

REDTONE INTERNATIONAL BERHAD

Incorporated in Malaysia: 596364-U

QUARTERLY REPORT ON CONSOLIDATED RESULTS
FOR THE THIRD QUARTER ENDED 28 FEBRUARY 2011

REDTONE INTERNATIONAL BERHAD

(Company No: 596364-U)

The Directors are pleased to announce the unaudited results for the third quarter ended 28 February 2011

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE THIRD QUARTER ENDED 28 FEBRUARY 2011**

	Note	UNAUDITED INDIVIDUAL QUARTER		UNAUDITED CUMULATIVE QUARTER	
		1 Dec 10 to 28 Feb 11 CURRENT QUARTER RM'000	1 Dec 09 to 28 Feb 10 PRECEDING YEAR CORRESPONDING QUARTER RM'000	1 Jun 10 to 28 Feb 11 CURRENT YEAR TO DATE RM'000	1 Jun 09 to 28 Feb 10 PRECEDING YEAR CORRESPONDING YEAR TO DATE RM'000
Revenue	A12	20,955	20,290	66,427	60,893
Profit From Operations		271	1,299	3,538	6,718
Finance Income/(Expenses), Net		(309)	(8)	(556)	27
Depreciation And Amortisation		(1,560)	(1,068)	(5,495)	(2,999)
(Loss)/Profit Before Tax And Minority Interest	B1	(1,598)	223	(2,513)	3,746
Taxation	B5	(261)	(182)	(1,132)	(150)
(Loss)/Profit After Tax And Before Minority Interest		(1,859)	41	(3,645)	3,596
(Loss)/Profit For The Period		(1,859)	41	(3,645)	3,596
Attributable To:					
Equity Holders Of The Parent		(1,928)	656	(3,707)	3,424
Minority Interest		69	(615)	62	172
		(1,859)	41	(3,645)	3,596
Basic (Loss)/Earnings Per Share (Sen)	B9	(0.48)	0.17	(0.31)	0.89

The Unaudited Condensed Consolidated Income Statement should be read in conjunction with the Audited Financial Statements for year ended 31 May 2010.

REDTONE INTERNATIONAL BERHAD

(Company No: 596364-U)

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	1 Dec 10 to 28 Feb 11 CURRENT QUARTER RM'000	1 Dec 09 to 28 Feb 10 PRECEDING YEAR CORRESPONDING QUARTER RM'000	1 Jun 10 to 28 Feb 11 CURRENT YEAR TO DATE RM'000	1 Jun 09 to 28 Feb 10 PRECEDING YEAR CORRESPONDING YEAR TO DATE RM'000
(Loss)/Profit for the financial period	(1,859)	41	(3,645)	3,596
Other comprehensive (loss)/income, net of tax:				
Foreign currency exchange differences	(648)	(739)	(1,774)	(433)
Total comprehensive (loss)/income for the financial period	<u>(2,507)</u>	<u>(698)</u>	<u>(5,419)</u>	<u>3,163</u>
Total comprehensive (loss)/income attributable to:				
Equity holders of the Company	(2,576)	(83)	(5,481)	2,991
Minority interests	69	(615)	62	172
	<u>(2,507)</u>	<u>(698)</u>	<u>(5,419)</u>	<u>3,163</u>

The Unaudited Condensed Consolidated Income Statement should be read in conjunction with the Audited Financial Statements for year ended 31 May 2010.

REDTONE INTERNATIONAL BERHAD
(Company No: 596364-U)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 28 FEBRUARY 2011

