

TIME DOTCOM BERHAD
(413292-P)
Incorporated in Malaysia

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE SECOND QUARTER ENDED 30 JUNE 2016

THE FIGURES HAVE NOT BEEN AUDITED

I. CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current year quarter	Preceding year corresponding quarter	Six months to	Six months to
	30/6/2016	30/6/2015	30/6/2016	30/6/2015
	RM'000	RM'000	RM'000	RM'000
Operating revenue	175,433	163,767	350,630	335,476
Operating expenses				
- depreciation and amortisation of property, plant and equipment	(22,003)	(23,291)	(43,766)	(45,624)
- other operating expenses	(119,125)	(110,902)	(237,107)	(222,979)
Other operating income (net)	8,086	6,855	8,379	16,686
Profit from operations	42,391	36,429	78,136	83,559
Investment income	2,307	8,823	7,548	20,755
Realisation of fair value gain reclassified from available-for-sale reserve to profit or loss	157,390	274,024	157,390	274,024
Finance expense	(1,467)	(1,749)	(3,056)	(3,264)
Share of profit/(loss) from equity-accounted investments	552	(534)	463	(534)
Profit before income tax	201,173	316,993	240,481	374,540
Income tax expense	(1,378)	(2,346)	(3,090)	(4,006)
Profit for the period	199,795	314,647	237,391	370,534
Attributable to owners of:				
- the Company	199,795	315,434	237,391	372,013
- non-controlling interests	-	(787)	-	(1,479)
Profit for the period	199,795	314,647	237,391	370,534
Other comprehensive (loss)/income:				
Foreign currency translation	(122)	178	(8,455)	6,546
Fair value loss on available-for-sale financial assets	(32,304)	(73,747)	(63,919)	(55,877)
Realisation of fair value gain from available-for-sale reserve to profit or loss	(157,390)	(274,024)	(157,390)	(274,024)
Other comprehensive loss for the period	(189,816)	(347,593)	(229,764)	(323,355)
Total comprehensive income/(loss) for the period	9,979	(32,946)	7,627	47,179
Attributable to owners of:				
- the Company	9,979	(32,159)	7,627	48,658
- non-controlling interests	-	(787)	-	(1,479)
Total comprehensive income/(loss) for the period	9,979	(32,946)	7,627	47,179
Earnings per share (based on weighted average number of ordinary shares)				
- Basic	34.71 sen	54.97 sen	41.24 sen	64.83 sen
- Diluted	34.51 sen	54.97 sen	41.01 sen	64.83 sen

The Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the Annual Audited Financial Statements for the year ended 31 December 2015.

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II. CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Unaudited As at 30/6/2016 RM'000	Audited As at 31/12/2015 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	1,213,454	1,250,747
Intangible assets	213,959	213,959
Investments in equity-accounted investments	111,192	61,036
Other investments	7,870	377,459
Deferred tax assets	211,946	212,008
Trade and other receivables	9,863	10,092
	<u>1,768,284</u>	<u>2,125,301</u>
Current assets		
Tax recoverable	2,166	2,253
Trade and other receivables	213,062	229,133
Restricted cash	11,068	10,759
Cash and cash equivalents	454,350	242,494
	<u>680,646</u>	<u>484,639</u>
Total assets	<u>2,448,930</u>	<u>2,609,940</u>
EQUITY AND LIABILITIES		
Equity		
Share capital	287,800	287,800
Reserves	1,773,210	1,794,747
Total equity attributable to owners of the Company	<u>2,061,010</u>	<u>2,082,547</u>
Non-current liabilities		
Loans and borrowings	117,230	101,965
Deferred income	47,118	23,078
Deferred tax liabilities	6,320	5,939
	<u>170,668</u>	<u>130,982</u>
Current liabilities		
Loans and borrowings	3,697	45,825
Trade and other payables	212,813	349,373
Provision for tax	742	1,213
	<u>217,252</u>	<u>396,411</u>
Total liabilities	<u>387,920</u>	<u>527,393</u>
Total equity and liabilities	<u>2,448,930</u>	<u>2,609,940</u>
Net assets per share attributable to ordinary owners of the Company	<u>RM3.58</u>	<u>RM3.62</u>

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Annual Audited Financial Statements for the year ended 31 December 2015.

