AXIATA GROUP BERHAD (242188-H)

(Incorporated in Malaysia)

The Board of Directors of Axiata Group Berhad is pleased to announce the following unaudited results of the Group for the financial period ended 30 June 2010.

UNAUDITED INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	2ND QUARTER ENDED		FINANCIAL PERIOD ENDED	
	30/6/2010	30/6/2009	30/6/2010	30/6/2009
		Restated		Restated
	RM '000	RM '000	RM '000	RM '000
OPERATING REVENUE	**3,854,069**	3,214,135	**7,666,754**	6,125,488
OPERATING COSTS				
- depreciation, impairment and amortisation	**(785,895)**	(834,851)	**(1,464,486)**	(1,432,515)
- foreign exchange (losses)/gains	**(28,169)**	134,180	**(74,636)**	167,643
- other operating costs	**(2,041,627)**	(1,905,571)	**(4,176,006)**	(3,714,864)
- other gains/(losses) - net	**15,932**	-	**(7,587)**	-
OTHER OPERATING INCOME	**55,093**	69,650	**374,683**	196,630
OPERATING PROFIT BEFORE FINANCE COST	**1,069,403**	677,543	**2,318,722**	1,342,382
Finance income	**41,156**	29,065	**59,656**	62,878
Finance cost	**(169,116)**	(260,600)	**(343,726)**	(525,091)
Net foreign exchange gains on financing activities	**6,952**	397,895	**77,208**	148,185
NET FINANCE COST	**(121,008)**	166,360	**(206,862)**	(314,028)
JOINTLY CONTROLLED ENTITY				
- share of results (net of tax)	**-**	6,752	**(141,939)**	(21,190)
- gain from merger exercise	**-**	-	**173,199**	-
ASSOCIATES				
- share of results (net of tax)	**22,582**	27,966	**48,630**	62,668
- loss on dilution of equity interest	**-**	-	**(3,362)**	-
PROFIT BEFORE TAXATION	**970,977**	878,621	**2,188,388**	1,069,832
TAXATION	**(295,465)**	(306,710)	**(556,218)**	(448,081)
PROFIT FOR THE FINANCIAL PERIOD	**675,512**	571,911	**1,632,170**	621,751
OTHER COMPREHENSIVE (LOSS)/INCOME				
- currency translation differences arising from consolidation	**(287,781)**	(88,101)	**(455,476)**	3,554
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**387,731**	**483,810**	**1,176,694**	**625,305**
PROFIT FOR THE FINANCIAL PERIOD ATTRIBUTABLE TO:				
- owners of the Company	**576,818**	526,837	**1,498,293**	590,732
- minority interests	**98,694**	45,074	**133,877**	31,019
PROFIT FOR THE FINANCIAL PERIOD	**675,512**	**571,911**	**1,632,170**	**621,751**
TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL PERIOD ATTRIBUTABLE TO:				
- owners of the Company	**291,785**	434,559	**1,059,996**	575,757
- minority interests	**95,946**	49,251	**116,698**	49,548
	387,731	**483,810**	**1,176,694**	**625,305**
EARNINGS PER SHARE (sen) (Note B12)				
- basic	**7**	6	**18**	9
- diluted	**7**	**6**	**18**	**9**

(The above Consolidated Statement of Comprehensive Income should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2009)

UNAUDITED INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	AS AT 30/6/2010 UNAUDITED	AS AT 31/12/2009 RESTATED
	RM '000	RM '000
CAPITAL AND RESERVES		
Share capital	8,445,154	8,445,154
Share premium	1,972,964	1,972,964
Other reserves	8,393,494	7,765,967
Total capital and reserves attributable to owners of the Company	18,811,612	18,184,085
Minority interests	1,425,324	696,363
Total equity	20,236,936	18,880,448
NON-CURRENT LIABILITIES		
Borrowings	9,200,491	10,173,464
Derivative financial instruments	51,749	-
Provision for liabilities	221,011	208,915
Deferred tax liabilities	1,341,003	1,247,758
Total non-current liabilities	10,814,254	11,630,137
	31,051,190	**30,510,585**
NON-CURRENT ASSETS		
Intangible assets	7,517,944	8,563,450
Property, plant and equipment	15,467,573	16,174,436
Investment property	2,024	2,027
Jointly controlled entity	-	1,006,277
Associates	7,857,323	7,209,558
Available-for-sale / investments	856	180,567
Derivative financial instruments	27,120	-
Long term receivables	110,789	129,876
Deferred tax assets	191,527	180,429
Total non-current assets	31,175,156	33,446,620
CURRENT ASSETS		
Inventories	56,204	35,344
Trade and other receivables	1,721,372	1,559,158
Financial assets at fair value through profit or loss	7	7
Tax recoverable	79,187	97,054
Cash and bank balances	4,762,363	2,006,172
Assets classified as held for sale	268,609	-
Total current assets	6,887,742	3,697,735
CURRENT LIABILITIES		
Trade and other payables	4,401,003	4,263,067
Borrowings	1,678,965	2,149,374
Derivative financial instruments	341,450	-
Current tax liabilities	346,641	221,329
Liability directly associated with assets held for sale	243,649	-
Total current liabilities	7,011,708	6,633,770
Net current liabilities	(123,966)	(2,936,035)
	31,051,190	**30,510,585**
Net assets per share attributable to ordinary owners of the Company (sen)	223	215

(The above Consolidated Statement of Financial Position should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2009)

UNAUDITED INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2010

		Attributable to equity holders of the Company								
		Issued and fully paid ordinary shares of RM1 each								
		Share Capital RM '000	Share Premium RM '000	Currency Translation Differences RM '000	Capital Contribution Reserves RM '000	Merger Reserves RM '000	ESOS Reserves RM '000	Retained Profits RM '000	Minority Interests RM '000	Total Equity RM '000
At 1 January 2010 (as previously reported)		**8,445,154**	**1,972,964**	**(524,717)**	**16,598**	**346,774**	**11,179**	**7,916,133**	**696,363**	**18,880,448**
Efffect of adoption of FRS139	Note A 2(e)	-	-	-	-	-	-	(458,750)	(3,664)	(462,414)
At 1 January 2010 (as restated)		8,445,154	1,972,964	(524,717)	16,598	346,774	11,179	7,457,383	692,699	18,418,034
Profit for the financial period		-	-	-	-	-	-	1,498,293	133,877	1,632,170
Currency translation differences arising during the financial period :										
- subsidiaries		-	-	(43,123)	-	-	-	-	(17,179)	(60,302)
- jointly controlled entity		-	-	54,539	-	-	-	-	-	54,539
- associates		-	-	(449,714)	-	-	-	-	-	(449,714)
		-	-	(438,298)	-	-	-	-	(17,179)	(455,477)
Total other comprehensive income		**-**	**-**	**(438,298)**	**-**	**-**	-	**1,498,293**	**116,698**	**1,176,693**
Partial disposal of interest in a subsidiary		-	-	9,061	-	-	-	-	616,207	625,268
Dividends paid to minority shareholders		-	-	-	-	-	-	-	(280)	(280)
Employees' share option scheme (ESOS) - value of employee services		-	-	-	-	-	17,221	-	-	17,221
At 30 June 2010		**8,445,154**	**1,972,964**	**(953,954)**	**16,598**	**346,774**	**28,400**	**8,955,676**	**1,425,324**	**20,236,936**

