

TRANSACTIONS (CHAPTER 10 OF LISTING REQUIREMENTS) : NON RELATED PARTY TRANSACTIONS
TIME DOTCOM BERHAD ("TIME") PROPOSED ACQUISITION
OF 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 ("PROPOSED
ACQUISITION")

TIME DOTCOM BERHAD

Type	Announcement
Subject	TRANSACTIONS (CHAPTER 10 OF LISTING REQUIREMENTS) NON RELATED PARTY TRANSACTIONS
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Please refer to the attachment on the details of the announcement.

Please refer attachment below.

Attachments

Bursa Ancmt-Proposed Acquisition.pdf
338.1 kB

Announcement Info

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TIME DOTCOM BERHAD ("TIME")

PROPOSED ACQUISITION OF 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 ("PROPOSED ACQUISITION")

1. INTRODUCTION

TIME wishes to announce that it has today served a letter to the Board of Directors of SYMC ("**PVTO Letter**"), to notify them of TIME's intention to undertake the acquisition of 37% of the issued and paid-up ordinary shares in SYMC ("**SYMC Shares**") (amounting to 120,395,662 SYMC Shares) ("**Acquisition Shares**") through its wholly-owned subsidiary TIME dotCom International Sdn Bhd ("**TdCI**"), via a conditional partial voluntary tender offer ("**PVTO**") at an acquisition price of THB12.20 per SYMC Share or a total of THB1,468,827,076 (equivalent to RM186,701,140.80 based on the exchange rate of THB1:RM0.127109 as at 3 March 2017) ("**Acquisition Consideration**").

The Proposed Acquisition is part of a broader strategic investment that TIME is seeking to make into SYMC, to support the continued growth and expansion of the company and its network within Thailand. Following completion of the Proposed Acquisition and once TdCI is a 37% shareholder, TIME will propose for SYMC to undertake a capital-raising exercise via a rights offering for approximately THB1,000 million under the terms outlined in Paragraph 2.1(i)(c) below. TIME 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.

2. THE PROPOSED ACQUISITION

2.1 Salient terms of the Proposed Acquisition

The Proposed Acquisition is conditional upon TdCI obtaining a shareholding of at least 35% in SYMC via the PVTO ("**Prerequisite Threshold**"). If this Prerequisite Threshold is not met upon the expiry of the offer period, TdCI reserves the right to terminate the Proposed Acquisition.

The PVTO for the Proposed Acquisition shall be launched if within 200 days from the date of the PVTO Letter ("**Long-Stop Date**") the following conditions precedent ("**Conditions Precedent**") are fulfilled, satisfied and/or waived by TIME in writing:

- (i) approval with the requisite vote by a meeting of the shareholders of SYMC for the following:
 - (a) the PVTO;
 - (b) SYMC increasing its capital via a rights offering; and
 - (c) the rights offering of new ordinary shares in SYMC ("**Rights Shares**") after completion of the PVTO to all shareholders of SYMC ("**Rights Offering**") based on the following terms:
 - (aa) the offering price for the Rights Shares shall not be higher than THB8.80 per share;
 - (bb) the total capital to be raised for the Rights Shares offered to all shareholders of SYMC shall be approximately THB1,000 million; and
 - (cc) the scheduled subscription date of the Rights Shares shall be after completion of the PVTO.
- (ii) approval of the PVTO by the Office of the Stock Exchange Commission of Thailand;

