TIME DOTCOM BERHAD
(413292-P)
Incorporated in Malaysia

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE SECOND QUARTER ENDED 30 JUNE 2018

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 30/6/2018	Preceding year corresponding quarter 30/6/2017	Six months to 30/6/2018	Six months to 30/6/2017
	RM'000	RM'000	RM'000	RM'000
Operating revenue	**239,853**	**205,321**	**470,583**	**423,739**
Operating expenses				
- depreciation and amortisation of property, plant and equipment	(30,084)	(27,018)	(59,156)	(54,017)
- other operating expenses	(146,954)	(142,519)	(283,912)	(282,391)
Other operating income (net)	5,711	148	6,013	1,397
Profit from operations	**68,526**	**35,932**	**133,528**	**88,728**
Investment income	2,040	3,210	5,020	6,974
Finance expense	(4,828)	(2,040)	(9,712)	(4,074)
Share of profit from investment in associates, net of tax	2,789	778	5,661	1,766
Profit before income tax	**68,527**	**37,880**	**134,497**	**93,394**
Income tax expense	(3,589)	(2,000)	(6,619)	(4,466)
Profit for the period attributable to owners of the Company	**64,938**	**35,880**	**127,878**	**88,928**
Other comprehensive income/(loss):				
Foreign currency translation differences for foreign operations	2,412	(5,227)	(2,342)	(7,528)
Fair value gain on available-for-sale financial assets	932	780	326	780
Other comprehensive income/(loss) for the period	3,344	(4,447)	(2,016)	(6,748)
Total comprehensive income for the period attributable to owners of the Company	**68,282**	**31,433**	**125,862**	**82,180**
Earnings per share (based on weighted average number of ordinary shares)				
- Basic	11.17 sen	6.20 sen	21.99 sen	15.38 sen
- Diluted	11.08 sen	6.14 sen	21.80 sen	15.22 sen

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 2017.

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II. CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Unaudited As at 30/6/2018 RM'000	Audited As at 31/12/2017 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	1,349,555	1,335,035
Intangible assets	213,959	213,959
Investment in associates	405,691	404,023
Other investments	14,830	13,706
Deferred tax assets	248,906	249,725
Trade and other receivables	11,308	11,224
	2,244,249	2,227,672
Current assets		
Tax recoverable	1,664	1,664
Trade and other receivables	348,502	263,850
Restricted cash	8,143	8,248
Cash and cash equivalents	379,654	576,616
	737,963	850,378
Total assets	2,982,212	3,078,050
EQUITY AND LIABILITIES		
Equity		
Share capital	1,172,485	1,172,485
Reserves	1,177,518	1,093,539
Total equity attributable to owners of the Company	2,350,003	2,266,024
Non-current liabilities		
Loans and borrowings	124,371	142,037
Trade and other payables	112,770	112,064
Deferred tax liabilities	10,403	9,403
	247,544	263,504
Current liabilities		
Loans and borrowings	127,308	281,725
Trade and other payables	253,076	264,321
Provision for tax	4,281	2,476
	384,665	548,522
Total liabilities	632,209	812,026
Total equity and liabilities	2,982,212	3,078,050
Net assets per share attributable to ordinary owners of the Company	RM4.04	RM3.90

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Annual Audited Financial Statements for the year ended 31 December 2017.

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III. CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

		Unaudited Six months to 30/6/2018 RM'000	Unaudited Six months to 30/6/2017 RM'000
Operating Activities			
Cash receipts from customers		464,484	412,901
Transfer (to)/from restricted cash and bank balances		(105)	2,007
Cash payments to suppliers		(171,450)	(152,671)
Cash payments to employees and for administrative expenses		(116,227)	(123,944)
Cash generated from operations		**176,702**	**138,293**
Tax paid		(2,992)	(2,201)
Net cash generated from operating activities		**173,710**	**136,092**
Investing Activities			
Acquisition of property, plant and equipment		(102,623)	(117,658)
Acquisition of other investments		(798)	(2,992)
Investment income received		5,479	6,345
Net cash used in investing activities		**(97,942)**	**(114,305)**
Financing Activities			
Repayment of term loans and other borrowings		(162,314)	13,200
Advance to equity accounted investee		-	(2,929)
Repayment of finance lease liabilities		-	(1,168)
Finance charges paid		(7,228)	(3,498)
Dividend paid		(100,010)	(100,045)
Net cash used in financing activities		**(269,552)**	**(94,440)**
Net change in Cash and Cash Equivalents		**(193,784)**	**(72,653)**
Effect of exchange rate fluctuations on cash held		(3,178)	(4,357)
Cash and cash equivalents as at beginning of financial period		576,616	506,299
Cash and Cash Equivalents as at end of financial period	**Note (a)**	**379,654**	**429,289**

