

TIME DOTCOM BERHAD
(413292-P)
Incorporated in Malaysia

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2018

I. CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current year quarter 31/12/2018	Preceding year corresponding quarter 31/12/2017	Audited Twelve months to 31/12/2018	Audited Twelve months to 31/12/2017
	RM'000	RM'000	RM'000	RM'000
Operating revenue	262,853	233,962	983,435	860,696
Operating expenses				
- depreciation and amortisation of property, plant and equipment	(35,184)	(30,242)	(124,995)	(114,098)
- other operating expenses	(153,243)	(148,757)	(580,436)	(568,642)
Other operating income (net)	12,247	659	24,437	5,135
Profit from operations	86,673	55,622	302,441	183,091
Investment income	2,200	4,108	8,990	14,797
Finance expense	(4,367)	(3,543)	(18,440)	(9,679)
Share of profit from investment in associates, net of tax	3,234	1,066	11,820	4,910
Profit before income tax	87,740	57,253	304,811	193,119
Income tax expense	(6,929)	952	(16,141)	(17,757)
Profit for the period/year attributable to owners of the Company	80,811	58,205	288,670	175,362
Other comprehensive income/(loss):				
Foreign currency translation differences for foreign operations	932	(3,097)	1,700	(14,329)
Fair value gain on financial assets measured at fair value through comprehensive income ("FVOCI")	879	-	2,096	-
Fair value (loss)/gain on available-for-sale financial assets	-	(672)	-	319
Other comprehensive income/(loss) for the period/year	1,811	(3,769)	3,796	(14,010)
Total comprehensive income for the period/year attributable to owners of the Company	82,622	54,436	292,466	161,352
Earnings per share (based on weighted average number of ordinary shares)				
- Basic	13.85 sen	10.01 sen	49.56 sen	30.25 sen
- Diluted	13.73 sen	9.90 sen	49.13 sen	29.93 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.

TIME DOTCOM BERHAD
(413292-P)
Incorporated in Malaysia

II. CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Audited As at 31/12/2018	Audited As at 31/12/2017
	RM'000	RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	1,483,898	1,335,035
Intangible assets	213,959	213,959
Investment in associates	407,533	404,023
Other investments	17,201	13,706
Deferred tax assets	244,209	249,725
Trade and other receivables	11,858	11,224
	<u>2,378,658</u>	<u>2,227,672</u>
Current assets		
Tax recoverable	1,899	1,664
Trade and other receivables	399,630	263,850
Restricted cash	8,065	8,248
Cash and cash equivalents	389,399	576,616
	<u>798,993</u>	<u>850,378</u>
Total assets	<u>3,177,651</u>	<u>3,078,050</u>
EQUITY AND LIABILITIES		
Equity		
Share capital	1,186,659	1,172,485
Reserves	1,333,056	1,093,539
Total equity attributable to owners of the Company	<u>2,519,715</u>	<u>2,266,024</u>
Non-current liabilities		
Loans and borrowings	110,166	142,037
Trade and other payables	158,374	112,064
Deferred tax liabilities	12,574	9,403
	<u>281,114</u>	<u>263,504</u>
Current liabilities		
Loans and borrowings	62,841	281,725
Trade and other payables	313,565	264,321
Provision for tax	416	2,476
	<u>376,822</u>	<u>548,522</u>
Total liabilities	<u>657,936</u>	<u>812,026</u>
Total equity and liabilities	<u>3,177,651</u>	<u>3,078,050</u>
Net assets per share attributable to ordinary owners of the Company	<u>RM4.32</u>	<u>RM3.90</u>

