

Quarterly rpt on consolidated results for the financial period ended 30 Jun 2017

TIME DOTCOM BERHAD

Financial Year End	31 Dec 2017
Quarter	2 Qtr
Quarterly report for the financial period ended	30 Jun 2017
The figures	have not been audited

Attachments

TdC-2nd Qtr Financial Results-30-6-2017.pdf
301.6 kB

Default Currency Other Currency

Currency: Malaysian Ringgit (MYR)

SUMMARY OF KEY FINANCIAL INFORMATION 30 Jun 2017

	INDIVIDUAL PERIOD		CUMULATIVE PERIOD	
	CURRENT YEAR QUARTER	PRECEDING YEAR CORRESPONDING QUARTER	CURRENT YEAR TO DATE	PRECEDING YEAR CORRESPONDING PERIOD
	30 Jun 2017	30 Jun 2016	30 Jun 2017	30 Jun 2016
	\$\$'000	\$\$'000	\$\$'000	\$\$'000
1 Revenue	205,321	175,433	423,739	350,630
2 Profit/(loss) before tax	37,880	201,173	93,394	240,481
3 Profit/(loss) for the period	35,880	199,795	88,928	237,391
4 Profit/(loss) attributable to ordinary equity holders of the parent	35,880	199,795	88,928	237,391
5 Basic earnings/(loss) per share (Subunit)	6.20	34.71	15.38	41.24
6 Proposed/Declared dividend per share (Subunit)	0.00	13.30	0.00	13.30
	AS AT END OF CURRENT QUARTER		AS AT PRECEDING FINANCIAL YEAR END	
7 Net assets per share attributable to ordinary equity holders of the parent (\$\$)		3.7600		3.7700

Definition of Subunit:

*In a currency system, there is usually a main unit (base) and subunit that is a fraction amount of the main unit.
Example for the subunit as follows:*

Country	Base Unit	Subunit
Malaysia	Ringgit	Sen
United States	Dollar	Cent
United Kingdom	Pound	Pence

Announcement Info

Company Name	TIME DOTCOM BERHAD
Stock Name	TIMECOM
Date Announced	28 Aug 2017
Category	Financial Results
Reference Number	FRA-15082017-00007

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(413292-P)
Incorporated in Malaysia

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE SECOND QUARTER ENDED 30 JUNE 2017

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 30/6/2017 RM'000	Preceding year corresponding quarter 30/6/2016 RM'000	Six months to 30/6/2017 RM'000	Six months to 30/6/2016 RM'000
Operating revenue	205,321	175,433	423,739	350,630
Operating expenses				
- depreciation and amortisation of property, plant and equipment	(27,018)	(22,003)	(54,017)	(43,766)
- other operating expenses	(142,519)	(119,125)	(282,391)	(237,107)
Other operating income (net)	148	8,086	1,397	8,379
Profit from operations	35,932	42,391	88,728	78,136
Investment income	3,210	2,307	6,974	7,548
Realisation of fair value gain from available-for-sale reserve to profit or loss	-	157,390	-	157,390
Finance expense	(2,040)	(1,467)	(4,074)	(3,056)
Share of profit from equity-accounted investments, net of tax	778	552	1,766	463
Profit before income tax	37,880	201,173	93,394	240,481
Income tax expense	(2,000)	(1,378)	(4,466)	(3,090)
Profit for the period attributable to owners of the Company	35,880	199,795	88,928	237,391
Other comprehensive income/(loss):				
Foreign currency translation differences for foreign operations	(5,227)	(122)	(7,528)	(8,455)
Fair value gain/(loss) on available-for-sale financial assets	780	(32,304)	780	(63,919)
Realisation of fair value gain from available-for-sale reserve to profit or loss	-	(157,390)	-	(157,390)
Other comprehensive loss for the period	(4,447)	(189,816)	(6,748)	(229,764)
Total comprehensive income for the period attributable to owners of the Company	31,433	9,979	82,180	7,627
Earnings per share (based on weighted average number of ordinary shares)				
- Basic	6.20	34.71	15.38	41.24
- Diluted	6.14	34.51	15.22	41.01

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 2016.