(The above Consolidated Statement of Changes in Equity should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2009)

UNAUDITED INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2009

	Attributable to equity holders of the Company								
	Issued and fully paid ordinary shares of RM1 each								
	Share Capital RM '000	Share Premium RM '000	Currency Translation Differences RM '000	Capital Contribution Reserves RM '000	Merger Reserves RM '000	ESOS Reserves 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**
Profit for the financial period	-	-	-	-	-	-	590,732	31,019	621,751
Currency translation differences arising during the financial period :									
- subsidiaries	-	-	113,135	-	-	-	-	18,529	131,664
- jointly controlled entity	-	-	50,485	-	-	-	-	-	50,485
- associates	-	-	(178,595)	-	-	-	-	-	(178,595)
	-	-	(14,975)	-	-	-	-	18,529	3,554
Total other comprehensive income	**-**	**-**	**(14,975)**	**-**	**-**	-	**590,732**	**49,548**	**625,305**
Rights issue during the financial period	4,691,752	563,010	-	-	-	-	-	-	5,254,762
Rights issue expenses set off against share premium reserves	-	(85,000)	-	-	-	-	-	-	(85,000)
Dividends paid to minority shareholders	-	-	-	-	-	-	-	(200)	(200)
ESOS - value of employee services	-	-	-	-	-	3,969	-	-	3,969
At 30 June 2009	**8,445,154**	**1,972,964**	**(673,431)**	**16,598**	**346,774**	**3,969**	**6,854,183**	**530,138**	**17,496,349**

(The above Consolidated Statement of Changes in Equity should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2009)

UNAUDITED INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

	FOR THE FINANCIAL PERIOD ENDED 30/6/2010 RM '000	ENDED 30/6/2009 RM '000
Receipts from customers	7,664,918	5,924,951
Payments to suppliers and employees	(4,008,115)	(3,112,256)
Payment of finance cost	(343,726)	(559,148)
Payment of income taxes (net of refunds)	(315,306)	(189,947)
CASH FLOWS FROM OPERATING ACTIVITIES	**2,997,771**	**2,063,600**
Disposal of property, plant and equipment	9,891	1,705
Purchase of property, plant and equipment	(1,151,416)	(2,054,314)
Partial disposal of a subsidiary	1,950,092	-
Additional investment in a subsidiary company	-	(10,000)
Additional investment in associated companies	-	(5,175)
Loans to employees	136	100
Interest received	59,656	61,272
CASH FLOWS USED IN INVESTING ACTIVITIES	**868,359**	**(2,006,412)**
Proceeds from Bonds Issue	955,650	-
Proceeds from Rights Issue	-	5,254,763
Proceeds from borrowings	566,251	5,637,086
Repayments of borrowings	(2,673,865)	(6,822,245)
Dividends paid to minority interests	(280)	(200)
Dividends received from associates	45,434	45,982
Rights issue expenses	-	(85,000)
Net repayment to former holding company	-	(4,063,613)
CASH FLOWS (USED)/FROM FINANCING ACTIVITIES	**(1,106,810)**	**(33,227)**
NET INCREASE IN CASH AND CASH EQUIVALENTS	2,759,320	23,961
EFFECT OF EXCHANGE RATE CHANGES	(21,768)	25,376
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL PERIOD	**1,980,229**	**3,236,757**
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL PERIOD	**4,717,781**	**3,286,094**

(The above Consolidated Statement of Cash Flow should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2009)

PART A : EXPLANATORY NOTES PURSUANT TO FINANCIAL REPORTING STANDARD 134

1. Basis of Preparation

The unaudited financial statements for the financial period ended 30 June 2010 of the Group have been prepared in accordance with Financial Reporting Standards ("FRS") 134 Interim Financial Reporting, Paragraph 9.22 and Appendix 9B of the Bursa Malaysia Securities Berhad ("Bursa Securities") Main Market Listing Requirements ("Main LR"), and should be read in conjunction with the Group's audited financial statements for the financial year ended 31 December 2009 ("2009 Audited Financial Statements").

2. Accounting Policies

The accounting policies, method of computation and basis of consolidation applied in the audited interim financial statements are consistent with those used in the preparation of the 2009 Audited Financial Statements except for the adoption of new standards, amendments to standards and IC Interpretations ("IC") that are mandatory for the Group for the financial period beginning 1 January 2010. The adoption of these standards, amendments and interpretations do not have a material impact on the interim financial information of the Group except for the adoption of the following standards as set out below:

(a) Presentation of Financial Statements [FRS 101 (revised)] - Presentation of Financial Statements)

The revised standard prohibits the presentation of items of income and expenses (that is "non-owner changes in equity") in the statement of changes in equity, requiring "non-owner changes equity" to be presented separately from owner changes in equity. All non-owner changes in equity are required to be shown in the statement of comprehensive income which can be shown as a single statement or two statements (comprising the income statement and statement of comprehensive income). The Group has elected to present the statement of comprehensive income in a single statement. Comparatives have been restated to conform with current period presentation.

(b) Segment information (FRS 8 – Operating Segments)

Operating segments are now reported in a manner consistent with the internal reporting provided to the chief operating decision maker, which is based on key operating companies ("Opcos"). The adoption of FRS 8 has not resulted in a significant change in the number of reportable segments presented. Segment information is disclosed in Part A, 8 of this announcement.

PART A : EXPLANATORY NOTES PURSUANT TO FINANCIAL REPORTING STANDARD 134

2. Accounting Policies (continued)

(c) Operating Revenue (FRS 118 - Revenue)

Income from rental of tower of the Group are now classified as part of operating revenue as the Group considers the business of tower rental as arising in the course of the ordinary activities of the Group. Comparative information has been restated as follows:

Consolidated Statement of Comprehensive Income			
	As previously reported RM'000	Reclassification RM'000	As restated RM'000
2nd Quarter Ended 30/06/2009			
• Operating revenue	3,163,524	50,611	3,214,135
• Other operating costs	1,919,977	72	1,920,049
• Other operating income	120,189	(50,539)	69,650
Financial Period Ended 30/06/2009			
• Operating revenue	6,030,351	95,137	6,125,488
• Other operating costs	3,741,945	72	3,742,017
• Other operating income	291,695	(95,065)	196,630

(d) Leasehold Land (Amendment to FRS 117 - Leases)

