

TIME DOTCOM BERHAD
(413292-P)
Incorporated in Malaysia

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE SECOND QUARTER ENDED 30 JUNE 2019

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

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Unaudited Current year quarter 30/6/2019 RM'000	Unaudited Preceding year corresponding quarter 30/6/2018 RM'000	Unaudited Six months to 30/6/2019 RM'000	Unaudited Six months to 30/6/2018 RM'000
Operating revenue	277,824	239,853	540,366	470,583
Operating expenses				
- depreciation and amortisation of property, plant and equipment and right-of-use assets	(38,918)	(30,084)	(77,348)	(59,156)
- other operating expenses	(141,256)	(146,954)	(296,224)	(283,912)
Other operating income (net)	54	5,711	437	6,013
Profit from operations	97,704	68,526	167,231	133,528
Investment income	1,662	2,040	3,848	5,020
Finance expense	(6,251)	(4,828)	(14,557)	(9,712)
Share of profit from investment in associates, net of tax	3,321	2,789	6,972	5,661
Profit before income tax	96,436	68,527	163,494	134,497
Income tax expense	(3,935)	(3,589)	(7,861)	(6,619)
Profit for the period attributable to owners of the Company	92,501	64,938	155,633	127,878
Other comprehensive income/(loss):				
Foreign currency translation differences for foreign operations	8,925	2,412	11,692	(2,342)
Net change in fair value of equity investments designated at fair value through comprehensive income ("FVOCI")	1,864	932	2,412	326
Other comprehensive gain/(loss) for the period	10,789	3,344	14,104	(2,016)
Total comprehensive income for the period attributable to owners of the Company	103,290	68,282	169,737	125,862
Earnings per share (based on weighted average number of ordinary shares)				
- Basic	15.85 sen	11.17 sen	26.66 sen	21.99 sen
- Diluted	15.67 sen	11.08 sen	26.39 sen	21.80 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 2018.

TIME DOTCOM BERHAD
(413292-P)
Incorporated in Malaysia

II. CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Unaudited As at 30/6/2019 RM'000	Audited As at 31/12/2018 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	1,474,685	1,483,898
Right-of-use assets	112,333	-
Intangible assets	213,959	213,959
Investment in associates	426,359	407,533
Other investments	19,613	17,201
Deferred tax assets	242,725	244,209
Trade and other receivables	2,529	11,858
	<u>2,492,203</u>	<u>2,378,658</u>
Current assets		
Tax recoverable	1,975	1,899
Trade and other receivables	495,296	399,630
Restricted cash	8,025	8,065
Cash and cash equivalents	376,169	389,399
	<u>881,465</u>	<u>798,993</u>
Total assets	<u>3,373,668</u>	<u>3,177,651</u>
EQUITY AND LIABILITIES		
Equity		
Share capital	1,186,659	1,186,659
Reserves	1,400,185	1,333,056
Total equity attributable to owners of the Company	<u>2,586,844</u>	<u>2,519,715</u>
Non-current liabilities		
Loans and borrowings	105,569	110,166
Lease liabilities	94,192	-
Trade and other payables	156,798	158,374
Deferred tax liabilities	12,683	12,574
	<u>369,242</u>	<u>281,114</u>
Current liabilities		
Loans and borrowings	74,306	62,841
Lease liabilities	11,002	-
Trade and other payables	329,358	313,565
Provision for tax	2,916	416
	<u>417,582</u>	<u>376,822</u>
Total liabilities	<u>786,824</u>	<u>657,936</u>
Total equity and liabilities	<u>3,373,668</u>	<u>3,177,651</u>
Net assets per share attributable to ordinary owners of the Company	<u>RM4.43</u>	<u>RM4.32</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 2018.

