

INSTACOM GROUP BERHAD (596299-D)
**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE SECOND QUARTER ENDED 30 JUNE 2014**

	----- Individual Quarter -----		----- Cumulative Quarter -----	
	Current year quarter 30 June 2014	Preceding year corresponding quarter 30 June 2013	Current year to date 30 June 2014	Preceding year corresponding period 30 June 2013
	RM'000	RM'000	RM'000	RM'000
Revenue	15,028	36,302	40,079	66,512
Cost of Sales	(10,615)	(24,376)	(27,036)	(42,317)
Operational depreciation	(651)	(398)	(809)	(884)
Gross Profit	3,762	11,528	12,234	23,311
Other operating income	866	949	1,116	1,282
Administrative Expenses	(2,195)	(3,194)	(5,188)	(6,503)
Depreciation and amortization	(108)	(49)	(136)	(303)
Operating Profit	2,325	9,234	8,026	17,787
Finance cost	(772)	(1,604)	(1,815)	(3,201)
Profit Before Tax	1,553	7,630	6,211	14,586
Taxation	-	49	-	(79)
Profit After Tax	1,553	7,679	6,211	14,507
Other comprehensive income	-	-	-	-
Total comprehensive income	<u>1,553</u>	<u>7,679</u>	<u>6,211</u>	<u>14,507</u>
Profit attributable to :				
Equity holders of the Company	<u>1,553</u>	<u>7,679</u>	<u>6,211</u>	<u>14,507</u>
Total comprehensive income attributable to :				
Equity holders of the Company	<u>1,553</u>	<u>7,679</u>	<u>6,211</u>	<u>14,507</u>
Weighted average no. of ordinary shares in issue ('000)	702,254	702,254	702,254	702,254
Earnings per share (sen):-				
a) Basic	0.22	1.09	0.88	2.07

The Unaudited Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 December 2013.

INSTACOM GROUP BERHAD (596299-D)
**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2014**

	As at 30 June 2014 (Unaudited) RM'000	As at Preceding Financial Year Ended 31 December 2013 (Audited) RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	27,964	29,147
Finance receivables	15,974	15,974
Goodwill on consolidation	75,776	75,776
	<u>119,714</u>	<u>120,897</u>
Intangible Assets		
Intellectual Property Rights	217	217
Software Licenses	427	427
Development cost	6,913	6,913
	<u>7,557</u>	<u>7,557</u>
Current assets		
Inventories	3,730	3,107
Project work-in-progress	22,571	24,990
Receivables	54,800	57,067
Other investments	4,584	7,121
Tax recoverable	1,155	1,061
Deposits with licensed banks	11,383	12,057
Cash And Cash Equivalents	5,392	3,543
	<u>103,615</u>	<u>108,946</u>
Total Assets	<u><u>230,886</u></u>	<u><u>237,400</u></u>
EQUITY AND LIABILITIES		
Equity Attributable to Equity Holders of the Company		
Share capital	70,225	70,225
Share premium	60,864	60,864
Retained profits	38,914	32,703
Shareholders' equity	<u>170,003</u>	<u>163,792</u>
Non-Current liabilities		
Borrowings	10,220	8,356
Hire purchase payables	4,607	4,674
Deferred taxation	-	-
	<u>14,827</u>	<u>13,030</u>
Current liabilities		
Payables	3,137	11,745
Amount owing to Directors	31	4
Bank overdraft	712	4
Borrowings	41,135	46,436
Hire purchase payables	1,041	2,389
Provision for taxation	-	-
	<u>46,056</u>	<u>60,578</u>
Total liabilities	60,883	73,608
Total equity and liabilities	<u><u>230,886</u></u>	<u><u>237,400</u></u>
Net assets per share attributable to ordinary equity holders of the Company (RM)	<u>0.24</u>	<u>0.23</u>

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 December 2013.

INSTACOM GROUP BERHAD (596299-D)
**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE SECOND QUARTER ENDED 30 JUNE 2014**