Leasehold land is classified as a finance lease if the Group has substantially all the risks and rewards incidental to ownership. Previously, leasehold land was classified as an operating lease unless title is expected to pass to the lessee at the end of the lease term. Following the amendment to FRS 117, the classification of leasehold land has been changed from operating to finance lease. The effect of the change which is adjusted for retrospectively is as follow:

Consolidated Statement of Financial Position			
Financial Year Ended 31/12/2009			
	As previously reported RM'000	Reclassification RM'000	As restated RM'000
• Property, plant and equipment	15,815,333	359,103	16,174,436
• Prepaid lease payments	359,103	(359,103)	-

2. Accounting Policies (continued)

(d) Leasehold Land (Amendment to FRS 117 - Leases) (continued)

Consolidated Statement of Comprehensive Income			
	As previously reported RM'000	Reclassification RM'000	As restated RM'000
			2nd Quarter Ended 30/06/2009
• Depreciation, impairment and amortisation	820,373	14,478	834,851
• Other operating costs	1,919,977	(14,478)	1,905,499
			Financial Period Ended 30/06/2009
• Depreciation, impairment and amortisation	1,405,362	27,153	1,432,515
• Other operating costs	3,741,945	(27,153)	3,714,792

(e) Financial Instruments (FRS 139 - Financial Instruments: Recognition and Measurement)

The Group classifies its financial instruments in the following categories: at fair value through profit or loss, loans and receivable and other financial liabilities. The classification depends on the nature of the financial instruments and the purpose for which the assets or liabilities were acquired. Management determines the classification of its financial assets and liabilities at its initial recognition. Set out below are the major changes in classifications of the financial instruments of the Group:

(i) <u>Loans and receivables</u>

Long term investment in unquoted investment, previously measured at cost and subject to impairment, are now classified as loans and receivables and measured at fair value plus transaction costs initially and subsequently, at amortised cost using the effective interest method.

When loans and receivables are impaired, the carrying amount of the assets is reduced and the amount of the loss is recognised in profit or loss. Impairment loss is measured as the difference between the assets' carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the assets' original effective interest rate.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtors' credit rating), the reversal of the previously recognised impairment loss is recognised in Consolidated Statement of Comprehensive Income.

2. Accounting Policies (continued)

(e) Financial Instruments (FRS 139 - Financial Instruments: Recognition and Measurement) (continued)

(ii) Fair value through profit or loss

Derivative financial instruments and options held by the Group on the investments in associates were not previously recognised in the financial statements on inception. These are now recognised and measured at fair value on the date a derivative contract was entered into and are subsequently re-measured at fair value with changes in fair value recognised in profit or loss at each reporting date.

(iii) Other financial liabilities

Borrowings, previously measured at net proceeds received on issue are now recognised at fair value plus directly attributable transaction costs initially and subsequently, at amortised cost using the effective interest method.

The Group has applied the new policies in relation to the financial instruments above in accordance with the transitional provisions in FRS 139 by recognising and re-measuring all the financial assets and financial liabilities as at 1 January 2010 as appropriate. The related adjustments to the previous carrying amounts are made to the opening retained earnings as appropriate, comparatives are not restated. The effects of the changes are as follows:

	As at 1 January 2010 RM'000	Effect of adoption of FRS 139 RM'000	As at 1 January 2010 After FRS139 Adjustment RM'000
Retained earnings	7,916,133	(458,750)	7,457,383
Minority interests	696,363	(3,664)	692,699
		(462,414)	
Derivative financial instruments			
-Non-current liabilities	-	(23,212)	(23,212)
-Non-current assets	-	44,195	44,195
-Current assets	-	6,498	6,498
-Current liabilities	-	(388,630)	(388,630)
Deferred tax assets	180,429	9,040	189,469
Available for sales/Long term investments	180,567	(179,685)	882
Long term receivables	129,876	69,380	199,256
		(462,414)	

3. Seasonal or Cyclical Factors

The operations of the Group were not affected by any seasonal or cyclical factors.

4. Unusual Items Affecting Assets, Liabilities, Equity, Net Income or Cash Flows

The Group's performance for the current quarter and financial period to date has taken into account of the following:

(a) Share of loss from the write off of licence fee amounting to RM141.0 million and RM40.0 million in Spice Communications Limited ("Spice") and Idea Cellular Limited ("Idea") respectively on completion of the merger between Spice and Idea on 17 March 2010;

(b) Gain arising on the merger of Spice and Idea of RM173.2 million as detailed in Part A, 11(a) of this announcement;

(c) During the current quarter and financial period to date, net gain of RM30.4 million and RM337.9 million respectively was recognised arising from the partial disposal of PT XL Axiata Tbk ("XL") as detailed in Part A, 11(b) of this announcement;

(d) During the current quarter, the Company recorded an impairment of RM66.1 million in respect of the investment in convertible bond following a reassessment of its recoverability post merger of Idea and Spice;

(e) During the current quarter, the Company recorded an impairment on goodwill of Hello Axiata Company Limited of RM49.0 million; and

(f) During the current quarter, in conjunction with the disposal of Multinet Pakistan (Private) Limited ("Multinet") as detailed in Part B, 7 of this announcement, assets and liabilities of Multinet are now classified as Assets Held for Sale and Liability Directly Associated with Assets Held for Sale;

There were no other unusual items affecting assets, liabilities, equity, net income or cash flows due to their nature, size or incidence for the financial period ended 30 June 2010 other than as mentioned above and in Part A, 10, 11 and Part B, 7 of this announcement.

5. Material Changes in Estimates

There was no material changes in estimates reported in the prior interim period or prior financial year.

6. Issuances, Cancellations, Repurchases, Resale and Repayments of Debt and Equity Securities

(a) On 18 January 2010, XL through its subsidiary, Excelcomindo Finance Company B.V bought back its remaining USD Bond amounting to USD59.4 million at price of 103.563% of the nominal value;

(b) On 9 April 2010, XL cancelled the remaining Exportkreditamnden ("EKN") Facility 2B amounting to USD35.7 million. During the current quarter and financial period to date, XL paid other loan facilities as follows:

Date of Payment	Amount	Financial Institutions
29 January 2010	USD20.0 m	JP Morgan Chase Bank
8 February 2010	USD10.0 m	JP Morgan Chase Bank
30 March 2010	USD10.0 m	Standard Chartered Bank
30 March 2010	USD15.0 m	Standard Chartered Bank
24 May 2010	USD51.1 m	EKN
27 May 2010	IDR400.0 b	PT Bank Mandiri (Persero) Tbk
25 June 2010	IDR500.0 b	PT Bank Central Asia Tbk ("PTCA")
28 June 2010	USD25.0 m	Standard Chartered Bank

(c) On 28 April 2010, Axiata SPV1 (Labuan) Limited, a wholly-owned subsidiary of the Company, issued USD300.0 million Guaranteed Notes ("Notes") maturing on 28 April 2020, guaranteed by the Company. The Notes, which were issued at 99.939%, carry a coupon rate of 5.375% per annum (payable semi-annually in arrears) and have tenure of ten (10) years from the date of issuance.