	Note	Unaudited AS AT 28 Feb 2011 RM'000	Audited AS AT 31 May 2010 RM'000
ASSETS			
Non-Current Assets			
Property, Plant And Equipment		31,922	32,181
Investment In Associates		-	231
Investment In Associates - Quasi Loan		15,104	-
Investment Property		870	870
Intangible Assets		25,255	21,610
Deferred Tax Assets		4,739	4,930
Other Investment		931	-
		<u>78,821</u>	<u>59,822</u>
Current Assets			
Inventories		2,960	1,998
Trade And Other Receivables		24,347	42,784
Tax Recoverable		805	430
Investment		1,334	1,343
Cash And Cash Equivalents		31,624	53,774
		<u>61,070</u>	<u>100,329</u>
TOTAL ASSETS		139,891	160,151
EQUITY AND LIABILITIES			
Equity Attributable To Equity Holders Of The Parent			
Share Capital		44,220	43,181
Treasury shares		(182)	(92)
ICULS - Equity Component		12,587	13,666
Reserves		24,888	36,057
		<u>81,513</u>	<u>92,812</u>
Minority Interest		7,293	475
Total Equity		88,806	93,287
Non-Current Liabilities			
Borrowings	B12	2,627	4,510
ICULS - Liability Component		4,934	5,605
Deferred Tax Liabilities		184	3
		<u>7,745</u>	<u>10,118</u>
Current Liabilities			
Trade And Other Payables		31,523	39,006
Borrowings	B12	3,375	8,022
Deferred Income		7,822	9,450
Taxation		620	268
		<u>43,340</u>	<u>56,746</u>
Total Liabilities		51,085	66,864
TOTAL EQUITY AND LIABILITIES		139,891	160,151
 Net Assets Per Share (Sen)		 20.08	 21.60

(The Unaudited Condensed Consolidated Balance Sheet should be read in conjunction with the Audited Financial Statements for year ended 31 May 2010)

REDTONE INTERNATIONAL BERHAD

(Co number: 596364-U)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE THIRD QUARTER ENDED 28 FEBRUARY 2011

	<-----NON DISTRIBUTABLE----->					DISTRIBUTABLE		TOTAL RM'000	MINORITY INTERESTS RM'000	TOTAL EQUITY RM'000
	SHARE CAPITAL RM'000	SHARE PREMIUM RM'000	OTHER RESERVE RM'000	TREASURY SHARES RM'000	ICULS RM'000	WARRANTS RESERVE RM'000	RETAINED PROFITS RM'000			
At 1 June 2010	43,181	9,342	(141)	(92)	13,666	19,331	7,525	92,812	475	93,287
Dilution of investment in Redtone China	-	-	-	-	-	-	(5,728)	(5,728)	6,756	1,028
	43,181	9,342	(141)	(92)	13,666	19,331	1,797	87,084	7,231	94,315
Foreign currency translation recognised in other comprehensive income statement	-	-	(1,774)	-	-	-	-	(1,774)	-	(1,774)
Loss for the year	-	-	-	-	-	-	(3,707)	(3,707)	62	(3,645)
Total comprehensive loss for the period	-	-	(1,774)	-	-	-	(3,707)	(5,481)	62	(5,419)
Treasury shares acquired	-	-	-	(90)	-	-	-	(90)	-	(90)
Issuance of ordinary shares, pursuant to conversion of ICULS	1,039	40	-	-	(1,079)	-	-	-	-	-
At 28 Feb 2011	44,220	9,382	(1,915)	(182)	12,587	19,331	(1,910)	81,513	7,293	88,806

FOR THE YEAR ENDED 31 MAY 2010 (AUDITED)

	<-----NON DISTRIBUTABLE----->					DISTRIBUTABLE		TOTAL RM'000	MINORITY INTERESTS RM'000	TOTAL EQUITY RM'000
	SHARE CAPITAL RM'000	SHARE PREMIUM RM'000	OTHER RESERVE RM'000	TREASURY SHARES RM'000	ICULS RM'000	WARRANTS RESERVE RM'000	RETAINED PROFITS RM'000			
At 1 June 2009	38,647	6,396	2,621	-	-	-	12,303	59,967	5,455	65,422
Foreign currency translation, net expense recognised directly in equity	-	-	(987)	-	-	-	-	(987)	(98)	(1,085)
Loss for the year	-	-	-	-	-	-	(5,414)	(5,414)	415	(4,999)
Total comprehensive loss for the period	-	-	(987)	-	-	-	(5,414)	(6,401)	317	(6,084)
Treasury shares acquired	-	-	-	(92)	-	-	-	(92)	-	(92)
Acquisition of remaining equity in subsidiaries from minority interest	-	-	-	-	-	-	-	-	(5,297)	(5,297)
Share options granted under ESOS recognised in the income statement	-	-	80	-	-	-	-	80	-	80
Issuance of ICULS, net of tax	-	-	-	-	16,215	-	-	16,215	-	16,215
Issuance of warrants	-	-	-	-	-	19,331	-	19,331	-	19,331
Issuance of ordinary shares, pursuant to conversion of ICULS	2,553	-	-	-	(2,549)	-	-	4	-	4
Issuance of ordinary shares, pursuant to exercise of ESOS	1,981	2,946	(1,219)	-	-	-	-	3,708	-	3,708
Expiry of ESOS	-	-	(636)	-	-	-	636	-	-	-
At 31 May 2010	43,181	9,342	(141)	(92)	13,666	19,331	7,525	92,812	475	93,287

