axiata

AXIATA GROUP BERHAD (242188-H)

The Board of Directors of Axiata Group Berhad is pleased to announce the following unaudited interim results of the Group for the financial period ended 30 June 2019.

UNAUDITED INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	2nd Quarter Ended		Financial Period Ended	
	30/6/2019	30/6/2018	30/6/2019	30/6/2018
	RM'000	RM'000	RM'000	RM'000
Operating revenue	**6,153,614**	5,867,065	**12,103,051**	11,615,314
Operating costs				
- depreciation, impairment and amortisation	**(1,706,761)**	(1,489,038)	**(3,349,801)**	(2,882,249)
- foreign exchange gains/(losses)	**5,728**	87,727	**20,305**	(18,717)
- domestic interconnect and international outpayment	**(502,143)**	(611,211)	**(1,032,815)**	(1,213,615)
- marketing, advertising and promotion	**(516,257)**	(565,847)	**(1,005,236)**	(1,116,727)
- other operating costs	**(1,832,290)**	(2,121,201)	**(3,837,812)**	(4,264,210)
- staff costs	**(632,397)**	(525,638)	**(1,134,893)**	(941,184)
- other (losses)/gains - net	**(16,552)**	35,983	**(55,373)**	43,007
Other operating income/(expense) - net	**145,435**	(3,273,839)	**606,005**	(3,216,065)
Profit/(Loss) before finance cost	**1,098,377**	(2,595,999)	**2,313,431**	(1,994,446)
Finance income	**55,022**	53,411	**111,403**	114,710
Finance cost excluding net foreign exchange (losses)/gains on financing activities	**(464,566)**	(314,951)	**(873,488)**	(617,473)
Net foreign exchange (losses)/gains on financing activities	**(48,264)**	(202,014)	**67,169**	(76,991)
	(512,830)	(516,965)	**(806,319)**	(694,464)
Joint ventures				
- share of results (net of tax)	**(583)**	170	**(2,819)**	170
Associates				
- share of results (net of tax)	**(2,515)**	46,569	**(1,433)**	(39,505)
- loss on dilution of equity interest	**-**	(45,384)	**-**	(402,988)
Profit/(Loss) before taxation	**637,471**	(3,058,198)	**1,614,263**	(3,016,523)
Taxation	**(349,972)**	(259,477)	**(543,050)**	(395,509)
Profit/(Loss) for the financial period	**287,499**	(3,317,675)	**1,071,213**	(3,412,032)
Other comprehensive income/(expense):				
Items that will not be reclassified to profit or loss:				
- actuarial losses on defined benefits plan, net of tax	**(1,247)**	(1,600)	**(221)**	(1,600)
- fair value through other comprehensive income	**(249,503)**	-	**(1,076,632)**	-
Items that may be reclassified subsequently to profit or loss:				
- currency translation differences	**236,409**	324,922	**86,440**	(1,078,738)
- net cash flow hedge	**(14,998)**	(27,195)	**8,372**	(106,156)
- net cost of hedging	**68,766**	-	**77,944**	-
- net investment hedge	**-**	(4,965)	**-**	24,476
Other comprehensive income/(expense) for the financial period, net of tax	**39,427**	291,162	**(904,097)**	(1,162,018)
Total comprehensive income/(expense) for the financial period	**326,926**	(3,026,513)	**167,116**	(4,574,050)
Profit/(Loss) for the financial period attributable to:				
- owners of the company	**204,094**	(3,357,307)	**913,147**	(3,504,715)
- non-controlling interests	**83,405**	39,632	**158,066**	92,683
	287,499	(3,317,675)	**1,071,213**	(3,412,032)
Total comprehensive income/(expenses) for the financial period attributable to:				
- owners of the company	**181,930**	(3,135,671)	**(19,291)**	(4,430,994)
- non-controlling interests	**144,996**	109,158	**186,407**	(143,056)
	326,926	(3,026,513)	**167,116**	(4,574,050)
Earnings Per Share (sen) (Part B, Note 13)				
- basic	**2.2**	(37.1)	**10.0**	(38.7)
- diluted	**2.2**	(37.0)	**10.0**	(38.6)

(The above Consolidated Statement of Comprehensive Income should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2018)

AXIATA GROUP BERHAD (242188-H)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	30/6/2019 RM'000 Unaudited	31/12/2018 RM'000 Audited
CAPITAL AND RESERVES ATTRIBUTABLE TO OWNERS OF THE COMPANY		
Share capital	13,720,642	13,502,368
Reserves	3,497,659	3,974,431
Total equity attributable to owners of the Company	17,218,301	17,476,799
Non-controlling interests	5,849,680	5,737,907
Total equity	23,067,981	23,214,706
NON-CURRENT LIABILITIES		
Borrowings	14,019,891	14,646,553
Derivative financial instruments	1,605,588	1,698,722
Deferred income	366,404	363,196
Deferred gain on sale and lease back assets	617,510	663,228
Trade and other payables	402,746	2,987,844
Lease liabilities	6,531,265	-
Provision for liabilities	526,217	487,394
Deferred taxation	1,318,728	1,391,214
Total non-current liabilities	25,388,349	22,238,151
	48,456,330	**45,452,857**

(The above Consolidated Statement of Financial Position should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2018)

AXIATA GROUP BERHAD (242188-H)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	30/6/2019 RM'000 Unaudited	31/12/2018 RM'000 Audited
NON-CURRENT ASSETS		
Intangible assets	20,606,120	20,926,703
Contract acquisition costs	157,887	108,503
Property, plant and equipment	24,831,681	27,290,458
Right-of-use assets	8,473,344	-
Joint ventures	24,881	27,699
Associates	158,409	266,475
Financial assets at fair value through other comprehensive income	880,330	1,659,412
Financial assets at fair value through profit or loss	6,935	-
Derivative financial instruments	8,343	-
Trade and other receivables	605,153	686,804
Deferred taxation	489,796	586,961
Total non-current assets	56,242,879	51,553,015
CURRENT ASSETS		
Inventories	146,893	219,130
Trade and other receivables	4,640,227	5,115,230
Derivative financial instruments	-	238,506
Financial assets at fair value through profit or loss	33	38
Tax recoverable	55,309	54,860
Deposits, cash and bank balances	5,418,153	5,071,448
Assets classified as held for sale	193,031	1,602,800
	10,453,646	12,302,012
LESS: CURRENT LIABILITIES		
Trade and other payables	11,697,698	12,484,444
Deferred gain on sale and lease back assets	123,902	120,942
Lease liabilities	1,328,527	-
Borrowings	3,729,968	4,483,197
Derivative financial instruments	157,418	155,901
Current tax liabilities	1,202,682	1,157,686
Total current liabilities	18,240,195	18,402,170
Net current liabilities	(7,786,549)	(6,100,158)
	48,456,330	**45,452,857**
Net assets per share attributable to owners of the Company (sen)	189	193

(The above Consolidated Statement of Financial Position should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2018)

AXIATA GROUP BERHAD (242188-H)
UNAUDITED INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2019

		Attributable to equity holders of the Company							
		Share capital	**Share capital**	**Currency translation differences**	**Reserves**	**Retained earnings**	**Total**	**NCI**	**Total equity**
	Note	**'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
At 1 January 2019 (as reported)		9,071,018	13,502,368	(329,197)	(1,339,153)	5,642,781	17,476,799	5,737,907	23,214,706
First time adoption adjustments	2(a)	-	-	-	-	(59,328)	(59,328)	(727)	(60,055)
At 1 January 2019 (as restated)		9,071,018	13,502,368	(329,197)	(1,339,153)	5,583,453	17,417,471	5,737,180	23,154,651
Profit for the financial period		-	-	-	-	913,147	913,147	158,066	1,071,213
Other comprehensive income/(expense):									
-Currency translation differences arising during the financial period:									
-subsidiaries		-	-	122,343	-	-	122,343	28,419	150,762
-derecognition of an associates		-	-	(64,322)	-	-	(64,322)	-	(64,322)
		-	-	58,021	-	-	58,021	28,419	86,440
-Net cash flow hedge		-	-	-	8,372	-	8,372	-	8,372
-Net cost of hedging		-	-	-	77,944	-	77,944	-	77,944
-Actuarial loss, net of tax		-	-	-	(143)	-	(143)	(78)	(221)
-Revaluation of financial assets at FVTOCI		-	-	-	(1,076,632)	-	(1,076,632)	-	(1,076,632)
Total comprehensive income /(expense)		**-**	**-**	**58,021**	**(990,459)**	**913,147**	**(19,291)**	**186,407**	**167,116**
Transactions with owners:									
-Issuance of new ordinary shares		5,751	16,389	-	-	-	16,389	-	16,389
-Dilution of equity interest in subsidiaries		-	-	8,246	-	59,291	67,537	8,603	76,140
-Additional investment in subsidiaries		-	-	-	-	(54,738)	(54,738)	(34,459)	(89,197)
-Dividends paid to shareholders by:									
- DRS		50,322	190,216	-	-	(190,216)	-	-	-
- Cash settlement			-	-	-	(218,307)	(218,307)	-	(218,307)
-Dividends paid to NCI		-	-	-	-	-	-	(48,051)	(48,051)
-Share-based payment expenses		-	-	-	9,240	-	9,240	-	9,240
-Transferred from share-based payment reserve upon:									
- exercise/vest		1,548	11,669	-	(11,669)	-	-	-	-
- lapsed		-	-	-	(113,564)	113,564	-	-	-
Total transactions with owners		57,621	218,274	8,246	(115,993)	(290,406)	(179,879)	(73,907)	(253,786)
At 30 June 2019		**9,128,639**	**13,720,642**	**(262,930)**	**(2,445,605)**	**6,206,194**	**17,218,301**	**5,849,680**	**23,067,981**

Non-controlling interests ("NCI") Dividend reinvestment scheme ("DRS") Fair value through other comprehensive income ("FVTOCI")

(The above Consolidated Statement of Financial Position should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2018)

AXIATA GROUP BERHAD (242188-H)
UNAUDITED INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2019