The Notes were listed and quoted on The Stock Exchange of Hong Kong Limited on 29 April 2010 and Labuan International Financial Exchange on 7 May 2010;

(d) On 27 May 2010, Axiata Investments (Singapore) Limited [formerly known as SunShare Investments Ltd] ("AIS") fully prepaid a term loan facility from a financial institution, amounting to SGD240.0 million;

(e) On 12 May and 31 May 2010, the Company partially repaid its Commodity Murabahah Term Financing I islamic loan facility amounting to RM300.0 million and Bridging Term Loan Facility of RM400.0 million respectively; and

(f) During the financial period to date, the Company has issued further grant of options over the shares of the Company under the Performance-Based Employee Share Option Scheme ("ESOS"). Details of options granted by the Company under the Performance-Based ESOS in the financial period to date are as follows:

6. Issuances, Cancellations, Repurchases, Resale and Repayments of Debt and Equity Securities (continued)

Employees of	Grant Date	Number of Options Granted ('000)	Exercise Price
The Company			
•Additional allocation to promotees and confirmed staff** 2009 grant	18 January 2010	2,074	3.15
•Initial allocation for grant in 2010	24 February 2010	8,402	3.45
Subsidiary			
•Additional allocation to promotees and confirmed staff** 2009 grant	18 January 2010	2,102	3.15
•Initial allocation for grant in 2010	24 February 2010	40,976	3.45
Total		**53,554**	

** These additional options were granted due to promotion and confirmed staff as at 31 December 2009.

Aside from the above, there were no other issuances, cancellations, repurchases, resale and repayments of debt and equity securities, share buy-backs, share cancellations, shares held as treasury shares and resale of treasury shares during the financial period ended 30 June 2010.

7. Dividends Paid

No dividends have been paid during the financial period ended 30 June 2010.

8. Segmental Information

Segmental information for the financial period ended 30 June 2010 and 30 June 2009 were as follows:

By Geographical Segment

2010

All amounts are in RM '000	Malaysia	Indonesia	Bangladesh	Sri Lanka	Others	Total
Operating Revenue						
Total operating revenue	3,377,199	3,012,385	583,885	583,354	137,359	**7,694,182**
Inter-segment *	(2,922)	-	-	-	(24,506)	**(27,428)**
External operating revenue	3,374,277	3,012,385	583,885	583,354	112,853	**7,666,754**
Results						
Segment results	1,155,089	821,523	71,041	71,133	(174,747)	**1,944,039**
Other operating income						**374,683**
Operating profit before finance cost						**2,318,722**
Finance income						**59,656**
Finance cost						**(343,726)**
Foreign exchange gains on financing activities						**77,208**
Jointly controlled entity						
- share of results (net of tax)					(141,939)	**(141,939)**
- gain from merger exercise					173,199	**173,199**
Associates						
- share of results (net of tax)					48,630	**48,630**
- loss on dilution of equity interest					(3,362)	**(3,362)**
Profit before taxation						**2,188,388**
Taxation						**(556,218)**
Profit for the financial period						**1,632,170**

PART A : EXPLANATORY NOTES PURSUANT TO FINANCIAL REPORTING STANDARD 134

8. Segmental Information (continued)

2009 (Restated)

All amounts are in RM '000	Malaysia	Indonesia	Bangladesh	Sri Lanka	Others	Total
Operating Revenue						
Total operating revenue	2,997,977	2,018,457	467,799	540,791	108,582	6,133,606
Inter-segment *	(3,745)	-	-	-	(4,373)	(8,118)
External operating revenue	2,994,232	2,018,457	467,799	540,791	104,209	6,125,488
Results						
Segment results	932,256	382,042	83,110	(250,200)	(1,456)	1,145,752
Other operating income						196,630
Operating profit before finance cost						1,342,382
Finance income						62,878
Finance cost						(525,091)
Foreign exchange gains on financing activities						148,185
Jointly controlled entity						
- share of results (net of tax)					(21,190)	(21,190)
Associates						
- share of results (net of tax)					62,668	62,668
Profit before taxation						1,069,832
Taxation						(448,081)
Profit for the financial period						621,751

* Inter-segment operating revenue has been eliminated at the 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.

9. Valuation of Property, Plant and Equipment

The Group does not adopt a revaluation policy on its property, plant and equipment.

10. Material Events Subsequent to the End of the Quarter

(a) On 14 July 2010, XL signed a three (3) year loan facility agreement with Bank of Tokyo – Mitsubishi UFJ, Ltd. amounting to IDR500.0 billion. Based on the agreement, XL agreed to pay a floating rate of interest at the SBI plus certain margin. The loan will mature 36 months from the agreement date.

(b) On 22 July 2010, XL paid loan facility from PTCA amounting to IDR500.0 billion.

(c) On 27 July 2010, XL signed a five (5) year loan facility agreement with PTCA amounting to IDR1.5 trillion. Based on the agreement, XL agreed to pay a floating rate of interest at the JIBOR plus 1.4%. The loan will mature gradually in five (5) years.

(d) On 18 August 2010, Celcom Axiata Berhad [formerly known as Celcom (Malaysia) Berhad] (“Celcom”), a wholly-owned subsidiary of the Company, announced the placement of RM4.2 billion nominal value of unrated Sukuk (“Sukuk Issuance”) under a private offering.

The Sukuk Issuance, with tenures ranging from five (5) to ten (10) years will be issued by Celcom’s wholly-owned company, Celcom Transmission (M) Sdn Bhd.

As at 18 August 2010, save for the above and status update on corporate proposals mentioned in Part B, 7 of this announcement, there were no other material events subsequent to the balance sheet date that requires disclosure or adjustments to the unaudited interim financial statements to-date.

11. Effects of Changes in the Composition of the Group

There were no other changes in the composition of the Group for the current quarter and financial period to date ended 30 June 2010 except for the following:

(a) Proposed Merger between Spice and Idea (“Proposed Merger”)

The Proposed Merger was completed on 17 March 2010. As a result, the Group’s equity interest in Idea has increased from 14.99% to 19.10% (or 19.0% on a fully diluted basis).

In conjunction with the completion of the proposed merger, the Group recognised a net gain of RM173.2 million as described in Part A, 4(b) of this announcement.

(b) Partial disposal of 22.89% equity interest in XL

On 29 March 2010 and 9 April 2010, Axiata Investments (Indonesia) Sdn Bhd [formerly known as Indocel Sdn Bhd] (“AII”) disposed off a total of 18.0% and 1.8% respectively of the issued and paid-up share capital of XL at a price of IDR3,300 per ordinary share. As a result, the Group’s effective equity interest in XL decreased from 86.49% to 66.69%.

The Group recognised a total net gain of RM337.9 million arising from the above disposals as described in Part A, 4(c) of this announcement.

