TIME

ANNUAL REPORT 2016

The cover reflects the movement of TIME towards a promising future. The man moving up the escalator represents a journey where TIME brings him into a futuristic plane offering first class innovations in communications technology. Little beads of information speed past him in fiber optic cables, converging in one focal point which is the borderless world of TIME.

2020 ANNUAL REPORT

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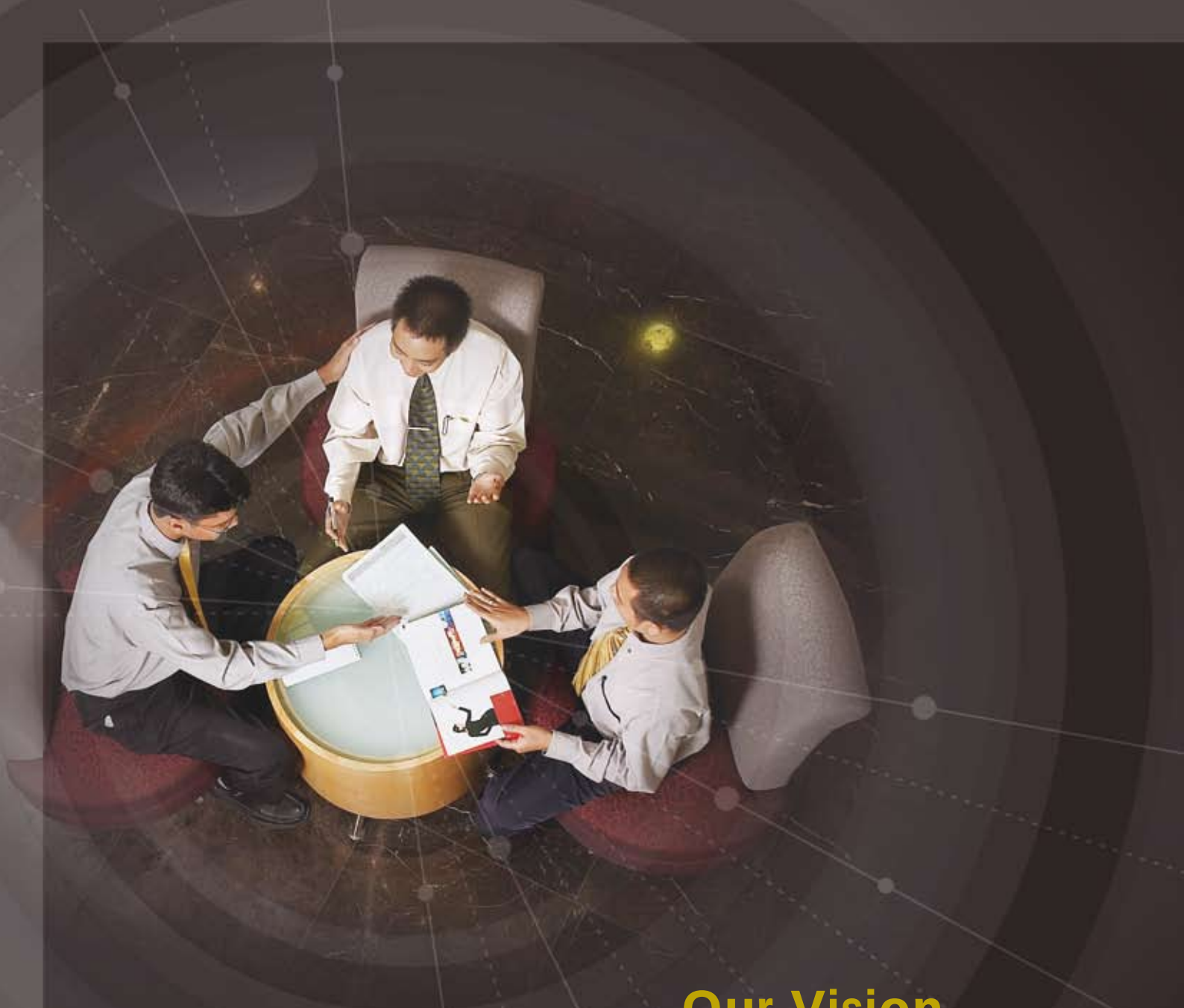


Our Vision

To be Malaysia's preferred communications solutions provider

Our Mission

- To contribute towards nation development through achieving the national policy objectives for the communications and multimedia industry
- To deliver supreme customer experience
- To optimise shareholders' value
- To grow and nurture talent; and be the employer of choice
- To be the partner of choice
- To be an opinion leader

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Tenth Annual General Meeting of the Company will be held at Grand Ballroom 1, Sime Darby Convention Centre, 1A Jalan Bukit Kiara 1, 60000 Kuala Lumpur on Thursday, 7 June 2007 at 10.30 a.m. for the purpose of transacting the following businesses:

AGENDA

Ordinary Business:

1. To receive the Audited Financial Statements for the year ended 31 December 2006 together with the Reports of the Directors and Auditors thereon. ***Resolution 1***

2. To re-elect the following Directors retiring in accordance with Article 94 of the Company's Articles of Association and being eligible, offered themselves for re-election:-

   i) Abdul Kadir Md Kassim ***Resolution 2***
   ii) Kamaludin Abdul Kadir ***Resolution 3***
   iii) Amiruddin Abdul Aziz ***Resolution 4***

3. To re-elect Dato' Baharum Salleh who is retiring in accordance with Article 99 of the Company's Articles of Association and being eligible, offered himself for re-election. ***Resolution 5***

4. To re-elect Dato' Shaik Daud Md Ismail, aged 71, in accordance with Section 129(6) of the Companies Act 1965. ***Resolution 6***

5. To approve the Directors' remuneration of RM320,219.18 for the financial year ended 31 December 2006. ***Resolution 7***

6. To re-appoint Messrs KPMG as Auditors and to authorise the Directors to fix their remuneration. ***Resolution 8***

Special Business:

To consider and if thought fit, pass the following as Ordinary Resolutions:

7. "THAT subject always to the Companies Act 1965 and the Articles of Association of the Company, the Directors be and are hereby empowered, pursuant to Section 132D of the Companies Act 1965, to issue shares in the Company from time to time and upon such terms and conditions and for such purposes as the Directors may in their absolute discretion deem fit provided that the aggregate number of shares issued pursuant to this Resolution does not exceed 10% of the issued share capital of the Company for the time being and that such authority shall continue in force until the conclusion of the next Annual General Meeting; and FURTHER THAT the Directors be and are hereby empowered to obtain the approval for the listing and quotation for the additional shares so issued on Bursa Malaysia Securities Berhad." ***Resolution 9***

8. To transact any other business of which due notice shall have been given in accordance with the Companies Act 1965. ***Resolution 10***

BY ORDER OF THE BOARD

MISNI ARYANI MUHAMAD (LS 08983)
Secretary

15 May 2007
Kuala Lumpur

NOTICE OF ANNUAL GENERAL MEETING

Notes:

1. A member entitled to attend and vote at the above Meeting is entitled to appoint a proxy/proxies to attend and vote in his stead. A proxy may but need not be a member of the Company and Section 149(1)(b) of the Companies Act 1965 shall not apply to the Company.

