

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

	----- Individual Quarter -----		----- Cumulative Quarter -----	
	Current year quarter 30 September 2014	Preceding year corresponding quarter 30 September 2013	Current year to date 30 September 2014	Preceding year corresponding period 30 September 2013
	RM'000	RM'000	RM'000	RM'000
Revenue	11,810	36,442	51,889	102,954
Cost of Sales	(10,835)	(23,708)	(37,871)	(66,025)
Operational depreciation	(446)	(561)	(1,255)	(1,445)
Gross Profit	529	12,173	12,763	35,484
Other operating income	493	270	1,609	1,552
Administrative Expenses	(1,748)	(3,262)	(6,936)	(9,765)
Depreciation and amortization	(77)	(40)	(213)	(343)
Operating (Loss)/Profit	(803)	9,141	7,223	26,928
Finance cost	(1,217)	(1,469)	(3,032)	(4,670)
(Loss)/Profit Before Tax	(2,020)	7,672	4,191	22,258
Taxation	-	150	-	71
(Loss)/Profit After Tax	(2,020)	7,822	4,191	22,329
Other comprehensive income	-	-	-	-
Total comprehensive (loss)/income	<u>(2,020)</u>	<u>7,822</u>	<u>4,191</u>	<u>22,329</u>
(Loss)/Profit attributable to :				
Equity holders of the Company	<u>(2,020)</u>	<u>7,822</u>	<u>4,191</u>	<u>22,329</u>
Total comprehensive (loss)/income attributable to :				
Equity holders of the Company	<u>(2,020)</u>	<u>7,822</u>	<u>4,191</u>	<u>22,329</u>
Weighted average no. of ordinary shares in issue ('000)	702,254	702,254	702,254	702,254
(Loss)/Earnings per share (sen):-				
a) Basic	(0.29)	1.11	0.60	3.18

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 SEPTEMBER 2014**

	As at 30 September 2014 (Unaudited) RM'000	As at Preceding Financial Year Ended 31 December 2013 (Audited) RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	27,300	29,147
Finance receivables	14,647	15,974
Goodwill on consolidation	75,776	75,776
	<u>117,723</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	3,512	3,107
Project work-in-progress	21,418	24,990
Receivables	54,592	57,067
Other investments	5,324	7,121
Tax recoverable	1,157	1,061
Deposits with licensed banks	11,512	12,057
Cash And Cash Equivalents	6,099	3,543
	<u>103,614</u>	<u>108,946</u>
Total Assets	<u>228,894</u>	<u>237,400</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	36,894	32,703
Shareholders' equity	<u>167,983</u>	<u>163,792</u>
Non-Current liabilities		
Borrowings	11,124	8,356
Hire purchase payables	4,608	4,674
Deferred taxation	-	-
	<u>15,732</u>	<u>13,030</u>
Current liabilities		
Payables	3,707	11,745
Amount owing to Directors	54	4
Bank overdraft	1,395	4
Borrowings	39,621	46,436
Hire purchase payables	402	2,389
Provision for taxation	-	-
	<u>45,179</u>	<u>60,578</u>
Total liabilities	<u>60,911</u>	<u>73,608</u>
Total equity and liabilities	<u>228,894</u>	<u>237,400</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 THIRD QUARTER ENDED 30 SEPTEMBER 2014**

	Current year to date 30 September 2014 (Unaudited) RM'000	Preceding year corresponding period 30 September 2013 (Unaudited) RM'000
CASH FLOW FROM OPERATING ACTIVITIES		
Profit Before Taxation	4,191	22,258
Adjustments for Non-cash items	<u>3,807</u>	<u>5,572</u>
Operating profit before working capital changes	7,998	27,830
Changes in working capital		
Net change in inventories and work-in-progress	3,164	4,887
Net change in trade and other receivables	(1,852)	(26,562)
Net change in trade and other payables	(8,039)	3,496
Net change in directors account	51	106
Net cash from operations	<u>1,322</u>	<u>9,757</u>
Interest paid	(657)	(985)
Tax paid	(94)	(1,957)
Net cash generated from operating activities	<u>571</u>	<u>6,815</u>
CASH FLOW FROM INVESTING ACTIVITIES		
Investment by an asset management company	1,797	10,899
Placement of fixed deposits	546	(1,077)
(Purchase) / Disposal of plant and equipment	764	(2,372)
Development expenditure	-	(1,500)
Interest income	309	827
Net cash generated from/(used in) investing activities	<u>3,416</u>	<u>6,777</u>
CASH FLOW FROM FINANCING ACTIVITIES		
Listing expenses	-	(170)
Borrowings	(4,047)	(11,341)
Hire purchases	(2,054)	(192)
Finance receivables	5,654	5,863
Interest paid	(2,375)	(3,685)
Net cash generated used in financing activities	<u>(2,822)</u>	<u>(9,525)</u>
Net Change in Cash and Cash Equivalents	1,165	4,067
Cash and Cash Equivalents at beginning of the period	3,539	9,401
Cash and Cash Equivalents at end of the period	<u><u>4,704</u></u>	<u><u>13,468</u></u>
Represented by :		
Cash and bank balances	6,099	13,676
Bank overdrafts	(1,395)	(208)
	<u><u>4,704</u></u>	<u><u>13,468</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 THIRD QUARTER ENDED 30 SEPTEMBER 2014**