- (iii) approval from the Office of the National Broadcasting and Telecommunications Commission for TIME/TdCI to acquire the Acquisition Shares and to subscribe for the Rights Shares pursuant to the Notification of the National Telecommunications Commission re: Criteria and Procedures for Merger and Cross-holding in Telecommunications Business B.E. 2553 (2010);
- (iv) entry into a shareholders' agreement with other major shareholders of SYMC, which will set out, inter alia, the following:
 - (a) composition of the Board of Directors of SYMC, Executive Committee and other Board sub-committees; and
 - (b) such other matters as are customary for a shareholders' agreement;
- (v) approval from Bank Negara Malaysia for TIME and/or TdCI to make a material investment overseas in a currency other than Ringgit Malaysia, and such approval is not subject to any condition imposed by Bank Negara Malaysia that materially impacts the financial ability of TIME and/or TdCI to make such an investment overseas;
- (vi) between the date of the PVTO Letter and the date on which the tender offer document (Form 247-4) is submitted to the Securities and Exchange Commission becomes effective:
 - (a) SYMC shall be managed in a prudent manner, where actions, arrangements and decisions made shall always be in the best interest of the company as a whole, and SYMC may continue to take such actions and make such arrangements so long as the same are considered as usually being undertaken in the ordinary course of business; and
 - (b) SYMC:
 - (aa) will not declare or pay a dividend (in cash or in kind);
 - (bb) will not effect a stock split or other similar reorganisation of its capital base (other than the rights issue as referred to in Paragraph 2.1(i)(b) and (c) above), and;
 - (cc) except as undertaken in the ordinary course of business, will not enter into any new material agreements with third parties, nor change the terms of any existing material agreements, irrespective of whether such agreements, or changes thereto, would create any liabilities for SYMC or not;
- (vii) for a period of 3 months commencing from the date of the PVTO Letter, SYMC shall not solicit, either directly or indirectly, any third parties to acquire or subscribe for shares in SYMC; and
- (viii) disclosure of the information requested by TIME in the PVTO Letter, immediately after all conditions set out in Paragraphs 2.1(i) – (vii) above are satisfied or waived in writing by TIME.

2.2 Basis and justification in deriving the Acquisition Consideration

The Acquisition Consideration was arrived at after taking into consideration the following:

- (i) TIME's assessment of SYMC based on common valuation methodologies such as (i) enterprise value (EV) over earnings before interest, tax, depreciation and amortisation (EBITDA), and (ii) price earnings multiples of comparable publicly traded companies and similar transaction comparables;
- (ii) The historical performance, financial position and cash flows of SYMC over the last few years;
- (iii) The earnings potential and growth of SYMC in the future;
- (iv) The need for further capital injection via rights offering to fund its existing and future business expansions and growth;

- (v) The rationale for the Proposed Acquisition as set out in Paragraph 4; and
- (vi) The prospects and outlook of the telecommunication industry in Thailand as set out in Paragraph 5.

2.3 Source of funds

The Acquisition Consideration shall be satisfied in cash and funded via:

- (i) existing cash on balance sheet and internally-generated funds; and/or
- (ii) borrowings.

TIME is currently exploring the assumption of borrowings to fully or partly fund the Acquisition Consideration. Depending on the availability, pricing and other terms of such borrowings, TIME will decide how to fund the Acquisition Consideration nearer to the closing date of the Proposed Acquisition.

2.4 Liabilities to be assumed

TIME will not be assuming any additional liabilities, including contingent liabilities and guarantees, pursuant to the Proposed Acquisition.

3. INFORMATION ON SYMC

SYMC is a fixed line telecommunications operator in Thailand. SYMC was established on 24 November 2005 and was converted to a public company limited on 6 May 2010.

SYMC was the first company in Thailand to be awarded the Telecommunication Service License Type II (with network ownership) on 15 June 2006 for a period of 15 years. It commercially launched its services in March 2007 under the "Symphony" brand. Since that time, SYMC has also been awarded additional licences, including International Private Lease Circuit (IPLC) license, IP-Virtual Private Network (IP-VPN) License Type III and International Internet Gateway (IIG) License.

The company is involved in the provision of premium high-speed data communication network services to mostly wholesale customers, using optical fibre cable for its core network. Specifically, the company offers the following products and services:

- **Internet Access** to Internet Service Providers (ISPs) who uses SYMC's network to provide internet service to end-users;
- **Private Network** to connect large customers' multi-location operations to their private network. Such services are typically rendered to banks, telecommunication service providers and large retail businesses who uses SYMC's hi-speed communication network as their backbone networks;
- **International Private Leased Circuit (IPLC)** to connect international communication networks or connect between local offices and oversea offices of local or multinational corporations such as the international carriers, local telecom operators who uses SYMC's hi-speed communication network as their backbone network or to connect between local and international networks in various countries for their customers;
- **Digital Broadcast** to connect broadcasting customers such as TV program producers, Cable TV Operators, or IPTV operators to their production studios and broadcasting stations via its hi-speed communication network.
- **Local Loop for IPLC** to provide domestic hi-speed communication network for IPLC service providers who provide IPLC service to their local end-users.

- **Access Network** to connect end-users to data center service providers who offer electronic data storage service and provides applications to their end-user or connectivity provided for data service providers.

