to be disclosed to the Audit Committee at least once every quarter. If the Audit Committee raises any concern in relation to such related party transactions, Idea will act in accordance with the recommendation of the Audit Committee.

Based on the above, the Group has reassessed the status of its interest in Idea in which the Board, having considered item (i), (ii) and (iii) as mentioned above has resolved that the Group is deemed to be able to exercise significant influence over the operational and financial policies of Idea notwithstanding the current stake of 14.99% and have equity accounted Idea with effect from 25 June 2009.

In accordance with the Proposed Merger as disclosed in Note 37(a) to the financial statements, upon the completion, the Group will have an equity interest of approximately 19.10% (or 19.00% on a fully diluted basis) in the merged Idea Group. The Group's equity interest in Idea remains at 14.99% as at 31 December 2009.

(b) The Group and the Company have undertaken the test for impairment of its investments in Idea, Samart Corporation Public Company Limited ("Samart") and MobileOne Ltd ("M1"). The test of impairment of Idea was performed on a merged basis with Spice following the status of the proposed merger as disclosed in Note 37(a) to the financial statements. No impairment loss was required for the carrying amount of investment in Idea, Samart and M1 assessed as at 31 December 2009 as their recoverable amounts were in excess of their carrying amounts. The investments in Idea, Samart and M1 are identified as the Group's and the Company's cash-generating units.

(i) Key assumptions used in the VIU calculations

The recoverable amount of the cash-generating unit is determined based on VIU calculations. This VIU calculation apply a discounted cash flow model using cash flow projections based on forecasts and projections approved by management covering ten (10) years for Idea, five (5) years for M1 and three (3) years for Samart. These forecasts and projections reflect management's expectation of revenue growth, operating costs and margins for the cash-generating unit based on current assessment of market share, expectations of market growth and industry growth.

Cash flows beyond the tenth (10^{th}) year for the mobile business in India, fifth (5^{th}) year for Singapore and third (3^{rd}) year for Thailand are extrapolated in perpetuity using estimated terminal growth rates which takes into consideration the current GDP, inflation and average growth rate for the telecommunication industry. These rates have been determined with regards to projected growth rates for the respective markets in which the cash-generating units participate and are not expected to exceed the long term average growth rates for those markets.

27. ASSOCIATES (CONTINUED)

(i) Key assumptions used in the VIU calculations (continued)

The Directors' are of the view that as overall penetration rate in India is low, based on past experience of emerging markets, the prospects are good, notwithstanding that it would take a longer time frame to achieve optimal operational levels.

Discount rates applied to the cash flow forecasts are derived from the cash-generating unit's pre-tax weighted average cost of capital plus a reasonable risk premium at the date of the assessment of the respective cash generating units. For purposes of the VIU calculation, assumptions applied for the respective associates are as follows:

	2009		
	Idea	**Samart**	**M1**
	%	**%**	**%**
Pre-tax discount rate	**12.4**	**15.8**	**10.8**
Terminal growth rate	**4.0**	**—**	**—**
Revenue growth	**4.0 to 29.0 over 10 years**	**7.7 to 56.3 over 3 years**	**1.9 to 3.1 over 5 years**

(ii) Impact of possible changes in key assumptions

Changing the assumptions selected by management could significantly affect the Group's results. The Group's and Company's review includes an impact assessment of changes in key assumptions.

The circumstances where a reasonably possible change in key assumptions will result in the carrying amounts of the cash generating units including goodwill to equal the corresponding recoverable values, assuming all other variables remain unchanged are as follows:

	2009		
	Idea	**Samart**	**M1**
	%	**%**	**%**
Pre-tax discount rate	**12.5**	**20.4**	**11.1**
Terminal growth rate	**3.8**	**—**	**—**
Revenue growth	**3.7 to 27.0 over 10 years**	**3.9 to 28.3 over 3 years**	**1.7 to 2.9 over 5 years**

28. INVESTMENTS

	Group		Company	
	2009	**2008**	**2009**	**2008**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Quoted shares, at cost:				
Outside Malaysia (i)	**–**	5,734,254	**–**	–
Unquoted shares, at cost:				
Outside Malaysia	**882**	489	**–**	–
In Malaysia, at written down value (ii)	**–**	–	**–**	–
Convertible bonds, at cost:				
Outside Malaysia (iii)	**179,685**	179,685	**179,685**	179,685
	180,567	5,914,428	**179,685**	179,685
Market value of quoted shares	**–**	1,143,478	**–**	–

(i) The investment was reclassified as an associate during the financial year as mentioned in Note 27(a) to the financial statements.

(ii) The following corporations in which the Group owns more than one half of the voting power, which, due to permanent loss of control or significant influence have been accounted as investments.

- Tripoly Communication Technology Corporation Ltd^
- TRI Telecommunication Zanzibar Limited*
- TRI Telecommunication Tanzania Limited

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

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

* On 13 March 2006, the Company obtained an order from the High Court of Zanzibar to wind up the company pursuant to Section 218 (c) and (f) of the Zanzibar Company Decree Cap. 153.

(iii) This investment comprises an investment in a 12 years, 3% convertible bond of USD55.0 million. The bond, together with interest is repayable after 12 years, beginning year 2008.

29. LONG TERM RECEIVABLES

	Group	
	2009	**2008**
	RM'000	**RM'000**
Staff loans	**333**	358
Finance lease receivables	**129,543**	–
	129,876	358

Finance lease receivables are receivables related to the lease of fiber optic cable of a subsidiary company. The transaction resulted in a gain of RM158.1 million. Details of the lease receivables according to the maturity schedule are as follows:

	Group	
	2009	**2008**
	RM'000	**RM'000**
Within one (1) year	**23,305**	–
Between one (1) and five (5) years	**91,354**	–
More than five (5) years	**149,122**	–
	263,781	–
Unearned finance lease income	**(128,679)**	
Finance lease receivables	**135,102**	–
Classified as:		
Current (Note 31)	**5,559**	–
Non-current	**129,543**	–
Finance lease receivables	**135,102**	–

30. INVENTORIES

	Group	
	2009	2008
	RM'000	RM'000
Telecommunication equipment	**3,880**	11,404
Spares and others*	**36,463**	70,694
Total inventories	**40,343**	82,098
Allowance for inventories	**(4,999)**	(4,835)
	35,344	77,263

* Included in spares and others are trading inventories mainly comprise of SIM cards, handsets and other consumables.

31. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2009	2008	2009	2008
	RM'000	RM'000	RM'000	RM'000
Trade receivables	**994,594**	1,275,038	**—**	—
Allowance for doubtful debts	**(377,014)**	(527,408)	**—**	—
	617,580	747,630	**—**	—
Other receivables				
Deposits	**106,380**	178,058	**—**	82,699
Allowance for deposits	**(21,313)**	(21,288)	**—**	—
	85,067	156,770	**—**	82,699
Prepayments	**528,303**	330,243	**3,137**	1,569
Staff loans	**665**	724	**1,158**	303
Finance lease receivables	**5,559**	—	**—**	—
Other receivables from associates and jointly controlled entity	**2,444**	4,480	**—**	—
Others	**350,929**	351,745	**7,381**	11,042
Allowance for doubtful debts	**(31,389)**	(51,714)	**—**	—
	319,540	300,031	**7,381**	11,042
Total other receivables after allowance	**941,578**	792,248	**11,676**	95,613
Total trade and other receivables after allowance	**1,559,158**	1,539,878	**11,676**	95,613

31. TRADE AND OTHER RECEIVABLES (CONTINUED)

The currency exposure profile of trade and other receivables after allowance is as follows:

	Group		Company	
	2009	2008	**2009**	2008
	RM'000	RM'000	**RM'000**	RM'000
Ringgit Malaysia	**492,446**	451,890	**11,676**	88,849
US Dollar	**177,407**	139,068	**–**	3,121
Indonesian Rupiah	**466,418**	567,157	**–**	–
Sri Lanka Rupee	**134,731**	154,293	**–**	–
Bangladesh Taka	**241,627**	153,265	**–**	–
Special Drawing Rights	**33,501**	33,059	**–**	–
Other currencies	**13,028**	41,146	**–**	3,643
	1,559,158	1,539,878	**11,676**	95,613

Included in other receivables are government grants of RM7.7 million (2008: RM1.1 million).

The Group is not exposed to major concentration of credit risk due to the diversed customer base. In addition, credit risk is mitigated to a certain extent by cash deposits and bankers' guarantee obtained from customers. The Group considers the allowance for doubtful debts at balance sheet date to be adequate to cover the potential financial loss.

Credit terms of trade receivables for the Group and the Company range from 7 to 90 days (2008: 30 to 90 days).

Other receivables from related parties are unsecured and interest free with no fixed terms of repayment.

32. CASH AND BANK BALANCES

	Group		Company	
	2009	**2008**	**2009**	**2008**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Deposits with:				
- Licensed banks	**1,464,816**	2,145,532	**388,215**	6,585
- Other financial institutions	**11,473**	78,307	**—**	—
Deposits under Islamic principles	**299,122**	895,236	**—**	—
Total deposits	**1,775,411**	3,119,075	**388,215**	6,585
Cash and bank balances	**230,761**	211,656	**20,285**	625
Total cash and bank balances	**2,006,172**	3,330,731	**408,500**	7,210
Less:				
Deposits pledged	**(15,335)**	(11,667)	**—**	—
Bank reserve account (Note 16(f))	**(1,841)**	—	**—**	—
Bank overdraft (Note 16)	**(8,767)**	(82,307)	**—**	—
Total cash and cash equivalents at end of the financial year	**1,980,229**	3,236,757	**408,500**	7,210

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

	Group		Company	
	2009	**2008**	**2009**	**2008**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Ringgit Malaysia	**826,235**	2,563,440	**397,879**	5,773
US Dollar	**616,041**	472,479	**10,621**	1,437
Indonesian Rupiah	**107,349**	92,941	**—**	—
Sri Lanka Rupee	**46,726**	34,697	**—**	—
Bangladesh Taka	**149,283**	19,897	**—**	—
Singapore Dollar	**255,375**	141,467	**—**	—
Other currencies	**5,163**	5,810	**—**	—
	2,006,172	3,330,731	**408,500**	7,210

32. CASH AND BANK BALANCES (CONTINUED)

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:

		Group	Company
(In days)	**From**	**To**	**To**
Financial year ended 31 December 2009	Overnight	360	30
Financial year ended 31 December 2008	Overnight	360	30

33. TRADE AND OTHER PAYABLES

	Group		**Company**	
	2009 RM'000	**2008 RM'000**	**2009 RM'000**	**2008 RM'000**
Trade payables	**534,903**	646,067	**—**	—
Accrued expenses	**1,687,280**	2,054,369	**14,270**	—
Deferred revenue	**618,601**	699,296	**—**	—
Finance cost payable	**51,988**	96,165	**21,787**	43,765
Customer deposits	**105,437**	208,194	**—**	—
Business licence payable	**101,595**	32,921	**—**	—
Payroll liabilities	**199,083**	124,400	**16,492**	3,795
Other accruals	**244,208**	241,924	**—**	11,422
Other payables	**719,972**	435,137	**31,198**	4,653
Total trade and other payables	**4,263,067**	4,538,473	**83,747**	63,635

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

	Group		**Company**	
	2009 RM'000	**2008 RM'000**	**2009 RM'000**	**2008 RM'000**
Ringgit Malaysia	**1,820,848**	1,961,307	**83,747**	55,785
US Dollar	**701,993**	977,425	**—**	7,850
Indonesian Rupiah	**719,363**	718,076	**—**	—
Sri Lanka Rupee	**380,871**	313,059	**—**	—
Bangladesh Taka	**428,435**	320,651	**—**	—
Special Drawing Rights	**100,140**	104,989	**—**	—
Euro Dollar	**250**	10,393	**—**	—
Other currencies	**111,167**	132,573	**—**	—
	4,263,067	4,538,473	**83,747**	63,635

Credit terms of trade and other payables for the Group and the Company vary from 30 to 90 days (2008: 30 to 90 days) depending on the terms of the contracts respectively.

34. CASH FLOWS FROM/(USED IN) OPERATING, INVESTING AND FINANCING ACTIVITIES

	Group		Company	
	2009	**2008**	**2009**	**2008**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Receipts from customers	**12,512,613**	11,065,368	**—**	558
Payments to suppliers and employees	**(6,595,812)**	(7,480,262)	**(125,889)**	(133,106)
Dividends received	**—**	—	**3,400,340**	8,567
Payment of finance cost	**(799,061)**	(789,457)	**(335,406)**	(275,690)
Payment of income taxes (net of refunds)	**(481,425)**	(407,854)	**(6,108)**	(1,583)
Other receipts	**—**	—	**85,294**	—
Total cash flows from/(used in) operating activities	**4,636,315**	2,387,795	**3,018,231**	(401,254)
Disposal of property, plant and equipment	**10,971**	58,293	**—**	—
Purchase of property, plant and equipment	**(3,289,755)**	(5,323,990)	**(9,123)**	(1,426)
Payment of other intangible asset 3G spectrum license	**—**	(40,100)	**—**	—
Purchase of long term investments	**—**	(5,914,428)	**—**	(179,685)
Business combination	**2,421**	(3,465)	**—**	—
Additional investment in a jointly controlled entity	**—**	(437,720)	**—**	—
Investment in an associate	**(3,675)**	—	**—**	—
Interest received	**109,967**	99,319	**58,334**	8,064
Net repayment from/(loans to) employees	**86**	(161)	**—**	—
Total cash flows (used in)/from investing activities	**(3,169,985)**	(11,562,252)	**49,211**	(173,047)
Proceeds from rights issue	**5,254,763**	102,771	**5,254,763**	—
Proceeds from rights issue of a subsidiary	**90,259**	—	**—**	—
Proceeds from ESOS share issuance	**—**	303	**—**	—
Proceeds from borrowings	**6,180,588**	13,936,841	**4,107,145**	7,483,156
Repayments of borrowings	**(10,235,199)**	(3,459,546)	**(6,612,045)**	—
Dividends paid to minority interests	**(200)**	(29,549)	**—**	—
Repayment to former holding company	**(4,063,613)**	—	**(4,063,613)**	—
Repayments from subsidiaries	**—**	—	**—**	36,010
Advances to subsidiaries	**—**	—	**(1,271,059)**	(6,965,391)
Rights issue expenses	**(85,000)**	—	**(85,000)**	—
Dividend received from associates	**90,106**	—	**3,669**	—
Total cash flows (used in)/from financing activities	**(2,768,296)**	10,550,820	**(2,666,140)**	553,775

35. CONTINGENCIES AND COMMITMENTS

(a) Capital commitments

	Group	
	2009	**2008**
	RM'000	**RM'000**
Property, plant and equipment		
Commitments in respect of expenditure approved and contracted for	**843,073**	1,001,228
Commitments in respect of expenditure approved but not contracted for	**800,184**	995,823
	1,643,257	1,997,051

(b) Other commitments

(i) On 21 April 2006, a Deed of Undertaking was signed between Spice, TM, the Company and DBS Bank Ltd in connection with the provision of limited sponsor support for an Indian Rupee equivalent of USD215.0 million facility (INR facility) and a USD50.0 million facility (USD facility) granted to Spice.

The INR facility was repaid on 4 June 2008. As at 31 December 2009, the USD facility is still available, therefore the Deed of Undertaking remains effective. The Deed of Undertaking obliges the Company as Sponsor to provide funding to Spice should Spice default on its payment obligations to DBS Bank under the USD facility. This funding can take the form of either an equity injection, subscription of preference shares or to refinance the DBS facility.

