



DAGANG NEXCHANGE BERHAD (10039-P)
(formerly known as TIME ENGINEERING BERHAD)
QUARTERLY REPORT ON CONSOLIDATED RESULTS
FOR THE SECOND QUARTER ENDED 30 JUNE 2014

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THE FIGURES HAVE NOT BEEN AUDITED

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

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current year quarter 30/6/2014 RM'000	Preceding year corresponding quarter 30/6/2013 RM'000	Six months to 30/6/2014 RM'000	Six months to 30/6/2013 RM'000
Revenue	20,592	24,904	39,188	45,443
Cost of sales	(3,249)	(8,977)	(7,117)	(15,603)
Gross profit	17,343	15,927	32,071	29,840
Other income	685	651	1,886	1,303
Expenses	(10,889)	(10,815)	(21,518)	(22,239)
Finance cost	(629)	(867)	(1,305)	(1,816)
Profit before income tax	6,510	4,896	11,134	7,088
Income tax (Note 14)	(1,699)	(1,075)	(3,081)	(1,075)
Profit for the period	4,811	3,821	8,053	6,013
Other comprehensive income/(expenses) for the period, net of tax	-	-	-	-
Total comprehensive income for the period	4,811	3,821	8,053	6,013



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I CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (CONT'D)

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current year quarter 30/6/2014 RM'000	Preceding year corresponding quarter 30/6/2013 RM'000	Six months to 30/6/2014 RM'000	Six months to 30/6/2013 RM'000
Profit attributable to:				
- Owners of the Company	3,572	1,801	5,508	2,322
- Non-controlling Interests	1,239	2,020	2,545	3,691
Profit for the period	4,811	3,821	8,053	6,013
Total comprehensive income attributable to:				
- Owners of the Company	3,572	1,801	5,508	2,322
- Non-controlling Interests	1,239	2,020	2,545	3,691
Total comprehensive income for the period	4,811	3,821	8,053	6,013
Earning per share				
- Basic	0.46 sen	0.23 sen	0.71 sen	0.30 sen
- Diluted	NA	NA	NA	NA

Note: NA denotes "Not Applicable"

REMARKS TO CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME:

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current year quarter 30/6/2014 RM'000	Preceding year corresponding quarter 30/6/2013 RM'000	Six months to 30/6/2014 RM'000	Six months to 30/6/2013 RM'000
Profit before income tax is arrived at after charging /(crediting):				
Interest income	(466)	(570)	(941)	(1,094)
Gain on disposal of plant and equipment	(52)	(120)	(152)	(120)
Interest expenses	629	867	1,305	1,816
Depreciation and amortisation	2,712	3,288	4,946	6,208
Impairment loss of receivables	22	-	431	178
Reversal of impairment loss of receivables	-	(149)	-	(149)
Foreign exchange loss	-	24	-	24

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 2013.



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II CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Unaudited As at 30/6/2014 RM'000	Audited As at 31/12/2013 RM'000
ASSETS		
Non-current assets		
Plant and equipment	11,830	15,639
Intangible assets	2,624	2,889
Trade and other receivables	40,814	52,713
	<hr/> 55,268	<hr/> 71,241
Current assets		
Trade and other receivables	59,179	43,633
Inventories	62	65
Tax recoverable	2,719	2,867
Cash and cash equivalents	58,265	64,401
	<hr/> 120,225	<hr/> 110,966
Total assets	<hr/> 175,493	<hr/> 182,207
EQUITY AND LIABILITIES		
Equity attributable to Owners of the Company		
Share capital	155,049	155,049
Reserves	(75,566)	(81,074)
	<hr/> 79,483	<hr/> 73,975
Non-controlling Interests	18,787	17,795
	<hr/> 98,270	<hr/> 91,770
Total equity	<hr/> 98,270	<hr/> 91,770
Non-current liabilities		
Deferred tax liabilities	2,839	3,388
Borrowing- long term portion	29,283	38,530
Deferred Income	6,084	8,112
	<hr/> 38,206	<hr/> 50,030
Current liabilities		
Borrowing – short term portion	18,494	18,494
Trade and other payables	20,518	21,908
Tax payable	5	5
	<hr/> 39,017	<hr/> 40,407
Total liabilities	<hr/> 77,223	<hr/> 90,437
Total equity and liabilities	<hr/> 175,493	<hr/> 182,207
Net assets per share attributable to Owners of the Company (RM)	<hr/> 0.10	<hr/> 0.10

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Annual Audited Financial Statements for the year ended 31 December 2013.