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III. CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Unaudited Six months to 30/6/2016 RM'000	Unaudited Six months to 30/6/2015 RM'000
Operating Activities		
Cash receipts from customers	468,471	364,613
Transfer to restricted cash and bank balances	(309)	(1,818)
Cash payments to suppliers	(137,222)	(108,774)
Cash payments to employees and for administrative expenses	(106,448)	(99,586)
Cash generated from operations	224,492	154,435
Tax paid	(3,872)	(2,279)
Tax refund	840	-
Net cash generated from operating activities	221,460	152,156
Investing Activities		
Acquisition of property, plant and equipment	(202,813)	(169,520)
Proceeds from disposal of property, plant and equipment	-	3,910
Proceeds from sale on other investments	311,301	423,854
Acquisition of other investments	(1,551)	-
Investment in equity-accounted investments	(51,486)	(2,895)
Placement in escrow account pending completion of a foreign investment	-	(43,860)
Investment income received	6,493	19,824
Net cash generated from investing activities	61,944	231,313
Financing Activities		
Proceeds from term loans and other borrowings	52,045	30,000
Repayment of term loans and other borrowings	(71,615)	(40,914)
Advance to equity accounted investee	(4,179)	-
Repayment of finance lease liabilities	(2,156)	(2,903)
Finance charges paid	(2,626)	(3,101)
Transaction cost paid	(2,393)	-
Dividend paid	(38,565)	(32,136)
Net cash used in financing activities	(69,489)	(49,054)
Net change in Cash and Cash Equivalents	213,915	334,415
Effect of exchange rate fluctuations on cash held	(2,059)	4,873
Cash and Cash Equivalents as at beginning of financial period	242,494	307,538
Cash and Cash Equivalents as at end of financial period	454,350	646,826
	Note (a)	
Note:		
(a) Cash and Cash Equivalents comprise the following amounts:		
Cash and bank balances	63,124	69,458
Deposits with licensed banks	402,294	589,219
	465,418	658,677
Restricted cash	(11,068)	(11,851)
	454,350	646,826

Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Annual Audited Financial Statements for the year ended 31 December 2015.

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(413292-P)
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IV. CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	←----- Attributable to owners of the Company -----→									
	←----- Non-distributable -----→					←----- Distributable -----→				
	Share Capital	Share Premium	Available- for-Sale Reserve	Foreign Currency Translation Reserve	Share Grant/ Option Reserves	Capital Reserve	Retained Earnings	Attributable to owners of the Company	Non- controlling Interests	Total Equity
Six months to 30 June 2016 (unaudited)	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Balance as at 1 January 2016	287,800	854,611	221,309	30,754	15,992	8,760	663,321	2,082,547	-	2,082,547
Dividend paid	-	-	-	-	-	-	(38,565)	(38,565)	-	(38,565)
Employee share grant plan/option scheme	-	-	-	-	9,401	-	-	9,401	-	9,401
Profit for the period	-	-	-	-	-	-	237,391	237,391	-	237,391
Fair value loss on available- for-sale financial assets	-	-	(63,919)	-	-	-	-	(63,919)	-	(63,919)
Realisation of fair value gain from available-for-sale reserve to profit or loss	-	-	(157,390)	-	-	-	-	(157,390)	-	(157,390)
Exchange differences recognised directly in equity	-	-	-	(8,455)	-	-	-	(8,455)	-	(8,455)
Total comprehensive (expense)/income for the period	-	-	(221,309)	(8,455)	-	-	237,391	7,627	-	7,627
Balance as at 30 June 2016	287,800	854,611	-	22,299	25,393	8,760	862,147	2,061,010	-	2,061,010

	←----- Attributable to owners of the Company -----→									
	←----- Non-distributable -----→					←----- Distributable -----→				
	Share Capital	Share Premium	Available- for-Sale Reserve	Foreign Currency Translation Reserve	Share Grant Reserves	Capital Reserve	Retained Earnings	Attributable to owners of the Company	Non- controlling Interests	Total Equity
Six months to 30 June 2015 (unaudited)	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Balance as at 1 January 2015	286,932	847,735	548,461	7,988	5,383	8,760	651,672	2,356,931	1,477	2,358,408
Dividend paid	-	-	-	-	-	-	(32,136)	(32,136)	-	(32,136)
Employee share grant plan	-	-	-	-	6,861	-	-	6,861	-	6,861
Profit/(loss) for the period	-	-	-	-	-	-	372,013	372,013	(1,479)	370,534
Realisation of fair value gain from available-for-sale reserve to profit or loss	-	-	(274,024)	-	-	-	-	(274,024)	-	(274,024)
Fair value gain on available- for-sale financial assets	-	-	(55,877)	-	-	-	-	(55,877)	-	(55,877)
Exchange differences recognised directly in equity	-	-	-	6,546	-	-	-	6,546	-	6,546
Total comprehensive (expense)/income for the period	-	-	(329,901)	6,546	-	-	372,013	48,658	(1,479)	47,179
Balance as at 30 June 2015	286,932	847,735	218,560	14,534	12,244	8,760	991,549	2,380,314	(2)	2,380,312

The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Annual Audited Financial Statements for the year ended 31 December 2015.