(ii) In 1999, XL entered into an office rental agreement denominated in Rupiah with PT Caraka Citra Sekar Lestari (third party) for a term of ten (10) years. On 23 March 2007, XL amended the office rental agreement until 31 October 2020, with a total commitment as follows:

	31 December 2009	
		RM'000
	IDR' million	**equivalent***
Payable within one (1) year	**18,850**	**6,786**
Payable within two (2) years and five (5) years	**98,683**	**35,526**
Payable more than five (5) years	**93,139**	**33,530**
Total	**210,672**	**75,842**

* based on closing rate

35. CONTINGENCIES AND COMMITMENTS (CONTINUED)

(b) Other commitments (continued)

The rental expenses related to XL's commitment for the financial year ended 31 December 2009 and 2008 amounted to RM3.8 million (IDR11,088.0 million) and RM3.5 million (IDR11,088.0 million).

On 6 September 2008, XL entered into an office rental agreement denominated in Rupiah with PT Wiratara Prima (third party) for a term of six (6) years, with a total commitment as follows:

Year 1 - 3 = IDR10,049.0 million per year
Year 4 - 6 = based on a market value with a minimum increase of 10% and maximum 15% from prior rental fees.

Rental expenses related to this commitment for the financial year ended 31 December 2009 and 31 December 2008 are RM3.4 million (IDR10,049.0 million) and RM3.2 million (IDR10,049.0 million) respectively.

(iii) XL has committed to pay annual fees within ten (10) years, as long as XL holds the 3G licence. The amount of annual payment is based on the scheme of payment set out in Regulation No. 07/PER/M.KOMINFO/2/2006 of the Minister of Communication and Information. No penalty will be imposed in the event that XL returns the licence.

(c) List of contingent liabilities as at 31 December 2009 of the Group are as follows:

		Potential exposure/claims	
		2009	**2008**
	Description	**RM million**	**RM million**
1	**Blanket Counter Indemnity**	**233.7**	272.0
	Blanket counter indemnity in favour of a financial institution in Labuan for USD33.0 million and USD46.0 million SBLC facilities to counter guarantee financial institutions in Karachi for Bank Guarantee issuance and Medium Term Loan Facility respectively on behalf of Multinet. As at 31 December 2009, the amount outstanding is USD68.3 million (2008: USD78.8 million).		
2	**VIP Engineering and Marketing Limited ("VIPEM") vs Technology Resources Industries Berhad ("TRI") on TRI Telecommunications Tanzania Limited ("Tritel")**	**63.7**	64.2
	In December 2001, vide Civil Case No. 427 of 2001, VIPEM claimed a sum of USD18.6 million from TRI as its share of loss of profits for the mismanagement of Tritel, a joint venture company between TRI and VIPEM. In light of the winding-up order made against Tritel, TRI filed its claims of RM123.4 million with the liquidator of Tritel in July 2003.		
	The Directors, based on legal opinion received, are of the view that on the allegations of mismanagement, they are rhetorical and unsubstantiated. In view of the winding up proceedings, there is also a possibility that VIPEM will not pursue its claim.		

35. CONTINGENCIES AND COMMITMENTS (CONTINUED)

(c) List of contingent liabilities as at 31 December 2009 of the Group are as follows: (continued)

		Potential exposure/claims	
		2009	**2008**
	Description	**RM million**	**RM million**
3	**Rego Multi-Trades Sdn. Bhd. ("Rego") vs Aras Capital Sdn Bhd ("Aras Capital") & Tan Sri Dato' Tajudin Ramli ("TSDTR")**	**100.0**	100.0
	In 2005, Rego, a wholly-owned subsidiary of Celcom commenced proceedings against Aras Capital and TSDTR for amounts due to Rego pursuant to an investment agreement with Aras Capital and an indemnity letter given by TSDTR. TSDTR filed its defence and instituted a counterclaim against Rego, TRI and its directors to void and rescind the indemnity letter and claim damages.		
	The Directors, based on legal advice received, are of the view that it has good prospects of succeeding on the claim and successfully defending the counterclaim if the same were to proceed to trial.		
4	**MCAT Gen Sdn Bhd ("MCAT") vs Celcom**	**2,775.1**	2,775.1
	In November 2005, MCAT commenced 2 proceedings against Celcom, in particular, for (i) libel based on certain alleged press releases made by Celcom which appeared in the New Straits Times, Utusan Malaysia, Harian Metro and Berita Harian ("Local Newspapers") and (ii) breach of contract on an alleged Resellers Agreement between Celcom and MCAT. Subsequently in December 2005, MCAT's directors filed a claim against Celcom for libel based on certain alleged press releases which appeared in the Local Newspapers.		
	The Directors, based on legal advice received, are of the view that the crystallisation of liability from the above is remote.		
5	**TSDTR vs Celcom**	**13,461.4**	13,461.4
	In June 2006, Celcom and TRI were served with a Defence and Counterclaim by TSDTR in connection with proceedings initiated against him by Pengurusan Danaharta Nasional Berhad and two others. Celcom, TRI and the other 22 defendants were joined in these proceedings via the counterclaim. Subsequently in July 2006, TSDTR filed and served an Amended Defence and Amended Counterclaim on Celcom/TRI's solicitors.		
	The Directors, based on legal advice received, are of the view that the crystallisation of liability from the above is remote.		

35. CONTINGENCIES AND COMMITMENTS (CONTINUED)

(c) List of contingent liabilities as at 31 December 2009 of the Group are as follows: (continued)

	Description	Potential exposure/claims 2009 RM million	2008 RM million
6	**Dato' Saizo Abdul Ghani vs Celcom**	**30.0**	30.0
	In July 2006, Celcom was served with a Writ of Summons and Statement of Claim by the Plaintiff, Dato' Saizo Abdul Ghani (trading under the name and style of Airtime Telecommunication). The claim against Celcom and Kamsani bin Haji Ahmad ("Kamsani"), a former employee of Celcom for general damages, exemplary and aggravated damages in connection with a breach of contract and alleged libel.		
	The Directors, based on legal advice, are of the view that Celcom has reasonably good chance of success in defending the claims by the Plaintiff.		
7	**Asmawi bin Muktar vs Celcom**	**19.0**	19.0
	In July 2006, Celcom was served with a Writ of Summons and Statement of Claim by the Plaintiff, Asmawi bin Muktar (trading under the name and style of GM Telecommunication & Trading). The claim against Celcom and Kamsani is for general, exemplary and aggravated damages in connection with a breach of contract and alleged libel.		
	The Directors, based on legal advice received, are of the view that Celcom has a reasonably good chance of success in defending the claims by the Plaintiff.		
8	**Mohd Shuaib Ishak ("MSI") vs Celcom and 13 others**	**2.1**	2.1
	In November 2007, MSI filed a legal suit against Celcom disputing the legality of the acquisition by Celcom of the shares in TM Cellular Sdn. Bhd. (now known as Celcom Mobile Sdn. Bhd.) ("Celcom Mobile") in 2002 and the acquisition by TESB and TM of the shares in Celcom in 2003.		
	The Directors are of the view that the claims made by MSI are not sustainable and accordingly will take steps to strike out the action.		
9	**MSI vs Celcom**	**5,259.5**	5,259.5
	In February 2008, MSI commenced proceedings against, inter alia, the former and existing directors of Celcom and TM for failing to obtain the consent of DeTeAsia Holding GmbH pursuant to the Amended and Restated Supplemental Agreement dated 4 April 2002 prior to entering into the SPA with TM for the acquisition by Celcom of the shares in Celcom Mobile.		
	The Directors are of the view that the claims made by MSI are not sustainable and accordingly will take steps to strike out the action.		

35. CONTINGENCIES AND COMMITMENTS (CONTINUED)

(c) List of contingent liabilities as at 31 December 2009 of the Group are as follows: (continued)

	Description	Potential exposure/claims 2009 RM million	2008 RM million
10	**Value Added Tax assessment for Dialog**	**36.4**	27.8
	Dialog has been issued with Value Added Tax assessments of RM25.8 million (SLR862.4 million) and penalties of RM10.6 million (SLR353.8 million) in respect of financial year 2006 (year of assessment 2006/07). Dialog is not in agreement with the assessments and has appealed against the said assessments under Section 34 of the Value Added Tax Act. The Directors have sought legal opinion on the assessments and have been advised that the assessments are not sustainable in law.		
11	**Enquiry by Sri Lanka Customs on Dialog subsidiary's shipments**	**4.8**	–
	In August 2008, the Sri Lanka Customs detained a shipment of CDMA Customer Premises Equipment, belonging to one of Dialog's subsidiary companies, and commenced an investigation into the eligibility of these items falling under the duty exemptions granted under the terms and conditions of the Agreement which the subsidiary entered with the Board of Investment of Sri Lanka. The shipment was subsequently cleared with the submission of bank guarantees and thereafter paying duty 'under protest'. The Directors have sought the opinion of external legal counsel who are of the view that no material liability would result from the enquiry. The Directors therefore are of the view that the assessments made are unlikely to result in significant liabilities.		
12	**VAT assessment on AXB's SIM card sales**	**89.5**	90.0
	By a judgment dated 24 August 2006, the Divisional Bench of the High Court Division declared that the imposition of tax on SIM card sales was illegal and without lawful authority. AXB ceased making payments to the National Board of Revenue on the basis of the said Order. However, with effect from 27 March 2007, AXB resumed payment of the VAT on SIM Card sales due to a Stay Order issued by the Appellate Division of the Supreme Court on the Order passed by the High Court on 24 August 2006. In the event a claw back is required, the VAT on sales of SIM cards between August 2006 and March 2007, amounts to RM89.5 million (BDT1.8 billion). Based on the legal opinion received, the Directors are of view that AXB has no further obligation.		
	Total exposure/claims	**22,075.2**	22,101.1

The Company does not have any contingent liabilities as at 31 December 2009 and 2008.

36. HEDGING TRANSACTIONS

The following are derivative instruments entered as at balance sheet date to hedge underlying commercial exposure and not for speculation purposes.

(a) Interest Rate Swap ("IRS")

Subsidiary

	Notional amount	Period	Exchange period	Fixed interest rate to be paid	Interest rate to be received
	USD million				
Standard Chartered Bank	15.0	7 January 2008 – 30 August 2010	quarterly	4.675%	3 months' LIBOR + 1.00% margin
Standard Chartered Bank	30.0	7 January 2008 – 26 July 2010	quarterly	4.730%	3 months' SIBOR + 1.05% margin
Standard Chartered Bank	10.0	7 January 2008 – 9 August 2010	quarterly	4.730%	3 months' SIBOR + 1.05% margin
Standard Chartered Bank	10.0	7 January 2008 – 16 August 2010	quarterly	4.730%	3 months' SIBOR + 1.05% margin
Standard Chartered Bank	20.0	7 January 2008 – 26 April 2010	quarterly	4.635%	3 months' LIBOR + 1.00% margin
Standard Chartered Bank	12.5	7 January 2008 – 29 January 2010	quarterly	4.575%	3 months' LIBOR + 0.95% margin
Standard Chartered Bank	198.7 (decrease gradually every six (6) months by USD15.3 million)	11 February 2010 – 15 July 2015	semi-annually	2.575%	6 months' LIBOR
Standard Chartered Bank	114.8 (decrease gradually every six (6) months by USD8.8 million)	6 April 2009 – 1 October 2015	semi-annually	2.323%	6 months' LIBOR
The Royal Bank of Scotland	50.0	27 November 2006 – 27 October 2010	semi-annually	3.270%	6 months' SGD-SOR + 0.25% margin
The Royal Bank of Scotland	100.0	27 November 2006 – 27 October 2010	semi-annually	3.300%	6 months' SGD-SOR + 0.25% margin

36. HEDGING TRANSACTIONS (CONTINUED)

(b) Forward Foreign Currency Contracts ("FFCC")

Subsidiary

		Notional Amount Receivables/(Payables) USD million	Strike rate Exchange rate per USD (Full Amount)	Premium Per Annum
1)	Standard Chartered Bank	25.0	IDR9,000	3.49%
2)	Standard Chartered Bank	25.0	IDR9,000	2.65%
3)	Standard Chartered Bank	25.0	IDR9,000	2.50%
4)	Standard Chartered Bank	(15.3)	IDR12,129	—
5)	PT Bank DBS Indonesia	(2.0)	IDR12,417	—
6)	The Royal Bank of Scotland	(2.8)	IDR12,265	—
7)	PT Bank DBS Indonesia	(2.0)	IDR12,260	—
8)	PT Bank DBS Indonesia	(2.0)	IDR12,150	—
9)	Standard Chartered Bank	(5.0)	IDR11,000	—
10)	Standard Chartered Bank	(5.0)	IDR10,978	—
11)	Standard Chartered Bank	(5.0)	IDR10,960	—
12)	The Royal Bank of Scotland	(0.3)	IDR10,985	—
13)	The Royal Bank of Scotland	(2.4)	IDR10,578	—
14)	The Royal Bank of Scotland	(2.4)	IDR10,985	—
15)	Standard Chartered Bank*	(25.0)	IDR9,670	5.26%
16)	Standard Chartered Bank*	(25.0)	IDR9,725	5.23%
17)	Standard Chartered Bank*	(25.0)	IDR9,630	5.21%
18)	JPMorgan Securities (S.E.A) Ltd**	50.0	IDR9,000	3.45%

* For the above FFCC, the exchange of principles with Standard Chartered Bank will be carried gradually in semi-annually bases amounting USD2.5 million starting from 14 January 2011.

** For the above FFCC, the exchange of principles with JPMorgan Securities (S.E.A) Ltd will be carried gradually in semi-annually bases amounting of USD4.5 million starting from 29 September 2010.

The premium on the forward foreign currency contracts will be paid semi-annually.

36. HEDGING TRANSACTIONS (CONTINUED)

(c) Cross Currency Swap ("CCS")

Company

	Notional amount	Period	Swap Amount	Exchange period	Floating interest rate paid	Exchange rate per USD	Interest rate received
	USD million						
Malayan Banking Berhad	500.0	21 December 2009 – 21 January 2010	RM1,642.5 million for USD500.0 million	monthly	1 month LIBOR + 0.90% margin	RM3.28	KLIBOR
Malayan Banking Berhad	26.0	23 December 2009 – 25 January 2010	RM86.3 million for USD26.0 million	monthly	1 month LIBOR + 0.90% margin	RM3.32	KLIBOR

Subsidiary

	Notional amount	Period	Swap Amount	Exchange period	Floating interest rate paid	Exchange rate per USD	Interest rate received
	USD million						
Standard Chartered Bank	10.0	18 April 2007 – 16 April 2010	IDR91.0 billion for USD10.0 million	quarterly	9.65%	IDR9,088	3 months' SIBOR +1.05% margin
JPMorgan Chase Bank, NA.	25.0	23 April 2007 – 29 January 2010	IDR225.0 billion for USD25.0 million	quarterly	9.99%	IDR9,000	3 months' LIBOR +0.95% margin
Standard Chartered Bank	15.0	26 April 2007 – 26 April 2010	IDR135.0 billion for USD15.0 million	quarterly	9.83%	IDR9,000	3 months' LIBOR +1.00% margin
PT DBS Bank Indonesia	15.0	9 May 2007 – 26 April 2010	IDR135.0 billion for USD15.0 million	quarterly	8.20%	IDR9,000	3 months' LIBOR +1.00% margin

36. HEDGING TRANSACTIONS (CONTINUED)

(c) Cross Currency Swap ("CCS") (continued)

Subsidiary (continued)

	Notional amount	Period	Swap Amount	Exchange period	Floating interest rate paid	Exchange rate per USD	Interest rate received
	USD million						
Standard Chartered Bank	12.5	10 May 2007 – 29 January 2010	IDR112.5 billion for USD12.5 million	quarterly	7.73%	IDR9,000	3 months' LIBOR +0.95% margin
JPMorgan Securities (S.E.A.) Ltd.	20.0	14 September 2009 – 30 August 2010	IDR198.6 billion for USD20.0 million	monthly	10.69%	IDR9,930	3 months' LIBOR +1.00% margin
JPMorgan Securities (S.E.A.) Ltd.	10.0	14 September 2009 – 6 September 2010	IDR99.3 billion for USD10.0 million	monthly	10.59%	IDR9,930	3 months' LIBOR +1.00% margin
Standard Chartered Bank	20.0	15 September 2009 – 17 December 2010	IDR198.8 billion for USD20.0 million	monthly	10.98%	IDR9,940	3 months' LIBOR +1.75% margin
Standard Chartered Bank	10.0	15 September 2009 – 17 December 2010	IDR99.4 billion for USD10.0 million	monthly	10.98%	IDR9,935	3 months' LIBOR +1.75% margin
Standard Chartered Bank	10.0	15 September 2009 – 17 December 2010	IDR99.3 billion for USD10.0 million	monthly	10.98%	IDR9,925	3 months' LIBOR +1.75% margin

37. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

(a) Proposed Merger

On 25 June 2008, the Company and TMIM, entered into a share subscription agreement with Idea for TMIM to subscribe for 14.99% of the paid-up share capital of Idea, at a cash subscription price of Rs156.96 (approximately RM13.20) per Idea Share. On the same day, the Company, TMIM, TMI India, Spice, Idea, Green Acres Agro Services Private Limited and Aditya Birla Nuvo Limited entered into the Merger Cooperation Agreement to pursue the Proposed Merger. The Merger Cooperation Agreement also includes option arrangements which enable the Group to increase its equity interest in Idea to 20.11% upon exercise of the options.