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II. CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Unaudited As at 30/6/2017	Audited As at 31/12/2016
	RM'000	RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	1,371,597	1,360,361
Intangible assets	213,959	213,959
Investments in equity-accounted investments	113,015	111,249
Other investments	13,019	9,247
Deferred tax assets	259,980	259,359
Trade and other receivables	9,695	9,929
	<u>1,981,265</u>	<u>1,964,104</u>
Current assets		
Tax recoverable	3,509	3,715
Trade and other receivables	305,934	264,449
Restricted cash	6,726	8,733
Cash and cash equivalents	429,289	506,299
	<u>745,458</u>	<u>783,196</u>
Total assets	<u>2,726,723</u>	<u>2,747,300</u>
EQUITY AND LIABILITIES		
Equity		
Share capital	1,154,732	289,147
Reserves	1,020,690	1,893,746
Total equity attributable to owners of the Company	<u>2,175,422</u>	<u>2,182,893</u>
Non-current liabilities		
Loans and borrowings	150,020	169,658
Trade and other payables	11,538	49,504
Deferred tax liabilities	12,216	10,209
	<u>173,774</u>	<u>229,371</u>
Current liabilities		
Loans and borrowings	31,579	5,799
Trade and other payables	343,958	327,920
Provision for tax	1,990	1,317
	<u>377,527</u>	<u>335,036</u>
Total liabilities	<u>551,301</u>	<u>564,407</u>
Total equity and liabilities	<u>2,726,723</u>	<u>2,747,300</u>
Net assets per share attributable to ordinary owners of the Company	<u>RM 3.76</u>	<u>RM3.77</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 2016.

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III. CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Unaudited	Unaudited
	Six	Six
	months to	months to
	30/6/2017	30/6/2016
	RM'000	RM'000
Operating Activities		
Cash receipts from customers	412,901	468,471
Transfer from/(to) restricted cash and bank balances	2,007	(309)
Cash payments to suppliers	(152,671)	(137,222)
Cash payments to employees and for administrative expenses	(123,944)	(106,448)
Cash generated from operations	138,293	224,492
Tax paid	(2,201)	(3,872)
Tax refund	-	840
Net cash generated from operating activities	136,092	221,460
Investing Activities		
Acquisition of property, plant and equipment	(117,658)	(202,813)
Proceeds from sale on other investments	-	311,301
Acquisition of other investments	(2,992)	(1,551)
Investment in equity-accounted investments	-	(51,486)
Investment income received	6,345	6,493
Net cash (used in)/generated from investing activities	(114,305)	61,944
Financing Activities		
Proceeds from term loans and other borrowings	13,200	52,045
Repayment of term loans and other borrowings	-	(71,615)
Advance to equity accounted investee	(2,929)	(4,179)
Repayment of finance lease liabilities	(1,168)	(2,156)
Finance charges paid	(3,498)	(2,626)
Transaction cost paid	-	(2,393)
Dividend paid	(100,045)	(38,565)
Net cash used in financing activities	(94,440)	(69,489)
Net change in Cash and Cash Equivalents	(72,653)	213,915
Effect of exchange rate fluctuations on cash held	(4,357)	(2,059)
Cash and Cash Equivalents as at beginning of financial period	506,299	242,494
Cash and Cash Equivalents as at end of financial period	429,289	454,350
	Note (a)	
Note:		
(a) Cash and Cash Equivalents comprise the following amounts:		
Cash and bank balances	109,527	63,124
Deposits with licensed banks	326,488	402,294
	436,015	465,418
Restricted cash	(6,726)	(11,068)
	429,289	454,350

Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Annual Audited Financial Statements for the year ended 31 December 2016.