Note:

(a) Cash and Cash Equivalents comprise the following amounts:

Cash and bank balances	175,345	109,527
Deposits with licensed banks	212,452	326,488
	387,797	**436,015**
Restricted cash	(8,143)	(6,726)
	379,654	**429,289**

Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Annual Audited Financial Statements for the year ended 31 December 2017.

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IV. CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	←------ Non-distributable				------→	←-----Distributable---→		
Six months to 30 June 2018 (unaudited)	**Share Capital RM'000**	**Share Premium RM'000**	**Available-for-Sale Reserve RM'000**	**Foreign Currency Translation Reserve RM'000**	**Share Grant/ Option Reserves RM'000**	**Capital Reserve RM'000**	**Retained Earnings RM'000**	**Total equity, attributable to owners of the Company RM'000**
Balance as at 1 January 2018	**1,172,485**	**-**	**319**	**23,051**	**30,931**	**-**	**1,039,238**	**2,266,024**
Impact arising from adoption of MFRS 15	-	-	-	-	-	-	50,745	50,745
Dividend paid	-	-	-	-	-	-	(100,010)	(100,010)
Employee share grant plan/option scheme	-	-	-	-	7,382	-	-	7,382
Profit for the period	-	-	-	-	-	-	127,878	127,878
Fair value gain on available-for-sale financial assets	-	-	326	-	-	-	-	326
Exchange differences recognised directly in equity	-	-	-	(2,342)	-	-	-	(2,342)
Total comprehensive income/(expense) for the period	-	-	326	(2,342)	-	-	127,878	125,862
Balance as at 30 June 2018	**1,172,485**	**-**	**645**	**20,709**	**38,313**	**-**	**1,117,851**	**2,350,003**

	←------ Non-distributable				------→	←-----Distributable---→		
Six months to 30 June 2017 (unaudited)	**Share Capital RM'000**	**Share Premium RM'000**	**Available-for-Sale Reserve RM'000**	**Foreign Currency Translation Reserve RM'000**	**Share Grant/ Option Reserves RM'000**	**Capital Reserve RM'000**	**Retained Earnings RM'000**	**Total equity, attributable to owners of the Company 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**

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 2017.

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) and requirements of the Companies Act 2016, where applicable.

The interim financial statements should be read in conjunction with the annual audited financial statements for the year ended 31 December 2017. The 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 financial year ended 31 December 2017.

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 2017, except for the adoption of the following standards, amendments and annual improvements to MFRSs with a date of initial application on 1 January 2018:

Description	
Amendments to MFRS 1	*First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements to MFRS Standards 2014-2016 Cycle)*
Amendments to MFRS 2	*Classification and Measurement of Share-based Payment Transactions*
Amendments to MFRS 4	*Insurance Contracts – Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts*
Amendments to MFRS 128	*Investments in Associates and Joint Ventures (Annual Improvements to MFRS Standards 2014-2016 Cycle)*
Amendments to MFRS 140	*Investment Property – Transfer of Investment Property*
Clarifications to MFRS 15	*Revenue from Contracts with Customers*
IC Interpretation 22	*Foreign Currency Transactions and Advance Consideration*
MFRS 9	*Financial Instruments (2014)*
MFRS 15	*Revenue from Contracts with Customers*

The adoption of the above did not have any significant effects on the interim report upon their initial application, other than as disclosed below:

MFRS 15, Revenue from Contracts with Customers

MFRS 15 is effective for annual periods beginning on or after 1 January 2018. MFRS 15 establishes a new five-step model that will apply to revenue arising from contracts with customers.

The core principle of MFRS 15 is that an entity should recognise revenue which depicts the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

Under MFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

In adopting MFRS 15, the Group has adopted the standard using the cumulative effect retrospective approach with practical expediency for contracts that are completed. This means that contracts that are still on-going as at 1 January 2018 will be accounted for as if they had been recognised in accordance with MFRS15 at the commencement of the contract. The cumulative impact arising from the adoption will be recognised in retained earnings as at 1 January 2018 and comparatives will not be restated.