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III CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Unaudited Six months to 30/6/2014 RM'000	Unaudited Six months to 30/6/2013 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash receipts from customers	45,232	56,791
Cash payments to suppliers	(6,210)	(17,171)
Cash payments to employees and other expenses	(19,831)	(20,947)
	19,191	18,673
Cash generated from operations	19,191	18,673
Income tax paid (net)	(3,482)	(1,486)
Zakat	93	105
	15,802	17,292
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of plant and equipment and intangible assets	(874)	(5,043)
Proceed from disposal of plant and equipment	154	122
Interest received	941	1,091
Initial deposits for acquisition of subsidiary companies	(10,000)	-
	(9,779)	(3,830)
CASH FLOWS FROM FINANCING ACTIVITIES		
Drawdown of bank borrowings	-	6,592
Repayment of bank borrowings	(9,247)	(7,706)
Interest paid	(1,359)	(1,731)
Increase in deposits pledged	(676)	(8,561)
Dividend paid by a subsidiary to non-controlling interests	(1,553)	(8,539)
	(12,835)	(19,945)
Net cash used in financing activities		
	(6,812)	(6,483)
Net Change in Cash and Cash Equivalents		
Cash and Cash Equivalents as at beginning of financial period	62,733	75,707
	55,921	69,224
Cash and Cash Equivalents as at end of financial period (a)	55,921	69,224

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

	As at 30/6/2014 RM'000	As at 30/6/2013 RM'000
Cash and deposits with licensed banks		
- Unrestricted	55,921	69,224
- Restricted	2,344	11,615
	58,265	80,839
	58,265	80,839
Less: Cash and cash equivalents pledged as security	(2,344)	(11,615)
	55,921	69,224
Cash and Cash Equivalents as at end of financial period	55,921	69,224

The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Annual Audited Financial Statements for the year ended 31 December 2013.



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IV CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN TOTAL EQUITY

In RM'000	← Attributable to Owners of the Company →			Non-controlling Interests	Total
	Share Capital	Non-distributable Accumulated Losses	Total		
Six months to 30 June 2014					
Balance as at 1 January 2014	155,049	(81,074)	73,975	17,795	91,770
Total comprehensive income for the period	-	5,508	5,508	2,545	8,053
Dividend paid by a subsidiary to non-controlling interest	-	-	-	(1,553)	(1,553)
Balance as at 30 June 2014	155,049	(75,566)	79,483	18,787	98,270
Six months to 30 June 2013					
Balance as at 1 January 2013	155,049	(51,846)	103,203	11,845	115,048
Total comprehensive income for the period	-	2,322	2,322	3,691	6,013
Dividend to Owners of the Company	-	(23,257)	(23,257)	-	(23,257)
Balance as at 30 June 2013	155,049	(72,781)	82,268	15,536	97,804

The Condensed Consolidated Statement of Changes in Total Equity should be read in conjunction with the Annual Audited Financial Statements for the year ended 31 December 2013.



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V NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1 Basis of preparation

These condensed consolidated interim financial statements, for the period ended 30 June 2014, have been prepared in accordance with MFRS 134 *Interim Financial Reporting* and paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities"). These condensed consolidated interim financial statements also comply with IAS 34 *Interim Financial Reporting* issued by the International Accounting Standards Board. These quarterly financial statements do not include all of the information required for full annual financial statements, and should be read in conjunction with the consolidated financial statements of the Group as at and for the year ended 31 December 2013.

2 Significant accounting policies

The Group has adopted the following are the accounting standards and amendments of the MFRS framework that have been issued by the Malaysian Accounting Standards Board ("MASB") and adopted by the Group with effect from 1 January 2014:

- Amendments to MFRS 10 : Consolidated Financial Statements: Investment Entities
- Amendments to MFRS 132 : Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities
- Amendments to MFRS 136 : Impairment of Assets – Recoverable Amount Disclosures for Non-Financial Assets
- Amendments to MFRS 139 : Financial Instruments: Recognition and Measurement–Novation of Derivatives and Continuation of Hedge Accounting

The adoptions of above amendments to MFRSs have not significant impact to the financial statements of the Group.