(The Unaudited Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Audited Financial Statements for year ended 31 May 2010)

REDTONE INTERNATIONAL BERHAD

(Co number:596364-U)

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW
FOR THE THIRD QUARTER ENDED 28 FEBRUARY 2011**

	9 MONTHS CURRENT FINANCIAL PERIOD 1 Jun 10 to 28 Feb 11 RM'000	PRECEDING YEAR CORRESPONDING YEAR TO DATE 1 Jun 09 to 28 Feb 10 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
(Loss)/Profit Before Taxation	(2,513)	3,746
Adjustments For:		
Non Cash Items	3,017	(3,229)
Non Operating Items	(266)	(16)
Operating Profit Before Working Capital Changes	238	501
Net Changes In Current Assets	1,214	(2,787)
Net Changes In Current Liabilities	(10,270)	(1,604)
	(8,818)	(3,890)
Tax Paid	(193)	-
Net Cash Used In Operating Activities	(9,011)	(3,890)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition Of Subsidiary (Net Of Cash Acquired)	-	(5,650)
Investment In Joint Ventures	-	1
Interest Received	592	218
Proceeds from upliftment of Structured Fund Investment	9	-
Purchase of Property, Plant And Equipment	(3,023)	(3,833)
Expenditure On Intangible Assets	(1,996)	50
Net Cash Used In Investing Activities	(4,418)	(9,214)
CASH FLOWS FROM FINANCING ACTIVITIES		
Treasury shares acquired	(90)	(91)
Proceeds from Finance Lease	-	4,582
Repayment for Finance Lease	(2,583)	(1,270)
Proceeds from Term Loan	-	1,128
Repayment for Term Loan	(118)	(97)
Repayment for Hire Purchase	(20)	129
Proceeds from issuance of ICULS	-	52,124
Cash Received from Issuance of Shares	-	4,927
Net Cash (Used In)/Generated From Financing Activities	(2,811)	61,432
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(16,240)	48,328
EFFECTS OF EXCHANGE RATE CHANGES	(1,774)	(433)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	48,945	27,144
CASH AND CASH EQUIVALENTS AT END OF PERIOD	30,931	75,039
Cash And Cash Equivalents Comprise:		
Cash And Bank Balances	12,541	57,887
Deposits With Licensed Bank	19,083	16,772
	31,624	74,659
Bank Overdraft	(693)	-
Short-Term Investment	-	380
Total cash and cash equivalents	30,931	75,039

(The unaudited Condensed Consolidated Cash Flow Statement should be read in conjunction with the Audited Financial Statements for year ended 31 May 2010)

REDTONE INTERNATIONAL BERHAD
(Co number:596364-U)

A. NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE THIRD QUARTER ENDED 28 FEBRUARY 2011

A1. Basis Of Preparation

The interim financial report is unaudited and has been prepared in accordance with the requirements of the Financial Reporting Standard (FRS) 134: Interim Financial Reporting (previously known as MASB 26) issued by the Malaysian Accounting Standards Board ("MASB") and ACE Listing Requirements of the BMSB.

The interim financial report should be read in conjunction with the audited financial statements for the year ended 31 May 2010.

The following notes 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.

A2. Changes In Accounting Policies

The accounting policies and presentation adopted for the interim financial report are consistent with those adopted for the audited financial statements for the year ended 31 May 2010, except for the adoption of the following revised Financial Reporting Standards ("FRS"), amendment to FRS and Interpretations effective for the financial period beginning on or after 1 July 2009:

FRS 2	Share-based Payment (Vesting Conditions and Cancellations)
Revised FRS 3 (2010)	Business Combinations
FRS 7	Financial Instruments: Disclosures
FRS 8	Operating Segment
Revised FRS 101 (2009)	Presentation of Financial Statements
Revised FRS 127 (2010)	Consolidated and Separate Financial Statements
Revised FRS 139 (2010)	Financial Instruments: Recognition and Measurement
Amendments to FRS 1 and 127	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
FRS 138	Consequential Amendments Arising from Revised FRS 3 (2010)
IC Interpretation 4	Determining Whether An Agreement Contains a Lease
IC Interpretation 10	Interim Financial Reporting and Impairment
IC Interpretation 11	FRS 2: Group and Treasury Share Transactions

(a) FRS 101 (revised) "Presentation of Financial Statements"

The revised standard prohibits the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity in a statement of comprehensive income which can be presented as a single statement or two statements (comprising the income statement and statement of comprehensive income). The Group has elected to present the statement of comprehensive income in two statements. As a result, the Group has presented all owner changes in equity in the consolidated statement of changes in equity whilst all non-owner changes in equity in the consolidation statement of comprehensive income. Certain comparative figures have been reclassified to conform with the current period's presentation. There is no impact on the results of the Group since these changes affect only the presentation of items of income and expenses.