2. The instrument of proxy shall be in writing and signed by the appointer or by his attorney and in the case of a corporation, either under its common seal or signed by its attorney or officer on behalf of the corporation.

3. A member who holds 1,000 shares or less in the Company is entitled to appoint one (1) proxy whilst a member holding more than 1,000 shares in the Company is entitled to appoint a maximum of two (2) proxies. Where a member of the Company is an authorised nominee as defined in accordance with the Securities Industry (Central Depositories) Act 1991, it may appoint one (1) proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.

4. Where a member appoints two (2) proxies, the appointments shall be invalid unless the proportion of holding to be represented by each proxy is specified.

5. The instrument appointing a proxy or other authority, if any, under which it is signed or a notarially certified copy of that power or authority shall be deposited at the Company's Share Registrar's office, Mega Corporate Services Sdn Bhd at Level 15-2, Faber Imperial Court, Jalan Sultan Ismail, 50774 Kuala Lumpur not less than forty eight (48) hours before the time for holding the meeting or adjourned meeting, or in the case of a poll not less than twenty four (24) hours before the time appointed for the taking of the poll, and in default the instrument of proxy shall not be treated as valid.

Explanatory Note on Special Business:

Ordinary Resolution 9

The proposed adoption of Ordinary Resolution 9 is to give flexibility to the Directors to issue and allot shares at any time without convening a general meeting, in order to avoid any delay and cost involved in convening one.

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING PURSUANT TO PARAGRAPH 8.28(2) OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD

1. Directors who are standing for re-election are:
   (a) Abdul Kadir Md Kassim
   (b) Kamaludin Abdul Kadir
   (c) Amiruddin Abdul Aziz
   (d) Dato' Baharum Salleh
   (e) Dato' Shaik Daud Md Ismail

2. Details of attendance of Directors at Board Meetings held during the financial year are set out on page 33.

Further details of Directors who are standing for re-election at the Tenth Annual General Meeting are set out on pages 28 to 32.

Corporate Information

Board of Directors

Dato' Ir. Wan Muhamad Wan Ibrahim
Non-Independent, Non-Executive Director (Chairman)

Dato' Baharum Salleh
Managing Director

Elakumari Kantilal
Non-Independent, Non-Executive Director

Amiruddin Abdul Aziz
Non-Independent, Non-Executive Director

Dato' Ir. Abdul Rahim Abu Bakar
Independent, Non-Executive Director

Abdul Kadir Md Kassim
Non-Independent, Non-Executive Director

Azian Mohd Noh
Non-Independent, Non-Executive Director

Dato' Shaik Daud Md Ismail
Independent, Non-Executive Director

Kamaludin Abdul Kadir
Independent, Non-Executive Director

Audit Committee

Dato' Shaik Daud Md Ismail *(Chairman)*
Elakumari Kantilal
Dato' Ir. Abdul Rahim Abu Bakar

** Nomination Committee

Abdul Kadir Md Kassim *(Chairman)*
Kamaludin Abdul Kadir
Dato' Shaik Daud Md Ismail

** Remuneration Committee

Dato' Ir. Abdul Rahim Abu Bakar *(Chairman)*
Abdul Kadir Md Kassim
Kamaludin Abdul Kadir

Tender Board Committee

Dato' Ir. Wan Muhamad Wan Ibrahim *(Chairman)*
Elakumari Kantilal
Dato' Ir. Abdul Rahim Abu Bakar

Company Secretary

Misni Aryani Muhamad *(LS 08983)*

Registered Office

Level 1, Wisma TIME
249 Jalan Tun Razak
50400 Kuala Lumpur
Tel : 603 2720 8000
Fax : 603 2720 3743

Share Registrar

Mega Corporate Services Sdn Bhd
Level 15-2, Faber Imperial Court
Jalan Sultan Ismail
50250 Kuala Lumpur.
Tel : 603 2692 4271
Fax : 603 2732 5399
Email : zakaria@megacorp.com.my

Auditors

Messrs KPMG
Wisma KPMG, Jalan Dungun
Damansara Heights
50490 Kuala Lumpur

Stock Exchange Listing

Main Board of Bursa Malaysia Securities Berhad
www.time.com.my

** *On 20 November 2006, the Board of Directors decided to merge the Nomination and Remuneration Committee and the Chairman of the new Nomination and Remuneration Committee is Dato' Ir. Abdul Rahim Abu Bakar with the other members being Abdul Kadir Md Kassim, Dato' Shaik Daud Md Ismail and Kamaludin Abdul Kadir.*

Corporate Profile

TIME dotCom Berhad (TIME dotCom), Malaysia's preferred communications solutions provider, is a public company listed on the Main Board of Bursa Malaysia.

Licensed under the Malaysian Communications and Multimedia Act 1998, TIME dotCom's full suite of telecommunications licences has enabled the Group to operate and offer its services to both the domestic and international markets, from voice and data communications to dial-up and broadband Internet provision, payphones and multimedia solutions.

TIME dotCom's fibre trunk network consists of over 3,600 km of terrestrial fibre-optic cable routes and over 1,600 km of submarine festoon fibre optic cable backup system with landing points around the perimeter of Peninsular Malaysia. The Metropolitan Area Network within the central business districts of major cities complements this trunk network.

Corporate Profile

With this infrastructure in place, TIME dotCom is ideally positioned to meet the demands of emerging technologies and services such as multimedia, broadband, managed services, application service and Internet service. Voice, data and video transmissions through fibre-optics are resilient and dependable. Data is sent through at a very fast rate and with high assurance of data integrity. Two international gateway facilities augment international telecommunications access via satellite and undersea cable routes, linking businesses and private customers to each other and to the world.

TIME dotCom, through its wholly-owned subsidiary TT dotCom Sdn Bhd, was awarded a 3G spectrum licence by the Malaysian Government in 2006. It has planned to commercially launch 3G broadband services via High Speed Downlink Packet Access (HSDPA) by 2007.

TIME dotCom's highly reliable and resilient trunk network is based on Synchronous Digital Hierarchy technology, which has a self-healing alternative route protection feature that ensures high system availability and minimal system downtime. The digital nature of TIME dotCom's network also ensures a high level of data transmission quality, with high data security and integrity thereby allowing minimal data loss and degradation. In addition, a Network Operations Control Centre constantly monitors all network elements 24 hours a day, 7 days a week and manages TIME dotCom's advanced network to ensure uninterrupted service and top performance.

As part of its enhancement initiatives, TIME dotCom has introduced the Metro Ethernet Backbone Network (Metro-E) project that progressively transforms its existing network into an Internet Protocol (IP)-based network. As TIME's IP backbone infrastructure, Metro-E will continue to undergo capacity enhancements to facilitate new service requirements.