3 Audit report in respect of the 2013 financial statements

The audit report on the Group's financial statements for the financial year ended 31 December 2013 was not qualified.

4 Seasonal or cyclical factors

The Group's operations are not subject to any seasonal or cyclical factors.

5 Unusual items due to their nature, size or incidence

There were no items affecting assets, liabilities, equity, net income, or cash flows that were unusual because of their nature, size or incidence in the current period.

6 Material changes in estimates used

There were no changes in estimates of amounts reported in prior financial years that have a material effect in the current period.

7 Debt and equity securities

The Group did not undertake any issuance and/or repayment of debt and equity securities, share buy-backs, share cancellations, shares held as treasury shares and resale of treasury shares for the current period ended 30 June 2014.



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8 Dividend

The Directors do not recommend the payment of any dividend for the current period ended 30 June 2014 (2013: Nil).

9 Segmental information for the current period

There is no disclosure of segmental information as the Group's activity is mainly carried out in Malaysia and within the Information Communications & Technologies' industry.

10 Material events subsequent to the current period

In the opinion of the Directors, there are no items, transactions or events of a material and unusual nature which have arisen since 30 June 2014 to the date of this announcement which would substantially affect the financial results of the Group for the current period ended 30 June 2014.

11 Changes in the composition of the Group

There were no significant changes in the composition of the Group for the current period including business combinations, acquisitions or disposals of subsidiaries and long term investments, restructuring or discontinued operations.

12 Contingent liabilities

There are no material contingent liabilities as at the date of this announcement.

13 Capital commitments

There are no material capital commitments other than those disclosed in Paragraph 15 on the corporate proposals announced but not completed as at the date of this announcement.

14 Income tax

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current year quarter 30/6/2014 RM'000	Preceding year corresponding quarter 30/6/2013 RM'000	Six months to 30/6/2014 RM'000	Six months to 30/6/2013 RM'000
Malaysian income tax				
- Current taxation	(1,699)	(1,075)	(3,630)	(1,075)
Total current tax expense	(1,699)	(1,075)	(3,630)	(1,075)
Deferred tax expenses				
- Current period	-	-	549	-
Total deferred tax expenses	-	-	549	-
	(1,699)	(1,075)	(3,081)	(1,075)

The effective tax rate of the Group for current quarter was higher than the statutory tax rate. Certain expenses of the Group were not deductible for tax purposes and the provision for tax payable has been made by the profitable subsidiary company.



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15 Status of corporate proposals announced but not completed as at the date of this announcement

There were no announced corporate proposals not completed as at the date of this report, except for the Company had on 18 June 2014 announced the following:-

- a) proposed renounceable rights issue of 465,146,809 new ordinary shares of RM0.20 each in DNEX ("Share(s)" or "DNEX Share(s)") ("Rights Share(s)") together with 465,146,809 new free detachable warrants ("Warrant(s)") at an issue price of RM0.21 per Share on the basis of three (3) Rights Shares together with three (3) Warrants for every five (5) existing DNEX Shares held as at an entitlement date to be determined later ("Proposed Rights Issue");
- b) proposed special issue of 50,000,000 Shares together with 25,000,000 Warrants on the basis of one (1) Warrant for every two (2) special issue shares at an issue price of RM0.22 per Share ("Special Issue Share(s)")("Proposed Special Issue");
- c) DNEX had on 18 June 2014 entered into a conditional share sale agreement with Azman bin Karim, Abdul Manaf bin Shariff, and Khoo Kok Seng for the proposed acquisitions of the following:-
 - (i) 500,000 ordinary shares of RM1.00 each representing 100.0% of the issued and paid-up capital of OGPC Sdn Bhd ("OGPC") ("OGPC Sale Share(s)") for a purchase consideration of RM196,594,821 ("OGPC Purchase Consideration") to be satisfied by partial cash consideration of RM96,844,740 and remaining RM99,750,081 via issuance of 383,654,158 new DNEX shares with 191,827,079 Warrants at an issue price of RM0.26 per Share ("Consideration Shares") on the basis of one (1) Warrant for every two (2) new DNEX Shares issued ("Proposed OGPC Acquisition"); and
 - (ii) 520,000 ordinary shares of RM1.00 each representing 52.0% of the issued and paid-up capital of OGPC O&G Sdn Bhd ("OGPCOG") ("OGPCOG Sale Share(s)", a 48.0% owned associate company of OGPC, for a purchase consideration of RM6,405,179 ("OGPCOG Purchase Consideration") to be satisfied by partial cash consideration of RM3,155,260 and remaining RM3,249,919 via issuance of 12,499,688 new DNEX shares with 6,249,844 Warrants at an issue price of RM0.26 per Share on the basis of one (1) Warrant for every two (2) new DNEX Shares issued ("Proposed OGPCOG Acquisition")

