REDtone

Changing Rules, Better Alternatives

ANNUAL REPORT 2009

REDTONE INTERNATIONAL BERHAD

(596364-U)

BROADBAND | DATA | VOICE | VALUE ADDED SERVICES (VAS)

REDTONE INTERNATIONAL BERHAD I ANNUAL REPORT 2009

REDtone

Changing Rules, Better Alternatives

REDtone International Bhd (596364-U)

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Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN THAT the **Seventh Annual General Meeting** of the Company will be held at Anggerik Room, 4th Floor, Hotel Equatorial, Jalan Sultan Ismail, 50250 Kuala Lumpur on **Wednesday, 28 October 2009 at 10:00 a.m.** for the following purposes:

AGENDA

1. To receive the Statutory Financial Statements for the financial year ended 31 May 2009 together with the Reports of the Directors and Auditors thereon. **Resolution 1**

2. To approve the payment of Directors' fees amounting to RM154,500.00 in respect of the financial year ended 31 May 2009 (2008: RM132,000.00). **Resolution 2**

3. To re-appoint Messrs Horwath as Auditors of the Company and to authorise the Directors to fix their remuneration. **Resolution 3**

AS SPECIAL BUSINESS:

To consider and if thought fit, to pass the following resolutions as Ordinary Resolutions:

4. **Authority to Issue Shares Pursuant to Section 132D of the Companies Act, 1965 ("the Act")** **Resolution 4**

"**THAT** subject always to the Act and the approvals of the regulatory authorities, the Directors be and are hereby empowered pursuant to Section 132D of the Act to issue shares in the Company, at any time and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit, provided that the aggregate number of shares issued pursuant to this resolution does not exceed 10% of the issued capital of the Company for the time being and that the Directors be and are also empowered to obtain the approval for the listing of and quotation for the additional shares so issued on the Bursa Malaysia Securities Berhad and that such authority shall continue in force until the conclusion of the next AGM of the Company."

5. **Authority to Issue Shares Pursuant to the Employees Share Option Scheme** **Resolution 5**

"**THAT** pursuant to the REDtone International Berhad Employees' Share Option Scheme ("the Scheme") which was approved at the Extraordinary General Meeting held on 10 February 2006, approval be and is hereby given to the Directors to offer and grant options to eligible employees and eligible Directors of the Company and its subsidiary companies ("the Group") and pursuant to Section 132D of the Companies Act, 1965 to issue such number of new ordinary shares of RM0.10 each in the capital of the Company from time to time in accordance with the By-Laws of the Scheme."

6. **Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature** **Resolution 6**

"**THAT** the mandate granted by the shareholders of the Company on 10 November 2008 authorising the Company and/or its subsidiaries to enter into the recurrent transactions of a revenue or trading nature ("RRPTs") as set out in Section 2.5.1 of Part A of the Circular to shareholders dated 6 October 2009 ("the Circular") with the related parties mentioned therein which are necessary for the Company and/or its subsidiaries' day-to-day operations, be and is hereby renewed.

THAT the Company and/or its subsidiaries is hereby authorised to enter into the RRPTs mentioned therein provided that:

(i) the transactions are in the ordinary course of business and are on terms not more favourable to the related parties than those generally available to the public; and

(ii) disclosure of the breakdown of the aggregate value of the transactions conducted during a financial year including the type of the RRPTs made, the names of the related parties involved in each type of the RRPTs made and their relationship with the Company will be disclosed in the Annual Report of the said financial year;

THAT the authority conferred by such renewed mandate shall continue to be in force until:

(i) the conclusion of the next AGM of the Company following the forthcoming AGM at which such mandate is approved, at which time it will lapse, unless by a resolution passed at the meeting, the mandate is renewed;

(ii) the expiration of the period within which the next AGM of the Company after the forthcoming AGM is required to be held pursuant to Section 143(1) of the Act but will not extend to such extension as may be allowed pursuant to Section 143(2) of the Act; or

(iii) revoked or varied by resolution passed by the shareholders in a general meeting,

whichever is earlier;

THAT the Directors of the Company be and are hereby authorised to complete and do all such acts and things as they may consider expedient or necessary to give effect to the Proposed Renewal of Shareholders' Mandate for RRPTs;

AND THAT the estimates given to the RRPTs specified in Section 2.5.1 of Part A of the Circular being provisional in nature, the Directors of the Company be and are hereby authorised to agree to the actual amount or amounts thereof provided always that such amount or amounts comply with the procedures set out in the Section 2.7 of Part A of the Circular."

7. **Proposed Renewal Of Authority To Purchase Its Own Shares By The Company ("Proposed Share Buy-Back")** **Resolution 7**

"**THAT**, subject to the provisions of the Act (as may be amended, modified or re-enacted from time to time), the Company's Articles of Association, Bursa Malaysia Securities Berhad's ("Bursa Securities") ACE Market Listing Requirements and any applicable laws, rules, orders, requirements, regulations and guidelines for the time being in force or as may be amended, modified or re-enacted from time to time and the approvals of all relevant governmental and/or regulatory authorities, the Company be and is hereby authorised to purchase on the market of the Bursa Securities and/or hold such number of the Company's ordinary shares of RM0.10 each ("REDtone Shares") as may be determined by the Directors of the Company from time to time through Bursa Securities upon such terms and conditions as the Directors of the Company may deem fit, necessary and expedient in the interest of the Company provided that:

(i) the total aggregate number of REDtone Shares purchased or to be purchased pursuant to this resolution shall not exceed ten percent (10%) of its total issued and paid-up share capital of the Company for the time being; and

(ii) the maximum fund to be allocated by the Company for the purpose of purchasing the REDtone Shares shall not exceed the retained profits and/or the share premium account of the Company. As at 31 May 2009, the Company's latest audited accumulated losses and share premium account were RM2,396,987 and RM6,396,054 respectively.