The SYMC network coverage in Thailand focuses on high potential business density areas such as Bangkok and its vicinity and includes 84 leading office towers, 41 industrial estates, 43 major provinces nationwide and 17 service centres nationwide. SYMC has IPLC gateways to 4 neighbouring countries (Malaysia, Laos, Cambodia and Myanmar) and point of presence (POPs) in Singapore and Hong Kong.

In 2015, SYMC signed a joint investment project agreement to build the Malaysia-Cambodia-Thailand (MCT) submarine cable system that spans approximately 1,300 kilometers and connects the three countries, thereby becoming the first Thai private company to build an international submarine cable network system. The MCT cable is expected to be ready for service in 2Q 2017.

The SYMC group recorded audited revenues of THB1,388.7 million, net profit of THB99.4 million and net assets of THB1,400.0 million for the financial year ended ("FYE") 31 December 2016.

More information on SYMC can be found at <http://www.symphony.net.th/>

4. RATIONALE FOR THE PROPOSED ACQUISITION

Expanding outside of Malaysia and into the neighbouring ASEAN markets has been a strategy of TIME for the past several years, as evidenced by the strategic investments made in CMC Telecommunication Infrastructure Corporation in Vietnam and KIRZ Co., Ltd. in Thailand. The Proposed Acquisition is consistent with this strategy.

SYMC represents an attractive partner for TIME in the Thai market. The company possesses a national fibre optic network, a comprehensive set of telecommunications licences and has an established wholesale customer base. The upcoming MCT cable will provide a further connectivity option between Thailand and Malaysia, and will also allow the company to better serve the Cambodian market.

TIME has a significant track record in the enterprise and data centre business, and believes that it can inject some valuable learnings to SYMC to accelerate its growth via the launch of new product and service offerings in Thailand.

5. INDUSTRY OVERVIEW AND FUTURE PROSPECTS

5.1 Overview of the Thailand economy

Thailand's overall economic and financial stability remains sound. The Thai economy is projected to expand by 3.2% in 2017 driven mainly by private consumption, public spending, and exports of services. Overall business performance in the third quarter of 2016 remained sound despite a decline from the previous quarter. Amid the gradual economic recovery, most businesses focused on cost management and other controllable factors, and thus were able to maintain high operating profit margins compared to the previous year.

Private investment remains subdued and will recover at a slower pace due to a low level of export of goods, the slowdown in exports of services, and greater uncertainties faced by both the global economy and the Thai economy. Nonetheless, investment by some businesses, such as retail and telecommunication, is expected to continue in tandem with demand expansion. In 2017, government policies will provide a great support to private investment through public-private partnership (PPP) and additional budget for village funds and urban communities.

(Source: Bank of Thailand Monetary Policy Report, December 2016)

5.2 Overview of the Thailand telecommunications industry

Thailand has a developed and competitive telecommunications industry, which is overseen by an independent regulator, the National Broadcasting and Telecommunications Commission ("NBTC").

According to data developed by IDC, the international research house, the total size of the Thai fixed line telecommunications industry was THB81.9 billion in the first nine months of 2016. According to data published by the NBTC, the number of fixed broadband connections in the country grew at approximately 13% during 2016 to pass seven million connections. This represents only a 33% penetration of households. During the year, the Government of Thailand also introduced the National Digital Economy Master Plan.

The Board of Directors of TIME is of the opinion that these factors, amongst others, will lead to continued growth in the Thai telecommunications market.

(Source: IDC and NBTC)

5.3 Prospects of SYMC

SYMC has a strong fibre network across much of Thailand which connects to neighbouring markets (Malaysia, Myanmar, Laos and Cambodia) and serves a well established wholesale customer base. SYMC is also set to become the first private operator of an international submarine telecommunications cable in Thailand when the MCT system enters service in 2017.

The Board of Directors of TIME is of the opinion that this infrastructure will position SYMC well to take advantage of the expected growth in the Thai market as well as the larger growth in the Indo-China market.

(Source: Management of TIME)

6. RISK FACTORS OF THE PROPOSED ACQUISITION

The Proposed Acquisition may subject TIME to the following risks:

(i) Investment risk

There is no assurance that the anticipated benefits of the Proposed Acquisition will be realised or that TIME will be able to generate sufficient returns from this investment to offset the costs of this investment.