TIME DOTCOM BERHAD
(413292-P)
Incorporated in Malaysia

III. CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Unaudited Six months to 30/6/2019 RM'000	Unaudited Six months to 30/6/2018 RM'000
Operating Activities		
Cash receipts from customers	539,332	464,484
Transfer to restricted cash and bank balances	(40)	(105)
Cash payments to suppliers	(178,837)	(171,450)
Cash payments to employees and for administrative expenses	(148,195)	(116,227)
Cash generated from operations	212,260	176,702
Tax paid (net)	(3,842)	(2,992)
Net cash generated from operating activities	208,418	173,710
Investing Activities		
Acquisition of property, plant and equipment	(108,942)	(102,623)
Acquisition of other investments	-	(798)
Investment income received	4,859	5,479
Net cash used in investing activities	(104,083)	(97,942)
Financing Activities		
Proceed from loans and borrowings	35,153	-
Finance charges paid	(4,681)	(7,228)
Repayment of term loans and borrowings	(27,529)	(162,314)
Dividend paid	(120,009)	(100,010)
Net cash used in financing activities	(117,066)	(269,552)
Net change in cash and cash equivalents	(12,731)	(193,784)
Effect of exchange rate fluctuations on cash held	(499)	(3,178)
Cash and cash equivalents as at beginning of financial period	389,399	576,616
Cash and cash equivalents as at end of financial period	Note (a) 376,169	379,654
Note:		
(a) Cash and cash equivalents comprise the following amounts:		
Cash and bank balances	142,870	175,345
Deposits with licensed banks	241,324	212,452
	384,194	387,797
Restricted cash	(8,025)	(8,143)
	376,169	379,654

The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Annual Audited Financial Statements for the year ended 31 December 2018.

TIME DOTCOM BERHAD
(413292-P)
Incorporated in Malaysia

IV. CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	← Non-distributable →				Distributable	Total equity, attributable to owners of the Company RM'000
	Share Capital RM'000	FVOCI Reserve RM'000	Foreign Currency Translation Reserve RM'000	Share Grant/ Option Reserves RM'000	Retained Earnings RM'000	
Six months to 30 June 2019 (unaudited)						
Balance as at 1 January 2019	1,186,659	2,415	24,751	27,247	1,278,643	2,519,715
Dividend paid	-	-	-	-	(120,009)	(120,009)
Employee share grant plan/option scheme	-	-	-	17,401	-	17,401
Profit for the period	-	-	-	-	155,633	155,633
Fair value gain on equity investments designated at fair value through comprehensive income ("FVOCI")	-	2,412	-	-	-	2,412
Exchange differences recognised directly in equity	-	-	11,692	-	-	11,692
Total comprehensive income for the period	-	2,412	11,692	-	155,633	169,737
Balance as at 30 June 2019	1,186,659	4,827	36,443	44,648	1,314,267	2,586,844

	← Non-distributable →				Distributable	Total equity, attributable to owners of the Company RM'000
	Share Capital RM'000	FVOCI Reserve RM'000	Foreign Currency Translation Reserve RM'000	Share Grant/ Option Reserves RM'000	Retained Earnings RM'000	
Six months to 30 June 2018 (unaudited)						
Balance as at 1 January 2018	1,172,485	319	23,051	30,931	1,039,238	2,266,024
Impact arising from adoption of MFRS 15	-	-	-	-	50,745	50,745
Dividend paid	-	-	-	-	(100,010)	(100,010)
Employee share grant plan/option scheme	-	-	-	7,382	-	7,382
Profit for the period	-	-	-	-	127,878	127,878
Fair value gain on equity investments designated at FVOCI	-	326	-	-	-	326
Exchange differences recognised directly in equity	-	-	(2,342)	-	-	(2,342)
Total comprehensive income/(expense) for the period	-	326	(2,342)	-	127,878	125,862
Balance as at 30 June 2018	1,172,485	645	20,709	38,313	1,117,851	2,350,003

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 2018.

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) and requirements of the Companies Act 2016, where applicable.

The interim financial statements should be read in conjunction with the annual audited financial statements for the year ended 31 December 2018. The 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 financial year ended 31 December 2018.

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 2018, except for the adoption of the following standards, amendments and annual improvements to MFRSs with a date of initial application on 1 January 2019:

Description

Amendments to MFRS 3	<i>Business Combinations (Annual Improvements to MFRS Standards 2015-2017 Cycle)</i>
Amendments to MFRS 9	<i>Financial Instruments (Prepayment Features with Negative Compensation)</i>
Amendments to MFRS 11	<i>Joint Arrangements (Annual Improvements to MFRS Standards 2015-2017 Cycle)</i>
Amendments to MFRS 112	<i>Income Taxes (Annual Improvements to MFRS Standards 2015-2017 Cycle)</i>
Amendments to MFRS 119	<i>Employee Benefits - Plan Amendment, Curtailment or Settlement</i>
Amendments to MFRS 123	<i>Borrowing Costs (Annual Improvements to MFRS Standards 2015-2017 Cycle)</i>
Amendments to MFRS 128	<i>Investments in Associates and Joint Ventures (Long-term interests in Associates and Joint Ventures)</i>
IC Interpretation 23	<i>Uncertainty over Income Tax Treatments</i>
MFRS 16	<i>Leases</i>