TIME DOTCOM BERHAD
(413292-P)
Incorporated in Malaysia

V. NOTES TO THE CONDENSED FINANCIAL STATEMENTS

1. Basis of Preparation

The interim financial statements are prepared in accordance with *MFRS 134: Interim Financial Reporting* and paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities"). The interim financial statements also comply with *IAS 34: Interim Financial Reporting* issued by the International Accounting Standards Board (IASB).

The interim financial statements should be read in conjunction with the annual audited financial statements for the year ended 31 December 2015. These explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant to an understanding of changes in the financial position and performance of the Group since the year ended 31 December 2015.

2. Significant accounting policies

The accounting policies and presentation adopted for this interim report are consistent with those adopted in the audited financial statements of the Group for the financial year ended 31 December 2015, except for the adoption of the following standards, amendments and annual improvements to MFRSs with a date of initial application of 1 January 2016:

Description

MFRS 14	<i>Regulatory Deferral Accounts</i>
Amendments to MFRS 5	<i>Non-Current Assets Held For Sale and Discontinued Operations (Annual Improvements 2012 – 2014 Cycle)</i>
Amendments to MFRS 7	<i>Financial Instruments : Disclosures (Annual Improvements 2012 – 2014 Cycle)</i>
Amendments to MFRS 10, MFRS12 and MFRS 128	<i>Consolidated Financial Statements, Disclosures of Interests in Other Entities and Investments in Associates and Joint Ventures – Investment Entities: Applying the Consolidation Exception</i>
Amendments to MFRS 11	<i>Joint Arrangements – Accounting for Acquisitions of Interests in Joint Operations</i>
Amendments to MFRS 101	<i>Presentation of Financial Statements – Disclosure Initiative</i>
Amendments to MFRS 116 and MFRS 138	<i>Property, Plant and Equipment and Intangible Assets – Clarification of Acceptable Methods of Depreciation and Amortisation</i>
Amendments to MFRS 116 and MFRS 141	<i>Property, Plant and Equipment and Agriculture – Agriculture: Bearer Plants</i>
Amendments to MFRS 119	<i>Employee Benefits (Annual Improvements 2012 – 2014 Cycle)</i>
Amendments to MFRS 127	<i>Separate Financial Statements – Equity Method in Separate Financial Statements</i>
Amendments to MFRS 134	<i>Interim Financial Reporting (Annual Improvements 2012 – 2014 Cycle)</i>

At the date of this report, the following standards, amendments and improvements were issued but are not yet effective and have not been adopted by the Group:

Description		Effective for annual periods beginning on or after
Amendments to MFRS 107	<i>Statement of Cash Flows – Disclosure Initiative</i>	1 January 2017
Amendments to MFRS 112	<i>Income taxes – Recognition of Deferred Tax Assets for Unrealised Losses</i>	1 January 2017
MFRS 9	<i>Financial Instruments (2014)</i>	1 January 2018
MFRS 15	<i>Revenue from Contracts with Customers</i>	1 January 2018
MFRS 16	<i>Leases</i>	1 January 2019
Amendments to MFRS 10 and MFRS 128	<i>Consolidated Financial Statements and Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>	Date yet to be confirmed by MASB

The Group will adopt the above standards, amendments and improvements when they became effective in the respective financial periods. These standards, amendments and improvements are not expected to have any material financial impact on the financial statements of the Group, except for MFRS 9, Financial Instruments, MFRS 15, Revenue from Contracts with Customers and MFRS 16, Leases. The Group is currently assessing the impact of adopting MFRS 9, MFRS 15 and MFRS 16.

TIME DOTCOM BERHAD
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3. Audit report in respect of the 2015 financial statements

The audit report on the Group's financial statements for the financial year ended 31 December 2015 was not qualified.

4. Seasonal or cyclical factors

The Group's operations are not subject to any significant seasonal or cyclical factors.

