

R&A TELECOMMUNICATION GROUP BERHAD (645677-D)

**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE FIRST QUARTER ENDED 31 MARCH 2013**

	----- Individual Quarter -----		----- Cumulative Quarter -----	
	Current year quarter 31 March 2013 RM'000	Preceding year corresponding quarter 31 March 2012 RM'000	Current year to date 31 March 2013 RM'000	Preceding year corresponding period 31 March 2012 RM'000
Revenue	4,192	9,830	4,192	9,830
Cost of sales	(2,929)	(5,603)	(2,929)	(5,603)
Operating expenses	<u>(3,763)</u>	<u>(3,733)</u>	<u>(3,763)</u>	<u>(3,733)</u>
Earnings /(Loss) before amortisation, depreciation and finance cost	(2,500)	494	(2,500)	494
Depreciation and amortisation	(755)	(138)	(755)	(138)
Finance cost	(94)	(468)	(94)	(468)
Other Income	<u>251</u>	<u>206</u>	<u>251</u>	<u>206</u>
Profit before tax/(Loss before tax)	(3,098)	94	(3,098)	94
Taxation	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Profit after tax/(Loss after tax)	(3,098)	94	(3,098)	94
Other comprehensive income	-	-	-	-
Total comprehensive income/(loss)	<u><u>(3,098)</u></u>	<u><u>94</u></u>	<u><u>(3,098)</u></u>	<u><u>94</u></u>
Profit/(Loss) attributable to :				
Equity holders of the Company	<u><u>(3,098)</u></u>	<u><u>94</u></u>	<u><u>(3,098)</u></u>	<u><u>94</u></u>
Total comprehensive income/(loss) attributable to :				
Equity holders of the Company	<u><u>(3,098)</u></u>	<u><u>94</u></u>	<u><u>(3,098)</u></u>	<u><u>94</u></u>
Weighted average no. of ordinary shares in issue ('000)	878,966	878,966	878,966	878,966
Earnings per share (sen):-				
a) Basic	(0.35)	0.01	(0.35)	0.01

Notes :

- (i) Basic earnings per share for the quarter and financial period is calculated based on the net profit divided by the weighted average number of ordinary shares for the quarter and financial period respectively.
- (ii) 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 ("FYE") 31 December 2012 and the accompanying explanatory notes attached to the interim financial report.

R&A TELECOMMUNICATION GROUP BERHAD (645677-D)**AUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2013**

	As at 31 March 2013 (Unaudited) RM'000	As at 31 December 2012 (Audited) RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	16,459	16,538
Intangible Assets - Goodwill on consolidation	49,724	49,724
Intangible Assets - Development cost	3,949	3,949
	<u>70,133</u>	<u>70,211</u>
Current assets		
Trade Receivables	23,471	27,421
Other Receivables, Deposits and Prepayments	3,125	2,937
Contract Customers	8,702	8,453
Inventories	2,140	1,717
Short term investment	-	-
Fixed Deposits	3,387	4,368
Cash and Cash Equivalents	249	560
	<u>41,074</u>	<u>45,455</u>
Total Assets	<u>111,207</u>	<u>115,666</u>
EQUITY AND LIABILITIES		
Equity Attributable to Equity Holders of the Company		
Share capital	87,897	87,897
Share premium	259	259
Warrants reserves	3,639	3,639
Accumulated losses	(8,045)	(4,948)
Shareholders' equity	<u>83,749</u>	<u>86,847</u>
Non-current liabilities		
Borrowings	1,371	1,105
Deferred tax liabilities	-	-
	<u>1,371</u>	<u>1,105</u>
Current liabilities		
Trade Payables	3,488	2,886
Other Payables and Accruals	2,702	2,285
Amount owing to a director	203	203
Borrowings	4,936	10,169
Bank overdrafts	11,693	9,108
Provision for taxation	3,064	3,064
	<u>26,086</u>	<u>27,715</u>
Total liabilities	27,458	28,819
Total equity and liabilities	<u>111,207</u>	<u>115,666</u>
Net assets per share attributable to ordinary equity holders of the Company (RM)	<u>0.10</u>	<u>0.10</u>

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the audited financial statements of the Group for the FYE 31 December 2012 and the accompanying explanatory notes attached to the interim financial report.