	<i>--Non-distributable--<-Distributable-></i>			
	Share Capital	Share Premium	Retained	Total
	RM'000	RM'000	Profits	RM'000
			RM'000	
As at 31 December 2013 (Audited)	70,225	60,864	32,703	163,792
Total comprehensive income for the period	-	-	4,191	4,191
As at 30 September 2014	<u>70,225</u>	<u>60,864</u>	<u>36,894</u>	<u>167,983</u>

As at preceding year corresponding quarter 30 June 2013

As at 31 December 2012 (Audited)	70,225	60,864	6,827	137,916
Bonus Issue of Warrants	-	-	(170)	(170)
Total comprehensive income for the period	-	-	22,329	22,329
As at 30 September 2013	<u>70,225</u>	<u>60,864</u>	<u>28,986</u>	<u>160,075</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 September 2014	CME RM'000	TI RM'000	TBF RM'000	Elimi- nations RM'000	Consoli- dated RM'000
Revenue from external customers	9,915	1,745	150	-	11,810
Operating expenses (inclusive of depreciation charges)	(9,678)	(1,483)	(120)	-	(11,281)
Gross Profit	237	262	30	-	529
Loss before taxation					(2,020)
Income tax expenses					-
Loss after tax					(2,020)
Other comprehensive income					-
Total Comprehensive Loss					(2,020)

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 September 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 September 2014 RM'000	Cumulative Year-to-Date 30 September 2014 RM'000
Property, plant & equipment: Additions	328	764

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 September 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 September 2014, the Group recorded revenue of RM11.810 million and loss before tax of RM2.020 million.

Compared to the previous year corresponding financial quarter, the Group recorded a decrease of RM24.632 million in revenue. The decreases across all the revenue segments were attributable to slower roll-out of the projects and work orders received. Gross profit margin for the current financial quarter decreased to 4.1% compared to 33.4% recorded for the previous year corresponding financial quarter. This was mainly due to the work orders received in the CME segment during the current financial quarter which had low margin, and also due to the semi-fixed and fixed operational costs such as operation and technical staff costs and machineries rental, which still needed to be serviced despite the reduction in revenue. The lower revenue for the current financial quarter was insufficient to cover the fixed and variable operating and administrative costs of the Group, resulting in a loss before tax of RM2.020 million against profit before tax of RM7.672 million recorded in the previous year corresponding financial quarter.

Revenue by segment :

	Current financial quarter ended 30 September 2014 (RM'000)	Preceding financial quarter ended 30 September 2013 (RM'000)	Current financial period-to-date 30 September 2014 (RM'000)	Preceding Financial period- to-date 30 September 2013 (RM'000)
CME	9,915	34,479	42,917	65,583
TI	1,745	172	6,086	16,924
TBF	150	1,500	2,886	18,575
ICT	-^	291	-^	1,872
Total	11,810	36,442	51,889	102,954

^ discontinued

CME

CME was the main revenue contributor for the current financial quarter ended 30 September 2014, comprising 84.0% of the total revenue for the quarter. For current financial quarter and year-to-date, CME recorded decrease in revenue of RM24.564 million and RM22.666 million respectively as compared to the same periods in the preceding year. The decrease was mainly attributable to slower roll-out of the projects and work orders received.

TI

TI contributed 14.8% of the total revenue for the current financial quarter. For current financial quarter, TI recorded an increase in revenue of RM1.573 million but recorded a decrease of RM10.838 million for year-to-date as compared to the same periods in the preceding year. The increase in revenue recorded for the current financial quarter compared to the preceding year corresponding quarter was due to an increase in number of TI works commissioned by customers, whilst the decrease in revenue recorded for the current year-to-date as compared to the preceding year-to-date was due to a lower number of TI works requested by customers. The number of TI works commissioned had no fixed number and varied quarter to quarter.

TBF

TBF contributed 1.3% of the total revenue for the current financial quarter. For current financial quarter and year-to-date, TBF recorded decrease in revenue of RM1.350 million and RM15.689 million respectively as compared to the same periods in the preceding year. The decrease was due to the low number of TBF roll-out and TBF sites required by customers.

B2. Comparison to the results of the preceding quarter

	Current Quarter 30 September 2014 RM'000	Preceding Quarter 30 June 2014 RM'000
Revenue	11,810	15,028
(Loss) / Profit before tax	(2,020)	1,553

Compared to the preceding financial quarter, the Group recorded decrease of RM3.218 million in revenue. The decreases in revenue contribution from the CME and TBF segments were attributable to slower roll-out of the projects and work orders received. The lower revenue for the current financial quarter was insufficient to cover the fixed and variable operating and administrative costs of the Group, resulting in a loss before tax of RM2.020 million against profit before tax of RM1.553 million recorded in the preceding financial quarter.