(ii) Completion risk

The launch of the PVTO is conditional upon the Conditions Precedent as set out in Paragraph 2.1 of this Announcement being fulfilled, satisfied and/or waived within the Long-Stop Date. In the event the PVTO is launched, the success of the Proposed Acquisition is also subject to the meeting of the Prerequisite Threshold. There can be no assurance that such Conditions Precedent and/or Prerequisite Threshold will be fulfilled, satisfied and/or waived. Nevertheless, TIME anticipates that the risk of not meeting the Conditions Precedent can be mitigated by proactively engaging with the relevant authorities and third parties to obtain all the necessary approvals and documents required.

(iii) Political, economic and regulatory conditions

The performance of SYMC could be materially impacted by changes in the political, economic and regulatory conditions in Thailand. The various political, economic and regulatory conditions could range from changes in political leadership, introduction of new regulations, war, economic downturn, changes in interest rates and foreign exchange regulations.

(iv) Changes in the telecommunications industry

The telecommunications industry is subject to rapid and on-going technological changes. Emerging and future technological changes may adversely affect the viability or competitiveness of SYMC's business. There is no assurance that SYMC will be successful in responding in a timely and cost-effective way to such developments. If SYMC is unable to modify or modernise its network infrastructure or product offering to remain competitive, such developments could have a material adverse effect on SYMC's business and financial condition.

(v) Regulations and licences

The operation of a telecommunications business and the provision of related services in Thailand are subject to certain approvals, licences, registrations and permissions granted by the Office of the National Broadcasting and Telecommunications Commission. Changes in laws, regulations or government policy in Thailand or in relation to the licences to the telecommunications industry in Thailand or in relation to the licences held by SYMC or its competitors, could adversely affect SYMC's businesses. Changes to the other regulations and the regulation of telecom rates in interconnect and international bandwidth price could adversely affect SYMC and the telecommunications industry.

Any breach of the terms and conditions of the licences held by SYMC or failure to comply with the applicable regulations on SYMC's part may result in SYMC being fined or its licences being cancelled. Any revocation or unfavourable amendments to the terms of the licences, failure to renew them on comparable terms or in a timely manner, could have a material adverse effect on SYMC's business.

(vi) Foreign exchange risk

The operating and reporting currency of SYMC is THB. As the financial results of TIME are reported in RM, any fluctuation of the THB against the RM may impact the profits of SYMC as reflected in the financial statements of TIME. Such fluctuation between the two currencies may also affect the RM equivalent of the Acquisition Consideration as a result of the timing difference between the serving of the PVTO Letter and the actual closing of the Proposed Acquisition.

There can be no assurance that fluctuations in foreign exchange rates will not have a material and adverse effect on TIME's financial performance. Nevertheless, TIME will assess the need to utilise financial instruments to hedge its foreign exchange exposure to mitigate both transaction and/or translation exchange risk exposure.

(vii) Restrictions on foreign shareholding

The limit on foreign shareholding in the telecommunications sector imposed by the Government of Thailand is 49% of the total issued ordinary share capital of a company. Such limit may prevent TIME from further increasing its shareholding in SYMC and from participating in any future issuance of equity or convertible securities by SYMC to fund any potential future expansion.

7. FINANCIAL EFFECTS OF THE PROPOSED ACQUISITION

7.1 Share capital and substantial shareholders' shareholdings

The Proposed Acquisition will not have any effect on the share capital and substantial shareholders' shareholdings in TIME as the Proposed Acquisition does not involve any issuance of ordinary shares in TIME.

7.2 Net assets ("NA"), NA per share and gearing

For illustrative purposes, the proforma effects of the Proposed Acquisition on the NA, NA per share and gearing of TIME group, based on the latest audited consolidated statement of financial position of TIME group as at 31 December 2016, are set out below:

	Audited as at 31 December 2016	After the Proposed Acquisition ⁽¹⁾
	RM 000	RM 000
Share capital	289,147	289,147
Reserves	1,893,746	1,893,746
Total equity attributable to the owners/ NA	<u>2,182,893</u>	<u>2,182,893</u>
Number of shares in issue (000)	578,295	578,295
NA per share (RM)	3.77	3.77
Borrowings (RM 000) ⁽²⁾	173,207	173,207
Gearing (times) ⁽³⁾⁽⁴⁾	0.08	0.08

Notes:

- (1) The proforma effects have been arrived at using the exchange rate of RM1.00:THB7.9893 based on BNM's rate as at 12:00 noon on 31 December 2016, assuming the Proposed Acquisition had been completed on that date.
- (2) Should TIME decide to fund all RM183.8 million (based on the exchange rate in note (1) above) of the Acquisition Consideration by way of borrowings, the amount of borrowings would increase from RM173.2 million to RM357.0 million.
- (3) Computed based on total borrowings divided by NA.
- (4) Should TIME decide to fund all RM183.8 million (based on the exchange rate in note (1) above) of the Acquisition Consideration by way of borrowings, the gearing would increase from 0.08 times to 0.16 times.