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

TIME DOTCOM BERHAD
(413292-P)
Incorporated in Malaysia

III. CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Audited Twelve months to 31/12/2018 RM'000	Audited Twelve months to 31/12/2017 RM'000
Operating Activities		
Cash receipts from customers	1,015,271	988,047
Transfer from restricted cash and bank balances	183	485
Cash payments to suppliers	(370,088)	(334,028)
Cash payments to employees and for administrative expenses	(234,024)	(225,285)
Cash generated from operations	411,342	429,219
Tax paid	(9,747)	(6,465)
Tax refund	6,366	746
Net cash generated from operating activities	407,961	423,500
Investing Activities		
Acquisition of property, plant and equipment	(248,439)	(218,993)
Proceeds from disposal of property, plant and equipment	674	256
Acquisition of other investments	(1,399)	(4,240)
Investment in associates	-	(290,730)
Investment income received	13,876	15,825
Net cash used in investing activities	(235,288)	(497,882)
Financing Activities		
Proceeds from term loans and other borrowings	31,546	273,654
Advances to an associate	-	(4,641)
Repayment of term loans and borrowings	(281,646)	(6,000)
Finance charges paid	(13,056)	(6,882)
Dividend paid	(100,010)	(100,045)
Net cash (used in)/generated from financing activities	(363,166)	156,086
Net change in cash and cash equivalents	(190,493)	81,704
Effect of exchange rate fluctuations on cash held	3,276	(11,387)
Cash and cash equivalents as at beginning of financial year	576,616	506,299
Cash and cash equivalents as at end of financial year	Note (a) 389,399	576,616
Note:		
(a) Cash and cash equivalents comprise the following amounts:		
Cash and bank balances	161,304	174,411
Deposits with licensed banks	236,160	410,453
	397,464	584,864
Restricted cash	(8,065)	(8,248)
	389,399	576,616

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

TIME DOTCOM BERHAD
(413292-P)
Incorporated in Malaysia

IV. CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Twelve months to 31 December 2018 (audited)	←----- Non-distributable -----→				←-----Distributable-----→			Total equity, attributable to owners of the Company RM'000
	Share Capital RM'000	Share Premium RM'000	FOVCI/ 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	
Balance as at 1 January 2018	1,172,485	-	319	23,051	30,931	-	1,039,238	2,266,024
Adjustment on initial application of MFRS 15, net of tax	-	-	-	-	-	-	50,745	50,745
At 1 January 2018, restated	1,172,485	-	319	23,051	30,931	-	1,089,983	2,316,769
Dividend paid	-	-	-	-	-	-	(100,010)	(100,010)
Employee share grant plan/option scheme	-	-	-	-	10,490	-	-	10,490
Issuance of shares pursuant to the share grant plan	14,174	-	-	-	(14,174)	-	-	-
Profit for the year	-	-	-	-	-	-	288,670	288,670
Fair value gain on financial assets measured at fair value through comprehensive income ("FVOCI")	-	-	2,096	-	-	-	-	2,096
Exchange differences recognised directly in equity	-	-	-	1,700	-	-	-	1,700
Total comprehensive income for the year	-	-	2,096	1,700	-	-	288,670	292,466
Balance as at 31 December 2018	1,186,659	-	2,415	24,751	27,247	-	1,278,643	2,519,715

Twelve months to 31 December 2017 (audited)	←----- Non-distributable -----→				←-----Distributable-----→			Total equity, attributable to owners of the Company RM'000
	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	
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	-	-	-	-	21,824	-	-	21,824
Issuance of shares pursuant to share grant plan	17,753	-	-	-	(17,753)	-	-	-
Profit for the year	-	-	-	-	-	-	175,362	175,362
Fair value gain on available-for- sale financial assets	-	-	319	-	-	-	-	319
Exchange differences recognised directly in equity	-	-	-	(14,329)	-	-	-	(14,329)
Total comprehensive income/(expense) for the year	-	-	319	(14,329)	-	-	175,362	161,352
Balance as at 31 December 2017	1,172,485	-	319	23,051	30,931	-	1,039,238	2,266,024

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.

TIME DOTCOM BERHAD
(413292-P)
Incorporated in Malaysia

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

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 transition 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	320,799	(45,725)	275,074
Trade and other payables	371,365	5,020	376,385
Retained earnings	1,089,983	(50,745)	1,039,238

TIME DOTCOM BERHAD
(413292-P)
Incorporated in Malaysia

2. Significant accounting policies (continued)

IFRS 15, Revenue from Contracts with Customers (continued)

The following table summarises the impact of adopting IFRS 15 on the Group's statement of profit or loss and statement of financial position as at 31 December 2018.

