TIMEdotCom

DIRECTORS' REPORT

Registered Office:-
Level 11, Wisma TIME
249, Jalan Tun Razak
50400 Kuala Lumpur

15 January 2001

The Shareholders,
TIME dotCom Berhad

Dear Sir/Madam

On behalf of the Directors of TIME dotCom, I report after due inquiry that during the period from the 30 September 2000 (being the date to which the last audited accounts of TIME dotCom Group have been made) up to 15 January 2001 (being a date not earlier than fourteen days before the issue of this Prospectus):-

(a) the business of TIME dotCom Group has, in the opinion of the Directors, been satisfactorily maintained;

(b) in the opinion of the Directors, no circumstances have arisen subsequent to the last audited account of TIME dotCom Group which have materially and adversely affected the trading or the value of the assets of the TIME dotCom Group;

(c) the current assets of TIME dotCom Group appear in the books at values which are believed to be realisable in the ordinary course of business;

(d) save as disclosed in Section 16.4 in page 187 of this Prospectus, there are no contingent liabilities have arisen by reason of any guarantees or indemnities given by the TIME dotCom Group; and

(e) save as disclosed in Section 10 in page 47 and in the Accountants' Report in Section 18 in page 194 this Prospectus, there have been no changes in published reserves or any unusual factors affecting the profit of the TIME dotCom Group.

Yours faithfully
For and on behalf of the Board of Directors
of TIME dotCom Berhad

Tan Sri Abu Talib bin Othman
Chairman

TIME dotCom Berhad (413292-P)
(formerly known as TIME Telecommunications Holdings Berhad)
Level 1, Wisma TIME, 249 Jalan Tun Razak, 50400 Kuala Lumpur, Malaysia
Tel 603 466 8000 Fax 603 466 0199 Web www.time.com.my

Arthur D Little

Independent Feasibility Report in respect of TIME dotCom Bhd

Report on

TIMEdotCom

3 October 2000

This report was prepared by Arthur D. Little for TIME dotCom. The material in it reflects Arthur D Little's best judgment in light of the time limits prescribed by our client and the information available to it at the time of preparation. Estimates and projections contained herein shall not be relied upon as a promise or representation as to the future. Any use that a third party makes of this report, or any reliance on or decisions to be made based on it, are the responsibility of such third party. Arthur D Little accepts no responsibility for any damages, if any, suffered by a third party as a result of decisions made or actions taken based on this report.

Arthur D. Little (M) Sdn Bhd
(Company No. 178732A)
Office Suite 19-13-2
13th Floor, UOA Centre
19 Jalan Pinang
50450 Kuala Lumpur
Malaysia
Tel: +60-3-21646063
Fax: +60-3-21646067

Reference: 70668-00

Independent Feasibility Report

TIME Engineering Bhd (TIME) and the Corporate Debt Restructuring Committee (CDRC) propose a debt restructuring plan, including an initial public offering of ordinary shares in TIME dotCom Bhd, formerly known as TIME Telecommunications Holdings Sdn Bhd, to resolve debts amounting to some RM4.7 billion. TIME dotCom is protected from creditors under Section 176 of the Companies Act.

Each of the businesses developed business plans, which includes a 15-year financial forecast, and asked Arthur D. Little (ADL) to review them. After reviewing their initial plans, we provided our findings, feedback and projections to each of the businesses. Subsequently, each of the businesses revised their projections to reflect ADL's projections. This executive summary comprises an overview of our conclusions of the revised business plans.

Appraisal of TIME dotCom Bhd

TIME dotCom Bhd will comprise TT dotCom Sdn Bhd, the fixed-line business; TIME Wireless Sdn Bhd (TWSB), the mobile telephony business; TIME Reach Sdn Bhd (TRSB), one of two payphone operators in the country; and TIME dotNet Bhd, recently formed to provide Internet access services.

The general theme of the business plans for each of these businesses is aggressive customer acquisition supported by the low marginal cost of carrying traffic on TIME dotCom's fibre optic backbone. The customer acquisition programmes leverage the customer base and business activities of the overall Renong Group.

Another common theme across most of the businesses is the primary focus on voice services. The company has indicated that it is in the process of developing more detailed business plans to support its entry into the data market.

Our analysis, as summarised in the following sections, shows that the four business plans are feasible. This is based on our assessment of the broad level strategies and plans outlined in those plans. It is important to note that the competitive landscape may change dramatically, and TIME dotCom must be prepared to respond to these challenges. Competitive intensity may increase and margins fall over time, with more innovative services offered at lower prices. Further drivers beyond TIME dotCom's control could include industry consolidation or market liberalisation.