	Attributable to equity holders of the Company							
	Share capital '000	Share capital RM'000	Currency translation differences RM'000	Reserves RM'000	Retained earnings RM'000	Total RM'000	NCI RM'000	Total equity RM'000
At 1 January 2018 (as reported)	9,047,951	13,407,253	783,362	(1,044,085)	11,584,606	24,731,136	5,773,447	30,504,583
First time adoption adjustments	-	-	-	-	(99,876)	(99,876)	4,016	(95,860)
At 1 January 2018 (as restated)	9,047,951	13,407,253	783,362	(1,044,085)	11,484,730	24,631,260	5,777,463	30,408,723
Loss for the financial period	-	-	-	-	(3,504,715)	(3,504,715)	92,683	(3,412,032)
Other comprehensive (expense)/income:								
-Currency translation differences arising during the financial period:								
-subsidiaries	-	-	(747,795)	-	-	(747,795)	(235,170)	(982,965)
-associates	-	-	(95,773)	-	-	(95,773)	-	(95,773)
	-	-	(843,568)	-	-	(843,568)	(235,170)	(1,078,738)
-Net cash flow hedge	-	-	-	(106,125)	-	(106,125)	(31)	(106,156)
-Net investment hedge	-	-	-	24,476	-	24,476	-	24,476
-Actuarial loss, net of tax	-	-	-	(1,062)	-	(1,062)	(538)	(1,600)
Total comprehensive expense	**-**	**-**	**(843,568)**	**(82,711)**	**(3,504,715)**	**(4,430,994)**	**(143,056)**	**(4,574,050)**
Transactions with owners:								
-Issuance of new ordinary shares	1,404	6,497	-	-	-	6,497	-	6,497
-Partial disposal of a subsidiary	-	-	(6,351)	-	265,690	259,339	108,094	367,433
- Dilution of equity interest in a subsidiary	-	-	-	-	48	48	800	848
-Acquisition of a subsidiary	-	-	-	-	-	-	755	755
-Dividends payable to shareholders	-	-	-	-	(316,741)	(316,741)	-	(316,741)
-Dividends paid to NCI	-	-	-	-	-	-	(21,603)	(21,603)
-Share-based payment expenses	-	-	-	7,683	-	7,683	-	7,683
-Transferred from share-based payment reserve upon exercise/vest	384	4,189	-	(4,189)	-	-	-	-
Total transactions with owners	1,788	10,686	(6,351)	3,494	(51,003)	(43,174)	88,046	44,872
At 30 June 2018	**9,049,739**	**13,417,939**	**(66,557)**	**(1,123,302)**	**7,929,012**	**20,157,092**	**5,722,453**	**25,879,545**

(The above Consolidated Statement of Financial Position should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2018)

AXIATA GROUP BERHAD (242188-H)
UNAUDITED INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2019

	Reserves								
	Capital contribution	Merger	Hedging	Cost of hedging	Actuarial	Share-based payment	FVTOCI	Other	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 January 2019	16,598	346,774	(70,863)	770	26,982	138,652	(540,015)	(1,258,051)	(1,339,153)
Other comprehensive income/(expense):									
-Net cash flow hedge	-	-	8,372	-	-	-	-	-	8,372
-Net cost of hedging	-	-	-	77,944	-	-	-	-	77,944
-Actuarial gain, net of tax	-	-	-	-	(143)	-	-	-	(143)
-Revaluation of financial assets at FVTOCI	-	-	-	-	-	-	(1,076,632)	-	(1,076,632)
Total comprehensive income/(expense)	**-**	**-**	**8,372**	**77,944**	**(143)**	**-**	**(1,076,632)**	**-**	**(990,459)**
Transactions with owners:									
-Share-based payment expenses	-	-	-	-	-	9,240	-	-	9,240
-Transferred from share-based payment reserve upon:									
- exercise/vest	-	-	-	-	-	(11,669)	-	-	(11,669)
- lapsed	-	-	-	-	-	(113,564)	-	-	(113,564)
Total transactions with owners	-	-	-	-	-	(115,993)	-	-	(115,993)
At 30 June 2019	**16,598**	**346,774**	**(62,491)**	**78,714**	**26,839**	**22,659**	**(1,616,647)**	**(1,258,051)**	**(2,445,605)**
At 1 January 2018	16,598	346,774	(341,409)	-	23,996	133,367	34,640	(1,258,051)	(1,044,085)
Other comprehensive expense:									
-Net cash flow hedge	-	-	(106,125)	-	-	-	-	-	(106,125)
-Net investment hedge	-	-	24,476	-	-	-	-	-	24,476
-Actuarial loss, net of tax	-	-	-	-	(1,062)	-	-	-	(1,062)
Total comprehensive expense	**-**	**-**	**(81,649)**	**-**	**(1,062)**	**-**	**-**	**-**	**(82,711)**
Transactions with owners:									
-Share-based payment expenses	-	-	-	-	-	7,683	-	-	7,683
-Transferred from share-based payment reserve upon exercise/vest	-	-	-	-	-	(4,189)	-	-	(4,189)
Total transactions with owners	-	-	-	-	-	3,494	-	-	3,494
At 30 June 2018	**16,598**	**346,774**	**(423,058)**	**-**	**22,934**	**136,861**	**34,640**	**(1,258,051)**	**(1,123,302)**

AXIATA GROUP BERHAD (242188-H)

UNAUDITED INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS		
	FOR THE FINANCIAL PERIOD ENDED	
	30/6/2019	30/6/2018
	RM'000	RM'000
Receipt from customers	12,162,747	11,153,032
Payment to suppliers and employees	(7,467,935)	(6,911,632)
Payment of finance costs	(340,578)	(612,900)
Payment of income taxes (net of refunds)	(455,777)	(541,591)
CASH FLOWS FROM OPERATING ACTIVITIES	**3,898,457**	**3,086,909**
Proceeds from disposal of property, plant and equipment	9,866	6,890
Purchase of property, plant & equipment	(3,106,514)	(3,169,036)
Acquisition of intangible assets	(11,116)	(494,806)
Investments in deposits maturing more than three (3) months	(212,808)	(48,530)
Proceed from disposal of an associate	1,649,256	-
Additional investment in associates	(6,561)	(49,328)
Other investments	(27,544)	-
Disposal of rights on right issue of a financial asset at FVTOCI	96,149	-
Dividends received from associates	-	49,017
Repayment from employees	92	57
Interests received	107,769	118,368
CASH FLOWS USED IN INVESTING ACTIVITIES	**(1,501,411)**	**(3,587,368)**
Proceeds from issuance of shares under Axiata Share Scheme	16,389	6,497
Proceeds from borrowings	2,025,827	3,564,972
Repayments of borrowings	(3,309,622)	(3,787,280)
Repayment of lease creditors	(823,395)	(87,195)
Net proceed from partial disposal of subsidiaries	-	367,433
Capital injection by NCI of subsidiaries	80,986	848
Additional investment in subsidiaries	(89,167)	620
Dividends paid to shareholders	(218,307)	-
Dividends paid to non-controlling interests	(48,051)	(21,603)
CASH FLOWS (USED IN)/FROM FINANCING ACTIVITIES	**(2,365,340)**	**44,292**
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	31,706	(456,167)
DISCONTINUED CASH FLOW	-	9,120
NET DECREASE IN RESTRICTED CASH AND CASH EQUIVALENT	39,601	34,189
EFFECT OF EXCHANGE RATE CHANGES	85,504	(167,924)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL PERIOD	3,787,748	6,471,657
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL PERIOD	**3,944,559**	**5,890,875**

(The above Consolidated Statement of Cash Flow should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2018)

AXIATA GROUP BERHAD (242188-H)

UNAUDITED INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

	FOR THE FINANCIAL PERIOD ENDED	
	30/6/2019	30/6/2018
	RM'000	RM'000
Cash and cash equivalent in banks	3,944,559	5,890,875
Deposits pledged	104,123	71,437
Deposit on investment in a subsidiary of the Group	-	67,037
Deposits maturing more than three (3) months	1,249,482	115,175
Bank overdrafts	119,989	89,887
Total deposits, cash and bank balances	**5,418,153**	**6,234,411**

(The above Consolidated Statement of Cash Flow should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2018)

PART A: EXPLANATORY NOTES PURSUANT TO MALAYSIAN FINANCIAL REPORTING STANDARD 134

1. Basis of Preparation

The unaudited interim financial statements for the financial period ended 30 June 2019 of the Group have been prepared in accordance with the International Financial Reporting Standards compliant framework, Malaysian Financial Reporting Standards (“MFRS”), MFRS 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 2018 (“2018 Audited Financial Statements”).

2. Accounting Policies

The accounting policies and method of computation applied in the unaudited interim financial statements are consistent with those used in the preparation of the 2018 Audited Financial Statements except for the adoption of new standards/IC Interpretation and amendments to existing standards that are applicable to the Group for the financial period beginning 1 January 2019 as set out below:

- MFRS 16 “Leases”
- IC Interpretation 23 “Uncertainty over Income Tax Treatments”
- Amendments to MFRS 9 “Prepayment Features With Negative Compensation”
- Amendments to MFRS 119 “Plan Amendment, Curtailment or Settlement”
- Amendments to MFRS 128 “Long-term Interests In Associates and Joint Ventures”
- Annual Improvements to MFRS 2015 – 2017 Cycle

  - ✓ Amendments to MFRS 3 “Business Combinations”
  - ✓ Amendments to MFRS 11 “Joint Arrangements”
  - ✓ Amendments to MFRS 112 “Income Taxes”
  - ✓ Amendments to MFRS 123 “Borrowing Costs”

The above adoptions did not have a material impact to the Group during the current quarter and financial period to date except for MFRS 16.

The Group applied MFRS 16 by using the modified retrospective approach, therefore the comparative information was not restated.

The Group applied the grandfathering approach in assessing whether a contract is or contains a lease. The Group applied MFRS 16 to existing contracts that were previously identified as leases under MFRS 117 and IC Interpretation 4 “Determining whether an Arrangement contains a Lease”. Contracts that were not previously identified as containing a lease applying MFRS 117 and IC Interpretation 4 were not reassessed for whether there is a lease. Therefore, the definition of a lease under MFRS 16 was applied only to contracts entered into or changed on or after 1 January 2019.

The purchases and sales of rights to access and rights to use licenses of intellectual property were excluded from the scope of MFRS 16.

For leases previously classified as finance leases the Group recognised the carrying amount of the lease asset and lease liability immediately before transition as the carrying amount of the right of use asset and the lease liability at the date of initial application.

2. Accounting Policies (continued)

The Group used the following practical expedients at the date of initial application and certain applicable practical expedients post adoption.

- ✓ Lease liabilities were measured at the present value of the remaining lease payments, discounted at incremental borrowing rate as at 1 January 2019.
- ✓ Applied a single discount rate to a portfolio of leases with similar characteristics.
- ✓ Applied the exemption not to apply MFRS 16 to account for short-term leases in which the term ends within twelve (12) months.
- ✓ Applied the exemption not to apply MFRS 16 on leases of low-value assets.
- ✓ Excluded initial direct costs from measuring the right-of-use asset.
- ✓ Applied hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

The Group used the practical expedient whenever applicable, that a distinction is not to be made in leases that contain both lease components and non-lease components. Each lease component will be accounted for as a lease, in conjunction with other related performance components.

The right-of-use asset is depreciated in accordance with the principle in MFRS 116 'Property, Plant and Equipment' and the lease liability is accreted over time with interest expense recognised in the profit or loss.

For lessors, MFRS 16 retains most of the requirements in MFRS 117. Lessors continue to classify all leases as either operating leases or finance leases and account for them differently.