Profit and loss up till 31 December 2018

	As reported under IFRS 15 RM'000	IFRS 15 adjustments in the twelve month period RM'000	Pre-IFRS 15 RM'000
Revenue	983,435	34,022	1,017,457
Operating expense (including depreciation and amortization)	(705,431)	(19,279)	(724,710)
Finance expense	(18,440)	6,049	(12,391)
Profit for the year	<u>288,670</u>	<u>20,792</u>	<u>309,462</u>
Earnings per share (sen)			
- basic	49.56		53.13
- diluted	<u>49.13</u>		<u>52.67</u>

Statement of financial position at 31 December 2018

	As reported under IFRS 15 RM'000	IFRS 15 adjustments RM'000	Pre-IFRS 15 RM'000
Trade and other receivables	411,488	(65,004)	346,484
Trade and other payables	471,939	(35,051)	436,888
Retained earnings	<u>1,278,643</u>	<u>(29,953)</u>	<u>1,248,690</u>

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 IFRS 3 <i>Business Combinations (Annual Improvements to IFRS Standards 2015-2017 Cycle)</i>	1 January 2019
Amendments to IFRS 9 <i>Financial Instruments (Prepayment Features with Negative Compensation)</i>	1 January 2019
Amendments to IFRS 11 <i>Joint Arrangements (Annual Improvements to IFRS Standards 2015-2017 Cycle)</i>	1 January 2019
Amendments to IFRS 112 <i>Income Taxes (Annual Improvements to IFRS Standards 2015-2017 Cycle)</i>	1 January 2019
Amendments to IFRS 119 <i>Employee Benefits - Plan Amendment, Curtailment or Settlement</i>	1 January 2019
Amendments to IFRS 123 <i>Borrowing Costs (Annual Improvements to IFRS Standards 2015-2017 Cycle)</i>	1 January 2019
Amendments to IFRS 128 <i>Investments in Associates and Joint Ventures (Long-term interests in Associates and Joint Ventures)</i>	1 January 2019
IC Interpretation 23 <i>Uncertainty over Income Tax Treatments</i>	1 January 2019
IFRS 16 <i>Leases</i>	1 January 2019
Amendments to IFRS 3 <i>Business combination</i>	1 January 2020
Amendments to IFRS 101 <i>Presentation of Financial Statements</i>	1 January 2020
Amendments to IFRS 108 <i>Accounting policies, Changes in Accounting Estimates and Errors</i>	1 January 2020

TIME DOTCOM BERHAD
(413292-P)
Incorporated in Malaysia

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
MFRS 17	1 January 2021
Amendments to MFRS 10 and MFRS 128	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 except as mentioned below:

MFRS 16, Leases

MFRS 16 replaces the guidance in MFRS 117, Leases, IC Interpretation 4, Determining whether an Arrangement contains a Lease, IC Interpretation 115, Operating Leases – Incentives and IC Interpretation 127, Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

MFRS 16 introduces a single, on-balance sheet lease accounting model for leases. A lease recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligations to make lease payments. There are recognition exemptions for short term leases and leases of low value items.

Based on the Group's preliminary assessment, the estimated impact of initial application of MFRS 16 on its consolidated financial statements as at 1 January 2019 is additional lease liabilities of approximately RM114,841,000 with a corresponding additional right-to-use assets of RM114,841,000. The estimated impact on initial application is based on assessment undertaken to-date. The actual impact of adopting the standard may change because the new accounting policies are subject to change until the Group presents its first financial statements that include the date of initial application.

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") in the second quarter of 2018. 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 then recognised for the investments totaling RM4.0 million in the second quarter of 2018. The impairment loss essentially reduced the Group's carrying value of investments in KIRZ to zero. An allowance for doubtful debts had also been provided for the portion of advances amounting to 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 during the financial year ended 31 December 2018.

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.

**TIME DOTCOM BERHAD
(413292-P)
Incorporated in Malaysia**

7. Debt and equity securities

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 was issued on 7 July 2017. The 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. On 6 December 2018, the Company issued a further 94,134 ordinary shares in the Company pursuant to the SGP. The closing share price on vesting date was RM8.00 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.

Other than stated above, 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 financial year ended 31 December 2018.