In summary, the impact of adopting MFRS 15 to opening balances are as follows:

Statement of financial position at 1 January 2018

	As reported under MFRS 15 RM'000	**MFRS 15 adjustments RM'000**	**Pre-MFRS 15 RM'000**
Trade and other receivables	320,797	(45,723)	275,074
Trade and other payables	371,365	5,020	376,385
Retained earnings	1,089,983	(50,745)	1,039,238

2. Significant accounting policies (continued)

MFRS 15, Revenue from Contracts with Customers (continued)

The following table summarises the impact of adopting MFRS 15 on the Group's statement of profit or loss and statement of financial position as at 30 June 2018.

Profit and loss for 30 June 2018

	As reported under MFRS 15 RM'000	MFRS 15 adjustments in the six month period RM'000	Pre-MFRS 15 RM'000
Revenue	470,583	(1,747)	468,836
Operating expense (including depreciation and amortization)	(343,068)	(12,187)	(355,255)
Finance expense	(9,712)	2,672	(7,040)
Profit for the period	127,878	(11,262)	116,616
Earnings per share (sen)			
- basic	21.99		20.06
- diluted	21.80		19.90

Statement of financial position at 30 June 2018

	As reported under MFRS 15 RM'000	MFRS 15 adjustments RM'000	Pre-MFRS 15 RM'000
Trade and other receivables	359,810	(57,910)	301,900
Trade and other payables	365,846	4,097	369,943
Retained earnings	1,117,851	(62,007)	1,055,844

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 3	*Business Combinations (Annual Improvements to MFRS Standards 2015-2017 Cycle)*	1 January 2019
Amendments to MFRS 9	*Financial Instruments (Prepayment Features with Negative Compensation)*	1 January 2019
Amendments to MFRS 11	*Joint Arrangements (Annual Improvements to MFRS Standards 2015-2017 Cycle)*	1 January 2019
Amendments to MFRS 112	*Income Taxes (Annual Improvements to MFRS Standards 2015-2017 Cycle)*	1 January 2019
Amendments to MFRS 119	*Employee Benefits - Plan Amendment, Curtailment or Settlement*	1 January 2019
Amendments to MFRS 123	*Borrowing Costs (Annual Improvements to MFRS Standards 2015-2017 Cycle)*	1 January 2019
Amendments to MFRS 128	*Investments in Associates and Joint Ventures (Long-term interests in Associates and Joint Ventures)*	1 January 2019
IC Interpretation 23	*Uncertainty over Income Tax Treatments*	1 January 2019
MFRS 16	*Leases*	1 January 2019
Amendments to MFRS 2	*Share-based payment*	1 January 2020
Amendments to MFRS 3	*Business combination*	1 January 2020
Amendments to MFRS 6	*Exploration for and Evaluation of Mineral Resources*	1 January 2020
Amendments to MFRS 14	*Regulatory Deferral Accounts*	1 January 2020
Amendments to MFRS 101	*Presentation of Financial Statements*	1 January 2020
Amendments to MFRS 108	*Accounting policies, Changes in Accounting Estimates and Errors*	1 January 2020

2. Significant accounting policies (continued)

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 (continued):

Description		**Effective for annual periods beginning on or after**
Amendments to MFRS 134	*Interim Financial Reporting*	1 January 2020
Amendments to MFRS 137	*Provisions, Contingent Liabilities and Contingent Assets*	1 January 2020
Amendments to MFRS 138	*Intangible Assets*	1 January 2020
Amendments to IC Interpretation 12	*Service Concession Arrangements*	1 January 2020
Amendments to IC Interpretation 19	*Extinguishing Financial Liabilities with Equity Instruments*	1 January 2020
Amendments to IC Interpretation 20	*Stripping costs in the Production Phase of a Surface Mine*	1 January 2020
Amendments to IC Interpretation 22	*Foreign Currency Transactions and Advance Consideration*	1 January 2020
Amendments to IC Interpretation 132	*Intangible Assets – Web Site Costs*	1 January 2020
MFRS 17	*Insurance Contracts*	1 January 2021
Amendments to MFRS 10 and MFRS 128	*Consolidated Financial Statements and Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	Date yet to be confirmed by MASB

The Group plans to apply the abovementioned accounting standards, amendments and interpretations where applicable, when they become effective in the respective financial periods.