The Group will continue to refine the estimate and judgment applied in the adoption of MFRS 16 as facts and circumstances evolved in the year. The impact of adoption of MFRS 16 to the Group is as below:

(a) Consolidated statement of financial position

(i) First time adoption

	As at 1 January 2019			
		First time adoption adjustments		
	As reported	Reclassification	Measurements	As adjusted
	RM'000	RM'000	RM'000	RM'000
Total equity:				
- Reserves	3,974,431	-	(59,328)	3,915,103
- Non-controlling interests	5,737,907	-	(727)	5,737,180
		-	(60,055)	
Total net assets:				
- Property, plant and equipment	27,290,458	(3,276,823)	-	24,013,635
- Right-of-use ("ROU")	-	3,276,823	4,904,122	8,180,945
- Lease liabilities	-	(3,029,954)	(4,561,860)	(7,591,814)
- Trade and other receivables	5,802,034	-	(454,055)	5,347,979
- Trade and other payables	(15,472,288)	3,029,954	35,499	(12,406,835)
- Deferred taxation, net	(804,253)	-	16,239	(788,014)
		-	(60,055)	

2. Accounting Policies (continued)

(a) Consolidated statement of financial position (continued)

(ii) Reconciliation of operating lease commitment as at 31 December 2018 to the opening balance of lease liabilities as at 1 January 2019 is as follow:

	RM'000
Operating lease commitments disclosed as at 31 December 2018	1,651,070
Less: short-term leases recognised on a straight-line basis as expense	(114,076)
Less: low-value leases recognised on a straight-line basis as expense	(21,207)
	1,515,787
Discounted using the lessee's incremental borrowing rate of at the date of initial application	1,176,835
Add: finance lease liabilities recognised as at 31 December 2018	3,029,954
Add: accrued lease payments recognised as at 31 December 2018	30,767
Add: existing contracts as at 31 December 2018 previously assessed as operating lease	3,800,564
Less: lease prepayment as at 31 December 2018	(446,306)
Lease liabilities as at 1 January 2019	7,591,814
Of which are:	
Current lease liabilities	1,338,211
Non-current lease liabilities	6,253,603
	7,591,814

(iii) Carrying amount of the Group's right-of-use assets and lease liabilities movement during the financial period to date are as follow:

	Right-of-use assets			
	Telecommunication network and transmission facilities	Others	Total	Lease liabilities
	RM'000	RM'000	RM'000	RM'000
At 1 Jan 2019	7,141,475	1,039,470	8,180,945	(7,591,814)
Addition	804,723	60,027	864,750	(830,705)
Depreciation	(610,263)	(98,887)	(709,150)	-
Interest expense	-	-	-	(334,716)
Payments	-	-	-	1,022,172
Net foreign exchange translation	126,270	10,529	136,799	(124,729)
As at 30 June 2019	7,462,205	1,011,139	8,473,344	(7,859,792)

2. Accounting Policies (continued)

(b) Consolidated statement of profit or loss:

	Financial period to date		
	Pre-adoption RM'000	Operating lease MFRS 16 RM'000	Post-adoption RM'000
EBITDA	4,516,277	576,018	5,092,295
Depreciation, impairment and amortisation	(2,877,434)	(472,367)	(3,349,801)
Finance cost	(699,818)	(173,670)	(873,488)
Profit before taxation	1,684,282	(70,019)	1,614,263

	Current quarter		
	Pre-adoption RM'000	Operating lease MFRS 16 RM'000	Post-adoption RM'000
EBITDA	2,346,183	324,344	2,670,527
Depreciation, impairment and amortisation	(1,469,599)	(237,162)	(1,706,761)
Finance cost	(340,631)	(123,935)	(464,566)
Profit before taxation	674,224	(36,753)	637,471

3. Seasonal or Cyclical Factors

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

4. Significant 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) On 15 February 2019, the Group recognised a gain on disposal of M1 Limited ("M1") amounting to RM113.4 million. The detail of the disposal is disclosed in Part A, Note 12 (b) of this announcement.

(b) On 21 February 2019, the Company and its wholly-owned subsidiary, Axiata Digital Services Sdn Bhd ("ADS") entered into an application for shares with Pegasus 7 Ventures Pte. Ltd ("Pegasus 7") for the disposal of the:

(i) Investment in a subsidiary, Axiata Investments (Mauritius) Limited ("AIML") which was holding Localcube Commerce Pvt Ltd and Localcube Commerce Asia Sdn Bhd;
(ii) Investment in associates in Milvik AB and Etobee Holding Pte Ltd;
(iii) Redeemable Convertible Preference Shares in Celcom Planet Sdn Bhd, and
(iv) Financial asset at FVTOCI in STS Media Inc.

for a non-cash consideration of RM570.9 million or USD140.0 million via the issuance of Class A Redeemable Preference Shares by Pegasus 7 to the Company or the Company's nominee.

During the financial period to date, the Group has recorded a gain on disposal on investment stated in (i) of RM302.0 million. The completion of disposal of investments stated in (ii), (iii) and (iv) are subject to the administrative and regulatory requirements/procedures of the respective territories.

(c) Vodafone Idea Limited ("Vodafone Idea") had, on 10 April 2019, allotted equity shares by way of a rights issue to eligible shareholders. The Group, being an eligible shareholder, recognises its investment in Vodafone Idea as a financial asset through other comprehensive income. The Group did not participate on the allotment of the rights issue above and had sold their rights to third parties. Upon the disposal of the rights, the Group recognised a gain on disposal amounting to RM96.1 million or INR1,617.4 million during the current quarter and financial period to date.

(d) The Company's Performance-Based Employee Share Option Scheme and Restricted Share Plan ["Axiata Share Scheme"] expired on 15 April 2019. Accordingly, the Group reclassified the share-based payment reserve pertaining to unexercised options and unvested Restricted Share Awards under Axiata Share Scheme of RM113.6 million to retained earnings.

(e) During the current quarter and financial period to date, the Group recognised net foreign exchange losses of RM42.5 million and gains of RM87.5 million respectively mainly arising from the revaluation of USD borrowings and working capital.

Other than the above, 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 2019.

5. Estimates

The preparation of unaudited interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

There were no changes in estimates of amounts reported in prior financial years that may have a material effect in the current quarter and financial period to date.

In preparing the unaudited interim financial statements, the significant judgements made by the management in applying the Group's accounting policies and the sources of estimates uncertainty were consistent as those applied to 2018 Audited Financial Statements.

6. Issues, Repurchases and Repayments of Debt and Equity Securities

(a) During the financial period to date, the Company issued new ordinary shares under the Axiata Share Scheme and Dividend Reinvestment Scheme ("DRS") as below:

Description	Total ordinary shares of the Company issued	
	'000	RM'000
• Performance-Based Employee Share Option Scheme ("ESOS") at an exercise price of either RM1.81, RM3.15 and RM3.45.	5,751	21,487
• Restrictive Share Awards ("RSA") at an issuance price of RM3.75 to RM5.51 being the fair value of RSA issued.	1,548	6,571
• DRS at a conversion price of RM3.78 per ordinary share respectively.	50,322	190,216
Total	57,621	218,274

(b) On 14 March 2019, the Company undertook a loan with Bank of Tokyo-Mitsubishi UFJ (Malaysia) Berhad amounting to RM204.0 million (USD50.0 million) with tenure of six (6) months from the date of first drawdown and with a contractual interest rate of LIBOR + applicable interest rate.

Aside from the above, there were no other significant unusual issues, repurchases and repayments of debt and equity securities during the financial period ended 30 June 2019.

7. Dividend paid

The Company declared and paid the dividend during the financial period as below:

Date of payment	Description	Per ordinary share	Total
		Sen	RM'000
17 May 2019	Final tax exempt dividend under single tier in respect of financial year ended 31 December 2018[1]	4.5	408,523

[1] Out of the total dividend distribution, a total RM190.2 million was converted into 50.3 million new ordinary shares of the Company as disclosed in Part A, Note 6(a) of this announcement.

8. Segmental Information

For the financial period ended 30 June 2019

Segment	Mobile						Infrastructure			
	Malaysia	Indonesia	Bangladesh	Sri Lanka	Nepal	Cambodia	Malaysia	Others	Consolidation adjustments/ eliminations	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Total operating revenue	3,327,356	3,554,481	1,806,811	1,347,195	1,018,592	631,104	875,030	269,217	-	12,829,786
Inter-segment[1]	(24,250)	(48,877)	(7)	(1,619)	(666)	(10,587)	(566,317)	(74,412)	-	(726,735)
External operating revenue	3,303,106	3,505,604	1,806,804	1,345,576	1,017,926	620,517	308,713	194,805	-	12,103,051
Earnings before interest, tax, depreciation and amortisation ("EBITDA")	1,280,477	1,771,033	763,433	536,211	609,810	330,320	476,104	(331,518)	(343,575)	5,092,295
Finance income	47,592	13,553	1,566	2,094	22,134	3,612	27,328	12,681	(19,157)	111,403
Finance cost	(209,568)	(412,719)	(162,127)	(38,900)	(10,306)	(13,981)	(48,289)	(176,715)	199,117	(873,488)
Depreciation of property, plant & equipment ("PPE")	(418,516)	(863,878)	(284,721)	(268,564)	(94,853)	(108,510)	(188,448)	(8,106)	11,137	(2,224,459)
Depreciation of right-of-use assets ("ROU")	(204,158)	(494,468)	(133,183)	(20,093)	(8,955)	(25,647)	(40,910)	(3,628)	261,705	(669,337)
Amortisation of intangible assets	(30,925)	(4,847)	(122,711)	(64,120)	(64,251)	(5,655)	(15,884)	(6,581)	(128,416)	(443,390)
Joint ventures:										
- share of results (net of tax)	(2,819)	-	-	-	-	-	-	-	-	(2,819)
Associates:										
- share of results (net of tax)	(2,386)	-	-	13	-	759	-	181	-	(1,433)
Impairment of PPE, net of reversal	-	(2,428)	(3,694)	1,087	6,672	(1,094)	(14,251)	(1)	1,094	(12,615)
Other non-cash income/(expense)[2]	28,490	58,709	(666)	33,178	(273)	714	(16,786)	716,339	(181,599)	638,106
Taxation	(136,625)	(25,151)	(85,734)	(22,330)	(130,742)	(39,042)	(84,327)	(22,695)	3,596	(543,050)
Segment profit/(loss) for the financial period	**351,562**	**39,804**	**(27,837)**	**158,576**	**329,236**	**141,476**	**94,537**	**179,957**	**(196,098)**	**1,071,213**

[1] 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.

[2] Included in other non-cash expense of consolidation adjustments is disposal of an associate of RM168.0 million.

