

TIME DOTCOM BERHAD
(413292-P)
Incorporated in Malaysia

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE SECOND QUARTER ENDED 30 JUNE 2014

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 30/6/2014	Preceding year corresponding quarter 30/6/2013	Six months to 30/6/2014	Six months to 30/6/2013
	RM'000	RM'000	RM'000	RM'000
Operating revenue	155,743	134,073	287,624	267,084
Operating expenses				
- depreciation and amortisation of property, plant and equipment	(21,470)	(17,839)	(41,703)	(35,317)
- other operating expenses*	(98,300)	(83,968)	(187,859)	(168,493)
Other operating income (net)	863	799	1,323	1,276
Profit from operations	36,836	33,065	59,385	64,550
Investment income	10,350	11,981	21,663	20,250
Realisation of fair value gain from available-for-sale financial assets to profit or loss	38	349,354	38	349,354
Finance expense*	(1,934)	(1,996)	(3,978)	(3,864)
Profit before income tax	45,290	392,404	77,108	430,290
Income tax expense	(1,630)	(2,055)	(4,122)	(3,857)
Profit for the period	43,660	390,349	72,986	426,433
Attributable to owners of:				
- the Company	44,001	390,349	73,416	426,433
- non-controlling interests	(341)	-	(430)	-
Profit for the period	43,660	390,349	72,986	426,433
Other comprehensive income:				
Foreign currency translation	(1,276)	1,378	(1,060)	2,397
Realisation of fair value gain from available-for-sale financial assets to profit or loss	(38)	(349,354)	(38)	(349,354)
Fair value gain/(loss) on available-for-sale financial assets	46,763	30,248	105,917	(151,252)
Other comprehensive income/(expense) for the period	45,449	(317,728)	104,819	(498,209)
Total comprehensive income/(expense) for the period	89,109	72,621	177,805	(71,776)
Attributable to owners of:				
- the Company	89,450	72,621	178,235	(71,776)
- non-controlling interests	(341)	-	(430)	-
Total comprehensive income/(expense) for the period	89,109	72,621	177,805	(71,776)
Earnings per share				
Basic and diluted (based on weighted average number of ordinary shares)	7.68 sen	68.11 sen	12.81 sen	74.41 sen

* Included in finance expense in the preceding year corresponding quarter is amortisation of borrowings costs of RM88,000 (HY2013: RM166,000) which had been previously classified under "other operating expenses". The comparative figure has been reclassified to conform with current period's presentation.

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 2013.

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II. CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Unaudited As at 30/6/2014 RM'000	Audited As at 31/12/2013 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	828,141	811,923
Deferred tax assets	211,555	212,764
Available-for-sale financial assets	787,880	681,897
Intangible assets	213,959	213,959
Trade and other receivables	10,636	10,862
	<u>2,052,171</u>	<u>1,931,405</u>
Current assets		
Trade and other receivables	193,822	157,220
Tax recoverable	463	366
Restricted cash	36,248	34,917
Deposits, cash and bank balances	238,630	227,917
	<u>469,163</u>	<u>420,420</u>
Total assets	<u>2,521,334</u>	<u>2,351,825</u>
EQUITY AND LIABILITIES		
Equity attributable to owners of the Company		
Share capital	286,547	286,547
Reserves	1,895,317	1,717,082
	<u>2,181,864</u>	<u>2,003,629</u>
Non-controlling interests	1,070	-
Total equity	<u>2,182,934</u>	<u>2,003,629</u>
Non-current liabilities		
Deferred tax liabilities	5,478	5,469
Loans and borrowings	89,196	130,477
Deferred income	4,010	-
	<u>98,684</u>	<u>135,946</u>
Current liabilities		
Trade and other payables	189,659	176,364
Loans and borrowings	49,263	35,260
Provision for tax	794	626
	<u>239,716</u>	<u>212,250</u>
Total liabilities	<u>338,400</u>	<u>348,196</u>
Total equity and liabilities	<u>2,521,334</u>	<u>2,351,825</u>
Net assets per share attributable to ordinary owners of the Company	<u>RM3.81</u>	<u>RM3.50</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 2013.

