

R&A TELECOMMUNICATION GROUP BERHAD (645677-D)
(Formerly known as Kzen Solutions Berhad)

**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE SECOND QUARTER ENDED 30 JUNE 2012**

	----- Individual Quarter -----		----- Cumulative Quarter -----	
	Current year quarter 30 June 2012 RM'000	Preceding year corresponding quarter 30 June 2011 RM'000	Current year to date 30 June 2012 RM'000	Preceding year corresponding period 30 June 2011 RM'000
Revenue	4,376	442	14,206	907
Cost of sales	(5,515)	-	(11,118)	-
Operating expenses	<u>(3,774)</u>	<u>(689)</u>	<u>(7,507)</u>	<u>(1,135)</u>
Loss before amortisation, depreciation and finance cost	(4,913)	(247)	(4,419)	(228)
Depreciation and amortisation	(1,175)	(87)	(1,313)	(173)
Finance cost	(570)	-	(1,038)	-
Other Income	<u>278</u>	<u>20</u>	<u>484</u>	<u>43</u>
Loss before tax	(6,380)	(314)	(6,286)	(358)
Taxation	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Loss after tax	(6,380)	(314)	(6,286)	(358)
Other comprehensive income	-	-	-	-
Total comprehensive loss	<u><u>(6,380)</u></u>	<u><u>(314)</u></u>	<u><u>(6,286)</u></u>	<u><u>(358)</u></u>
Loss attributable to :				
Equity holders of the Company	<u><u>(6,380)</u></u>	<u><u>(314)</u></u>	<u><u>(6,286)</u></u>	<u><u>(358)</u></u>
Total comprehensive loss attributable to :				
Equity holders of the Company	<u><u>(6,380)</u></u>	<u><u>(314)</u></u>	<u><u>(6,286)</u></u>	<u><u>(358)</u></u>
Weighted average no. of ordinary shares in issue ('000)	878,966	154,694	878,966	110,234
Earnings per share (sen):-				
a) Basic	(0.73)	(0.20)	(0.72)	(0.32)

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 2011 and the accompanying explanatory notes attached to the interim financial report.

R&A TELECOMMUNICATION GROUP BERHAD (645677-D)
(Formerly known as Kzen Solutions Berhad)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2012

	As at 30 June 2012 (Unaudited) RM'000	As at 31 December 2011 (Audited) RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	17,702	18,015
Intangible Assets - Goodwill on consolidation	49,724	49,724
Intangible Assets - Development cost	4,199	3,949
	<u>71,625</u>	<u>71,688</u>
Current assets		
Trade Receivables	28,109	30,615
Other Receivables, Deposits and Prepayments	3,083	4,935
Contract Customers	12,831	15,253
Inventories	2,411	2,167
Fixed Deposits	3,599	3,476
Cash and Cash Equivalents	719	849
	<u>50,752</u>	<u>57,295</u>
Total Assets	<u><u>122,377</u></u>	<u><u>128,983</u></u>
EQUITY AND LIABILITIES		
Equity Attributable to Equity Holders of the Company		
Share capital	87,897	87,897
Share premium	264	4,084
Warrants reserves	3,639	-
(Accumulated loss)/Retained profits	(4,005)	2,281
Shareholders' equity	<u>87,795</u>	<u>94,262</u>
Non-current liabilities		
Borrowings	1,749	2,664
Deferred tax liabilities	567	567
	<u>2,316</u>	<u>3,231</u>
Current liabilities		
Trade Payables	2,802	4,211
Other Payables and Accruals	2,439	1,413
Director	3,070	203
Borrowings	20,690	21,585
Provision for taxation	3,265	4,078
	<u>32,266</u>	<u>31,490</u>
Total liabilities	34,582	34,721
Total equity and liabilities	<u><u>122,377</u></u>	<u><u>128,983</u></u>
Net assets per share attributable to ordinary equity holders of the Company (RM)	<u>0.10</u>	<u>0.11</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 2011 and the accompanying explanatory notes attached to the interim financial report.