5. Unusual items due to their nature, size or incidence

- a) On 29 April 2016, the Group disposed its entire equity stake in Campana Group Pte. Ltd. ("Campana") for a cash consideration of USD999,750. The said disposal resulted in a gain of approximately RM2.5 million to the Group in the second quarter of 2016.
- b) On 20 May 2016, the Group disposed 68,729,545 ordinary shares held in DiGi.Com Berhad ("DiGi") for a total cash consideration of approximately RM307.2 million at a price of RM4.47 per share via a private placement exercise to eligible third party institutional/sophisticated investors. Following the said disposal of DiGi shares held, the Group realised a fair value gain from available-for-sale reserve to profit and loss of RM157.4 million. Upon completion of the said disposal, the Group no longer holds any shares in DiGi.
- c) The construction of FASTER cable system ("FASTER") was successfully completed and was "Ready for Service" on 30 June 2016. Upon the completion of FASTER, the Group recognised the net difference between the proceeds from the pre-sale and the portion of carrying amount of the submarine cable system sold, amounting to RM4.8 million in profit and loss (i.e. as a gain on disposal of property, plant and equipment). The Group had pre-sold approximately 72.5% of the said submarine cable system prior to its completion and the proceeds received therefore had previously been accounted for as deferred income in the statement of financial position.

Other than as disclosed above or elsewhere in this report, there were no items affecting assets, liabilities, equity, net income, or cash flows that were unusual because of their nature, size or incidence in the current period.

6. Material changes in estimates used

There were no changes in estimates of amounts reported in prior financial years that have material effect in the current period.

7. Debt and equity securities

The Group did not undertake any other issuance and/or repayment of debt and equity securities, share buy-backs, share cancellations, shares held as treasury shares and resale of treasury shares during the current quarter ended 30 June 2016.

On 29 July 2016, TIME dotCom Berhad vested and issued 2,694,165 ordinary shares of RM0.50 each in the Company to eligible employees under the Annual Restricted Share Plan and Annual Performance Share Plan portion of the Company's Share Grant Plan ("SGP"). The closing share price on vesting date was RM7.52 per share. The vesting of the shares under the SGP were subject to the Group achieving certain financial targets and upon the eligible employees meeting the minimum grading criteria in accordance with the performance management system adopted by the Group.

8. Dividend

On 31 March 2016, the Group paid an interim tax exempt (single tier) dividend of 6.70 sen per ordinary share in respect of the financial year ended 31 December 2015.

The Group declared a special interim tax exempt (single tier) dividend of 13.30 sen per ordinary share for the financial year ending 31 December 2016. The special interim tax exempt (single tier) dividend will be paid on 30 September 2016.

TIME DOTCOM BERHAD
(413292-P)
Incorporated in Malaysia

9. Segmental Reporting

Group	Individual Quarter		Cumulative Quarter	
	Current year quarter	Preceding year corresponding quarter	Six months to	Six months to
	30/6/2016 RM'000	30/6/2015 RM'000	30/6/2016 RM'000	30/6/2015 RM'000
Operating Revenue				
Voice	21,550	19,531	41,752	37,107
Data	131,290	123,867	262,762	259,613
Data Centre	21,122	18,845	43,466	36,367
Others	1,471	1,524	2,650	2,389
	175,433	163,767	350,630	335,476
Operating Expenses:				
Depreciation and amortisation of property, plant and equipment	(22,003)	(23,291)	(43,766)	(45,624)
Other operating expenses	(119,125)	(110,902)	(237,107)	(222,979)
Other operating income (net)	8,086	6,855	8,379	16,686
Profit from operations	42,391	36,429	78,136	83,559
Investment income	2,307	8,823	7,548	20,755
Realisation of fair value gain from available- for-sale reserve to profit or loss	157,390	274,024	157,390	274,024
Finance expense	(1,467)	(1,749)	(3,056)	(3,264)
Share of profit/(loss) from equity-accounted investments	552	(534)	463	(534)
Profit before income tax	201,173	316,993	240,481	374,540
Geographical locations				
Operating Revenue				
Within Malaysia	172,760	156,341	344,738	301,378
Outside Malaysia	2,673	7,426	5,892	34,098
	175,433	163,767	350,630	335,476

10. Valuation of Property, Plant and Equipment

There were no material changes to the valuation of property, plant and equipment since the financial year ended 31 December 2015.

TIME DOTCOM BERHAD
(413292-P)
Incorporated in Malaysia

11. Material events subsequent to the end of the current financial quarter

In the opinion of the Directors, other than the vesting and issuance of 2,694,165 ordinary shares of RM0.50 each in the Company to eligible employees under the Company's SGP on 29 July 2016 (as disclosed in Note 7), there are no other items, transactions or events of a material and unusual nature which have arisen since 30 June 2016 to 24 August 2016 (being the latest practicable date) that will have a substantial effect on the financial results of the Group.