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III. CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Unaudited Six months to 30/6/2014 RM'000	Unaudited Six months to 30/6/2013 RM'000
Operating Activities		
Cash receipts from customers	291,779	252,584
Transfer to restricted cash and bank balances	(1,331)	(4,459)
Cash payments to suppliers	(95,739)	(113,346)
Cash payments to employees and for administrative expenses	(97,816)	(73,864)
Cash generated from operations	96,893	60,915
Tax paid	(2,833)	(3,550)
Tax refund	-	15
Net cash generated from operating activities	94,060	57,380
Investing Activities		
Purchase of property, plant and equipment	(74,010)	(100,922)
Proceeds from disposal of property, plant and equipment	191	73
Proceeds from other investments	145	-
Investment income received	21,536	20,261
Net cash used in investing activities	(52,138)	(80,588)
Financing Activities		
Proceeds from term loans and other borrowings	1,246	9,000
Repayment of term loans and other borrowings	(26,292)	(3,922)
Repayment of finance lease liabilities	(1,786)	(1,726)
Finance charges paid	(3,892)	(3,688)
Net cash used in financing activities	(30,724)	(336)
Net change in Cash and Cash Equivalents	11,198	(23,544)
Effect of exchange rate fluctuations on cash held	(485)	131
Cash and Cash Equivalents as at beginning of financial period	227,917	223,845
Cash and Cash Equivalents as at end of financial period	Note (a) 238,630	200,432
Note:		
(a) Cash and Cash Equivalents comprise the following amounts:		
Cash and bank balances	37,757	55,884
Deposits with licensed banks	237,121	171,667
	274,878	227,551
Restricted cash	(36,248)	(27,119)
	238,630	200,432

Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Annual Audited Financial Statements for the year ended 31 December 2013.

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IV. CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	←----- Attributable to owners of the Company -----→						←----- Distributable -----→		
	←----- Non-distributable -----→		Foreign Currency		Attributable to owners of the Company				
Six months ended 30 June 2014 (unaudited)	Share Capital	Share Premium	Available-for-Sale Reserve	Translation Reserve	Capital Reserve	Retained Earnings	Company	Non-controlling interests	Total Equity
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Balance as at 1 January 2014	286,547	844,686	382,136	3,753	8,760	477,747	2,003,629	-	2,003,629
Sale of subsidiary shares to non-controlling interests	-	-	-	-	-	-	-	1,500	1,500
Exchange differences recognised directly in equity	-	-	-	(1,060)	-	-	(1,060)	-	(1,060)
Profit/(loss) for the period	-	-	-	-	-	73,416	73,416	(430)	72,986
Realisation of fair value gain from available-for-sale financial assets to profit or loss	-	-	(38)	-	-	-	(38)	-	(38)
Fair value gain on available-for-sale financial assets	-	-	105,917	-	-	-	105,917	-	105,917
Total comprehensive income/(expense) for the period	-	-	105,879	(1,060)	-	73,416	178,235	(430)	177,805
Balance as at 30 June 2014	286,547	844,686	488,015	2,693	8,760	551,163	2,181,864	1,070	2,182,934

	←----- Attributable to owners of the Company -----→						←----- Distributable -----→	
	←----- Non-distributable -----→		Foreign Currency		Attributable to owners of the Company			
Six months ended 30 June 2013 (unaudited)	Share Capital	Share Premium	Available-for-Sale Reserve	Translation Reserve	Capital Reserve	Retained Earnings	Total Equity	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
Balance as at 1 January 2013	286,547	844,686	855,250	(1,005)	8,760	485,606	2,479,844	
Dividend-in-specie paid	-	-	-	-	-	(649,193)	(649,193)	
Exchange differences recognised directly in equity	-	-	-	2,397	-	-	2,397	
Profit for the period	-	-	-	-	-	426,433	426,433	
Realisation of fair value gain from available-for-sale financial assets to profit or loss	-	-	(349,354)	-	-	-	(349,354)	
Fair value loss on available-for-sale financial assets	-	-	(151,252)	-	-	-	(151,252)	
Total comprehensive income/(expense) for the period	-	-	(500,606)	2,397	-	426,433	(71,776)	
Balance as at 30 June 2013	286,547	844,686	354,644	1,392	8,760	262,846	1,758,875	

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 2013.

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V. NOTES TO THE CONDENSED FINANCIAL STATEMENTS

1. Basis of Preparation

The interim financial statements have been 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 2013. 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 2013.