R&A TELECOMMUNICATION GROUP BERHAD (645677-D)
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**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE SECOND QUARTER ENDED 30 JUNE 2012**

	Current year to date 30 June 2012 (Unaudited) RM'000	Preceding year corresponding period 30 June 2011 (Unaudited) RM'000
CASH FLOW FROM OPERATING ACTIVITIES		
Profit/(Loss) Before Taxation	(6,286)	(358)
Adjustments for Non-cash items	<u>2,351</u>	<u>5,036</u>
Operating profit before working capital changes	(3,935)	4,678
Changes in working capital		
Directors	2,867	-
Contract customers	2,422	-
Inventories	(244)	-
Trade and other receivables	4,358	(96)
Trade and other payables	<u>(383)</u>	<u>52</u>
Cash generated from operations	5,085	4,634
Tax paid	(813)	-
Interest paid	<u>(1,038)</u>	<u>-</u>
Net cash generated from operating activities	<u>3,234</u>	<u>4,634</u>
CASH FLOW FROM INVESTING ACTIVITIES		
Development cost incurred	(250)	(228)
Purchase of plant and equipment	<u>(1,000)</u>	<u>(1,071)</u>
Net cash used in investing activities	<u>(1,250)</u>	<u>(1,299)</u>
CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from issuance of share capital	-	12,960
Listing expenses	(181)	(1,972)
Borrowings	(1,810)	-
Withdrawal / (Placement) of fixed deposits	(123)	-
Interest	<u>-</u>	<u>30</u>
Net cash (used in)/generated from financing activities	<u>(2,114)</u>	<u>11,018</u>
Net Change in Cash and Cash Equivalents	(130)	14,353
Cash and Cash Equivalents at beginning of the period	849	2,723
Cash and Cash Equivalents at end of the period	<u>719</u>	<u>17,076</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 2011 and the accompanying explanatory notes attached to the interim financial report.

R&A TELECOMMUNICATION GROUP BERHAD (645677-D)
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**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE SECOND QUARTER ENDED 30 JUNE 2012**

	<----- Non-distributable ----->				<-Distributable->		Total Equity RM '000
	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	
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	-	-	-	-	-	(6,286)	(6,286)
Balance as at 30 June 2012	87,897	264	3,639	-	-	(4,005)	87,795

As at preceding year corresponding quarter 30 June 2011

Balance as at 1 January 2011	6,528	3,279	-	(1,350)	579	(4,385)	4,651
Issue of shares pursuant to acquisition of RASB	69,800	-	-	-	-	-	69,800
Issue of shares pursuant to ESOS	669	732	-	-	(579)	-	822
Issuance of shares under private placement	10,900	2,060	-	-	-	-	12,960
Listing expenses	-	(1,972)	-	-	-	-	(1,972)
Loss for the period	-	-	-	-	-	(358)	(358)
Balance as at 30 June 2011	87,897	4,099	-	(1,350)	-	(4,743)	85,903

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 2011 and the accompanying explanatory notes attached to the interim financial report.

R&A TELECOMMUNICATION GROUP BERHAD (645677-D)

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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 Malaysia Securities Berhad (“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 2012 to 31 March 2012.

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 2011, except for the adoption of the following new/revised FRSs effective for financial period beginning 1 January 2012:-

FRSs, Amendment to FRSs, and IC Interpretations		Effective for annual periods beginning on or after
Amendment to IC Interpretation 14	Prepayments of a Minimum Funding Requirement	1 July 2011
IC Interpretation 19	Extinguish Financial Liabilities with Equity Instruments	1 July 2011
FRS 124	Related Party Disclosures (revised)	1 January 2012

FRSs, Amendment to FRSs, and IC Interpretations		Effective for annual periods beginning on or after
Amendments to FRS7	Financial Instruments: Disclosures - Transfer of Financial Assets	1 January 2012
Amendments to FRS112	Income Taxes - Deferred Tax: Recovery of Underlying Assets	1 January 2012
Amendments to FRS101	Presentation of Financial Statement - Presentation of Items of Other Comprehensive Income	1 July 2012
FRS 9	Financial Instruments (2009)	1 January 2013
FRS 9	Financial Instruments (2010)	1 January 2013
FRS 10	Consolidated Financial Statements	1 January 2013
FRS 11	Joint Agreements	1 January 2013
FRS12	Disclosure of Interests in Other Entities	1 January 2013
FRS 13	Fair Value Measurement	1 January 2013
FRS 119	Employee Benefits (2011)	1 January 2013
FRS 127	Separate Financial Statements (2011)	1 January 2013
FRS 128	Investments in Associates and Joint Ventures (2011)	1 January 2013
IC Interpretation 20	Stripping Costs in the Production Phase of a Surface Mine	1 January 2013

