

R&A TELECOMMUNICATION GROUP BERHAD (645677-D)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE FIRST QUARTER ENDED 31 MARCH 2014

	----- Individual Quarter -----		----- Cumulative Quarter -----	
	Current year quarter 31 March 2014	Preceding year corresponding quarter 31 March 2013	Current year to date 31 March 2014	Preceding year corresponding period 31 March 2013
	RM'000	RM'000	RM'000	RM'000
Revenue	4,569	4,192	4,569	4,192
Cost of sales	(3,286)	(2,929)	(3,286)	(2,929)
Operating expenses	<u>(2,745)</u>	<u>(3,763)</u>	<u>(2,745)</u>	<u>(3,763)</u>
Loss before amortisation, depreciation and finance cost	(1,462)	(2,500)	(1,462)	(2,500)
Depreciation and amortisation	(778)	(755)	(778)	(755)
Finance cost	(450)	(94)	(450)	(94)
Other income	<u>92</u>	<u>251</u>	<u>92</u>	<u>251</u>
Loss before tax	(2,598)	(3,098)	(2,598)	(3,098)
Taxation	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Loss after tax	(2,598)	(3,098)	(2,598)	(3,098)
Other comprehensive income	-	-	-	-
Total comprehensive loss	<u><u>(2,598)</u></u>	<u><u>(3,098)</u></u>	<u><u>(2,598)</u></u>	<u><u>(3,098)</u></u>
Loss attributable to :				
Equity holders of the Company	<u><u>(2,598)</u></u>	<u><u>(3,098)</u></u>	<u><u>(2,598)</u></u>	<u><u>(3,098)</u></u>
Total comprehensive loss attributable to :				
Equity holders of the Company	<u><u>(2,598)</u></u>	<u><u>(3,098)</u></u>	<u><u>(2,598)</u></u>	<u><u>(3,098)</u></u>
Earnings per share (sen):-				
a) Basic	(0.27)	(0.35)	(0.27)	(0.35)

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 in issue for the quarter and financial period respectively.
- (ii) The Unaudited Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income 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.

R&A TELECOMMUNICATION GROUP BERHAD (645677-D)**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2014**

	As at 31 March 2014 (Unaudited) RM'000	As at 31 December 2013 (Audited) RM'000
ASSETS		
Non-current assets		
Property, plant & equipment	15,565	16,198
Investment property	509	513
Development expenditure	3,966	4,068
Goodwill on consolidation	49,724	49,724
Deferred tax assets	2,097	2,097
	<u>71,861</u>	<u>72,600</u>
Current assets		
Inventories	1,023	1,063
Amount due from customer	2,570	9,632
Accrued billings	7,371	9,966
Work in progress	3,066	3,014
Trade receivables	25,288	21,754
Other receivables	3,515	3,171
Fixed deposits with licensed banks	5,227	5,032
Cash and bank balances	4,552	255
	<u>52,612</u>	<u>53,887</u>
Total Assets	<u>124,473</u>	<u>126,487</u>
EQUITY AND LIABILITIES		
Equity attributable to equity holders of the Company		
Share capital	48,343	87,897
Reserves	42,670	8,220
Accumulated losses	(1,558)	(8,203)
Shareholders' equity	<u>89,455</u>	<u>87,914</u>
Non-current liability		
Deferred tax liabilities	228	228
Finance lease liabilities	519	701
	<u>747</u>	<u>929</u>
Current liabilities		
Trade payables	1,519	2,990
Other payables	3,167	3,896
Amount owing to a director	-	188
Bank borrowings	27,257	27,633
Finance lease liabilities	877	1,013
Tax payable	1,451	1,924
	<u>34,271</u>	<u>37,644</u>
Total liabilities	<u>35,018</u>	<u>38,573</u>
Total equity and liabilities	<u>124,473</u>	<u>126,487</u>
Net assets per share attributable to ordinary equity holders of the Company (RM)	<u>0.09</u>	<u>0.10</u>

The Unaudited Condensed Consolidated Statement of Financial Position should be read in conjunction with the audited financial statements of the Group for the FYE 31 December 2013 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 2014**