To further enhance its existing fibre infrastructure resiliency, TIME dotCom initiated the Metro Transmission Enhancement project that saw a replacement of its existing last-mile network equipment with the Next Generation Synchronous Digital Hierarchy (SDH) equipment, as well as the introduction of a dual connections concept to reduce dependency on one single hub.

TIME dotCom continually develops new products that fulfil its customers' needs as well as devise new ways to effectively communicate and market these products to potential customers.

One of TIME dotCom's missions is to deliver supreme customer experience. To drive this mission, significant investments were made to establish a state-of-the-art, 24-hour call centre that consolidates calls from all customers nationwide, including those subscribing and utilising TIME dotCom's fixed line, broadband and Internet, as well as payphone products and services.

Through this shared resources capability, TIME dotCom is able to provide its customers with greater convenience by minimising waiting time, thus ensuring that customers' needs are fulfilled as quickly and effectively as possible. In addition, TIME dotCom's qualified and dedicated technical experts are stationed throughout the country, ready to attend to problem resolution and assist the customers in any possible way.

Superior technology combined with superior customer service is what distinguishes TIME dotCom as a leading Business Communications Specialist in the industry. TIME dotCom's skilled and professional Account Management teams are always ready to offer expert advice to create cost-effective solutions that meet the customers' communications needs.

Company Name : TIME dotCom Berhad
Industry : Communications Solutions
Share Listing : Main Board, Bursa Malaysia *(since 2001)*
Location *(Head Office)* : Level 1, Wisma TIME
249 Jalan Tun Razak
50400 Kuala Lumpur
Malaysia
Telephone : +60-3-27208000
Facsimile : +60-3-27200199

Products & Services:

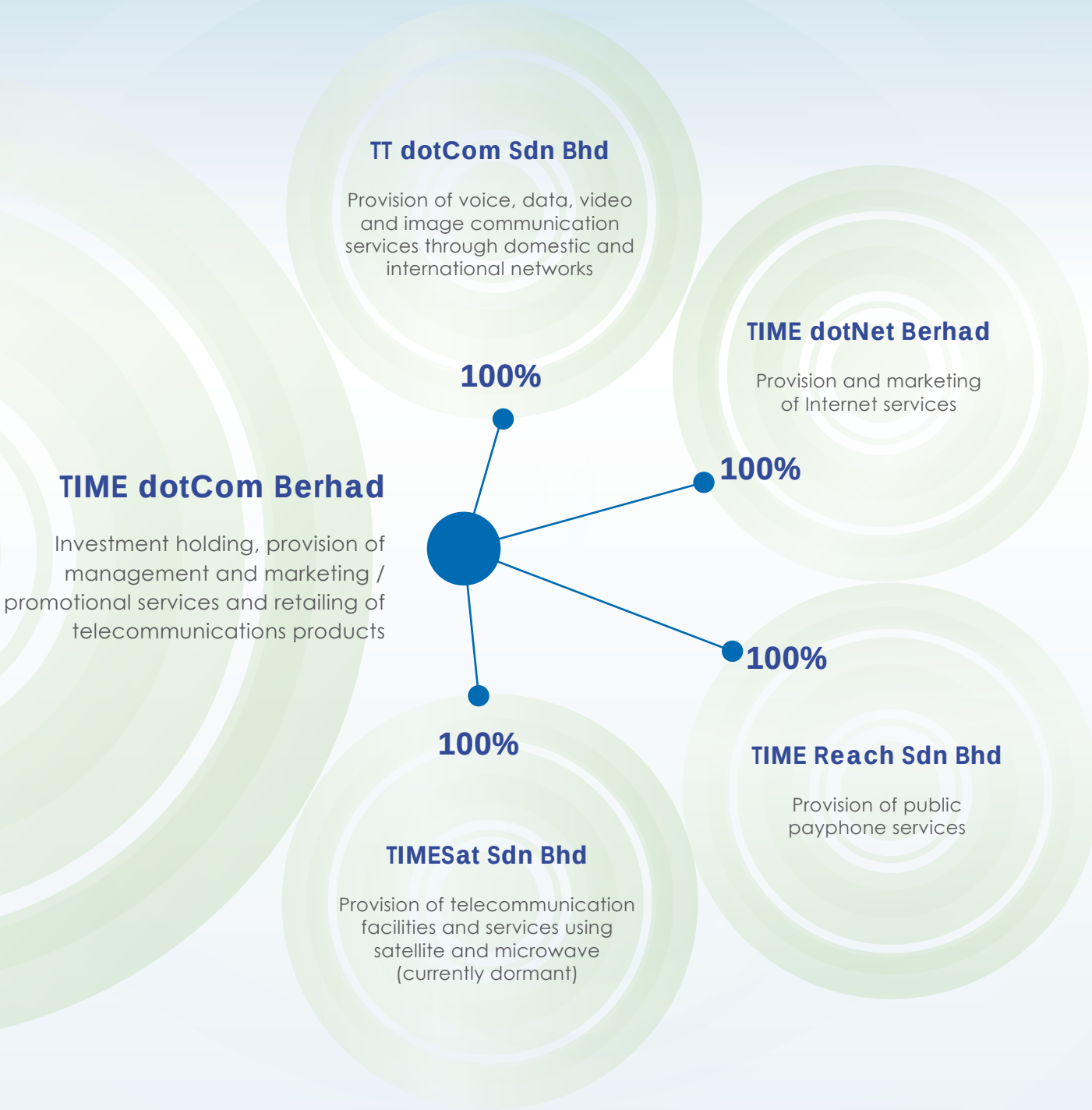
Business Segment
- Managed Services
- Corporate/Government Solutions
- Wholesale & Carrier Services
- Fixed Line Services (Voice)
- Fixed Line Services (Data)
- Broadband
- Internet

Consumer Segment
- Fixed Line Services (Voice)
- Internet
- Broadband
- Payphone

For Inquiries

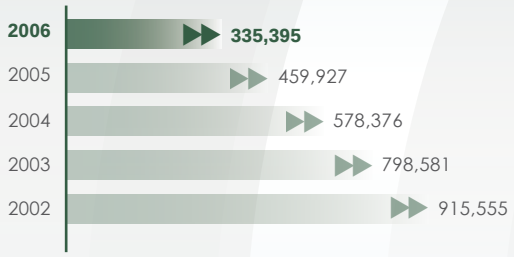
Telephone : +6-03-27305287
Facsimile : +6-03-27209006
E-mail : customerservice@time.com.my
Website : www.time.com.my