The Group, however does not plan to apply MFRS 17, Insurance Contracts that is effective for annual periods beginning on 1 January 2021 as it is not applicable to the Group.

The initial application of the abovementioned standards, amendments and interpretations, where applicable are not expected to have any material financial impact to the current period and prior period financial statements of the Group.

3. Audit report in respect of the 2017 financial statements

The audit report on the Group's financial statements for the financial year ended 31 December 2017 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 Group had undertaken an impairment test on its investments made in its associate companies in Thailand, i.e. KIRZ Co. Ltd. and KIRZ Holdings Co., Ltd. (collectively referred to as "KIRZ"), following continued operating losses recorded in the current period. The recoverable amount from the investments was based on their value in use, which was determined by discounting the share of estimated future cash flows expected to be generated by the associate companies. An impairment loss was recognised for the investments totaling RM4.0 million in the current quarter. The impairment loss essentially reduces the Group's carrying value in investments in KIRZ to zero as at the end of the reporting period. An allowance for doubtful debts was also provided for the portion of advances amounting to RM5.5 million in the current period (HY 2018: RM7.2 million) given to KIRZ that the Group deemed unlikely to be recovered.

Other than as stated above, 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.

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 six months period ended 30 June 2018.

The Company fully repaid its first tranche of Sukuk Murabahah amounting to RM3.0 million in nominal value upon its maturity on 9 July 2018. The said tranche of Sukuk Murabahah had been issued on 7 July 2017. Proceeds from the first tranche had been utilised for general corporate purposes of the Group.

On 18 July 2018, the Company issued 2,153,461 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 RM8.21 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 28 March 2018, the Group paid an interim ordinary and a special interim tax exempt (single tier) dividend of 5.30 sen and 11.90 sen per ordinary share respectively in respect of the financial year ended 31 December 2017.

9. Segmental Reporting

	Individual Quarter		Cumulative Quarter	
	Current year quarter	Preceding year corresponding quarter	Six months to	Six months to
Group	**30/6/2018 RM'000**	**30/6/2017 RM'000**	**30/6/2018 RM'000**	**30/6/2017 RM'000**
Operating Revenue				
Voice	16,492	20,581	32,929	41,623
Data	187,598	154,698	371,475	324,258
Data centre	34,600	28,669	63,990	55,333
Others	1,163	1,373	2,189	2,525
	239,853	**205,321**	**470,583**	**423,739**
Operating Expenses:				
Depreciation and amortisation of property, plant and equipment	(30,084)	(27,018)	(59,156)	(54,017)
Other operating expenses	(146,954)	(142,519)	(283,912)	(282,391)
Other operating income (net)	5,711	148	6,013	1,397
Profit from operations	**68,526**	**35,932**	**133,528**	**88,728**
Investment income	2,040	3,210	5,020	6,974
Finance expense	(4,828)	(2,040)	(9,712)	(4,074)
Share of profit from investment in associates, net of tax	2,789	778	5,661	1,766
Profit before income tax	**68,527**	**37,880**	**134,497**	**93,394**

9. Segmental Reporting (continued)

Group	Individual Quarter: Current year quarter 30/6/2018 RM'000	Individual Quarter: Preceding year corresponding quarter 30/6/2017 RM'000	Cumulative Quarter: Six months to 30/6/2018 RM'000	Cumulative Quarter: Six months to 30/6/2017 RM'000
Geographical locations				
Operating Revenue				
Within Malaysia	235,768	195,000	462,291	384,915
Outside Malaysia	4,085	10,321	8,292	38,824
	239,853	**205,321**	**470,583**	**423,739**
Timing of revenue recognition				
Over time	216,334		429,349	
At a point in time	22,775		39,674	
Revenue not within the scope of MFRS 15	744		1,560	
	239,853		470,583	

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 2017.

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

In the opinion of the Directors, other than as disclosed in Notes 7 and 12, there are no other items, transactions or events of a material and unusual nature which have arisen since 30 June 2018 to 22 August 2018 (being the latest practicable date) that will have a substantial effect on the financial results of the Group.

12. Changes in the composition of the Group during the financial period ended 30 June 2018

There were no changes in the composition of the Group during the six months period ended 30 June 2018.

On 10 July 2018, TIME dotCom International Sdn. Bhd., a wholly owned subsidiary, established a wholly owned subsidiary in Cambodia named TIME dotCom (Cambodia) Co., Ltd. ("TIME Cambodia"). The principal activity of TIME Cambodia is intended to be the provision of telecommunication services. TIME Cambodia was established with a share capital equivalent to approximately USD10,000 or RM40,600.