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 for the financial year ended 31 December 2017.

The Directors declared on 28 February 2019, an interim ordinary and a special interim (single tier) dividend of 9.25 sen and 11.31 sen per ordinary share for the financial year ended 31 December 2018, which will be paid on 29 March 2019.

TIME DOTCOM BERHAD
(413292-P)
Incorporated in Malaysia

9. Segmental Reporting

Group	Individual Quarter		Cumulative Quarter	
	Current quarter 31/12/2018 RM'000	Preceding year corresponding quarter 31/12/2017 RM'000	Twelve months to 31/12/2018 RM'000	Twelve months to 31/12/2017 RM'000
Operating Revenue				
Voice	18,272	17,536	68,703	77,580
Data	206,887	185,384	776,628	666,009
Data centre	35,705	29,837	132,093	112,170
Others	1,989	1,205	6,011	4,937
	262,853	233,962	983,435	860,696
Operating Expenses:				
Depreciation and amortisation of property, plant and equipment	(35,184)	(30,242)	(124,995)	(114,098)
Other operating expenses	(153,243)	(148,757)	(580,436)	(568,642)
Other operating income (net)	12,247	659	24,437	5,135
Profit from operations	86,673	55,622	302,441	183,091
Investment income	2,200	4,108	8,990	14,797
Finance expense	(4,367)	(3,543)	(18,440)	(9,679)
Share of profit from investment in associates, net of tax	3,234	1,066	11,820	4,910
Profit before income tax	87,740	57,253	304,811	193,119
Geographical locations				
Operating Revenue				
Within Malaysia	241,952	212,273	947,790	796,189
Outside Malaysia	20,901	21,689	35,645	64,507
	262,853	233,962	983,435	860,696
Timing of revenue recognition				
Over time	242,640		910,324	
At a point in time	19,543		70,011	
Revenue not within the scope of MFRS 15	670		3,100	
	262,853		983,435	

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, there are no other items, transactions or events of a material and unusual nature which have arisen since 31 December 2018 to 22 February 2019 (being the latest practicable date) that will have a substantial effect on the financial results of the Group.

TIME DOTCOM BERHAD
(413292-P)
Incorporated in Malaysia

12. Changes in the composition of the Group during the financial year ended 31 December 2018

On 10 July 2018, TIME dotCom International Sdn. Bhd., a wholly owned subsidiary of the Company, established a wholly owned subsidiary in Cambodia, namely 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.

On 1 October 2018, the Company incorporated a new wholly-owned subsidiary in Japan namely TIME dotCom Japan K.K. The principal activity of TIME dotCom Japan K.K. is the provision of telecommunication services, co-location and other related services. The amount of paid-up capital is Yen100,000 comprising 100 shares of Yen1,000 each.

Other than stated above, there were no changes in the composition of the Group during the financial year ended 31 December 2018.

13. Contingent liabilities/assets

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

14. Capital commitments

	As at 31/12/2018 RM'000
Property, plant and equipment	
a) Approved and contracted but not provided for in the financial statements	113,327
b) Approved but not contracted for	98,634

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-----→			
31 December 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	-	-	17,201	17,201
Financial instruments not carried at fair value:				
Financial liabilities				
Term loans	-	-	148,194	148,194
Revolving credit	-	-	24,813	24,813
	-	-	173,007	173,007

TIME DOTCOM BERHAD
(413292-P)
Incorporated in Malaysia

16. Income tax

The income tax expense for the Group for current quarter and financial year ended 31 December 2018 was made up as follows:

Group	Individual Quarter		Cumulative Quarter	
	Current quarter 31/12/2018 RM'000	Preceding year corresponding quarter 31/12/2017 RM'000	Twelve months to 31/12/2018 RM'000	Twelve months to 31/12/2017 RM'000
Income tax:				
- Current year	701	2,276	6,852	8,899
- (Over)/under provision in prior year	(22)	-	602	30
	679	2,276	7,454	8,929
Deferred tax:				
- Current year	24,010	24,747	80,701	60,425
- Under/(over) provision in prior year	526	(545)	526	(545)
- Recognition of previously unrecognised temporary differences	(18,286)	(27,430)	(72,540)	(51,052)
	6,250	(3,228)	8,687	8,828
Total	6,929	(952)	16,141	17,757

The effective tax rate of the Group for the current and preceding year corresponding quarters and financial year-to-date are lower than the statutory tax rate of 24% principally due to certain non-taxable income and utilisation of unabsorbed capital allowances and tax losses available to the Group. The lower effective tax rate is also due to the lower tax rates prevailing in some of the jurisdictions/countries in which the Group operates and the recognition of previously unrecognised temporary differences.