12. Changes in the composition of the Group during the financial period ended 30 June 2016

- a) On 29 January 2016, the Group acquired 5,794,800 ordinary shares in CMC Telecommunication Infrastructure Corporation ("CMC Telecom") for a cash consideration of VND 231.79 billion.
- b) On 16 February 2016, the Group acquired a further 377,000 ordinary shares in CMC Telecom for a cash consideration of VND 13.20 billion.
- c) On 25 March 2016, the Group acquired an additional 414,824 ordinary shares in CMC Telecom for a cash consideration of VND 14.52 billion.
- d) On 13 April 2016, the Group acquired another 79,500 ordinary shares in CMC Telecom for a cash consideration of VND2.83 billion. The above acquisitions collectively increased the Group's effective ownership interest in CMC Telecom to 45.27% as at 30 June 2016.
- e) On 29 April 2016, the Group disposed its entire equity stake in Campana for a cash consideration of USD999,750. The said disposal resulted in a gain of approximately RM2.5 million to the Group.

13. Contingent liabilities/assets

There were no changes in the contingent liabilities or contingent assets since 31 December 2015.

14. Capital commitments

	As at 30/6/2016 RM'000
Property, plant and equipment	
a) Approved and contracted but not provided for in the financial statements	<u>202,622</u>
b) Approved but not contracted for	<u>69,725</u>

TIME DOTCOM BERHAD
(413292-P)
Incorporated in Malaysia

15. Fair value information

The carrying amounts of cash and cash equivalents, short-term receivables and payables reasonably approximate fair values due to the relatively short term nature of these financial instruments. Accordingly, the fair values and level of the fair value hierarchy have not been presented for these financial instruments.

It was not practicable to estimate the fair value of the Group's investments in unquoted shares due to the lack of comparable quoted prices in an active market and the fair value cannot be reliably measured.

Fair value are categorised into different levels in a fair value hierarchy based on the input used in the valuation technique as follows:

- Level 1 – Quoted prices (unadjusted) in active markets for identical financial assets or liabilities
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the financial asset or liabilities, either directly or indirectly
- Level 3 – Inputs for the financial asset or liabilities that are not based on observable market data

The table below analyses financial instruments not carried at fair value for which fair value is disclosed, together with their carrying amounts shown in the statements of financial position.

30 June 2016	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Financial instruments not carried at fair value:				
Financial liabilities				
Term loans	-	-	116,473	116,473
Finance lease liabilities	-	-	4,454	4,454
	-	-	120,927	120,927
31 December 2015				
Financial instruments carried at fair value:				
Financial assets				
Investment in quoted shares	371,140	-	-	371,140
Financial instruments not carried at fair value:				
Financial liabilities				
Term loans	-	-	141,180	141,180
Finance lease liabilities	-	-	6,610	6,610
	-	-	147,790	147,790

TIME DOTCOM BERHAD
(413292-P)
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16. Income tax

The income tax expense for the Group for current quarter and financial period ended 30 June 2016 was made up as follows:

Group	Individual Quarter		Cumulative Quarter	
	Current year quarter	Preceding year corresponding quarter	Six months to	Six months to
	30/6/2016	30/6/2015	30/6/2016	30/6/2015
	RM'000	RM'000	RM'000	RM'000
Income tax:				
- Current year	931	2,209	2,647	3,976
- Over provision in prior years	-	(168)	-	(168)
	931	2,041	2,647	3,808
Deferred tax:				
- Current year	447	305	443	198
Total	1,378	2,346	3,090	4,006

The effective tax rate of the Group for the current and preceding year corresponding quarters and financial year-to-date are lower than the statutory tax rate of 24% and 25% respectively principally due to certain non-taxable income and utilisation of unabsorbed capital allowances and tax losses available to the Group. The lower effective tax rate is also due to the lower tax rates prevailing in some of the jurisdictions/countries in which the Group operates.

17. Status of corporate proposals not completed as at the latest practicable date

There are no corporate proposals, which have been announced but not completed as at 24 August 2016, being the latest practicable date.

18. Investments in quoted securities

There were no acquisitions or disposals of any quoted securities other than the disposals of 68,729,545 DiGi shares on 20 May 2016, for a total cash consideration of approximately RM307.2 million at a price of RM4.47 per share via a private placement exercise to eligible third party institutional/sophisticated investors. Please refer to Note 5 for further details of the said disposal of DiGi shares. Pursuant to the said disposal of DiGi shares, the Group no longer holds any investments in quoted securities.

TIME DOTCOM BERHAD
(413292-P)
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19. Loans and Borrowings

The loans and borrowings as at 30 June 2016 are as follows:

	Amount repayable in one year or on demand	Amount repayable after one year	Total
	RM'000	RM'000	RM'000
Secured:			
Finance lease liabilities in RM	3,697	757	4,454
Loans and borrowings			
- Denominated in RM	-	29,383	29,383
- Denominated in USD	-	87,090	87,090
	3,697	117,230	120,927

20. Off Balance Sheet financial instruments

The cash and cash equivalents of the Group, as at 30 June 2016, do not include a bank balance amounting to RM9,037,000 (31.12.2015: RM10,346,000) held by the Group in trust for consortium members of the Asia Pacific Gateway submarine cable project to pay the supplier under the terms of supply contract.