8. Segmental Information (continued)

For the financial period ended 30 June 2018

Segment	Mobile						Infrastructure			
	Malaysia	Indonesia	Bangladesh	Sri Lanka	Nepal	Cambodia	Malaysia	Others	Consolidation adjustments/ eliminations	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Total operating revenue	3,611,374	3,159,168	1,546,189	1,328,831	1,104,819	536,652	723,350	157,621	-	12,168,004
Inter-segment[1]	(22,628)	(34,861)	(11)	(11,527)	(14,352)	(4,068)	(464,980)	(263)	-	(552,690)
External operating revenue	3,588,746	3,124,307	1,546,178	1,317,304	1,090,467	532,584	258,370	157,358	-	11,615,314
EBITDA	951,574	1,214,147	329,989	525,020	691,843	246,870	320,368	(266,374)	66,141	4,079,578
Finance income	48,849	19,136	2,629	2,843	14,766	2,900	15,698	32,521	(24,632)	114,710
Finance cost	(111,820)	(233,897)	(76,585)	(25,583)	(10,545)	(234)	(10,607)	(187,225)	39,023	(617,473)
Depreciation of PPE	(411,871)	(1,074,718)	(255,349)	(255,504)	(139,860)	(90,446)	(142,033)	(18,521)	11,356	(2,376,946)
Amortisation of intangible assets	(30,086)	(21,123)	(120,471)	(55,657)	(64,972)	(4,140)	(12,893)	(4,416)	(136,677)	(450,435)
Joint venture:										
- share of results (net of tax)	170	-	-	-	-	-	-	-	-	170
Associates:										
- share of results (net of tax)[2]	5,897	-	7,872	26	-	2,221	-	(55,521)	-	(39,505)
- loss on dilution of equity interests	-	-	-	-	-	-	-	(402,988)	-	(402,988)
Impairment of PPE, net of reversal	-	1,590	-	(1,414)	(2,290)	-	-	1	-	(2,113)
Other non-cash income/(expenses)[3]	14,823	48,707	(7,066)	(23,128)	5,865	(420)	(5,386)	299,466	(3,654,382)	(3,321,521)
Taxation	(135,600)	21,006	31,545	(23,689)	(126,755)	(32,851)	(67,040)	34,672	(96,797)	(395,509)
Segment profit/(loss) for the financial period	331,936	(25,152)	(87,436)	142,914	368,052	123,900	98,107	(568,385)	(3,795,968)	(3,412,032)

[1] 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.

[2] Share of results of associates are mainly contributed by Idea (-RM94.8 million) and M1 Limited (RM60.0 million).

[3] Included in other non-cash income/(expenses) is provision of loss on derecognition of Idea amounting to RM3,379.9 million.

9. Valuation of PPE

The Group does not adopt a revaluation policy on its PPE.

10. Acquisitions of PPE

During the financial period to date, the Group acquired additional PPE amounting to RM2,741.6 million mainly for its telecommunication network equipment and capital work in progress.

11. Events after the Interim Period

(i) Establishment of Joint Venture

On 27 June 2019, PT XL Axiata Tbk ("XL") entered into an agreement with Princeton Digital Group (Indonesia Alpha) Pte. Limited ("PDG") in which PDG and XL agreed to establish a new company, transfer certain assets, sell subscription shares and partially leaseback such assets for a period of ten years and can be extended for the next five years. The new company was established under the name of PT Princeton Digital Group Data Centres ("PDGDC") based on Deed of Establishment No 13 dated 27 June 2019 as approved by the Minister of Justice of Republic Indonesia dated 1 July 2019.

The intended principal activity of PDGDC is to provide the information and communication service with the main business to develop hosting activities. Upon completion, PDG and XL will hold 70.00% and 30.00% of total PDGDC shares respectively.

(ii) Members' Voluntary Winding-Up of PLDT Malaysia Sdn Bhd

PLDT Malaysia Sdn Bhd, a 49.00% associate of Celcom Axiata Berhad had, on 14 August 2019, commenced members' voluntary winding-up pursuant to Section 432(2)(a) of the Companies Act 2016.

Barring any unforeseen circumstances, the winding-up process is expected to be completed between 9 to 16 months from the date of commencement of winding-up.

Other than the above, there was no other significant event after interim period that requires disclosure and/or adjustment as at 22 August 2019.

12. Effects of Changes in the Composition of the Group

(a) Incorporation of Apigate India Services Private Limited ("Apigate India")

Apigate Sdn Bhd, a wholly-owned subsidiary of ADS had on 5 February 2019 completed the incorporation of Apigate India, a private company limited by shares, under the Companies Act 2013.

Apigate India was incorporated with an issued and paid-up share capital of INR100,000. The intended principal activities of Apigate India are to carry out the Application Programming Interface business in the State of Maharashtra, India.

The incorporation above did not have material impact to the Group during the financial period to date.

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

(b) Disposal of entire equity interest in M1 Limited ("M1")

On 15 February 2019, the Group via its wholly-owned subsidiary, Axiata Investments (Singapore) Limited accepted the Voluntary Conditional General Offer made by Konnectivity Pte. Ltd. in accordance with Rule 15 of the Singapore Code on Take-overs and Mergers on 27 September 2018 to acquire entire equity interest in M1 comprising 265,410,150 ordinary shares at the offer price of SGD2.06 for a total consideration of RM1,649.3 million. The disposal was completed on 27 February 2019.

The impact of the disposal above is disclosed in Part A, Note 4(a) of this announcement.

(c) Incorporation of Smartluy Plc ("Smartluy")

Smart, had on 8 February 2019 completed the incorporation of Smartluy, a public limited company, under the laws of the Kingdom of Cambodia. Notification of completion of the incorporation process in accordance with the local laws was received on 27 February 2019.

The intended principal operating activity of SmartLuy is to conduct business in relation to payment services.

The incorporation above did not have material impact to the Group during the financial period to date.

(d) Capital injection in ADS

Mitsui Co., Ltd. ("Mitsui") had on 5 April 2019 invested in ADS, for the subscription of 193,050 ordinary shares in ADS at a consideration of RM80.5 million or USD20.0 million representing 3.53% of total issued and paid-up share capital of ADS. Subsequent to the said investment, the shareholding of ADS is held by the Company and Mitsui at 96.47% and 3.53% respectively.

The Group recognised an increase in the consolidated retained earnings and non-controlling interest of RM67.4 million and RM13.1 million respectively.

(e) Voluntary Liquidation and Dissolution on Deexpand Company ("Deexpand")

Xpand Investments (Labuan) Limited, a wholly-owned subsidiary of Axiata Business Services Sdn Bhd, had on 7 May 2019 commenced the voluntary liquidation and dissolution of DeeXpand pursuant to the Thailand Civil and Commercial Code.

The voluntary liquidation and dissolution of DeeXpand is expected to be completed approximately between six (6) to twenty-four (24) months from the date of appointment of the Liquidator.

The voluntary liquidation above did not have material impact to the Group during the current quarter and financial period to date.

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

(f) Subscription of Shares in Mekong Tower Company Limited ("MTCL")

edotco Group Sdn Bhd ("edotco") via its wholly-owned subsidiary, edotco Investments (Labuan) Limited had on 21 June 2019 completed the subscription of 25,600 ordinary shares of Laotian Kip ("LAK") 500,000 each representing 80.00% of the enlarged issued and paid-up share capital of MTCL at a cash consideration of LAK12.8 billion (equivalent to RM6.7 million).

The subscription above did not have material impact to the Group during the current quarter and financial period to date.

(g) Acquisition of equity interests in edotco Holdings (Labuan) Limited ("EHL")

edotco had on 21 June 2019 completed the acquisition of 437 ordinary shares representing 21.85% of the entire equity interests in EHL held by Southern Coast Ventures Inc. at a cash consideration of RM87.2 million or USD21.0 million. Effectively, EHL became a wholly-owned subsidiary of edotco.

The Group recognised a decrease of RM48.6 million in the consolidated retained earnings and non-controlling interest amounting to RM38.6 million accordingly.

Other than above and as disclosed in Part A, Note 4 (b) of this announcement, there were no other changes in the composition of the Group for the financial period ended 30 June 2019.

13. Significant Changes in Contingent Assets or Contingent Liabilities

Other than as disclosed in Part B, Note 10 of this announcement, there has been no significant change in contingent assets or contingent liabilities of subsidiaries from that disclosed in the 2018 Audited Financial Statements.

14. Capital Commitments

	Group	
As at	**30/6/2019**	30/6/2018
	RM'000	RM'000
Commitments in respect of expenditure approved and contracted for	**2,656,663**	2,846,277

15. Financial Instruments At Fair Value Measurements

The Group's financial instruments that were measured at fair value as at reporting date were as follow:

- Derivative financial instruments (assets and liabilities); and
- Securities

The Group measured the financial instruments based on:

- Level 1 (traded in active markets): Quoted market prices
- Level 2 (not traded in active markets): Valuation techniques such as quoted market prices or dealer quotes for similar instruments, present value of the estimated future cash flows based on observable market curves and forward exchange rates at reporting date with the resulting value discounted back to present value
- Level 3: Unobservable inputs

The Group's financial instruments as at 30 June were grouped as below:

Derivatives Financial Instruments	**2019**				2018			
	Level 1	**Level 2**	**Level 3**	**Total**	Level 1	Level 2	Level 3	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Assets								
Financial assets at fair value through profit or loss:								
-Trading security	33	-	-	33	47	-	-	47
Financial assets at AFS:								
- Equity securities	520,132	360,140	58	880,330	-	61,327	50	61,377
Non-hedging derivatives	-	8,343	-	8,343	-	198,509	-	198,509
Derivative used for hedging	-	-	-	-	-	184	-	184
Liabilities								
Derivatives used for hedging	-	(57,926)	-	(57,926)	-	(285,534)	-	(285,534)
Total	**520,165**	**310,557**	**58**	**830,780**	47	(25,514)	50	(25,417)

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

1. Review of Performance

(a) Quarter-on-Quarter (Q2'19 vs Q2'18)

	Current Year Quarter	Preceding Year Corresponding Quarter	Variance	
	30/06/2019	30/06/2018		
	RM'million	RM'million	RM'million	%
Revenue	6,153.6	5,867.1	286.5	4.9
EBITDA	2,670.5	2,043.2	627.3	30.7
PAT[1]	287.5	(3,317.7)	3,605.2	> 100
PATAMI[2]	204.1	(3,357.3)	3,561.4	> 100

[1] PAT : Profit after tax
[2] PATAMI : Profit after tax and minority interest

Group Performance

Compared to the preceding year's corresponding quarter (Q2'19 vs Q2'18), the Group registered a growth of 4.9% in revenue due to better performance from all operating companies apart from its mobile operations in Malaysia and Nepal. Group EBITDA increased 30.7% to RM2,670.5 million quarter-on-quarter. Excluding MFRS 16 impact and at constant currency of Q2'18, Group EBITDA grew 13.1%, as a result of higher revenue.

PAT and PATAMI improved significantly from a loss position to net profit of RM287.5 million and RM204.1 million respectively, driven by better performance and the discontinuation of losses related to the Group's investment in India.

Geographical Highlights

- **Malaysia**: Revenue dropped 8.3% to RM1,663.5 million due to lower device sales, coupled with the downward revision of domestic interconnect and domestic roaming rates, respectively. EBITDA, however grew 43.5% to RM710.1 million and registered a strong EBITDA margin of 42.7%. Excluding MFRS 16 impact, EBITDA increased by 13.2% as a result of lower operating cost. PAT for the quarter increased 39.1% to RM218.2 million.

- **Indonesia**: Revenue grew by 16.2% to RM1,824.0 million on the back of strong data growth. EBITDA grew 54.1% to RM941.4 million for the quarter. Excluding MFRS 16 impact and at constant currency of Q2'18, EBITDA grew 19.1% driven by higher revenue which was partly offset by higher operating cost. Flowing through, PAT for the quarter increased significantly to a net profit of RM43.0 million as opposed to net loss of RM28.7 million in Q2'18.