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 February 2019, being the latest practicable date.

18. Loans and borrowings

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

31 December 2018	Amount repayable in one year or on demand RM'000	Amount repayable after one year RM'000	Total RM'000
Loans and borrowings			
Secured:			
- Denominated in RM	7,403	11,201	18,604
- Denominated in USD	30,625	98,965	129,590
Unsecured:			
- Denominated in USD	24,813	-	24,813
As at 31 December 2018	62,841	110,166	173,007

TIME DOTCOM BERHAD
(413292-P)
Incorporated in Malaysia

18. Loans and borrowings (continued)

The loans and borrowings as at 31 December 2018 and 31 December 2017 are as follows (continued):

31 December 2017	Amount repayable in one year or on demand RM'000	Amount repayable after one year RM'000	Total RM'000
Loans and borrowings			
<u>Secured:</u>			
- Denominated in RM	7,351	18,603	25,954
- Denominated in USD	26,754	123,434	150,188
<u>Unsecured:</u>			
- 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 2.95% to 5.58% per annum.

19. Off balance sheet financial instruments

The cash and cash equivalents of the Group, as at 31 December 2018, do not include bank balances amounting to RM49,653,000 (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 a supply contract.

Other than as stated above, the Group does not have any off balance sheet financial instruments as at the latest practicable date of this report.

20. Material litigation

The Company and its subsidiaries have no outstanding material litigation as at 22 February 2019, being the latest practicable date.

TIME DOTCOM BERHAD
(413292-P)
Incorporated in Malaysia

21. Comparison between the current quarter ("Q4 2018") and the immediate preceding quarter ("Q3 2018")

	Q4 2018	Q3 2018	Increase/(decrease)	
	RM'000	RM'000	RM'000	%
Revenue by product:				
Voice	18,272	17,502	770	4.4
Data	206,887	198,266	8,621	4.3
Data centre	35,705	32,398	3,307	10.2
Others	1,989	1,833	156	8.5
Total revenue	262,853	249,999	12,854	5.1
Profit before tax	87,740	82,574	5,166	6.2

Note: The above consolidated results for Q4 2018 and Q3 2018 are both presented post adoption of MFRS 15.

The Group recorded a RM12.9 million or 5.1% growth in consolidated revenues on a quarter-on-quarter ("QoQ") basis. Included in the current quarter consolidated revenue are one-off non-recurring contract revenues amounting to RM2.9 million from data centre sales. Excluding the said one-off non-recurring data centre contract revenue, the Group would have still reported an increase of RM10.0 million or 4.0% in adjusted consolidated revenue in Q4 2018 when compared to the consolidated revenue of RM250.0 million in Q3 2018. All core product segments within the Group helped contribute to the growth in consolidated revenue in Q4 2018. Data revenue grew RM8.6 million or 4.3% in the current quarter on the back of improved sales from all customer groups, led by wholesale and enterprise customers. The Group also continued to see strong demand for its TIME Fibre Home Broadband service offering from home users in Q4 2018 pursuant to the introduction of the Group's new home broadband packages, including its new 1 Gbps plan. Revenue from retail sales grew 3.1% QoQ. Growth in voice revenues in Q4 2018 was due to higher usage by customers.

The Group's consolidated profit before tax in Q4 2018 amounted to RM87.7 million, which is RM5.2 million or 6.2% higher than the consolidated profit before tax of RM82.6 million in Q3 2018. The higher Q4 2018 consolidated profit before tax can be attributed mainly to the following:

- a) higher overall revenues (including one-off non-recurring data centre contract revenue);
- b) write-back of provisions for certain expenses no longer required amounting to RM3.9 million in Q4 2018;
- c) higher share of profit from investment in associates of RM3.2 million (Q3 2018: RM2.9 million);

set-off by higher depreciation charges, lower foreign currency exchange gain, write off of property, plant and equipment, a net impairment of outstanding construction deposits amounting to RM1.8 million and higher provision made for doubtful debts during the quarter.