The adoption of the above did not have any significant effects on the interim report upon their initial application, other than as disclosed below:

MFRS 16, Leases

MFRS 16 replaces the guidance in MFRS 117, *Leases*, IC Interpretation 4, *Determining whether an Arrangement contains a Lease*, IC Interpretation 115, *Operating Leases – Incentives* and IC Interpretation 127, *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

MFRS 16 introduces a single, on-balance sheet lease accounting model for leases. A lease under MFRS 16 recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligations to make lease payments.

The Group has applied MFRS 16 using the modified retrospective method with practical expediency for single discount rate to entire lease portfolio at the date of initial application, recognition exemptions for short-term leases and leases of low-value items and exclude initial direct costs in the measurement of the right of use assets.

The following table summarises the impact of adopting MFRS 16 on the Group's financial statements.

Statement of Financial Position as at 1 January 2019

	As reported under MFRS 16 RM'000	MFRS 16 adjustments RM'000	Pre-MFRS 16 RM'000
Right-of-use assets	125,004	(125,004)	-
Trade and other receivables	401,278	10,210	411,488
Lease liabilities	114,794	(114,794)	-

The adoption of MFRS 16 does not have any impact on the Group's statement of profit or loss on 1 January 2019.

TIME DOTCOM BERHAD
(413292-P)
Incorporated in Malaysia

2. Significant accounting policies (continued)

MFRS 16, Leases (continued)

The following table summarises the impact of adopting MFRS 16 on the Group's statement of profit or loss and statement of financial position as at 30 June 2019.

Profit and loss up till 30 June 2019

	As reported under MFRS 16 RM'000	MFRS 16 adjustments in the six month period RM'000	Pre-MFRS 16 RM'000
Other operating expenses	(296,224)	(13,222)	(309,446)
Depreciation and amortisation of property, plant and equipment and right-of-use assets	(77,348)	12,671	(64,677)
Finance expense	(14,557)	3,165	(11,392)
Profit for the period	<u>155,633</u>	<u>2,614</u>	<u>158,247</u>
Earnings per share (sen)			
- basic	26.66		27.11
- diluted	<u>26.39</u>		<u>26.83</u>

Statement of financial position at 30 June 2019

	As reported under MFRS 16 RM'000	MFRS 16 adjustments RM'000	Pre-MFRS 16 RM'000
Right-of-use assets	112,333	(112,333)	-
Trade and other receivables	497,825	9,753	507,578
Lease liabilities	105,194	(105,194)	-
Retained earnings	<u>1,314,267</u>	<u>2,614</u>	<u>1,316,881</u>

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 3	<i>Business Combination</i>	1 January 2020
Amendments to MFRS 101	<i>Presentation of Financial Statements</i>	1 January 2020
Amendments to MFRS 108	<i>Accounting Policies, Changes in Accounting Estimates and Errors- Definition of Material</i>	1 January 2020
MFRS 17	<i>Insurance Contracts</i>	1 January 2021
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 plans to apply the abovementioned accounting standards, amendments and interpretations where applicable, when they become effective in the respective financial periods.

The Group, however does not plan to apply MFRS 17, *Insurance Contracts* that is effective for annual periods beginning on 1 January 2021 as it is not applicable to the Group.

The initial application of the abovementioned standards, amendments and interpretations, where applicable are not expected to have any material financial impact to the current period and prior period financial statements of the Group.

3. Audit report in respect of the 2018 financial statements

The audit report on the Group's financial statements for the financial year ended 31 December 2018 was not qualified.

TIME DOTCOM BERHAD
(413292-P)
Incorporated in Malaysia

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

There were no other 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 a material effect in the current period.