In relation to the Proposed Merger, the following approvals were obtained during the financial year:

(i) in relation to the filings of the Proposed Merger, receipt of no objection letters from High Courts of Delhi and the High Courts of Gujarat on 7 May 2009 and 8 May 2009 respectively;

(ii) shareholders and creditors of Idea and Spice on 4 September 2009 and 11 September 2009 respectively;

Further to the above, on 26 November 2009 and 5 February 2010, the High Court of Gujarat and High Court of New Delhi respectively approved the Proposed Merger. Following the filings of the relevant Court Orders sanctioning the Proposed Merger with the Registrar of Company in India, the Proposed Merger has become unconditional.

As at 31 December 2009, the Group owns 14.99% interest in Idea on completion of the Proposed Subscription. On completion of the Proposed Merger, the Group's equity interest in Idea will increase from 14.99% to 19.1% (or 19.0% on a fully diluted basis). As at the date of the financial statements, the Proposed Merger has yet to be completed.

(b) On 26 February 2009, the Company, inter-alia, announced to undertake a renounceable rights issue ("Rights Issue") of the Company's new ordinary shares ("Rights Shares") to raise gross proceeds of approximately RM5,254.8 million.

The Rights Issue was completed following the listing of and quotation for 4,691,752,475 Rights Shares on the Main Board of Bursa Securities on 11 May 2009.

Following the completion of the Rights Issue, the issued and paid-up share capital of the Company now stands at RM8,445,154,455 as at 31 December 2009.

38. SUBSEQUENT EVENTS

(a) Dialog, a subsidiary of TMIL announced the second phase of a voluntary resignation scheme ("VRS") on 12 February 2010. The compensation payable to the employees under the second phase of the VRS is RM18.7 million (SLR610.0 million).

(b) Telekom Malaysia International (Cambodia) Company Limited, a wholly owned subsidiary of the Company, officially changed its name to Hello Axiata Company Limited on 23 February 2010.

39. SIGNIFICANT NON-CASH TRANSACTIONS

Significant non-cash transactions during the financial year are as follows:

			Group		Company	
		Note	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
(a)	Share swap for the acquisition of 16.81% interest in XL	6(III)(a)	–	1,245,848	–	1,245,848
(b)	Share swap for the acquisition of 49% interest in SunShare	6(III)(b)	–	135,800	–	135,800
(c)	Partial consideration for the Group restructuring	6(I)	–	7,826,000	–	7,826,000
(d)	Asset swap arrangement		118,810	–	–	–

40. SEGMENTAL REPORTING

By geographical location

The Group operates in many countries as shown in Note 45 to the financial statements. Accordingly, the segmentisation of Group operation by geographical location is segmentised into main countries of operation which are Malaysia, Indonesia, Bangladesh, Sri Lanka, and Others as no other individual overseas country which contributed more than 10% of consolidated operating revenue or assets.

In presenting information for geographical segments of the Group, sales are based on the country in which the customers are located. Total assets and capital expenditure are determined based on where the assets are located.

Segment results represent segment operating revenue less segment expenses. Unallocated income includes finance income, dividend income and gain or loss on disposal of investments. Unallocated costs represent finance cost and net foreign exchange differences arising from revaluation of borrowings. The accounting policies used to derive reportable segment results are consistent with those as described in Note 4 “Significant accounting policies”.

Segment assets disclosed for each segment represent assets directly managed by each segment, primarily include intangibles, property, plant and equipment, receivables (excludes receivables from related companies), inventories and cash and bank balances. Unallocated assets comprise of deferred tax assets and tax recoverable.

40. SEGMENTAL REPORTING (CONTINUED)

By geographical location (continued)

Segment liabilities include operating liabilities and exclude borrowings, inter-company balances, current tax and deferred tax liabilities.

Segment capital expenditure comprises additions to, property, plant and equipment, as shown in Note 22 to the financial statements.

Significant non-cash expenses comprise of provision for doubtful debts for trade and non trade, provision for stock obsolescence, write-off and adjustment, and unrealised foreign exchange on loans and net payables.

	Malaysia RM'000	Indonesia RM'000	Bangladesh RM'000	Sri Lanka RM'000	Others RM'000	Total RM'000
Financial year ended 31 December 2009						
Operating revenue						
Total operating revenue	**6,292,181**	**4,452,925**	**1,020,408**	**1,111,801**	**268,737**	**13,146,052**
Inter-segment*	**(8,436)**	**—**	**—**	**—**	**(32,562)**	**(40,998)**
External operating revenue	**6,283,745**	**4,452,925**	**1,020,408**	**1,111,801**	**236,175**	**13,105,054**
Results						
Segment results	**1,943,933**	**1,042,983**	**132,214**	**(308,477)**	**(64,274)**	**2,746,379**
Other operating income						**467,617**
Operating profit before finance cost						**3,213,996**
Finance income						**109,967**
Finance cost excluding foreign exchange losses						**(896,256)**
Foreign exchange gains						**137,225**
Jointly controlled entity						
– share of results (net of tax)					**(59,494)**	**(59,494)**
Associates						
– share of results (net of tax)					**160,783**	**160,783**
Profit before taxation						**2,666,221**
Taxation						**(910,313)**
Profit for the financial year						**1,755,908**

40. SEGMENTAL REPORTING (CONTINUED)

	Malaysia RM'000	Indonesia RM'000	Bangladesh RM'000	Sri Lanka RM'000	Others RM'000	Total RM'000
As at 31 December 2009						
Segmental assets	4,958,077	9,787,622	2,331,118	2,153,526	9,240,127	28,470,470
Jointly controlled entity	—	—	—	—	1,006,277	1,006,277
Associates	—	—	—	—	7,209,558	7,209,558
Investments	—	—	—	—	180,567	180,567
Tax related assets						277,483
Total assets						37,144,355
Segmental liabilities	1,972,409	1,324,397	428,435	478,802	267,939	4,471,982
Borrowings						12,322,838
Tax related liabilities						1,469,087
Total liabilities						18,263,907
Financial year ended 31 December 2009						
Other information:						
Capital expenditure						
- additional during the year	740,685	1,499,297	330,065	269,442	175,832	3,015,321
Depreciation and amortisation	810,635	1,205,636	208,483	504,472	38,464	2,767,690
Write off of property, plant and equipment	316	2,083	—	—	348	2,747
Impairment of property, plant and equipment	603	11,921	532	70,571	—	83,627
Impairment of goodwill	4,670	—	—	—	—	4,670
Significant non-cash expenses/ (income)	116,108	(585,870)	3,939	24,951	(53,289)	(494,161)

40. SEGMENTAL REPORTING (CONTINUED)

	Malaysia RM'000	Indonesia RM'000	Bangladesh RM'000	Sri Lanka RM'000	Others RM'000	Total RM'000
Financial year ended 31 December 2008						
Operating revenue						
Total operating revenue	5,557,913	3,696,947	758,542	1,164,618	222,661	11,400,681
Inter-segment *	(49,804)	—	—	—	(3,166)	(52,970)
External operating revenue	5,508,109	3,696,947	758,542	1,164,618	219,495	11,347,711
Results						
Segment results	1,611,544	171,016	23,317	(37,367)	32,917	1,801,427
Other operating income						178,941
Operating profit before finance cost						1,980,368
Finance income						99,319
Finance cost excluding foreign exchange losses						(876,299)
Foreign exchange losses						(238,140)
Jointly controlled entities						
- share of results (net of tax)					(142,440)	(142,440)
Associates						
- share of results (net of tax)					83,007	83,007
Profit before taxation						905,815
Taxation						(434,723)
Profit for the financial year						471,092

40. SEGMENTAL REPORTING (CONTINUED)

	Malaysia RM'000	Indonesia RM'000	Bangladesh RM'000	Sri Lanka RM'000	Others RM'000	Total RM'000
As at 31 December 2008						
Segmental assets	6,883,710	8,806,421	1,995,383	2,534,367	8,344,758	28,564,639
Jointly controlled entities	—	—	—	—	1,013,202	1,013,202
Associates	—	—	—	—	1,589,905	1,589,905
Investments	—	—	—	—	5,914,428	5,914,428
Tax related assets						270,223
Total assets						37,352,397
Segmental liabilities	2,083,335	1,565,819	382,694	548,235	4,142,709	8,722,792
Borrowings						15,959,351
Tax related liabilities						972,741
Total liabilities						25,654,884
Financial year ended 31 December 2008						
Other information:						
Capital expenditure						
– additional during the year	782,232	3,462,109	296,287	869,705	241,227	5,651,560
Depreciation and amortisation	856,053	993,266	188,868	250,205	32,167	2,320,559
Write off of property, plant and equipment	51	5,017	—	—	—	5,068
(Reversal)/Impairment of property, plant and equipment	(12,418)	6,272	183	576	18,225	12,838
Significant non-cash expenses	63,207	229,336	6,317	59,929	59,086	417,875

* Inter-segment operating revenue has been eliminated in arriving at respective segment operating revenue. The inter-segment operating revenue was entered into in the normal course of business and at prices available to third parties or at negotiated terms.

By business segments

Segmental information is not presented by business segments as there are no other significant business segments other than the provision of mobile telecommunication services.

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The main risks arising from the Group's financial assets and liabilities are foreign exchange, interest rate, credit and liquidity risk. The Group's overall risk management seeks to minimise potential adverse effects of these risks on the financial performance of the Group.

The Group has established risk management policies, guidelines and control procedures to manage its exposure to financial risks. Hedging transactions are determined in the light of commercial commitments. Derivative financial instruments are used only to hedge underlying commercial exposures and are not held for speculative purposes.

(a) Foreign Exchange Risk

The foreign exchange risk of the Group predominately arises from borrowings denominated in foreign currencies. The Group has cross-currency swaps and forward foreign exchange contracts that are primarily used to hedge selected long term foreign currency borrowings to reduce the foreign currency exposures on these borrowings. The main currency exposure is US Dollar.

The Group comprise subsidiaries, jointly controlled entities and associates operating in foreign countries, which generate revenue and incur costs denominated in foreign currencies. The main currency exposures are Singapore Dollar, Sri Lanka Rupee, Bangladesh Taka, Indian Rupee and Indonesian Rupiah as well as borrowings denominated in US Dollar.

The Group's foreign exchange objective is to achieve the acceptable level of foreign exchange fluctuation on the Group's assets and liabilities and manage the consequent impact to the income statements. To achieve this objective, the Group targets a composition of currencies based on assessment of the existing exposure and desirable currency profile. To obtain this composition, the Group uses various types of hedging instruments such as cross-currency swaps and forward foreign exchange contracts as well as maintaining funds in foreign currencies at appropriate levels to support operating cash flow requirements.

(b) Interest Rate Risk

The Group has cash and bank balances and deposits placed with creditworthy licensed banks and financial institutions. The Group manages its interest rate risk by actively monitoring the yield curve trend and interest rate movement for the various investment classes.

The Group's debts include bank overdrafts, bank borrowings, bonds, and notes. The Group's interest rate risk objective is to manage the acceptable level of rate fluctuation on the interest expense. In order to achieve this objective, the Group targets a composition of fixed and floating debt based on assessment of its existing exposure and desirable interest rate profile. To obtain this composition, the Group uses various types of hedging instruments such as interest rate swaps.

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(c) Credit Risk

Financial assets that potentially subject the Group to concentrations of credit risk are primarily trade receivables, cash and bank balances and financial instruments used in hedging activities.

The Group has no significant concentration of credit risk due to its diverse customer base. Credit risk is managed through the application of credit assessment and approval, credit limit and monitoring procedures. Where appropriate, the Group obtains deposits or bank guarantees from customers.

The Group places its cash and cash equivalents with a number of creditworthy financial institutions. The Group's policy limits the concentration of financial exposure to any single financial institution.

All hedging instruments are executed with creditworthy financial institutions with a view to limiting the credit risk exposure of the Group. The Group, however, is exposed to credit-related losses in the event of non-performance by counterparties to financial derivative instruments, but does not expect any counterparties to fail to meet their obligations.

(d) Liquidity Risk

Prudent liquidity risk management implies maintaining sufficient liquid funds to meet its financial obligations.

In the management of liquidity and cash flow risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. Due to the dynamic nature of the underlying business, the Group aims at maintaining flexibility in funding by keeping both committed and uncommitted credit lines available.

(e) Fair values

The carrying amount of financial assets and liabilities of the Group and Company as at 31 December 2009 approximate their fair values except as disclosed in Note 44 to the financial statements.

42. INTEREST RATE RISK

The table below summarises the Group's and the Company's exposure to interest rate risk. Included in the tables are the Group's and the Company's financial assets and liabilities at carrying amounts, categorised by the earlier of repricing or contractual maturity dates except for borrowings and amounts due from subsidiaries with floating interest rates. These are repriced within one year or less and have been shown to reflect their maturity dates. The off-balance-sheet gap represents the net notional amounts of all interest rate sensitive derivative instruments. Sensitivity to interest rates arises from mismatches in the repricing dates, cash flows and other characteristics of assets and their corresponding liability funding.