R&A TELECOMMUNICATION GROUP BERHAD (645677-D)

**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE FIRST QUARTER ENDED 31 MARCH 2013**

	Current year to date 31 March 2013 (Unaudited) RM'000	Preceding year corresponding period 31 March 2012 (Audited) RM'000
CASH FLOW FROM OPERATING ACTIVITIES		
Profit/(Loss) Before Taxation	(3,098)	94
Adjustments for Non-cash items	849	606
Operating (loss)/profit before working capital changes	(2,249)	700
Changes in working capital		
Directors	-	1,500
Contract customers	(249)	1,638
Inventories	(423)	328
Trade and other receivables	3,761	2,069
Trade and other payables	1,018	(894)
Cash generated from operations	1,858	5,341
Tax paid	-	(732)
Interest paid	(94)	(468)
Net cash generated from operating activities	1,764	4,141
CASH FLOW FROM INVESTING ACTIVITIES		
Development cost incurred	-	(250)
Purchase of plant and equipment	(699)	(696)
Withdrawal / (Placement) of fixed deposits	981	17
Net cash generated/(used in) investing activities	283	(929)
CASH FLOW FROM FINANCING ACTIVITIES		
Borrowings	(4,943)	(2,674)
Expenses for bonus issues	-	(181)
Net cash used in financing activities	(4,943)	(2,855)
Net Change in Cash and Cash Equivalents	(2,896)	357
Cash and Cash Equivalents at beginning of the period	(8,548)	(7,624)
Cash and Cash Equivalents at end of the period	(11,445)	(7,267)
Represented by :-		
Short term investment	-	1
Cash and bank balances	249	979
Bank overdrafts	(11,693)	(8,247)
	(11,445)	(7,267)

The Unaudited Condensed Consolidated Statement of Cash Flows should be read in conjunction with the audited financial statements of the Group for the FYE 31 December 2012 and the accompanying explanatory notes attached to the interim financial report.

R&A TELECOMMUNICATION GROUP BERHAD (645677-D)

**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE FIRST QUARTER ENDED 31 MARCH 2013**

	<----- Non-distributable ----->				<-Distributable->		
	Share Capital RM '000	Share Premium RM '000	Warrants reserve RM '000	Merger deficit reserve RM '000	ESOS reserve RM '000	Retained Profits RM '000	Total Equity RM '000
Balance as at 1 January 2013	87,897	259	3,639	-	-	(4,948)	86,847
Loss for the period	-	-	-	-	-	(3,098)	(3,098)
Balance as at 31 March 2013	87,897	259	3,639	-	-	(8,045)	83,749

As at preceding year corresponding quarter 31 March 2012

Balance as at 1 January 2012	87,897	4,084	-	-	-	2,281	94,262
Bonus issue of warrants		(3,639)	3,639	-	-	-	-
Listing expenses for the bonus issue	-	(181)	-	-	-	-	(181)
Profit for the period	-	-	-	-	-	94	94
Balance as at 31 March 2012	87,897	264	3,639	-	-	2,375	94,175

The Unaudited Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the audited financial statements of the Group for the FYE 31 December 2012 and the accompanying explanatory notes attached to the interim financial report.

R&A TELECOMMUNICATION GROUP BERHAD (645677-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 2012 and the accompanying explanatory notes attached to the interim financial report.

The accounting policies and methods of computation adopted by R&A Telecommunication Group Berhad (“R&A”) 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 Malaysia Accounting Standards Board (“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 Boards.

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 2013. 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 2012.

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 material changes in estimates of amounts reported in prior financial years that have 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 or declared during the financial year-to-date.

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. In-building system (“IBS”)**

Quarter Ended 31 March 2013	CME RM'000	TI RM'000	IBS RM'000	Elimi- nations RM'000	Consoli- dated RM'000
Revenue from external customers	3,496	363	371	(38)	4,192
Cost of sales	(2,578)	(299)	(90)	38	(2,929)
Gross Profit	918	64	281	-	1,263
Loss before taxation					(3,098)
Income tax expenses					-
Loss after tax					(3,098)
Other comprehensive income					-
Total Comprehensive Income					(3,098)

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 31 March 2013.