13. Contingent liabilities/assets

There were no changes in the contingent liabilities or contingent assets since 31 December 2017.

14. Capital commitments

	As at 30/6/2018 RM'000
Property, plant and equipment	
a) Approved and contracted but not provided for in the financial statements	168,845
b) Approved but not contracted for	26,066

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 that the Group can access at measurement date.
- 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 2018	**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	-	-	14,830	14,830
Financial instruments not carried at fair value:				
Financial liabilities				
Term loans	-	-	160,992	160,992
Revolving credit	-	-	87,687	87,687
Islamic medium term note	-	-	3,000	3,000
	-	-	251,679	251,679

16. Income tax

The income tax expense for the Group for current quarter and financial period ended 30 June 2018 was made up as follows:

	Individual Quarter		Cumulative Quarter	
Group	**Current quarter 30/6/2018 RM'000**	**Preceding year corresponding quarter 30/6/2017 RM'000**	**Six months to 30/6/2018 RM'000**	**Six months to 30/6/2017 RM'000**
Income tax:				
- Current year	2,812	1,774	4,800	3,080
Deferred tax:				
- Current year	4,602	12,815	35,460	25,736
- Recognition of previously unrecognised temporary differences	(3,825)	(12,589)	(33,641)	(24,350)
	777	226	1,819	1,386
Total	3,589	2,000	6,619	4,466

The effective tax rate of the Group for the current and preceding year corresponding quarters and financial period-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.

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

There are no corporate proposals, which have been announced but not completed as at 22 August 2018, being the latest practicable date.

18. Loans and borrowings

The loans and borrowings as at 30 June 2018 and 31 December 2017 are as follows:

30 June 2018	Amount repayable in one year or on demand RM'000	Amount repayable after one year RM'000	Total RM'000
Secured:			
Loans and borrowings			
- Denominated in RM	7,377	14,909	22,286
- Denominated in USD	29,244	109,462	138,706
Unsecured:			
- Denominated in RM	3,000	-	3,000
- Denominated in USD	87,687	-	87,687
As at 30 June 2018	127,308	124,371	251,679
31 December 2017			
Secured:			
Loans and borrowings			
- Denominated in RM	7,351	18,603	25,954
- Denominated in USD	26,754	123,434	150,188
Unsecured:			
- Denominated in RM	3,000	-	3,000
- Denominated in USD	244,620	-	244,620
As at 31 December 2017	281,725	142,037	423,762

The Group's loans and borrowings have mainly been used to fund the Group's working capital requirements, investments in its international submarine cable systems and investments in associates. The Group's loans and borrowings comprise both fixed and floating rate facilities and bear interest at rates ranging from 3.60% to 5.49% per annum.

19. Off balance sheet financial instruments

The cash and cash equivalents of the Group, as at 30 June 2018, do not include bank balances amounting to RM33,824,000 (31.12.2017: RM43,538,000) 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 22 August 2018, being the latest practicable date.

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Incorporated in Malaysia

21. Comparison between the current quarter ("Q2 2018") and the immediate preceding quarter ("Q1 2018")

	Q2 2018	Q1 2018	Increase/(decrease)	
	RM'000	RM'000	RM'000	%
Revenue by product:				
Voice	16,492	16,437	55	0.3
Data	187,598	183,877	3,721	2.0
Data centre	34,600	29,390	5,210	17.7
Others	1,163	1,026	137	13.4
Total revenue	**239,853**	**230,730**	**9,123**	**4.0**
Profit before tax	**68,527**	**65,970**	**2,557**	**3.9**

Note: The above consolidated results for Q2 2018 and Q1 2018 are both presented post adoption of MFRS 15.