1. **Review of Performance (continued)**

(a) Quarter-on-Quarter (Q2'19 vs Q2'18) (continued)

Geographical Highlights (continued)

- **Bangladesh**: Revenue registered a solid growth of 17.7% to RM914.4 million contributed by strong growth in all segments. EBITDA improved significantly from RM147.5 million to RM414.8 million quarter-on-quarter attributed to higher revenue coupled with lower operating expenses. However, the operating company registered a net loss of RM15.8 million for the quarter due to higher tax recorded as a result of change in tax law for minimum tax rate from 0.75% to 2.0% on revenue effective 1 January 2018.

- **Sri Lanka**: Revenue registered a growth of 2.9% to RM686.4 million. EBITDA, however dropped 4.0% to RM261.6 million. Excluding MFRS 16 impact and at constant currency of Q2'18, EBITDA dropped 3.9% mainly due to higher network cost. With lower EBITDA further impacted by higher depreciation and amortisation, and finance cost, PAT dropped 32.6% quarter-on-quarter to RM47.9 million.

- **Nepal**: Revenue dropped by 6.1% to RM520.8 million due to a decline in almost all revenue segments as impacted by changes in Telecommunication Services Charge in Nepal since July 2018. Consequently, EBITDA dropped by 15.6% to RM294.6 million. PAT decreased by 18.4% quarter-on-quarter to RM154.0 million.

- **Cambodia**: Revenue registered strong growth of 15.1% to RM326.4 million underpinned by data which continues to be the main growth driver. As a result, EBITDA grew by 33.1% to RM170.9 million. With higher toplines partly being offset by higher depreciation and amortisation, and tax expense, PAT increased 13.3% to RM73.9 million.

- **Malaysia (Infrastructure)**: Revenue and EBITDA continued to register strong growth of 16.9% and 51.2% respectively to RM436.2 million and RM247.3 million. Excluding MFRS 16 impact, EBITDA grew 32.8% quarter-on-quarter contributed from higher revenue partly offset with higher operating cost. PAT, however dropped 34.8% to RM47.8 million due to higher depreciation and amortisation, and forex loss.

1. **Review of Performance (continued)**

(b) Year-on-Year (YTD'19 vs YTD'18)

	Current Year To Date	Preceding Year Corresponding Period	Variance	
	30/06/2019	30/06/2018		
	RM'million	RM'million	RM'million	%
Revenue	12,103.1	11,615.3	487.8	4.2
EBITDA	5,092.3	4,079.6	1,012.7	24.8
PAT	1,071.2	(3,412.0)	4,483.2	> 100
PATAMI	913.1	(3,504.7)	4,417.8	> 100

Group Performance

Compared to the corresponding period in the preceding year, Group revenue grew 4.2% to RM12,103.1 million on the back of strong growth of data revenue. EBITDA grew 24.8% to RM5,092.3 million. At constant currency of YTD'18 and excluding MFRS 16 impact, Group EBITDA registered a strong growth of 10.4% as a result of improved performance by all operating companies except in Nepal.

The Group's PAT and PATAMI increased from a loss position to a profit of RM1,071.2 million and RM913.1 million respectively driven by better underlying performance, discontinuation of losses related to its investment in India, gain on disposal of non-strategic investments and gain on disposal of rights of investment in India.

Geographical Highlights

- **Malaysia**: Revenue dropped 7.9% to RM3,327.4 million due to lower device sales and lower interconnect revenue as a result of negative impact from the downward revision of domestic interconnect and domestic roaming rates. Despite lower revenue, EBITDA increased 34.6% to RM1,280.5 million. Excluding MFRS 16 impact, EBITDA registered growth of 4.7% attributed to lower operating expenses. As a result, PAT improved 5.9% to RM351.6 million.

- **Indonesia**: Revenue grew by 12.5% to RM3,554.5 million underpinned by strong data growth which contributed 87% of service revenue as compared to 79% during the corresponding period in the preceding year. EBITDA increased by 45.9% to RM1,771.0 million driven by adoption of MFRS 16 and higher revenue. Excluding MFRS 16 impact and at constant currency of YTD'18, EBITDA grew 16.2% year-on-year. Flowing through, PAT returned to the black at RM39.8 million as opposed to net loss of RM25.2 million in YTD'18.

1. **Review of Performance (continued)**

(b) Year-on-Year (YTD'19 vs YTD'18) (continued)

Geographical Highlights (continued)

- **Bangladesh**: Revenue registered a strong growth of 16.9% to RM1,806.8 million contributed by growth in all segments mainly due to data upsurge. EBITDA increased more than 100% from RM330.0 million to RM763.4 million year-on-year. Excluding MFRS 16 impact and at constant currency of YTD'18, EBITDA improved 69.6% mainly flowing from higher revenue. With the higher toplines partly being offset by higher tax due to change in tax law for minimum tax rate from 0.75% to 2.0% on revenue effective 1 January 2018 and MFRS 16 adoption, net loss narrowed from RM87.4 million to RM27.8 million year-on-year. Excluding MFRS 16 impact, the operating company would have registered a net profit of RM6.2 million.

- **Sri Lanka**: Revenue grew 1.4% to RM1,347.2 million and EBITDA grew 2.1% to RM536.2 million. Excluding MFRS 16 and at constant currency of YTD'18, EBITDA grew 5.0% attributed to higher revenue partly offset with higher operating cost. As higher EBITDA and forex gains were lessened by higher depreciation and amortisation, and finance cost, the operating company registered 11.0% growth in PAT to RM158.6 million.

- **Nepal**: Revenue declined by 7.8% to RM1,018.6 million mainly due to decline in voice and data as impacted by changes in Telecommunication Services Charge in Nepal from July 2018, as well as drop in International Long-Distance revenue. Flowing through, EBITDA dropped 11.9% to RM609.8 million. PAT decreased by 10.5% to RM329.2 million as a result of lower toplines cushioned by lower depreciation and amortisation.

- **Cambodia**: Revenue grew by 17.6% to RM631.1 million attributed to strong growth in data revenue. EBITDA grew 33.8% to RM330.3 million as a result of higher revenue partly being offset with higher operating expenses. PAT grew 14.2% to RM141.5 million driven by higher toplines partly offset with higher depreciation and amortisation, and tax expense.

- **Malaysia (Infrastructure)**: Revenue continued to register a growth of 21.0% to RM875.0 million. Consequently, EBITDA grew 48.6% to RM476.1 million. Excluding MFRS 16 impact, EBITDA grew 31.2% year-on-year. Despite higher toplines, PAT however dropped 3.6% due to higher depreciation and amortisation, forex loss, higher finance cost and tax expense.

1. Review of Performance (continued)

(c) Comparison with Preceding Quarter's Result (Q2'19 vs Q1'19)

	Current Quarter	Immediate Preceding Quarter	Variance	
	30/06/2019	31/03/2019		
	RM'million	RM'million	RM'million	%
Revenue	6,153.6	5,949.4	204.2	3.4
EBITDA	2,670.5	2,421.8	248.7	10.3
PAT	287.5	783.7	(496.2)	-63.3
PATAMI	204.1	709.1	(505.0)	-71.2

Group Performance

Compared to the preceding quarter (Q2'19 vs Q1'19), Group revenue grew 3.4% to RM6,153.6 million as a result of better performance from most of mobile operating companies. EBITDA grew 10.3% flowing from higher revenue coupled with well managed spending.

Despite higher toplines, the Group's PAT and PATAMI dropped 63.3% and 71.2% to RM287.5 million and RM204.1 million respectively for the quarter mainly due to higher depreciation and amortisation, forex loss, higher tax expense and gain on disposal of non-strategic investments in Q1'19.

Geographical Highlights

- **Malaysia**: Revenue for the quarter remained flat at RM1,663.5 million. EBITDA increased 24.5% to RM710.1 million and delivered a strong EBITDA margin of 42.7%. Flowing through, PAT increased by 63.7% to RM218.2 million as compared to RM133.3 million in previous quarter.

- **Indonesia**: Revenue grew 5.4% to RM1,824.0 million. EBITDA increased by 13.5% to RM941.4 million. Excluding MFRS 16 impact and at constant currency of Q1'19, EBITDA improved by 9.1%. With the higher toplines partly being offset with lower forex gain, higher finance cost and tax expense, the operating company has returned to the black at RM43.0 million as opposed to a net loss of RM3.2 million in previous quarter.

- **Bangladesh**: Revenue registered a decent growth of 2.5% to RM914.4 million. EBITDA grew 19.0% to RM414.8 million as a result of higher revenue partly coupled with lower operating expenses. Despite higher toplines, the operating company registered net loss of RM15.8 million due to higher tax recorded as a result of change in tax law for minimum tax rate from 0.75% to 2.0% on revenue effective 1 January 2018.

1. **Review of Performance (continued)**

(c) Comparison with Preceding Quarter's Result (Q2'19 vs Q1'19) (continued)

Geographical Highlights (continued)

- **Sri Lanka**: Revenue grew 3.9% to RM686.4 million. EBITDA, however dropped 4.7% to RM261.6 million due to higher operating cost. PAT dropped to RM47.9 million for the quarter due to lower EBITDA further impacted by higher depreciation and amortisation, and forex loss.

- **Nepal**: Revenue grew by 4.6% to RM520.8 million with improvement from all revenue streams. EBITDA, however declined by 6.5% to RM294.6 million mainly due to higher operating cost. PAT decreased by 12.2% to RM154.0 million due to lower EBITDA coupled with higher depreciation and amortisation.

- **Cambodia**: Revenue increased by 7.1% to RM326.4 million driven by data revenue growth, whilst EBITDA grew 7.2% to RM170.9 million against the preceding quarter. With higher EBITDA partly being offset by higher depreciation and amortisation, and tax expense, PAT for the quarter grew 9.2% to RM73.9 million.

- **Malaysia (Infrastructure)**: Revenue for the quarter remained stable at RM436.2 million whilst EBITDA grew 8.1% to RM247.3 million attributed to lower operating cost. PAT for the quarter grew 2.1% to RM47.8 million as a result of higher EBITDA partly being offset by higher depreciation and amortisation, and tax expense.

1. Review of Performance (continued)

(d) Economic Profit ("EP") Statement

	2nd Quarter Ended		Financial Period Ended	
	30/6/2019	30/6/2018	**30/6/2019**	30/6/2018
	RM'000	RM'000	**RM'000**	RM'000
EBIT	963,764	554,131	1,742,491	1,197,330
Adjusted Tax 24%	(210,375)	(132,991)	(418,198)	(287,359)
Share of result and loss on dilution in associates and joint ventures	(3,098)	1,355	(4,252)	(84,719)
NOPLAT	750,291	422,495	1,320,041	825,252
AIC	40,266,244	40,596,605	40,266,244	40,596,605
WACC	8.30%	8.52%	8.30%	8.52%
Economic Charge (AIC*WACC)	835,525	864,708	1,671,049	1,729,415
Economic Profit	**(85,234)**	(442,213)	**(351,008)**	(904,163)

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 factor contributing to higher NOPLAT during the current quarter and financial period to date is mainly contributed by higher EBIT achieved by the Group as disclosed in Part B, Note 1(a) and 1(b) of this announcement.