42. INTEREST RATE RISK (CONTINUED)

The Group 2009	W.A.R.F.	Maturing or repriced in (whichever is earlier): 1 year or less RM'000	>1 – 2 years RM'000	>2 – 3 years RM'000	>3 – 4 years RM'000	>4 – 5 years RM'000	More than 5 years RM'000	Total interest sensitive RM'000	Non-interest sensitive RM'000	Total RM'000
Financial assets										
Investments in convertible bonds	3.00%	–	–	–	–	–	179,685	179,685	–	179,685
Marketable securities	–	–	–	–	–	–	–	–	7	7
Long term receivables	13.00%	–	6,002	7,029	8,189	9,500	98,823	129,543	333	129,876
Trade and other receivables	13.00%	5,559	–	–	–	–	–	5,559	1,553,599	1,559,158
Cash and bank balances	3.04%	1,890,559	–	–	–	–	–	1,890,559	115,613	2,006,172
Total		1,896,118	6,002	7,029	8,189	9,500	278,508	2,205,346	1,669,552	3,874,898
Financial liabilities										
Borrowings										
– floating interest rate	4.30%	1,933,718	1,859,823	6,077,293	278,931	636,852	774,255	11,560,872	–	11,560,872
– fixed interest rate	9.90%	215,656	1,796	540,474	1,796	1,796	448	761,966	–	761,966
Trade and other payables	–	–	–	–	–	–	–	–	4,263,067	4,263,067
Total		2,149,374	1,861,619	6,617,767	280,727	638,648	774,703	12,322,838	4,263,067	16,585,905

42. INTEREST RATE RISK (CONTINUED)

The Group 2008	W.A.R.F.	Maturing or repriced in (whichever is earlier): 1 year or less RM'000	>1 – 2 years RM'000	>2 – 3 years RM'000	>3 – 4 years RM'000	>4 – 5 years RM'000	More than 5 years RM'000	Total interest sensitive RM'000	Non-interest sensitive RM'000	Total RM'000
Financial assets										
Investments in convertible bonds	3.00%	–	–	–	–	–	179,685	179,685	–	179,685
Marketable securities	–	–	–	–	–	–	–	–	6	6
Long term receivables	–	–	–	–	–	–	–	–	358	358
Trade and other receivables	–	–	–	–	–	–	–	–	1,539,878	1,539,878
Cash and bank balances	5.57%	3,119,075	–	–	–	–	–	3,119,075	211,656	3,330,731
Total		3,119,075	–	–	–	–	179,685	3,298,760	1,751,898	5,050,658
Financial liabilities										
Borrowings										
– floating interest rate	5.86%	5,168,381	580,185	4,836,121	3,427,918	245,656	300,039	14,558,300	–	14,558,300
– fixed interest rate	8.50%	244,918	62,821	–	478,322	443,038	–	1,229,099	171,952	1,401,051
Trade and other payables	–	–	–	–	–	–	–	–	4,538,473	4,538,473
Amount due to former holding company	6.12%	4,025,000	–	–	–	–	–	4,025,000	38,613	4,063,613
Total		9,438,299	643,006	4,836,121	3,906,240	688,694	300,039	19,812,399	4,749,038	24,561,437

42. INTEREST RATE RISK (CONTINUED)

The Company 2009	W.A.R.F.	Maturing or repriced in (whichever is earlier): 1 year or less RM'000	>1 - 2 years RM'000	>2 - 3 years RM'000	>3 - 4 years RM'000	>4 - 5 years RM'000	More than 5 years RM'000	Total interest sensitive RM'000	Non-interest sensitive RM'000	Total RM'000
Financial assets										
Investments	3.00%	–	–	–	–	–	179,685	179,685	–	179,685
Trade and other receivables		–	–	–	–	–	–	–	11,676	11,676
Cash and bank balances	3.15%	408,500	–	–	–	–	–	408,500	–	408,500
Amount due from related companies	–	–	–	–	–	–	–	–	1,400	1,400
Amount due from subsidiaries	3.93%	–	–	–	–	–	47,049	47,049	12,475,798	12,522,847
Total		408,500	–	–	–	–	226,734	635,234	12,488,874	13,124,108
Financial liabilities										
Borrowings	3.13%	300,000	–	4,756,000	–	–	–	5,056,000	–	5,056,000
Trade and other payables	–	–	–	–	–	–	–	–	83,747	83,747
Amount due to subsidiaries	–	–	–	–	–	–	–	–	190,620	190,620
Total		300,000	–	4,756,000	–	–	–	5,056,000	274,367	5,330,367

42. INTEREST RATE RISK (CONTINUED)

The Company 2008	W.A.R.F.	Maturing or repriced in (whichever is earlier): 1 year or less RM'000	>1 – 2 years RM'000	>2 – 3 years RM'000	>3 – 4 years RM'000	>4 – 5 years RM'000	More than 5 years RM'000	Total interest sensitive RM'000	Non-interest sensitive RM'000	Total RM'000
Financial assets										
Investments	3.00%	–	–	–	–	–	179,685	179,685	–	179,685
Trade and other receivables	–	–	–	–	–	–	–	–	95,613	95,613
Cash and bank balances	3.15%	6,585	–	–	–	–	–	6,585	625	7,210
Amount due from related companies	–	–	–	–	–	–	–	–	575	575
Amount due from subsidiaries	4.52%	578,429	–	–	–	–	47,441	625,870	10,647,091	11,272,961
Total		585,014	–	–	–	–	227,126	812,140	10,743,904	11,556,044
Financial liabilities										
Borrowings	4.10%	4,368,025	–	–	3,200,000	–	–	7,568,025	–	7,568,025
Trade and other payables	–	–	–	–	–	–	–	–	63,635	63,635
Amount due to subsidiaries	–	–	–	–	–	–	–	–	222,918	222,918
Amount due to former holding company	6.12%	4,025,000	–	–	–	–	–	4,025,000	38,613	4,063,613
Total		8,393,025	–	–	3,200,000	–	–	11,593,025	325,166	11,918,191

* W.A.R.F. – Weighted average rate of finance

43. CREDIT RISK

For on-balance sheet financial instruments, the main credit risk exposure has been disclosed elsewhere in the financial statements.

Off-balance sheet financial instruments

The Group is exposed to credit risk where the fair value of the contract is favourable, where the counterparty is required to pay the Group in the event of contract termination. The favourable fair values of the contracts, indicating the credit risk exposure is detailed in Note 44(b) to the financial statements below.

44. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

(a) On-balance sheet

The carrying amounts of the financial assets and liabilities of the Group and the Company at the balance sheet date approximated their fair values except as set out below:

	2009		2008	
	Carrying amount RM'000	Fair value RM'000	Carrying amount RM'000	Fair value RM'000
Group				
Financial assets				
Investments in convertible bonds	**179,685**	**86,630**	179,685	70,086
Financial liabilities				
Long term borrowings	**10,173,464**	**10,173,144**	10,546,052	10,450,340
Company				
Financial assets				
Investments in convertible bonds	**179,685**	**86,630**	179,685	70,086

44. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

(a) On-balance sheet (continued)

The fair value of quoted bonds has been estimated using the respective quoted offer price. For unquoted borrowings with fixed interest rate and investments in convertible bonds, the fair values have been estimated by discounting the estimated future cash flows using the prevailing market rates for similar credit risks and remaining period to maturity. For unquoted borrowings with floating interest rate, the carrying values are generally reasonable estimates of their fair values.

The financial liabilities will be realised at their carrying values and not at their fair values as the Directors have no intention to settle these liabilities other than in accordance with their contractual obligations.

For all other short term on-balance-sheet financial instruments maturing within one (1) year or are repayable on demand, the carrying values are assumed to approximate their fair values.

(b) Off-balance sheet

The financial derivative instruments are used to hedge foreign exchange and interest rate risks associated with certain long term foreign currency borrowings of the Group and the Company. The contract notional principal amounts of the derivative and the corresponding fair value adjustments are analysed as below:

	2009		**2008**	
	Contract or notional principal amount RM'000	**Fair value favourable/ (unfavourable) RM'000**	**Contract or notional principal amount RM'000**	**Fair value favourable/ (unfavourable) RM'000**
Group				
Derivative instruments				
Cross currency swaps	**2,306,064**	**56,456**	1,728,694	155,109
Interest rate swaps	**1,689,860**	**(19,099)**	361,518	(11,083)
Forward foreign currency contracts	**836,141**	**(8,732)**	1,035,750	242,652
Company				
Derivative instruments				
Cross currency swaps	**1,801,024**	**71,850**	1,461,125	90,880

45. LIST OF SUBSIDIARIES

The subsidiaries are as follows:

Name of company	% of Group's effective shareholding 2009	% of Group's effective shareholding 2008	Principal activities	Place of incorporation
TM International (L) Limited	**100.00**	100.00	Investment holding	Federal Territory, Labuan, Malaysia
TMI Mauritius Ltd#	**100.00**	100.00	Investment holding	Mauritius
Telekom Malaysia International (Cambodia) Company Limited#	**100.00**	100.00	Provision of mobile telecommunication services in Cambodia	Cambodia
Telekom Management Services Sdn Bhd	**100.00**	100.00	Provision of consultancy and engineering services in telecommunication and related area	Malaysia
Celcom Axiata Berhad [formerly known as Celcom (Malaysia) Berhad]@	**100.00**	100.00	Provision of network capacity and services	Malaysia
SunShare Investments Ltd	**100.00**	100.00	Investment holdings	Federal Territory, Labuan, Malaysia
Axiata SPV1 (Labuan) Limited	**100.00**	–	Offshore non-trading	Federal Territory, Labuan, Malaysia
Subsidiaries held through TM International (L) Limited				
Dialog Telekom PLC#	**84.97**	84.97	Provision of mobile telecommunication services in Sri Lanka	Sri Lanka
TESS International Ltd	**100.00**	100.00	Dormant	Mauritius
Axiata (Bangladesh) Limited	**70.00**	70.00	Provision of mobile telecommunication services in Bangladesh	Bangladesh
TM International Lanka (Private) Limited#	**100.00**	100.00	Investment holding	Sri Lanka

45. LIST OF SUBSIDIARIES (CONTINUED)

Name of company	% of Group's effective shareholding 2009	2008	Principal activities	Place of incorporation
Subsidiaries held through TM International (L) Limited (continued)				
Multinet Pakistan (Private) Limited*	**89.00**	89.00	Provision of wide range of non-mobile telecommunications services with its focus on business to business segment of the market, facility based operator with a 100% Digital Fibre Optic network across Pakistan, supports fibre-optic connectivity, Long Distance International originations/terminations and co-location services	Pakistan
Indocel Holding Sdn Bhd	**100.00**	100.00	Investment holding	Malaysia
Subsidiary held through Indocel Holding Sdn Bhd				
PT XL Axiata Tbk#	**86.49**	83.79	Provision of mobile telecommunication services in Republic of Indonesia	Indonesia
Subsidiaries held through PT XL Axiata Tbk				
Excel Phoneloan 818 BV#	**86.49**	83.79	Financing	Netherlands
Excelcomindo Finance Company BV#	**86.49**	83.79	Financing	Netherlands
GSM One (L) Limited#	**86.49**	83.79	Financing	Federal Territory, Labuan, Malaysia
GSM Two (L) Limited#	**86.49**	83.79	Financing	Federal Territory, Labuan, Malaysia

45. LIST OF SUBSIDIARIES (CONTINUED)

Name of company	% of Group's effective shareholding 2009	2008	Principal activities	Place of incorporation
Subsidiaries held through Dialog Telekom PLC				
Dialog Broadband Networks (Private) Limited#	**84.97**	84.97	Provision of infrastructure facilities for voice and data communication systems, radio and television broadcasting systems and mobile radio communications systems and the provision of telecommunication services in Sri Lanka	Sri Lanka
Dialog Television (Private) Limited#	**84.97**	84.97	Provision of television broadcasting station and television broadcasting network including cable and pay television transmission	Sri Lanka
Subsidiaries held through Dialog Television (Private) Limited				
Communiq Broadband Network (Private) Limited#	**84.97**	84.97	Provision of information technology including data, content transmission services, audio visual services and television programmes services	Sri Lanka
CBN Sat (Private) Limited#	**84.97**	84.97	Provision of manufacturing, assembling, importing and exporting of electronic consumer products and audio visual goods	Sri Lanka
Subsidiary held through TMI Mauritius Ltd				
TMI India Ltd#	**100.00**	100.00	Investment holding	Mauritius

45. LIST OF SUBSIDIARIES (CONTINUED)

Name of company	% of Group's effective shareholding 2009	2008	Principal activities	Place of incorporation
Subsidiaries held through Celcom Axiata Berhad [formerly known as Celcom (Malaysia) Berhad]@				
Celcom Mobile Sdn Bhd	**100.00**	100.00	Provision of mobile communication services, network services, application services and content	Malaysia
Celcom Transmission (M) Sdn Bhd	**100.00**	100.00	Provision of network transmission related services	Malaysia
Alpha Canggih Sdn Bhd	**100.00**	100.00	Property investment	Malaysia
Celcom Technology (M) Sdn Bhd	**100.00**	100.00	Provision of telecommunication value added services through cellular or other forms of telecommunication network	Malaysia
CT Paging Sdn Bhd	**100.00**	100.00	Provision of strategic and business development, management, administrative, support services and investment holding	Malaysia
Celcom Trunk Radio (M) Sdn Bhd	**100.00**	100.00	Ceased operations	Malaysia
Celcom Timur (Sabah) Sdn Bhd	**80.00**	80.00	Provision of fibre optic transmission network	Malaysia
Celcom Multimedia (Malaysia) Sdn Bhd	**100.00**	100.00	Provision of electronic wallet services	Malaysia
Technology Resources Industries Berhad	**100.00**	100.00	Investment holding	Malaysia

45. LIST OF SUBSIDIARIES (CONTINUED)

Name of company	% of Group's effective shareholding 2009	2008	Principal activities	Place of incorporation
Subsidiary held through CT Paging Sdn Bhd				
C-Mobile Sdn Bhd¥	**100.00**	67.25	Trading and distribution of communication devices and its related products and services and setting up and managing of concept retail stores based on intellectual property rights owned by Celcom	Malaysia
Subsidiaries held through Technology Resources Industries Berhad				
Alpine Resources Sdn Bhd+	**100.00**	100.00	Inactive	Malaysia
Rego Multi-Trades Sdn Bhd+	**100.00**	100.00	Dealing in marketable securities	Malaysia
Technology Resources Management Services Sdn Bhd+	**100.00**	100.00	Inactive	Malaysia
TR Components Sdn Bhd++	**—**	100.00	Investment holding	Malaysia
Technology Resources (Nominees) Sdn Bhd+	**100.00**	100.00	Dormant	Malaysia
TR International Limited*++	**100.00**	100.00	Investment holding	Hong Kong

Audited by a member firm of PricewaterhouseCoopers International Limited which is a separate and independent legal entity from PricewaterhouseCoopers Malaysia

* Audited by a firm other than a member firm of PricewaterhouseCoopers International Limited

\+ Inactive as at 31 December 2009

++ Dissolved pursuant to Section 254 (1) (b) of the Companies Act, 1965 effective 20 October 2009 and Section 239 of the Hong Kong Companies Ordinance effective 4 February 2010 respectively

@ Consolidated by predecessor method of merger accounting

¥ C-Mobile was reclassified from associate to subsidiary as disclosed in Note 6(II)(b) to the financial statements

46. LIST OF JOINTLY CONTROLLED ENTITY

Details of the jointly controlled entity are as follows:

Name of company	% of Group's effective shareholding 2009	% of Group's effective shareholding 2008 Restated	Principal activities	Place of incorporation
Joint venture held through TMI India Ltd				
Spice Communications Limited	**55.16**	55.16	Licensed mobile cellular telecommunications service provider in the states of Punjab and Karnataka in India	India

Spice has a financial year end of 31 March.

47. LIST OF ASSOCIATES

The investments in associates are as follows:

Name of company	% of Group's effective shareholding 2009	% of Group's effective shareholding 2008	Principal activities	Place of incorporation
Samart Corporation Public Company Limited	**18.97**	18.97	Design, implementation and installation of telecommunication systems and the sale and distribution of telecommunication equipment in Thailand	Thailand
Samart I-Mobile Public Company Limited*	**35.80**	35.78	Mobile phone distributor accessories, and bundled with content and administration of the distribution channels for, and management of customer care and billing system of 1900MHz mobile phone	Thailand

47. LIST OF ASSOCIATES (CONTINUED)

The investments in associates are as follows: (continued)

Name of company	% of Group's effective shareholding		Principal activities	Place of incorporation
	2009	2008		
Associate held through TM International (L) Limited				
Mobile Telecommunication Company of Esfahan ("MTCE")	**49.00**	49.00	Planning, designing, installing, operating and maintaining a GSM mobile telecommunication network to customers in the province of Esfahan, Iran	Iran
Associates held through Celcom Axiata Berhad [formerly known as Celcom (Malaysia) Berhad]				
Sacofa Sdn Bhd	**15.12**	20.00	Trade or business of a telecommunications infrastructure and services company including all its related business	Malaysia
Tune Talk Sdn Bhd	**35.00**	–	Principally engaged in the business of providing mobile communication services, complementary value added services and telecommunication service	Malaysia
Associate held by SunShare Investments Ltd				
MobileOne Ltd	**29.66**	29.66	Provision of mobile telecommunication services, international call services, mobile retail sales, after sales support, customer services, paging services, research and development of mobile communication products and services and investment holding	Singapore
Associate held by TMI Mauritius Ltd				
Idea Cellular Limited^	**14.99**	14.99	Leading GSM mobile services operator engaged in providing Mobile Telephone Services.	India

47. LIST OF ASSOCIATES (CONTINUED)

All associates have co-terminous financial year end with the Company except MTCE with financial year ended on 20 March and Idea with financial year end on 31 March.