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 31 March 2013 RM'000	Cumulative Year-to-Date 31 March 2013 RM'000
Property, plant & equipment: Additions	699	699

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 arising since the last audited financial statements of the Group for the financial year ended 31 December 2012.

A15. Subsequent material events

There are no material events subsequent to the financial period ended 31 March 2013 that have not been reflected in this interim financial report.

A16. Significant related party transactions

There were no related party transactions for the financial year-to-date.

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

B1. Review of the performance of the Group

For the current financial quarter ended 31 March 2013, the Group recorded revenue of RM4.192 million. The low revenue for the current financial quarter was attributable to the various festive breaks and holidays that dotted the first three months of 2013, which inadvertently slowed down the generation of new work orders by our customers.

The low revenue recorded for the current financial quarter was insufficient to cover the operation expenses, which comprised fixed monthly recurring cost such as, amongst others, leasing of equipment, administrative staff costs and project finance cost. In addition, the Group faced stiff competitions from its competitors and this resulted in low margins for some of the projects undertaken. Due to the lull, the Group has also undertaken other projects with low margins to utilize the excess revenue production capacity. All these factors have contributed to decrease of the Group's profit margin.

The operational loss recorded by the Group were compounded by the depreciation charges amounting to RM0.755 million and finance costs amounting to RM0.094 million. These have contributed to the loss before tax of RM3.098 million recorded by the Group for the current financial quarter.

Civil, mechanical and electrical works segment ("CME")

Revenue derived from the CME segment for the first quarter of 2013 and financial year to date were RM3.459 million and RM3.459 million respectively after elimination of intercompany transactions. As compared to previous quarter, CME revenue decreased by RM1.370 million as compared to the previous quarter due to the Long Term Evolution licenses ("LTE") were only issued at the end of 2012 and the telecommunication companies require some time to plan their deployment.

Telecommunication equipment installation segment ("TI")

Revenue derived from the TI segment for the first quarter of 2013 and financial year to date were RM0.363 million and RM0.363 million respectively. The results for this segment decreased by RM0.474 million compared to the previous financial quarter. The lower results were due to the long festive breaks.

In-building system ("IBS")

Revenue derived from the IBS segment for the first quarter of 2013 and financial year to date were RM0.371 million and RM0.371 million respectively. The results for this segment decreased by RM0.922 million compared to the previous financial quarter. This segment was the most affected by the long festive breaks as the products and services offered under this segment have a short delivery time and thereby are most likely to be deferred by the customers until after the festive breaks.

B2. Comparison to the results of the preceding quarter

	Current Quarter 31 March 2013 RM'000	Preceding Quarter 31 December 2012 RM'000
Revenue	4,192	6,482
Profit / (Loss) before tax	(3,098)	(1,214)

For the current financial quarter ended 31 March 2013, the Group recorded revenue of RM4.192 million. The lower revenue recorded for the current financial quarter was insufficient to cover the fixed and variable overheads of the Group, which resulted in the loss before tax of RM3.098 million.

The low revenue for the current financial quarter were attributable to the delayed implementation and roll-out of the 4G LTE by the telecommunication providers in Malaysia, which the LTE licenses were only issued at the end of 2012 and the telecommunication companies require some time to plan their deployment and commercial roll out.

B3. Prospects for 2013

The telecommunications sector will focus on LTE or 4G in 2013. There is much excitement surrounding the roll-out of 4G, with every player attempting to jump on the 4G bandwagon as soon as possible.

Players and analysts say the industry will continue to be competitive and challenging, with the Internet/data segment driving industry earnings growth. Despite the intense competition, they feel the outlook for 2013 will be positive.

Telekom Malaysia Bhd group Chief Executive Officer Datuk Seri Zamzamzairani Mohd Isa says the local telecommunications industry will continue to record or maintain a stable growth rate at 4% (Compound Annual Growth Rate 2011-2015 as per International Data Corporation forecast). In 2012, industry players battled for the consumer “data dollar” and that will continue in 2013, now that Malaysian Communications And Multimedia Commission has awarded the 2.6GHz spectrum for LTE, according to U Mobile Sdn Bhd Chief Executive Officer Jaffa Sany Ariffin.