The Group recorded a RM9.1 million or 4.0% growth in consolidated revenues on a quarter-on-quarter ("QoQ") basis from all its core product segments. One-off non-recurring contract revenue amounting to RM3.1 million had been recognised from data centre sales in Q2 2018. The Group had also similarly reported a total of RM4.4 million one-off non-recurring contract revenue from data sales in the previous quarter. Excluding one-off non-recurring contract revenues from both quarters, the Group would have reported a consolidated revenue of RM236.8 million in Q2 2018, which is RM10.5 million or 4.6% higher when compared to the similarly adjusted consolidated revenue of RM226.3 million in Q1 2018. The higher consolidated revenue (excluding one-off non-recurring contract revenue) on a QoQ basis came mainly from strong data centre and data sales in the current quarter. Data centre sales (excluding one-off non-recurring contract revenue) grew RM2.1 million or 7.1%, whilst data sales (excluding one-off non-recurring contract revenue) grew RM8.1 million or 4.5% in the current quarter. Growth in both data centre and data revenues in Q2 2018 came mostly from the Group's wholesale and retail customers, in particular, as the Group continued to see strong demand for its TIME Fibre Home Broadband service from home users. Growth in voice revenues was, however, only marginally positive in Q2 2018.

The Group's consolidated profit before tax in Q2 2018 amounted to RM68.5 million, which is RM2.6 million or 3.9% higher than the consolidated profit before tax of RM66.0 million in Q1 2018. The higher Q2 2018 consolidated profit before tax can be attributed mainly to the following:

a) higher overall revenues (despite lower one-off non-recurring contract revenue) in Q2 2018 on the back of improved cost efficiencies; and
b) net gain on foreign exchange of RM4.7 million in Q2 2018 compared to net loss on foreign exchange of RM3.5 million in Q1 2018;

offset by higher allowance of doubtful debts, higher depreciation of property, plant and equipment, a provision made for impairment loss in investments in associate companies amounting to RM4.0 million and lower interest income.

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

(a) Comparison between the current quarter ("Q2 2018") versus three month period ended 30 June 2017 ("Q2 2017")

	Q2 2018			Q2 2017		
	As reported under MFRS 15	**MFRS 15 Adjustments**	**Pre-MFRS 15**	**Pre-MFRS 15**	**Increase/(decrease)**	
	RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**%**
Revenue by product:						
Voice	16,492	-	16,492	20,581	(4,089)	(19.9)
Data	187,598	(373)	187,225	154,698	32,527	21.0
Data centre	34,600	-	34,600	28,669	5,931	20.7
Others	1,163	-	1,163	1,373	(210)	(15.3)
Total revenue	**239,853**	**(373)**	**239,480**	**205,321**	**34,159**	**16.6**
Profit before tax	**68,527**	**(4,386)**	**64,141**	**37,880**	**26,261**	**69.3**

The Group adopted and applied the new MFRS 15 – Revenue from Contracts with Customers with effect from 1 January 2018. The Group adopted the standard using the cumulative effect retrospective approach. This means that contracts that are still on-going as at 1 January 2018 will be accounted for as if they had been recognised in accordance with MFRS 15 at the commencement of the contracts. As the Group adopted the cumulative effect retrospective approach for its transition to MFRS 15, comparatives have not been restated. The cumulative impact arising from the adoption will be recognised in retained earnings as at 1 January 2018. The Group had assessed the impact of applying the new standard on the profit and loss for the quarter to be a net increase in revenue recognised of approximately RM0.4 million and a net increase in profit before tax of approximately RM4.4 million. Adjustments made to revenue and profit for the period for MFRS 15 are due to the following:

a) The Group had previously recognised revenue from contracts with customers upon delivery of products or when services were rendered and when risk and rewards have passed. Under MFRS 15, the Group will recognise revenue from contracts with customers when or as the Group satisfies its performance obligation. Assessment of whether or not performance obligation has been satisfied will need to be done. If the performance obligation is not deemed to be satisfied, any upfront collection received will be recognised as a contract liability in Trade and Other Payables in our Statement of Financial Position based on discounted cash flows using a rate based on the indicative market rate of borrowings of the Group.

b) Incremental costs of obtaining a contract, such as dealer commissions, installation costs, rebates and discounts etc., are capitalised and amortised over contract duration to be in line with the performance obligation of the contracts. Such costs were previously charged out immediately when incurred.

The Group has disclosed its financial results for the quarter both pre and post-MFRS 15. Analysis and comparisons to the previous year corresponding quarter is, however, done excluding the impact of MFRS 15 for better comparability purposes.