On 19 November 2011, the MASB announced the adoption of the Malaysian Financial Reporting Standards (MFRS Framework). The MFRS framework is effective from 1 January 2012 is to facilitate convergence with the International Financial Reporting Standards (IFRS). Following the announcement, the Group and the Company's next set of financial statements for annual period beginning on 1 January 2012 will be prepared in accordance with the MFRS framework issued by MASB and IFRS. As a result for the Group and the Company's adoption of the MFRS framework, the Group and the Company will not be adopting the above FRSs, Interpretations and Amendments.

The change of the financial reporting framework is not expected to have any significant impact on the financial position and performance of the Group and 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 2011.

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:-

1. Bonus issue of warrants

87,896,600 free warrants were issued on 23 March 2012 on the basis of one (1) free warrant for every ten (10) existing ordinary shares of RM0.10 each in the Company held at 5.00 p.m. on 22 March 2012. Each warrant entitles the holder of the right to subscribe for one (1) new ordinary share of RM0.10 each in the Company at an exercise price of RM0.17 per warrant. The warrants will expire on 22 March 2017. As at 31 March 2012, no warrant had been exercised.

A8. Dividend paid

There was no dividend paid nor 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 30 June 2012	CME	TI	IBS	Eliminations	Consolidated
	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue from external customers	1,200	3,306	383	(513)	4,376
Cost of sales	(3,501)	(2,059)	(468)	513	(5,515)
Gross Profit	(2,301)	1,247	(85)	-	(1,139)
Loss before taxation					(6,380)
Income tax expenses					-
Loss after tax					(6,380)
Other comprehensive income					-
Total Comprehensive Income					(6,380)

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 2012.

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 2012 RM'000	Cumulative Year-to-Date 30 June 2012 RM'000
Property, plant & equipment: Additions	304	1,000

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 2011.

A15. Subsequent material events

There are no material events subsequent to the financial period ended 30 June 2012 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 2012, the Group recorded revenue of RM4.376 million. The low revenue for the current financial quarter were attributable to the delayed implementation and roll-out of the 4G Long Term Evolution ("LTE") by the telecommunication providers in Malaysia, 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 cost of sales and operation expenses, which comprised fixed monthly recurring cost such as, amongst others, site engineering teams, leasing of equipment and administrative staff costs; and variable costs such as, amongst others, materials, transportation and sub-contractors costs. 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 RM1.175 million and finance costs amounting to RM0.570 million. These have contributed to the loss before tax of RM6.380 million recorded by the Group for the current financial quarter.

As at 30 June 2012, the Group has job in hand amounting to RM12.0 million. In addition, the Group is actively seeking to broaden its product and services locally and is also seeking to expand to other countries such as Brunei, Indonesia and Australia. As at the date of this report, the Group has tendered for projects amounting to RM420.0 million.

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

Revenue derived from the CME segment for the second quarter of 2012 and financial year to date were RM1.200 million and RM10.017 million respectively. As compared to previous quarter, CME revenue decreased by RM7.617 million as compared to the previous quarter due to the lack of new projects attributable to the delayed roll-out of LTE.

Telecommunication equipment installation segment ("TI")

Revenue derived from the TI segment for the second quarter of 2012 and financial year to date were RM3.306 million and RM4.561 million respectively. As compared to previous quarter, TI revenue increased by RM2.051 million due to rises in maintenance related works for the telecommunication sites.

In-building system ("IBS")

Revenue derived from the IBS segment for the second quarter of 2012 and financial year to date were RM0.383 million and RM0.574 million respectively. As compared to previous quarter, IBS revenue increased slightly by RM0.192 million due to the completion of projects in hand.