The total purchase consideration for OGPC Group (as defined below) is RM203,000,000 ("OGPC Group Purchase Price") which shall be satisfied by partial cash consideration of RM100,000,000 and remaining RM103,000,000 via issuance of 396,153,846 new DNEX shares with 198,076,923 Warrants at an issue price of RM0.26 per Consideration Share on the basis of one (1) Warrant for every two (2) new DNEX Shares issued.

OGPC and OGPCOG are collectively referred to as the "OGPC Group" or "Acquiree Companies". The Proposed OGPC Acquisition and Proposed OGPCOG Acquisition are collectively referred to as the "Proposed Acquisitions".

- d) proposed establishment of an Employee's Share Option Scheme ("ESOS") of up to five percent (5%) of the enlarged issued and paid-up share capital of DNEX ("Proposed ESOS").

The Proposed Rights Issue, Proposed Special Issue, Proposed Acquisitions, Proposed ESOS hereinafter collectively referred to as the "Proposals".

The Proposals are subject to the following approvals being obtained:-

- (a) Securities Commission pursuant to the Equity Guidelines for the significant change in the business direction or policy of DNEX and the registration of Abridged Prospectus ("AP");
- (b) Bursa Securities for:-
 - (i) the listing of and quotation for the Rights Shares;



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15 Status of corporate proposals announced but not completed as at the date of this announcement (cont'd)

- (ii) the listing of and quotation for the Special Issue Shares;
 - (iii) the listing of and quotation for the Consideration Shares;
 - (iv) the Proposed ESOS; and
 - (v) the admission of new Warrants to the Official List of Securities and listing and quotation of the Warrants on the Main Market of Bursa Securities pursuant to the Proposed Rights Issue, Proposed Special Issue and Proposed Acquisitions as well as the listing of new Shares issued pursuant to the exercise of the Warrants;
- (c) the shareholders for the Proposals at the forthcoming EGM;
- (d) Companies Commission of Malaysia for the lodgement of AP; and
- (e) such other waivers, consents or approvals as may be required from any relevant authorities and/or third parties including Khazanah Nasional Berhad, if required.

16 Derivatives

There are no derivatives as at the date of this announcement.

17 Classification of financial assets

For period ended 30 June 2014, there was no change in the classification of financial assets as a result of a change in the purpose or use of those assets.

18 Material litigation

The Company and its subsidiaries have no outstanding material litigation as at the date of this announcement.

19 Comparison between the current quarter and the immediate preceding quarter

The Group recorded higher revenue of RM20.6 million in current quarter as compared to the immediate preceding quarter of RM18.6 million. The heavier trade transaction volume recorded by the Group's Business-to-Government in trade facilitation business ("B2G") had contributed to the 11% or RM1.7 million increased in revenue for current quarter as compared to immediate preceding quarter ended 31 March 2014

The Group recorded an Earnings before Interest, Tax, Depreciation and Amortization ("EBITDA") of RM9.4 million in current quarter as compared to the immediate preceding quarter of RM7.1 million. This was in line with the higher revenue and lower expenses resulted from improved cost management initiatives.

20 Detailed analysis of the performance for the current quarter and year-to-date

Quarter ended 30 June 2014 compared with quarter ended 30 June 2013

The Group recorded revenue of RM20.6 million in the current quarter and RM24.9 million in the preceding year corresponding quarter. The revenue was mainly derived from its trade facilitation business. Included in 2013 revenue was one-off work in relate to systems integration projects amounting to RM5.7 million. The financial impact of the dropped in the above mentioned system integration projects revenue was mitigated by the improved in the Group's B2G business.

The Group recorded EBITDA of RM9.4 million in the current quarter compared to RM8.5 million in the preceding year corresponding quarter. The favourable result was attributable to lower expenses resulted from improved cost management initiatives.



