

TIME DOTCOM BERHAD
(413292-P)
Incorporated in Malaysia

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 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	Preceding year corresponding quarter	Nine months to	Nine months to
	30/9/2014	30/9/2013	30/9/2014	30/9/2013
	RM'000	RM'000	RM'000	RM'000
Operating revenue	150,607	131,937	438,231	399,021
Operating expenses				
- depreciation and amortisation of property, plant and equipment	(21,292)	(18,681)	(62,995)	(53,998)
- other operating expenses*	(87,233)	(88,237)	(275,092)	(256,730)
Other operating income (net)	296	(227) [^]	1,619	1,049
Profit from operations	42,378	24,792	101,763	89,342
Investment income	10,752	8,161	32,415	28,411
Realisation of fair value gain from available-for-sale financial assets to profit or loss	-	-	38	349,354
Finance expense*	(1,855)	(2,092)	(5,833)	(5,956)
Profit before income tax	51,275	30,861	128,383	461,151
Income tax expense	(1,721)	(2,620)	(5,843)	(6,477)
Profit for the period	49,554	28,241	122,540	454,674
Attributable to owners of:				
- the Company	49,988	28,241	123,404	454,674
- non-controlling interests	(434)	-	(864)	-
Profit for the period	49,554	28,241	122,540	454,674
Other comprehensive income:				
Foreign currency translation	287	(627)	(773)	1,770
Realisation of fair value gain from available-for-sale financial assets to profit or loss	-	-	(38)	(349,354)
Fair value gain/(loss) on available-for-sale financial assets	16,488	13,746	122,405	(137,506)
Other comprehensive income/(expense) for the period	16,775	13,119	121,594	(485,090)
Total comprehensive income/(expense) for the period	66,329	41,360	244,134	(30,416)
Attributable to owners of:				
- the Company	66,763	41,360	244,998	(30,416)
- non-controlling interests	(434)	-	(864)	-
Total comprehensive income/(expense) for the period	66,329	41,360	244,134	(30,416)
Earnings per share				
Basic and diluted (based on weighted average number of ordinary shares)	8.72 sen	4.93 sen	21.53 sen	79.34 sen

* Included in finance expense in the preceding year corresponding quarter is amortisation of borrowings costs of RM82,000 (9M 2013: RM248,000) which had been previously classified under "other operating expenses". The comparative figure has been reclassified to conform with current period's presentation.

[^] Included in the preceding year corresponding quarter other operating income (net) is a net foreign exchange loss of RM477,000.

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 30/9/2014 RM'000	Audited As at 31/12/2013 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	898,525	811,923
Deferred tax assets	210,997	212,764
Available-for-sale financial assets	804,368	681,897
Intangible assets	213,959	213,959
Trade and other receivables	10,523	10,862
	2,138,372	1,931,405
Current assets		
Trade and other receivables	185,855	157,220
Tax recoverable	786	366
Restricted cash	11,083	34,917
Deposits, cash and bank balances	216,637	227,917
	414,361	420,420
Total assets	2,552,733	2,351,825
EQUITY AND LIABILITIES		
Equity attributable to owners of the Company		
Share capital	286,547	286,547
Reserves	1,965,972	1,717,082
	2,252,519	2,003,629
Non-controlling interests	636	-
Total equity	2,253,155	2,003,629
Non-current liabilities		
Deferred tax liabilities	5,659	5,469
Loans and borrowings	73,112	130,477
Deferred income	14,362	-
	93,133	135,946
Current liabilities		
Trade and other payables	156,531	176,364
Loans and borrowings	49,177	35,260
Provision for tax	737	626
	206,445	212,250
Total liabilities	299,578	348,196
Total equity and liabilities	2,552,733	2,351,825
Net assets per share attributable to ordinary owners of the Company	RM3.93	RM3.50