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 2013, except for the adoption of the following amendments to MFRSs and IC Interpretation:

Description		Effective for annual periods beginning on or after
Amendments to MFRS 10	<i>Consolidated Financial Statements: Investment Entities</i>	1 January 2014
Amendments to MFRS 12	<i>Disclosure of Interest in Other Entities: Investment Entities</i>	1 January 2014
Amendments to MFRS 127	<i>Separate Financial Statements (2011): Investment Entities</i>	1 January 2014
Amendments to MFRS 132	<i>Financial Instrument: Presentation - Offsetting Financial Assets and Financial Liabilities</i>	1 January 2014
Amendments to MFRS 136	<i>Impairment of Assets – Recoverable Amount Disclosures for Non-Financial Assets</i>	1 January 2014
Amendments to MFRS 139	<i>Financial Instruments: Recognition and Measurement – Novation of Derivatives and Continuation of Hedge Accounting</i>	1 January 2014
IC Interpretation 21	<i>Levies</i>	1 January 2014

The adoption of the above amendments and IC Interpretation did not have any material financial impact to the financial statements of the Group.

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

Description		Effective for annual periods beginning on or after
MFRS 9	<i>Financial Instruments (2009)</i>	To be announced by MASB
MFRS 9	<i>Financial Instruments (2010)</i>	To be announced by MASB
MFRS 9	<i>Financial Instruments (Hedge Accounting and Amendments to MFRS9, MFRS7 and MFRS139)</i>	To be announced by MASB
MFRS 14	<i>Regulatory Deferral Accounts</i>	1 January 2016
Amendments to MFRS 7	<i>Disclosures – Mandatory Effective Date of MFRS 9 and Transition Disclosures</i>	To be announced by MASB
Amendments to MFRS 11	<i>Accounting for Acquisitions of Interests in Joint Operations</i>	1 January 2016
Amendments to MFRS 116 and MFRS 138	<i>Clarification of Acceptable Methods of Depreciation and Amortisation</i>	1 January 2016
Amendments to MFRS 119	<i>Employee Benefits – Defined Benefit Plans: Employee Contributions</i>	1 July 2014
	<i>Annual Improvements to MFRSs, 2010 – 2012 cycle</i>	1 July 2014
	<i>Annual Improvements to MFRSs, 2011 – 2013 cycle</i>	1 July 2014

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 to the financial statements of the Group, except for MFRS 9, Financial Instruments. The Group is currently assessing the impact of adopting MFRS 9.

3. Audit report in respect of the 2013 financial statements

The audit report on the Group's financial statements for the financial year ended 31 December 2013 was not qualified.

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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 items affecting assets, liabilities, equity, net income, or cash flows that were unusual because of their nature, size or incidence in the current period and corresponding period in 2013, other than:

- i) The realisation of available-for-sale reserve amounting to RM349,354,000 arising from the partial distribution of quoted equity investments held by the Company in a form of a dividend-in-specie to its shareholders in June 2013; and
- ii) Receipt of RM4,010,000 arising from pre-sale of a portion of the ASIA-AFRICA-EUROPE - 1 ("AAE-1") submarine cable system in the current quarter. The Group has pre-sold a portion of AAE-1 submarine cable system prior to its completion. The amount received from the pre-sale will be recorded as a deferred income in the Consolidated Statement of Financial Position until the said submarine cable is completed in 2016 where the difference between the proceeds from the pre-sale and portion of carrying amount sold will be recognised net in profit or loss.

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 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 2014.

8. Dividend

The Group has not declared or paid any dividend during the current quarter ended 30 June 2014.

9. Operating segments

Group	Individual Quarter		Cumulative Quarter	
	Current year quarter	Preceding year corresponding quarter	Six months to	Six months to
	30/6/2014	30/6/2013	30/6/2014	30/6/2013
	RM'000	RM'000	RM'000	RM'000
Operating Revenue*				
Voice	18,011	19,584	35,477	38,312
Data	120,846	99,756	219,200	199,976
Data Centre	15,969	14,314	31,156	28,019
Others	917	419	1,791	777
	155,743	134,073	287,624	267,084
Operating Expenses:				
Depreciation and amortisation of property, plant and equipment	(21,470)	(17,839)	(41,703)	(35,317)
Other operating expenses	(98,300)	(83,968)	(187,859)	(168,493)
Other operating income (net)	863	799	1,323	1,276
Profit from operations	36,836	33,065	59,385	64,550
Investment income	10,350	11,981	21,663	20,250
Realisation of fair value gain from available- for-sale financial assets to profit or loss	38	349,354	38	349,354
Finance expense	(1,934)	(1,996)	(3,978)	(3,864)
Profit before income tax	45,290	392,404	77,108	430,290