TIME DOTCOM BERHAD
(413292-P)
Incorporated in Malaysia

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

(a) Comparison between the current quarter (“Q4 2018”) versus three month period ended 31 December 2017 (“Q4 2017”)

	← Q4 2018 →			Q4 2017		Increase/(decrease)		
	As reported under MFRS 15	MFRS 15 Adjustments	Pre-MFRS 15	Pre-MFRS 15	RM'000			%
	RM'000	RM'000	RM'000	RM'000	RM'000			%
Revenue by product:								
Voice	18,272	-	18,272	17,536	736	4.2		
Data	206,887	17,017	223,904	185,384	38,520	20.8		
Data centre	35,705	-	35,705	29,837	5,868	19.7		
Others	1,989	-	1,989	1,205	784	65.1		
Total revenue	262,853	17,017	279,870	233,962	45,908	19.6		
Profit before tax	87,740	12,285	100,025	57,253	42,772	74.7		

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 decrease in revenue recognised of approximately RM17.0 million and a net decrease in profit before tax of approximately RM12.3 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 the 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 the 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. Analyses and comparisons to the previous year corresponding quarter are, however, done excluding the impact of MFRS 15 for better comparability.

The Group reported a pre-MFRS 15 consolidated revenue of RM279.9 million in Q4 2018, which is RM45.9 million or 19.6% higher when compared to the RM234.0 million consolidated revenue recorded in Q4 2017. One-off non-recurring contract revenues accounted for RM21.3 million in Q4 2018 (Q4 2017: RM18.1 million). The one-off non-recurring contract revenue in Q4 2018 comprised RM18.4 million and RM2.9 million revenues from global bandwidth sales and data centre contracts respectively. Excluding one-off revenues from non-recurring contracts, the overall consolidated revenue in the current period would have still shown an increase of RM42.7 million or 19.8% when compared to the similarly adjusted consolidated revenue in the preceding year corresponding financial period. The increase in Q4 2018 revenues (excluding one-off non-recurring contract revenues) is mainly attributed to higher sales recorded from all core product segments led by data and data centre businesses. The Group also saw its revenue growth (excluding one-off non-recurring contracts) come from all its customer groups (i.e. wholesale, enterprise and retail customers). Voice revenues also grew 4.2% YoY due to higher usage in Q4 2018 as compared to Q4 2017.

(Note: One-off global bandwidth sales are no longer recognised upfront under MFRS 15 but will instead be recognised over the duration of their respective contracts based on discounted cash flows as the performance obligations are satisfied. For the purposes of this YoY analysis, revenues from one-off global bandwidth sales are, however, shown as being recognised upfront for better comparability and consistency with the previous year accounting treatment and results).

TIME DOTCOM BERHAD
(413292-P)
Incorporated in Malaysia

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

(a) Comparison between the current quarter (“Q4 2018”) versus three month period ended 31 December 2017 (“Q4 2017”) (continued)

The Group recorded a current quarter pre-MFRS 15 consolidated profit before tax of RM100.0 million, which is RM42.7 million or 74.7% higher than the consolidated profit before tax recorded in Q4 2017 of RM57.3 million. The increase in the Group’s Q4 2018 pre-MFRS 15 profit before tax results was mainly due to the following:

- a) higher overall revenues in the current quarter (boosted by one-off non-recurring contract revenues) on the back of improved cost efficiencies;
- b) net gain on foreign exchange of RM6.7 million in Q4 2018 compared to net loss on foreign exchange of RM3.5 million recorded in Q4 2017;
- c) write-back of provisions for certain expenses no longer required amounting to RM3.9 million in Q4 2018;
- d) higher share of profit from investment in associates of RM3.2 million (Q4 2017: RM1.1 million);
- e) lower interest expense of RM2.3 million (after MFRS 15 adjustments) in the current quarter compared to RM2.8 million in Q4 2017;

offset by higher depreciation of property, plant and equipment, higher net allowance for doubtful debts, lower interest income and a net higher impairment of outstanding construction deposits in the current quarter.