THAT in respect of each purchase of REDtone Shares, the Directors of the Company shall have the absolute discretion to decide whether such shares purchased are to be cancelled and/or retained as treasury shares and distributed as dividends or resold on the market of the Bursa Securities or subsequently cancelled.

THAT such authority conferred by such resolution may only continue to be in force until:-

(a) the conclusion of the next AGM of the Company following the forthcoming AGM at which such mandate is approved, at which time it will lapse unless by ordinary resolution passed at that meeting, the authority is renewed, either unconditionally or subject to conditions;

(b) the expiration of the period within which the next AGM after that date is required by law to be held; or

(c) revoked or varied by ordinary resolution passed by the shareholders in general meeting,

whichever occurs first.

AND THAT the Directors of the Company be and are hereby authorised to take all such steps to give full effect to the Proposed Share Buy-Back and to do all such acts and things as the Directors of the Company may deem fit and expedient in the best interests of the Company."

AS ORDINARY BUSINESS:

8. To re-elect Mr. Wei Chuan Beng retiring in accordance with **Article 85** of the Company's Articles of Association and, being eligible, has offered himself for re-election. **Resolution 8**

BY ORDER OF THE BOARD
REDTONE INTERNATIONAL BERHAD

Yeap Kok Leong (MAICSA No. 0862549)
Wong Wai Foong (MAICSA No. 7001358)
Company Secretaries

Kuala Lumpur

Dated: 6 October 2009

Notes:

I) A member of the Company entitled to attend and vote at the above meeting is entitled to appoint not more than two (2) proxies to attend and vote at the same meeting and the appointment shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.

II) A proxy may but need not be a Member or a qualified legal practitioner or an approved company auditor or a person approved by the Registrar.

III) The instrument appointing a proxy shall be in writing under the hand of the appointer or of his attorney authorised in writing or, if the appointer is a corporation, either under the corporation's common seal or under the hand of an officer or attorney duly authorised.

IV) Where a member is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, it may appoint one (1) proxy in respect of each Securities Account which holds with ordinary shares of the Company standing to the credit of the said Securities Account.

V) The instrument appointing a proxy and the power of attorney or other authority (if any), under which it is signed or a duly notarised certified copy of that power or authority, shall be deposited at the Registered Office of the Company at Level 18, The Gardens North Tower, Mid Valley City, Lingkaran Syed Putra, 59200 Kuala Lumpur not less than forty-eight (48) hours before the time for holding the meeting or any adjourned meeting at which the person named in the instrument proposes to vote, and in the case of a poll, not less than forty-eight (48) hours before the time appointed for the taking of the poll, and in default, the instrument of proxy shall not be treated as valid.

VI) Dato' Larry Gan Nyap Liou @ Gan Nyap Liow, who is due for retirement pursuant to Article 85 of the Company's Articles of Association, had indicated to the Company that he does not wish to seek re-appointment at this Annual General Meeting.

Explanatory Notes on Special Business:-

VII) Ordinary Resolution 4 - Section 132D of the Act

In accordance with the Act, the Directors would have to call a general meeting to approve the issuance of the new shares even though the number of shares involved is less than 10% of the issued capital. In order to avoid any delay and cost involved in convening such a general meeting, it is considered appropriate to seek the shareholders' approval for the Directors to issue shares in the Company up to an aggregate amount not exceeding 10% of the issued share capital of the Company for the time being. This authority, unless revoked or varied at a general meeting, will expire at the next AGM of the Company. The Directors did not allot nor issue any shares under the same mandate granted last year. Nevertheless, a renewal for the said mandate as sought to avoid any delay and cost involved in convening such a general meeting.

VIII) Ordinary Resolution 5 – Authority to Issue Shares Pursuant to the Employees' Share Option Scheme

The proposed Ordinary Resolution No. 5 is to empower the Directors to issue ordinary shares from the unissued share capital of the Company pursuant to REDtone International Berhad's Employees' Share Option Scheme.

IX) Ordinary Resolution 6 - RRPTs

For further information, please refer to the Circular to Shareholders dated 6 October 2009 accompanying the Company's Annual Report for the financial year ended 31 May 2009.

X) Ordinary Resolution 7 - Proposed Share Buy-Back

For further information, please refer to the Circular to Shareholders dated 6 October 2009 accompanying the Company's Annual Report for the financial year ended 31 May 2009.