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20 Detailed analysis of the performance for the current quarter and year-to-date (cont'd)

Year-to-date ended 30 June 2014 compared with year-to-date ended 30 June 2013

The Group recorded RM39.2 million in revenue for the current year as compared to the preceding year of RM45.4 million. The higher revenue in the preceding year was mainly due one-off work in relation to systems integration projects amounting to RM5.7 million.

The Group recorded an EBITDA of RM16.4 million in current year-to-date compared to RM14.0 million in the preceding year. The favourable EBITDA in current year-to-date was attributable to revenue growth in the B2G business and operational efficiency. An overall of 3% growth rate was reported for the Group's B2G business in first half of 2014 as compared to same financial period in 2013.

21 Prospects for 2014

The Group's contract for the implementation of National Single Window for the Trade Facilitation System ("NSW") which will be ending in 24 September 2014 was further extended for a period of two (2) years commencing from 25 September 2014 until 24 September 2016.

The Group is also embarking on the following strategies aim to broaden the Group's earnings and to deliver sustainable growth:-

- **Leveraging on the existing clients and established presence in the trade facilitation business and continue to enhance its services and broaden its product range both in domestic and overseas markets**

The Group is firming up the Business-to-Business (B2B) segment of its e-commerce service offerings, to provide a centralized online trade financing service; It will complement the Group's position in delivering B2G services. The move is meant to provide the right platform for the Group to offer various e-commerce solutions and business applications for the small and medium enterprise (SMEs) market via collaborations with financial institutions both locally and overseas.

Under the collaboration agreement dated 22 July 2014, Malayan Banking Berhad ("Maybank") will use the Group's online trade financing to extend credit to exporters, at competitive rates. Expected to be available by year-end, the service will provide export financing for exporters by optimizing open account trading and integrating the trade value chain to increase financing opportunities.

The Group also announced its plan to tap the global halal industry by offering an e-Market place for halal products and services through globalhalalexchange.com, this move augurs well with plans to expand the Group's business by providing end-to-end, comprehensive e-commerce services for B2B segment.

- **Pursuing new business opportunities beyond the NSW platform for the e-Commerce business.**

The Proposed Acquisitions of OGPC Group, a provider of equipment and services for oil and gas, petrochemical and power industries, thus marks a move by the Group into the oil and gas industry.

The acquisition of OGPC Group is aimed to deliver not only diversification but enrichment to the Group's existing business, and the Group is geared to make inroads and tap opportunities in the oil and gas industry by leveraging on OGPC Group's strengths and experience in the industry.

The Proposed Acquisitions are expected to be completed by the first quarter of 2015.

The Group expects to deliver positive results for the year 2014 barring unforeseen circumstances.

22 Variance for actual and forecast profit

The Company did not issue any profit forecast or profit guarantee during the financial period.



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23 Earnings per share

	Current year quarter 30/6/2014	Preceding year corresponding quarter 30/6/2013	Six months to 30/6/2014	Six months to 30/6/2013
Profit attributable to the Owners of the Company (RM'000)	3,572	1,801	5,508	2,322
Weighted average number of shares ('000)	775,245	775,245	775,245	775,245
Basic earnings per share (sen)	0.46	0.23	0.71	0.30

24 Breakdown of realised and unrealised profits or losses

The breakdown of the accumulated losses of the Group as at 30 June 2014, into realized and unrealized losses, pursuant to the directive, is as follows:

	As at end of current financial period 30/6/2014 RM'000	As at preceding financial year end 31/12/2013 RM'000
Total accumulated losses of the Company and its subsidiaries:		
- Realised	(42,444)	(47,831)
- Unrealised	(2,839)	(3,953)
	<u>(45,283)</u>	<u>(51,784)</u>
Less: Consolidation adjustments	(30,283)	(29,290)
Total accumulated losses	<u>(75,566)</u>	<u>(81,074)</u>

The determination of realised and unrealised profits or losses is based on the Guidance of Special Matter No.1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, issued by Malaysian Institute of Accountants on 20 December 2010.

25 Authorisation for issue

The condensed consolidated interim financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors.

Kuala Lumpur
20 August 2014

By Order of the Board
KEH CHING TYNG (MAICSA 7050134)
Company Secretary