7. Debt and equity securities

On 20 June 2019, the Company granted an option to Patrick Corso, a non-independent executive director of the Company to subscribe for up to 3,300,000 new ordinary shares in the Company. The share option agreement was also executed on the same day. The option exercise price was fixed at RM7.95, which represented a discount of approximately 10.0% to the 5-day volume weighted average market price of TIME dotCom Berhad ("TdC") shares immediately preceding the date of the share option agreement. The option may be exercised by Patrick Corso at any time and from time to time during the 5-year option period up to a maximum of 20% of the total option shares per annual period. Unexercised options may be carried forward to the next period without reducing the maximum exercisable portion in the next period.

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 six months period ended 30 June 2019.

On 19 July 2019 and 16 August 2019, the Company issued 666,593 new ordinary shares and 1,166,544 new ordinary shares in the Company respectively 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 the respective vesting dates of 31 July 2019 and 27 August 2019 were RM9.00 per share and RM8.90 per share respectively. 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 29 March 2019, the Group paid an interim ordinary and a special interim tax exempt (single tier) dividend of 9.25 sen and 11.31 sen per ordinary share respectively for the financial year ended 31 December 2018.

TIME DOTCOM BERHAD
(413292-P)
Incorporated in Malaysia

9. Segmental Reporting

Group	Individual Quarter		Cumulative Quarter	
	Current quarter 30/6/2019 RM'000	Preceding year corresponding quarter 30/6/2018 RM'000	Six months to 30/6/2019 RM'000	Six months to 30/6/2018 RM'000
Operating Revenue				
Voice	17,618	16,492	34,740	32,929
Data	227,509	187,598	439,421	371,475
Data centre	32,237	34,600	64,249	63,990
Others	460	1,163	1,956	2,189
	277,824	239,853	540,366	470,583
Operating Expenses:				
Depreciation and amortisation of property, plant and equipment and right-of-use assets	(38,918)	(30,084)	(77,348)	(59,156)
Other operating expenses	(141,256)	(146,954)	(296,224)	(283,912)
Other operating income (net)	54	5,711	437	6,013
Profit from operations	97,704	68,526	167,231	133,528
Investment income	1,662	2,040	3,848	5,020
Finance expense	(6,251)	(4,828)	(14,557)	(9,712)
Share of profit from investment in associates, net of tax	3,321	2,789	6,972	5,661
Profit before income tax	96,436	68,527	163,494	134,497
Geographical locations				
Operating Revenue				
Within Malaysia	263,422	235,768	511,879	462,291
Outside Malaysia	14,402	4,085	28,487	8,292
	277,824	239,853	540,366	470,583
Timing of revenue recognition				
Over time	257,678	216,104	503,298	428,992
At a point in time	19,917	23,408	36,630	40,809
Revenue not within the scope of MFRS 15	229	341	438	782
	277,824	239,853	540,366	470,583

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 2018.

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

In the opinion of the Directors, there are no other items, transactions or events of a material and unusual nature which have arisen since 30 June 2019 to 21 August 2019 (being the latest practicable date) that will have a substantial effect on the financial results of the Group other than as disclosed in Note 7 and/or elsewhere in this report.

TIME DOTCOM BERHAD
(413292-P)
Incorporated in Malaysia

12. Changes in the composition of the Group during the financial period ended 30 June 2019

There were no changes in the composition of the Group during the six months period ended 30 June 2019.

13. Contingent liabilities/assets

There were no changes in the contingent liabilities or contingent assets since 31 December 2018.

14. Capital commitments

	As at 30/6/2019 RM'000
Property, plant and equipment	
a) Approved and contracted but not provided for in the financial statements	236,203
b) Approved but not contracted for	131,169

15. Fair value information

The carrying amounts of cash and cash equivalents, 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.

Fair values 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 that the Group can access at measurement date.
- 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 – Unobservable inputs for the asset or liability

The table below analyses financial instruments carried at fair value and financial instruments not carried at fair value for which fair value and carrying value is disclosed.