	Current year to date 31 March 2014 RM'000	Preceding year corresponding period 31 March 2013 RM'000
CASH FLOW FROM OPERATING ACTIVITIES		
Loss Before Taxation	(2,598)	(3,098)
Adjustments for Non-cash items	<u>1,227</u>	<u>834</u>
Operating loss before working capital changes	(1,371)	(2,264)
Changes in working capital		
Inventories	40	(423)
Contract customers	9,605	(249)
Trade and other receivables	(3,878)	3,761
Trade and other payables	<u>(2,387)</u>	<u>1,018</u>
Cash generated from operations	2,009	1,843
Interest paid	(450)	(94)
Tax paid	<u>(473)</u>	<u>-</u>
Net cash generated from operating activities	<u>1,086</u>	<u>1,749</u>
CASH FLOW FROM INVESTING ACTIVITIES		
Proceeds from disposal of property, plant and equipment	-	38
Purchase of property, plant and equipment	(40)	(394)
Interest received	<u>1</u>	<u>-</u>
Net cash used in investing activities	<u>(39)</u>	<u>(356)</u>
CASH FLOW FROM FINANCING ACTIVITIES		
Repayment of bank borrowings	(2,738)	(6,054)
Drawdown from borrowings	1,025	1,441
Payment of finance lease liabilities	(317)	(308)
Repayment of term loan	-	(350)
Payment of private placement	(256)	-
Private placement from issuance of shares	<u>4,395</u>	<u>-</u>
Net cash generated from/ (used in) financing activities	<u>2,109</u>	<u>(5,271)</u>
Net Change in Cash and Cash Equivalents	3,156	(3,878)
Cash and Cash Equivalents at beginning of the period	(14,290)	(4,180)
Cash and Cash Equivalents at end of the period	<u>(11,134)</u>	<u>(8,058)</u>
Represented by :-		
Cash and bank balances	9,779	3,636
Bank overdrafts	<u>(20,913)</u>	<u>(11,694)</u>
	<u>(11,134)</u>	<u>(8,058)</u>
Pledged as securities for banking facilities granted to a subsidiary :-		
Fixed deposits with licensed banks	<u>5,227</u>	<u>3,387</u>
	<u>(16,361)</u>	<u>(11,445)</u>

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 2013 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 2014**

	<----- Non-distributable ----->			×-----Distributable----->		
	Share capital RM '000	Share premium RM '000	Revaluation reserve RM '000	Other reserve RM '000	Accumulated losses RM '000	Total Equity RM '000
Balance as at 1 January 2014	87,897	3,898	4,322	-	(8,203)	87,914
Reduction of share capital	(43,949)	-	-	34,706	9,243	-
Private placement from issuance of shares	4,395	-	-	-	-	4,395
Listing expenses for the proposed reduction of share capital	-	(256)	-	-	-	(256)
Loss for the financial year	-	-	-	-	(2,598)	(2,598)
Balance as at 31 March 2014	48,343	3,642	4,322	34,706	(1,558)	89,455
As at preceding year corresponding quarter 31 March 2013						
Balance as at 1 January 2013	87,897	3,898	-	-	(4,948)	86,847
Loss for the financial year	-	-	-	-	(3,098)	(3,098)
Balance as at 31 March 2013	87,897	3,898	-	-	(8,045)	83,749

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 2013 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 MALAYSIAN FINANCIAL REPORTING STANDARDS (“MFRS”) 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").

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 R&A Telecommunication Group Berhad (“R&A”) and its subsidiaries ("Group") for these interim financial statements are in compliance with the MFRSs 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”).

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 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 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

Save as disclosed below, there were 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.

- i) On 21 March 2014, the Company announced on Bursa Securities that the private placement was completed following the listing of and quotation for 87,896,000 new ordinary shares of RM0.05 each in the Company on 21 March 2014.

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 (“TF”)**
- c. **In-building system (“IBS”)**

A9. Segmental information (cont'd)

Quarter Ended 31 March 2014	CME RM'000	TI RM'000	IBS RM'000	Elimi- nations RM'000	Consoli- dated RM'000
Revenue from external customers	3,115	1,535	87	(168)	4,569
Cost of sales	(2,264)	(1,098)	(92)	168	(3,286)
Gross Profit	851	437	(5)	-	1,283
Loss before taxation					(2,598)
Income tax expenses					-
Loss after tax					(2,598)
Other comprehensive income					-
Total Comprehensive Income					(2,598)

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 current financial quarter under review.

A11. Capital commitments

Capital commitment of the Group in respect of the purchase of plant and machineries which are contracted but not provided for in the financial statements amounted to approximately RM291,161.

A12. Capital expenditure

There were no major additions and disposals of the property, plant and equipment during the current financial quarter under review and financial year-to-date.

A13. Changes in the composition of the Group

Save as disclosed below, there were no changes in the composition of the Group for the current financial quarter under review.

- i) Appointment of Mr. Sim Keng Siong as Chairman and Independent Non-Executive Director on 08 January 2014;
- ii) Resignation of Madam Yap Siok Teng as Independent Non-Executive Director on 21 May 2014; and
- iii) Appointment of Mr. Sundarasan a/l Arumugam as Independent Non-Executive Director on 21 May 2014.

A14. Contingent liabilities and contingent assets

Save as disclosed below, the Group does not have any contingent assets or liabilities as at 31 March 2014.

	RM'000
<u>Contingent liability :</u>	
Corporate guarantee granted to subsidiary company	27,376
Litigation for TNB	568

A15. Subsequent material events

There were no material events subsequent to the end of the current quarter under review.