11. Effects of Changes in the Composition of the Group (continued)

(c) Dilution on equity interest in M1 Limited ("M1")

During the financial period to date, the Group's equity interest in M1, held through AIS, a wholly owned subsidiary of the Company, decreased from 29.65% to 29.58% following the issuance of shares under M1's ESOS.

The dilution has no significant impact to the Group for the financial period to date.

(d) Dissolution of a subsidiary of XL

In April 2010, the registration of Excel Phoneloan 818 B.V, a wholly owned subsidiary of XL, has been terminated by the Chamber of Commerce of the Netherlands confirming the liquidation with effect from 14 December 2009, being the resolution of the Extraordinary General Meeting of the Shareholder of XL.

The dissolution has no significant impact to the Group for the current quarter and financial period to date.

12. Changes in Contingent Liabilities since the Last Annual Statement of Financial Positions Date

There were no material changes in contingent liabilities (other than material litigation disclosed in Part B, 11 of this announcement) since the 2009 Audited Financial Statements.

The Board has considered all contingent liabilities as at 30 June 2010. Based on legal advice, no provision is required for the current quarter.

13. Capital Commitments

	Group	
Property, plant and equipment	**2010 RM'000**	2009 RM'000
• Commitments in respect of expenditure approved and contracted for	**1,241,513**	971,266
• Commitments in respect of expenditure approved but not contracted for	**756,304**	820,867

14. Additional Disclosure Requirements

Pursuant to the letter of approval from the Securities Commission ("SC") dated 30 January 2008 in relation to, amongst others, the Telekom Malaysia Berhad ("TM") Group's Demerger, the Company is required to obtain the relevant approvals for the transmission towers and rooftop sites ("Outdoor Structures") of Celcom within 2 years from the date of the SC's approval letter. In addition, the Company is also required to disclose in its quarterly announcement, the status of application of such Outdoor Structures to Bursa Securities until all approvals are obtained.

On 22 February 2010, CIMB Investment Bank Berhad had, on behalf of the Company, inter-alia, announced that the SC had, through its letter dated 12 February 2010, granted an extension of time of 2 years (i.e. up to 29 January 2012) for the Company to obtain the necessary approvals for the said Outdoor Structures.

The status of 104 Outdoor Structures (which are subject to the SC's condition above) as at 18 August 2010 is as follows:

(a) 50 Outdoor Structures are pending approval from local authorities; and

(b) Initial applications for 54 Outdoor Structures have been declined. Celcom is in the midst of appealing to the relevant local authorities with respect to such applications.

15. Update on Memorandum of Understanding ("MOU") pursuant to Paragraph 9.29, Chapter 9 of the Main LR

(a) Between the Company and Huawei Technologies Co. Ltd.

There has been no material update in relation to the MOU and no subsequent agreement has been entered arising from the MOU.

(b) Between the Company, Celcom, Telenor Asia Pte. Ltd. and DiGi Telecommunications Sdn Bhd

There has been no material update in relation to the MOU and no subsequent agreement has been entered arising from the MOU.

PART B : EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD

1. Review of Performance

(a) Quarter-on-Quarter

The Group revenue grew by 19.9% in the current quarter (“Q2’10”) to RM3,854.1 million from RM3,214.1 million recorded in the second quarter 2009 (“Q2’09”), attributed to the higher revenue contribution from XL, Celcom and Axiata (Bangladesh) Limited (“AxB”). XL revenue grew in tandem with the increase in subscriber base by 42.7% as compared to Q2’09. Celcom revenue grew 10.3% driven by postpaid and broadband. While AxB revenue grew by 24.3% resulted from increased in prepaid usage.

The depreciation of RM in current quarter against IDR had favourably affected the Group’s translated revenue. At constant currency using Q2’09 exchange rate, the Group revenue would have registered a slight lower growth of 18.7%.

The Group other operating costs increased by 7.1% to RM2,041.6 million in Q2’10 from RM1,905.6 million in Q2’09, mainly driven by Celcom, XL and AxB. Celcom and XL recorded higher marketing costs during the current quarter due to marketing and product promotion activities undertaken in conjunction with the World Cup event. AxB recorded higher other operating costs in line with higher revenue in particularly from interconnect costs of outgoing traffics, regulatory cost and dealers commission costs from subscriber acquisition programmes.

The Group depreciation, impairment and amortisation decreased by 5.9% to RM785.9 million in Q2’10 from RM834.9 million in Q2’09, mainly arising from accelerated depreciation charge of Dialog Axiata PLC (“Dialog”) in Q2’09 and impairment assessment in Q2’10.

The Group net finance costs was lower in current quarter at RM128.0 million as compared to RM231.5 million in Q2’09 as a result of repayment of debt and reduction of overall debt position at Group level. Average exchange rates of countries and Group remained stable in Q2’10 against USD and RM which resulted in exchange loss of RM21.2 million for the current quarter.

In Q2’10, with the divestment of XL shares by 19.8% to 66.69% , Group’s share of XL’s profit after tax (“PAT”) has reduced by RM51.6 million. Despite this, the Group PAT was RM675.5 million, increased by 18.1% from RM571.9 million reported in Q2’09. This was mainly driven by higher PAT contribution from Celcom and Dialog and a one-off gain on disposal of shares in XL during the current quarter. Group PAT was however negated by lower share of profit from XL due to the lower share holding post disposal of XL shares in end Q1’10 and early Q2’10.

1. Review of Performance (continued)

(b) Year-on-Year

For the first half of the financial year ("1H'10"), the Group revenue improved by 25.2%, from RM6,125.5 million recorded in first half of 2009 ("1H'09") to RM7,666.8 million. The improved revenue performance was primarily attributed to higher contribution from XL, Celcom and AxB. XL revenue growth was mainly resulted from increased in subscribers and SMS revenue by 59.2% and 208.8% respectively. Celcom revenue grew by 12.6% driven by postpaid and broadband revenue growth of 17.8% and 105.0% respectively. AxB revenue grew by 24.8% mainly due to increase in prepaid usage and 47.7% increase in prepaid revenue generating subscriber base.

The Group other operating costs increased by 12.4% to RM4,176.0 million from RM3,714.9 million in 1H'09, mainly driven by XL, Celcom and AxB. XL and Celcom recorded higher marketing costs in conjunction with the World Cup event. Whilst in AxB, other operating costs increased resulted from rebranding exercise and higher subscriber acquisition costs in 1H'10.

The Group other operating income increased by 90.6% to RM374.7 million in 1H'10 from RM196.6 million in 1H'09, mainly arising from one-off gain on disposal of shares in XL.

The Group recorded lower net finance costs of RM284.1 million in 1H'10 as compared to RM462.2 million in 1H'09 as a result of repayment of debt and reduction of overall debt position at Group level.

Average exchange rates in 1H'10 of countries and Group has remained relatively stable against USD and RM. The Group recorded a foreign exchange gain of RM2.6 million in 1H'10 as compared to gain of RM315.8 million in 1H'09 which was due to pre-tax exchange gain of XL in 1H'09, arising from the strengthening of IDR against USD.

