

R&A TELECOMMUNICATION GROUP BERHAD (645677-D)

(Formerly known as KZEN Solutions Berhad)

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 Financial Reporting Standards (“FRS”) 134 : Interim Financial Reporting and Appendix 9B of the ACE Market Listing Requirements of Bursa Securities.

The explanatory notes attached to the interim report provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group for the financial period 1 January 2011 to 30 June 2011.

The accounting policies and methods of computation adopted by 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.

A2. Adoption of new and revised accounting policies

The accounting policies and methods of computation adopted by the Group in these condensed consolidated financial statements are consistent with those adopted in the audited financial statements for the FYE 31 December 2010, except for the adoption of the following new/revised FRSs effective for financial period beginning 1 January 2011:-

FRSs, Amendments to FRSs, IC Interpretation, TR and SOP		Effective for financial periods beginning on or after
FRS 1	First-Time Adoption of Financial Reporting Standards	1 July 2010
FRS 3	Business Combinations (Revised)	1 July 2010
FRS 124	Related Party Disclosures	1 January 2012
FRS 127	Consolidated and Separate Financial Statements	1 July 2010
Amendments to FRS 1	Limited Exemption from Comparatives FRS 7 Disclosures for First-time Adopters	1 January 2011

FRSs, Amendments to FRSs, IC Interpretation, TR and SOP		Effective for financial periods beginning on or after
Amendments to FRS 1	Additional Exemptions for First-time Adopters	1 January 2011
Amendments to FRS 1	First-time Adoption of Financial Reporting Standards	1 January 2011
Amendments to FRS 2	Share-based Payment	1 July 2010
Amendments to FRS 2	Company Cash-settled Share-based Payment Transactions	1 January 2011
Amendments to FRS 3	Business Combinations	1 January 2011
Amendments to FRS 5	Non-current Assets Held for Sale and Discontinued Operations	1 July 2010
Amendments to FRS 7	Improving Disclosures about Financial Instruments	1 January 2011
Amendments to FRS 7	Financial Instruments: Disclosures	1 January 2011
Amendments to FRS 101	Presentation of Financial Statements	1 January 2011
Amendments to FRS 121	The Effects of Changes in Foreign Exchange Rates	1 January 2011
Amendments to FRS 128	Investments in Associates	1 January 2011
Amendments to FRS 131	Interests in Joint Ventures	1 January 2011
Amendments to FRS 132	Classification of Rights Issues	1 March 2010
Amendments to FRS 134	Interim Financial Reporting	1 January 2011
Amendments to FRS 138	Intangible Assets	1 July 2010
Amendments to FRS 139	Financial Instruments: Recognition and Measurement	1 January 2011
IC Interpretation 4	Determining Whether an Arrangement Contains a Lease	1 January 2011
IC Interpretation 12	Service Concession Arrangements	1 July 2010

FRSs, Amendments to FRSs, IC Interpretation, TR and SOP		Effective for financial periods beginning on or after
IC Interpretation 15	Agreements for the Construction of Real Estate	1 January 2011
IC Interpretation 16	Hedges of a Net Investment in a Foreign Operation	1 July 2010
IC Interpretation 17	Distributions of Non-cash Assets to Owners	1 July 2010
IC Interpretation 18	Transfers of Assets from Customers	1 January 2011
IC Interpretation 19	Extinguishing Financial Liabilities with Equity Instruments	1 July 2011
Amendments to IC Interpretation 9	Reassessment of Embedded Derivatives	1 July 2010
Amendments to IC Interpretation 13	Customer Loyalty Programmes	1 January 2011
Amendments to IC Interpretation 14	Prepayments of a Minimum Funding Requirement	1 July 2011
TR 3	Guidance on Disclosures of Transition to IFRSs	1 January 2011
TR i-4	Shariah Compliant Sale Contracts	1 January 2011

The Group and the Company plans to adopt the above FRSs, Amendments to FRSs, IC Interpretations, TR and SOP in the respective annual periods based on their effective dates and applicability.

The initial application of the above FRSs, Amendments to FRSs, IC Interpretations, TR and SOP are not expected to have any material impact on the financial statements of the Company.

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 2010.

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 and financial year-to-date:-

Date of allotment	No. of shares	Par Value (RM)	Consideration	Total (RM)
21.06.2011	6,500,000	0.10	Cash (ESOS)	650,000
21.06.2011	698,000,000	0.10	Acquisition of R&A Telecommunication Sdn Bhd (“RASB”)	69,800,000
21.06.2011	109,000,000	0.10	Cash (Private Placement)	10,900,000
22.06.2011	186,000	0.10	Cash (ESOS)	18,600

A8. Dividend paid

There was no dividend paid nor declared during the financial year-to-date.

A9. Segmental information

No segmental analysis is presented as the acquisition of RASB by the Company was completed on 27 June 2011. For the current financial quarter under review, the revenue of the Group was derived from the development, sales and implementation of its human capital management software for commercial application.

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 2011.

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 2011 RM'000	Cumulative Year-to-Date 30 June 2011 RM'000
Property, plant & equipment: Additions	1,071	1,075

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 except for the following :-

On 5 August 2010, the Company entered into a heads of agreement with the Francis Tan Hock Leong, Cheok Chun Lian and Ruslan Rawi (“the Vendors”) for the acquisition of the entire issued and paid-up share capital of RASB comprising 2,500,000 shares of RM1.00 each for a purchase consideration of RM68,000,000 to be wholly satisfied by the issuance of new ordinary shares of the Company.

On 22 October 2010, the Company entered into a conditional share sale agreement with the Vendors for the acquisition mentioned above. The total purchase consideration for the acquisition is RM69,800,000, which will be fully satisfied by the issuance of 698,000,000 new shares of the Company at an issue price of RM0.10.