Corporate Structure

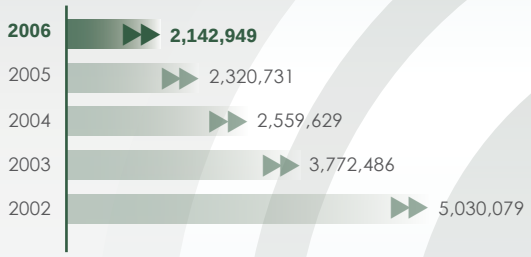


Group Financial Highlights

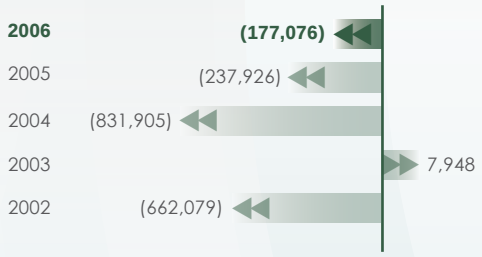
In RM'000	2002	2003	2004	2005	2006
Revenue	915,555	798,581	578,376	459,927	**335,395**
Profit/(Loss) Before Tax	(662,079)	7,948	(831,905)	(237,926)	**(177,076)**
Profit/(Loss) After Tax	(662,574)	7,794	(833,241)	(238,898)	**(177,782)**
Total Shareholders' Equity	5,030,079	3,772,486	2,559,629	2,320,731	**2,142,949**
Total Assets	5,552,880	4,030,693	2,773,787	2,491,786	**2,285,105**
Net Tangible Assets per Share (RM)	1.59	1.24	0.76	0.68	**0.61**
Net Assets per Share (RM)	1.99	1.49	1.01	0.92	**0.85**



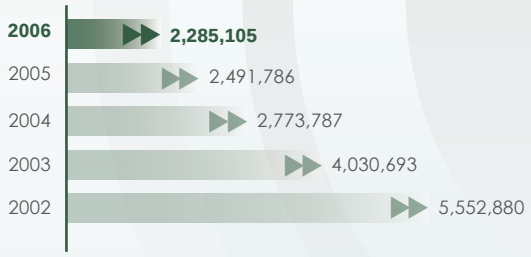
Revenue (in RM '000)



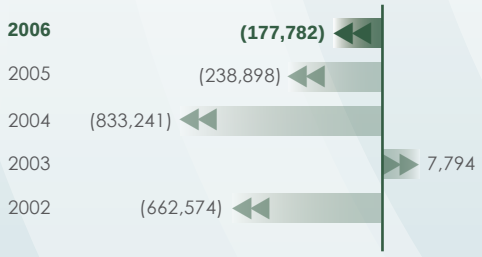
Total Shareholders' Equity (in RM '000)



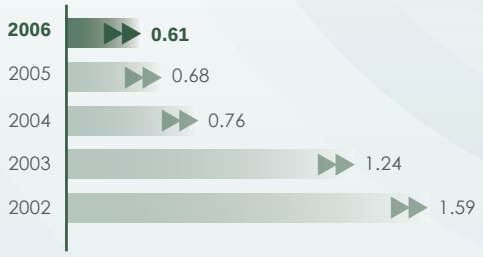
Profit/(Loss) Before Tax (in RM '000)



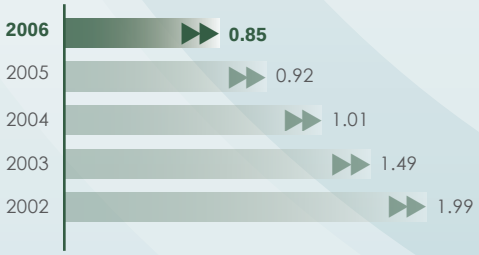
Total Assets (in RM '000)



Profit/(Loss) After Tax (in RM '000)



Net Tangible Assets per Share (RM)



Net Assets per Share (RM)

Chairman's Statement

"We remain upbeat and confident that the Group is poised to grow to the next level to become a leader in the information and communications technology (ICT) industry and in turn deliver positive financial results."

Overview

The year under review saw the national economy improved moderately with a GDP growth of 5.9 per cent. Business-wise, TIME dotCom Berhad continued to operate in an extremely competitive and challenging environment, marked by price competition and issues related to deployment of services at the last mile. These factors cumulatively exerted pressure on the results of the Group.

However, we remain upbeat and confident that the Group is poised to grow to the next level to become a leader in the information and communications technology (ICT) industry and in turn deliver positive financial results. The year also saw the Group being awarded the third generation (3G) IMT-2000 UMTS spectrum by the Malaysian Communications and Multimedia Commission (MCMC) for the period from 2006 until 2018 and this provides TIME dotCom the opportunity to capitalise on the growth potential in the broadband and Internet segments of the communications industry.

Dear Shareholders

On behalf of the Board of Directors, I hereby present the Annual Report and Audited Financial Statements for the financial year ended 31 December 2006.

Strategy Going Forward

We would like to underscore the fact that the Group is now poised to move forward and deliver value to its stakeholders as it has a ready and available system to support its strategy going forward. We see three factors that are, and will be, crucial to the Group's turnaround to profitability. These are:

Our People

The commitment and dedication of our people must be commended as they have continued to drive the Group's business despite the absence of a Managing Director for a year. Whilst this is a testimony of the strength of our people, the new management team led by Dato' Baharum Salleh has brought about a sense of confidence and renewed direction, not only to our people but to our stakeholders as well. Under the new leadership, the management team is stronger and has the right mindset, the right attitude as well as the right strategies to turn around the Group. These qualities of the Group's leadership will set the tone and direction for TIME dotCom to achieve its mission. Our second and third echelon leaders have begun to emulate the top management and in time this sense of purpose and direction will permeate throughout the organisation and put us in a stronger position to carry out our business.

The initiatives rolled out by the new management team have begun to bear fruit. Our people are now ready to transform themselves and the Group into a more IT-savvy solutions provider.

Chairman's Statement

Our Network infrastructure

Our integrated network infrastructure is one of the strengths of the Group, with over 3,600 km of land-based and 1,600 km of submarine fibre optic cables running along the major highways and coastlines of the Peninsula. The network can deliver a full range of voice telephony and data services to meet our customers' application requirements. On-going investments in upgrading the network will ensure that the network stays reliable against any major outage affecting connectivity. By continuing to invest in a single integrated network, we will achieve greater efficiency, tremendous savings and provide greater flexibility to customers.

Technology

We have embarked on a network optimisation project to upgrade the existing network to an IP-based network which is expected to be completed by the third quarter of 2007. With the enhanced network, we will be able to introduce new broadband services like managed security services, video streaming, hosted communications and content services such as gaming and IPTV more efficiently and cost effectively. Our 3G network, once completed, will improve the last mile connectivity of our services.

Financial Performance

During the year under review, the Group was able to reduce losses (loss before tax) significantly from RM237.9 million in financial year 2005 to RM177.1 million in the current financial year. This is a reduction of almost 26 per cent on a year-on-year basis.

Chairman's Statement

The significant performance improvement was a result of the Group's perseverance and persistence in improving productivity while at the same time managing cost effectively. The next step, of course, is to drive profitability for the Group.

Revenue, however, continued to decline to RM335.4 million as a result of competitive pricing structure in both retail and wholesale businesses. The Group recognises this and has rolled out programmes to push sales by improving the skills and understanding of products and services by our workforce. Our strength and leadership in serving corporate and business customers must now be translated to include retail customers in order for us to grow our base.