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IV. CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	←----- Non-distributable -----→				←----- Distributable -----→			Total equity, attributable to owners of the Company
	Share Capital	Share Premium	Available- for-Sale Reserve	Foreign Currency Translation Reserve	Share Grant/ Option Reserves	Capital Reserve	Retained Earnings	
Six months to 30 June 2017 (unaudited)	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Balance as at 1 January 2017	289,147	865,585	-	37,380	26,860	8,760	955,161	2,182,893
Transfer in accordance with Section 618(2) of Companies Act 2016 (Note a)	865,585	(865,585)	-	-	-	-	-	-
Dividend paid	-	-	-	-	-	(8,760)	(91,285)	(100,045)
Employee share grant plan/option scheme	-	-	-	-	10,394	-	-	10,394
Profit for the period	-	-	-	-	-	-	88,928	88,928
Fair value gain on available-for- sale financial assets	-	-	780	-	-	-	-	780
Exchange differences recognised directly in equity	-	-	-	(7,528)	-	-	-	(7,528)
Total comprehensive income/(expense) for the period	-	-	780	(7,528)	-	-	88,928	82,180
Balance as at 30 June 2017	1,154,732	-	780	29,852	37,254	-	952,804	2,175,422

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

Note (a):

In accordance with Section 618 of the Companies Act, 2016, any credits standing in the share premium account has been transferred to the Company's share capital account with effect from 31 January 2017. The Company has twenty-four months after commencement of the Companies Act, 2016 to utilise the credit.

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 2016.

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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 2016. 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 2016.

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 2016, except for the adoption of the following standards, amendments and annual improvements to MFRSs with a date of initial application on 1 January 2017:

Description	
Amendments to MFRS 107	<i>Statement of Cash Flows – Disclosure Initiative</i>
Amendments to MFRS 12	<i>Disclosure of Interests in Other Entities (Annual Improvements to MFRS Standards 2014-2016 Cycle)</i>
Amendments to MFRS 112	<i>Income taxes – Recognition of Deferred Tax Assets for Unrealised Losses</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 1	<i>First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements to MFRS Standards 2014-2016 Cycle)</i>	1 January 2018
Amendments to MFRS 2	<i>Classification and Measurement of Share-based Payment Transactions</i>	1 January 2018
Amendments to MFRS 128	<i>Investments in Associates and Joint Ventures (Annual Improvements to MFRS Standards 2014-2016 Cycle)</i>	1 January 2018
Amendments to MFRS 140	<i>Investment Property – Transfer of Investment Property</i>	1 January 2018
Clarifications to MFRS 15	<i>Revenue from Contracts with Customers</i>	1 January 2018
IC Interpretation 22	<i>Foreign Currency Transactions and Advance Consideration</i>	1 January 2018
IC Interpretation 23	<i>Uncertainty over Income Tax Treatments</i>	1 January 2019
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
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

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2. Significant accounting policies (continued)

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.

3. Audit report in respect of the 2016 financial statements

The audit report on the Group's financial statements for the financial year ended 31 December 2016 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

The construction of the Asia-Africa-Europe-1 cable system ("AAE-1") was deemed partially "Ready-for-Service" on 27 June 2017. All segments have been completed except for the routes to Yemen, Myanmar, Cambodia, Singapore and Hong Kong. The remaining routes of the cable system are currently planned to be "Ready-for-Service" before the end of the year.

Other than as disclosed 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 a 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 2017. Debt and equity securities issued subsequent to 30 June 2017 until 23 August 2017 (being the latest practicable date) are as follows:

- a) On 7 July 2017, TIME dotCom Berhad ("TIME") issued its first tranche of Sukuk Murabahah amounting to RM3.0 million in nominal value ("First Tranche Sukuk Murabahah") pursuant to a Islamic Medium Term Notes Programme ("IMTN Programme") approved in 2015. The salient terms and conditions of the First Tranche Sukuk Murabahah are set out below:

Issue Size	:	RM3.0 million in nominal value
Issue Price	:	100% of the Issue Size
Tenure	:	367 days
Periodic Distribution Rate	:	4.55% per annum
Periodic Distribution frequency	:	semi - annual
Maturity date	:	9 July 2018

In accordance with the terms of the IMTN Programme, proceeds from the First Tranche Sukuk Murabahah shall be utilised for general corporate purposes (including but not limited to the refinancing of credit facilities and/or working capital requirements) of TIME and/or its subsidiaries which shall be Shariah-compliant.