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 MALAYSIA SECURITIES BERHAD

B1. Review of the performance of the Group

For the current financial quarter ended 31 March 2014, the Group recorded revenue of RM4.57 million and loss before tax of RM2.60 million.

Compared to the previous year corresponding financial quarter, the Group recorded an increase of RM0.38 million in revenue and decrease in loss before tax of RM0.50 million. The decrease in loss before tax in current financial quarter is attributable to the increase in revenue and decrease in operating expenses.

For the current financial quarter, the civil, mechanical and electrical works (“CME”) segment contributed the majority to the Group’s revenue since the Group had assigned more operational resources such as technical staff and equipments to this segment to complete several large sites.

Civil, mechanical and electrical works segment (“CME”)

Revenue derived from the CME segment for the current financial quarter ended 31 March 2014 and financial year to date were RM2.94 million after elimination of intercompany transactions. This segment is the main contributor for the current financial quarter as it comprised 64.5% of the total revenue. Compared to the preceding financial quarter, CME revenue decreased by RM15.08 million, due to the larger portion of sites progress completed and billed in the preceding financial quarter.

Telecommunication equipment installation segment (“TI”)

Revenue derived from the TI segment for the current financial quarter ended 31 March 2014 and financial year to date were RM1.54 million. This segment comprised 33.6% of the total revenue for the current financial quarter. Compared to the preceding financial quarter, TI revenue increased by RM0.64 million, due to increase number of sites completed and billed during the current financial quarter.

In-building system (“IBS”)

Revenue derived from the IBS segment for the current financial quarter ended 31 March 2014 and financial year to date were RM0.09 million. This segment comprised 1.9% of the total revenue for the current financial quarter. Compared to the preceding financial quarter, this segment decreased by RM0.63 million, due to lesser IBS sites completed.

B2. Comparison to the results of the preceding quarter

	Current Quarter 31 March 2014 RM'000	Preceding Quarter 31 December 2013 RM'000
Revenue	4,569	19,640
Loss before tax	(2,598)	(3,884)

For the current financial quarter ended 31 March 2014, the Group recorded revenue of RM4.57 million as compared to RM19.64 million which recorded in the preceding financial quarter ended 31 December 2013. The decreases in revenue recorded during the current financial quarter are mainly due to the larger portion of sites progress completed and billed in the preceding financial quarter. The 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 RM2.60 million.

B3. Prospects for 2014

R&A will be expecting an increase in the physical rollout of Long-Term Evolution (LTE) technology by the Malaysia Cellular Operators. This means that the potential for new business is very promising and we will continue to bid for jobs with the local operators and equipment vendors.

In addition to project demand from commercial cellular operators, R&A, as a telecommunication engineering service provider, expects to benefit from the rollout of network and application services in 2014 by Malaysia Communications and Multimedia Commission (MCMC) using the Universal Service Provision (USP) fund which has an allocated budget of RM2 billion.

We are also looking to further develop our overseas portfolio. We are exploring entrance into Indonesia and expects Brunei via the Outside Plant Project (fibre cable laying project) to continue contributing to our revenues. Lastly, we are actively looking at diversifying from the current project based business model by participating in projects with recurring revenues such as maintenance and concession based businesses.

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. Loss before tax

	Current Quarter 31 March 2014 RM'000	Cumulative Year-to-date 31 March 2014 RM'000
Profit before tax is arrived at after charging / (crediting):		
- Depreciation and amortisation	(778)	(778)
- Interest income	1	1
- Interest expenses	(450)	(450)

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

B6. Taxation

	Current Quarter Ended 31 March 2014 RM'000	Cumulative Year-to-Date 31 March 2014 RM'000
Current tax	-	-
	-	-

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

Save as disclosed below, there were corporate proposals announced but not yet completed.

On 16 April 2014, the Company proposed to undertake the following proposals:

- (i) Proposed renounceable rights issue of up to 1,054,758,600 new ordinary shares of RM0.05 each in R&A (“Rights Shares”) together with up to 527,379,300 free new detachable warrants (“New Warrants”) on the basis of two (2) rights shares together with one (1) new warrant for every two (2) existing ordinary shares of RM0.05 each held by the entitled shareholders of R&A on an entitlement date to be determined later (“Proposed Rights Issues of Shares with new warrants”);

B.7 Status of corporate proposals (cont'd)

- (ii) Proposed renounceable rights issue of up to RM26,368,965 nominal value of five (5)-year, 1%, Irredeemable Convertible Unsecured Loan Stocks (“ICULS”) at 100% of the nominal value of RM0.025 each on the basis of one (1) RM0.025 nominal value of ICULS for every one (1) existing ordinary share of RM0.05 each held by the entitled shareholdings of R&A on the same entitlement date as the Proposed Rights Issue of Shares with New Warrants;
- (iii) Proposed increase in the authorised share capital of R&A; and
- (iv) Proposed amendments to the Memorandum and Articles of Association of R&A.