The Group recorded a lower WACC during the current quarter and financial period to date mainly resulted from higher debts, post adoption of MFRS 16.

<u>Note:</u>

EBIT	=	Earnings Before Interest and Tax
NOPLAT	=	Net Operating Profit/Loss After Tax
AIC	=	Average Invested Capital, consist of average operating capital, average net PPE, and average net other operating assets
WACC	=	Weighted Average Cost of Capital is calculated as weighted average cost of debt and equity taking into account proportion of debt position and market capitalisation at end of the period

2. Headline Key Performance Indicators ("KPIs") for the financial year ending 31 December 2019

On 22 February 2019, the Group announced its Headline KPIs guidance for the financial year ending 31 December 2019. The Group's 2019 Headline KPIs announced were as below:

Headline KPIs	**FY2019** **Headline KPIs** **Pre MFRS16 @ Constant rate**
Revenue Growth	3 - 4%
EBITDA Growth	5 - 8%
Return on Invested Capital ("ROIC")	5.2 – 5.6%

Note: Constant rate is based on the FY18 Average Forex Rate (e.g. 1 USD = RM4.034)
ROIC is defined as EBIT - tax + Share of Assoc / Average Invested Capital (excluding cash)

The Group recorded strong operational performance in the first half of financial year ending 31 December 2019. Revenue grew in line with guidance, whereas leveraging the benefit of cost initiatives, EBITDA growth was ahead of revenue resulting in double digit EBITDA growth (excluding impact of MFRS 16). Bottomline was lifted by one-off gain on disposal of associate M1, divestment of non-core digital businesses and disposal of rights of investment in India.

Amidst a subdued landscape in Malaysian market where interconnection rates are lower and domestic roaming revenue falling, Celcom kept prepaid and postpaid mobile revenues steady. XL in Indonesia saw strong performance from consistent execution of its data-led strategy. Dialog in Sri Lanka, Robi in Bangladesh, and Smart in Cambodia continued to deliver solid performance. Ncell in Nepal sustained its EBITDA margin despite International Long Distance revenue pressures.

Based on performance of the Group to date, barring any unforeseen circumstances, regulatory and external disruptions, the Board of Directors expect the Group's performance for the financial year ending 31 December 2019 likely to exceed Headline KPIs for EBITDA growth and ROIC.

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 2019.

4. Disaggregation of revenue

	2nd Quarter Ended		Financial Period ended	
	30/6/2019	30/6/2018	**30/6/2019**	30/6/2018
	RM'000	RM'000	**RM'000**	RM'000
Goods or services transferred:				
-at a point in time	361,106	189,810	741,193	774,204
-over time	5,792,508	5,677,255	11,361,858	10,841,110
	6,153,614	5,867,065	**12,103,051**	11,615,314

5. Taxation

The taxation charge for the Group comprises:

	2nd Quarter Ended		Financial Period Ended	
	30/6/2019	30/6/2018	**30/6/2019**	30/6/2018
	RM'000	RM'000	**RM'000**	RM'000
Income tax	353,719	234,556	509,279	407,346
Deferred tax	(3,747)	24,921	33,771	(11,837)
Total taxation	**349,972**	259,477	**543,050**	395,509

The current quarter and financial period to date's effective tax rate of the Group is higher than the statutory tax rate is mainly due to non-deductible expenses and change in tax law for minimum tax rate on revenue in Bangladesh from 0.75% to 2.0% announced in July 2019, effective 1 January 2018.

6. Status of Corporate Proposals

There is no other corporate proposal announced but not completed as at 22 August 2019.

7. Group's Borrowings and Debt Securities

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

	2019		2018	
	Current	**Non-current**	Current	Non-current
	RM'000	**RM'000**	RM'000	RM'000
Secured	87,458	1,137,941	117,684	326,206
Unsecured	3,642,510	12,881,950	3,143,580	15,084,902
Total	**3,729,968**	**14,019,891**	3,261,264	15,411,108

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

Foreign Currencies	**2019**	2018
	RM'000	RM'000
USD	7,084,898	8,968,773
IDR	4,027,249	2,576,354
BDT	933,478	1,645,996
SLR	539,070	404,748
Others	97,421	27,812
Total	**12,682,116**	13,623,683

8. Outstanding derivatives

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

Type of derivatives financial instruments	**2019** Notional value	**2019** Fair value favorable/ (unfavorable)	2018 Notional value	2018 Fair value favorable/ (unfavorable)
	RM'000	**RM'000**	RM'000	RM'000
Cross currency interest rate swaps:				
- < 1 year	-	(12,745)	-	(9,268)
- 1 - 3 years	1,178,048	15,574	2,361,938	(76,171)
- > 3 years	2,066,750	(60,755)	1,227,400	(200,095)
Interest rate swaps contracts:				
- < 1 year	-	-	58,463	184
Call spread contracts:				
- < 1 year	-	-	1,211,250	190,166
Put option liabilities over shares held by a non-controlling interests:				
- < 1 year	(144,673)	(144,673)	(141,313)	(141,313)
- 1 - 3 years	(1,560,407)	(1,560,407)	(1,282,048)	(1,282,048)
Convertible warrants in an associate:				
- < 1 years	-	-	19,251	8,343
- 1 - 3 years	19,251	8,343	-	-
Total		**(1,754,663)**		(1,510,202)

(b) The risks associated with the derivative financial instrument and the policies in place for mitigating such risks were disclosed in 2018 Audited Financial Statements.

9. Fair value changes of financial liabilities

The Group recognised a total net losses in the consolidated profit or loss arising from the fair value changes on the derivatives financial instruments which are marked to market as at date of statement of financial position are as follow:

	2nd Quarter Ended		**Financial Period Ended**	
	30/6/2019	30/6/2018	**30/6/2019**	30/6/2018
	RM'000	RM'000	**RM'000**	RM'000
Total net losses	**-**	(13,526)	**(4,601)**	(26,764)

10. Material Litigation

The status of material litigation of the Group is as follows:

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

In 2005, Celcom Trading, a wholly-owned subsidiary of Celcom Resources (formerly known as Technology Resources Industries Berhad), commenced proceedings against Aras Capital and TSDTR for amounts due to Celcom Trading of RM261.8 million as at 30 November 2004 (subsequently amended to RM264.5 million) together with interest and costs for breach of an investment agreement and a supplemental agreement by Aras Capital and an indemnity letter given by TSDTR ("Main Suit 1").

Aras Capital was wound up by order of Court on 27 May 2005 vide Kuala Lumpur High Court Winding Up Petition No: D7-28-145-2005. In view of the winding up order against Aras Capital, Celcom Trading decided to pursue the matter only against TSDTR. On 13 May 2005, TSDTR filed his defence and instituted a counterclaim against Celcom Trading, Celcom Resources Berhad (formerly known as Technology Resources Industries Berhad) ("Celcom Resources") and its directors for, amongst others, RM100.0 million and a declaration that the investment agreement, the supplemental agreement and the indemnity letter are void or to be rescinded ("TSDTR's Counterclaim").

On 20 June 2016, the Court allowed Celcom Trading's claim under the Main Suit 1 of RM264.5 million with interest at 5% per annum from 13 May 2013 until full settlement and dismissed TSDTR's Counterclaim with costs of RM100,000.00 after full trial ("Judgment").

TSDTR appeals to the Court of Appeal and thereafter leave to appeal to the Federal Court against the Judgment were dismissed. With the dismissal, TSDTR has no other avenue to appeal further and the case is concluded.

On 8 May 2018, a Receiving Order and Adjudication Order ("ROAO") was obtained against TSDTR which adjudged him as a bankrupt in the execution proceedings against him. Following the ROAO, a proof of debt for TSDTR was filed on 25 July 2018.

On 8 November 2018, a new proof of debt was filed in relation to the Main Suit 1 amounting to RM322,882,853.94. TSDTR's assets and affairs now vests in the Director General of Insolvency (DGI). The DGI is now addressing the outstanding debts and will follow through the necessary process in realizing his assets towards repayment of the outstanding debts. To-date, the outstanding debts to Celcom Trading remain unpaid.

10. Material Litigation (continued)

The status of material litigation of the Group is as follows: (continued)

(b) Celcom & Another vs TSDTR & 6 Others

On 24 October 2008, Celcom and Celcom Resources commenced proceedings against five (5) of its former directors, namely (i) TSDTR, (ii) Dato' Bistaman bin Ramli ("BR"), (iii) Dato' Lim Kheng Yew ("DLKY"), (iv) Axel Hass ("AH"), and (v) Oliver Tim Axmann ("OTA") (the Defendants named in items (iv) and (v) are collectively referred to as the "German Directors"), as well as (vi) DeTeAsia Holding GmbH ("DeTeAsia") and (vii) Beringin Murni Sdn. Bhd. (collectively with the German Directors referred to as "Defendants").

Celcom and Celcom Resources are seeking for damages for conspiracy against the Defendants. Celcom and Celcom Resources claim that the Defendants wrongfully and unlawfully conspired with each other to injure Celcom and Celcom Resources by causing and/or committing Celcom and Celcom Resources to enter into the Supplemental Agreement to the Subscription Agreement and the Management Agreement dated 7 February 2002 ("the 2002 Supplemental Agreement") and the Amended and Restated Supplemental Agreement dated 4 April 2002 with DeTeAsia ("the ARSA") in consideration for the renunciation by DeTeAsia of certain rights issue shares in Celcom Resources in favour of TSDTR and BR ("Main Suit 2").

Separately, Celcom and Celcom Resources reached an amicable settlement with DLKY and the said companies filed their respective notice of discontinuance with no order as to costs and without liberty to file afresh against DLKY on 6 March 2015.

On 23 June 2016, TSDTR and BR filed a statement of defence ("Defence for Main Suit 2") and counterclaim against Celcom, Celcom Resources and Telekom Malaysia Berhad ("TM") for amongst others, RM6,246,492,000.00 or the alternative sum of RM7,214,909,224.01 pursuant to a global settlement in another suit ("TSDTR and BR's Counterclaim for Main Suit 2"). The German Directors filed their respective defence on 30 June 2016.

TM filed an application to intervene in the Main Suit 2 ("TM Intervening Application") in light of the allegations made against TM in TSDTR and BR's Counterclaim for Main Suit 2.

The trial and TSDTR and BR's Counterclaim for Main Suit 2 commenced on 22 January 2018 whereby Datuk Azzat Kamaludin, Tan Sri Abdul Rahman, Encik Shamsudin Rasom, Puan Suryani, Puan Zunika and Dr. Jim Lai of Messrs. Grant Thornton (expert witness) was called as a witness to give evidence on behalf of Celcom and Celcom Resources. The Plaintiffs' case was closed on 21 November 2018.