	←-----Total fair value/carrying value-----→			
30 June 2019	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Financial instruments carried at fair value:				
Financial assets				
Other unquoted investments	-	-	19,613	19,613
Financial instruments not carried at fair value:				
Financial liabilities				
Term loans	-	-	145,363	145,363
Revolving credit	-	-	34,512	34,512
	-	-	179,875	179,875

TIME DOTCOM BERHAD
(413292-P)
Incorporated in Malaysia

16. Income tax

The income tax expense for the Group for current quarter and financial period ended 30 June 2019 was made up as follows:

Group	Individual Quarter		Cumulative Quarter	
	Current quarter 30/6/2019 RM'000	Preceding year corresponding quarter 30/6/2018 RM'000	Six months to 30/6/2019 RM'000	Six months to 30/6/2018 RM'000
Income tax:				
- Current year	2,940	2,812	6,268	4,800
Deferred tax:				
- Origination of temporary differences	24,035	4,602	40,959	35,460
- Recognition of previously unrecognised temporary differences	(23,040)	(3,825)	(39,366)	(33,641)
	995	777	1,593	1,819
Total	3,935	3,589	7,861	6,619

The effective tax rate of the Group for the current and preceding year corresponding quarters and financial period-to-date are lower than the statutory tax rate of 24% 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 and the recognition of previously unrecognised temporary differences.

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 21 August 2019, being the latest practicable date.

18. Loans and borrowings

The loans and borrowings as at 30 June 2019 are as follows:

30 June 2019	Amount repayable in one year or on demand RM'000	Amount repayable after one year RM'000	Total RM'000
Loans and borrowings			
<u>Secured:</u>			
- Denominated in RM	9,296	22,572	31,868
- Denominated in USD	30,498	82,997	113,495
<u>Unsecured:</u>			
- Denominated in USD	34,512	-	34,512
As at 30 June 2019	74,306	105,569	179,875

TIME DOTCOM BERHAD
(413292-P)
Incorporated in Malaysia

18. Loans and borrowings (continued)

The loans and borrowings as at 31 December 2018 are as follows:

31 December 2018	Amount repayable in one year or on demand RM'000	Amount repayable after one year RM'000	Total RM'000
Loans and borrowings			
<u>Secured:</u>			
- Denominated in RM	7,403	11,201	18,604
- Denominated in USD	30,625	98,965	129,590
<u>Unsecured:</u>			
- Denominated in USD	24,813	-	24,813
As at 31 December 2018	62,841	110,166	173,007

The Group's loans and borrowings have mainly been used to fund the Group's working capital requirements, investments in its international submarine cable systems and investments in associates. The Group's loans and borrowings comprise both fixed and floating rate facilities and bear interest at rates ranging from 3.80% to 6.04% per annum.

19. Off balance sheet financial instruments

The cash and cash equivalents of the Group, as at 30 June 2019, do not include bank balances amounting to RM57,960,000 (31.12.2018: RM49,653,000) 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 a supply contract.

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

20. Material litigation

The Company and its subsidiaries have no outstanding material litigation as at 21 August 2019, being the latest practicable date.

TIME DOTCOM BERHAD
(413292-P)
Incorporated in Malaysia

21. Comparison between the current quarter ("Q2 2019") and the immediate preceding quarter ("Q1 2019")

	Q2 2019	Q1 2019	Increase/(decrease)	
	RM'000	RM'000	RM'000	%
Revenue by product:				
Voice	17,618	17,122	496	2.9
Data	227,509	211,912	15,597	7.4
Data centre	32,237	32,012	225	0.7
Others	460	1,496	(1,036)	(69.3)
Total revenue	277,824	262,542	15,282	5.8
Profit before tax	96,436	67,058	29,378	43.8

The comparison of current quarter and immediate preceding quarter results are done post-MFRS 16 adjustments.

The Group recorded higher consolidated revenue of RM277.8 million in Q2 2019. Overall consolidated revenue in the current quarter grew by RM15.3 million or 5.8% quarter-on-quarter ("QoQ") with growth seen from all core product segments within the Group. Included in Q2 2019 consolidated revenue were one-off non-recurring data contract revenues amounting to RM3.0 million (Q1 2019: RMNil). Excluding the said one-off non-recurring data contract revenues, the Group would have still reported an increase of RM12.3 million or 4.7% in adjusted consolidated revenue in Q2 2019. Data revenue (excluding the said one-off non-recurring contract revenues) alone grew RM12.6 million or 6.0% in the current quarter. Data centre and voice revenues also grew 0.7% and 2.9% respectively in the current quarter. The overall consolidated revenue growth could also be attributed to strong sales seen from all customer groups, led by enterprise and retail customers and followed closely by wholesale customers.