- b) On 18 July 2017, the Company issued 3,159,221 ordinary shares 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 RM9.50 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 2017, the Group paid an interim ordinary and a special interim tax exempt (single tier) dividend of 6.60 sen and 10.70 sen per ordinary share, respectively, in respect of the financial year ended 31 December 2016.

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9. Segmental Reporting

Group	Individual Quarter		Cumulative Quarter	
	Current year quarter	Preceding year corresponding quarter	Six months to	Six months to
	30/6/2017	30/6/2016	30/6/2017	30/6/2016
	RM'000	RM'000	RM'000	RM'000
Operating Revenue				
Voice	20,581	21,550	41,623	41,752
Data	154,698	131,290	324,258	262,762
Data centre	28,669	21,122	55,333	43,466
Others	1,373	1,471	2,525	2,650
	<u>205,321</u>	<u>175,433</u>	<u>423,739</u>	<u>350,630</u>
Operating Expenses:				
Depreciation and amortisation of property, plant and equipment	(27,018)	(22,003)	(54,017)	(43,766)
Other operating expenses	(142,519)	(119,125)	(282,391)	(237,107)
Other operating income (net)	148	8,086	1,397	8,379
Profit from operations	<u>35,932</u>	<u>42,391</u>	<u>88,728</u>	<u>78,136</u>
Investment income	3,210	2,307	6,974	7,548
Realisation of fair value gain from available-for-sale reserve to profit or loss	-	157,390	-	157,390
Finance expense	(2,040)	(1,467)	(4,074)	(3,056)
Share of profit from equity-accounted investments, net of tax	778	552	1,766	463
Profit before income tax	<u>37,880</u>	<u>201,173</u>	<u>93,394</u>	<u>240,481</u>
Geographical locations				
Operating Revenue				
Within Malaysia	195,000	172,760	384,915	344,738
Outside Malaysia	10,321	2,673	38,824	5,892
	<u>205,321</u>	<u>175,433</u>	<u>423,739</u>	<u>350,630</u>

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 2016.

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

In the opinion of the Directors, there are no items, transactions or events of a material and unusual nature which have arisen since 30 June 2017 to 23 August 2017 (being the latest practicable date) that will have a substantial effect on the financial results of the Group other than the issuance of the First Tranche Sukuk Murabahah on 7 July 2017 and the issuance of 3,159,221 ordinary shares in the Company to eligible employees pursuant to the Company's SGP as disclosed in Note 7.

12. Changes in the composition of the Group during the financial period ended 30 June 2017

There were no changes in the composition of the Group during the six months period ended 30 June 2017.

13. Contingent liabilities/assets

There were no changes in the contingent liabilities or contingent assets since 31 December 2016.

14. Capital commitments

	As at 30/6/2017 RM'000
Property, plant and equipment	
a) Approved and contracted but not provided for in the financial statements	199,567
b) Approved but not contracted for	22,569

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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
- 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 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 2017	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	-	-	13,019	13,019
Financial instruments not carried at fair value:				
Financial liabilities				
Term loans	-	-	180,517	180,517
Finance lease liabilities	-	-	1,082	1,082
	-	-	181,599	181,599

16. Income tax

The income tax expense for the Group for current quarter and financial period ended 30 June 2017 was made up as follows:

	Individual Quarter		Cumulative Quarter	
	Current year quarter	Preceding year corresponding quarter	Six months to	Six months to
	30/6/2017	30/6/2016	30/6/2017	30/6/2016
Group	RM'000	RM'000	RM'000	RM'000
Income tax:				
- Current year	1,774	931	3,080	2,647
Deferred tax:				
- Current year	12,815	447	25,736	443
- Recognition of previously unrecognised temporary differences	(12,589)	-	(24,350)	-
	226	447	1,386	443
Total	2,000	1,378	4,466	3,090

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% 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.