Corporate Information

BOARD OF DIRECTORS

Dato' Larry Gan Nyap Liou @ Gan Nyap Liow
(Chairman/Independent Non-Executive Director)

Wei Chuan Beng
(Managing Director)

Zainal Amanshah bin Zainal Arshad
(Group Chief Executive Officer)

Lau Bik Soon
(Executive Director)

Mathew Thomas A/L Vargis Mathews
(Independent Non-Executive Director)

Shaifubahrim bin Mohd Saleh
(Independent Non-Executive Director)

Dato' Suriah Abd Rahman
(Independent Non-Executive Director)

AUDIT COMMITTEE

Mathew Thomas A/L Vargis Mathews
(Chairman/Independent Non-Executive Director)

Shaifubahrim bin Mohd Saleh
(Member/Independent Non-Executive Director)

Dato' Suriah Abd Rahman
(Member/Independent Non-Executive Director)

NOMINATION COMMITTEE

Dato' Larry Gan Nyap Liou @ Gan Nyap Liow
(Chairman/Independent Non-Executive Director)

Mathew Thomas A/L Vargis Mathews
(Member/Independent Non-Executive Director)

Dato' Suriah Abd Rahman
(Member/Independent Non-Executive Director)

REMUNERATION COMMITTEE

Dato' Larry Gan Nyap Liou @ Gan Nyap Liow
(Chairman/Independent Non-Executive Director)

Shaifubahrim bin Mohd Saleh
(Member/Independent Non-Executive Director)

Dato' Suriah Abd Rahman
(Member/Independent Non-Executive Director)

HEAD OFFICE

Suite 22-30, 5th Floor
IOI Business Park
47100 Puchong
Selangor Darul Ehsan
Telephone no.: 03-8073 2288
Facsimile no.: 03-8073 7940
Website: www.redtone.com
E-mail: info@redtone.com

REGISTERED OFFICE

Level 18, The Gardens North Tower
Mid Valley City
Lingkaran Syed Putra
59200 Kuala Lumpur
Telephone no.: 03-2264 8888
Facsimile no.: 03-2282 2733

COMPANY SECRETARY

Yeap Kok Leong (MAICSA No. 0862549)
Wong Wai Foong (MAICSA No. 7001358)

REGISTRAR

Tenaga Koperat Sdn Bhd
Level 17, The Gardens North Tower
Mid Valley City
Lingkaran Syed Putra
59200 Kuala Lumpur
Telephone no.: 03-2264 3883
Facsimile no.: 03-2282 1886