(b) FRS 139 "Financial Instruments: Recognition and Measurement"

The Group classifies its financial assets in the following categories: at fair value through profit or loss and loans and receivables. The classification depends on the nature of the asset and the purpose for which the asset was acquired. Management determines the classification of its financial assets at initial recognition. Set out below are the major changes in classifications of financial assets of the Group:

(i) Loans and receivables

Non-current receivables, previously measured at invoice amount and subject to impairment, are now classified as loans and receivables and measured at fair value plus transaction costs initially and subsequently, at amortised cost using the effective interest method.

When loans and receivables are impaired, the carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss. Impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the asset's original effective interest rate.

In a subsequent period, if the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in profit or loss.

(ii) Fair Value through profit or loss

Financial assets at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in profit or loss. Subsequent to initial recognition, these financial assets are measured at fair value at the date of the statement of financial position with changes in fair value recognised as gains or losses in profit or loss.

In accordance with the transitional provisions for first time adoption of FRS 139, the above changes in accounting policies have been accounted for prospectively and the comparatives as at 31 May 2010 are not restated. The effects of the changes on the accounting policies have been accounted for on 1 June 2010 by adjusting the following opening balances of the Group:

	As previously reported RM'000	Effects of adopting FRS 139 RM'000	After effects of adopting FRS 139 RM'000
<u>Consolidated Statement of Financial Position</u>			
<u>Non-current assets</u>			
Investment in Associates - Quasi Loan	-	15,104	15,104
<u>Current assets</u>			
Trade and Other Receivables	42,784	(15,104)	27,680

A3. Qualification Of Financial Statements

There were no audit qualification on the audited financial statements for Company and the subsidiaries for the financial year ended 31 May 2010.

A4. Nature And Amount Of Exceptional And Extraordinary Items

There were no exceptional or extraordinary items during the current quarter under review.

A5. Changes In Estimates

There were no material changes in estimates for the quarter ended 28 February 2011.

A6. Property, Plant And Equipment

During the quarter under review, the Group did not revalue any of its property, plant and equipment.

A7. Changes In The Composition Of The Group

There are no changes in the composition of the Group during the quarter except for the following:

On 7 March 2011, the Company announced that Shanghai Hongsheng Net Telecommunications Company Ltd, a 100% indirect subsidiary of REDtone Asia Inc, which in turn is a 92.3% subsidiary of the Company, had on 7 March 2011 entered into a Share Sale Agreement with Shanghai QianYue Information Technology Co. Ltd for the acquisition of the entire issued and paid up capital of Shanghai Qianyue Business Administration Co. Ltd ("SQBA") for a total cash consideration of RMB7,900,000 . SQBA is principally involve in the provision of shopping card in Shanghai.

[On 6 April 2011, the Company announced that the acquisition has been completed on 6 April 2011.]

A8. Seasonality Or Cyclicity Of Interim Operations

The Group's operations are not significantly affected by any seasonal or cyclical factors during the period under review.

A9. Debt And Equity Securities

There were no issuances and repayment of debts and equity securities, share buy-back, share cancellation, shares held as treasury shares for the quarter ended 30 November 2010 except for the following:

(a) Share Capital

	Ordinary share of RM0.10 each	
	No of shares	RM
Share capital - issued and fully paid up as at 30.11.2010	440,749,925	44,074,993
Arising from conversion of ICULS	1,450,000	145,000
Share capital as at 28.2.2011	<u>442,199,925</u>	<u>44,219,993</u>

(b) Share buy-back

During the quarter ended 28 February 2011, the Company purchased a total of 160,000 share under the share buyback scheme at an average cost of RM 0.19 per ordinary share for a total cash consideration of RM 30,727 which include transaction costs, and was financed by Company's internally generated funds. Shares purchased to date totalling 846,200 ordinary shares of RM 0.10 each were held as treasury shares in accordance with Section 67A of the Companies Act, 1965 and stated at cost.