The contribution from associates and a jointly controlled entity recorded a loss of RM93.3 million in 1H'10 from a profit of RM41.5 million was mainly caused by the share of loss from licence fee write off in Spice and Idea merger exercise. The Group recorded a one-off gain on of RM173.2 million arising from the merger of Spice and Idea in 1H'10.

The Group PAT grew significantly to RM1,632.2 million in 1H'10 from RM621.8 million recorded 1H'09. This was driven by improved PAT contribution in Celcom, XL and Dialog and one-off gain on disposal of shares in XL.

PART B : EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD

1. Review of Performance (continued)

(c) Comparison with Preceding Quarter's Results

The Group revenue improved marginally by 1.1%, from RM3,812.7 million recorded in the first quarter 2010 ("Q1'10") to RM3,854.1 million in Q2'10. The growth was primarily attributed to higher revenue contribution from XL, AxB and Celcom as a result of increased subscribers and voice revenue. Q2'10 also saw increasing revenue contribution from broadband of Celcom and XL.

The Group other operating costs decreased by 4.3% to RM2,041.6 million in Q2'10 from RM2,134.4 million in Q1'10, mainly resulted from Celcom and AxB. The decrease in other operating costs from Celcom was mainly due to lower interconnect cost, marketing costs and reduction in bad debts. The decrease in AxB other operating costs was resulted from lower subscriber acquisition costs in Q2'10 and the one-off rebranding exercise costs carried out in Q1'10.

Depreciation, amortisation and impairment in current quarter increased by RM107.3 million compared to Q1'10 mainly resulted from the impairment assessment in Q2'10.

The Group recorded a lower other operating income of RM55.1 million in Q2'10 from RM319.6 million in Q1'10 due to the one-off gain on disposal of shares in XL recorded in Q1'10.

Average exchange rates in Q2'10 of countries and Group has remained stable against USD and RM. The Group recorded a small foreign exchange loss of RM21.2 million in Q2'10 as compared to gain of RM23.8 million in Q1'10.

The contribution from associates and a jointly controlled entity recorded a profit of RM22.6 million in Q2'10 as compared to a loss of RM115.9 million in Q1'10 which was caused by the share of loss from licence fee write off in Spice and Idea merger exercise. The Group recorded a one-off gain on of RM173.2 million arising from the merger of Spice and Idea in Q1'10.

The Group PAT decreased by 29.4% to RM675.5 million in Q2'10 from RM956.7 million recorded in Q1'10. The lower PAT was mainly resulted from lower one-off gain on disposal of shares in XL in Q2'10. Excluding the one-off gain, PAT decreased by 0.6% in Q2'10.

PART B : EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD

1. Review of Performance (continued)

(d) Economic Profit Statement ("EP")

	2nd Quarter Ended		Financial Period Ended	
	30/06/2010	30/06/2009	**30/06/2010**	30/06/2009
	RM '000	RM '000	**RM '000**	RM '000
		Restated		Restated
EBIT	**1,138,192**	682,211	**2,103,482**	1,347,051
Less: Adjusted Tax (25%)	**(284,548)**	(170,553)	**(525,871)**	(336,763)
NOPLAT	**853,644**	511,658	**1,577,612**	1,010,288
AIC	**13,578,923**	13,171,716	**13,578,923**	13,171,716
WACC	**12.65%**	7.48%	**12.65%**	7.48%
Economic Charge	**429,433**	246,311	**858,867**	492,622
Economic Profit	**424,211**	265,347	**718,745**	517,666

The EP Statement is as prescribed under the Government Linked Companies Transformation program and it is disclosed on a voluntary basis.

EP is a yardstick to measure shareholder value as it provides a more accurate picture of underlying economic performance of the Group vis-à-vis its financial accounting reports, i.e. it explains how much return a business generates over its cost of capital. This can be measured from the difference of NOPLAT and Economic Charge.

The Group reported a higher WACC during the current quarter and financial period to date due to higher proportion of the cost of equity in conjunction with the enlarged equity base after the rights issue of the Company in the previous financial year and lower debt position at Group level as a result of repayment of debt in the current quarter and financial period to date.

The factors contributing to the higher EP in the current quarter and financial period to date is mainly due to higher economic charge and higher EP in the current quarter and financial period to date with the better performance achieved by the Group as disclosed in Part B, 1 (a) and (b) of this announcement.

PART B : EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD

1. Review of Performance (continued)

(d) Economic Profit Statement ("EP") (continued)

Note:

EBIT = Earnings before Interest & Taxes, excluding derivative financial instruments gains/(losses), certain non operational and one-off items as well as foreign exchange differences on financing activities.

NOPLAT= Net Operating Profit/Loss after Tax

AIC = Average Invested Capital, consists of average operating capital, average net property, plant and equipment and average net other operating assets.

WACC= Weighted Average Cost of Capital is calculated as weighted average cost of debts and equity taking into account the market capitalisation as at end of the period.

2. Prospects for the Remaining Quarters Up to 31 December 2010

On 22 April 2010, the Group announced its Headline Key Performance Indicators guidance for the financial period ending 31 December 2010 ("2010 Headline KPIs"). 2010 Headline KPIs are as provided below:

Headline KPIs	**2010 Headline KPIs**
Revenue Growth (%)	12.1
Earnings before Interest, Tax, Depreciation and Amortisation Growth (%)	14.1
Return on Invested Capital (%)	10.7

A prudent approach focusing on cost management and operational improvements will continue to be the key focus as the Group see execution benefits of such a strategy amidst an uncertain environment. Key risks which will be faced by Opcos will include increasing competition and regulatory challenges.

The Group expects to face continued challenges for the financial period ending 31 December 2010 and will continue to take a long term view and adopt careful prudent measures in addressing the challenges to optimize its financial performance. Barring any unforeseen circumstances, the Board of Directors expect the Group's performance for the financial period ending 31 December 2010 would be very much on track with the announced KPIs.

PART B : EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD

3. Variance of Actual Profit from Forecast Profit / Profit Guarantee

The Group has not provided any profit forecast or profit guarantee in a public document in respect of the financial period ended 30 June 2010.

4. Taxation

The taxation charge for the Group comprises:

	2nd Quarter Ended		Financial Period Ended	
	30/06/2010	30/06/2009	**30/06/2010**	30/06/2009
	RM'000	RM'000	**RM'000**	RM'000
Income Tax:				
Malaysia				
Current year	**(176,809)**	(109,104)	**(296,479)**	(221,372)
Prior year	**488**	-	**-**	(24)
	(176,321)	(109,104)	**(296,479)**	(221,396)
Overseas				
Current year	**(79,207)**	(849)	**(144,816)**	(2,343)
Prior year	**13**	(1)	**17**	3
	(79,194)	(850)	**(144,799)**	(2,340)
Deferred Tax (net):				
Current year	**(39,950)**	(196,756)	**(114,940)**	(224,345)
Total Taxation	**(295,465)**	(306,710)	**(556,218)**	(448,081)

The current quarter and period to date effective tax rate of the Group is higher than the statutory tax rate primarily due to higher expenses not allowable for tax deduction.