10. Material Litigation (continued)

The status of material litigation of the Group is as follows: (continued)

(b) Celcom & Another vs TSDTR & 6 Others (continued)

In view of the ROAO obtained against TSDTR and BR in execution of the judgment obtained in another suit, hearing of the trial in Main Suit 3 was adjourned pending Celcom and Celcom Resources application for leave to continue action against TSDTR and BR ("Leave") and filing of application for sanction by TSDTR and BR to defend the case and continue with the TSDTR and BR's Counterclaim for Main Suit 2 ("Sanction"). To date, the Leave and Sanction were granted and obtained by the respective parties. The Court has fixed the following dates for continued trial:

September 2019	: 11-13
New tentative dates	
November 2019	: 18, 20, 21, 27-29
December 2019	: 4-6, 12 and 13
January 2020	: 6-10

The First and Second Defendants had commenced their case on 28 November 2018 whereby Datuk Bazlan Osman was subpoenaed to give evidence. The trial then continued on 18 March 2019 to 14 May 2019 whereby Tan Sri Zamzamzairani Mohd Isa, Dato' Lim Kheng Yew, Dato Seri Mohamed Nazri Bin Abdul Aziz and TSDTR gave evidence. The cross and re-examination of TSDTR was concluded on 14 August 2019. The matter is fixed for case management on 3 September 2019 for parties to update the court as regards to Tun Daim Zainuddin and the German directors' attendance to give evidence.

(c) Celcom & Another vs TSDTR & 8 Others

On 28 April 2006, Celcom and Celcom Resources instituted a claim (i) against nine of its former directors (namely (i) TSDTR, (ii) BR, (iii) DLKY, (iv) Dieter Sieber ("DS"), (v) Frank-Reinhard Bartsch ("FRB"), (vi) Joachim Gronau, (vii) Joerg Andreas Boy ("JAB"), (viii) AH, and (ix) OTA(the Defendants named in items (iv) to (ix) collectively referred to as the "German Directors") (collectively referred to as "Defendants").

Celcom and Celcom Resources are seeking an indemnity from the Defendants, for the sums paid by Celcom to DeTeAsia in satisfaction of the award granted in August 2005 ("Award") handed down by the Tribunal of the International Court of Arbitration of the International Chamber of Commerce in Paris ("ICC") alleging that they had breached their fiduciary duties by causing Celcom Resources to enter into a Subscription Agreement dated 25 June 1996 with Deutsche Telekom AG ("the Subscription Agreement"), and Celcom and Celcom Resources to enter into the ARSA with TR International Ltd and DeTeAsia whilst they were directors of Celcom and Celcom Resources.

In addition, Celcom and Celcom Resources have also made a claim (ii) against TSDTR only, for return of the alleged unauthorised profits made by him, all monies received by the directors arising out of such breaches, losses and damages in connection with the abovementioned agreements ("Main Suit 3").

10. Material Litigation (continued)

The status of material litigation of the Group is as follows: (continued)

(c) Celcom & Another vs TSDTR & 8 Others (continued)

In brief, Celcom and Celcom Resources are seeking for the following:

(a) A declaration that the Defendants have acted in breach of their fiduciary duties and are liable to indemnify Celcom in relation to the sums paid out to DeTeAsia pursuant to the Award where the ICC found Celcom to be liable for the following:

i. The sum of USD177,243,609 being the principal sum plus USD16,252,139 representing interest at the rate of 8% for the period from 16.10.2002 to 27.6.2003;
ii. The cost of arbitration amounting to USD820,000; and
iii. The sum of USD1,800,000 representing the legal costs.

(b) Damages for various breaches of fiduciary duties committed by them in relation to the entry into the Subscription Agreement and the ARSA.

(c) The unauthorized profits claimed to have been made by TSDTR, amounting to RM446,038,141.09.

Separately, Celcom and Celcom Resources have reached an amicable settlement with DLKY and the said companies have filed their respective notice of discontinuance with no order as to costs and without liberty to file afresh against DLKY on 6 March 2015.

On 23 June 2016, TSDTR and BR filed statement of defence ("Defence for Main Suit 3") and counterclaim against Celcom and Celcom Resources for amongst others, RM6,246,492,000.00 or the alternative sum of RM7,214,909,224.01 pursuant to a global settlement in another suit ("TSDTR and BR's Counterclaim for Main Suit 3"). The German Directors filed their respective defence on 30 June 2016.The trial and TSDTR and BR's Counterclaim for Main Suit 3 commenced on 22 January 2018 whereby Datuk Azzat Kamaludin, Tan Sri Abdul Rahman, Encik Shamsudin Rasom, Puan Suryani, Puan Zunika and Dr. Jim Lai of Messrs. Grant Thornton (expert witness) was called as a witness to give evidence on behalf of Celcom and Celcom Resources. The Plaintiffs' case was closed on 21 November 2018.

In view of the ROAO obtained against TSDTR and BR in execution of the judgment obtained in another suit, hearing of the trial in Main Suit 3 was adjourned pending Celcom and Celcom Resources application for leave to continue action against TSDTR and BR ("Leave") and filing of application for sanction by TSDTR and BR to defend the case and continue with the TSDTR and BR's Counterclaim for Main Suit 3 ("Sanction"). To date, the Leave and Sanction were granted and obtained by the respective parties.

10. Material Litigation (continued)

The status of material litigation of the Group is as follows: (continued)

(c) Celcom & Another vs TSDTR & 8 Others (continued)

The Court has fixed the following dates for continued trial:

September 2019	: 11-13

<u>New tentative dates</u>	
November 2019	: 18, 20, 21, 27-29
December 2019	: 4-6. 12 and 13
January 2020	: 6-10

The First and Second Defendants had commenced their case on 28 November 2018 whereby Datuk Bazlan Osman was subpoenaed to give evidence. The trial then continued on 18 March 2019 to 14 May 2019 whereby Tan Sri Zamzamzairani Mohd Isa, Dato' Lim Kheng Yew, Dato Seri Mohamed Nazri Bin Abdul Aziz and TSDTR gave evidence. The cross and re-examination of TSDTR was concluded on 14 August 2019. The matter is fixed for case management on 3 September 2019 for parties to update the court as regards to Tun Daim Zainuddin and the German directors' attendance to give evidence.

(d) National Board of Revenue of Bangladesh ("NBR") vs Robi Axiata Limited ("Robi") (Robi SIM Replacement Dispute 2007-2011)

The Large Taxpayer Unit ("LTU") of the NBR, had issued a show cause letter dated 23 February 2012 to Robi. The letter alleged that Robi had evaded payment of supplementary duty and VAT levied on the issuance of a certain number of SIM cards to new customers of Robi on the pretext that the issuance was for replacement purposes with regards to Robi's existing customers. The amount in question amounts to BDT6,549,944,826. The show cause letter accompanied a demand to pay the amount, if the response to the show cause letter is not satisfactory.

Robi subsequently filed a writ in the High Court of Bangladesh on 26 April 2012 to challenge NBR's claim. The writ was heard by the High Court on 2 May 2012. At the hearing, the High Court of Bangladesh granted Robi a stay of NBR's claim for two months and ordered Robi to reply to NBR's show cause letter within 10 days.

On 7 May 2012, NBR filed an application for Leave to Appeal to the Appellate Division of the Supreme Court of Bangladesh challenging the stay order of the High Court. Chamber Judge of the High Court heard the appeal on 8 May 2012 and rejected NBR's application. Robi has replied to NBR's show cause letter on 10 May 2012.

10. Material Litigation (continued)

The status of material litigation of the Group is as follows: (continued)

(d) National Board of Revenue of Bangladesh ("NBR") vs Robi Axiata Limited ("Robi") (Robi SIM Replacement Dispute 2007-2011) (continued)

The appeal filed by NBR against the order of stay was taken up by the Appellate Division for final hearing on 7 April 2013 and the appeal was disposed of with a direction upon the High Court Division to finally hear the writ petition within one month from the date of receipt of the order. In a brief hearing, High Court division disposed-off the Writ with a direction to the NBR to resolve the dispute by following appropriate procedure, within 120 days of the receipt of the judgment.

As a result of neither the Comptroller and Auditor-General nor NBR applying to the Court of Appeal for the right to appeal the High Court judgment delivered in favour of Robi, the case is now considered closed.

In August 2013, a Review Committee was formed consisting of representatives from four mobile operators, Bangladesh Telecommunication Regulatory Commission ("BTRC") (the telecoms regulator), NBR, LTU and a representative from Association of Mobile Telecom Operators of Bangladesh to produce a report with a view to resolve the matter amicably. The Review Committee is yet to finalise an agreed version of the final report.

LTU filed a revised claim on 17 May 2015 claiming for BDT4,145,455,400. A writ hearing is pending at the High Court of Bangladesh challenging the revised claim. Meanwhile, Robi has filed an appeal with the Customs, Excise and VAT Appellate Tribunal. The appeal was heard on 28 September 2016 and it was pending judgment to be delivered by the Customs, Excise and VAT Appellate Tribunal ("Tribunal"). However, Robi recently received written notification that the judges' bench has been reconstituted and as such all the mobile operators, including Robi, were asked to attend a rehearing on the issue on 11 April 2017. The hearing took place on the scheduled date, where the operators made their submissions to the reconstituted bench. The Tribunal has given the judgment which was unfavourable to Robi and the other mobile operators. External counsels are of the view that the legal merit is considered to be good and thus Robi has appealed before the High Court against the judgment of the Tribunal. The matter is under judicial consideration.

10. Material Litigation (continued)

The status of material litigation of the Group is as follows: (continued)

(e) Robi vs NBR (Judicial Review against NBR's demand amounting to BDT 9,244,985,130 on 3 May 2018)

NBR issued 5 show cause cum demand notices to Robi. Robi filed writ petitions on 3 May 2018 to challenge these claims. The details are as below. The NBR referred the matter to the Directorate General of Audit Intelligence and Investigation to re-examine the claims and as such, Robi is not pursuing the writ petitions.

(i) The 1st show-cause cum demand notice for USD 88,977,649 (BDT7,118,211,917) was issued based on the credit balance of VAT payable GL (General Ledger) and VAT Return and VAT payable for the period from 2013 to 2016. While conducting its audit, NBR asked for month on month movement of output and withholding GL from Systems, Applications and Products i.e., SAP (Opening, debit balance during the month, credit balance during the month and closing balance). Robi had submitted the required documents. The NBR just considered the total credit balance of SAP GL as payable and compared it with VAT return without considering the documents or explanation submitted by Robi. The solicitors are of the opinion that the claims of NBR is without basis.

(ii) The 2nd show-cause cum demand notice for USD 11,381,250 (BDT910,500,0000) alleges unpaid VAT on merger and spectrum fee. NBR has collected merger fee/spectrum information from BTRC in relation to merger directly, thereafter arbitrarily calculated VAT without considering Robi's documents and information regarding actual payment to BTRC. This issue has already been covered in item A nevertheless NBR still arbitrarily made the same claim separately.