AUDITORS

Horwath (AF1018)
Chartered Accountants

PRINCIPAL BANKER

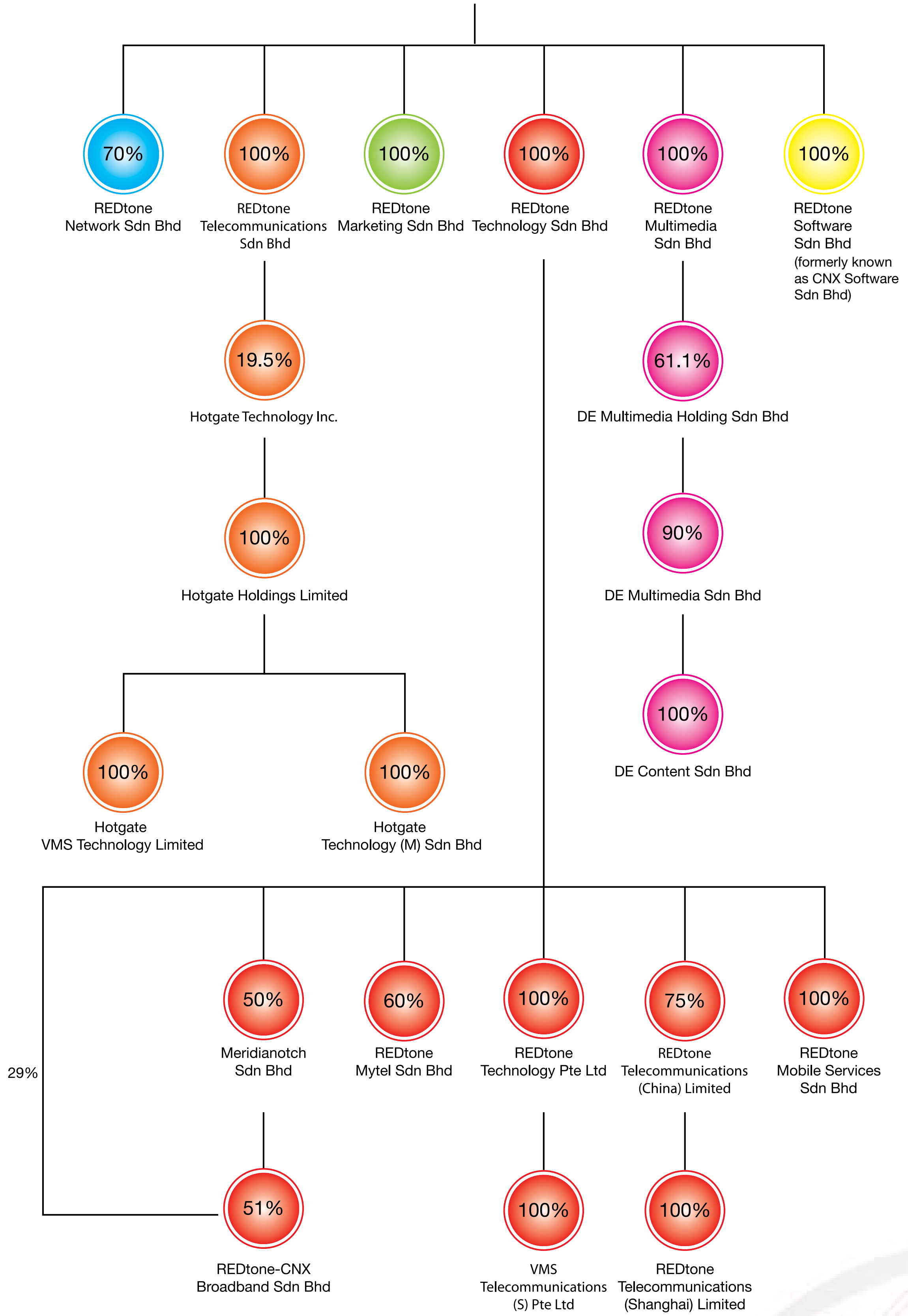
HSBC Bank Malaysia Berhad

LISTING

ACE Market of **Bursa Malaysia Securities Berhad**
Stock Name : **REDTONE**
Stock Code : **0032**

Changing Rules, Better Alternatives

REDTONE INTERNATIONAL BERHAD



Board of Directors

Dato' Larry Gan Nyap Liou @ Gan Nyap Liow
(Chairman/Independent Non-Executive Director)

Wei Chuan Beng
(Managing Director)

Zainal Amanshah bin Zainal Arshad
(Group Chief Executive Officer)

Lau Bik Soon
(Executive Director)

Mathew Thomas A/L Vargis Mathews
(Independent Non-Executive Director)

Shaifubahrim bin Mohd Saleh
(Independent Non-Executive Director)

Dato' Suriah Abd Rahman
(Independent Non-Executive Director)

Dato' Larry Gan Nyap Liou @ Gan Nyap Liow

(Chairman/Independent Non-Executive Director)

Dato' Larry Gan, aged 54, a Malaysian, is the Chairman and was appointed to the Board of Directors of the Company on 1 June 2006. Dato' Larry Gan is a Chartered Accountant and Certified Management Consultant.

Dato' Larry Gan retired in December 2004 from the global Accenture organization, the world's largest management and technology consulting services firm. He spent 26 years with the firm, 16 as Partner, and had many global leadership roles. He was Managing Partner – Malaysia from 1989 to 2004, Managing Partner – ASEAN 1993 - 1996, Managing Partner – ASIA 1997 to 1999 and Managing Partner, Corporate Development, ASIA PACIFIC, 1999 to 2002. He also managed the firm's multi billion dollar Venture Fund in Asia Pacific. Between 1997 and 2004, he was a member of the Global Management Council, and sat on many global management committees governing partner admission, rewards and compensation.

Dato' Larry Gan is the Chairman for Cuscapi Berhad, a Board Member of Tanjong Plc, AmBank (M) Berhad, Tien Wah Press Holdings Berhad, AMDB Berhad, AmIslamic Bank Berhad and Saujana Resort (M) Berhad. He is also on the board of Minority Shareholders Watchdog Group and the British Malaysia Chamber of Commerce.

He has served as Chairman of Association of Computer Industry Malaysia (PIKOM) and the Vice-President of the Association of Asian Oceania Computer Industry Organization and a Member of the Minister of Science & Technology Think Tank, Copyright Tribunal, and the Labuan International Financial Exchange Committee.

Dato' Larry Gan is the Chairman of the Nomination Committee and Remuneration Committee of the Company.

He attended eight (8) out of nine (9) Board Meetings held during the financial year ended 31 May 2009.

Wei Chuan Beng

(Managing Director)

Mr. Wei Chuan Beng, aged 43, a Malaysian, is the Managing Director and was appointed to the Board of Directors of the Company on 15 November 2003. He obtained his Bachelor's Degree in Electrical Engineering from University Technology Malaysia in 1989 and Diploma in Management (Gold Medalist Award Winner) from Malaysia Institute of Management, Kuala Lumpur in 1995. He also completed an Entrepreneur Development Program from the renowned MIT Sloan School of Management in USA in January 2006. He began his career with Hewlett Packard Sales Malaysia Sdn Bhd in 1989 as System Engineer responsible for IT technical and customer relations and was subsequently promoted to Major Account Manager. Having gained the wide exposure in information technology, electronics and telecommunications industry, he began his entrepreneur pursuit by establishing a software development and system integration company, TQC Consultants (IT Division) Sdn Bhd ("TQC") in 1995 until 1996 when it was discontinued when REDtone became active in 1997. At TQC, he managed to grow a company with limited resources to increase shareholders' value and developed marketing strategies for different product lines. He started REDtone Telecommunications Sdn Bhd in 1996 with two other partners. As one of the founding members of the RIB Group, he is instrumental in shaping the Group's business relations and policies. His main responsibilities include management of the Group's overall business, expanding its overseas markets and financial-related matters.

At present, he is the Deputy Chairman for the Association of the Computer & Multimedia Malaysia (PIKOM) and the Deputy Chapter Chair person for the exclusive Young Presidents' Organization (YPO) and a Member of National Broadband Plan Committee in Malaysia.

Mr. Wei attended all nine (9) Board Meetings held during the financial year ended 31 May 2009.