* The Company held directly 24.42% equity interest in Samart I-Mobile Public Company Limited ("SIM").

^ Idea Cellular Limited was reclassified from investment to associate as disclosed in Note 27 to the financial statements during the financial year.

48. RELATED PARTY TRANSACTIONS

All related party transactions were entered into in the normal course of business and at prices available to third parties or at negotiated terms. The name of these related parties, nature of these transactions and their total value have been set out in accordance with the provisions of FRS 124: "Related Party Disclosure".

The nature of transactions and relationship with related parties are as follows:

Related Parties	**Nature of the relationship with related parties**	**Nature of transactions**
M1	Associate	International roaming revenue and charges
Sacofa	Associate	Sales of prepaid cards, leaseline, charges, maintenance fees and others
Celcom	Subsidiary	Dividend and technical and management services
Dialog	Subsidiary	Technical and management services
AXB	Subsidiary	Technical and management services
Samart	Associate	Dividends and technical and management services
SIM	Associate	Dividends
TMIL	Subsidiary	Advances
TMIM	Subsidiary	Advances
TMI India	Subsidiary	Advances
SunShare	Subsidiary	Advances

48. RELATED PARTY TRANSACTIONS (CONTINUED)

Key management personnel are the persons who have authority and responsibility for planning, directing and controlling the activities of the Company or the Group either directly or indirectly. Key management personnel of the Group and the Company include the Senior Leadership Team who report directly to the Group Chief Executive Officer.

Whenever exist, related party transactions also includes transaction with entities that are controlled, jointly controlled or significantly influenced directly by any key management personnel or their close family members.

In addition to related party transactions and balances mentioned elsewhere in the financial statements, set out below are significant related party transactions and balances which were carried out on terms and conditions negotiated amongst the related parties.

		Group		Company	
		2009 RM'000	**2008 RM'000**	**2009 RM'000**	**2008 RM'000**
(a)	**Associate/Former associate**				
	– International roaming revenue	**6,121**	6,757	**—**	—
	– Sale of prepaid cards	**—**	10,740	**—**	—
		6,121	17,497	**—**	—
(b)	**Purchase of goods and services Associates:**				
	– Interconnection charges	**1,275**	1,828	**—**	—
	– Leaseline charges, maintenance and others	**35,234**	—	**—**	—
		36,509	1,828	**—**	—
(c)	**Intercompany service agreement**				
	– technical and management services	**491**	575	**33,053**	7,407
(d)	**Dividends received/receivable from subsidiaries/associates**	**—**	—	**3,754,188**	12,210
(e)	**Advances to subsidiaries/related party (net of repayment)**	**—**	—	**5,871,754**	10,044,722

48. RELATED PARTY TRANSACTIONS (CONTINUED)

	Group		Company	
	2009	**2008**	**2009**	**2008**
	RM'000	**RM'000**	**RM'000**	**RM'000**
(f) Key management compensation short term employee benefits				
– Salaries, allowances and bonus	**10,502**	4,511	**10,502**	4,511
– Contribution to Employees Provident Fund (EPF)	**1,864**	761	**1,864**	761
– Estimated money value of benefits	**36**	10	**36**	10
– Other staff benefits	**11**	10	**11**	10
Share-based payment – ESOS expense	**627**	226	**627**	226

Included in key management compensation is the Executive Directors' remuneration as disclosed in Note 8(c) to the financial statements.

49. APPROVAL OF FINANCIAL STATEMENTS

The financial statements have been approved for issuance in accordance with a resolution of the Board of Directors on 23 February 2010.

STATEMENT BY DIRECTORS

PURSUANT TO SECTION 169(15) OF THE COMPANIES ACT, 1965

We, **Dato' Sri Jamaludin Ibrahim** and **Dato' Yusof Annuar Yaacob**, being the two Directors of Axiata Group Berhad (formerly known as TM International Berhad), state that, in the opinion of the Directors, the financial statements set out on pages 163 to 284 are drawn up so as to exhibit a true and fair view of the state of affairs of the Group and the Company at 31 December 2009 and of the results and cash flows of the Group and Company for the financial year ended on that date in accordance with Financial Reporting Standards, the MASB approved Accounting Standards in Malaysia for Entities other than Private Entities.

Signed on behalf of the Board of Directors in accordance with their resolution dated 23 February 2010.

DATO' SRI JAMALUDIN IBRAHIM
DIRECTOR

DATO' YUSOF ANNUAR YAACOB
DIRECTOR

STATUTORY DECLARATION

PURSUANT TO SECTION 169(16) OF THE COMPANIES ACT, 1965

I, **Dato' Yusof Annuar Yaacob**, being the Director primarily responsible for the financial management of Axiata Group Berhad (formerly known as TM International Berhad), do solemnly and sincerely declare that to the best of my knowledge and belief, the financial statements set out on pages 163 to 284 are correct, and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

DATO' YUSOF ANNUAR YAACOB
DIRECTOR

Subscribed and solemnly declared at Kuala Lumpur on 23 February 2010.

Before me:

AHMAD B. LAYA (NO. W.259)
COMMISSIONER FOR OATHS

PESURUHJAYA SUMPAH
No: W259
Nama: AHMAD B. LAYA
MALAYSIA
LOT 5.28-5.30, TINGKAT 5
WISMA CENTRAL
142 JALAN AMPANG
50450 KUALA LUMPUR

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF AXIATA GROUP BERHAD (formerly known as TM International Berhad)
(Incorporated in Malaysia)
(Company No. 242188 H)

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of Axiata Group Berhad (formerly known as TM International Berhad.), which comprise the balance sheets as at 31 December 2009 of the Group and of the Company, and the income statements, statements of changes in equity and cash flow statements of the Group and of the Company for the financial year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 163 to 284.

Directors' Responsibility for the Financial Statements

The Directors of the Company are responsible for the preparation and fair presentation of these financial statements in accordance with Financial Reporting Standards in Malaysia and the Companies Act, 1965. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements 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 the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with Financial Reporting Standards in Malaysia and the Companies Act, 1965 so as to give a true and fair view of the financial position of the Group and of the Company as of 31 December 2009 and of their financial performance and cash flows for the financial year then ended.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report the following:

(a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

(b) We have considered the financial statements and the auditors' reports of all the subsidiaries of which we have not acted as auditors, which are indicated in Note 45 to the financial statements.

(c) We are satisfied that the financial statements of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.

(d) The audit reports on the financial statements of the subsidiaries did not contain any material qualification or any adverse comment made under Section 174(3) of the Act.

OTHER MATTERS

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

PRICEWATERHOUSECOOPERS
(No. AF: 1146)
Chartered Accountants

THAYAPARAN A/L S. SANGARAPILLAI
(No. 2085/09/10 (J))
Chartered Accountant

Kuala Lumpur
23 February 2010

GROUP FINANCIAL ANALYSIS

OPERATING REVENUE

For FY09, the Group registered 15.5% growth in operating revenue to RM13,105.1 million as compared to RM11,347.7 million recorded in FY08, largely driven by the mobile prepaid and postpaid business.

Mobile

The Group's revenue from mobile (prepaid and postpaid) grew to RM11,731.7 million, an increase of 15.9%, over RM10,120.3 million recorded in FY08, largely attributed to improved performance in Celcom, XL and Robi. Prepaid and postpaid services revenue is inclusive of registration and subscription, rental/access fees, call charges, short message services and roaming revenue.

Higher mobile revenue for the year was a result of the increase in subscriber base in the subsidiary companies from 49.6 million in FY08 to 60.6 million in FY09, and improvement in prepaid and postpaid sales. These were driven by the aggressive and focused marketing initiatives targeting the right customer segment.

Mobile revenue from Celcom which accounted for 48.9% of the group mobile revenue continued to be the main revenue contributor to the Group. Celcom's current year mobile revenue increased by 13.3% YoY from RM5,065.9 million in FY08 to RM5,741.7 million recorded in FY09.

Celcom's increased revenue from prepaid services was due to the significant increase in prepaid subscriber base from 7.0 million in FY08 to 7.8 million in FY09, despite the continuously competitive mobile market.

Various product offerings were launched during the year focusing on attracting new subscriber and encourage higher usage.

Where as in the postpaid segment, Celcom's encouraging growth YoY was largely driven by the significant increase in postpaid subscriber base from 1.8 million in FY08 to 2.3 million in FY09 and also post implementation of its 1+5 Plan launched in August 2008.

XL posted YoY mobile revenue growth of 24.0% arising from significant increase in prepaid Revenue Generating Base (RGB) of 49.0%, in line with its focus to improve the quality subscriber base.

Robi's mobile revenue increased 38.8% YoY with prepaid revenue contributing a significant increase of 43.0% arising from improvement in distribution and regional strategies, with focus on RGB and retention of customers.

Others

Other revenue includes revenue from interconnect services, leased services and other data services.

Interconnection charges

Revenue from interconnection charges increased by 8.7% from RM846.3 million recorded in FY08 to RM920.0 million in FY09 and accounted for 7.0% of the total operating revenue.

Leased services

Revenue from leased services marked a 10.7% growth from RM269.1 million in FY08 to RM297.9 million in the current year. Dialog showed higher leased services revenue in line with the increase in subscriber base, from its fixed line broadband operations.

Others

Revenue from Others comprising fixed line services, internet and multimedia, data services, other non-telecommunication services, registered significant growth of 38.8% from RM112.1 million recorded in FY08 to RM155.6 million in FY09. This was mainly driven by the 124.1% increase in broadband customers in Celcom.

OPERATING COSTS

For FY09 the Group's operating costs rose by 15.7% to RM10,808.7 million as compared to RM9,338.6 million recorded in FY08, which was in line with the increase in Group revenue.

Nevertheless, some costs increased due to inflationary effect and cost escalation in the operating markets. Movement of some of the major cost elements are explained below.

Depreciation, Impairment and Amortisation

Depreciation, impairment and amortisation charges of property, plant and equipment (PPE) and intangible assets increased by 22.3% to RM2,860.3 million as compared to RM2,338.5 million recorded in FY08 and accounted for 26.5% of total operating costs.

The increase in depreciation charges by RM521.9 million YoY was mainly driven by increasing asset base, increase in the number of BTS and accelerated depreciation arising from network modernisation in Dialog.

Manpower

Increase in manpower costs was mainly due to increase in staff strength which resulted in higher salary, performance bonus and employee benefits. Dialog's Voluntary Resignation Scheme charges also contributed to the YoY increase of manpower costs. The Group manpower costs rose by 19.5% to RM901.0 million in FY09 from RM753.8 million in FY08.

Universal Service Provision

Dialog, Celcom and XL jointly contributed to the higher Group USP charges, an increase of 36.8% or RM443.1 million from RM323.8 million recorded in FY08.

Utilities

The Group's electricity and water charges increased from RM261.3 million to RM365.0 million in line with the enhanced power consumption for additional number of BTS sites across the Group in FY09. This was coupled with the effect of upward revision of electricity charges in some of the OpCos.

Rental on Buildings and Premises

The Group's building and premises rental increased from RM305.6 million to RM439.8 million mainly due to increase in number of BTS sites across the Group in FY09, particularly in XL and commissioning of new sites in relation to network expansion for Celcom.

Business Licence Fee

The Group recorded higher business licence fees of RM490.0 million in current year from RM314.3 million in FY08, arising mainly from increased in number of BTS sites across the Group particularly in XL.

Foreign Exchange (Losses)/Gains

Appreciation of RM and local currency in all markets against the USD has resulted in net foreign exchange gain in FY09, predominantly arising from translation of USD denominated debt as well as payables in other foreign currencies.

The strengthening of IDR against USD has resulted in foreign exchange gain of RM600.9 million from XL in FY09 as compared to foreign exchange loss of RM354.4 million in the previous year mainly from net exchange gain from transactions and translation associated with debt and payables in USD and other foreign currencies.

Dialog and Robi however, registered foreign exchange loss of RM0.7 million and RM1.9 million in FY09 respectively, due to the weakening of SLR and BDT against USD.

As a result, a net gain on foreign exchange of RM587.2 million was recorded in the current year as compared to a net loss of RM445.8 million recorded in the preceding year.

OTHER OPERATING INCOME

Other operating income was recorded at RM467.6 million, 161.3% higher from RM178.9 million in FY08. The Group's other operating income was mostly derived from XL's revenue stream from leasing of tower space to other operators and one-off gain of RM158.1 million arising from derecognition of its dark fibre optic lines as a result of a finance lease arrangement.

FINANCE COSTS

YoY finance costs has increased by RM20.0 million or 2.3%, mainly driven by drawdown of new loans by XL in FY09. The Group incurred financing costs relating to acquisition of Idea amounting to RM203.6 million in FY09.

SHARE OF RESULTS OF JOINTLY CONTROLLED ENTITIES

Negative contribution in the current year was mainly attributed to negative PAT in Spice. The Group recorded lower negative contribution from Spice of RM59.5 million for FY09 as compared to negative contribution of RM153.7 million in preceding year.

SHARE OF RESULTS OF ASSOCIATES

The share of associate companies increased during the year by 93.7% from RM83.0 million to RM160.8 million mainly from share of profit contribution from Idea of RM44.8 million. Idea became an associate of the Group with effect from 25 June 2009. MI has a full year profit contribution in FY09 as compared to 8 months of profit contribution in FY08.

TAXATION

Tax expense for current year increased by more than 100% mainly driven by XL as a result of higher deferred tax liability arising from the increase in CAPEX on PPE in FY09.

MINORITY INTEREST

The Group's minority interest has improved from negative RM26.9 million in FY08 to RM103.2 million in FY09. This was primarily due to the higher share of profit from subsidiaries, mainly from XL but offset with a loss recorded in Dialog.

PATAMI

As a consequence of the favourable performance of Celcom and overseas subsidiaries during the year, particularly XL, the Group recorded more than 100% increase in PATAMI from RM498.0 million in FY08 to RM1,652.7 million in FY09.

TOTAL CAPITAL AND RESERVES

Total capital and reserves increased by RM7.0 billion during the year following increase in share capital and share premium arising from issuance of rights issue, and addition in ESOS and forex reserve and net profits recorded for the year.

TOTAL ASSETS

Total assets of the Group decreased slightly by 0.6% to RM37.1 billion as compared to RM37.4 billion in FY08. This was due to the decrease in cash and bank balances offset by an increase in intangible assets, property, plant and equipment and long term receivables.

Intangible Assets

Intangible assets increase YoY by RM237.1 million mainly due to increase in goodwill, as a result of the acquisition of 2.7% additional stake in XL during the rights issue exercise. The increase was also a result of re-valuation of goodwill in key investments denominated in IDR and USD, where the exchange rates have strengthen against RM.

Property, Plant and Equipment (PPE)

The Group's PPE increased by 5.7% to RM15,815.3 million from RM14,959.7 million in FY08 as a result of the increase in capital expenditure for network expansions in XL, Celcom, Dialog, Robi and Hello.

The exchange translation gain arising from subsidiaries assets was recorded in foreign translation reserve in the balance sheet.

Long term receivables

The Group's long term receivables grew significantly by more than 100% from RM0.4 million to RM129.9 million, primarily attributed to XL's long term lease receivables arising from finance lease arrangements of its optic fibre network during the year.