(b) Twelve month period ended 31 December 2018 (“12M 2018”) versus twelve month period ended 31 December 2017 (“12M 2017”)

	← 12M 2018 →			12M 2017		Increase/(decrease) RM'000 %	
	As reported under MFRS 15 RM'000	MFRS 15 Adjustments RM'000	Pre-MFRS 15 RM'000	Pre-MFRS 15 RM'000			
Revenue by product:							
Voice	68,703	-	68,703	77,580	(8,877)	(11.4)	
Data	776,628	34,022	810,650	666,009	144,641	21.7	
Data centre	132,093	-	132,093	112,170	19,923	17.8	
Others	6,011	-	6,011	4,937	1,074	21.8	
Total revenue	983,435	34,022	1,017,457	860,696	156,761	18.2	
Profit before tax	304,811	20,792	325,603	193,119	132,484	68.6	

The Group has disclosed its financial results for the twelve-month period both pre and post-MFRS 15. Analyses and comparisons to the previous year are, however, done excluding the impact of MFRS 15 for better comparability.

The Group reported a pre-MFRS 15 consolidated revenue of RM1,017.4 million in 12M 2018, which is RM156.7 million or 18.2% higher when compared to the RM860.7 million consolidated revenue recorded in 12M 2017. One-off revenues from non-recurring contracts accounted for RM48.2 million of total revenue recognised in 12M 2018 (12M 2017: RM49.5 million). Excluding one-off revenues from non-recurring contracts, the overall consolidated revenue in the current year would have shown an increase of RM158.0 million or 19.5% when compared to the similarly adjusted revenue in the preceding year. The increase in 12M 2018 revenue (excluding one-off non-recurring contracts) is mainly due to higher sales recorded from data and data centre businesses, which grew RM150.7 million (or 24.4%) YoY and RM15.2 million (or 13.7%) YoY respectively. All core customer groups contributed positively to the overall revenue growth (excluding one-off non-recurring contracts) of the Group in 12M 2018, with the largest revenue growth contribution coming from the Group’s retail customers. Retail customer revenues grew 61.2% in 12M 2018. Voice revenues were, however, down 11.4% YoY.

TIME DOTCOM BERHAD
(413292-P)
Incorporated in Malaysia

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

(b) Twelve month period ended 31 December 2018 (“12M 2018”) versus twelve month period ended 31 December 2017 (“12M 2017”) (continued)

The Group recorded a pre-MFRS 15 consolidated profit before tax of RM325.6 million in 12M 2018 which is RM132.5 million or 68.6% higher than the consolidated profit before tax recorded in 12M 2017 of RM193.1 million. The increase in the Group’s 12M 2018 pre-MFRS 15 profit before tax results was mainly due to the following:

- a) higher overall revenues (despite lower revenue from one-off non-recurring contracts) recorded in the current twelve-month period on the back of improved cost efficiencies;
- b) net gain on foreign exchange of RM17.0 million in 12M 2018 compared to net loss on foreign exchange of RM21.1 million in 12M 2017;
- c) lower amount written off for property, plant and equipment of RM0.9 million in the current financial year compared to RM3.1 million in 12M 2017;
- d) higher share of profit from investment in associates of RM11.8 million in 12M 2018 compared to RM4.9 million in 12M 2017; and
- e) write-back of provisions for certain expenses no longer required amounting to RM3.9 million in 12M 2018;

offset by higher allowance made for doubtful debts, a provision for impairment loss for investments made in associate companies amounting to RM4.0 million, higher net finance cost, higher depreciation charges for property, plant and equipment, a net impairment of outstanding construction deposits amounting to RM1.8 million, lower interest income, higher staff costs and lower net gain from disposal of property, plant and equipment in the current year. Note that RM2.5 million of the net gain recorded from disposal of property, plant and equipment in 12M 2017 had been derived from pre-sale of submarine cable system.