Board of Directors' Profile

Zainal Amanshah Bin Zainal Arshad

(Group Chief Executive Officer)

En. Zainal Amanshah bin Zainal Arshad, aged 42, a Malaysian, is the Group Chief Executive Officer and was appointed to the Board of Directors of the Company on 15 November 2003. He obtained his Bachelor's Degree in Electronic Engineering from University of Kent, UK in 1989. Prior to joining REDtone, he worked for several local and multinational companies including Unisys Malaysia, NCR Malaysia Sdn Bhd, Solsis (M) Sdn Bhd, Xylog Business Solutions Sdn Bhd and Lotus Consulting Malaysia. In 2000, he joined REDtone Telecommunications Sdn Bhd as Executive Director responsible for call centre solutions, system integration services and subsequently for the discounted call business for the Malaysian market. In his current role, he is primarily responsible for the Malaysian business. He is currently a Director of the Malaysian Access Forum Berhad.

He attended all nine (9) Board Meetings held during the financial year ended 31 May 2009.

Lau Bik Soon

(Executive Director)

Mr. Lau Bik Soon, aged 38, a Malaysian, is the Executive Director and was appointed to the Board of Directors of the Company on 13 August 2008. He obtained his First Class Honours Degree in Electrical Engineering from University of Technology Malaysia. Prior to joining REDtone, he was the Country Manager for Hitachi Data Systems Malaysia. Under his leadership, he has strengthened the organization and company's channel partner, and helped the company grow its business in Malaysia.

He also brings to REDtone more than 14 years' of experience in the ICT and Telecommunication industry and in-depth understanding of the requirements of most organisations in Malaysia, be it small, medium or large enterprises. He has held numerous key positions including Sales Director, Partner Sales Manager, Enterprise Division Account Manager, Business Development Manager, Systems Engineer and R&D Engineer with organizations such as Cisco Systems, Sun Microsystems, Compaq Computer, TQC Consultant (IT Division) Sdn Bhd and Motorola Penang.

During his tenure with these organizations, he has attained various partner management excellence awards and has also won many accolades as a high achiever in sales.

He attended eight (8) Board Meetings held during the financial year ended 31 May 2009.

Mathew Thomas A/L Vargis Mathews

(Independent Non-Executive Director)

Mr. Mathew Thomas A/L Vargis Mathews, aged 53, a Malaysian, is the Independent Non-Executive Director of the Company and was appointed to the Board of Directors of the Company on 15 November 2003. He obtained his Chartered Association of Certified Accountants (UK) qualification from London in 1985. He is currently a Fellow of the Chartered Association of Certified Accountants, UK. He began his career in a small audit practice and after qualifying, joined Ernst & Whinney (now known as Ernst & Young) in 1987. In 1990, he left to start up his own audit and accounting practice and is currently the Managing Partner of Mathew & Partners, Chartered Accountants. He is an approved Company Auditor licensed by the Ministry of Finance. Currently, he sits on the boards of several private limited companies in Malaysia including Mathew & Partners Consulting Sdn Bhd, Westar Corporation Sdn Bhd and Ultimate Class Sdn Bhd. He is also a member of the Malaysian Institute of Accountants (MIA) and the Malaysian Institute of Taxation.

Mr. Mathew Thomas is the Chairman of the Audit Committee. He is also a member of the Nomination Committee of the Company.

He attended eight (8) out of nine (9) Board Meetings held during the financial year ended 31 May 2009.

Shaifubahrim Bin Mohd Saleh

(Independent Non-Executive Director)

En. Shaifubahrim bin Mohd Saleh, aged 49, a Malaysian, is the Independent Non-Executive Director of the Company and was appointed to the Board of Directors of the Company on 15 November 2003. He obtained his Bachelor Degree in Computer Science, University Sains Malaysia in 1983. He has been in the IT industry for the last 24 years. He began his career as a marketing representative at IBM Malaysia before joining Logica Plc in 1988. Subsequently, he was attached to Oracle System and Data General before serving Banyan Systems, Asia Region as Managing Director. He was appointed as Managing Director of Aironet Wireless Communication Inc. in 1999. Subsequently, after the acquisition of Aironet by Cisco System Inc., in 2000, he was appointed as the Managing Director of Cisco System (Malaysia) Sdn Bhd. Currently, he sits on the board of several private limited companies. He is currently Chairman of Frontline Group of Companies and an Advisor to Persatuan Industri Komputer dan Multimedia Malaysia, PIKOM.

En. Shaifubahrim is also a member of the Audit Committee and Remuneration Committee of the Company.

He attended all nine (9) Board Meetings held during the financial year ended 31 May 2009.

Dato' Suriah Abd Rahman

(Independent Non-Executive Director)

Dato' Suriah Abd Rahman, aged 59, a Malaysian, is the Independent Non-Executive Director of the Company and was appointed to the Board of Directors of the Company on 3 September 2008. She obtained her Bachelor of Arts (Honors) from University Malaya and Master of Arts from Leeds University, United Kingdom. She served under various capacities with the Government of Malaysia as Administrative and Diplomatic Officer (PTD) from 1972 to 2005. During this period, among the positions she held was as Deputy Director General, Implementation Coordination Unit, Prime Minister Department, Deputy Secretary General Ministry of Energy, Communications and Multimedia, and her last held position with the Government was as the Secretary General of Ministry of Science, Technology and Innovation. She served as advisor to the Minister of Science, Technology and Innovation from January to December 2006.