	Current year to date 30 June 2014 (Unaudited) RM'000	Preceding year corresponding period 30 June 2013 (Unaudited) RM'000
CASH FLOW FROM OPERATING ACTIVITIES		
Profit Before Taxation	6,211	14,586
Adjustments for Non-cash items	<u>2,232</u>	<u>3,583</u>
Operating profit before working capital changes	8,443	18,169
Changes in working capital		
Net change in inventories and work-in-progress	1,796	5,760
Net change in trade and other receivables	(1,418)	(11,926)
Net change in trade and other payables	(8,609)	8,216
Net change in directors account	27	5
Net cash from operations	<u>239</u>	<u>20,224</u>
Interest paid	(431)	(710)
Tax paid	(94)	(1,284)
Net cash generated from operating activities	<u>(286)</u>	<u>18,230</u>
CASH FLOW FROM INVESTING ACTIVITIES		
Investment by an asset management company	2,536	10,996
Placement of fixed deposits	675	(786)
(Purchase) / Disposal of plant and equipment	557	(1,806)
Development expenditure	-	(900)
Interest income	210	796
Net cash generated from/(used in) investing activities	<u>3,978</u>	<u>8,300</u>
CASH FLOW FROM FINANCING ACTIVITIES		
Borrowings	(3,437)	(4,471)
Hire purchases	(1,415)	(5,298)
Finance receivables	3,685	(16,120)
Interest paid	(1,384)	(2,491)
Net cash generated used in financing activities	<u>(2,551)</u>	<u>(28,380)</u>
Net Change in Cash and Cash Equivalents	1,141	(1,850)
Cash and Cash Equivalents at beginning of the period	3,539	9,401
Cash and Cash Equivalents at end of the period	<u><u>4,680</u></u>	<u><u>7,551</u></u>
Represented by :		
Cash and bank balances	5,392	8,506
Bank overdrafts	(712)	(955)
	<u><u>4,680</u></u>	<u><u>7,551</u></u>

The Condensed Consolidated Statement of Cash Flows should be read in conjunction with audited financial statements of the Group for the financial year ended 31 December 2013.

INSTACOM GROUP BERHAD (596299-D)

**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE
SECOND QUARTER ENDED 30 JUNE 2014**

	<-----Non-distributable----->				<-Distributable->	
	Share Capital RM'000	Share Premium RM'000	Capital Redemption Reserves RM'000	Treasury Shares RM'000	Retained Profits/ (Accumulated Losses) RM'000	Total RM'000
As at 31 December 2013 (Audited)	70,225	60,864	-	-	32,703	163,792
Total comprehensive income for the period	-	-	-	-	6,211	6,211
As at 30 June 2014	<u>70,225</u>	<u>60,864</u>	<u>-</u>	<u>-</u>	<u>38,914</u>	<u>170,003</u>

As at preceding year corresponding quarter 30 June 2013

As at 31 December 2012 (Audited)	70,225	60,864	-	-	6,827	137,916
Total comprehensive income for the period	-	-	-	-	14,507	14,507
As at 30 June 2013	<u>70,225</u>	<u>60,864</u>	<u>-</u>	<u>-</u>	<u>21,334</u>	<u>152,423</u>

The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 December 2013.

INSTACOM GROUP BERHAD (596299-D)

NOTES TO THE QUARTERLY REPORT

PART A: EXPLANATORY NOTES PURSUANT TO THE FINANCIAL REPORTING STANDARDS (“FRS”) 134: INTERIM FINANCIAL REPORTING

A1. Accounting policies and methods of computation

The interim financial statements are unaudited and have been prepared in accordance with the Malaysian Financial Reporting Standards (“MFRS”) 134: Interim Financial Reporting and Appendix 9B of the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Securities”) and is in compliance with Financial Reporting Standards (“FRS”) 134: Interim Financial Reporting.

The condensed consolidated interim financial report should be read in conjunction with the audited financial statements of the Group for the Financial Year Ended (“FYE”) 31 December 2013 and the accompanying explanatory notes attached to the interim financial report.

The accounting policies and methods of computation adopted by Instacom Group Berhad (“Instacom”) and its subsidiaries (“Group”) for these interim financial statements are in compliance with the new and revised FRSs issued by the Malaysian Accounting Standards Board (“MASB”).

A2. Adoption of new and revised accounting policies

The Group has adopted the Malaysian Financial Reporting Standards framework (“MFRS Framework”) framework issued by MASB. This MFRS Framework was introduced by the MASB in order to fully converge the Malaysian’s existing FRS framework with the International Financial Reporting Standards framework issued by the International Accounting Standard Board.

The Group has adopted all the new and revised MFRSs, Interpretations and Technical Releases that are relevant and effective for accounting periods beginning on or after 1 January 2014. The adoption of these new and revised MFRSs, Interpretations and Technical Releases did not result in any changes to the significant accounting policies adopted by the Group.

A3. Qualification on the Auditors’ Report of preceding annual financial statements

There was no audit qualification to the annual audited financial statements of the Group for the FYE 31 December 2013.

A4. Seasonal or cyclical factors

The business operations within the industry are not affected by seasonal and cyclical factors.

A5. Unusual Items

There were no unusual items affecting assets, liabilities, equity, net income or cash flows for the current financial quarter under review and financial year-to-date.

A6. Changes in estimates of amounts reported

There were no changes in estimates that have had a material effect on the current financial quarter under review and financial year-to-date.