B3. Prospects for the current financial year

Under the Budget Speech 2015 by the Ministry of Finance Malaysia, the High Speed Broadband Access (“HSBB”) will continue to be implemented in areas of high economic impact, covering state capitals and selected major towns nationwide. A sum of RM2.7 billion will be spent over the next three (3) years to build 1,000 new telecommunication towers and laying of undersea cables. As introduced by in the previous year's budget speech, the Prime Minister had reiterated under the Budget Speech 2015, the said commitment with the aim of bringing telecommunication coverage to many rural areas. The programme will be funded by the Universal Service Provision Funds administered by the Malaysian Communication and Multimedia Commission ("MCMC"). In May 2014, MCMC called the tender for the the first 400 towers amounting to approximately RM300 million. Out of these 400 towers, Sarawak was given a large share of 149 towers.

(Source : The Borneo Post, 17 October 2014)

Instacom had participated in the abovementioned tender exercise called by MCMC. It is anticipated that the awards shall be made by early 2015, with construction expected to commence in early 2015.

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 September 2014 RM'000	Cumulative Year-to-Date 30 September 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, save as disclosed below, there are no corporate proposals announced but not completed :-

On 2 October 2014, RHB Investment Bank Berhad ("RHBIB") had on behalf of the Board of Directors of Instacom ("Board"), announced that the Company had entered into a conditional share sale agreement ("SSA") with Ooi Eng Kean, Nor Mohd Amin bin Shaharudin, Ang Li-Hann and Chia Kok Seng (collectively referred to as "Vendors") for the proposed acquisition by Instacom of 1,400,000 ordinary shares of RM1.00 each in Neata Aluminium (Malaysia) Sdn Bhd ("Neata"), representing 35% of the equity interest in Neata ("Sale Shares"). The purchase consideration for the Proposed Acquisition is RM58,800,000 ("Purchase Consideration"), which will be fully satisfied by the issuance of 309,473,684 new ordinary shares of RM0.10 each in Instacom ("Consideration Shares") at an issue price of RM0.19 per Instacom Share ("Proposed Acquisition").

In conjunction with the Proposed Acquisition, the Board had also resolved to undertake the following:-

- i. proposed diversification of the existing principal activities of Instacom and its subsidiary companies to include aluminium design and fabrication business and civil engineering and construction business ("Proposed Diversification"); and
- ii. proposed bonus issue of up to 210,676,278 Warrants C on the basis of one (1) free Warrant C for every five (5) existing Instacom Shares held on an entitlement date to be determined later ("Proposed Bonus Issue of Warrants").

(The Proposed Acquisition, the Proposed Diversification and the Proposed Bonus Issue of Warrants are collectively referred to as the "Proposals").

Bursa Malaysia Securities Berhad ("Bursa Securities") had, vide its letter dated 14 November 2014 (which was received on late 17 November 2014), resolved to approve the following :-

- i. Admission to the Official List and listing and quotation of up to 210,676,278 Warrants C to be issued pursuant to the Proposed Bonus Issue of Warrants;
- ii. Listing of up 210,676,278 new Instacom shares arising from the exercise of the Warrants C; and
- iii. Listing of 309,473,684 new Instacom Shares to be issued pursuant to the Proposed Acquisition.

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 September 2014 and the preceding year corresponding period 30 September 2013, is as follows :-

	Group Quarter Ended 30 September 2014 RM'000	Group Quarter Ended 30 September 2013 RM'000
Total retained profits of the Group:		
- Realised	61,578	50,889
- Unrealised	-	(581)
	<hr/> 61,578	<hr/> 50,308
Less : Consolidation adjustments	(24,684)	(21,322)
Total Group retained profits as per consolidated accounts	<hr/> <hr/> 36,894	<hr/> <hr/> 28,986
	Company Quarter Ended 30 September 2014 RM'000	Company Quarter Ended 30 September 2013 RM'000
Total retained profit/(accumulated losses) of the Company :		
- Realised	37,497	24,779
- Unrealised	-	-
Total Company's retained profits/(accumulated losses) as per accounts	<hr/> <hr/> 37,497	<hr/> <hr/> 24,779

B9. Group borrowings and debt securities

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

	Short Term RM'000	Long Term RM'000
<u>Secured</u>		
Term loans	6,948	11,124
Project revolving credit	32,673	-
Hire Purchase Creditors	402	4,608
	<u>40,023</u>	<u>15,732</u>

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 September 2014 RM'000	Cumulative Year-to-Date 30 September 2014 RM'000
This is arrived at after charging :-		
Depreciation and amortisation	523	1,468
Gains on disposal of property, plant and equipment	(84)	(417)

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 September 2014	30 September 2013	30 September 2014	30 September 2013
(Loss)/ Profit attributable to the equity holders of the Company (RM'000)	(2,020)	7,822	4,191	22,329
Weighted average number of shares in issue ('000)	702,254	702,254	702,254	702,254
Basic (loss)/ earnings per share (sen)	(0.29)	1.11	0.60	3.18

(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: 28 November 2014