Changes to the Board and Management

On behalf of the Board of Directors, it gives me great pleasure to welcome Dato' Baharum Salleh to the Board. He joined us on 1 January 2007 as Managing Director.

The Board is of the opinion that Dato' Baharum is the right candidate to steer TIME dotCom to the next level as he brings with him an impeccable 28 years of track record in the telecommunications industry. His leadership and strength in the industry will ensure that our people will be passionate about our business and focus on delivering quality products and services to customers. In this regard the Board is supportive of Dato' Baharum in his efforts to transform the organisation into a more responsive and proactive one. We are sure that these changes will be for the benefit of the Group.

The new Management has made some changes to the organisation structure in tandem with the Group's business plan moving forward.

Dividends

The Board of Directors does not recommend any payment of dividends for the financial year ended 31 December 2006.

Corporate Social Responsibility

During the year under review, TIME dotCom continued to play a catalytic role in supporting the national development agenda, particularly in the areas of bridging the digital divide amongst Malaysians. The Group is committed to educate and increase the awareness levels of Malaysians on the use of the Internet as a tool for learning and communication.

In line with the guidelines set in Khazanah Nasional's Silver Book, the Group also continued to support charitable and welfare organisations under its corporate social responsibility (CSR) initiatives. Its flagship programme was the "Inspiring Hope" project, an initiative undertaken in collaboration with the Yayasan Harapan Kanak-kanak Malaysia.

Under the project, TIME dotCom established an information and communications technology (ICT) centre for Rumah Titian Kaseh in Kuala Lumpur and initiated a programme to teach the children basic ICT knowledge and skills.

The ICT coaches and mentors were made up of volunteers amongst the staff of the Group.

In addition, the Group also extended its support to organisations such as Hospis Malaysia, Rumah Silaturrahim Nurul Qanaah, Pusat Tahfiz Darul Furqan and Rumah Kebajikan Asy-Syakur during the year under review.

Outlook and Prospects

Going forward, the demand for data services such as broadband and Internet is expected to grow steadily. The network optimisation, once completed, will place TIME dotCom in a better position to compete in the market as well as meet the aspirations to be the champion of data services and business solutions.

The target set by the Government through our National Mission (Misi Nasional) and the Ninth Malaysia Plan (9MP) to transform Malaysia into a knowledge-based economy presents great growth opportunities for TIME dotCom.

Some of the areas identified by the Government include strengthening Malaysia's position as a global ICT and multimedia hub, stimulating the growth of new ICT sectors such as bio-informatics, biotechnology, digital content and animation as well as making e-learning a part of Malaysian learning culture are in line with the business objectives of the group.

As such, the Group is of the opinion that it has the required capabilities to play a significant role in helping the Government and the nation achieve these strategic goals.

Acknowledgement

I would like to take this opportunity to thank our Board of Directors, the Management and staff for their commitment and dedication to the Group during the past year.

With a new management team in place, I would like to urge all stakeholders to trust and support the team led by Dato' Baharum. His professional experience and drive to succeed will help ensure that the Group delivers its strategic goals in the year ahead.

The goal to transform ourselves to be more market driven and profitable will fall back on our ability to ensure timely provisioning of our services, backed by good customer service and competitive pricing. We can only do all these by working together as a team.

I must also thank our customers, shareholders, investors and business partners for their commitment towards the Group.

TIME dotCom is confident that it is well-placed to remain a major player in the communications industry. The Group will succeed in delivering shareholders' value over the long term.

Dato' Ir Wan Muhamad Wan Ibrahim
Chairman

"We must shift our paradigm of doing business from being a company that sells access to one that focuses on delivering business solutions, especially vertical solutions... We need to move a step up to become an organisation that is customer-centric and focus our energy and resources at developing new and innovative solutions for customers. "

Managing Director's Statement

Overview

The year 2006 was a watershed for TIME dotCom Berhad (TIME dotCom). While the Group's financial performance for the year could be better, a number of initiatives pertaining to human capital improvements, product offering and customer service excellence have been put in place. These initiatives would certainly put the Group in a stronger position for a turnaround in performance in the years ahead.

Moving forward, TIME dotCom is well placed to become the service provider of choice and a key enabler of growth for the communications industry. We are already a leader in providing communications solutions to the business and corporate sectors, be it Malaysian or multinational companies. Whilst we will continue to drive further growth in this segment of our business, our challenge is to take our products and service offerings to the next level, which will include business customers and the consumer market.

Importantly, we must also shift our paradigm of doing business from being a company that sells access to one that focuses on delivering business solutions, especially vertical solutions specific for sectors such as government agencies, financial, hospitality and logistics, ICT, manufacturing, SME/SMI and residential. However, we must also place importance on horizontal services such as IP telephony, unified messaging, multimedia conferencing and secured communication via IPVPN. We need to move a step up to become an organisation that is customer-centric and focus our energy and resources at developing new and innovative solutions for customers.

In this regard, the Group will be looking at growing its 3G services as part of its value proposition to customers. With 3G, TIME dotCom will be able to tap into a high-growth market especially in the data services segment. This, we believe, presents a huge potential for the Group as 3G is a viable alternative to the fixed-line broadband services. 3G will also enable the Group to offer broadband through High Speed Downlink Packet Access (HSDPA).

In line with our government's call for Malaysian companies to globalise their operations, TIME dotCom will be targeting to extend its services to facilitate the Group's customers who are operating overseas as part of its strategy to grow TIME dotCom's customer base.

Looking at the way forward, be it the external environment or within the Group, we are confident that TIME dotCom will grow and generate positive returns to shareholders in the longer term. The Group has the ingredients to become a champion organisation!

Financial Performance

The Malaysian economy grew moderately at 5.9 per cent in 2006, despite the impact of higher oil prices. The challenging external environment due to the changes in the industry landscape continues to impact the performance of the Group.

Against such backdrop, the Group continued to operate in an increasingly competitive environment, resulting in the Group posting lower revenue of RM335.4 million, compared to RM459.9 million a year earlier. The decline is attributable to the lower revenue from payphone and voice.

However, pre-tax loss fell significantly to RM177.1 million from RM237.9 million in 2005. The improvement was a result of lower cost of sales and operating expenditure, a testimony to the successful cost management measures instituted Group-wide.

The significant improvement in reducing our losses also signifies that we are on the right track in delivering positive results in the near future. The Board of Directors and Management have now rolled out a number of strategic imperatives which will centre on improving productivity and financial performance. We expect to build on these strategic imperatives for us to move forward and become a credible and long-term player in the local and regional communications industries.

Our financial goal now is to ensure that we turn around the Group by 2007 and start delivering profits in 2009.

Key Operational Highlights

Third Generation (3G) IMT-2000 UMTS Spectrum

In 2006, the Group, through its wholly owned subsidiary, TT dotcom Sdn Bhd, was awarded the 3G spectrum by the Malaysian Communications and Multimedia Commission (MCMC) for the period from 2006 until 2018. The preliminary award was made in March 2006 while

"Our financial goal now is to ensure that we turn around the Group by 2007 and start delivering profits in 2009."