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 Nine months to 30/9/2014 RM'000	Unaudited Nine months to 30/9/2013 RM'000
Operating Activities		
Cash receipts from customers	452,336	393,398
Transfer from/(to) restricted cash and bank balances	23,834	(12,081)
Cash payments to suppliers	(147,953)	(181,401)
Cash payments to employees and for administrative expenses	(134,531)	(107,469)
Cash generated from operations	193,686	92,447
Tax paid	(4,354)	(4,829)
Tax refund	159	145
Net cash generated from operating activities	189,491	87,763
Investing Activities		
Purchase of property, plant and equipment	(183,783)	(130,660)
Proceeds from disposal of property, plant and equipment	191	73
Proceeds from other investments	145	-
Investment income received	32,007	28,265
Net cash used in investing activities	(151,440)	(102,322)
Financing Activities		
Proceeds from term loans and other borrowings	1,246	19,000
Repayment of term loans and other borrowings	(41,919)	(17,138)
Repayment of finance lease liabilities	(2,653)	(2,463)
Finance charges paid	(5,845)	(5,649)
Transactions costs paid	-	(1,463)
Net cash used in financing activities	(49,171)	(7,713)
Net change in Cash and Cash Equivalents	(11,120)	(22,272)
Effect of exchange rate fluctuations on cash held	(160)	315
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) 216,637	201,888
Note:		
(a) Cash and Cash Equivalents comprise the following amounts:		
Cash and bank balances	51,025	24,723
Deposits with licensed banks	176,695	211,906
	227,720	236,629
Restricted cash	(11,083)	(34,741)
	216,637	201,888

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 -----→									
	←----- Non-distributable -----→					←----- Distributable -----→				
	Share Capital	Share Premium	Available- for-Sale Reserve	Foreign Currency Translation Reserve	Capital Reserve	Share Grant Reserves	Retained Earnings	Attributable to owners of the Company	Non- controlling interests	Total Equity
Nine months ended 30 September 2014 (unaudited)	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Balance as at 1 January 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	-	-	-	(773)	-	-	-	(773)	-	(773)
Employee share grant plan	-	-	-	-	-	3,892	-	3,892	-	3,892
Profit/(loss) for the period	-	-	-	-	-	-	123,404	123,404	(864)	122,540
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	-	-	122,405	-	-	-	-	122,405	-	122,405
Total comprehensive income/(expense) for the period	-	-	122,367	(773)	-	3,892	123,404	248,890	(864)	248,026
Balance as at 30 September 2014	286,547	844,686	504,503	2,980	8,760	3,892	601,151	2,252,519	636	2,253,155

	←----- Attributable to owners of the Company -----→						
	←----- Non-distributable -----→				←----- Distributable -----→		
	Share Capital	Share Premium	Available- for-Sale Reserve	Foreign Currency Translation Reserve	Capital Reserve	Retained Earnings	Total Equity
Nine months ended 30 September 2013 (unaudited)	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	-	-	-	1,770	-	-	1,770
Profit for the period	-	-	-	-	-	454,674	454,674
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	-	-	(137,506)	-	-	-	(137,506)
Total comprehensive income/(expense) for the period	-	-	(486,860)	1,770	-	454,674	(30,416)
Balance as at 30 September 2013	286,547	844,686	368,390	765	8,760	291,087	1,800,235

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 unaudited 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 14	<i>Regulatory Deferral Accounts</i>	1 January 2016
MFRS 15	<i>Revenue from Contracts with Customers</i>	1 January 2017
MFRS 9	<i>Financial Instruments (IFRS 9 as issued by IASB in July 2014)</i>	1 January 2018
Amendments to MFRS 119	<i>Employee Benefits – Defined Benefit Plans: Employee Contributions</i>	1 July 2014
Amendments to MFRS 10 and MFRS 128	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>	1 January 2016
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 116 and MFRS 141	<i>Agriculture: Bearer Plants</i>	1 January 2016
Amendments to MFRS 127	<i>Equity Method in Separate Financial Statements</i>	1 January 2016
Amendments to MFRS 7	<i>Disclosures – Mandatory Effective Date of MFRS 9 and Transition Disclosures</i>	1 January 2018
<i>Annual Improvements to MFRSs, 2010 – 2012 cycle</i>		1 July 2014
<i>Annual Improvements to MFRSs, 2011 – 2013 cycle</i>		1 July 2014
<i>Annual Improvements to MFRSs, 2012 – 2014 cycle</i>		1 January 2016

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 and MFRS 15, Revenue from Contracts with Customers. The Group is currently assessing the impact of adopting MFRS 9 and MFRS 15 respectively.