A10. Contingent Liabilities

Contingent Liabilities of the Group comprise the following:-

<u>Unsecured</u>	RM'000
Corporate guarantee given to suppliers for supply of services to subsidiaries and an associate	<u>4,630</u>

A11. Off Balance Sheet Financial Instruments

There is no off balance sheet financial instruments as at the date of this report.

A12. Segmental Information

	Individual Quarter		Cumulative Quarter	
	1 Dec 2010 to 28 Feb 2011 RM'000	1 Dec 2009 to 28 Feb 2010 RM'000	1 Jun 2010 to 28 Feb 2011 RM'000	1 Jun 2009 to 28 Feb 2010 RM'000
<u>Revenue by Types of Products:-</u>				
Communication Services	19,729	20,070	62,529	59,787
Computer-Telephony And Other Related Products And Services	975	196	3,567	971
Digital Television Services	251	24	331	135
	<u>20,955</u>	<u>20,290</u>	<u>66,427</u>	<u>60,893</u>
<u>(Loss)/Profit Before Tax:-</u>				
Communication Services	131	789	1,008	4,949
Computer-Telephony And Other Related Products And Services	4	(13)	58	80
Digital Television Services	(1,733)	(553)	(3,579)	(1,283)
	<u>(1,598)</u>	<u>223</u>	<u>(2,513)</u>	<u>3,746</u>

A13. Dividends

There were no dividends declared or paid by the Group for the current quarter under review.

A14. Material Events Subsequent To The End Of The Reporting Period

There were no material transactions or events subsequent to the current quarter ended 28 February 2011 till 25 April 2011 (the latest practicable date which is not earlier than 7 days from the date of issue of this quarterly report) except for the following:

On 8 March 2011, the Company announced that is participating in the Diagnostic Services Nexus under the Healthcare National Key Economic Area of the Economic Transformation Programme. The Company will work with General Electric ("GE") as one of GE's local partner whereby the Company shall provide the broadband and telecommunications infrastructure services.

REDTONE INTERNATIONAL BERHAD
(Co number:596364-U)

B. ADDITIONAL INFORMATION REQUIRED BY THE BURSA MALAYSIA SECURITIES BERHAD LISTING REQUIREMENTS

B1. Review Of Group Results For The Third Quarter Ended 28 February 2011

For the quarter under review, the Group's revenue increased by 3.3% compared to the preceding year corresponding quarter mainly due to revenue contribution from REDtone Asia's operation. The Group has recorded a loss before tax of RM1.598 million for the quarter as compared to profit of RM 0.223 million in the preceding year corresponding quarter. The Q3 2011 loss was mainly due to higher operating costs incurred in the IPTV division.

B2. Current year prospects

The Group's main revenue contributor, broadband and voice business segment, though is operating in a competitive environment, will continue to contribute positively to the Group's performance. The Group will focus on broadband offerings to corporate and enterprise and continue to improve its service quality to retain and grow its customer base. The broadband market in Malaysia is projected to see further strong growth in demand over the next few years. Hence, the Group will continue to invest and expand its network and service operations to capitalize on the opportunity.

On the new IPTV business, the Group will continue its investment in content sourcing, promotion and marketing campaign to create awareness as well as attract more customers. It is also looking at various channels and strategic alliances to accelerate the penetration of IPTV in the local market.

In addition, the Board of Directors will continue to take affirmative cost-containment measures in order to achieve higher operational efficiency. The Group is actively pursuing other opportunities and technology development which are expected to generate favorable results by leveraging on its core competencies.

The 2600 Mhz broadband wireless access spectrum that is made available to REDtone Group recently shall not have any impact to the current year performance of the Group but is expected to contribute positively to the Group performance in the future.

B3. Material Changes In Profit Before Taxation Compared To The Preceding Quarter

	3rd Quarter ended 28 Feb 2011	2nd Quarter ended 30 Nov 2010
Revenue	<u>20,955</u>	<u>21,560</u>
Loss Before Taxation and Minority Interest	<u>(1,598)</u>	<u>(481)</u>

For Q3 FYE 2011, the Group registered a turnover of RM 21 million compared to RM21.6 million for the preceding quarter, which represents a marginal decrease in the Group's revenue.