The Group's consolidated profit before tax in Q2 2019 amounted to RM96.4 million, which is RM29.4 million or 43.8% higher than the consolidated profit before tax of RM67.1 million in Q1 2019. The higher Q2 2019 consolidated profit before tax can be attributed mainly to the following:

- a) higher overall revenues (including one-off non-recurring contract revenues) achieved on the back of improved profit margins due to cost efficiencies;
- b) a net gain of foreign exchange of RM8.8 million in Q2 2019 compared to net foreign loss of RM10.9 million in Q1 2019; and
- c) lower interest expense by RM2.1 million;

set-off by lower interest income and higher allowance for doubtful debts and depreciation charges in Q2 2019.

TIME DOTCOM BERHAD
(413292-P)
Incorporated in Malaysia

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

(a) Comparison between the current quarter ("Q2 2019") versus three month period ended 30 June 2018 ("Q2 2018")

	Q2 2019	Q2 2018	Increase/(decrease)	
	RM'000	RM'000	RM'000	%
Revenue by product:				
Voice	17,618	16,492	1,126	6.8
Data	227,509	187,598	39,911	21.3
Data centre	32,237	34,600	(2,363)	(6.8)
Others	460	1,163	(703)	(60.4)
Total revenue	277,824	239,853	37,971	15.8
Profit before tax (Pre-MFRS 16)	97,824	68,527	29,297	42.8
Profit before tax (as reported Post-MFRS 16)	96,436			

The Group has disclosed its financial results for the current period both pre and post-MFRS 16 adoption. Analysis and comparisons to the previous year corresponding period is, however, done excluding the impact of MFRS 16 for better comparability purposes.

The Group adopted and applied the new MFRS 16 with effect from 1 January 2019. The Group adopted the standard retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial recognition. This means that lease contracts that are still on-going as at 1 January 2019 will be accounted for as if they had been recognised in accordance with MFRS 16 at the commencement of contracts, but as the Group has adopted the cumulative effect retrospective approach, their corresponding comparative figures will not be restated.

MFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lease under MFRS 16 recognises a right-of-use asset representing the Group's right to use the lease's underlying asset as well as a lease liability representing the Group's obligations to make lease payments for the said asset. The Group had assessed the impact of applying the new standard on its profit and loss for the quarter to be a reduction in other operating expenses of RM6.4 million, an increase in depreciation of right-of-use assets of RM6.2 million and an increase in interest expense of RM1.6 million, resulting in a combined net overall reduction of profit before tax of RM1.4 million.

Adjustments made to profit and loss arise due to:

- i) lease liabilities being measured at the present value of remaining lease payments, discounted using a rate based on the indicative market rate of borrowings of the Group; and
- ii) right-to-use assets being measured at an amount equal to the corresponding lease liabilities and depreciated over the remaining useful life of the assets.

Prior to adopting MFRS 16, the Group had recognised operating lease expenses as rental expenses over the term of their respective leases.

The Group reported a consolidated revenue of RM277.8 million in Q2 2019, which is RM38.0 million or 15.8% higher when compared to the RM239.9 million consolidated revenue recorded in Q2 2018. One-off revenues from non-recurring data contracts accounted for RM3.0 million out of the total consolidated revenue recognised in Q2 2019. In Q2 2018, one-off revenues recorded from non-recurring data centre contracts amounted to RM3.1 million. Excluding these one-off revenues from non-recurring contracts from both periods, the overall consolidated revenue in the current period would have still shown an increase of RM38.1 million or 16.1% when compared to the adjusted Q2 2018 revenue of RM236.8 million. The increase in Q2 2019 adjusted revenues (excluding one-off non-recurring contract revenues) is mainly due to higher sales recorded from data and voice businesses, which grew 19.7% and 6.8% respectively. Data centre revenue, excluding the one-off revenues from non-recurring data centre contracts in Q2 2018, would have similarly shown a growth of RM0.7 million or 2.3% when compared to the adjusted data centre revenue of RM31.5 million in Q2 2018. Strong positive year-on-year growth in Q2 2019 was also seen coming from all customer groups, led by wholesale and retail customers.