The acquisition was completed on 27 June 2011.

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 2010.

A15. Subsequent material events

There are no material events subsequent to the financial period ended 30 June 2011 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 30 June 2011, the Group recorded revenues of RM0.44 million and loss after tax of RM0.31 million. The revenue of the Group was derived from the development, sales and implementation of its human capital management software for commercial application.

As the acquisition of RASB was completed on 27 June 2011, the revenue and expenses of RASB was consolidated as part of the Group's results with effect from 27 June 2011 only.

B2. Comparison to the results of the preceding quarter

	Current Quarter 30 June 2011 RM'000	Preceding Quarter 31 March 2011 RM'000
Revenue	442	465
Loss after tax	(314)	(44)

For the current financial quarter ended 30 June 2011, the Group recorded revenues of RM0.44 million and loss after tax of RM0.31 million. Notwithstanding that the revenue for the current financial quarter is slightly lower than the revenue for the preceding financial quarter, the loss after tax for the current financial quarter is higher by RM0.27 million, due to higher operating expenditure.

As the acquisition of RASB was completed on 27 June 2011, the revenue and expenses of RASB was consolidated as part of the Group's results with effect from 27 June 2011 only.

B3. Prospects for 2011

As announced previously, the RASB's revenue is expected to reach between RM70 million to RM100 million for the current financial year, based on its current work orders and its existing project agreements with the telecommunication providers.

Furthermore, the Group is expected to benefit from the positive future prospects for telecommunications network services market in Malaysia, which is expected to grow to RM6.33 billion in market size by 2014 based on the projection made by an independent market research company. In addition, the Group is also expected to benefit from the rollout of the High Speed Broadband ("HSBB") and Broadband to General Population ("BBGP") under the on-going National Broadband initiatives.

B4. Profit forecast and profit estimate

The Vendors has provided a profit guarantee that the forecast audited profit after tax of RASB shall not be less than RM8.8 million for the financial year ending 31 December 2011. Based on the announcement made on 3 August 2011, which specified the work orders received by the Group and its existing project agreements with telecommunication providers, the Group is fairly confident of meeting the profit guarantee.

B5. Taxation

	Current Quarter Ended 30 June 2011 RM'000	Cumulative Year-to-Date 30 June 2011 RM'000
Current tax	-	-
	-	-

There is no taxation charge on certain business income of the Group as the Company was accorded the Multimedia Super Corridor status, which qualifies for the Pioneer Status incentive under the Promotion of Investment (Amendment) Act, 1986. The Pioneer Status has expired on 30 June 2010, the Group is in the midst of renewing its Pioneer Status.

B6. Sale of unquoted investment and/ or property

There was no sale of unquoted investment and/ or property in the current financial quarter under review and financial year-to-date.

B7. Purchase and disposal of quoted security

The Company does not hold any quoted security nor was there any purchase or disposal of quoted security in the current financial quarter under review and financial year-to-date.

B8. Status of corporate proposals

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

B9. Status of utilisation of proceeds

The status of utilisation of the gross proceeds of RM12.9 million from the private placement by the Group as at 30 June 2011 are as follows:-

Purposes	Proposed Amount RM'000	Amount Utilised RM'000	Amount Unutilised RM'000	Deviation RM'000	Timeframe for Utilisation	Explanation
Working capital	11,460	-	10,988	472	Within 24 months from date of listing	Being the additional listing expenses of RM472,430 incurred
Estimated expenses	1,500	1,972	-	(472)	Upon completion of the acquisition of RASB and other related proposals	
Total	12,960	1,972	10,988	-		

B10. Realised and Unrealised Profits

The breakdown of retained profits of the Group and the Company for the financial quarter ended 30 June 2011 and 31 March 2011, is as follows :-

	Group Quarter Ended 30 June 2011 RM'000	Group Quarter Ended 31 March 2011 RM'000
Total retained profits of the Group:		
- Realised	(6,457)	(6,143)
- Unrealised (in respect of deferred tax recognized in the income statement)	-	-
	<u>(6,457)</u>	<u>(6,143)</u>
Less : Consolidation adjustments	1,714	1,714
Total Group retained profits as per consolidated accounts	<u>(4,743)</u>	<u>(4,429)</u>

	Company Quarter Ended 30 June 2011 RM'000	Company Quarter Ended 31 March 2011 RM'000
Total retained profits/(lost) of the Company :		
- Realised	(4,300)	(3,975)
- Unrealised (in respect of deferred tax recognized in the income statement)	-	-
Total Company's retained profits as per accounts	<u>(4,300)</u>	<u>(4,028)</u>

B11. Group borrowings and debt securities

The Group's borrowings as at 30 June 2011 are as follows:-

	Short Term RM'000	Long Term RM'000
<u>Secured</u>		
Hire Purchases	2,302	2,565
Term Loan	124	87
Project Revolving Loans	17,550	-
Bank Over Drafts	2,591	-
Banker's Acceptance	4,262	-
	<u>26,829</u>	<u>2,652</u>

B12. Off balance sheet financial instruments

The Group does not have any off balance sheet financial instrument as at the date of issuance of this announcement.

B13. Material Litigation

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

B14. Dividends

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

B15. 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 Earnings Per Share	30 June 2011	30 June 2010	30 June 2011	30 June 2010
Profit attributable to the equity holders of the Company (RM'000)	(314)	115	(358)	38
Weighted average number of shares in issue ('000)	154,694	65,280	110,234	65,280
Basic earnings per share (sen)	(0.20)	0.18	(0.32)	0.06

(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: 26 August 2011