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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.

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

Other than those items disclosed below, there were no other items affecting assets, liabilities, equity, net income, or cash flows that were unusual because of their nature, size or incidence in the current period and corresponding period in 2013:

- 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 the form of a dividend-in-specie to its shareholders in June 2013;
- ii) One-off reversal of provision of RM11,000,000 made pursuant to the resolution of a dispute with a supplier; and
- iii) Deferred income of RM14,362,000 arising from the pre-sale of a portion of the Group's submarine cable systems during the financial period. The Group has pre-sold a portion of its submarine cable systems prior to their completion. The amount received and/or receivable from the pre-sale will be recorded as a deferred income in the Consolidated Statement of Financial Position until the said submarine cable systems are completed 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 September 2014.

8. Dividend

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

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9. Operating segments

Group	Individual Quarter		Cumulative Quarter	
	Current year quarter	Preceding year corresponding quarter	Nine months to	Nine months to
	30/9/2014	30/9/2013	30/9/2014	30/9/2013
	RM'000	RM'000	RM'000	RM'000
Operating Revenue*				
Voice	17,963	19,561	53,440	57,873
Data	115,511	96,967	334,711	296,943
Data Centre	16,398	14,145	47,554	42,164
Others	735	1,264	2,526	2,041
	150,607	131,937	438,231	399,021
Operating Expenses:				
Depreciation and amortisation of property, plant and equipment	(21,292)	(18,681)	(62,995)	(53,998)
Other operating expenses	(87,233)	(88,237)	(275,092)	(256,730)
Other operating income (net)	296	(227)	1,619	1,049
Profit from operations	42,378	24,792	101,763	89,342
Investment income	10,752	8,161	32,415	28,411
Realisation of fair value gain from available-for-sale financial assets to profit or loss	-	-	38	349,354
Finance expense	(1,855)	(2,092)	(5,833)	(5,956)
Profit before income tax	51,275	30,861	128,383	461,151

Geographical locations

Group	Individual Quarter		Cumulative Quarter	
	Current year quarter	Preceding year corresponding quarter	Nine months to	Nine months to
	30/9/2014	30/9/2013	30/9/2014	30/9/2013
	RM'000	RM'000	RM'000	RM'000
Operating Revenue				
Within Malaysia	139,313	131,336	407,031	389,180
Outside Malaysia	11,294	601	31,200	9,841
	150,607	131,937	438,231	399,021

* 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.

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

In the opinion of the Directors, saved as disclosed below, there are no other items, transactions or events of a material and unusual nature which have arisen since 30 September 2014 to 18 November 2014 (being the latest practicable date) which has a substantially effect on the financial results of the Group:

Share Grant Plan

The Company had on 28 June 2012 established a Share Grant Plan ("SGP") to the eligible employees of the Group. The SGP will be valid for eight years or such longer period not exceeding ten years. The vesting of the shares granted under the SGP are 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. Each share grant offered is expected to be vested over an approximately three-year period commencing from the respective share grant date.

On 5 November 2014, TIME dotCom Berhad issued 770,200 ordinary shares of RM0.50 each in the Company to eligible employees under the Annual Restricted Share Plan and Annual Performance Share Plan portion of the Company's SGP. The closing share price on vesting date was RM5.19 per share. Depending on the level of achievement of the performance targets and other vesting criteria as may be determined by the Scheme Committee for the Group's Long Term Incentive Plan, the actual number of shares that will eventually be vested to the eligible employees may vary accordingly.

12. Changes in the composition of the Group during the nine months period ended 30 September 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 quarter period ended 31 March 2014. The second tranche of allotment was completed on 3 November 2014.
- (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.
- (f) 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.
- (g) 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.