**TIME DOTCOM BERHAD
(413292-P)
Incorporated in Malaysia**

22. Review of performance for the current quarter and year-to-date (continued)

(a) Comparison between the current quarter (“Q2 2019”) versus three month period ended 30 June 2018 (“Q2 2018”) (continued)

The Group recorded a current quarter pre-MFRS 16 consolidated profit before tax of RM97.8 million which is RM29.3 million or 42.8% higher than the consolidated profit recorded in Q2 2018 of RM68.5 million. The increase in the Group's Q2 2019 profit before tax results was mainly due to the following:

- a) higher overall revenue growth in the current quarter on the back of better margins due to improved cost efficiency;
- b) lower net allowance for doubtful debts of RM1.4 million in Q2 2019 (Q2 2018: RM6.9 million, which included an allowance for doubtful debt of RM5.5 million made for advances given to an associate company in Thailand);
- c) impairment loss made for investment in associates of RM4.0 million in Q2 2018 (Q2 2019: RMNil);
- d) higher net gain on foreign exchange of RM8.8 million (Q2 2018: RM4.7 million); and
- e) higher share of profit from investment in associates of RM3.3 million (Q2 2018: RM2.8 million);

offset by higher depreciation of property, plant and equipment and lower interest income in the current quarter.

TIME DOTCOM BERHAD
(413292-P)
Incorporated in Malaysia

22. Review of performance for the current quarter and year-to-date (continued)

(b) Half year period ended 30 June 2019 ("HY 2019") versus half year period ended 30 June 2018 ("HY 2018")

	HY 2019	HY 2018	Increase/(decrease)	
	RM'000	RM'000	RM'000	%
Revenue by product:				
Voice	34,740	32,929	1,811	5.5
Data	439,421	371,475	67,946	18.3
Data centre	64,249	63,990	259	0.4
Others	1,956	2,189	(233)	(10.6)
Total revenue	540,366	470,583	69,783	14.8
Profit before tax (Pre-MFRS 16)	166,108	134,497	31,611	23.5
Profit before tax (as reported Post-MFRS 16)	163,494			

The Group has disclosed its financial results for the current half year period both pre and post-MFRS 16. Analysis and comparisons to the previous half year period is, however, done excluding the impact of MFRS 16 for better comparability purposes.

The Group reported a consolidated revenue of RM540.4 million in HY 2019, which is RM69.8 million or 14.8% higher when compared to the RM470.6 million consolidated revenue recorded in HY 2018. One-off revenues from non-recurring contracts accounted for RM3.0 million out of the total consolidated revenue recognised in HY 2019 (HY 2018: RM7.5 million). Excluding one-off revenues from non-recurring contracts, the overall consolidated revenue in the current half year period would have shown an increase of RM74.3 million or 16.1% when compared to the similarly adjusted revenue in the preceding year corresponding period. The increase in HY 2019 revenue (excluding one-off non-recurring contracts) is mainly due to higher sales recorded from all core product segments. All core customer groups also contributed positively to overall revenue growth in HY 2019, led by contributions by wholesale and retail customers.

The Group recorded a current half year pre-MFRS 16 consolidated profit before tax of RM166.1 million which is RM31.6 million or 23.5% higher than the consolidated profit before tax recorded in HY 2018 of RM134.5 million. The increase in the Group's HY 2019 pre-MFRS 16 profit before tax results was mainly due to the following:

- a) higher overall revenues (despite lower revenues from one-off non-recurring contracts) recorded in the current half year period on the back of improved cost efficiencies;
- b) lower allowance for doubtful debts of RM2.0 million (HY 2018: RM11.1 million);
- c) impairment loss made for investment in associates recorded in HY 2018 of RM4.0 million (HY 2019: RMNil); and
- d) higher share of profit from investment in associates of RM7.0 million in HY 2019 compared to RM5.7 million in HY 2018;

offset by higher interest expenses, higher depreciation of property, plant and equipment, net loss on foreign exchange and a lower interest income.

TIME DOTCOM BERHAD
(413292-P)
Incorporated in Malaysia

23. Profit before income tax

Group	Individual Quarter		Cumulative Quarter	
	Current quarter	Preceding year corresponding quarter	Six months to	Six months to
	30/6/2019	30/6/2018	30/6/2019	30/6/2018
	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	(32,707)	(30,084)	(64,677)	(59,156)
Depreciation of right-of-use assets	(6,211)	-	(12,671)	-
Amortisation of borrowing costs	(199)	(242)	(405)	(496)
Interest expense:				
- Interest on borrowings	(2,317)	(3,143)	(4,558)	(6,544)
- Interest from MFRS 15 adoption	(2,091)	(1,443)	(6,429)	(2,672)
- Interest from MFRS 16 adoption	(1,644)	-	(3,165)	-
Interest income	1,662	2,040	3,848	5,020
Rental income	11	6	22	18
Bad debt recovered	44	13	69	30
Net gain/(loss) on foreign exchange	8,794	4,717	(2,104)	1,171
Net allowance for doubtful debts	(1,395)	(6,878)*	(2,026)	(11,127)*
Net gain on disposal of property, plant and equipment	-	-	-	2
Impairment loss in investment in associates	-	(3,993)	-	(3,993)