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9. Operating segments (continued)

Geographical locations

Group	Individual Quarter		Cumulative Quarter	
	Current year quarter	Preceding year corresponding quarter	Six months to	Six months to
	30/6/2014	30/6/2013	30/6/2014	30/6/2013
	RM'000	RM'000	RM'000	RM'000
Operating Revenue				
Within Malaysia	136,650	129,364	267,718	257,844
Outside Malaysia	19,093	4,709	19,906	9,240
	155,743	134,073	287,624	267,084

* The Group had reviewed the presentation and classification of its revenue by product segment and accordingly, the comparative have been reclassified to be consistent with the current period presentation.

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 2013.

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

On 11 August 2014, the Company announced that Global Transit 2 Limited ("GT2"), a wholly-owned subsidiary of the Company, has entered into a Joint Build Agreement, Supply Contract and other related agreements for the construction and maintenance of the FASTER cable system ("FASTER") with five other consortium members. GT2's gross investment in FASTER is estimated to be USD56 million. FASTER is expected to commence construction immediately and is targeted for completion in 2016.

In the opinion of the Directors, saved as disclosed above, there are no other items, transactions or events of a material and unusual nature which have arisen since 30 June 2014 to 15 August 2014 (being the latest practicable date) which would substantially affect the financial results of the Group.

12. Changes in the composition of the Group during the six month period ended 30 June 2014

- (a) On 29 January 2014, the Company acquired the entire issued and paid-up share capital of a shelf company known as Fantastic Fiesta Sdn Bhd ("FFSB"). The paid-up share capital of FFSB at the time of acquisition was RM2.00 comprising 2 ordinary shares of RM1.00 each.
- (b) On 27 February 2014, the Company, FFSB and Planet Tapir Sdn Bhd (another wholly-owned subsidiary of the Company) entered into an Asset Purchase Agreement and Shareholders' Agreement which would, inter-alia, reduce the Group's stake in FFSB to 70% in exchange for net assets worth RM3,000,000 to be injected into FFSB by a third party. FFSB, in turn, will allot issued and paid-up share capital to the said third party in two equal tranches of RM1,500,000 each. The said injection of net assets and first tranche of allotment was completed in the preceding financial quarter.
- (c) TIME dotCom Berhad ("the Company") announced on 3 April 2014 that Information Edge Sdn Bhd ("IESB"), a wholly-owned dormant subsidiary of the Company, has been struck off the register pursuant to Section 308(4) of the Companies Act, 1965 and has accordingly been dissolved.
- (d) On 4 April 2014, the Company incorporated a new wholly-owned subsidiary in Labuan, Federal Territory, Malaysia known as Global Transit 2 Limited ("GT2"). The issued and paid-up share capital of GT2 is USD2.00 comprising 2 ordinary shares of USD1.00 each. The principal activity of GT2 is provision of telecommunication services.
- (e) The Company announced on 15 April 2014 that Hakikat Pasti Sdn Bhd ("HPSB"), a wholly-owned dormant subsidiary of the Company, has been struck off the register pursuant to Section 308(4) of the Companies Act, 1965 and has accordingly been dissolved.

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12. Changes in the composition of the Group during the six month period ended 30 June 2014 (continued)

- (f) On 15 April 2014, the Company announced its participation in the ASIA-AFRICA-EUROPE-1 ("AAE-1") submarine cable system via the signing of the Construction and Maintenance Agreement along with 16 other consortium members. The Company's gross investment in AAE-1 including the Malaysian cable landing station is estimated at USD44 million. AAE-1 is targeted for completion in 2016.
- (g) On 10 June 2014, the Company incorporated a new wholly-owned subsidiary in Labuan, Federal Territory, Malaysia known as Global Transit 3 Limited ("GT3"). The issued and paid-up share capital of GT3 is USD2.00 comprising 2 ordinary shares of USD1.00 each. The principal activity of GT3 is provision of telecommunication services.
- (h) On 11 June 2014, the Company incorporated a new wholly-owned subsidiary in Labuan, Federal Territory, Malaysia known as Global Transit 5 Limited ("GT5"). The issued and paid-up share capital of GT5 is USD2.00 comprising 2 ordinary shares of USD1.00 each. The principal activity of GT5 is provision of telecommunication services.