(iii) The 3rd show-cause cum demand notice for USD 206,448 (BDT16,515,802) is to claim that VAT is payable on Interconnection charge from Bangladesh Telecommunications Limited (BTCL) for 2012. The output VAT for BTCL service to customer is centrally collected by NBR and that BTCL cannot adjust input VAT on interconnection charge payable to Robi/Multinational Organizations (MNOs). Therefore, BTCL does not pay the VAT on same to Robi/MNOs. BTCL & MNOs are pursuing to NBR for resolving the issue but the issue is still long pending. This issue has already been covered in item A nonetheless NBR still arbitrarily made the same claim separately.

(iv) The 4th show-cause cum demand notice for USD 446,330 (BDT35,706,349) is to claim that VAT is payable on Interconnection charge from BTCL for 2013 to 2016 - Issue is same as item 3 above but relating to different period (2013-2016).

(v) The 5th show-cause cum demand notice for USD 14,550,639 (BDT1,164,051,062) is for VAT Rebate cancellation on imported telecom items. NBR directly collected imports information from Customs Authority, then cancelled few imported items such as battery, switch, cable, router, system, etc. on arbitrary basis. These are the integral parts of machineries and spare parts.

Re-examination of the claims by Directorate General of Audit Intelligence and Investigation are still ongoing.

10. Material Litigation (continued)

The status of material litigation of the Group is as follows: (continued)

(f) Dialog Broadband Networks (Private) Limited (Amalgamated with Suntel Limited) ("DBN") vs Electroteks Network Services (Private) Limited ("Electroteks")

On 20 November 2001, DBN initiated a claim against Electroteks for LKR68,765,407.91 to recover an outstanding amount due for the provision of telecommunication facilities. This claim has concluded and is currently at execution stage.

On 30 May 2002, Electroteks filed a counterclaim for LKR4.2 billion together with the interest thereon and it was allowed by the court ("Counterclaim Judgment"). DBN filed an appeal against the Counterclaim Judgment to the Supreme Court of Sri Lanka.

Pending disposal of the aforesaid appeal, Dialog Axiata Plc., the holding company of DBN, has provided a bank guarantee for LKR1.0 billion and a corporate guarantee for LKR3.2 billion to stay execution of the Counterclaim Judgment.

Parties filed written submissions on 30 November 2016. The Judgment was delivered by the Supreme Court on 14 December 2018 allowing the appeal of DBN and setting aside the Judgment of the Commercial High Court. Principal sum with the legal interest as at 14 December 2018 is LKR. 11,608,860,074.

Electroteks has filed a revision application in the Supreme Court under Case Number SC/MISC 03/2019 against the Judgment delivered by the Supreme Court and the matter came up or support on 17 May 2019. On that date the Presiding Judge of the Supreme Court bench referred the matter to be mentioned on 12 June 2019 before a bench comprising the judges who delivered the Judgment. However, when the matter came up on 12 June 2019 no direction was made by the Supreme Court. DBN is yet to be informed of the final stance of the Supreme Court regarding the revision application.

A motion has been filed in the Commercial High Court to obtain release of the Bank Guarantee and the Corporate Guarantee. Objections were filed by Electroteks Network Services (Private) Limited to the Motion filed by the DBN. DBN filed its Counter Objections on 4 April 2019.

Parties filed written submissions on 24 May 2019.

Matter is currently fixed for Order on 31 October 2019.

10. Material Litigation (continued)

The status of material litigation of the Group is as follows: (continued)

(g) Writ petition filed by 6 individuals against Ncell Private Limited, Reynolds Holdings Limited, Axiata Investments (UK) Limited, Large Tax Payers' Office, Inland Revenue Department, Nepal Rastra Bank, Department of Industry, Industry and Investment Promotion Board, Nepal Telecommunications Authority, Sunivera Capital Ventures Pvt. Ltd. and the Office of Company Registrar

A public interest litigation ("PIL") was filed at the Supreme Court of Nepal ("SC") seeking various orders from the SC including that tax to be collected from Ncell Private Limited ("Ncell") and Axiata Investments UK Limited ("Axiata UK") in relation to the indirect transfer to Axiata UK of an 80% stake in Ncell through the sale of Reynolds Holdings Limited ("Reynolds") by Ncell's previous foreign investor, TeliaSonera Norway Nepal Holdings AS ("TeliaSonera") to Axiata UK ("Transaction").

The Supreme Court issued its full written order on 9 April 2019 ("Order") in relation to its oral order dated 6 February 2019 that the Large Taxpayers Office ("LTPO") should determine the outstanding tax to be paid in relation to the Transaction within three months from the date of receipt of the Order by the LTPO and that the responsibility to pay tax lies with Ncell and Axiata Group Berhad, the latter who is not a party to the PIL. The SC also indicated that distribution of dividends and any sale of Ncell shares by anyone should not be granted until the tax obligation is satisfied.

Ncell received a letter issued by the LTPO on 16 April 2019 stating that its assessment order in relation to the Transaction initially issued to TeliaSonera ("Telia Assessment") is now transferred to Ncell and that the further balance amount of the Capital Gains Tax ("CGT") arising from the Transaction is NPR 39.06 billion. Ncell is ordered to deposit the said amount within 7 days, or by 22 April 2019 ("LTPO Direction")

Ncell had on 21 April 2019 filed a Writ Petition for Certiorari, Prohibition and Mandamus to the SC against the LTPO, Inland Revenue Department of Nepal and the Ministry of Finance of Nepal ("Ncell Application") for an annulment of the LTPO Direction and to challenge the legality of the LTPO Direction on grounds, including but is not limited to: (a) that the LTPO Direction in transferring the Telia Assessment unto Ncell is not incompliance with the procedures as required under the Income Tax Act, 2058 (2002) ("ITA"); (b) that the LTPO is obliged to undertake a tax assessment on Ncell and not, as demanded in the LTPO Direction, merely a tax collection; (c) that in issuing the LTPO Direction, the LTPO has (i) failed in providing or affording Ncell the opportunity in making any submission or representation in relation to the imposed tax liability; and (ii) failed in providing Ncell with the option to file or submit an application for administrative review over the LTPO Direction.

10. Material Litigation (continued)

The status of material litigation of the Group is as follows: (continued)

(g) Writ petition filed by 6 individuals against Ncell Private Limited, Reynolds Holdings Limited, Axiata Investments (UK) Limited, Large Tax Payers' Office, Inland Revenue Department, Nepal Rastra Bank, Department of Industry, Industry and Investment Promotion Board, Nepal Telecommunications Authority, Sunivera Capital Ventures Pvt. Ltd. and the Office of Company Registrar (continued)

Following the Ncell Application, the SC on 25 April 2019 issued a show cause order against the LTPO, Inland Revenue Department of Nepal and the Ministry of Finance of Nepal (collectively, the "Respondents") to appear before a Division Bench on 6 May 2019 ("Hearing Date") and that a temporary stay order is granted until the Hearing Date, in the period of which the Respondents are refrained from taking any steps against Ncell.

The Division Bench on 7 May 2019 ordered that a full bench of the SC to be convened to hear and decide on the Ncell Application and that the temporary stay order granted on 25 April 2019 be continued, in the period of which the Respondents are refrained from taking any steps against Ncell. Hearing of the Ncell Application before a full bench of the SC was concluded on 7 July 2019.

On 26 August 2019, the SC issued a short-form judgment on the Ncell Application ("Short Form Order") in which the SC partially upheld the Ncell Application. The full written version of the SC's decision is expected to be issued at a later date.

Ncell and Axiata UK have commenced arbitration proceedings as detailed in item (h) below.

(h) Axiata Investments (UK) Limited and Ncell Private Limited v. Federal Democratic Republic of Nepal

Axiata Investments (UK) Limited ("Axiata UK") and Ncell Private Limited ("Ncell"), a wholly owned subsidiary and indirect 80% owned subsidiary of Axiata Group Berhad respectively, have filed a Request for Arbitration ("Request") with the International Centre for the Settlement of Investment Disputes ("ICSID") pursuant to the Agreement dated 2 March 1993 between the Government of the United Kingdom of Great Britain and Northern Ireland and the Government of Nepal for the Promotion and Protection of Investments ("Bilateral Investment Treaty"). The Government of Nepal was notified of the Request on 26 April 2019.

Axiata UK and Ncell's claims as set out in the Request relate to Nepal's conduct in contravention of its international law obligations under the Bilateral Investment Treaty. In particular, the claims relate to Nepal's conduct in imposing capital gains tax in connection with Axiata UK's acquisition of 100% of the shares of Reynolds Holding Limited, which owns 80% of the shares of Ncell.

Pursuant to the rules, Axiata UK and Ncell appointed Albert Jan van den Berg (Dutch) on 23 July 2019 as their chosen arbitrator.

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

There is no MOU entered by the Group during the current quarter and financial period to date.

12. Other Disclosure Requirements under Appendix 9B of the Main LR

Other than those items disclosed in the statements of comprehensive income and notes in Part A of this announcement, there are no material impairment of receivables, inventories, gains/loss on disposal of investments, properties and assets during the current quarter and financial period to date.

13. Earnings Per Share ("EPS")

(a) Basic EPS

	2nd Quarter Ended		Financial Period Ended	
	30/6/2019	30/6/2018	**30/6/2019**	30/6/2018
Profit/(Loss) attributable to owners of the Company (RM'000)	204,094	(3,357,307)	913,147	(3,504,715)
Adjusted weighted average number of ordinary shares ('000) in issue	9,101,653	9,049,594	9,086,783	9,049,021
Basic EPS (sen)	**2.2**	(37.1)	**10.0**	(38.7)

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.

13. 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	
	30/6/2019	30/6/2018	**30/6/2019**	30/6/2018
Profit/(Loss) attributable to owners of the Company (RM'000)	204,094	(3,357,307)	913,147	(3,504,715)
Weighted average number of ordinary shares in issue ('000)	9,101,653	9,049,594	9,086,783	9,049,021
Adjusted for share-based payment ('000)	10,678	30,916	8,783	32,464
Weighted average number of ordinary shares for the purpose of computing diluted EPS ('000)	9,112,331	9,080,510	9,095,566	9,081,485
Diluted EPS (sen)	**2.2**	(37.0)	**10.0**	(38.6)

14. Qualification of Preceding Audited Financial Statements

The 2018 Audited Financial Statements were not subject to any qualification.

15. Dividend Proposed

The Board of Directors have resolved a tax exempt dividend under single tier system of 5 sen per ordinary share of the Company in respect of financial year ending 31 December 2019 (30 June 2018: 5 sen).

The Board of Directors also determined that the DRS of the Company will be applicable on the proposed Dividend whereby shareholders will be given the option to elect to reinvest the whole or part of the dividend into new Shares of the Company. The authority for Directors of the Company to allot and issue new Shares pursuant to the DRS has been obtained at the Company’s Annual General Meeting (“AGM”) held on 29 May 2019 which authority shall continue until the conclusion of the next AGM of the Company. The approval of Bursa Securities for the listing of and quotation for the new Shares to be issued pursuant to the DRS will be sought in due course. Decision of Bursa Securities on the above and the Book Disclosure Date will be announced by the Company separately.

By Order of the Board

Suryani Hussein (LS0009277)
Secretary

Kuala Lumpur
29 August 2019