From 2000 to 2004, she served in multiple capacities as Board Member and Alternate Director in organizations such as Bank Simpanan Nasional, Multimedia Development Corporation, Pos Malaysia Berhad and Telekom Malaysia. From 2004 to 2005, she served as Board Member in Malaysia Trade Development Corporation, MIMOS Berhad, Multimedia Development Corporation, SIRIM Berhad, Technology Park Malaysia, an Alternate Chairman in Malaysian Standard and Accreditation Council, a Commission Member in Malaysian Communications and Multimedia Commission and an Advisory Board in National Science Centre.

Presently, she sits on the Board of Nine Bio Sdn Bhd, Universiti Putra Malaysia and MIMOS Berhad.

Dato' Suriah is also a member of the Audit Committee, Nomination Committee and Remuneration Committee of the Company.

She attended seven (7) Board Meetings held during the financial year ended 31 May 2009.

Notes:

None of the above Directors has:

- Family relationship with any Director and/or major shareholder of the Company.
- Conflict of interest with Company except for Encik Zainal Amanshah bin Zainal Arshad and Encik Shaifubahrim bin Mohd Saleh as disclosed in page 20.
- Conviction for offences within the past 10 years other than traffic offences.

Chairman's and Group Managing Director's Letter to Shareholders

Wei Chuan Beng
(Managing Director)

Dato' Larry Gan Nyap Liou @ Gan Nyap Liow
(Chairman/Independent Non-Executive Director)

"We are now a full-service communications provider and our focus, moving forward, will be on Data and Broadband as key revenue growth drivers."

FINANCIAL PERFORMANCE

Fiscal year 2009 was indeed a challenging period. The economic environment remained tough. Our revenue dropped to RM86.61 million for FY ended 31 May 2009 from RM126.42 million in the previous year mainly due to a drop in the Voice business, discontinued operations in Pakistan and a change in the accounting practice in revenue recognition for our China operations. However, there is also positive news – we saw encouraging revenue growth in the local Data and overseas Voice business.

The Group's loss after tax was reduced to RM6 million from the previous year's RM6.80 million. The main contributing factors to the loss after tax were a dip in revenue and losses from the cessation of the Pakistan business and new investment in IPTV (Internet Protocol Television).

OVERVIEW OF DEVELOPMENTS

We made significant headway in turning REDtone into a full-service communications provider. Our ***Data*** and ***Broadband*** services are gaining ground amongst the corporate and SME segments while our ***Voice*** services continue to remain the number one choice with our business customers.

We achieved a rapid increase in the number of customers using our Data services. Riding on technologies such as ethernet, WiMAX, WiFi, satellite, BPL, ADSL, fiber, wireless point to point and wireless point to multipoint to build our own last-mile solutions has proven a success. In the period under review, some 600 customers including large organizations and listed companies in Peninsular Malaysia have signed up for our Data services.

We also launched our ***Broadband*** service in Sabah and Sarawak where we have the 2.3GHz spectrum. A total of eight base stations were established in high-traffic areas in Kota Kinabalu and Kuching. Response from our target segments, namely the corporate sector, SMEs and SoHos, has been encouraging.

We demonstrated our capability in designing, building, operating and maintaining a complete end-to-end broadband solutions network with WiFi as the last mile when we launched the Penang Free WiFi project in Penang. Under this project, free wireless broadband service is provided at hotspots throughout the island and mainland.

The fiercely competitive ***Voice*** segment saw a decline in both revenue and margins, as expected. We continued to offer value-add services and value-for-money packages to retain the approximate ten thousand post-paid business customers that we have. Our expertise and proven track record in the discounted call space was recognized yet again for the 3rd time when we won Frost & Sullivan's 2009 Alternative Voice Service Provider Of The Year Award (we first picked up the award in 2005 and again, in 2007).

Chairman's and Group Managing Director's Letter to Shareholders

Following our ***MVNO*** (mobile virtual network operator) collaboration with Celcom, we took the time to develop and fine-tune our business model. Backed by our belief that the mobile industry's growth moving forward will be driven by niche and innovative products and services, our strategy will be to focus on market segments that we are familiar with and to offer a creative business model.

In the ***Content*** segment where we are the 1st Chinese IPTV service in the country, we continued to market our services (under the DETV brand) to the Chinese community. The number of subscribers as at end May 2009 was approximately 2,000.

On the international front, we exited from the Pakistan operations to stem losses. Our China business on the other hand, is shaping up well and though the profit was small, it has strong growth potential.

Due to insurmountable challenges faced by TravelFon, we discontinued the service in 2008.

CORPORATE SOCIAL RESPONSIBILITY

Following the earlier launch of our REDtone ICT Chinese Education Portal, www.redtone-ict.com.my, which seeks to create a quality ICT platform for all Chinese primary schools nationwide to enhance students' learning skills and to encourage knowledge sharing, we now have more than 12,000 active users in Peninsular and East Malaysia. During the year under review, we continued to drive interest in the portal by initiating an online essay writing contest for all SRJKC (Sekolah Rendah Jenis Kebangsaan Cina) students where we received over 4,000 entries.