Cash and Bank Balances

The Group's cash and bank balances decreased by 39.8% or RM1,324.6 million to RM2,006.2 million mainly due to net repayment of borrowings and loans from former holding company and purchase of PPE during the year.

TOTAL LIABILITIES

The Group's total liabilities stood at RM18.3 billion as at FY09, a decrease of 28.8% as compared to RM25.7 billion recorded in FY08, primarily attributed to the decrease in borrowings and full repayment of amount due to former holding company.

Borrowings

The Group's borrowings decreased by 22.8% from RM15,959.4 million in FY08 to RM12,322.8 million in FY09 primarily due to repayment of borrowings during the year with proceeds from rights issue exercise carried out by Axiata and XL in May 2009 and December 2009 respectively.

Deferred tax liabilities

The Group's deferred tax liabilities increased by 60.5% YoY from RM777.3 million to RM1,247.8 million. This was primarily resulted from net origination of temporary timing differences of PPE, higher capital expenditure in FY09, unabsorbed tax losses and provisions.

SHAREHOLDING STATISTICS

AS AT 30 APRIL 2010

ANALYSIS OF SHAREHOLDINGS

Authorised Share Capital:

- RM12,000,000,000 divided into 12,000,000,000 ordinary shares of RM1.00 each

Issued & Paid-Up Share Capital:

- RM8,445,154,455 divided into 8,445,154,455 ordinary shares of RM1.00 each
- Voting Right: 1 vote per share

Total No. of Shareholders:

- 27,806

DISTRIBUTION OF SHAREHOLDINGS

(without aggregating the securities from different securities accounts belonging to the same Depositor)

Size of Shareholdings	Shareholders				Shares			
	Malaysian		Foreign		Malaysian		Foreign	
	No.	%	No.	%	No.	%	No.	%
Less than 100	966	3.47	8	0.03	8,966	0.00[1]	111	0.00[1]
100 – 1,000	5,919	21.29	166	0.60	5,062,238	0.06	114,644	0.00[1]
1,001 – 10,000	16,148	58.07	313	1.13	62,935,719	0.74	1,350,484	0.02
10,001 – 100,000	3,185	11.45	244	0.88	83,712,709	0.99	8,941,136	0.10
100,001 – 442,257,721 (less than 5% of issued and paid up share capital)	500	1.80	353	1.27	1,849,358,906	21.90	839,559,297	9.94
442,257,722 and above	4	0.01	—	0.00[1]	5,594,100,245	66.24	—	0.00[1]
Total	**26,722**	**96.09**	**1,084**	**3.91**	**7,595,188,783**	**89.93**	**849,965,672**	**10.06**

Note:

1 Less than 0.01%

SUBSTANTIAL SHAREHOLDERS (HOLDING 5% & ABOVE)

(as per Register of Substantial Shareholders)

No.	Name	Direct Interest		Indirect/Deemed Interest		Total Interest	
		No. of Shares Held	% of Issued Shares	No. of Shares Held	% of Issued Shares	No. of Shares Held	% of Issued Shares
1.	Khazanah Nasional Berhad	3,759,158,639	44.51	—	—	3,759,158,639	44.51
2.	Employees Provident Fund Board	1,283,638,956	15.20	98,304,175±	1.16±	1,381,943,131	16.36
3.	AmanahRaya Trustees Berhad – Skim Amanah Saham Bumiputera	560,523,050	6.64	—	—	560,523,050	6.64

± Employees Provident Fund Board ("EPF") is deemed to have indirect interest by virtue of the shares of the Company managed by other portfolio managers on behalf of EPF under Section 6A of the Companies Act, 1965.

DIRECTORS' DIRECT AND INDIRECT INTERESTS IN THE COMPANY AND ITS RELATED CORPORATIONS

The Directors' direct and/or indirect interest in the Company based on the Register of Directors' Shareholdings are as follows:-

Interest in the Company	Number of ordinary shares of RM1.00 each					
	Direct Interest		Indirect Interest		Total Interest	
	No. of Shares Held	% of Issued Shares	No. of Shares Held	% of Issued Shares	No. of Shares Held	% of Issued Shares
Dato' Sri Jamaludin Ibrahim	–	–	450,000#	0.00*	450,000#	0.00*

Interest in the Company	Number of options over ordinary shares of RM1.00 each@					
	Direct Interest		Indirect Interest		Total Interest	
	No. of Shares Held	% of Issued Shares	No. of Shares Held	% of Issued Shares	No. of Shares Held	% of Issued Shares
Dato' Sri Jamaludin Ibrahim	2,693,900	0.03	–	–	2,693,900	0.03
Dato' Yusof Annuar Yaacob	1,019,700	0.01	–	–	1,019,700	0.01

Notes:

Held under CIMSEC Nominees (Tempatan) Sdn Bhd

* Less than 0.01%

@ Options pursuant to a Long Term Performance-Based Employee Share Option Scheme for Eligible Employees and Executive Directors of Axiata Group. The shareholders of Axiata had, at the Extraordinary General Meeting held on 24 March 2009, approved the grant of options to Dato' Sri Jamaludin Ibrahim and Dato' Yusof Annuar Yaacob to subscribe for up to 5.5 million and 2.5 million new ordinary shares of RM1.00 each of the Company respectively.

Save as disclosed above, none of the Directors of the Company has any interest direct or indirect in the Company and its related corporations.

LIST OF TOP THIRTY LARGEST SHAREHOLDERS

(without aggregating the securities from different securities accounts belonging to the same Depositor)

No.	Name	No. of Shares Held	% of Issued Shares
1.	Khazanah Nasional Berhad	3,286,851,447	38.92
2.	Employees Provident Fund Board	1,274,428,556	15.09
3.	AmanahRaya Trustees Berhad – *Skim Amanah Saham Bumiputera*	560,523,050	6.64
4.	Khazanah Nasional Berhad – *Exempt An*	472,307,192	5.59
5.	Lembaga Tabung Haji	360,833,431	4.27
6.	CIMSEC Nominees (Tempatan) Sdn Bhd – *Exempt An For TM Esos Management Sdn Bhd (TM ESOS)*	198,284,200	2.35
7.	Kumpulan Wang Persaraan (Diperbadankan)	114,405,000	1.35
8.	AmanahRaya Trustees Berhad – *Amanah Saham Malaysia*	89,958,350	1.07
9.	AmanahRaya Trustees Berhad – *Amanah Saham Wawasan 2020*	85,834,800	1.02
10.	Valuecap Sdn Bhd	85,829,450	1.02
11.	Permodalan Nasional Berhad	85,559,475	1.01
12.	Citigroup Nominees (Tempatan) Sdn Bhd – *Exempt An For Prudential Fund Management Berhad*	52,562,775	0.62
13.	Citigroup Nominees (Tempatan) Sdn Bhd – *Exempt An For American International Assurance Berhad*	40,045,375	0.47
14.	Malaysia Nominees (Tempatan) Sendirian Berhad – *Great Eastern Life Assurance (Malaysia) Berhad (Par 1)*	38,949,925	0.46
15.	AmanahRaya Trustees Berhad – *Public Islamic Dividend Fund*	38,548,500	0.46
16.	AmanahRaya Trustees Berhad – *As 1Malaysia*	37,790,200	0.45
17.	HSBC Nominees (Asing) Sdn Bhd – *Exempt An For JPMorgan Chase Bank, National Association (U.K.)*	34,662,072	0.41
18.	HSBC Nominees (Asing) Sdn Bhd – *Exempt An For JPMorgan Chase Bank, National Association (U.S.A.)*	31,481,800	0.37

No.	Name	No. of Shares Held	% of Issued Shares
19.	HSBC Nominees (Asing) Sdn Bhd - *BBH And Co Boston For Vanguard Emerging Markets Stock Index Fund*	30,777,194	0.36
20.	AMSEC Nominees (Tempatan) Sdn Bhd - *AMTrustee Berhad For CIMB Islamic Dali Equity Growth Fund (UT-CIMB-DALI)*	27,962,550	0.33
21.	Pertubuhan Keselamatan Sosial	27,774,575	0.33
22.	Cartaban Nominees (Asing) Sdn Bhd - *Government of Singapore Investment Corporation Pte Ltd For Government of Singapore (C)*	27,401,000	0.32
23.	SBB Nominees (Tempatan) Sdn Bhd - *Employees Provident Fund Board*	27,109,325	0.32
24.	AmanahRaya Trustees Berhad - *Public Islamic Equity Fund*	25,640,300	0.30
25.	SBB Nominees (Tempatan) Sdn Bhd - *Kumpulan Wang Persaraan (Diperbadankan)*	25,508,200	0.30
26.	HSBC Nominees (Asing) Sdn Bhd - *Exempt An For The Bank Of New York Mellon (Mellon ACCT)*	25,189,034	0.30
27.	HSBC Nominees (Asing) Sdn Bhd - *Exempt An For JPMorgan Chase Bank, National Association (NORGES BK NLEND)*	21,650,000	0.26
28.	HSBC Nominees (Asing) Sdn Bhd - *Exempt An For JPMorgan Chase Bank, National Association (U.A.E.)*	21,295,826	0.25
29.	Cartaban Nominees (Asing) Sdn Bhd - *BBH (LUX) SCA For Fidelity Funds South East Asia*	19,675,800	0.23
30.	HSBC Nominees (Asing) Sdn Bhd - *Exempt An For JPMorgan Chase Bank, National Association (NORGES BK LEND)*	19,329,875	0.23
	TOTAL	**7,188,169,277**	**85.10**

ADDITIONAL COMPLIANCE INFORMATION

NO.	COMPLIANCE ISSUE
1.	**SHARE BUY-BACK** Axiata did not carry out any share buy-back for the financial year ended FY09. [Disclosed in accordance with Appendix 9C, Part A item 14, Main LR]
2.	**OPTIONS OR CONVERTIBLE SECURITIES** On 24 March 2009, the Shareholders' of the Company approved the Long Term Performance-Based Employee Share Option Scheme (Performance-Based ESOS) for eligible employees and Executive Director(s) of the Group (other than subsidiaries that are dormant). The Performance-Based ESOS shall be in force for a period of eight years from 16 April 2009, the implementation date of the Option Scheme. During the FY09, a total number of 69,111,500 options was granted. The options granted shall become exercisable only upon the fulfillment of certain performance criteria for the Company and individuals. Axiata has not issued convertible securities for the FY09. [Disclosed in accordance with Appendix 9C, Part A item 15, Main LR]
3.	**DEPOSITORY RECEIPT PROGRAMME** Axiata did not sponsor any depository receipt programme for the FY09. [Disclosed in accordance with Appendix 9C, Part A item 16, Main LR]
4.	**SANCTION AND/OR PENALTY** There was no sanction and/or penalty imposed on Axiata and its subsidiaries, directors or management by the regulatory bodies for the FY09. [Disclosed in accordance with Appendix 9C, Part A item 17, Main LR]
5.	**NON-AUDIT FEES** The amount of non-audit fees incurred for the services rendered to Axiata and the Group by its external auditors, PricewaterhouseCoopers and its affiliated companies for the FY09 are RM2,460,325 and RM3,661,400. Services rendered by PricewaterhouseCoopers are not prohibited by regulatory and other professional requirements, and are based on globally practiced guidelines on auditors' independence. PricewaterhouseCoopers was engaged in these services when their expertise and experience of Axiata are important. It is also the Group's policy to use the auditors in cases where their knowledge of the Group means it is neither efficient nor cost effective to employ another firm of accountants. [Disclosed in accordance with Appendix 9C, Part A item 18, Main LR]

NO.	COMPLIANCE ISSUE
6.	**VARIATION IN RESULTS** There were no profit estimates, forecasts or projections made or released by Axiata for the FY09. [Disclosed in accordance with Appendix 9C, Part A item 19, Main LR]
7.	**PROFIT GUARANTEE** There were no profit guarantees given by Axiata for the FY09. [Disclosed in accordance with Appendix 9C, Part A item 20, Main LR]
8.	**MATERIAL CONTRACTS INVOLVING DIRECTORS'/MAJOR SHAREHOLDERS' INTEREST** There were no material contracts of Axiata and/or its subsidiaries involving directors' and major shareholders' interests either subsisting as at 31 December 2009 or entered into since the end of FY08. [Disclosed in accordance with Appendix 9C, Part A item 21, Main LR]
9.	**REVALUATION POLICY** Axiata has not adopted any revaluation policy or carried out any revaluation exercise on its landed properties for the FY09 except for the revaluation exercise to estimate the fair value of its investment property as disclosed in Note 23 to the financial statements. [Disclosed in accordance with Appendix 9C, Part A item 24, Main LR]
10.	**UTILISATION OF PROCEEDS** On 6 May 2009, the Company issued a total of 4,691,752,475 new ordinary shares of RM1.00 each at an issue price of RM1.12 per ordinary share (Rights Shares) under a renounceable rights issue (Rights Issue) to raise gross proceeds of approximately RM5.255 billion. The Rights Issue was completed following the listing and quotation the Rights Shares on the Main Board of Bursa Securities on 11 May 2009. Axiata has fully utilised the proceeds from the Rights Issue to repay RM4 billion borrowings to its former holding company, TM in April 2009, other identified borrowings and/or bridging loans taken to repay such borrowings, expenses in relation to the Rights Issue and working capital purposes. [Disclosed in accordance with Appendix 9C, Part A item 13, Main LR]

NO.	COMPLIANCE ISSUE
11.	**RECURRENT RELATED PARTY TRANSACTIONS OF REVENUE IN NATURE (RRPT)** At the last AGM held on 20 May 2009, Axiata has obtained a general mandate from its shareholders on the RRPT entered into by Axiata and/or its subsidiaries (RRPT Mandate). The RRPT Mandate is valid until the conclusion of Axiata's forthcoming 18th Annual General Meeting of the Company to be held on 22 June 2010. Axiata proposes to renew the RRPT Mandate at its forthcoming 18th Annual General Meeting. The renewed RRPT Mandate, if approved by the shareholders would be valid until the conclusion of Axiata's next AGM. The details of the RRPT mandate to be sought will be furnished in the circular to the shareholders dated 31 May 2010 attached to this Annual Report. Pursuant to paragraph 10.09 (1) (b) of the Main LR, the details of the RRPT entered into during the FY09 pursuant to the RRPT Mandate are disclosed as follows:-

Transacting Companies	Transacting Related Parties	Interested Shareholder/ Director	Nature of Transaction	Value of Transactions RM'000
Axiata Group		Khazanah, Tan Sri Dato' Azman Hj Mokhtar, Ismael Fariz Ali (Demised on 24 December 2009) and Dr Farid Mohamed Sani, the Alternate Director to Ismael Fariz Ali	**Revenue to Axiata Group**	
			Interconnect payment from TM Group	104,179
			Lease-line payment from TM Group	14,328
			Voice Over Internet Protocol ("VOIP") related services revenue from TM Group	5,106
			Dark fibre and lease-line from Celcom Group to Fibrecomm Network (M) Sdn Bhd ("Fibrecomm")	2,209
			Joint sales and marketing services from Celcom Group to TM Group	5,517
			Lease-line from Celcom Group to Fiberail Sdn Bhd ("Fiberail")	1,152