23. Profit before income tax

Group	Individual Quarter		Cumulative Quarter	
	Current quarter	Preceding year corresponding quarter	Twelve months to	Twelve months to
	31/12/2018	31/12/2017	31/12/2018	31/12/2017
	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	(35,184)	(30,242)	(124,995)	(114,098)
Amortisation of borrowing costs	(224)	(729)	(956)	(1,695)
Interest expense	(4,143)	(2,814)	(17,484)	(7,984)
Interest income	2,200	4,108	8,990	14,797
Rental income	11	12	40	45
Bad debt recovered	11	152	74	721
Net gain/(loss) on foreign exchange	6,745	(3,484)	17,043	(21,119)
Net allowance for doubtful debts	(1,912)	(1,119)	(13,174)*	(3,835)
Net gain on disposal of property, plant and equipment	129	77	683	2,744
Write off of property, plant and equipment	(968)	(414)	(968)	(3,111)
Net (impairment)/recovery of outstanding construction deposits	(1,777)	377	(1,777)	390
Impairment of other investment	-	-	-	(100)
Impairment loss in investment in associates	-	-	(3,993)	-

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

TIME DOTCOM BERHAD
(413292-P)
Incorporated in Malaysia

24. Prospects

The telecommunications industry is expected to remain competitive in 2019.

The Malaysian government continues to be focused on finding ways to improve the quality of internet access and increase national broadband penetration rates whilst ensuring broadband prices are kept affordable to the masses. With these national objectives in mind, the Group recently revised its home broadband packages by upgrading its existing packages with faster broadband speeds but at much more affordable prices. The said initiative may result in some initial margin compression in the coming year, but the Group expects to be able to cushion such impact with improved sales volumes. The Group believes that the initiative will also help it maintain its speed and price leadership position, gain further market share in the domestic consumer market and will be strategically beneficial in the longer term.

The Group continues to be committed to delivering an unparalleled quality network experience to all its customers and will do so by continuously improving its existing domestic fibre network and investing to expand its coverage footprint throughout the country. The Group will closely monitor developments in the industry and, when and where deemed appropriate, will introduce new meaningful solutions and services to its customers.

On the regional front, the Group will continue to work with its partners in Thailand, Vietnam and Cambodia 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 quarter 31/12/2018	Preceding year corresponding quarter 31/12/2017	Twelve months to 31/12/2018	Twelve months to 31/12/2017
Basic EPS:				
Weighted average number of shares in issue ('000)	583,634	581,454	582,446	579,740
Profit for the period/year attributable to owners of the Company (RM'000)	80,811	58,205	288,670	175,362
Basic EPS	13.85 sen	10.01 sen	49.56 sen	30.25 sen
Diluted EPS:				
Weighted average number of shares in issue ('000) (Basic)	583,634	581,454	582,446	579,740
Effect of CEO share options	4,857	6,267	5,070	6,173
Weighted average number of shares in issue ('000) (Diluted)	588,491	587,721	587,516	585,913
Profit for the period/year attributable to owners of the Company (RM'000)	80,811	58,205	288,670	175,362
Diluted EPS	13.73 sen	9.90 sen	49.13 sen	29.93 sen

TIME DOTCOM BERHAD
(413292-P)
Incorporated in Malaysia

27. Related party transactions

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

	Cumulative Quarter	
	Twelve months to 31/12/2018 RM'000	Twelve months to 31/12/2017 RM'000
Related parties		
Revenue from data, voice and other services	80,891	69,306
Interconnect revenue	3,793	6,370
Interest income from an associate	1,355	1,127
Fee for wayleave and right of use of telecommunications facilities	(10,478)	(10,477)
Interconnect charges	(8,209)	(12,073)
Leased line and infrastructure costs	(33,074)	(28,416)
Network maintenance costs	(1,779)	(1,910)
Training expenses	(356)	(338)
Project management services costs	(13)	(144)
Rental of office	(192)	(91)
Professional fees on corporate exercise	(146)	(913)
Marketing expenses	(2,832)	-
Acquisition of telecommunication infrastructure and fibre optics cables	-	(4,000)
Companies in which Directors have significant financial interest		
Revenue from data, voice and other services	70	81
Professional legal fees costs	(10)	(11)

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 February 2019