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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
30/9/2014

RM'000

Property, plant and equipment

a) Approved and contracted but not provided for in the financial statements	414,738
b) Approved but not contracted for	85,592

15. Income tax

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

Group	Individual Quarter		Cumulative Quarter	
	Current year quarter	Preceding year corresponding quarter	Nine months to	Nine months to
	30/9/2014	30/9/2013	30/9/2014	30/9/2013
	RM'000	RM'000	RM'000	RM'000
Income tax:				
- Current year	1,242	1,316	4,149	4,028
- (Over)/under provision in prior years	(260)	285	(263)	285
	982	1,601	3,886	4,313
Deferred tax:				
- Origination and reversal of temporary differences	739	1,019	1,957	2,164
Total	1,721	2,620	5,843	6,477

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. Investment in quoted securities

- a) During the quarter ended 31 March 2014, 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.

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 in the previous quarter.

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

	As at 30/9/2014 RM'000
Quoted Securities in Malaysia:	
- Cost	342,378
- At book value	804,268
- At market value (fair value)	804,268

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 18 November 2014, being the latest practicable date.

18. Loans and Borrowings

The loans and borrowings as at 30 September 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	1,918	-	1,918
Loans and borrowings			
- Denominated in RM	32,820	60,927	93,747
- Denominated in USD	14,439	12,185	26,624
	49,177	73,112	122,289

19. Off Balance Sheet financial instruments

The cash and cash equivalents of the Group, as at 30 September 2014, do not include a bank balance amounting to RM7,704,000 (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 18 November 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. TRSB, since 15 April 2009, is no longer a subsidiary of the Company, as the Company had completely disposed of all its shares in TRSB to PayComm Sdn Bhd (“PayComm”). There were no dismissals or termination of the Plaintiffs’ employment with TRSB on 15 April 2009. The plaintiffs are claiming, inter-alia, the following:

- (i) general damages, which they estimate to be RM22,223,996.85 as at 15 April 2009, but which is subject to proof and determination by the Court;
- (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 unfair dismissal 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, as the Plaintiffs were not employed by the Company at the point of time of their alleged dismissal.

The Company’s appointed solicitors will be defending the claim. The Board considers the above claim to be unfounded and frivolous.

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

Comparison between the current quarter (“Q3 2014”) and the immediate preceding quarter (“Q2 2014”)

The Group’s consolidated revenue in the current quarter of RM150.6 million was 3.3% lower when compared to the consolidated revenue recorded in the immediate preceding quarter of RM155.7 million. The higher revenue in the immediate preceding quarter arose mainly due to the higher global bandwidth sales and income from non-recurring contracts totalling RM21.0 million in Q2 2014 compared to the lower RM13.6 million recorded in the current quarter. Excluding these, revenue for the current quarter would have posted a higher turnover by 1.7% or RM2.3 million on the back of higher revenues from data and data centre sales offset by lower voice revenue.

The Group posted a pre-tax profit in the current quarter of RM51.3 million, an increase of RM6.0 million or 13.2% against Q2 2014 of RM45.3 million despite lower revenues registered in the current quarter under review. The said increase in pre-tax profit in the current quarter is mainly attributable to the one-off reversal of a RM11.0 million provision made pursuant to the settlement of a dispute with a supplier offset by the lower revenue from global bandwidth sales.

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

(a) Current quarter (“Q3 2014”) versus preceding year corresponding quarter (“Q3 2013”)

The Group’s consolidated revenue in the current quarter of RM150.6 million was RM18.7 million or 14.2% higher than the consolidated revenue of RM131.9 million reported in Q3 2013. The improvement comes mainly from higher data revenue (i.e. higher global bandwidth sales and income from non-recurring contracts) and higher data centre revenue. Revenue from both global bandwidth sales and one-time non-recurring contracts combined totalled RM13.6 million in Q3 2014. There was no revenue recorded from global bandwidth sales or one-time non-recurring contracts in Q3 2013. Voice revenue in Q3 2014 was, however, RM1.6 million lower when compared to Q3 2013 due to lower traffic volume.

The Group posted a profit before tax in Q3 2014 of RM51.3 million thereby recording an increase of RM20.4 million or 66.0% against profit before tax of RM30.9 million reported in Q3 2013. The higher profit before tax can be attributed to the following:

- i) Revenue generated from global bandwidth sales and income from non-recurring contracts in the current quarter (Q3 2013: RM Nil);
- ii) One-off reversal of a RM11.0 million provision made pursuant to the settlement of a dispute with a supplier;
- iii) Higher dividend income from quoted securities held of RM8.8 million in Q3 2014 (Q3 2013: RM6.6 million);
- iv) Higher cost incurred for repair works on festoon cable arising from multiple cable cuts in Q3 2013;

offset by the higher depreciation charges in Q3 2014 when compared to Q3 2013.