Several key assumptions underpin our assessment of each business plan.

- We believe there is high likelihood of tariff re-balancing occurring as early as 2002 and being implemented in stages till 2005 and beyond. Consistent with international trends to charge tariffs based on costs, we believe both STD and IDD rates to decrease by more than 50 percent. We have also assumed that local tariff for fixed lines will increase from the current 3 sen per minute to 5 sen per minute. We expect monthly subscriptions to remain unchanged due to the government's push to increase teledensity. Tariff re-balancing is likely to also result in corresponding changes to interconnect rates. While tariff re-balancing has not been announced as at the date of this report, it is expected to occur especially coupled with competitive changes anticipated.

- Market liberalisation initiatives are likely to accelerate in the next few years. The recently formed Malaysian Communications and Multimedia Commission (MCMC) is expected to play an increasingly more active role in stemming out predatory behaviours by the incumbent and stimulate healthy competition in the industry. Furthermore, the government's drive to promote Internet and multimedia industries would require liberalisation of the telecommunications market. We expect competition to intensify and new entrants to enter the market, particularly in value added and Internet services.

While ADL deems such assumptions to be valid, we recommend that the reader assess the validity of each, since they have a significant impact on our projections.

The financial models that we developed to support our analysis shows that the financial projections are highly dependent on a few key sensitive parameters, which includes:

- Market growth rates
- Subscriber base
- Usage per customer/line
- Tariffs
- Interconnect rates
- Staff productivity levels

Fixed Line Business – TT dotCom Sdn Bhd

TT dotCom operates a modern 5,200km backbone network that covers the main urban centres on the west and east coasts of Peninsular Malaysia. The company has connections into more than 700 office, hotel, commercial and non-commercial buildings and has installed 45K direct access lines installed at the end of 1999.

Overall, we find TT dotCom's projections reasonable. TT dotCom's ability to achieve the projected numbers depends on how the company responds to developments in data services and the wholesale market, how it leverages customer management and marketing strategies, and its investment of time, human resources, and capital in realisation of the business plan as well as management of implementation risks.

- ***Data Services:*** In the direct access lines business, TT dotCom has been successful in achieving respectable market share rapidly in the lucrative business segment. However, these revenues are primarily limited to voice services, which are likely to become less important in the future due to tariff re-balancing and more intense competition. ADL believes that data will become a main source of income for telcos as data traffic surpasses voice traffic in the future.

  TT dotCom's modern national broadband network platform makes it the best-positioned Malaysian telco to capitalise on this trend, which will provide the company with new revenue streams and reduce its reliance on voice revenues.

  To prepare itself to capture the potential from this trend, TT dotCom will need to shift its focus from voice to data and formulate a data services strategy. The company has indicated that it is formulating more definitive plans to tackle this increasingly important market to realise its full revenue potential. This strategy should cover not only high-speed data services for communications and access to the Internet, but also more value-added frame relay and virtual private network (VPN) services. This will enable TT dotCom to neutralise any potential threat from Telekom Malaysia Berhad (TMB), which could attempt to increase its dominant position by rolling out bundled data and voice services.

  In the event that TT dotCom's strategy shifts to focus more on data, there will be a need to upgrade its network to an IP-based platform in the near future to significantly enhance its competitive position. ADL believes that such infrastructure upgrade is necessary considering that TT dotCom's competitors are already moving in that direction. The upgrade to an IP-based infrastructure will require significant additional capital expenditures, which are not reflected in the current primarily-voice capex plan.

- ***Wholesale revenue:*** TT dotCom has stated preliminary plans to offer wholesale bandwidth to other telcos and indicated that it will formulate more concrete plans for execution to achieve the revenue projections. We believe this is a very lucrative market given that it is virtually a monopoly market today. Entering into this business will bolster declining voice margins in the event that voice revenue declines as expected. Furthermore, providing wholesale bandwidth will mitigate the risk of competitors building their own backbones and preying on TT dotCom's customer base.

- ***Marketing:*** Overall, TT dotCom will benefit from a more cogent, segment-wise marketing proposition in all its business areas driven by customer type rather than by product. TT dotCom needs to develop a comprehensive marketing strategy, which must include value propositions, service offerings, communications programs and distribution channels designed for each segment.