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

On 7 March 2017, the Group announced a proposal to acquire 37% of the issued and paid-up ordinary shares in Symphony Communication Public Company Limited ("SYMC"), a publicly listed company on the Stock Exchange of Thailand via a conditional partial voluntary tender offer at an acquisition price of THB12.20 per SYMC share or a total of up to THB1,468,827,076. The Group had also entered into a share sale and purchase agreement ("SPA") with Dr Bussakorn Jaruwachirathanakul ("Seller") to acquire an additional 1.75% equity interest in SYMC (amounting to 5,694,389 SYMC Shares) ("Sale Shares"). The consideration for the Sale Shares is also THB12.20 per SYMC Share ("Share Acquisition Price") for a total of THB69,471,546. The Seller is the Executive Vice President - Finance and Accounting and a Director of SYMC. Both the abovementioned proposed acquisitions will be satisfied in cash to be funded by TIME via its existing cash on balance sheet and internally-generated funds and/or borrowings. Following the completion of both the proposed acquisitions, the Group will propose for SYMC to undertake a capital-raising exercise via a rights offering for approximately THB1,000 million. The Group is committed to participate in such rights offering for its pro rata portion, with the option of participating for a higher portion, subject to, at all times, complying with the 49% foreign shareholding limit in SYMC. The completion of the proposed acquisition is currently pending approvals from the relevant parties in both Thailand and Malaysia.

There are no other corporate proposals, which have been announced but not completed as at 23 August 2017, being the latest practicable date.

18. Loans and borrowings

The loans and borrowings as at 30 June 2017 and 31 December 2016 are as follows:

	Amount repayable in one year or on demand	Amount repayable after one year	Total
	RM'000	RM'000	RM'000
30 June 2017			
<u>Secured:</u>			
Finance lease liabilities in RM	1,082	-	1,082
Loans and borrowings			
- Denominated in RM	7,325	22,285	29,610
- Denominated in USD	<u>23,172</u>	<u>127,735</u>	<u>150,907</u>
As at 30 June 2017	<u>31,579</u>	<u>150,020</u>	<u>181,599</u>
31 December 2016			
<u>Secured:</u>			
Finance lease liabilities in RM	2,250	-	2,250
Loans and borrowings			
- Denominated in RM	3,549	25,954	29,503
- Denominated in USD	<u>-</u>	<u>143,704</u>	<u>143,704</u>
As at 31 December 2016	<u>5,799</u>	<u>169,658</u>	<u>175,457</u>

The Group's loans and borrowings have mainly been used to fund the Group's working capital requirements and investments in its international submarine cable systems. The Group's loans and borrowings comprise both fixed and floating rate facilities and bear interest at rates ranging from 2.20% to 5.17% per annum.

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19. Off balance sheet financial instruments

The cash and cash equivalents of the Group, as at 30 June 2017, do not include bank balances amounting to RM20,159,000 (31.12.2016: RM12,856,000) 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.

20. Material litigation

The Company and its subsidiaries have no outstanding material litigation as at 23 August 2017, being the latest practicable date.

21. Comparison between the current quarter ("Q2 2017") and the immediate preceding quarter ("Q1 2017")

Description	Q2 2017 RM'000	Q1 2017 RM'000	Increase/(decrease) RM'000	%
Revenue by product:				
Voice	20,581	21,042	(461)	(2.2)
Data	154,698	169,560	(14,862)	(8.8)
Data centre	28,669	26,664	2,005	7.5
Others	1,373	1,152	221	19.2
Total revenue	205,321	218,418	(13,097)	(6.0)
Profit before tax	37,880	55,514	(17,634)	(31.8)

The Group reported consolidated revenue of RM205.3 million in the current quarter compared to consolidated revenue of RM218.4 million in Q1 2017. The lower revenue in Q2 2017 was mainly due to lower one-off revenues from Indefeasible Rights of Use ("IRU") sales and lower voice revenues, arising from a decrease of voice minutes sold. The Group had managed to close IRU revenue amounting to RM25.0 million in Q1 2017, which is RM18.6 million higher than the RM6.4 million IRU revenue recognised in Q2 2017. Excluding the said one-off IRU revenues from both quarters, data revenue in Q2 2017 would have been RM3.7 million or 2.6% higher than the similarly adjusted Q1 2017 data revenue of RM144.6 million. The Group's quarter-on-quarter ("QoQ") growth in data revenue (excluding one-off IRU revenues) was driven by strong recurring demand from its retail and enterprise customers. Data centre sales also contributed positively to current quarter revenue with a 7.5% QoQ growth. Total revenue (excluding one-off IRU revenues) in the current quarter amounted to RM198.9 million, which is RM5.5 million or 2.8% higher compared to total revenue (excluding IRU revenues) of RM193.4 million recognised in Q1 2017.