Managing Director's Statement

the confirmation, after submission of a detailed business plan to the MCMC, was received in November together with a mobile number prefix of "010". In this regard, we must thank the regulators for their confidence in TIME dotCom's 3G business plan.

Setting up of a Division to focus on Managed Services

As the preferred communications solutions provider offering a complete and comprehensive range of services, TIME dotCom needs to evolve its business offering to cater to the changing needs of customers. One new growth area the Group has identified is managed services as this segment of the business has grown steadily at an average growth rate of 18 per cent per annum. Global telecommunication research firm, IDC, has forecasted that the Malaysian managed services business would grow over the next five year to reach RM2.27 billion in value from RM1.54 billion in 2006.

Recognising the potential of this market, the Group set up the Managed Services Division in 2006 to offer total "network business solutions". The range of solutions and services offered include managed connectivity, managed communications and professional services. The end-goal is to make OMNii, the brand name used to market this service, a total end-to-end network solutions provider. TIME dotCom's OMNii was developed to ensure that the Group is well positioned as a one-stop centre for communications solutions so that customers need not look out for other vendors to support their communications needs.

Development on the Regulatory front

A significant development occurred on the regulatory front on 15 February 2006 when the MCMC issued a new Mandatory Standard on Access Pricing (MSAP). The new MSAP will benefit the Group as it will increase TIME dotCom's revenue from interconnect charges.

Meanwhile, the Group also successfully completed its access agreements with all major telecommunications service providers in Malaysia before the deadline of 31 May 2006 set by the MCMC. The access agreements contained the terms and conditions of access to network facilities or services of a licensed operator. They must also comply with the Commission Determination on the Mandatory Standard on Access which includes timeframe and procedures for negotiations, provision of facilities and technical requirements. The agreements were part of the Access Regime to promote effective competition and to ensure equitable and non-discriminatory access arrangements.

The Strategy Going Forward

We have no doubts that there is great potential for TIME dotCom as we have what it takes to succeed. Our network capability consists well over 3,600km routes of terrestrial fibre-optic cable and over 1,600 km routes of submarine festoon fibre-optic cable backup system with landing points around the perimeter of Peninsular Malaysia.

Nevertheless, the infrastructure that we have is only the hardware part of our business. Turning around the organisation will require a more holistic approach as we will need to look into the fundamental issues of the Group. To address such core areas, we must look at ourselves from the most basic level. The Board and Management have identified three key strategic imperatives for us to move forward:

Improving People Performance

The team within the Group has a very challenging task ahead as we need to turn around TIME dotCom in a short time frame. Without a strong, innovative and "never say die" attitude in our people, it will not be possible for the Group to leap to the next level. For this reason, the Board of Directors had approved a new organisation structure for the Group in January 2007. The move was part of a strategy to realign our people to our business, making our people more productive and responsive to the market dynamics.

Developing leadership and talents within the organisation will be a key objective as the Group believes that it needs to cultivate leaders to lead and earn the respect of their colleagues and peers. The mindset and attitude of leaders and team members must be in line with the

strategic end-goals of the Group. They must possess a passion for our business, think strategically on how we could do better in selling, marketing and innovating our products and services and importantly, lead our people by example. In return, star performers will be recognised and their growth within TIME dotCom will be fast-tracked via the new TIME Talent Pool Programme.

In addition, other key organisation and management development initiatives that we have further improved and enhanced include the Performance Management System, which underscores the objectivity of performance assessments within our teams. Mandatory Key Performance Indicators were also set for the different levels of employees to ensure that our people are driven by performance and results.

Meanwhile, to further streamline our work force, the Group also offered a Voluntary Separation Scheme (VSS) to 262 employees for the year under review.

The above-mentioned initiatives are merely part of our people improvement plans. We will be from time to time, roll-out programmes to improve our productivity as well as reward our performers. The Group does recognise how crucial it is for us to pull the team together to synergise team efforts for our business. Ultimately, we must build an environment within TIME dotCom that focuses on harnessing creativity and promoting innovation amongst our people. Our people must creatively sell and market the right products and services to our customers while at the same time innovate new solutions for businesses and customers. Only through such concrete actions, which are carried out in a collective and concerted manner, can we carve out a competitive edge for the Group.

Becoming Customer-centric

As mentioned earlier, we need to change the way we look at our business. We must move beyond selling access to one that focuses on delivering communication solutions to our customers. If we are seen as the preferred solutions provider, TIME dotCom will certainly be able to grow its revenue stream and create a niche of its own within the communications industry.

In this regard, we need to revamp our processes to ensure that our people and systems respond fast enough to market needs. We need an operating environment within the Group that helps sharpen our customer focus and improve our competitiveness. One key aspect is that we now manage our relationships via the key account management approach. This segmented approach into how we sell and maintain relations with our customers is to ensure that we are close enough to understand our customers. Only through such holistic and focused approach to managing customer relationships, supported by speedy implementation of our business plans, can we harness greater levels of efficiency in our approach to becoming customer-centric.

In other words, TIME dotCom needs to listen to the needs of our customers and start offering new innovations that will cater to the needs of these customers. One example is our plan to offer our multinational clients broadband speeds of up to 100Mbps through our Metro Ethernet Backbone Network (Metro-E) project. We could also extend our broadband reach to homes via our fibre and 3G services. All these present great market potentials to us and they are part of our desire to deliver superior services to customers.

Understanding the needs of customers is one key priority but we must also not forget about the basics of being customer-centric. The Quality of Service (QoS) is imperative in creating delight for our customers, which the Group must at all times enhance to ensure that customers remain loyal to us. Only through such positive experiences, customers will perceive TIME dotCom as a reliable and trusted service provider. TIME dotCom is in the business of providing a service. If we cannot deliver high QoS, we will not go far.

As such, for the year under review, we have further improved on our customer relationship management programmes. Our target is to retain high-value customers and deepen our relationships with these customers as part of our initiative to enhance our service offerings to them.

In addition, we are revamping the monitoring system within our network by introducing the Service Operation Centre (SOC) as part of our mechanism to check and maintain our network integrity. We will use our SOC, which is the best in class standards to monitor the entire system.

Staff members will continue to be reminded about the importance of our QoS and it has now become part of TIME dotCom's culture to ensure that customers only receive service of the highest standard from us. We will need to encourage open communication with our

Managing Director's Statement

customers in order to gather feedback as well. Customer feedback will be an integral part of our efforts to continuously improve service levels.

Optimising Resources

We continue to focus on our core network as part of our business plan to revamp, improve and optimise our infrastructure. We had in the year under review, embarked on a major exercise to upgrade our infrastructure. This strategic exercise covers areas such as:

- Next Generation Networks (NGN)
- Multi-Protocol Label Switching (MPLS) core network
- Fixed and Wireless Access
- Network Management Systems
- Other service applications

The above-mentioned upgrades are to enable TIME dotCom to further enhance its existing solutions offering including voice, leased lines, broadband services, Managed Virtual Private Network (MVPN) and caters to the convergence of fixed and mobile services. Moreover, the network optimisation plan will ensure that TIME dotCom's existing infrastructure will be able to support new services that are brought about by newer technologies and customer demands in the future.