  Furthermore, customer care and retention schemes are equally as critical so that TT dotCom will be able to retain its customers, especially the high value customers, in the highly competitive market.

Finally, to execute the business plans successfully requires significant commitment of time, human resources and capital, and management of risks associated with implementation.

Cellular Business – TIME Wireless Sdn Bhd (TWSB)

TWSB is a cellular service provider with its own network operating with a license awarded in December 1993 for GSM 1800. After an initial period of progressive network deployment, financial difficulties led TWSB to suspend its deployment plan, which has yet to resume. The company reports a total of 653 operating cell sites distributed throughout Malaysia, and 175,000 active subscribers at the end of 1999. After the debt restructuring, it intends to resume its network expansion plans and to increase the number of sites to 803 at the end of 2000 and 1599 at the end of 2004. With 350-400 BTSs already in stock but yet to be fully paid for, TWSB will be able to quickly resume its network roll-out plan.

Overall, we find TWSB's projections reasonable. TWSB's ability to achieve the projected numbers depends on how the company leverages network coverage, brand image and customer service to acquire and retain high-usage customers; how it responds to developments in mobile data services; and its investment of time, human resources, and capital in realising the business plan as well as managing implementation risks.

- ***Customer acquisition:*** TWSB has stated its intentions to significantly increase its customer base and target high-usage post-paid customers. The extent to which TWSB is able to achieve this in the competitive mobile market is dependent on its ability to expand its network coverage, strengthen its brand image, widen its service offering and offer better customer services.

  Due to financial constraints, TWSB's current network coverage is limited and has coverage gaps compared to most of the other operators, who have wider geographic coverage and in-building coverage. To attract customers, particularly the high-usage ones, would require TWSB to significantly increase its network coverage, both outdoor and indoor. TWSB's business plan has outlined a network expansion plan to address current deficiencies. The plan for radio transceiver growth, though acceptable, barely keeps pace with the theoretical capacity of the network and should therefore be more aggressive considering the competitors' greater coverage and their continued investments in this area.

  TWSB current brand image is associated to the more low-end, prepaid segment. The company has indicated its intentions to strengthen its brand image to better appeal to customers, particularly the higher-end post-paid customers. To strengthen a brand image requires significant amounts of investments, effort and marketing ingenuity.

TWSB will need to also offer good customer care programmes to retain customers. This is particularly important in the high-end segments, who place greater emphasis on customer service.

To achieve the projected customer base and target customer mix, TWSB has indicated that it is developing more detailed plans for brand building and customer acquisition.

- ***Mobile data strategy:*** Although TWSB has plans to launch mobile data services in the near future, it will need to revise the schedule and strengthen the scale of its data initiatives. Mobile voice is likely to become a commodity business as tariffs fall in the next few years. TWSB's competitors are moving aggressively into mobile data services to build a first-mover advantage, which is important in this business.

  Mobile data provides TWSB with the opportunity to compete on an even playing field and to lead – if it adopts the right strategies. Due to financial constraints, TWSB has not exhibited as strong a commitment as those of its rivals. TWSB has indicated that it intends to invest more, move faster and be more innovative after the debt restructuring exercise to ensure that it does not fall behind competition.

Finally, to execute the business plans successfully requires significant commitment of time, human resources and capital, and management of risks associated with implementation.

Payphone Business – TIME Reach Sdn Bhd (TRSB)

TIME Reach reports approximately 53,500 payphones throughout the country at the end of 1999. The company plans to embark on a rationalisation and relocation programme, which aims to increase traffic volume and reduce operating costs. By mid-year 2001, TRSB expects to have 45,624 payphones in operation.

Over the next 12 to 18 months, TRSB plans to relocate payphones to higher revenue generating areas and to rationalize costs, e.g. by migrating payphones from Telekom Malaysia to TT dotCom lines. By doing this, the company hopes to increase its profitability in the short term. However, we would highlight several issues that could impact the financial performance of the company.

- We have not reviewed any detailed migration plans and therefore could not determine conclusively whether these initiatives would in fact yield all the desired benefits – higher revenues and lower costs – simultaneously. TT dotCom has factored the cost of the payphone migration exercise into its business plans and is currently developing more detailed migration plans.

- Further, TRSB's license requires it to provide one payphone in "rural" areas for every eight payphones in non-rural areas, with rural areas not clearly defined. If the definition of rural results in the company not having enough rural payphones, the company may have to install more payphones in areas of lower profitability, which could have a negative impact on its earnings and operating cash flow.