The Group's consolidated pre-tax profit in Q2 2017 amounted to RM37.9 million, which is RM17.6 million lower than the pre-tax profit of RM55.5 million in Q1 2017. The lower consolidated pre-tax profit recorded in Q2 2017 can be attributed mainly to the following:

- a) lower one-off revenues from IRU sales in Q2 2017;
- b) higher net foreign exchange loss of RM8.9 million in Q2 2017 compared to RM2.6 million in Q1 2017;
- c) lower interest income of RM3.2 million (Q1 2017: RM3.8 million); and
- d) write off of property, plant and equipment amounting to RM2.7 million arising from the decommissioning of old transponder cards pursuant to capacity upgrades for the Unity submarine cable system in Q2 2017 (Q1 2017: RM Nil),

offset by the higher profits derived from the increase in recurring revenues.

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

(a) Current quarter ("Q2 2017") versus preceding year corresponding quarter ("Q2 2016")

Description	Q2 2017 RM'000	Q2 2016 RM'000	Increase/(decrease) RM'000	%
Revenue by product:				
Voice	20,581	21,550	(969)	(4.5)
Data	154,698	131,290	23,408	17.8
Data centre	28,669	21,122	7,547	35.7
Others	1,373	1,471	(98)	(6.7)
Total revenue	205,321	175,433	29,888	17.0
Profit before tax (as reported)	37,880	201,173	(163,293)	(81.2)
Profit before tax (excluding Realisation of Fair Value Gain, Campana Gain and Pre-Sale of FASTER)	37,880	36,467	1,413	3.9

The Group's reported consolidated revenue of RM205.3 million in Q2 2017 is RM29.9 million or 17.0% higher than the consolidated revenue recorded in Q2 2016 of RM175.4 million. Revenues from data and data centre product segments recorded solid growth in Q2 2017 when compared to the previous year corresponding quarter. One-off revenues from IRU sales accounted for RM6.4 million of total data revenue in Q2 2017 (Q2 2016: RM2.2 million). Excluding the said one-off revenues from IRU sales, the Group would have recorded a growth of RM25.7 million or 14.8% on a year-on-year ("YoY") basis as the Group continued to see strong demand from its retail and enterprise customers in the current quarter.

In Q2 2016, the Group disposed all its remaining ordinary shares held in DiGi.Com Berhad for a total cash consideration of approximately RM307.2 million via a private placement exercise to eligible third party institutional/sophisticated investors and realised a fair value gain from available-for-sale reserve to profit and loss amounting to RM157.4 million ("Realisation of Fair Value Gain"). The Group also disposed its entire equity stake in Campana Group Pte. Ltd. for a gain of RM2.5 million ("Campana Gain") and recorded a gain of RM4.8 million from its pre-sale of a portion of the FASTER submarine cable system ("Pre-sale of FASTER") in Q2 2016. Excluding the abovementioned unusual items (i.e. Realisation of Fair Value Gain, Campana Gain and Pre-sale of FASTER) from the Q2 2016 consolidated pre-tax results, the Group would have recorded an adjusted consolidated pre-tax profit of RM36.5 million in Q2 2016. The increase of RM1.4 million or 3.9% in current quarter consolidated pre-tax profit when compared to the adjusted Q2 2016 pre-tax profit is mainly due to strong revenue growth from data and data centre sales coupled with an increase in IRU sales and higher interest income by RM0.9 million in Q2 2017. Note that the increase in the current quarter consolidated pre-tax profit has been achieved despite:

- a) incurring an additional RM5.0 million depreciation charge and RM2.2 million higher maintenance costs in Q2 2017 mainly pursuant to the completion of the Group's new submarine cable systems;
- b) net loss on foreign currency exchange in Q2 2017 of RM8.9 million compared to a net gain on foreign currency exchange of RM0.3 million in Q2 2016;
- c) write off of property, plant and equipment amounting to RM2.7 million arising from the decommissioning of old transponder cards pursuant to capacity upgrades for the Unity submarine cable system in Q2 2017 (Q2 2016: RM Nil); and
- d) RM0.5 million higher interest expense in Q2 2017 when compared to Q2 2016.