Transacting Companies	Transacting Related Parties	Interested Shareholder/ Director	Nature of Transaction	Value of Transactions RM'000
			Cost to Axiata Group	
			Interconnect cost to TM Group	121,739
			VOIP related services to TM Group	75,307
			Lease-line related costs to TM Group	48,382
			Provision of data and bandwidth services by TM Group to Axiata Group	19,837
			Site rental payable quarterly for telecommunication infrastructure, equipment and related charges by Celcom Group to TM Group	22,800
			Internet access and broadband charges by TM Group to Celcom Group	5,492
			Commission on registration and collection to TM Group by Celcom Group	1,184
			Provision of contact centre and business process outsourcing services by VADS Berhad to Axiata Group	115,928
			Leasing of fibre optic core and provision of bandwidth services from Fiberail by Celcom Group	15,348
			Purchase of dark fibre, bandwidth, space and facility from Fibrecomm by Celcom Group	22,047
			Rental of office premises payable monthly by Axiata Group to TM Group	15,031
			Leasing of vehicles by TM Group to Celcom Group	7,056
			Joint sales and marketing services by TM Group to Celcom Group	808
			Provision of information technology, human resources and other general office administrative support services by TM Group to Axiata Group	627
			TOTAL	**604,077**

[Disclosed in accordance with Paragraph 10.09(2)(b), Main LR]

NET BOOK VALUE OF LAND & BUILDINGS

AS AT 31 DECEMBER 2009

Location	Freehold		Leasehold		Net book value of land	Net book value of buildings
	No. of Lots	Area ('000 sq ft)	No. of Lots	Area ('000 sq ft)	RM'000	RM'000
1 Malaysia						
(a) Federal Territory (Kuala Lumpur)	1	40.5	3	91.0	9,261.0	4,089.0
(b) Selangor	1	53.9	2	48.7	10,626.0	27,173.0
(c) Perak	1	43.5	4	63.0	1,281.0	196.0
(d) Pulau Pinang	7	15.3	4	129.6	3,051.0	1,987.0
(e) Kedah	—	—	1	15.9	175.0	438.0
(f) Johor	6	41.6	1	78.8	1,690.0	1,908.0
(g) Negeri Sembilan	2	50.0	—	—	990.0	259.0
(h) Terengganu	—	—	7	871.8	468.0	13.0
(i) Kelantan	—	—	3	107.2	247.0	390.0
(j) Pahang	1	37.1	17	429.6	3,981.0	1,659.0
(k) Sabah	—	—	5	224.4	1,453.0	1,592.0
(l) Sarawak	2	320.1	3	58.5	721.0	995.0
2 Indonesia	—	—	10,806	30,873.0	335,222.0	60,867.0
3 Sri Lanka	15	509.0	—	—	11,560.0	56,409.0
4 Bangladesh	256	1,360.0	—	—	6,013.0	20,240.0
5 Cambodia	—	—	—	—	—	2,665.0
6 Pakistan	41	1,274.8	—	—	5,329.0	—
Total	**333**	**3,745.8**	**10,856**	**32,991.5**	**392,068.0**	**180,880.0**

Note: The details of the top 10 properties included in the above summary are disclosed in the next page.

LIST OF TOP TEN PROPERTIES

AS AT 31 DECEMBER 2009

No.	Address/Location	Freehold/Leasehold - land and/or buildings	Current usage of Land & Buildings	Approximate age of buildings (years)	Date of Acquisition/ Capitalisation	Remaining lease period (years)	Land area (sq. metre)	Built-up area (sq. metre)	Net book value as at 31 December 2009 (RM)
1	Jl. Raya Kali Rungkut No. 15A, Surabaya, Indonesia	Leasehold land and freehold building	Telecommunications and operations office	20 years	17.04.2008 and 22.12.2008 (land) 08.10.2009 (building)	19 years	8,853.0	9,443.0	34,946,528
2	Seksyen 13, Jalan Kemajuan Petaling Jaya, Selangor Malaysia	Leasehold land and building	Network office	16 years	23.03.1998	56 years	4,383.1	10,339.0	33,590,685
3	Jl. Soekarno Hatta Bandung Indonesia	Leasehold land and freehold building	Telecommunications and operations office	21 years	23.10.2007 (land) 16.12.2008 (building)	18 years	4,770.0	6,731.0	20,091,055
4	Jl. Rasuna Said Kav A5 No. 6, Bintoro Jakarta Indonesia	Leasehold land and freehold building	Telecommunications and operations office	21 years	29.06.2006 (land) 30.09.2007 (building)	17 years	3,350.0	1,219.0	10,639,394
5	Bandar Sri Manjalara Mukim Batu, Kuala Lumpur Wilayah Persekutuan, Malaysia	Leasehold land and building	Telecommunications and operations office	6 years	23.05.1997	68 years	4,451.4	3,041.0	5,604,333
6	Corporate Building - Union place Colombo 02 Sri Lanka	Freehold building	Office building	8 years	31.02.2002	n/a	n/a	1,858.0	4,361,112
7	Maharaja Land - Union place Colombo 02 Sri Lanka	Freehold land	Office building	n/a	31.12.2002	n/a	4,925.0	n/a	3,998,618
8	Foster Lane - Union place Colombo Sri Lanka	Freehold land	Transmission station	n/a	29.11.2007	n/a	972.0	n/a	3,889,703
9	No. 2, Jln 5/89 Off Jalan Sekilau Kompleks Batu 3½ Cheras, Kuala Lumpur Wilayah Persekutuan, Malaysia	Leasehold land and building	Exchange and Training Centre	15 years	23.05.1997	76 years	522.0	2,643.0	3,647,592
10	Jl. P. Mangkubumi No. 20-22 Yogyakarta, Indonesia	Leasehold land and freehold building	Business centres	20 years	16.08.2002 and 17.09.2002 (land) 24.06.2003 (building)	13 years	3,413.0	2,695.5	3,539,084

Note: No revaluation was performed on the above properties

GROUP DIRECTORY

Axiata Group Berhad
Axiata Centre
9 Jalan Stesen Sentral 5
Kuala Lumpur Sentral
50470 Kuala Lumpur
Malaysia
Tel : +603 2263 8888
Fax : +603 2263 8822
Website : www.axiata.com

Celcom Axiata Berhad
Menara Celcom
No. 82, Jalan Raja Muda Abdul Aziz
50300 Kuala Lumpur
Malaysia
Tel : +603 2688 3939
Fax : +603 2681 0361
Website : www.celcom.com.my

PT XL Axiata Tbk.
grha XL
Jl. Mega Kuningan Lot. E4-7 No. 1
Kawasan Mega Kuningan
Jakarta 12950
Indonesia
Tel : +62 21 576 1881
Fax : +62 21 576 1880
Website : www.xl.co.id

Dialog Telekom PLC
No. 475, Union Place
Colombo 2
Sri Lanka
Tel : +94 77 767 8700
+94 11 267 8700
Fax : +94 11 266 9701
Website : www.dialog.lk

Axiata (Bangladesh) Limited
BRAC Centre, 9th Floor
75, Mohakhali C/A
Dhaka 1212
Bangladesh
Tel : +88 02 988 7146/52
Fax : +88 02 988 5463
Website : www.robi.com.bd

Hello Axiata Company Limited
5th & 6th Corner Sihanouk (274) &
Sothearos BLVD
Sangkat Tonlebasac
Khan Chamkamorn, Phnom Penh
Cambodia
Tel : +855 16 810 001/3
Fax : +855 16 810 004
+855 23 219 090
Website : www.hello.com.kh

Idea Cellular Limited
5th Floor "Windsor"
Kalina, Santa Cruz (East)
Mumbai 400098
India
Tel : +91 95 9400 4000
Fax : +91 95 9400 3181
Website : www.ideacellular.com

M1 Limited
10 International Business Park
Singapore 609928
Tel : +65 6895 1111
Fax : +65 6899 3902
Website : www.m1.com.sg

Mobile Telecommunications Company of Esfahan
Emam Khomaini Street
After Ghods Shahrak
Next to Payam Gym
Esfahan
Iran
P.O.Box 81655-1446
Tel : +98 311 324 4040
Fax : +98 311 324 0024
Website : www.mtce.ir

Multinet Pakistan (Private) Limited
Plot 1D-203, Sector 30
Korangi Industrial Area
Karachi, Pakistan
Tel : +92 21 111 021 021
Fax : +92 21 5113 6485
Website : www.multi.net.pk

Samart Corporation Public Company Limited
99/1 Moo 4, Software Park 35 Fl.
Chaengwattana Rd.
Pak-kred
Nonthaburi 11120
Thailand
Tel : +662 502 6000
Fax : +662 502 6186
Website : www.samartcorp.com

Samart I-Mobile Public Company Limited
99/3 Moo 4, 33rd Floor
Software Park
Chaengwattana Rd
Klong Gluar, Pak-kred
Nonthaburi 11120
Thailand
Tel : +66 2502 6000
Fax : +66 2502 6870
Website : www.i-mobilephone.com

GLOSSARY

3G
The third generation of mobile phone technologies covered by the ITU IMT-2000 family

ARPU
Average Monthly Revenue Per User

Axiata
Axiata Group Berhad

Axiata SPV1
Axiata SPV1 (Labuan) Limited

AxB
Axiata (Bangladesh) Limited

BAC
Board Audit Committee

BNC
Board Nomination Committee

BRC
Board Remuneration Committee

BTS
Base Transceiver Station

Bursa Securities
Bursa Malaysia Securities Berhad

CAMEL
Customised Applications for Mobile network Enhanced Logic also known as CAMEL was developed as a standard for mobile intelligence across different vendor equipments for GSM network

Casacom
Cambodia Samart Communication Company Limited (now known as HACL)

CBNP
Communiq Broadband Network (Private) Limited

CBNSP
CBN Sat (Private) Limited

CDMA
Code Division Multiple Access

Celcom
Celcom Axiata Berhad (formerly known as Celcom (Malaysia) Berhad

Celcom Group
Celcom and its subsidiaries

CLM
Customer Lifecycle Management

CMP
Cost Management Programme

CR
Corporate Responsibility

DBN
Dialog Broadband Networks (Private) Limited

DCIL
Distacom Communications (India) Limited (now known as TMI India)

Dialog
Dialog Telekom PLC (formerly known as Dialog Telekom Limited)

DTI
Dialog Tele-Infrastructure (Private) Limited

DTV
Dialog Television (Private) Limited (formerly known as Asset Media (Private) Limited)

EBITDA
Earnings Before Interest Taxes Depreciation and Amortisation

EDGE
Enhanced Data rates for GSM Evolution

ED
Executive Director

Glossary

ESOS
Employees Share Option Scheme

ESOS Committee
Employees Share Option Scheme Committee

Etisalat Indonesia
Emirates Telecommunications Corporation (Etisalat) International Indonesia Limited

Fibrecomm
Fibrecomm Network (M) Sdn Bhd

FCF
Free Cash Flow

FY08
Financial year ended 31 December 2008

FY09
Financial year ended 31 December 2009

GCFO
Group Chief Financial Officer

GCIA
Group Chief Internal Auditor

GIA
Group Internal Audit

GLC
Government Linked Companies

GLCT
Government Linked Company Transformation

GPRS
General Packet Radio Service

GRA
Group Regulatory Affairs

GSM
Global System for Mobile Communications

GSMA
The GSM Association

HACL
Hello Axiata Company Limited [formerly known as Telekom Malaysia International (Cambodia) Company Limited (TMIC)]

HSDPA
High Speed Downlink Packet Access

HSPA
High Speed Packet Access

IAD
Internal Audit Division

ICT
Information and Communications Technology

IDD
International Direct Dialing

Idea
Idea Cellular Limited

IN
Intelligent Network

INED
Independent Non-Executive Director

Indocel
Indocel Holding Sdn Bhd

IP
Internet Protocol

ITU
International Telecommunication Union

Khazanah
Khazanah Nasional Berhad

KPI
Key Performance Indicator

LOA
Limits of Authority

LTE
Long Term Evolution

M1
M1 Limited (formerly known as MobileOne Ltd)

Main LR
Main Market Listing Requirements of Bursa Securities

MCG
Malaysian Corporate Governance

MMS
Multimedia Messaging Service

MNC
Multinational Company

MNP
Mobile Number Portability

MOU
Minutes of Use

MSWG
Minority Shareholder Watchdog Group

MTCE
Mobile Telecommunications Company of Esfahan

MTN
MTN Networks (Private) Limited (now known as Dialog)

Multinet
Multinet Pakistan (Private) Limited

MVNO
mobile virtual network operator

NED
Non-Executive Director

NEM
New Economic Model

NGN
New Generation Network

NGNBN
Next Generation Nationwide Broadband Network

NINED
Non Independent Non-Executive Director

NPAT
Net Profit After Tax

OpCo
Operating Company

PAT
Profit after Tax

PATAMI
Profit after Taxation and Minority Interest

President & GCEO
Managing Director/President & Group Chief Executive Officer

ROE
Return on Equity

SAMART
Samart Corporation Public Company Limited

SAP
Systems Applications and Products

SIM
Samart I-Mobile Public Company Limited

SLT
Senior Leadership Team

SMS
Short Message Service

Spice
Spice Communications Limited

SunShare
SunShare Investments Ltd

Glossary

TCE
Telecommunication Company of Esfahan

TM
Telekom Malaysia Berhad

TMI
TM International Berhad (now known as Axiata Group Berhad)

TMI India
TMI India Ltd

TMI Mauritius
TMI Mauritius Ltd

TMIB
TM International (Bangladesh) Limited (now known as Axiata (Bangladesh) Limited)

TMIC
Telekom Malaysia International (Cambodia) Company Limited (now known as Hello Axiata Company Limited)

TMIL
TM International (Labuan) Limited

ToR
Terms of Reference

TRI
Technology Resources Industries Berhad

TSR
Total Shareholder Return

USP
Universal Service Provision

VAS
Value Added Services

VoIP
Voice over Internet Protocol

VPN
Virtual Private Network

WCDMA
Wideband CDMA

WiFi
Wireless Fidelity

WiMax
Worldwide Interoperability for Microwave Access

XL
PT XL Axiata Tbk. (formerly known as PT Excelcomindo Pratama Tbk)

YoY
Year on Year

CURRENCIES

BDT
Bangladeshi Taka, the lawful currency of Bangladesh

IDR
Indonesian Rupiah, the lawful currency of Indonesia

INR
Indian Rupee, the lawful currency of India

PKR
Pakistani Rupee, the lawful currency of Pakistan

RM
Ringgit Malaysia, the lawful currency of Malaysia

SGD
Singapore Dollars, the lawful currency of Singapore

SLR
Sri Lankan Rupee, the lawful currency of Sri Lanka

THB
Thai Baht, the lawful currency of Thailand

USD
United States Dollars, the lawful currency of the United States

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT THE EIGHTEENTH ANNUAL GENERAL MEETING OF AXIATA GROUP BERHAD WILL BE HELD AT GRAND BALLROOM, 1ST FLOOR, SIME DARBY CONVENTION CENTRE, 1A JALAN BUKIT KIARA 1, 60000 KUALA LUMPUR, MALAYSIA ON TUESDAY, 22 JUNE 2010 AT 10.00 A.M. FOR THE FOLLOWING PURPOSES:

ORDINARY BUSINESS:

1. To receive the Audited Financial Statements for the financial year ended 31 December 2009 together with the Report of the Directors and the Auditors thereon. **(Ordinary Resolution 1)**

2. To re-elect the following Directors who retire by rotation pursuant to Article 93 of the Company's Articles of Association:
   (i) Dato' Sri Jamaludin Ibrahim **(Ordinary Resolution 2)**
   (ii) Tan Sri Ghazzali Sheikh Abdul Khalid **(Ordinary Resolution 3)**

3. To re-elect Dr Farid Mohamed Sani who was appointed to the Board during the year and retires pursuant to Article 99 (ii) of the Company's Articles of Association. **(Ordinary Resolution 4)**

4. To approve payment of Directors' fees of RM2,005,484.00 for the financial year ended 31 December 2009. **(Ordinary Resolution 5)**

5. To re-appoint PricewaterhouseCoopers having consented to act as the Auditors of the Company for the financial year ending 31 December 2010 and to authorise the Directors to fix their remuneration. **(Ordinary Resolution 6)**

AS SPECIAL BUSINESS:

6. To consider and, if thought fit, to pass the following Ordinary Resolution:-

PROPOSED SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE

"**THAT**, in accordance with paragraph 10.09 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, approval be and is hereby given for Axiata Group Berhad (Company) and/or its subsidiaries to enter into recurrent related party transactions of a revenue or trading nature, as set out in **Appendix I** of the Circular to Shareholders dated 31 May 2010 despatched together with the Company's Annual Report 2009, which are necessary for the day-to-day operations in the ordinary course of the business of the Company and/or its subsidiaries on terms not more favourable to the related parties than those generally available to the public and are not detrimental to the minority shareholders of the Company;

THAT such approval shall continue to be in force and effect until:-

(i) the conclusion of the next Annual General Meeting of the Company at which time the authority will lapse, unless the authority is renewed by a resolution passed at such general meeting;

(ii) the expiration of the period within which the Company's next Annual General Meeting is required to be held under Section 143(1) of the Companies Act, 1965 (but shall not extend to such extension as may be allowed pursuant to Section 143(2) of the Companies Act, 1965); or

(iii) revoked or varied by resolution passed by the shareholders of the Company in a general meeting,

whichever is earlier;

AND THAT the Directors be and are hereby authorised to complete and do all such acts, deeds and things (including without limitation, to execute such documents under the common seal in accordance with the provisions of the Articles of Association of the Company, as may be required) to give effect to the aforesaid shareholders' mandate and transaction contemplated under this resolution." **(Ordinary Resolution 7)**

7. To consider any other business of the Company of which due notice has been received.

FURTHER NOTICE IS HEREBY GIVEN THAT for the purpose of determining a member who shall be entitled to attend this Annual General Meeting, the Company shall request from Bursa Malaysia Depository Sdn. Bhd. in accordance with the provisions under Article 66 of the Company's Articles of Association and Section 34(1) of the Securities Industry (Central Depositories) Act, 1991 to issue a General Meeting Record of Depositors (General Meeting ROD) as at 15 June 2010. Only a depositor whose name appears on the General Meeting ROD as at 15 June 2010 shall be entitled to attend the said meeting or appoint proxies to attend and/or vote on his/her behalf.