B2. Comparison to the results of the preceding quarter

	Current Quarter 30 June 2012 RM'000	Preceding Quarter 31 March 2012 RM'000
Revenue	4,376	9,830
(Loss) / Profit before tax	(6,380)	94

For the current financial quarter ended 30 June 2012, the Group recorded revenue of RM4.376 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 after tax of RM6.380 million.

The low revenue for the current financial quarter were attributable to the delayed implementation and roll-out of the 4G Long Term Evolution ("LTE") by the telecommunication providers in Malaysia, which inadvertently slowed down the generation of new work orders by our customers.

B3. Prospects for 2012

Telecommunication companies ("Telcos") in Malaysia are looking at 4G Long Term Evolution ("LTE") or the 2.6G spectrum and have began overhauling the entire network to cater for this new era of data. The assignment of the spectrum will take place on Jan 1, 2013. A report quoting Infonetics Research says the capital expenditure ("CAPEX") of Telcos in Malaysia is expected to rise an average 6% per year up to 2014 globally. In Malaysia, Telcos spend anything from RM700mil to RM1bil in CAPEX every year.

The Malaysian Government has identified nine players for the LTE spectrum. It is a known fact that LTE is great for data as it allows for networks to carry more data than 3G but there is a need to have fibre optics at the back haul including the cellular base stations. Today, the backhaul network is under an increasing amount of stress and the main factor contributing to that is data-centric services that have a much greater impact on the network than the voice services it was originally intended to handle.

(Source : The Star, 28 January 2012)

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 30 June 2012 RM'000	Cumulative Year-to-date 30 June 2012 RM'000
Profit before tax is arrived at after charging / (crediting):		
- Interest income	-	-
- Other income including investment income	-	-
- Interest expense	570	1,038
- Depreciation and amortisation	1,175	1,313
- 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 30 June 2012 RM'000	Cumulative Year-to-Date 30 June 2012 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. 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.

B8. 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.

B9. Status of corporate proposals

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

B10. 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 2012 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	10,973	-	487	4.25	Within 24 months from date of listing	Being the additional listing expenses of RM487,930 incurred
Estimated expenses	1,500	1,987	-	(487)	32.47	Upon completion of the acquisition of RASB and other related proposals	
Total	12,960	12,960	-	-			

B11. Realised and Unrealised Profits

The breakdown of retained profits of the Group and the Company for the financial quarter ended 30 June 2012 and preceding year corresponding quarter ended 30 June 2011, is as follows :-

	Group Quarter Ended 30 June 2012 RM'000	Group Quarter Ended 30 June 2011 RM'000
Total retained profits/(accumulated losses) of the Group:		
- Realised	11,075	(6,457)
- Unrealised (in respect of deferred tax recognized in the income statement)	(566)	-
	10,509	(6,457)
(Less) / Add : Consolidation adjustments	(14,514)	1,714
Total Group retained profits/(accumulated losses) as per consolidated accounts	(4,005)	(4,743)

	Company Quarter Ended 30 June 2012 RM'000	Company Quarter Ended 30 June 2011 RM'000
Total accumulated losses of the Company :		
- Realised	(6,236)	(4,300)
- Unrealised (in respect of deferred tax recognized in the income statement)	-	-
Total Company's accumulated losses as per accounts	(6,236)	(4,300)

B12. Group borrowings and debt securities

The Group's borrowings as at 30 June 2012 are as follows:-

	Short Term RM'000	Long Term RM'000
<u>Secured</u>		
Hire Purchases	2,782	1,749
Term Loan	2,211	-
Bank Over Drafts/Project Revolving Loans	15,697	-
Banker's Acceptance	-	-
	20,690	1,749

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 Loss Per Share	30 June 2012	30 June 2011	30 June 2012	30 June 2011
Loss attributable to the equity holders of the Company (RM'000)	(6,380)	(314)	(6,286)	(358)
Weighted average number of shares in issue ('000)	878,966	154,694	878,966	110,234
Basic loss per share (sen)	(0.73)	(0.20)	(0.72)	(0.32)

(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: 30 August 2012