13. Contingent liabilities/assets

There were no changes in the contingent liabilities or contingent assets since 31 December 2013 other than as disclosed in Note 20.

14. Capital commitments

	As at 30/6/2014 RM'000
Property, plant and equipment	
a) Approved and contracted but not provided for in the financial statements	336,776
b) Approved but not contracted for	42,581

15. Income tax

The income tax expense for the Group in the current quarter and financial period ended 30 June 2014 was made up as follows:

	Individual Quarter		Cumulative Quarter	
	Current year quarter	Preceding year corresponding quarter	Six months to	Six months to
	30/6/2014	30/6/2013	30/6/2014	30/6/2013
Group	RM'000	RM'000	RM'000	RM'000
Income tax:				
- Current year	1,452	1,732	2,907	2,712
- Under provision in prior years	(3)	-	(3)	-
	1,449	1,732	2,904	2,712
Deferred tax:				
- Origination and reversal of temporary differences	181	323	1,218	1,145
Total	1,630	2,055	4,122	3,857

The effective tax rates of the Group for the current and preceding year corresponding quarters and financial year-to-date are lower than the statutory tax rate of 25% principally due to 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.

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16. Investments in quoted securities

- a) During the immediate preceding quarter, the Company received quoted securities as settlement-in-kind for debts owed to the Group. The amount of quoted securities received were valued at RM212,213 at the point of receipt.

During the current quarter, the Group disposed a portion of the said quoted securities costing RM107,213 and realised a fair value gain from the disposal of RM37,553.

- b) Particulars of investments in quoted securities are as follows:-

	As at 30/6/2014 RM'000
Quoted Securities in Malaysia:	
- Cost	342,378
- At book value	787,780
- At market value (fair value)	787,780

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

There are no corporate proposals, which have been announced but not completed as at 15 August 2014, being the latest practicable date.

18. Loans and Borrowings

The loans and borrowings as at 30 June 2014 are as follows:

	Amount repayable in one year or on demand RM'000	Amount repayable after one year RM'000	Total RM'000
<u>Secured:</u>			
Finance lease liabilities in RM	2,102	656	2,758
Loans and borrowings			
- Denominated in RM	34,493	72,361	106,854
- Denominated in USD	12,668	16,179	28,847
	49,263	89,196	138,459

19. Off Balance Sheet financial instruments

The cash and cash equivalents of the Group, as at 30 June 2014, do not include a bank balance amounting to RM2,659,000 (31.12.2013: RM8,476,000) 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 above, the Group does not have any off balance sheet financial instruments as at the date of this quarterly report.

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20. Material litigation

Material litigation since the date of the last audited financial statements of the Group up to 15 August 2014, being the latest practicable date, is as follows:

Former employees of TIME Reach Sdn. Bhd (“Plaintiffs”) vs TIME dotCom Berhad (“the Company”)

On 2 July 2014, the Company’s solicitor was served with a Writ of Summons and Statement of Claim from the former employees of TIME Reach Sdn. Bhd (“TRSB”) claiming damages for termination of their employment in TRSB, a former subsidiary of the Company. On 15 April 2009, the Company had completely disposed off TRSB to PayComm Sdn Bhd (“PayComm”). The plaintiffs are claiming, inter-alia, the following:

- (i) general damages amounting to RM22,223,996.85 as at 15 April 2009;
- (ii) termination benefits as at 15 April 2009;
- (iii) aggravated and exemplary damages;
- (iv) interest of 4% per annum calculated from the date of judgment until the date of full settlement;
- (v) cost of this action; and
- (vi) further or other relief as the Court deems fit and proper.

Previously,, some of the Plaintiffs had filed claims against the Company and PayComm Network Sdn Bhd (“formerly TRSB”) in Industrial Courts in Kuala Lumpur, Penang, Ipoh, Johor Bahru and Alor Setar. The respective courts had either struck off the claims as against the Company or allowed the Company to be removed as a party.