5. Profit on Sale of Unquoted Investments and/or Properties

There were no disposal of unquoted investments or properties during the current quarter and financial period to date.

6. Purchase and Disposal of Quoted Securities

There were no disposal of quoted securities for the current quarter and financial period to date with the exception for disposal of quoted securities held by the Company in it's subsidiary as disclosed in Part A, 4 (c) and 11 (b) of this announcement.

PART B : EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD

7. Status of Corporate Proposal

On 19 July 2010, the Company announced the disposal of its entire shareholding in Multinet through its wholly-owned subsidiary, Axiata Investments (Labuan) Limited [formerly known as TM International (Labuan) Limited] representing 89.0% of the total issued and paid-up share capital in Multinet. As described in Part A, 4 (f) of this announcement, the completion of the sale is subject to amongst others, the fulfilment of regulatory and third party approvals.

As of 18 August 2010, other than the above, there is no other corporate proposal announced.

8. Group's Borrowings and Debt Securities

(a) Breakdown of the Group's borrowings and debt securities as at 30 June were as follows:

	2010		2009	
	Short Term Borrowings RM'000	**Long Term Borrowings RM'000**	Short Term Borrowings RM'000	Long Term Borrowings RM'000
Secured	197,174	5,034,470	310,822	3,656,630
Unsecured	1,481,791	4,166,021	876,478	10,069,645
Total	**1,678,965**	**9,200,491**	**1,187,300**	**13,726,275**

(b) Foreign currency borrowings and debt securities in RM equivalent as at 30 June were as follows:

	2010	**2009**
Foreign Currency	**RM'000**	**RM'000**
US Dollar	3,496,664	6,018,692
Indonesian Rupiah	3,252,782	3,176,315
Bangladesh Taka	54,073	90,093
Pakistani Rupee	-	103,632
Sri Lanka Rupee	540,936	756,007
Singapore Dollar	-	567,876
Total	**7,344,455**	**10,712,615**

9. Outstanding derivatives

(a) The detail of the Group's outstanding net derivatives financial instruments as at 30 June 2010 set out as follow:

Type of derivatives financial instruments	Notional Value RM'000	Fair value Favourable/ (Unfavourable) RM'000
Forward foreign currency contracts:		
-< 1 year	57,419	(12,074)
-> 3 years	648,800	31
Cross currency swaps:		
-< 1 year	227,080	(25,317)
-> 3 years	811,000	(3,238)
Interest rate swaps contracts:		
-< 1 year	210,860	(1,802)
-> 3 years	860,312	(25,205)
Options on investments of associates:		
- < 1 year	-	(302,257)
-> 3 years	-	3,783
Total		(366,079)

(b) The risks associated with the derivative financial instrument and the policies in place for mitigating such risks were disclosed in 2009 Audited Financial Statements. The accounting policy adopted by the Group to account for the derivative financial instrument is set out in Part A, 2(e) of this announcement.

10. Fair value changes of financial liabilities

During the current quarter and financial period to date, the Group recognised total net gains of RM10.3 million and RM16.0 million respectively arising from the fair value changes on the derivatives financial instruments which are marked to market as at date of statement of financial position.

PART B : EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD

11. Material Litigation

Save as disclosed below, there are no changes to the status of the material litigation of the Group. The notes set out below shall be read together with the notes in this section for Q1 of 2010:

(a) Rego Multi-Trades Sdn. Bhd. ("Rego") vs Aras Capital Sdn Bhd ("Aras Capital") & Tan Sri Dato' Tajudin Ramli ("TSDTR")

In 2005, Rego, a wholly-owned subsidiary of Celcom commenced proceedings against Aras Capital and TSDTR for amounts due to Rego of RM 261.8 million as at 30 November 2004 pursuant to an investment agreement with Aras Capital and an indemnity letter given by TSDTR. TSDTR filed its defence and instituted a counterclaim of RM100.0 million against Rego, Technologies Resources Industries Berhad ("TRI") and its directors to void and rescind the indemnity letter and claim damages. Rego, TRI and the directors filed their respective applications to strike out TSDTR's counterclaim, which were dismissed by the Court. The directors' appealed and the same is fixed for hearing on 23 September 2010.

The trial dates which were fixed for hearing on 5, 6, 8 and 9 October 2009 have been vacated pending the disposal of the directors' appeal.

(b) Pengurusan Danaharta Nasional Berhad ("Danaharta") & 2 others vs TSDTR, TSDTR vs Danaharta & 23 Others

In June 2006, Celcom and TRI were served with a Defence and Counterclaim by TSDTR in connection with proceedings initiated against him by Danaharta and two others for a breach of the Facility Agreement dated 13 July 1994 and related Settlement Agreement dated 8 October 2001 between TSDTR and Danaharta in relation to a loan granted to TSDTR by Danaharta. 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. Total sum of the claim is RM13,461.4 million.

On 28 August 2007, the Court dismissed Celcom/TRI's application to strike out the amended counterclaim with costs. On 12 November 2009, the Court allowed Celcom/TRI's appeal with costs. On 4 December 2009, TSDTR filed a notice of appeal to the Court of Appeal. No hearing dates have been fixed yet.

On February 2007, TSDTR's solicitors served an application to re-amend the Amended Defence and Amended Counterclaim to include 14 additional defendants. At first instance, the Court allowed TSDTR's application. Subsequently, Celcom/TRI appealed to the Judge in Chambers who later allowed the appeal with costs. On 4 December 2009, TSDTR filed a notice of appeal to the Court of Appeal. No hearing dates have yet to be fixed by the Court of Appeal.

11. Material Litigation (continued)

(c) Mohd Shuaib Ishak ("MSI") vs Celcom and 13 Others

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.

On 17 December 2007, Celcom and its directors filed their respective applications to strike out the suit which is fixed for hearing on 4 November 2010. Total exposure is estimated at RM2.1 million.

(d) MSI vs Celcom

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. MSI is seeking to bring a derivative action in Celcom's name under Section 181A of the Companies Act ("Proposed Action").

On 9 July 2008, the Court allowed the Proposed Action. Celcom had on the same day filed an appeal to the Court of Appeal and the same was fixed for hearing on 23 March 2009. The Court had on 19 September 2008 granted Celcom's application to stay the Order dated 9 July 2008 in relation to the Proposed Action pending disposal of Celcom's appeal.

On 27 March 2009, the Court of Appeal allowed Celcom's appeal with costs. MSI filed an application for leave to appeal to the Federal Court and the same came up for hearing on 19 January 2010. On the hearing date, the Federal Court had requested for the Court of Appeal to provide its grounds of decision and a new date will be fixed once the grounds are ready. On 10 August 2010, upon hearing submissions of the parties, the Federal Court dismissed the application for leave with costs. This concludes the proceeding as there is no longer any avenue for appeal by MSI.