A7. Issuance or repayment of debt and equity securities

There was no issuance or repayment of debt or equity securities, share buy-backs, share cancellations, share held as treasury shares and resale of treasury shares for the current financial quarter under review and financial year-to-date.

A8. Dividend paid

There was no dividend paid nor declared for the current financial quarter under review.

A9. Segmental information

The Group is organised into the following operating segments:-

- a. Civil, mechanical and electrical works (“CME”)
- b. Telecommunication equipment installation (“TI”)
- c. Turnkey Build and Finance (“TBF”)

Quarter Ended 30 June 2014	CME RM'000	TI RM'000	TBF RM'000	Elimi- nations RM'000	Consoli- dated RM'000
Revenue from external customers	12,453	2,216	359	-	15,028
Operating expenses (inclusive of depreciation charges)	(9,095)	(1,883)	(288)	-	(11,266)
Gross Profit	3,358	333	71	-	3,762
Profit before taxation					1,553
Income tax expenses					-
Profit after tax					1,553
Other comprehensive income					-
Total Comprehensive Income					1,553

The Group's segmental information by geographical location is not shown as the activities of the Group are in Malaysia.

A10. Valuation of property, plant and equipment

The Company has not carried out valuation on its property, plant and equipment in the current financial quarter under review and financial year-to-date.

A11. Capital commitments

There are no material capital commitments in respect of property, plant and equipment as at 30 June 2014.

A12. Capital Expenditure

The major additions and disposals of the property, plant and equipment during the current financial quarter under review and financial year-to-date were as follows:-

	Current Quarter Ended 30 June 2014 RM'000	Cumulative Year-to-Date 30 June 2014 RM'000
Property, plant & equipment: Additions	145	436

A13. Changes in the composition of the Group

There were no changes in the composition of the Group for the current financial quarter under review.

A14. Contingent liabilities and contingent assets

There were no contingent liabilities or contingent assets since the last audited financial statements of the Group for the FYE 31 December 2013.

A15. Subsequent material events

There are no material events subsequent to the financial period ended 30 June 2014 that have not been reflected in this interim financial report.

A16. Significant related party transactions

There were no related party transactions during the current financial quarter under review.

PART B: EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE ACE MARKET LISTING REQUIREMENTS OF BURSA SECURITIES

B1. Review of the performance of the Company

For the current financial quarter ended 30 June 2014, the Group recorded revenue of RM15.028 million and profit before tax of RM1.553 million.

Compared to the previous year corresponding financial quarter, the Group recorded a decrease of RM21.274 million in revenue. The decrease in revenue is mainly attributable to the decreased contribution from the TI and TBF segments, due to lower work orders received. Consequently, profit before tax decreased by RM6.077 million due to the lower revenue and also due to the relatively higher cost of sales incurred during the current financial quarter.

Revenue by segment :

	Current financial quarter ended 30 June 2014 (RM'000)	Preceding financial quarter ended 30 June 2013 (RM'000)	Current financial period-to-date 30 June 2014 (RM'000)	Preceding Financial period- to-date 30 June 2013 (RM'000)
CME	12,453	12,881	33,002	31,104
TI	2,216	7,110	4,341	16,752
TBF	359	15,661	2,736	17,075
ICT	-^	650	-^	1,581
Total	15,028	36,302	40,079	66,512

^ discontinued

CME

CME was the main revenue contributor for the current financial quarter ended 30 June 2014, comprising 82.9% of the total revenue for the quarter. For current financial quarter and year-to-date, CME recorded decrease in revenue of RM0.428 million and increase of RM1.898 million respectively as compared to the same periods in the preceding year. The differences are mainly attributable to the staggered roll-out of the major projects currently undertaken by the Group.

TI

TI contributed 14.7% of the total revenue for the current financial quarter. For current financial quarter and year-to-date, TI recorded decreases in revenue of RM4.89 million and RM12.411 million respectively as compared to the same periods in the preceding year. The decrease was due to the lower number of TI works being commissioned by customers.

TBF

TBF contributed 2.4% of the total revenue for the current financial quarter. For current financial quarter and year-to-date, TBF recorded decreases in revenue of RM15.302 million and RM14.339 million respectively as compared to the same periods in the preceding year. The decrease was due to the low number of TBF sites required by customers.

B2. Comparison to the results of the preceding quarter

	Current Quarter 30 June 2014 RM'000	Preceding Quarter 31 March 2014 RM'000
Revenue	15,028	25,051
Profit before tax	1,553	4,658

Compared to the preceding financial quarter, the Group recorded decreases of RM10.023 million in revenue and RM3.105 million in profit before tax, which were mainly due to the staggered roll-out of the major projects currently undertaken by the Group which resulted in lower CME revenue for the current financial quarter and also due to the lower TBF revenue due to low number of TBF sites required by customers.