The Company’s appointed solicitors will be providing advice to resolve and/or defend the claim. The Board considers the above claim to be unfounded and frivolous.

21. Comparison between the current quarter (“Q2 2014”) and the immediate preceding quarter (“Q1 2014”)

The Group’s consolidated revenue in the current quarter of RM155.7 million was RM23.8 million or 18.0% higher than the consolidated revenue recorded in the immediate preceding quarter of RM131.9 million. The higher revenue in the current quarter is mainly attributed to higher data revenues predominantly coming from global bandwidth sales and income from non-recurring contracts totalling RM21.0 million. There were no non-recurring revenues from global bandwidth sales or one-time non-recurring contracts in Q1 2014.

The Group’s pre-tax profit in the current quarter also increased by RM13.5 million or 42.5% to RM45.3 million from Q1 2014 of RM31.8 million. The improvement is mainly due to the higher margins generated from the increased global bandwidth sales and one-time non-recurring contracts despite higher depreciation charges and lower dividend income from the Group’s quoted equity investment in Q2 2014.

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

(a) Current quarter (“Q2 2014”) versus preceding year corresponding quarter (“Q2 2013”)

The Group reported a consolidated revenue in the current quarter of RM155.7 million, which is an increase of RM21.6 million or 16.1% from the consolidated revenue of RM134.1 million reported in Q2 2013. The improvement comes principally on the back of higher data revenue (i.e. higher global bandwidth sales) as well as higher data centre revenue. Revenue from one-time non-recurring contracts in Q2 2014 was lower at RM3.3 million (Q2 2013: RM4.3 million). Voice revenue in Q2 2014 was RM1.6 million lower when compared to Q2 2013 due to lower voice traffic.

Note that pre-tax profit in Q2 2013 included a fair value gain on the realisation of available-for-sale reserve amounting to RM349.4 million as mentioned in Note 5. Excluding the said fair value gain arising from the realisation of available-for-sale reserves of RM349.4 million in Q2 2013, the Group would have posted an increase in pre-tax profits in Q2 2014 of RM2.3 million when compared to Q2 2013. The said increase in pre-tax profits in the current quarter is due to higher revenues recorded during the quarter offset by the following:

- i) Higher depreciation charges in Q2 2014 when compare to Q2 2013;
- ii) Lower dividend income received from the Group’s quoted equity investments; and
- iii) Net loss on foreign exchange of RM892,000 in Q2 2014 when compared to the net gain on foreign exchange of RM517,000 recorded in Q2 2013.

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

(b) Half year period ended 30 June 2014 (“HY 2014”) versus half year period ended 30 June 2013 (“HY 2013”)

The Group’s consolidated revenue in HY 2014 increased by RM20.5 million or 7.7% to RM287.6 million when compared to the consolidated revenue of RM267.1 million recorded in HY 2013. The increase in consolidated revenue in HY 2014 arises from continued growth in data and data centre revenues notwithstanding the decline recorded in revenue from one-time non-recurring contracts from RM12.8 million in HY 2013 to RM3.3 million in HY 2014. Revenue from the voice business was lower in HY 2014 due to lower voice traffic.

Excluding the fair value gain on the realisation of available-for-sale reserves following the partial distribution of quoted investment as dividend-in-specie to shareholders of RM349.4 million recorded in HY 2013 and income from one-time non-recurring contracts amounting to RM3.3 million in HY 2014 (HY 2013: RM12.8 million), the Group would have posted an adjusted pre-tax profit in HY 2014 of RM73.8 million, an increase of RM5.7 million or 8.4% higher compared to the adjusted pre-tax profit of RM68.1 million recorded in HY 2013. The higher pre-tax profit can be attributed to the continued growth in the data and data centre businesses and higher investment income despite an increase in depreciation charges and the net loss on foreign exchange of RM1.3 million recorded in HY 2014 when compared the net gain on foreign exchange of RM800,000 recorded in HY 2013.