(b) Nine months period ended 30 September 2014 (“9M 2014”) versus nine months period ended 30 September 2013 (“9M 2013”)

The Group’s consolidated revenue in 9M 2014 increased 9.8% to RM438.2 million when compared to the consolidated revenue of RM399.0 million recorded in 9M 2013. The improvement in consolidated revenue in 9M 2014 was due to the higher global bandwidth sales. Higher revenue from the data centre business of RM5.4 million also contributed to the overall improvement in consolidated revenues in the current nine month period. Revenues from the voice business was, however, lower in 9M 2014 due to lower voice traffic.

Included in the 9M 2013 pre-tax profit was RM349.4 million from the realisation of fair value gain from available-for-sale financial assets which arose due to a partial distribution of quoted equity investments held by the Company in June 2013. Excluding this, the Group’s 9M 2014 pre-tax profit of RM128.4 million would have resulted in an increase of RM16.6 million or 14.8% compared to the adjusted pre-tax profit of RM111.8 million recorded in 9M 2013. The higher pre-tax profit can be attributed to an overall increase in revenue (particularly from global bandwidth sales), a one-off reversal of a provision made pursuant to the settlement of a dispute amounting to RM11.0 million (as described in Note 5(ii)) and higher investment income notwithstanding higher depreciation charges and the net loss on foreign exchange of RM1.5 million recorded in 9M 2014 compared against a net gain on foreign exchange of RM0.3 million recorded in 9M 2013.

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23. Profit before income tax

Group	Individual Quarter		Cumulative Quarter	
	Current year quarter	Preceding year corresponding quarter	Nine months to	Nine months to
	30/9/2014	30/9/2013	30/9/2014	30/9/2013
	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	(21,292)	(18,681)	(62,995)	(53,998)
Write off of property, plant and equipment	-	(4)	-	(205)
Amortisation of borrowing costs	(203)	(82)	(509)	(248)
Interest expense	(1,652)	(2,010)	(5,324)	(5,708)
Reversal of provision made pursuant to the dispute settlement with a supplier	11,000	-	11,000	-
Interest income from short term deposits	1,953	1,563	5,472	4,488
Dividend income from quoted equity investment	8,799	6,598	26,943	23,923
Realisation of fair value gain from available-for-sale financial assets to profit or loss	-	-	38	349,354
Rental income	48	57	142	169
Bad debt recovered	192	51	561	230
Net (loss)/gain on foreign exchange	(149)	(477)	(1,489)	323
Net allowance for doubtful debts	(130)	(407)	(846)	(528)
Net gain on disposal of property, plant and equipment	-	-	186	73

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 past 2014 and well into 2015. The demand from mobile operators is expected to provide an avenue 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 in 2015) 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 links Japan to the United States (targeted completion in 2016) are expected to further enhance the Group's global network footprint.

Some of the abovementioned initiatives are 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. Pre-completion sales for some of the Group's submarine cable investments should help the Group monetize and accelerate returns on its investments.

The results of the Group for 2014 are 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	Nine months to	Nine months to
	30/9/2014	30/9/2013	30/9/2014	30/9/2013
Weighted average number of shares in issue ('000)	573,093	573,093	573,093	573,093
Profit for the period attributable to owners of the Company (RM'000)	49,988	28,241	123,404	454,674
Basic and diluted earnings per share	8.72 sen	4.93 sen	21.53 sen	79.34 sen

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	Nine months to	Preceding year corresponding quarter	Nine months to
	30/9/2013	30/9/2013	30/9/2013	30/9/2013
Other operating expenses	(88,237)	(256,730)	(88,319)	(256,978)
Finance expense	(2,092)	(5,956)	(2,010)	(5,708)

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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 30/9/2014 RM'000	As at 31/12/2013 RM'000
Total retained earnings of the Group		
- Realised	395,335	270,164
- Unrealised	205,816	207,583
Total retained earnings	601,151	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
25 November 2014