The loss for the quarter under review was mainly due to higher operating costs incurred in the IPTV division.

B4. Profit forecast

No profit forecast was announced.

B5. Taxation

	Individual Quarter		Cumulative Quarter	
	1 Dec 2010 to 28 Feb 2011 RM'000	1 Dec 2009 to 28 Feb 2010 RM'000	1 Jun 2010 to 28 Feb 2011 RM'000	1 Jun 2009 to 28 Feb 2010 RM'000
Current period provision	261	182	1,132	150

Current quarter tax was mainly due to the tax provision relating to subsidiary companies operating in China.

B6. Profit On Sale Of Unquoted Investments And/Or Properties

There were no disposal of unquoted investment and/or properties for the current quarter and financial year to date.

B7. Investment

The investment in unquoted shares as at 28 February 2011 are summarised as follows:

	RM'000
Total investment at cost	1,334
Total investment at carrying value	1,334
Total investment at market value as at 28 February 2011	1,334

B8. Material Litigation

On 30 August 2010, the Company announced that Redtone Technology Sdn Bhd and Redtone Telecommunications Sdn Bhd lodged a Notice of Dispute to the Singapore International Arbitration Centre following the default of payment of the purchase consideration by Quantum Global Network Inc for the acquisition of Redtone Telecommunications (Pakistan) Pte Ltd.

A sole arbitrator was appointed on 1 March 2011 for the above-mentioned arbitration.

B9. (Loss)/Earnings Per Share

	Individual Quarter		Cumulative Quarter	
	1 Dec 2010 to 28 Feb 2011	1 Dec 2009 to 28 Feb 2010	1 Jun 2010 to 28 Feb 2011	1 Jun 2009 to 28 Feb 2010
Basic (loss)/earnings per share				
(Loss)/Profit Attributable To Equity Holders Of Parent (RM'000)	(1,928)	656	(3,707)	3,424
Weighted Average Number Of Ordinary Shares In Issue ('000)	402,263	386,468	1,204,723	386,468
Basic (Loss)/Earnings Per Share (Sen)	(0.48)	0.17	(0.31)	0.89

B10. Corporate Proposals

There are no corporate developments for the current quarter under review.

B11. Utilisation of Rights Proceeds

On 23 August 2010, the Company announced that there will be a revision to the utilisation of proceeds from the renounceable rights issue of RM40,611,633 nominal value of 10-year 2.75% irredeemable convertible unsecured loan stocks ("Rights Issue").

The proceeds raised from the Rights Issue which was allocated for the capital expenditure for wireless infrastructure shall now be utilised for the working capital of the broadband for office and IPTV operations of the Group.

As at 28 February 2011, the status of the utilisation of proceeds from the Rights Issue is as follows:

Details of Utilisation	Approved RM'000	Revised Utilisation RM'000	Actual Utilisation RM'000	Intended Timeframe for Utilisation	Deviation RM'000	%
Capital Expenditure	38,210	23,210	13,804	Within 3 years	-	N/A
Working Capital	1,802	16,802	12,872	Within 2 years	-	N/A
Estimated expenses for the Rights Issue	600	600	596	Within 1 year	-	N/A
Total	40,612	40,612	27,272		-	

B12. Group Borrowings

As at 28 February 2011, total borrowings of the Group are as follows:

	28 Feb 2011 RM'000	31 May 2010 RM'000
<u>Total Secured</u>		
Leasing facility from IBM Malaysia Sdn. Bhd. which are denominated in Ringgit Malaysia	3,204	5,498
Fixed loan facility from Public Bank Bhd. which are demoninated in Ringgit Malaysia	2,002	2,083
Hire purchase facility from Public Bank Bhd. which are demoninated in Ringgit Malaysia	103	123
Bank overdraft from HSBC Bank Malaysia Berhad	693	4,828
	<u>6,002</u>	<u>12,532</u>
<u>Long Term Borrowings:-</u>		
Lease liability, repayment more than one year	658	2,440
Fixed loan liability, repayment more than one year	1,893	1,974
Hire purchase liability, repayment more than one year	76	96
	<u>2,627</u>	<u>4,510</u>
<u>Short Term Borrowings:-</u>		
Lease liability, repayment less than one year	2,546	3,058
Fixed loan liability, repayment less than one year	109	109
Hire purchase liability, repayment more than one year	27	27
Bank overdraft	693	4,828
	<u>3,375</u>	<u>8,022</u>