The Group reported a pre-MFRS 15 consolidated revenue of RM239.5 million in Q2 2018, which is RM34.2 million or 16.6% higher when compared to the RM205.3 million consolidated revenue recorded in Q2 2017. One-off non-recurring contract revenues accounted for RM3.1 million of total data centre revenues recognised in Q2 2018 whereas the Group had recorded RM6.4 million revenues from one-off non-recurring global bandwidth sales in Q2 2017. Excluding one-off revenues from non-recurring contracts, the overall consolidated revenue in the current period would have shown an increase of RM37.5 million or 18.9% when compared to the similarly adjusted consolidated revenue in the preceding year corresponding period. The increase in Q2 2018 revenues (excluding one-off non-recurring contract revenues) can be attributed to higher sales recorded from data and data centre businesses, which grew RM38.9 million (or 26.2%) year-on-year ("YoY") and RM2.8 million (or 9.8%) YoY respectively. The Group saw its revenue growth (excluding one-off non-recurring contracts) come from all its core customer groups (i.e. wholesale, enterprise and retail customers). Voice revenues, however, declined 19.9% YoY due to lower usage in Q2 2018 as compared to Q2 2017.

The Group recorded a current quarter pre-MFRS 15 consolidated profit before tax of RM64.1 million, which is RM26.3 million or 69.3% higher than the consolidated revenue recorded in Q2 2017 of RM37.9 million. The increase in the Group's Q2 2018 pre-MFRS 15 profit before tax results was mainly due to the following:

a) higher overall revenues (despite lower one-off non-recurring contracts) during the quarter on the back of improved cost efficiencies;
b) net gain on foreign exchange of RM4.7 million in Q2 2018 compared to net loss on foreign exchange of RM8.9 million recorded in Q2 2017;
c) no write-off of property plant equipment in Q2 2018 (Q2 2017: RM2.7 million); and
d) higher share of profit from investment in associates of RM2.8 million (Q2 2017: RM0.8 million)

offset by higher depreciation of property, plant and equipment, a RM4.0 million provision for impairment loss in investments made in associate companies, higher allowance for doubtful debts, higher interest expense and a lower interest income in the current quarter.

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

(b) Half year period ended 30 June 2018 ("HY 2018") versus half year period ended 30 June 2017 ("HY 2017")

	HY 2018			HY 2017		
	As reported under MFRS 15	**MFRS 15 Adjustments**	**Pre-MFRS 15**	**Pre-MFRS 15**	**Increase/(decrease)**	
	RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**%**
Revenue by product:						
Voice	32,929	-	32,929	41,623	(8,694)	(20.9)
Data	371,475	(1,747)	369,728	324,258	45,470	14.0
Data centre	63,990	-	63,990	55,333	8,657	15.6
Others	2,189	-	2,189	2,525	(336)	(13.3)
Total revenue	**470,583**	**(1,747)**	**468,836**	**423,739**	**45,097**	**10.6**
Profit before tax	**134,497**	**(11,262)**	**123,235**	**93,394**	**29,841**	**32.0**

The Group has disclosed its financial results for the current half year period both pre and post-MFRS 15. Analysis and comparisons to the previous half year period is, however, done excluding the impact of MFRS 15 for better comparability purposes.

The Group reported a pre-MFRS 15 consolidated revenue of RM468.8 million in HY 2018, which is RM45.0 million or 10.6% higher when compared to the RM423.7 million consolidated revenue recorded in HY 2017. One-off revenues from non-recurring contracts accounted for RM7.5 million of total revenue recognised in HY 2018 (HY 2017: RM31.4 million). Excluding one-off revenues from non-recurring contracts, the overall consolidated revenue in the current half year period would have shown an increase of RM69.0 million or 17.6% when compared to the similarly adjusted revenue in the preceding year corresponding period. The increase in HY 2018 revenue (excluding one-off non-recurring contracts) is mainly due to higher sales recorded from data and data centre businesses, which grew RM72.4 million (or 24.7%) YoY and RM5.6 million (or 10.1%) YoY respectively. All core customer groups contributed positively to the overall revenue growth (excluding one-off non-recurring contracts) of the Group in HY 2018, with the largest revenue growth contribution coming from the Group's retail customers. Voice revenues were, however, down 20.9% YoY due to lower usage in HY 2018.

The Group recorded a current half year pre-MFRS 15 consolidated profit before tax of RM123.2 million which is RM29.8 million or 32.0% higher than the consolidated profit before tax recorded in HY 2017 of RM93.4 million. The increase in the Group's HY 2018 pre-MFRS 15 profit before tax results was mainly due to the following:

a) higher overall revenues (despite lower one-off non-recurring contracts) recorded in the current half year period on the back of improved cost efficiencies;
b) net gain on foreign exchange of RM1.2 million in HY 2018 compared to net loss on foreign exchange of RM11.5 million in HY 2017;
c) higher share of profit from investment in associates of RM5.7 million in HY 2018 compared to RM1.8 million in HY 2017; and
d) no write-off of property plant equipment in HY 2018 (HY 2017: RM2.7 million);

offset by higher allowance for doubtful debt, a provision for impairment loss in investments made in associate companies amounting to RM4.0 million, higher interest expense incurred, higher depreciation of property, plant and equipment, impairment of investment in associates of RM4.0 million and a lower interest income.