23. Profit before income tax

	Individual Quarter		Cumulative Quarter	
	Current year quarter	Preceding year corresponding quarter	Six months to	Six months to
Group	30/6/2014	30/6/2013	30/6/2014	30/6/2013
	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	(21,470)	(17,839)	(41,703)	(35,317)
Write off of property, plant and equipment	-	(201)	-	(201)
Amortisation of borrowing costs	(145)	(88)	(306)	(166)
Interest expense	(1,789)	(1,908)	(3,672)	(3,698)
Interest income from short term deposits	1,828	1,531	3,519	2,925
Dividend income from quoted equity investment	8,522	10,450	18,144	17,325
Realisation of fair value gain from available-for-sale financial assets to profit or loss	38	349,354	38	349,354
Rental income	48	59	94	112
Bad debt recovered	183	56	369	179
Net (loss)/gain on foreign exchange	(892)	517	(1,340)	800
Net (allowance)/reversal for doubtful debts	(301)	566	(716)	(121)
Net gain on disposal of property, plant and equipment	186	68	186	73

Other than the realisation of the fair value gain from available-for-sale reserve equity account following the disposal of quoted securities during the current quarter as disclosed above and in Note 16, 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.

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24. Prospects

The Group will continue to focus its efforts to increase market share and to deliver its customers a good and uninterrupted network experience, improve its product and solution offerings, seek out potential new growth opportunities within the telecommunications and its related sectors, enhance operational and cost efficiencies throughout the Group, while further expanding and strengthening its underlying fibre network and coverage footprints. Demand for higher speed bandwidth services and fibre connectivity requirements by mobile operators for their network modernization and LTE network rollout is expected to continue throughout 2014 and is expected to provide avenues for additional data revenue to the Group.

The Group will also look into unlocking the potential of its data centre, submarine cable and global bandwidth businesses by continuing to leverage on organic growth and opportunities for further expansion both within and outside Malaysia, particularly within the ASEAN region and to optimise customer acquisitions in its existing footprint in partnership with Astro, as well as its own product offerings via the Group's own Fibre-to-the-Office ("FTTO") and Fibre-to-the-Home ("FTTH") products.

The Group's existing submarine cable investments that include a stake in Unity Cable System that connects Japan and the United States, and the Asia-Pacific Gateway (APG), that links Malaysia to Korea and Japan (expected to be completed next year) coupled with the Group's recent participation in the consortium to build AAE-1, a submarine cable system that will link Asia, Africa, Europe and the Middle East via Malaysia and FASTER, another submarine cable system that would link Japan to the United States (targeted to be completed in 2016) are expected to further enhance the Group's global network footprint.

These abovementioned initiatives may be capital intensive and may result in some margin compression for the Group in 2014 and 2015. The said initiatives are, however, necessary to ensure continued revenue growth in the future and are expected to benefit the Group in the longer term.

The results of the Group for 2014 is expected to remain positive.

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 year quarter	Preceding year corresponding quarter	Six months to	Six months to
	30/6/2014	30/6/2013	30/6/2014	30/6/2013
Weighted average number of shares in issue ('000)	<u>573,093</u>	<u>573,093</u>	<u>573,093</u>	<u>573,093</u>
Profit for the period attributable to owners of the Company (RM'000)	<u>44,001</u>	<u>390,349</u>	<u>73,416</u>	<u>426,433</u>
Basic and diluted earnings per share	<u>7.68 sen</u>	<u>68.11 sen</u>	<u>12.81 sen</u>	<u>74.41 sen</u>

27. Comparative figures

Certain comparative figures have been reclassified to conform with the current period presentation as disclosed below:

Statements of profit or loss and other comprehensive income

	As restated		As previously stated	
	Preceding year corresponding quarter	Six months to	Preceding year corresponding quarter	Six months to
	30/6/2013	30/6/2013	30/6/2013	30/6/2013
Other operating expenses	(83,968)	(168,493)	(84,056)	(168,659)
Finance expense	<u>(1,996)</u>	<u>(3,864)</u>	<u>(1,908)</u>	<u>(3,698)</u>

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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 the directive issued by Bursa Malaysia Securities Berhad ("Bursa Malaysia") on 25 March 2010, is as follows:

	As at 30/6/2014 RM'000	As at 31/12/2013 RM'000
Total retained earnings of the Group		
- Realised	344,915	270,164
- Unrealised	206,248	207,583
Total retained earnings	551,163	477,747

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 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
22 August 2014