This means the Group will have the necessary support system to introduce and manage new Internet Protocol (IP) based services such as managed applications, hosted applications and value added services including Voice Over Internet Protocol (VOIP), Voice Over Broadband (VOBB), content services, security, storage, video streaming and IPTV.

The upgraded Network Operation Centre with its experienced team working round the clock is to ensure that we provide proactive monitoring, management and trouble resolution for our customers' network.

These improvements are crucial for the Group as they will open up new and higher revenue streams for the Group. They are also important for the Group in response to market needs as there is now a high demand for bandwidth intensive applications, especially from business customers.

Corporate Social Responsibility (CSR)

As a socially responsible corporate citizen, TIME dotCom will continue to pursue its CSR initiatives in line with Malaysia's development agenda and in accordance with the guidelines set in Khazanah Nasional's Silver Book.

We are very clear about our CSR objectives as we believe CSR will help us achieve value for our stakeholders through social responsibility. The priorities for TIME dotCom's CSR initiatives will be those that are aimed at improving the socio-economic environment of Malaysia, particularly in the areas of Education and Nation Building.

Some examples would be our initiative to bridge the digital divide by supporting our government's aspiration to increase broadband penetration including those in the rural areas. We will deploy this through the use of satellite as part of our obligations under the Universal Service Provision (USP). In addition, we will also be rolling out IPTV to homes, first in Mont Kiara and subsequently in Nusajaya.

In June 2006, the Group, jointly with the MCMC, successfully launched the National Project of Universal Service Provision (USP) that marked the completion of the first phase of the USP project in Sabah. TIME dotCom undertook the USP implementation for 14 out of the 22 districts in the State, providing basic communications facilities to areas lacking in communications coverage.

The above-mentioned CSR initiatives represent the Group's commitment to be part of Malaysia's nation building process. We will continue to invest our resources and manpower to support the government's initiatives in this area.

On the community front, we will continue to support charitable activities and organisations that help the less fortunate. The Group believes that all citizens of Malaysia deserve to benefit from the fruits of the country's economic well being.

Internally, we will be promoting ethnic diversity amongst our work force. As we celebrate our 50th year of nationhood, we want TIME dotCom to be a reflection of what it means to be Malaysian. It is through our diversity that Malaysia is able to transform itself to become a progressive nation today. Similarly, TIME dotCom aspires to grow along with its multi-racial workforce.

Outlook and Prospects

Expanding our revenue stream, improving productivity and innovating new business solutions for our customers, will be the key priorities for TIME dotCom in the year ahead. This is in line with our commitment to turn around the business in the coming year and return to profitability by 2009.

To achieve this, the Group has identified and put in place the strategies and people to drive the business forward. Without a doubt, we are confident that we can deliver this promise as TIME dotCom is in an industry that has tremendous growth potential. There is also a great opportunity for the Group to capture a bigger portion of the industry's revenue. Key growth areas are in the data, broadband and Internet segments, but content application is another driver of growth which TIME dotCom will need to venture into. The content market is a segment of the business that is not yet tapped and we intend to build a presence here.

While the road ahead is full of excitement and opportunities, the Group must constantly ensure that it focuses on the right market to maximise its growth potential and move on to the next level.

We need to get into a bigger scope of the market, improving our penetration and catchment areas which are currently only at 3 per cent. This is a reflection of the poor reach we have at this point, which we must address immediately.

Moving forward, we expect to get 10 per cent of the market share as part of our turnaround strategy and we intend to make our debut in the Indonesian and Thai market in the medium term. In the markets we operate, we want to be the carriers' carrier of choice because the Group has the backhaul and experience in building connectivity.

TIME dotCom has been and will continue to be a major player and key enabler of the growth of the communications industry. The strategies and business plans are already in place for the Group to help it grow and be a catalyst to spur the development of Malaysia's economy to one that is knowledge-based.

Acknowledgement

Our journey ahead to turn around the Group will require the commitment and support of our key stakeholders. The Board of Directors, shareholders, Management, staff, customers and business partners all have a role to play.

On behalf of the Management, I would like to take this opportunity to record our sincere appreciation and gratitude to our stakeholders for continuing to believe in the Group.

Most importantly, I must thank the staff of TIME dotCom for supporting the management team. As we steer the Group back to profitability, it will be a great test of our commitment, perseverance and team spirit. We will need to go beyond our best and work together as a team to make TIME dotCom a profitable, respected and successful player in the communications industry, and the service provider of choice.

Dato' Baharum Salleh
Managing Director

Operations Review

TIME dotCom has initiated various initiatives during the year which focused on our customers and prepared us for the future.

Overview

During the year under review ended 31 December 2006, TIME dotCom was operating within an industry of rapid technology evolvement, where convergence and new standards were imminent.

Simultaneously, with the Government's aspirations to bridge the digital gap and to embrace knowledge economy, the Ministry of Energy, Water & Communications has further introduced policies which intensified competition within the industry.

Against this backdrop, TIME dotCom has initiated various initiatives during the year which focused on our customers and prepared us for the future. These initiatives were:

- Introducing packages which are tailored to customers' needs. In conjunction with this, TIME dotCom has built up resources to support Managed Services offerings
- Continued with the programme to migrate our network to an IP based network
- Initiated Customer Relationship Management programmes to enable us to understand customer needs and ensure that customers are satisfied with our services
- Continued to strengthen our internal processes and resources to enable quick and cost efficient delivery of services
- Investing in our people to equip them to manage and meet complex customers' requirements and able to operate our next generation network efficiently

The services offered by TIME dotCom are as follows:

- Fixed line, broadband and internet services which includes voice and data whether directly or indirectly accessed by the customers
- Managed Services
- International and Wholesale Services
- Payphone Services

Direct Access

Direct Access deals with products that have to be physically built into a customer's premises and covers both voice and data services.

In 2006, the total revenue for direct access voice products TIME TONE and TIME PABX Link was RM85.2 million, 8 per cent lower than the revenue for 2005. Reasons for the reduction were stiff competition from other operators, cost-cutting measures by the customers themselves; either by canceling the lines and/or reducing usage, and migration of customers' demand from analog voice products to digital voice products.