23. Profit before income tax

Group	Individual Quarter		Cumulative Quarter	
	Current year quarter 30/6/2018	**Preceding year corresponding quarter 30/6/2017**	**Six months to 30/6/2018**	**Six months to 30/6/2017**
	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	(30,084)	(27,018)	(59,156)	(54,017)
Amortisation of borrowing costs	(242)	(321)	(496)	(664)
Interest expense	(4,586)	(1,719)	(9,216)	(3,410)
Interest income	2,040	3,210	5,020	6,974
Rental income	6	11	18	20
Bad debt recovered	13	74	30	136
Net gain/(loss) on foreign exchange	4,717	(8,938)	1,171	(11,498)
Net allowance for doubtful debts	(6,878)*	(837)	(11,127)*	(1,659)
Net gain on disposal of property, plant and equipment	-	-	2	119
Net reversal of outstanding construction deposits	-	-	-	13
Write off of property, plant and equipment	-	(2,697)	-	(2,697)
Impairment loss in investment in associates	(3,993)	-	(3,993)	-

**Includes allowance for doubtful debts made for advances given to an associate company amounting to RM5.5 million (HY 2018: RM7.2 million) in Thailand (see Note 5).*

24. Prospects

The Group expects the telecommunications industry to remain challenging throughout the second half of 2018. To face these challenges, the Group will closely monitor developments in the market space and introduce meaningful solutions and services to its customers, when and where deemed appropriate. The Group will also continue to fulfill its commitment to deliver an unparalleled quality network experience to all its customers by working to continuously improve its existing domestic fibre network and to expand its coverage footprint throughout the country. The Group continues to be encouraged by the strong demand seen for its TIME Fibre Home Broadband offerings and will work towards tapping further into this market segment.

On the regional front, the Group plans to work with its associates in Thailand and Vietnam to integrate their respective individual networks with the Group's own network in Malaysia and Singapore to create a seamless regional telecommunications network which will connect Indochina to Malaysia and Singapore. The Group will also look to expand its data centre market presence regionally and grow its current ecosystem of customers to include interconnected players from various industries.

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:	**30/6/2018**	**30/6/2017**	**30/6/2018**	**30/6/2017**
Weighted average number of shares in issue ('000)	581,454	578,295	581,454	578,295
Profit for the period attributable to owners of the Company (RM'000)	64,938	35,880	127,878	88,928
Basic EPS	11.17 sen	6.20 sen	21.99 sen	15.38 sen
Diluted EPS:				
Weighted average number of shares in issue ('000) (Basic)	581,454	578,295	581,454	578,295
Effect of CEO share options	4,441	6,307	5,045	5,868
Weighted average number of shares in issue ('000) (Diluted)	585,895	584,602	586,499	584,163
Profit for the period attributable to owners of the Company (RM'000)	64,938	35,880	127,878	88,928
Diluted EPS	11.08 sen	6.14 sen	21.80 sen	15.22 sen

27. Related party transactions

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

	Cumulative Quarter	
	Six months to 30/6/2018 RM'000	**Six months to 30/6/2017 RM'000**
Related parties		
Revenue from data, voice and other services	39,579	32,884
Interconnect revenue	2,531	3,177
Fee for wayleave and right of use of telecommunications facilities	(5,236)	(5,234)
Interconnect charges	(4,452)	(6,334)
Leased line and infrastructure costs	(14,361)	(13,512)
Network maintenance costs	(802)	(1,413)
Training expenses	(176)	(224)
Project management services costs	(9)	(131)
Rental of office	(122)	-
Professional fees on corporate exercise	(130)	-
Marketing expenses	(1,888)	-
Companies in which Directors have significant financial interest		
Revenue from data, voice and other services	49	25
Professional legal fees costs	(10)	-

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.

By Order of the Board

MISNI ARYANI MUHAMAD
(LS 0009413)
Secretary

Selangor
28 August 2018