**Included in Q2 2018 allowance for doubtful debts made for advances given to an associate company amounting to RM5.5 million (HY 2018: RM7.2 million) in Thailand.*

TIME DOTCOM BERHAD
(413292-P)
Incorporated in Malaysia

24. Prospects

The telecommunications industry is expected to remain competitive and challenging throughout the remainder of 2019. The telecommunications landscape in Malaysia has so far seen a push to further liberalise the market through regulatory reforms and a potential consolidation of some of its key operators. The Group is of the view that whilst these are challenging times, there are still areas where opportunities exist for the Group to tap into. The Group will, as such, continue to closely monitor developments within the industry and leverage on such opportunities as and when they arise. The Group will also look to further strengthen and improve its existing domestic fibre network infrastructure whilst concurrently intensifying efforts to expand its coverage footprint throughout the country. The Group may also introduce new meaningful solutions and services to its customers, when and where deemed appropriate, which are designed to help the Group gain market share and be strategically beneficial to the Group in the long term.

On the regional front, the Group will continue to work with its partners in Thailand, Vietnam and Cambodia to focus on tapping the increasing demand for cross border connectivity across the region.

The Group is also assessing opportunities to further establish itself as a key regional data centre player and operator and unlocking the long term potential of its data centre business. This includes exploring opportunities to build new data centres, entering into joint ventures and/or acquiring new assets in Malaysia as well as within the ASEAN region. These opportunities may initially be capital intensive with funding expected to come from a combination of internal funds as well as external borrowings.

25. Profit forecast and profit guarantee

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

26. Earnings per share ("EPS")

	Individual Quarter		Cumulative Quarter	
	Current quarter 30/6/2019	Preceding year corresponding quarter 30/6/2018	Six months to 30/6/2019	Six months to 30/6/2018
Basic EPS:				
Weighted average number of shares in issue ('000)	583,701	581,454	583,701	581,454
Profit for the period attributable to owners of the Company (RM'000)	92,501	64,938	155,633	127,878
Basic EPS	15.85 sen	11.17 sen	26.66 sen	21.99 sen
Diluted EPS:				
Weighted average number of shares in issue ('000) (Basic)	583,701	581,454	583,701	581,454
Effect of share options	6,678	4,441	6,074	5,045
Weighted average number of shares in issue ('000) (Diluted)	590,379	585,895	589,775	586,499
Profit for the period attributable to owners of the Company (RM'000)	92,501	64,938	155,633	127,878
Diluted EPS	15.67 sen	11.08 sen	26.39 sen	21.80 sen

TIME DOTCOM BERHAD
(413292-P)
Incorporated in Malaysia

27. Related party transactions

The significant related party transactions of the Group are shown below:

	Cumulative Quarter	
	Six months to 30/6/2019 RM'000	Six months to 30/6/2018 RM'000
Related parties		
Revenue from data, voice and other services	39,221	39,579
Interconnect revenue	1,790	2,531
Fee for wayleave and right of use of telecommunications facilities	(5,231)	(5,236)
Interconnect charges	(2,426)	(4,452)
Leased line and infrastructure costs	(16,638)	(14,361)
Network maintenance costs	(1,307)	(802)
Training expenses	(155)	(176)
Project management services costs	-	(9)
Rental of office	(140)	(122)
Professional fees on corporate exercise	(252)	(130)
Marketing expenses	-	(1,888)
	-	(1,888)
Companies in which Directors have significant financial interest		
Revenue from data, voice and other services	50	49
Professional legal fees costs	-	(10)
	-	(10)

The Directors of the Group are of the opinion that the above transactions have been entered into in the normal course of business and have been established under negotiated terms.

By Order of the Board

MISNI ARYANI MUHAMAD
(LS 0009413)
Secretary

Selangor
27 August 2019