B3. Prospects for the current financial year

Telecommunications coverage in Sarawak is expected to rise to 90 per cent next year with the construction of 149 new towers in the state, Communication and Multimedia Minister Datuk Seri Ahmad Shabery Cheek said here yesterday. He said the tenders for the construction of these towers in Sarawak had been issued and work would begin by the end of this year at the latest and is expected to cost RM200 million. This was part of the ministry's plan to build 400 towers throughout the country.

(Source : The Borneo Post Online, 13 May 2014)

B4. Profit forecast and profit estimate

The Group has not issued any profit forecast or profit estimate for the current financial quarter under review or in any public documents.

B5. Taxation

	Current Quarter Ended 30 June 2014 RM'000	Cumulative Year-to-Date 30 June 2014 RM'000
Current tax	-	-
	-	-

The effective tax rate of the Group for the current financial and cumulative quarter is Nil, due to the set-off with over provision in previous year, tax reimbursements, taxation losses and capital allowances carried forward of the Group.

B6. Status of corporate proposals

As at the date of issuance of this interim financial report, there are no corporate proposals announced but not completed.

B7. Status of utilisation of proceeds

As at the date of this report, the Company has fully utilized the proceeds raised from all its fund raising activities.

B8. Realised and Unrealised Profits

The breakdown of retained profits/(accumulated losses) of the Group and Company for the financial quarter ended 30 June 2014 and the preceding year corresponding period 30 June 2013, is as follows :-

	Group Quarter Ended 30 June 2014 RM'000	Group Quarter Ended 30 June 2013 RM'000
Total retained profits of the Group:		
- Realised	63,598	48,853
- Unrealised	-	(581)
	<hr/>	<hr/>
	63,598	48,272
Less : Consolidation adjustments	(24,684)	(26,938)
Total Group retained profits as per consolidated accounts	<hr/>	<hr/>
	38,914	21,334
	Company Quarter Ended 30 June 2014 RM'000	Company Quarter Ended 30 June 2013 RM'000
Total retained profit/(accumulated losses) of the Company :		
- Realised	38,336	12,121
- Unrealised	-	-
	<hr/>	<hr/>
Total Company's retained profits/(accumulated losses) as per accounts	<hr/>	<hr/>
	38,336	12,121

B9. Group borrowings and debt securities

The Group's borrowings as at 30 June 2014 are as follows:-

	Short Term RM'000	Long Term RM'000
<u>Secured</u>		
Term loans	6,948	10,220
Project revolving credit	34,187	-
Hire Purchase Creditors	1,041	4,607
	<hr/>	<hr/>
	42,176	14,827

B10. Material Litigation

There was no material litigation as at the date of issuance of this announcement.

B11. Dividends

No interim dividends have been declared during the current financial quarter under review.

B12. Profit/Loss for the period

Current Quarter Ended 30 June 2014 RM'000	Cumulative Year-to-Date 30 June 2014 RM'000
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This is arrived at after charging :-

Depreciation and amortisation	759	945
Gains on disposal of property, plant and equipment	(291)	(333)

Other disclosure items pursuant to Note 16 of Appendix 9B of the ACE Market Listing Requirements of Bursa Securities are not applicable.

B13. Earnings per share**(a) Basic earnings per share**

Basic earnings per share is calculated by dividing the profit attributable to the equity holders of the Company by the weighted average number of shares in issue for the period.

	Individual Quarter		Cumulative Quarter	
	Current Quarter	Preceding Year Corresponding Quarter	Current Year-To- Date	Preceding Year Corresponding Period
	30 June 2014	30 June 2013	30 June 2014	30 June 2013
Profit attributable to the equity holders of the Company (RM'000)	1,553	7,679	6,211	14,507

	Individual Quarter		Cumulative Quarter	
	Current Quarter	Preceding Year Corresponding Quarter	Current Year-To-Date	Preceding Year Corresponding Period
	30 June 2014	30 June 2013	30 June 2014	30 June 2013
Weighted average number of shares in issue ('000)	702,254	702,254	702,254	702,254
Basic earnings per share (sen)	0.22	1.09	0.88	2.07

(b) Diluted earnings per share

Diluted earnings per share is not applicable for the financial period as the unexercised convertible warrants were anti-dilutive in nature. This is due to the average market share price of the Company being below the exercise price of the warrants.

By Order of the Board

Laang Jhe How (MIA 25193)
Anne Kung Soo Ching (MIA 8449)
(Company Secretaries)

Date: 29 August 2014