“With the roll-out of LTE services, we expect competition to be moderate for the first six months of the year while companies prepare for their respective commercial roll-outs”.

“However, in late 2013 and in 2014, we expect competition to heat up, when the respective telcos would have launched their LTE services, and those

services are supported with an extensive choice of LTE devices such as dongles and smartphones,” Jaffa says.

For 2013, the estimated capex spending by the respective telcos are REDtone International Bhd (between RM2bil and RM2.5bil), Celcom (RM1bil), DiGi (RM700mil to RM750mil) and Maxis (under RM1bil).

(Source : The Star, 5 January 2013)

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. Profit before tax

	Current Quarter 31 March 2013 RM'000	Cumulative Year-to-date 31 March 2013 RM'000
Profit before tax is arrived at after charging / (crediting):		
- Interest income	-	-
- Other income including investment income	-	-
- Interest expense	94	94
- Depreciation and amortisation	755	755
- Write off of property, plant and equipment	-	-
- Write off of receivables	-	-
- Impairment of investment in subsidiary	-	-
- Gain on disposal of subsidiary	-	-
- Loss on disposal of property, plant and equipment	-	-

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

B6. Taxation

	Current Quarter Ended 31 March 2013 RM'000	Cumulative Year-to-Date 31 March 2013 RM'000
Current tax	-	-
	<hr/>	<hr/>
	-	-

The effective tax rate of the Group for the current financial and cumulative quarter is NIL due to the capital allowance claimable against statutory income of the Group.

B7. Status of corporate proposals

There were no corporate proposals announced but not completed as at the date of issuance of this announcement.

B8. 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.

B9. Realised and Unrealised Profits

The breakdown of retained profits of the Group and the Company for the financial quarter ended 31 March 2013 and preceding year corresponding quarter ended 31 March 2012, is as follows :-

	Group Quarter Ended 31 March 2013 RM'000	Group Quarter Ended 31 March 2012 RM'000
Total retained profits of the Group:		
- Realised	14,008	17,706
- Unrealised (in respect of deferred tax recognized in the income statement)	-	(566)
	<hr/> 14,008	<hr/> 17,140
(Less) / Add : Consolidation adjustments	(22,054)	(14,765)
Total Group accumulated losses as per consolidated accounts	<hr/> <hr/> (8,045)	<hr/> <hr/> 2,375

	Company Quarter Ended 31 March 2013 RM'000	Company Quarter Ended 31 March 2012 RM'000
Total accumulated losses of the Company :		
- Realised	(7,013)	(6,163)
- Unrealised (in respect of deferred tax recognized in the income statement)	-	-
Total Company's accumulated losses as per accounts	<hr/> <hr/> (7,013)	<hr/> <hr/> (6,163)

B10. Group borrowings and debt securities

The Group's borrowings as at 31 March 2013 are as follows:-

	Short Term RM'000	Long Term RM'000
<u>Secured</u>		
Hire Purchases	1,963	1,371
Term Loan	280	-
Bank Over Drafts/Project Revolving Loans	11,693	-
Banker's Acceptance	2,694	-
	<u>16,630</u>	<u>1,371</u>

B11. Material Litigation

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

B12. Dividends

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

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 financial period.

	Individual Quarter		Cumulative Quarter	
	Current Quarter	Preceding Year Corresponding Quarter	Current Year-To-Date	Preceding Year Corresponding Period
Basic Loss Per Share	31 March 2013	31 March 2012	31 March 2013	31 March 2012
Profit /(Loss) attributable to the equity holders of the Company (RM'000)	(3,098)	94	(3,098)	94
Weighted average number of shares in issue ('000)	878,966	878,966	878,966	878,966

Basic profit/(loss) per share (sen)	(0.35)	0.01	(0.35)	0.01
-------------------------------------	--------	------	--------	------

(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)
(Company Secretary)

Date: 31 May 2013