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

(b) Half year period ended 30 June 2017 ("HY 2017") versus half year period ended 30 June 2016 ("HY 2016")

Description	HY 2017 RM'000	HY 2016 RM'000	Increase/(decrease) RM'000	%
Revenue by product:				
Voice	41,623	41,752	(129)	(0.3)
Data	324,258	262,762	61,496	23.4
Data centre	55,333	43,466	11,867	27.3
Others	2,525	2,650	(125)	(4.7)
Total revenue	423,739	350,630	73,109	20.9
Profit before tax	93,394	240,481	(147,087)	(61.2)
Profit before tax (excluding Realisation of Fair Value Gain, Campana Gain and Pre-Sale of FASTER)	93,394	75,775	17,619	23.3

The Group reported a consolidated revenue of RM423.7 million in HY 2017, which is RM73.1 million or 20.9% higher when compared against the RM350.6 million consolidated revenue recorded in HY 2016. One-off revenues from IRU sales accounted for RM31.4 million of total data revenue recognised in HY 2017 (HY 2016: RM6.3 million). Excluding the one-off revenues from IRU sales, overall consolidated revenue for the current half year period would have shown a 13.9% increase when compared to the similarly adjusted revenue in the preceding year corresponding half year period. The increase in HY 2017 can be attributed to higher revenues recorded from data (excluding IRU sales) and data centre product segments of RM36.4 million (14.2% YoY growth) and RM11.9 million (27.3% YoY growth), respectively. The Group launched its 100Mbps, 300Mbps and 500Mbps TIME Fibre Home Broadband service in late-March 2016 and has since continued to see strong demand for the said service from home users. Revenue generated from the Group's retail customer base alone has almost doubled with a growth of 98.1% in HY 2017 when compared to HY2016. The Group's enterprise and wholesale customers also showed solid YoY growth in the first half of 2017 with growth rates of 11.6% and 14.1% respectively.

The Group's consolidated pre-tax profit (excluding the Realisation of Fair Value Gain, Campana Gain and Pre-sale of FASTER) of RM93.4 million in HY 2017 is RM17.6 million or 23.3% higher when compared to the adjusted consolidated pre-tax profit for HY 2016 of RM75.8 million. The increase can be mainly attributed to the following:

- a) higher data and data centre revenues backed by higher IRU sales in the first half of 2017;
- b) higher interest income of RM7.0 million in HY 2017 (HY 2016: RM4.2 million); and
- c) higher share of profit from equity accounted investments of RM1.8 million in HY 2017 as compared to RM0.5 million in HY 2016,

offset by higher write off of property, plant and equipment arising from the decommissioning and upgrading of submarine cable transponder cards, higher depreciation and maintenance costs arising from the completion of the submarine cable systems, an increase in net loss on foreign exchange, higher interest expense and provision for doubtful debts in HY 2017 and dividend income of RM3.4 million in HY 2016 (HY 2017: RM Nil).

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23. Profit before income tax

Group	Individual Quarter		Cumulative Quarter	
	Current year quarter	Preceding year corresponding quarter	Six months to	Six months to
	30/6/2017	30/6/2016	30/6/2017	30/6/2016
	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	(27,018)	(22,003)	(54,017)	(43,766)
Amortisation of borrowing costs	(321)	(231)	(664)	(387)
Interest expense	(1,719)	(1,236)	(3,410)	(2,669)
Interest income	3,210	2,307	6,974	4,180
Dividend income from quoted equity investment in Malaysia	-	-	-	3,368
Realisation of fair value gain from available-for-sale reserve to profit or loss	-	157,390	-	157,390
Rental income	11	52	20	104
Bad debt recovered	74	32	136	71
Net (loss)/gain on foreign exchange	(8,938)	264	(11,498)	(7,829)
Net (allowance)/writeback for doubtful debts	(837)	114	(1,659)	112
Net gain on disposal of property, plant and equipment	-	4,839	119	4,839
Net reversal of write off of outstanding construction deposits	-	-	13	-
Write off of property, plant and equipment	(2,697)	(274)	(2,697)	(274)
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.