LOOKING AHEAD

As we gradually reduce our dependency on the Voice segment, we will focus our resources to aggressively market our ***Data*** and ***Broadband*** services. We expect both segments to become the major revenue and profit contributors eventually. Our aim is to be the broadband expert for offices as we position ourselves to tap into the tremendous growth potential in the business segment for broadband services.

We have and will continue to tender for USP (universal service provision) and broadband projects including those initiated by the government.

For East Malaysia, we expect to establish up to 30 base stations in Sabah and Sarawak over the next one year. While we strive to sign up more subscribers, we will also be prudent in our investment.

Following the launch of REDtone Mobile (with 015 prefix) this July, we are optimistic of a good uptake as we have a strong sales proposition that seeks to reward subscribers with extra income and incentives.

In August this year, our subsidiary, De Multimedia Sdn Bhd, inked a collaboration agreement with China International Communications Co Ltd to broadcast the Great Wall Channels to its subscribers in Malaysia. The deal is for a period of three years and will further boost our efforts to grow our subscriber base.

In China, while the Voice business is at a healthy level currently, it may not be sustainable in the long-term as what's happening here in Malaysia and in other markets. We anticipate a drop in two years in the Voice business in China. As such, we need to look at other core businesses to complement the Voice business and towards this end, our strategy moving forward will be to look at possible acquisitions of complementary businesses.

OUR APPRECIATION

Moving forward, competition will only get keener in the telecoms space. We will do our utmost best to strengthen the Group and to improve our financial status. Having taken in the full losses of the Pakistan operations in FY '09, we anticipate a much improved year ahead, and are confident that the Group will be back on a profitable track.

To our shareholders, customers, business associates, colleagues and everyone else who have supported us, thank you.

DATO' LARRY GAN
Chairman

WEI CHUAN BENG
Group Managing Director

Corporate Governance Statement

A Statement of Corporate Governance is a means to communicate to stakeholders the philosophy, policies, practices and generally the operating culture adopted by the organisation in the pursuit of its goals and objectives. In the attainment of this purpose, the Board of Directors of REDtone International Berhad and its group of companies set out below the various concepts, principles and practices that were adopted with regard to their governance framework.

The Board of Directors ("Board") of REDtone International Berhad appreciates the importance of embedding corporate governance best practices in the business and affairs of the Company and the Group and views corporate governance as synonymous with transparency, accountability and outstanding corporate performance. The Board is fully committed to sustaining its high standards of corporate governance with the goal of ensuring that the Group is in the forefront of good governance and is recognised as an exemplary organisation in this respect by further supporting and implementing the prescriptions of the Principles and Best Practices set out in Parts 1 and 2 of the Malaysian Code on Corporate Governance ("Code").

STATEMENT OF PRINCIPLES

The following sets out the manner in which the Principles in Part 1 of the Code have been applied by the Company and are under the headings of Board of Directors, Directors' Remuneration, Shareholders and Investors, and Accountability and Audit.

A. BOARD OF DIRECTORS

Board Responsibilities

The Company is led and controlled by an effective and committed Board that has the overall responsibility to protect and enhance shareholder value. The Company acknowledges the pivotal role played by the Board of Directors in the stewardship of its strategic business direction and ultimately in the enhancement of its long-term shareholder value. Key responsibilities of the Board include the primary responsibilities prescribed under the Best Practices Provision AA I in Part 2 of the Code.

The Board remains resolute and upholds its responsibility in governing, guiding and monitoring the direction of the Company with the eventual objective of enhancing long term sustainable value creation aligned with shareholders' interests whilst taking into account the long term interests of all stakeholders, including shareholders, employees, customers, business associates and the communities in which the Group conducts its business.

The Board assumes responsibility for the following matters:

- Reviewing and adopting a corporate strategy for the Group
- Succession planning including appointing, training and monitoring management
- Developing and implementing an effective public communications program for the Group
- Reviewing the adequacy and integrity of the Group's internal control systems and management information systems, including system for compliance with applicable laws, regulations, rules, directives and guidelines
- Developing an effective framework for identifying and monitoring significant business risks

Board Committees

The Board has established and delegated specific responsibilities to three (3) Committees of the Board, which operate within clearly defined written Terms of Reference in order to enhance business and operational efficiencies as well as efficacies. The Board Committees deliberate issues on a broad and in-depth basis before putting up any recommendation to the Board for approval. The Board receives all minutes and reports of their proceedings and deliberations, where relevant. The Chairmen of the various Committees report to the Board on the outcome of Committee meetings. Such reports are usually incorporated in the minutes of the full Board meetings.

The Committees of the Board currently are:

- The Audit Committee;
- The Nomination Committee; and
- The Remuneration Committee

A. BOARD OF DIRECTORS (Cont'd)

Board Composition and Balance

The Board is comprised of members drawn from various professional backgrounds. This brings depth and diversity in experience, expertise and fresh perspectives to the Group's business operations.