ISP Business – TIME dotNet Bhd

TIME dotNet's initial business plan predominantly focuses on the provision of narrowband Internet access. We believe that there are significant opportunities in the local Internet market that have not been addressed in the company's initial business plan. These include broadband access, wholesale bandwidth sales to Internet Service Providers (ISP) and Internet Application Service Providers (IASP), and commerce facilitation on its portals, which is a potential upside for TIME dotNet should the company decide to pursue these opportunities.

Under the current business plan, we believe TIME dotNet must focus on two key areas to achieve the projected subscriber base numbers.

- Firstly, the company should immediately focus on augmenting its organisational resources. We believe there is a significant risk of not delivering the planned targets due to shortage of qualified resources. The resources dedicated to date are too few to ensure the ongoing success of the business. Furthermore, there is a general shortage of qualified Internet personnel in Malaysia, as in most countries – TIME dotNet would need to immediately develop plans to identify and recruit the right resources to support its ambitious customer acquisition plan.

- Secondly, the company must strengthen its marketing and sales function so that it can differentiate itself and appeal to customers in the highly competitive environment. We believe the evolving Internet access market in Malaysia is likely to be highly competitive. When the company launches service in June 2000, it will be the fourth entrant to the access market. A significant service differentiation from TMNet and Jaring can result in the company gaining substantial market share in the first six months. However, any service or price gap is likely to be bridged by competitors over the longer term. Furthermore, more ISPs and IASPs are likely to enter the market as the Government liberalises the market, as has been demonstrated in overseas markets.

As a separate activity, and under separate cover, ADL has assisted TIME dotNet to develop a more compelling ISP strategy. This strategy builds on the potential up-sides for broadband access, wholesale connectivity, commerce facilitation and content services. However, for the purposes of this review of TIME dotNet's business plans, the additional areas of development are not included in our forecasts.

Capital Expenditure Plan

The capital expenditure (capex) planned for the fixed line operations going forward is reasonable for a voice-only operation. Most of the capex for new lines and network improvement are in line with international benchmarks. In the event that there is a shift in TT dotCom's strategy to focus on data, there will be significant additional capex needed, which are not reflected in the current plan.

For the mobile business, the capital expenditure estimates appears reasonable, with the cost per subscriber in line with international benchmarks. TWSB's capex plan provides for the introduction of Wireless Access Protocol (WAP) service, an upgrade to support General Packet Radio Service (GPRS) and a trial of third-generation (3G) mobile service. We believe that TWSB and the other existing GSM 900 and 1800 operators will be faced with the competitive need to enhance their platforms to achieve lower cost and IP-based multi-service flexibility when 3G networks are widely deployed in five to ten years time. This upgrade has not been included in the plan.

For the payphone business, the capex budget has taken into account all key items. This includes a budget in TT dotCom's business plan to provide for local access lines to new payphone locations under the payphone migration programme. In addition, TRSB has planned sufficient capex to replace damaged and retired payphones.

TIME dotNet's capex plans appear reasonable and include costs for the modems and platforms to be mounted in TT dotCom's equipment rooms. In addition, the budget has factored in reasonable costs for server equipment costs of setting up Network Operations Centres to provide basic ISP service. Additional capex will be required if TIME dotNet decides to provide value-added services. TIME dotNet's capex budget does not include any costs for local access lines nor trunk and international bandwidth as these will be provided by TT dotCom.

Appraisal of Agreements, Contracts and Permits

In the conduct of its business, TIME dotCom has entered into a great number of agreements. Given the nature of the business, this is not exceptional. Most of the agreements can be categorised into the following:

- Agreements with other telecommunications companies and network operators to provide for interconnection, use of facilities, roaming and carriage of traffic. These interconnection agreements are established with all other domestic telecommunications operators and also many other operators in overseas.

- Construction and supply agreements which are related to network construction and supply of materials, equipment and plant.

- Agreements for purchase or use of land for the purpose of establishing exchanges, switching centres, base stations, transceivers and other facilities.

- Financing agreements, which are related to raising of finances through various sources.

A separate legal due diligence has been conducted by Messrs Rashid & Lee on all significant agreements, contracts and permits entered by the company. A copy of the report is contained in this prospectus. The key terms of the Group's operating licences are set out in Section 15 of the Prospectus.

Adequacy of Debt and Equity Financing

The initial public offering of TIME dotCom Bhd is part of the debt restructuring plan proposed by TIME and the CDRC. TIME is currently protected from creditors under Section 176 of the Companies Act due to its inability to repay debts amounting to RM4.7 billion. Under the debt restructuring plan, creditors are offered to convert debt for equity in TIME dotCom.