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24. Prospects

The Group expects the telecommunications industry to remain increasingly competitive and challenging in the second half of 2017 as its traditional revenue streams continue to be threatened and its service offerings become more and more commoditised. To face these challenges, the Group will look to leverage on its existing strengths and continue to gain market share by delivering a fast, reliable and unparalleled quality network experience and by understanding and delivering meaningful solutions that are specifically tailored to the present and future requirements of each of its customer bases. The Group will also look to strengthen its domestic fibre network and intensify efforts to extend its coverage footprint throughout the country, whilst at the same time enhancing operational and cost efficiencies within the Group. The Group continues to be encouraged by the demand for its TIME Fibre Home Broadband offerings and will look into opportunities to further tap into this market segment in Malaysia.

As part of its regional expansion strategy, the Group is looking forward to completing its proposed investment in SYMC in Thailand. SYMC currently owns an existing terrestrial fibre network across Thailand that also has cross border capabilities to connect Myanmar, Cambodia and Laos to TIME's Malaysian network almost immediately upon completion. The proposed investment in SYMC is expected to complete before the end of 2017.

The construction of the Asia-Africa-Europe 1 Cable System ("AAE-1") was deemed partially completed on 27 June 2017. AAE-1 combined with the Group's other international submarine cable investments (i.e. Unity, Faster and Asia Pacific Gateway submarine cable systems) is expected to open new markets and opportunities for the Group as the Group's combined international submarine network is now able to seamlessly connect 24 countries across the globe. Whilst the Group's international submarine cable initiatives may initially be capital intensive and may result in some profit margin compression to the Group in the early periods upon completion, they are, however, necessary to ensure continued revenue growth in the future and is expected to benefit the Group strategically in the longer term.

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
Basic EPS:	30/6/2017	30/6/2016	30/6/2017	30/6/2016
Weighted average number of shares in issue ('000)	578,295	575,600	578,295	575,600
Profit for the period attributable to owners of the Company (RM'000)	35,880	199,795	88,928	237,391
Basic EPS	6.20 sen	34.71 sen	15.38 sen	41.24 sen
Diluted EPS:				
Weighted average number of shares in issue ('000) (Basic)	578,295	575,600	578,295	575,600
Effect of CEO share options	6,307	3,374	5,868	3,315
Weighted average number of shares in issue ('000) (Diluted)	584,602	578,974	584,163	578,915
Profit for the period attributable to owners of the Company (RM'000)	35,880	199,795	88,928	237,391
Diluted EPS	6.14 sen	34.51 sen	15.22 sen	41.01 sen



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27. Related party transactions

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

	Cumulative Quarter	
	Six months to 30/6/2017 RM'000	Six months to 30/6/2016 RM'000
Related parties		
Revenue from data, voice and other services	32,884	33,441
Interconnect revenue	3,177	3,291
Fee for wayleave and right of use of telecommunications facilities	(5,234)	(5,260)
Interconnect charges	(6,334)	(5,449)
Leased line and infrastructure costs	(13,512)	(13,331)
Network maintenance costs	(1,413)	(937)
Training expenses	(224)	(115)
Project management services costs	(131)	(23)
Leasing of transportation services	-	(438)
	<hr/>	<hr/>
Companies in which Directors have significant financial interest		
Revenue from rental, support services and others	25	-
Professional legal fees costs	-	(201)
	<hr/>	<hr/>

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.

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 30/6/2017 RM'000	As at 31/12/2016 RM'000
	Total retained earnings of the Group	
- Realised	707,954	674,426
- Unrealised	244,850	280,735
Total retained earnings	952,804	955,161

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
28 August 2017