The proposals are still pending submission to Bursa Malaysia Securities Berhad for approval.

B8. Status of utilisation of proceeds

The Company had, via the approval granted under Section 132D of the Companies Act, 1965 at the Ninth (9th) Annual General Meeting held on 27 June 2013, placed out 87,896,000 new ordinary shares on 19 March 2014 at an issue price of RM0.05 per shares to the allottees, which raised proceeds of RM4,394,800.

The status of the actual utilisation of proceeds of RM4,394,800 from the private placements are as follows:-

Purpose Details	Proposed Utilisation (RM'000)	Actual Utilisation (RM'000)	Balance of Amount Allocated (RM'000)	(%)	Intended Timeframe for Utilisation
Working capital	4,218	4,139	79	2%	Within 12 months
Listing expenses for private placement	177	177	–	0%	Within 1 month
Total	4,395	4,316	79		

B9. Realised and unrealised profits

The breakdown of retained profits of the Group and the Company for the financial quarter ended 31 March 2014 and preceding year corresponding quarter ended 31 March 2013, is as follows :-

B.9. Realised and unrealised profits (cont'd)

	Group Quarter Ended 31 March 2014 RM'000	Group Quarter Ended 31 March 2013 RM'000
Total retained profits of the Group:		
- Realised	20,567	14,008
- Unrealised (in respect of deferred tax recognised in the income statement)	-	-
	<hr/> 20,567	<hr/> 14,008
Less : Consolidation adjustments	(22,125)	(22,053)
Total Group accumulated losses as per consolidated accounts	<hr/> <hr/> (1,558)	<hr/> <hr/> (8,045)

	Company Quarter Ended 31 March 2014 RM'000	Company Quarter Ended 31 March 2013 RM'000
Total accumulated losses of the Company :		
- Realised	(35)	(7,013)
- Unrealised (in respect of deferred tax recognised in the income statement)	-	-
Total Company's accumulated losses as per accounts	<hr/> (35)	<hr/> (7,013)

B10. Group borrowings and debt securities

The Group's borrowings as at 31 March 2014 are as follows:-

	Short Term RM'000	Long Term RM'000	Total RM'000
<u>Secured</u>			
Hire Purchases	877	519	1,396
Bank Over Drafts/Project Revolving Loans	20,914	-	20,914
Banker's Acceptance	6,343	-	6,343
	<hr/> 28,134	<hr/> 519	<hr/> 28,653

B11. Material litigation

Save as disclosed below, to the best knowledge of the Board, R&A and/or its subsidiaries are not engaged in any material litigation, claims or arbitration either as plaintiff or defendant and our Directors have no knowledge of any proceeding pending or threatened against the Group or any facts likely to give rise to any proceeding which might materially affect the position and business of the Group:-

On 25 September 2013 and 14 November 2013, R & A Telecommunication Sdn Bhd (“RASB”), its wholly-owned subsidiary company has received letters of demand from Employees’ Provident Funds (“EPF”) through its solicitors demanding for the accrued provident fund contributions (“Contributions”) by RASB for the sum of RM904,202 and RM433,357 respectively, including all the dividends and interests due on the Contributions. As at 31 March 2014, RASB has paid four (4) instalments out of the proposed nine (9) instalments towards the Contributions and the remaining Contributions will be progressively settled by RASB to EPF by the second half of 2014.

In addition on 15 May 2014, RASB received a Letter of Demand (“Demand”) dated 9 May 2014 from Messrs. Idris & Associates, acting for and on behalf of Tenaga Nasional Berhad (“TNB”), demanding payment of a sum of RM568,077.30 for the damage done to cabel 33kV at PMU Air Terjun to PPU Batu Feringghi and PPU Tanjung Bungah to PPU Pulau Tikus during construction work at those sites. RASB is in the midst of seeking legal advice to defend against the aforesaid Demand. There is no material operation impact arising from the Demand, whilst the financial impact resulting from the Demand would be the expected losses of RM568,077.30 pursuant to the Demand.

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.

B13. Earnings per share (cont'd)

	Individual Quarter		Cumulative Quarter	
	Current Quarter	Preceding Year Corresponding Quarter	Current Year-To- Date	Preceding Year Corresponding Period
Basic Loss Per Share	31 March 2014	31 March 2013	31 March 2014	31 March 2013
Loss attributable to the equity holders of the Company (RM'000)	(2,598)	(3,098)	(2,598)	(3,098)
Weighted average number of shares in issue ('000)	966,862	878,966	966,862	878,966
Basic loss per share (sen)	(0.27)	(0.35)	(0.27)	(0.35)

(b) Diluted earnings per share

Not applicable