7.3 Earnings and earnings per share ("EPS")

The actual impact of the Proposed Acquisition on the earnings and EPS of TIME moving forward will depend on, among others, market and industry conditions in Thailand. Nevertheless, the Proposed Acquisition is expected to contribute positively to the future earnings of the TIME group immediately after completion.

For illustrative purposes, assuming the Proposed Acquisition (excluding the Rights Offering) had been completed as at 1 January 2016, the proforma profit after tax and minority interest ("PATAMI") and EPS of the TIME group for the FYE 31 December 2016 are set out below:

	<u>Audited FYE 31 December 2016</u>	<u>After the Proposed Acquisition⁽¹⁾</u>
	RM 000	RM 000
PATAMI	407,318	411,920
EPS (sen) ⁽²⁾		
- Basic	70.62	71.42 ⁽³⁾
- Diluted	70.14	70.93 ⁽³⁾

Notes:

- (1) *The proforma effects have been arrived at using the exchange rate of RM1.00:THB7.9893 based on BNM's rate as at 12:00 noon on 31 December 2016, assuming the Proposed Acquisition had been completed on 1 January 2016. The above exchange rate has also been taken as an average rate for the year, for illustrative purposes.*
- (2) *Calculated using the weighted average number of shares in issue by TIME as at 31 December 2016.*
- (3) *Should TIME decide to fund the Proposed Acquisition by way of borrowings, the basic and diluted EPS would decrease to 70.77 sen and 70.28 sen respectively.*

8. APPROVALS REQUIRED

The launch of the PVTO is subject to the approvals contained in Paragraphs 2.1 (i), (ii), (iii) and (v) of this announcement being obtained.

9. INTERESTS OF DIRECTORS, MAJOR SHAREHOLDERS AND/OR PERSONS CONNECTED TO THEM

None of the Directors and major shareholders of TIME and/or persons connected to them have any interest, direct or indirect, in the Proposed Acquisition.

10. DIRECTORS' STATEMENT

The Board of Directors of TIME, having considered all aspects of the Proposed Acquisition (including but not limited to the rationale and prospects discussed in Paragraphs 4 and 5 above), is of the opinion that the Proposed Acquisition is in the best interests of TIME and its shareholders.

11. PERCENTAGE RATIO APPLICABLE TO THE PROPOSED ACQUISITION PURSUANT TO PARAGRAPH 10.02(G) OF THE MAIN MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD ("LISTING REQUIREMENTS")

The highest percentage ratio applicable to the Proposed Acquisition pursuant to paragraph 10.02(g) of the Listing Requirements is approximately 8.6%.

12. ADVISER

CIMB Investment Bank Berhad has been appointed as the Adviser to TIME for the Proposed Acquisition in respect of compliance with the relevant Malaysian regulatory requirements.

13. SUBMISSION TO THE AUTHORITIES AND ESTIMATED TIMEFRAME FOR COMPLETION

Barring any unforeseen circumstances, the applications to the relevant authorities for the Proposed Acquisition will be submitted within 48 hours from the date of this Announcement, except for the application to the Office of the Stock Exchange Commission of Thailand, which shall be made only once the Proposed Acquisition is approved by a meeting of the shareholders of SYMC as per Paragraph 2.1(i).

Barring any unforeseen circumstances and subject to all approvals being obtained, the Proposed Acquisition is expected to be completed by the third quarter of 2017.

14. DOCUMENTS FOR INSPECTION

The PVTO Letter will be made available for inspection at TIME's registered office at Level 4, No.14, Jalan Majistret U1/26, HICOM Glenmarie Industrial Park, 40150 Shah Alam, Selangor, Malaysia during normal office hours from Mondays to Fridays (excluding public holidays) for a period of three months from the date of this announcement.

This announcement is dated 7 March 2017.