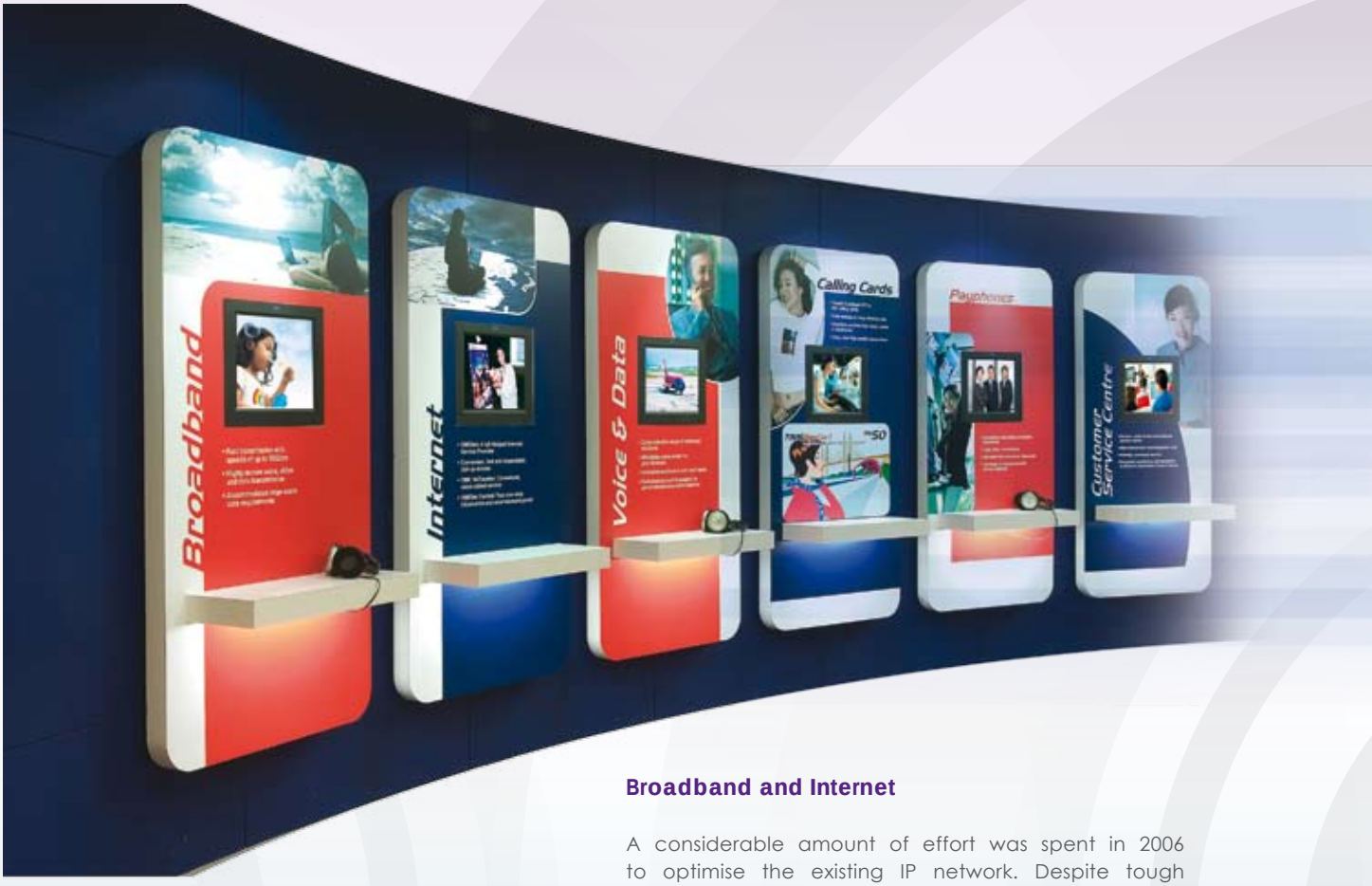
Therefore, in line with this change in customer needs, the revenue for TIME's digital voice product, TIME ISDN service, recorded a growth in revenue with a sum total of RM41.1 million in 2006, 9.3 per cent higher than 2005.

As for TIME-1800, TIME-1300 and TIME International Freephone services, the revenue for 2006 recorded a reduction of 35 per cent from 2005 due to lower prices offered by the incumbent operator.

Though the revenue for Direct Access voice declined in 2006, it was still the major revenue earner for TIME dotcom as it contributed to 26.1 per cent of TIME dotCom's total net revenue in 2006.

As such, strategies were implemented in 2006 to win over our customers' usage and persuade them to use TIME dotCom's direct voice services, defending the current revenue flow and to gain more high usage customers by introducing attractive packages that meet customer demand.

In the area of data services, TIME dotCom has maintained high revenues by riding on the growing demand for high quality leased lines and the introduction of bundled packages for the business market. In 2006, net revenue for Domestic Leased Lines was RM19.1 million while for International Private Leased Circuit (IPLC) the revenue for 2006 was RM2.4 million.



Indirect Access

Indirect Access covers products that do not require the building in of infrastructure. Stiff competition from other operators, especially mobile operators offering low prices for STD and IDD call charges, has inadvertently affected the revenue of indirect access voice products namely TIME World Access, TIME Gold and TIME Kontact Card services. Prepaid voice service was also affected badly as the margin for International Direct Dialing calls (IDD) diminishes as mobile operators further reduced IDD rates. As a result, TIME Kontact Card recorded revenue of RM700,000, a reduction of 88.5 per cent from 2005.

In 2006, TIME dotCom worked together with Real Rewards to introduce loyalty points primarily targeted to TIME Gold customers, to entice TIME Gold customers to not only increase usage of TIME Gold service but at the same time letting TIME Gold customers to be entitled to Real Rewards points for calls made using TIME Gold service. The Real Reward loyalty points have not only managed to add product attractiveness but create product differentiation to TIME Gold's services.

On a positive note, TIME World Access, an account based post-paid voice service for corporate customers continues to record growth in revenue despite strong competition from the incumbent operator and other Voice Over Internet Protocol (VoIP) operators. TIME World Access recorded revenue of RM2.22 million in 2006, a 12 per cent increase from 2005. The increase in TIME World Access revenue was a result of the actions taken to improve on the quality of service and competitive packages offered.

Broadband and Internet

A considerable amount of effort was spent in 2006 to optimise the existing IP network. Despite tough competition, TIME dotCom managed to increase sales and revenue streams for snternet-based services.

In order to achieve a quantum improvement in communication solutions, TIME dotCom will forge ahead with the next generation access platform that leverages on a fully IP infrastructure (Metro Ethernet Network and Fixed Wireless Access (FWA)) to provide high speed data, Internet, and advanced converged services to its customers.

Metro Ethernet is an ideal solution to accelerate the convergence of voice, data and video services onto a single network infrastructure, thus enabling TIME to launch high speed services e.g. data and internet service up to 100Mbps per connection as well as to differentiate its product offering by delivering multiple services (e.g. Managed Services, Managed VoIP (IP PBX), Broadband on Demand, etc.) on a single interface (FE). Essentially, TIME's vision is to capitalise on Metro Ethernet's platform to deliver the next generation of IP services to cater to the needs of small-medium size industries / companies as well as corporations/multinational companies.

In addressing the last mile issue as well as the sharp increase in demand for high speed Internet services in the Malaysian market, TIME dotCom will leverage on Fixed Wireless Access technology as an alternative solution to overcome the traditional physical last mile limitation experience of xDSL. TIME dotCom will also be deploying FWA services in high-density areas to deliver high quality IP services to these places.