Environmental Impact

Three of the Group's telecommunications networks already exist and are operational. The majority of the capital expenditure over the next few years will extend the coverage and capacity of these networks using similar technology and technical specifications to that already in place. Furthermore, these technologies are commonly used by operators around the world, as well as in Malaysia. As such, there are no environmental issues pertaining to the Group's businesses that do not pertain to all other major operators in Malaysia.

We have been advised that there is no outstanding litigation on any environmental matters.

Insurance Risk

We have made enquiries on the Group's current insurance arrangements. The company has stated that cover is held in all major areas of the business, notably in respect of all major insurable classes of fixed assets and that adequate levels of cover are in force for the various insurable risks in the business as at 28 February 2000. The company intends to self-insure its payphone equipment from September 2000.

Arthur D. Little's Methodology

Arthur D. Little conducted a due diligence assessment of TIME dotCom's four businesses (fixed line, payphone, mobile cellular and ISP), to prepare an Independent Feasibility Report on the company's debt restructuring process and IPO listing. ADL has conducted numerous such assessments for telecommunications operators globally and throughout Asia,

Scope of Work

The evaluation took place over three-and-a-half weeks, between 18 February and 14 March 2000. Our work involved appraising the business plans submitted on 21 Feb 2000 and analysing the key assumptions underpinning the forecast models developed by each business unit; however, we did not audit these models. As part of this assignment, we conducted the following activities:

- Assess industry and competitive environment;
- Review past and current operations and performance to date for fixed line, mobile and payphone businesses (ISP business is not operational yet);
- Review financial forecasts for the period 2000 to 2014 provided by TIME dotCom;
- Evaluate assumptions underlying TIME dotCom's financial projections;
- Assess capital expenditure plans;
- Appraise commercial terms and relevant contracts, agreements and permits;
- Comments on environmental impact
- Comments on insurance risks
- Comments on the adequacy of debt and equity financing
- Conduct broad sensitivity analysis to determine the impact of changes to key parameters on business returns.

We met with representatives of TIME dotCom and other players in the telecommunications industry in Malaysia. We co-ordinated our work with TIME dotCom's financial advisors. We appreciate the time they spent with us, and their valuable contributions to this Report. The conclusions of the evaluation, however, are our own.

Our conclusions on the overall feasibility of the business plan are based solely on our assessment of the reasonableness of the underlying assumptions in the context of technology trends and the telecommunications market in Malaysia. The reader should note that we have not factored in the impact of industry consolidation or foreign telcos operating at full-scale in the Malaysian telecoms market due to the uncertainty of these issues. We have assumed no change in the number of large telecom operators in the market.

ADL did not evaluate the ability and capacity of TIME dotCom's management and organisation in supporting the business strategies and plans since this is not part of the scope of our work. In projecting future business performance, we have made an assumption, which the reader is advised to verify, that the performance of TIME dotCom's management and line staff is at an average level compared to competition. However, TIME dotCom realises the need to build competence in marketing, operations and data-centric network engineering, once the debt restructuring has taken place.

This Independent Feasibility Report reflects Arthur D Little's best judgment in light of the time limits prescribed by our client and the information available to it at the time of preparation. We draw the reader's attention to the risks inherent in the business and the sensitivity of the company's results to certain key assumptions. Estimates and projections contained herein shall not be relied upon as a promise or representation as to the future. Any use that a third party makes of this report, or any reliance on or decisions to be made based on it, are the responsibility of such third party. Arthur D Little accepts no responsibility for any damages, if any, suffered by a third party as a result of decisions made or actions taken based on this report.

About Arthur D. Little

Arthur D. Little is the world's oldest, and one of the largest, international management and technology consulting firms. Established in 1886 in Cambridge, Massachusetts, USA, the firm now has 50 offices in 30 countries around the world, including Malaysia.

ADL is well qualified in the field of telecommunications, with a dedicated practice of 300 specialists operating around the world and in Asia. The firm's experience in the telecommunications industry ranges from provision of strategy and operational assistance to specialised product development assignments. ADL has conducted numerous independent feasibility assessments for telecommunications operators globally and throughout Asia, for the purposes of raising debt and/or equity for a variety of clients.

Arthur D. Little.

This report must be read in its entirety, and is subject to the disclaimer which is set out on the front page.