Other than as stated above, the Group does not have any off balance sheet financial instruments as at the date of this quarterly report.

21. Material litigation

The Company and its subsidiaries have no outstanding material litigation as at 24 August 2016, being the latest practicable date.

22. Comparison between the current quarter ("Q2 2016") and the immediate preceding quarter ("Q1 2016")

The Group reported a consolidated revenue in the current quarter of RM175.4 million, which appears slightly higher than the consolidated revenue recognised in Q1 2016 of RM175.2 million. In Q1 2016, the Group had recorded one-off revenues from Indefeasible Rights of Use ("IRU") sale contracts amounting to RM4.0 million compared to RM2.2 million in Q2 2016. Excluding the said IRU revenues from both quarters, the Group recorded a quarter-on-quarter ("Q-o-Q") revenue growth of RM2.0 million or 1.2% in Q2 2016. The Group's revenue growth (excluding IRU sales) had been led mainly by growth in data revenues, which amounted to RM129.1 million (Q1 2016: RM127.5 million), followed closely by growth in voice revenues, which grew by RM1.3 million or 6.7%. The Group had seen very encouraging results from broadband sales to home users since the launch of its 100Mbps, 300Mbps and 500Mbps TIME Fibre Home Broadband service in late-March 2016. Revenue from retail customers grew 24.6% Q-o-Q in Q2 2016 making up 10.4% of the Group's overall consolidated revenue. The growth in data and voice revenues during the quarter were, however, offset by a decline in data centre revenues, which had been impacted by higher churn during the quarter.

The Group reported a consolidated pre-tax profit of RM201.2 million in Q2 2016. Included in the Group's current quarter consolidated pre-tax profit is a fair value gain recognised from the realisation of available-for-sale reserves to profit or loss of RM157.4 million arising from the disposals of all remaining 68,729,545 DiGi shares held by the Group in the current quarter (see Note 5 for details). The disposal of DiGi shares had also resulted in no more dividend income being recognised in the quarter (Q1 2016: RM3.4 million). Excluding the abovementioned effects of the disposal of DiGi shares, the Group's adjusted consolidated pre-tax profit recorded in the current quarter would have been RM43.8 million when compared against a similarly adjusted consolidated pre-tax profit in the immediately preceding quarter of RM35.9 million. The RM7.9 million increase in adjusted consolidated pre-tax profit in Q2 2016 can be attributed mainly to the following:

- 1) a net gain on foreign exchange of RM0.3 million (Q1 2016: net loss on foreign exchange of RM8.1 million);
- 2) recognition of gain from pre-sales of 72.5% of FASTER cable system amounting to RM4.8 million (Q1 2016: RM Nil). See Note 5 for details;
- 3) gain on disposal of the Group's investment in Campana of RM2.5 million (Q1 2016: RM Nil). See Note 5 for details;

offset by initial higher subscriber acquisition costs (i.e. installation and dealer commissions) arising from rapid growth in the deployment of home broadband services and lower IRU sales. Growth in home broadband revenues are expected to continue to bring benefit to the Group in the longer term despite some short term margin compression in the early periods of rapid deployment.

TIME DOTCOM BERHAD
(413292-P)
Incorporated in Malaysia

23. Review of performance for the current quarter and year-to-date

(a) Current quarter (“Q2 2016”) versus preceding year corresponding quarter (“Q2 2015”)

The Group recorded a consolidated revenue of RM175.4 million in Q2 2016, which was RM11.6 million or 7.1% higher than the consolidated revenue recorded in Q2 2015 of RM163.8 million. All core product segments recorded strong growth despite a decline in one-off revenues from IRU sales in Q2 2016. One-off revenues from IRU sales accounted for RM2.2 million of total data revenue recognised in Q2 2016 (Q2 2015: RM11.0 million). Excluding the one-off revenues from IRU sales, data revenues still managed to record a RM16.2 million or 14.3% growth on a year-on-year (“Y-o-Y”) basis while data centre and voice revenues each grew 12.1% and 10.3% respectively. The growth in data revenue (excluding IRU sales) in Q2 2016 had been driven by strong recurring revenue contribution from both the enterprise as well as retail customers.