BY ORDER OF THE BOARD

Suryani Hussein (LS0009277)
Group Company Secretary

Kuala Lumpur, Malaysia
31 May 2010

NOTES:

1. A Member entitled to attend and vote at the above Meeting is entitled to appoint a proxy to attend and vote in his/her stead. A proxy need not be a Member of the Company and the provisions of Section 149(1) (a), (b), (c) and (d) of the Companies Act, 1965 shall not apply to the Company.

2. A Member shall not be entitled to appoint more than two (2) proxies to attend and vote at the Meeting provided that where a Member of the Company is an authorised nominee as defined in accordance with the provisions of the Securities Industry (Central Depositories) Act, 1991, it may appoint at least one (1) proxy but not more than two (2) proxies in respect of each securities account it holds with ordinary shares in the Company standing to the credit of the said securities account.

3. Where a Member appoints two (2) proxies, the appointments shall be invalid unless the proportion of the holding to be represented by each proxy is specified.

4. The instrument appointing a proxy shall be in writing under the hand of the appointer or his attorney duly appointed under a power of attorney or if such appointer is a corporation, either under its common seal or under the hand of an officer or attorney duly appointed under a power of attorney. If the Proxy Form is signed under the hand of an officer duly authorised, it should be accompanied by a statement reading "signed as authorised officer under an Authorisation Document which is still in force, no notice of revocation has been received". If the Proxy Form is signed under the attorney duly appointed under a power of attorney, it should be accompanied by a statement reading "signed under a Power of Attorney which is still in force, no notice of revocation has been received". A copy of the Authorisation Document or the Power of Attorney, which should be valid in accordance with the laws of the jurisdiction in which it was created and is exercised, should be enclosed with the Proxy Form.

5. A corporation which is a Member, may by resolution of its Directors or other governing body authorise such person as it thinks fit to act as its representative at the Meeting, in accordance with Article 89 of the Company's Articles of Association.

6. The instrument appointing the proxy together with the duly registered power of attorney referred to in Note 4 above, if any, must be deposited at the office of the Share Registrar, Tricor Investor Services Sdn Bhd (formerly known as Tenaga Koperat Sdn Bhd), Level 17, The Gardens North Tower, Mid Valley City, Lingkaran Syed Putra, 59200 Kuala Lumpur, Malaysia not less than 48 hours before the time appointed for holding of the Meeting or at any adjournment thereof.

EXPLANATORY NOTES ON SPECIAL BUSINESS

Proposed Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature

The proposed Ordinary Resolution 7, if passed, will enable the Company and/or its subsidiaries to enter into recurrent related party transactions with related parties in the ordinary course of business which are necessary for the Group's day-to-day operations and are on terms not more favourable to the related parties than those generally available to the public and shall lapse at the conclusion of the next Annual General Meeting unless authority for its renewal is obtained from shareholders of the Company at a general meeting.

Detailed information on the Proposed Shareholders' Mandate is set out in **Appendix I** of the Circular to Shareholders dated 31 May 2010 which is despatched together with the Company's Annual Report 2009.

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

DIRECTORS RANKING FOR RETIREMENT AND RE-ELECTION AT THE EIGHTEENTH ANNUAL GENERAL MEETING

The following are Directors retiring pursuant to Article 93 and Article 99(ii) of the Company's Articles of Association:-

Article 93: Retirement by rotation:

1. Dato' Sri Jamaludin Ibrahim
2. Tan Sri Ghazzali Sheikh Abdul Khalid

Article 99 (ii): Retirement after appointment to fill casual vacancy

1. Dr Farid Mohamed Sani

The respective profiles of the above Directors are set out in the Profile of the Directors' section of the Annual Report from pages 50 to 55. None of the above Directors have any direct and/or indirect interest in the Company and its related corporation.

ADMINISTRATIVE DETAILS FOR THE 18TH ANNUAL GENERAL MEETING

Date : 22 June 2010
Time : 10.00 am
Place : Grand Ballroom, 1st Floor, Sime Darby Convention Centre (SDCC)
1A Jalan Bukit Kiara 1, 60000 Kuala Lumpur, Malaysia

PARKING

1. Parking is free and you are advised to park your vehicle at SDCC car park.

REGISTRATION

2. Registration will start at 8.00 am at the entrance of the meeting hall.
3. Please read the signage to ascertain the registration area to register yourself for the meeting and join the queue accordingly.
4. Please produce your original Identity Card (IC) to the registration staff for verification. Please make sure you collect your IC thereafter.
5. Upon verification, you are required to write your name and sign on the Attendance List placed on the registration table.
6. You will be given an identification wristband and no person will be allowed to enter the meeting hall without the wristband. There will be no replacement in the event that you lose or misplace the identification wristband.
7. If you are attending the meeting as shareholder as well as proxy, you will be registered once and will be given only one identification wristband to enter the meeting hall.
8. After registration, please leave the registration area immediately and proceed to the meeting hall.
9. No person will be allowed to register on behalf of another person even with the original IC of that other person.
10. The registration counter will handle only verification of identity and registration.

HELP DESK

11. Please proceed to the Help Desk for any clarification or queries.
12. The Help Desk will also handle revocation of proxy's appointment.

GENERAL MEETING RECORD OF DEPOSITORS

13. For the purpose of determining a member who shall be entitled to attend the 18th AGM the Company shall request Bursa Malaysia Depository Sdn. Bhd. in accordance with Article 66 of the Company's Articles of Association and Section 34(1) of the Securities Industry (Central Depositories) Act, 1991 to issue a General Meeting Record of Depositors as at 15 June 2010. Only a depositor whose name appears on the Record of Depositors as at 15 June 2010 shall be entitled to attend the said meeting or appoint proxies to attend and/or vote on his/her behalf in respect of the number of shares registered in their name at that time.

PROXY

14. A member entitled to attend and vote is entitled to appoint proxy/proxies, to attend and vote instead of him/her. If you are unable to attend the meeting and wish to appoint a proxy to vote on your behalf, please submit your Proxy Form in accordance with the notes and instructions printed therein.

15. If you wish to attend the meeting yourself, please do not submit any Proxy Form for the meeting that you wish to attend. You will not be allowed to attend the meeting together with a proxy appointed by you.

16. If you have submitted your Proxy Form prior to the meeting and subsequently decided to attend the meeting yourself, please proceed to the Help Desk to revoke the appointment of your proxy.

17. If you wish to submit your Proxy Form by facsimile, please fax to the office of the Share Registrar, Tricor Investor Services Sdn Bhd (formerly known as Tenaga Koperat Sdn Bhd) at Fax No. +603-22821886 not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof. Please also ensure that the original Proxy Form is deposited at the office of the Share Registrar not less than 48 hours before the time appointed for holding the meeting.

CORPORATE MEMBER

18. Any corporate member who wishes to appoint a representative instead of a proxy to attend the meeting should submit the original certificate of appointment under the seal of the corporation to the office of the Share Registrar at any time before the time appointed for holding the meeting or to the registration staff on the meeting day for the Company's records.

ENQUIRY

19. If you have general queries prior to the meeting, please contact the Share Registrar during office hours:-

Telephone :	General	+603-22643883
	Suzana Abdul Rahim	+603-22643887
	Afifah Abu Bakar	+603-22643894

Fax : +603-22821886

PROXY FORM

(Before completing the form, please refer to the notes overleaf)

AXIATA GROUP BERHAD
(Company No.: 242188-H)
(Incorporated in Malaysia under the Companies Act, 1965)

"A" I/We, ______________________________
(NAME AS PER NRIC/CERTIFICATE OF INCORPORATION IN CAPITAL LETTERS)

with (NEW NRIC NO.) ____________ (OLD NRIC NO.) ____________ (COMPANY NO.) ____________

of ______________________________
(FULL ADDRESS)

____

being a Member/Members of **AXIATA GROUP BERHAD** hereby appoint ______________________________

____
(NAME AS PER NRIC IN CAPITAL LETTERS)

with (NEW NRIC NO.) ____________ (OLD NRIC NO.) ____________

of ______________________________
(FULL ADDRESS)

____

or failing him/her, ______________________________
(NAME AS PER NRIC IN CAPITAL LETTERS)

with (NEW NRIC NO.) ____________ (OLD NRIC NO.) ____________

of ______________________________
(FULL ADDRESS)

____

or failing him/her, the Chairman of the Meeting, as my/our **first** proxy to vote for me/us on my/our behalf at the 18th Annual General Meeting of **AXIATA GROUP BERHAD** to be held at Grand Ballroom, 1st Floor, Sime Darby Convention Centre, 1A Jalan Bukit Kiara 1, 60000 Kuala Lumpur, Malaysia on Tuesday, 22 June 2010 at 10.00 a.m. or at any adjournment thereof.

"B" If you wish to appoint a second proxy, please complete this section.

I/We, ______________________________
(NAME AS PER NRIC/CERTIFICATE OF INCORPORATION IN CAPITAL LETTERS)

with (NEW NRIC NO.) ____________ (OLD NRIC NO.) ____________ (COMPANY NO.) ____________

of ______________________________
(FULL ADDRESS)

____

being a Member/Members of **AXIATA GROUP BERHAD** hereby appoint ______________________________

____
(NAME AS PER NRIC IN CAPITAL LETTERS)

with (NEW NRIC NO.) ____________ (OLD NRIC NO.) ____________

of ______________________________
(FULL ADDRESS)

____

or failing him/her, ______________________________
(NAME AS PER NRIC IN CAPITAL LETTERS)

with (NEW NRIC NO.) ____________ (OLD NRIC NO.) ____________

of ______________________________
(FULL ADDRESS)

____

or failing him/her, the Chairman of the Meeting, as my/our **second** proxy to vote for me/us on my/our behalf at the 18th Annual General Meeting of the Company to be held at Grand Ballroom, 1st Floor, Sime Darby Convention Centre, 1A Jalan Bukit Kiara 1, 60000 Kuala Lumpur, Malaysia on Tuesday, 22 June 2010 at 10.00 a.m. or at any adjournment thereof.

The proportions of my/our holding to be represented by my/our proxies are as follows:

Proxy **"A"** %
Proxy **"B"** %
100% *Please fill in the proportion of the holding to be represented by each proxy*

My/Our proxy/proxies is/are to vote as indicated below:-

Please indicate with an 'X' in the appropriate box against each resolution how you wish your proxy to vote. If no instruction is given, this form will be taken to authorise the proxy to vote or abstain at his/her discretion.

		Proxy "A"		**Proxy "B"**	
	Resolutions	**For**	**Against**	**For**	**Against**
1.	Ordinary Resolution 1 – To receive the Audited Financial Statements for the financial year ended 31 December 2009 and Reports				
2.	Ordinary Resolution 2 – Re-election of Dato' Sri Jamaludin Ibrahim				
3.	Ordinary Resolution 3 – Re-election of Tan Sri Ghazzali Sheikh Abdul Khalid				
4.	Ordinary Resolution 4 – Re-election of Dr Farid Mohamed Sani				
5.	Ordinary Resolution 5 – Approval of payment of Directors' Fees				
6.	Ordinary Resolution 6 – Re-appointment of Auditors				
7.	**Special Business** Ordinary Resolution 7 – Proposed Shareholders' Mandate				

Signed this ____________ day of ____________ 2010

No. of ordinary shares held	CDS Account No. of Authorised Nominee*

* *Applicable to shares held through a nominee account*

____
Signature(s)/Common Seal of Member(s)

Notes:

1. A Member entitled to attend and vote at the above Meeting is entitled to appoint a proxy to attend and vote in his/her stead. A proxy need not be a Member of the Company and the provisions of Section 149(1) (a), (b), (c) and (d) of the Companies Act, 1965 shall not apply to the Company.
2. A Member shall not be entitled to appoint more than two (2) proxies to attend and vote at the Meeting provided that where a Member of the Company is an authorised nominee as defined in accordance with the provisions of the Securities Industry (Central Depositories) Act, 1991, it may appoint at least one (1) proxy but not more than two (2) proxies in respect of each securities account it holds with ordinary shares in the Company standing to the credit of the said securities account.
3. Where a Member appoints two (2) proxies, the appointments shall be invalid unless the proportion of the holding to be represented by each proxy is specified.
4. The instrument appointing a proxy shall be in writing under the hand of the appointer or his attorney duly appointed under a power of attorney or if such appointer is a corporation, either under its common seal or under the hand of an officer or attorney duly appointed under a power of attorney. If the Proxy Form is signed under the hand of an officer duly authorised, it should be accompanied by a statement reading "signed as authorised officer under an Authorisation Document which is still in force, no notice of revocation has been received". If the Proxy Form is signed under the attorney duly appointed under a power of attorney, it should be accompanied by a statement reading "signed under a Power of Attorney which is still in force, no notice of revocation has been received". A copy of the Authorisation Document or the Power of Attorney, which should be valid in accordance with the laws of the jurisdiction in which it was created and is exercised, should be enclosed with the Proxy Form.
5. A corporation which is a Member, may by resolution of its Directors or other governing body authorise such person as it thinks fit to act as its representative at the Meeting, in accordance with Article 89 of the Company's Articles of Association.
6. The instrument appointing the proxy together with the duly registered power of attorney referred to in Note 4 above, if any, must be deposited at the office of the Share Registrar, Tricor Investor Services Sdn Bhd (formerly known as Tenaga Koperat Sdn Bhd), Level 17, The Gardens North Tower, Mid Valley City, Lingkaran Syed Putra, 59200 Kuala Lumpur, Malaysia not less than 48 hours before the time appointed for holding of the Meeting or at any adjournment thereof.

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Tricor Investor Services Sdn Bhd (118401-V)
(formerly known as Tenaga Koperat Sdn Bhd)
Level 17, The Gardens North Tower
Mid Valley City, Lingkaran Syed Putra
59200 Kuala Lumpur, Malaysia

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