11. Material Litigation (continued)

(e) Celcom & Another vs TSDTR & 8 Others

In connection with the Award in DeTeAsia's favour in August 2005, Celcom and TRI instituted proceedings against 9 of its former directors alleging that they had breached their fiduciary duties in entering into a Subscription Agreement on its behalf on 25 June 1996 with Deutsche Telekom AG ("Subscription Agreement"), and the ARSA whilst they were directors of Celcom and TRI. In addition, Celcom and TRI have also made a claim against TSDTR for alleged unauthorised profits made by him in connection with the execution of the abovementioned agreements. Celcom and TRI are seeking an indemnity from the directors for the sums paid by Celcom to DeTeAsia in satisfaction of the Award against it, return of the alleged unauthorised profits by TSDTR amounting to RM446 million, all monies received by the directors arising out of such breaches, losses and damages in connection with the entry of Celcom and TRI into the Subscription Agreement and the ARSA.

The German directors have respectively applied to set aside these proceedings on the basis that the issues had been litigated and decided on their merits based on the Award. The said applications were respectively dismissed by the Court on 30 June 2010. The German directors filed their respective notices of appeal to the Court of Appeal. No hearing dates have yet to be fixed by the Court of Appeal.

(f) Celcom vs Tan Sri Dr. Mohd Munir Abdul Majid & 20 Others

Pursuant to the Court's decision on 9 July 2008 (as stated in item (d) above), MSI's solicitors filed the Proposed Action and subsequently on 29 July 2008 served the sealed copy of the Proposed Action on Celcom's solicitors.

In the Proposed Action, Celcom seeks from the defendants jointly and severally, the following relief:

(i) a declaration that the SPA for the acquisition by Celcom of the shares in Celcom Mobile Sdn Bhd, and all matters undertaken thereunder including but not limited to the issuance of shares by Celcom are illegal and void and of no effect;

(ii) a declaration that all purchases of shares in Celcom made by TESB and/or TM and/or parties acting in concert with them with effect from and including the date of the notice of the mandatory offer dated 3 April 2003 issued by CIMB are illegal and void and of no effect;

(iii) all necessary and fit orders and directions as may be required to give effect to the aforesaid declarations as the Court deemed fit including but not limited to directions for the rescission of all transfers of shares of Celcom made after the notice of mandatory offer for shares in Celcom dated 3 April 2003;

11. Material Litigation (continued)

(f) Celcom vs Tan Sri Dr. Mohd Munir Abdul Majid & 20 Others (continued)

(iv) that TM by itself, its servants and agents be restrained from giving effect to or executing any of the proposals relating to the proposed de-merger of the mobile and fixed-line businesses of the TM group; and
(v) various damages to be assessed.

Based on the Federal Court's decision at item (d) above, Celcom's solicitors will request for MSI's solicitors to withdraw the Proposed Action, failing which, Celcom's solicitors will file a striking out application.

(g) Celcom & Another vs TSDTR & 6 Others

On 24 October 2008, Celcom and TRI filed a Writ of Summons and Statement of Claim against the former directors of Celcom/TRI, namely (i) TSDTR, (ii) BR, (iii) DLKY, (iv) Axel Hass ("AH"), (v) Oliver Tim Axmann ("OTA") In the Writ, Celcom and TRI also named DeTeAsia and Beringin Murni Sdn Bhd ("BM") as co-defendants (collectively with the former directors referred to as "Defendants"). Celcom and TRI are seeking damages for conspiracy against the Defendants.

Celcom and TRI claim that the Defendants wrongfully and unlawfully conspired with each other to injure Celcom and TRI by causing and/or committing them to enter into the Supplemental Agreement to the Subscription Agreement and the Management Agreement dated 7 February 2002 ("Supplemental Agreement") and the ARSA with DeTeAsia in consideration for the renunciation by DeTeAsia of certain rights issue shares in TRI in favour of TSDTR and BR.

TSDTR and BR have filed an application to strike out the Writ of Summons. On 17 July 2009, the Court dismissed TSDTR and BR's striking out application with cost. TSDTR and BR have filed an appeal to the Court of Appeal but no hearing date has been fixed yet.

DeTeAsia, AH and OTA have filed their respective Memorandum of Conditional Appearance and application to strike out these proceedings. Their applications are fixed for hearing on 25 October 2010.

PART B : EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD

11. Material Litigation (continued)

(h) Dato Saizo Abdul Ghani ("Dato Saizo") vs Celcom and Another

In July 2006, Celcom was served with a Writ of Summons and Statement of Claim by Dato Saizo (trading under the name and style of Airtime Telecommunication). The claim was 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.

Celcom had filed a striking out application which was dismissed by the Registrar on 17 May 2007. Celcom appealed to the Judge in Chambers and the same was allowed on 13 September 2007. Dato Saizo appealed to the Court of Appeal. The appeal was fixed for hearing on 6 July 2010. On the same date, the Court of Appeal dismissed the Dato Saizo's appeal with costs.

12. Earnings Per Share ("EPS")

(a) Basic EPS

	2nd Quarter Ended		**Financial Period Ended**	
	30/06/2010	30/06/2009	**30/06/2010**	30/06/2009
Profit attributable to equity holders of the Company (RM'000)	**576,818**	526,837	**1,498,293**	590,732
Adjusted weighted average number of shares including effects of Rights Issue ('000)	**8,445,154**	8,219,477	**8,445,154**	6,872,897
Basic EPS, including effects of Rights Issue (sen)	**7**	6	**18**	9

Basic EPS of the Group was calculated by dividing the net profit attributable to shareholders by the weighted average number of ordinary shares during the current quarter and financial period to date.

12. Earnings Per Share ("EPS") (continued)

(b) Diluted EPS

For the diluted EPS, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all dilutive potential ordinary shares.

	2nd Quarter Ended		**Financial Period Ended**	
	30/6/2010	30/06/2009	**30/6/2010**	30/06/2009
Profit attributable to equity holders of the Company (RM '000)	**576,818**	526,837	**1,498,293**	590,732
Adjusted weighted average number of shares including effects of Rights Issue ('000)	**8,445,154**	8,219,477	**8,445,154**	6,872,897
Adjustment for the Company's ESOS	**22,363**	13,017	**34,630**	23,706
Weighted average number of diluted ordinary shares for computation of diluted EPS ('000)	**8,467,517**	8,232,494	**8,479,784**	6,896,603
Diluted EPS (sen)	**7**	6	**18**	9

13. Qualification of Preceding Audited Financial Statements

The 2009 Audited Financial Statements were not subject to any material qualification.

14. Dividends

No dividend was recommended for the financial period ended 30 June 2010.

By Order of the Board

Suryani Hussein (LS0009277)
Secretary

Kuala Lumpur
25 August 2010