The Group recorded a current quarter consolidated pre-tax profit of RM201.2 million (Q2 2015: RM317.0 million). Included in both Q2 2016 and Q2 2015 results are the realisation of fair value gain from available-for-sale reserve of RM157.4 million and RM274.0 million arising from disposals of DiGi shares in both periods respectively. Excluding the said realisation of fair value gain from available-for-sale reserve and corresponding dividend income from the said shares, the current quarter consolidated profit before tax would have been RM43.8 million, which is RM5.0 million or 12.9% higher than the similarly adjusted consolidated profit before tax in Q2 2015 of RM38.8 million. The increase in adjusted consolidated pre-tax profit is mainly due to following:

- 1) a RM4.8 million gain from the pre-sale of FASTER cable system in Q2 2016;
- 2) gain on disposal of the Group’s investment in Campana of RM2.5 million in Q2 2016 (Q2 2015: RM Nil);
- 3) strong revenue growth from all core product segments (despite a decline in one-off revenues from IRU sales) on the back of improved cost efficiencies;
- 4) lower depreciation expense in Q2 2016; and
- 5) increase in share of profit from equity accounted investments in Q2 2016;

offset by a RM2.4 million gain recorded from the compulsory land acquisition by the government in Q2 2015, lower net foreign exchange gain of RM0.3 million (Q2 2015: RM3.9 million), lower interest income and higher subscriber acquisition costs arising from rapid growth in deployment of home broadband services recorded in the current quarter.

(b) Half year period ended 30 June 2016 (“HY 2016”) versus half year period ended 30 June 2015 (“HY 2015”)

The Group reported a 4.5% increase in consolidated revenue in HY 2016 when compared against the RM335.5 million consolidated revenue recorded in HY 2015. One-off revenues from IRU sales accounted for RM6.3 million of total data revenue recognised in HY 2016 (HY 2015: RM42.6 million). Excluding the one-off revenues from IRU sales, overall revenues in the current quarter would have shown a 17.6% increase when compared to the similarly adjusted revenue in the preceding year corresponding half year period. The increase can be attributed to higher revenues recorded from all product segments, led by a RM39.5 million or 18.2% increase in data revenues (excluding the abovementioned one-off revenues) followed by increases in data centre and voice revenues amounting to RM7.1 million and RM4.6 million respectively in HY 2016.

The Group recorded a consolidated pre-tax profit of RM240.5 million in HY 2016 (HY 2015: RM374.5 million). Included in both HY 2016 and HY2015 results are the realisation of fair value gain from available-for-sale reserve of RM157.4 million and RM274.0 million arising from disposals of DiGi shares in both half year periods respectively. The Group also recorded a net loss on foreign exchange of RM7.8 million in the current half year period (HY 2015: net gain on foreign exchange of RM12.8 million). Excluding the said realisation of fair value gain from available-for-sale reserve, corresponding dividend income from the DiGi shares of RM3.4 million in HY 2016 (HY 2015: RM14.1 million) as well as the said impact of foreign exchange, the Group would have reported an adjusted consolidated profit before tax RM87.6 million, which is an increase of RM14.0 million or 19.0%, as compared to the similarly adjusted HY 2015 consolidated profit before tax of RM73.6 million. The improvement in the Group’s results in HY 2016 is mainly attributable to the following:

- 1) a RM4.8 million gain from the pre-sale of FASTER cable system in HY 2016;
- 2) gain on disposal of the Group’s investment in Campana of RM2.5 million in HY 2016;
- 3) strong revenue growth from all core product segments (despite a decline in one-off revenues from IRU sales) on the back of improved cost efficiencies;
- 4) Lower depreciation expense of RM43.8 million incurred in HY 2016 (HY 2015: RM45.6 million); and
- 5) increase in share of profit from equity accounted investments in HY 2016;

offset by a RM2.4 million gain recorded from the compulsory land acquisition by the government in HY 2015, lower interest income and higher subscriber acquisition costs from the scaled up deployment of home broadband services to retail customers in HY 2016.

TIME DOTCOM BERHAD
(413292-P)
Incorporated in Malaysia

24. Profit before income tax

Group	Individual Quarter		Cumulative Quarter	
	Current year quarter	Preceding year corresponding quarter	Six months to	Six months to
	30/6/2016	30/6/2015	30/6/2016	30/6/2015
	RM'000	RM'000	RM'000	RM'000
Profit before income tax is arrived at after (charging)/crediting:				
Depreciation and amortisation of property, plant and equipment	(22,003)	(23,291)	(43,766)	(45,624)
Amortisation of borrowing costs	(231)	(165)	(387)	(263)
Interest expense	(1,236)	(1,584)	(2,669)	(3,001)
Interest income from short term deposits	2,307	4,630	4,180	6,665
Dividend income from quoted equity investment in Malaysia	-	4,193	3,368	14,090
Realisation of fair value gain from available-for-sale reserve to profit or loss	157,390	274,024	157,390	274,024
Rental income	52	69	104	118
Bad debt recovered	32	165	71	334
Net gain/(loss) on foreign exchange	264	3,860	(7,829)	12,823
Net writeback/(allowance) for doubtful debts	114	(477)	112	(1,112)
Net gain on disposal of property, plant and equipment	4,839	2,427	4,839	2,427
Write off of property, plant and equipment	(274)	-	(274)	(62)
Gain on disposal of equity-accounted investment	2,477	-	2,477	-

Other than as disclosed above, there were no other gains/losses on disposal or impairment of quoted and unquoted securities, investments, properties and/or derivatives included in the results for the current quarter and preceding year corresponding quarter.

TIME DOTCOM BERHAD
(413292-P)
Incorporated in Malaysia

25. Prospects

The Group expects the second half of 2016 to remain challenging amidst intense competition and an increasingly uncertain global economic environment but remains confident that there are still many expansion and growth opportunities within the ASEAN region. The Group will address these challenges by focusing its efforts to explore and tap such potential expansion and growth opportunities. This is in line with the Group's strategy to expand its foreign businesses. At home, the Group will also intensify its efforts to gain market share domestically and to deliver its customers a good and uninterrupted network experience, improve its product and solution offerings and enhance operational and cost efficiencies throughout the Group, while further expanding and strengthening its underlying fibre network and coverage footprints.

The Group is pleased that its FASTER Cable System (connecting Japan to the United States) is now operational and can start contributing revenue to the Group in the second half of the year. The Group is also awaiting the completion of the Asia-Pacific Gateway Cable System ("APG") (connecting Malaysia to Korea and Japan), which is also expected to become operational in the later part of this year.

The abovementioned submarine cable and coverage initiatives are capital intensive and may result in some margin compression for the Group in the early periods upon commencement. The said initiatives are, however, necessary to ensure continued revenue growth in the future and are expected to benefit the Group strategically in the longer term.

The results of the Group in for the remainder of 2016 are expected to remain satisfactory.

26. Profit Forecast and Profit Guarantee

The Group has not provided any profit forecast or profit guarantee in any public document.

27. Earnings per share ("EPS")

	Individual Quarter		Cumulative Quarter	
	Current year quarter	Preceding year corresponding quarter	Six months to	Six months to
Basic EPS:	30/6/2016	30/6/2015	30/6/2016	30/6/2015
Weighted average number of shares in issue ('000)	<u>575,600</u>	<u>573,864</u>	<u>575,600</u>	<u>573,864</u>
Profit for the period attributable to owners of the Company (RM'000)	<u>199,795</u>	<u>315,434</u>	<u>237,391</u>	<u>372,013</u>
Basic EPS	<u>34.71 sen</u>	<u>54.97 sen</u>	<u>41.24 sen</u>	<u>64.83 sen</u>
Diluted EPS:				
Weighted average number of shares in issue ('000) (Basic)	575,600	573,864	575,600	573,864
Effect of employee share options	<u>3,374</u>	<u>-</u>	<u>3,315</u>	<u>-</u>
Weighted average number of shares in issue ('000) (Diluted)	<u>578,974</u>	<u>573,864</u>	<u>578,915</u>	<u>573,864</u>
Profit for the period attributable to owners of the Company (RM'000)	<u>199,795</u>	<u>315,434</u>	<u>237,391</u>	<u>372,013</u>
Diluted EPS	<u>34.51 sen</u>	<u>54.97 sen</u>	<u>41.01 sen</u>	<u>64.83 sen</u>

TIME DOTCOM BERHAD
(413292-P)
Incorporated in Malaysia

28. Supplementary information on the breakdown of realised and unrealised profits or losses

The breakdown of retained earnings of the Group as at the reporting date, into realised and unrealised profits, as disclosed pursuant to Paragraph 2.06 and 2.23 of Bursa Malaysia Main Market Listing Requirements are as follows:

	As at 30/6/2016 RM'000	As at 31/12/2015 RM'000
Total retained earnings of the Group		
- Realised	638,274	420,345
- Unrealised	223,873	242,976
Total retained earnings	862,147	663,321

The determination of realised and unrealised profits is based on the Guidance on Special Matter No. 1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, issued by the Malaysian Institute of Accountants on 20 December 2010.

The disclosure of realised and unrealised profits or losses above is solely for complying with the disclosure requirements stipulated in the directive of Bursa Malaysia and should not be applied for any other purpose.

By Order of the Board

MISNI ARYANI MUHAMAD
(LS 0009413)
Secretary

Selangor
30 August 2016