The Board consists of a total of seven (7) Directors and the status of their directorship is as follows:

DIRECTORS	STATUS
Dato' Larry Gan Nyap Liou @ Gan Nyap Liow	Non Executive Independent
Mr. Wei Chuan Beng	Executive Non Independent
Encik Zainal Amanshah bin Zainal Arshad	Executive Non Independent
Mr. Lau Bik Soon	Executive Non Independent
Mr. Mathew Thomas A/L Vargis Mathews	Non Executive Independent
Encik Shaifubahrim bin Mohd Saleh	Non Executive Independent
Dato' Suriah Abd Rahman	Non Executive Independent

REDtone International Berhad complies with the Bursa Malaysia Securities Berhad ("Bursa Securities")'s ACE Market Listing Requirements with regards to board composition and the required ratio of independent directors. The profiles of the Directors are set out on pages 9 to 11 of this Annual Report.

The Board is of the opinion that its current composition and size contribute to an effective Board. The Independent Non-Executive Directors, possess the calibre necessary, bring added objectivity to the Board's decision making process.

The roles of the Chairman and the Managing Director are segregated and clearly defined by their individual position descriptions. The Chairman is responsible for running the Board and ensures that all Directors receive sufficient and relevant information on financial and non-financial matters to enable them to participate actively in Board decisions. The Managing Director is responsible for the day-to-day management of the business as well as the implementation of Board policies and decisions.

The Board will, from time to time, review its composition and size to ensure it fairly reflects the investments of the shareholders of the Company.

Re-Election of Directors

An election of Directors will take place at each Annual General Meeting whereby one-third of the Directors for the time being or if their number is not three (3) or multiple of three (3) then the number nearest to one-third shall retire from office and eligible to offer themselves for re-election. This provides an opportunity for shareholders to renew their mandate. New Directors appointed by the Board are subject to re-election by the shareholders at the next Annual General Meeting following their appointments.

A. BOARD OF DIRECTORS (Cont'd)

Meetings

During the financial year ended 31 May 2009, the Board met on nine (9) occasions, deliberating upon and considering a variety of matters including the Group's financial results, major investments, strategic decisions and the overall direction of the Group.

Agenda and matters for discussion are prepared and circulated in advance of each meeting. All proceedings from Board meetings are recorded and the minutes are maintained by the Company Secretary.

Details of Directors' attendance at meetings of the Board during the financial year under review are as follows:

DIRECTOR	ATTENDANCE
Dato' Larry Gan Nyap Liou @ Gan Nyap Liow (Chairman)	8/9
Mr. Wei Chuan Beng	9/9
Encik Zainal Amanshah bin Zainal Arshad	9/9
Mr. Mathew Thomas A/L Vargis Mathews	8/9
Encik Shaifubahrim bin Mohd Saleh	9/9
Mr. Tan Gee Sooi (resigned on 22 July 2008)	N/A
Mr. Cheang Kwan Chow (appointed on 22 July 2008; resigned on 2 January 2009)	4/5
Dato' Suriah Abd Rahman (appointed on 3 September 2008)	7/7
Mr. Lau Bik Soon (appointed on 13 August 2008)	8/8

Supply of Information

All members of the Board are supplied with information in a timely manner. Board reports and papers are circulated prior to Board meetings to enable Directors to obtain further information and explanations, where required, before the meetings.

Each Director has unhindered access to information pertaining to the Group's business and affairs to enable them to discharge their duties. In addition, certain matters are reserved specifically for the Board's decision. These include approval of material acquisitions and disposals of assets, major corporate plans, financial results, and Board appointments.

The Directors also have direct access to the advice of the Company Secretary, independent professional advisors and internal and external auditors, as and when appropriate, at the Company's expense.

Appointments to the Board

Nomination Committee

The Nomination Committee is responsible for identifying and recommending to the Board suitable nominees for Board appointments. The Committee is also responsible on the evalution of Directors' performance. Ultimate responsibility and final decisions on all matters, however, lies with the Board.

A. BOARD OF DIRECTORS (Cont'd)

Appointments to the Board (Cont'd)

The Nomination Committee comprises the following members in the financial year under review and their attendance at meetings is as follows:

MEMBERS	ATTENDANCE
Dato' Larry Gan Nyap Liou @ Gan Nyap Liow (Chairman)	2/2
Mr. Mathew Thomas A/L Vargis Mathews	2/2
Encik Shaifubahrim bin Mohd Saleh (resigned on 11 November 2008)	2/2
Mr. Cheang Kwan Chow (appointed on 29 July 2008; resigned on 2 January 2009)	1/1
Dato' Suriah Abd Rahman (appointed on 11 November 2008)	N/A

Directors' Training

The Board, through the Nomination Committee, ensures that it recruits only individuals of sufficient calibre, knowledge, and experience to appropriately perform the duties of Director. As at the end of the financial year under review, all Directors have successfully completed the Mandatory Accreditation Programme.

During the financial year under review, the Directors have attended and participated in various programmes and seminars which they have individually or collectively considered as relevant and useful in contributing to the effective discharge of their duties as Directors. The programmes and seminars attended by them individually or collectively included areas of economy, technology, leadership, strategic management, tax and regulatory updates.

B. DIRECTORS' REMUNERATION

Remuneration Committee

The Remuneration Committee comprises the following members in the financial year under review and their attendance at meetings is as follows:

MEMBERS	ATTENDANCE
Dato' Larry Gan Nyap Liou @ Gan Nyap Liow (Chairman)	1/1
Mr. Mathew Thomas A/L Vargis Mathews (resigned on 11 November 2008)	1/1
Encik Shaifubahrim bin Mohd Saleh	1/1
Mr. Cheang Kwan Chow (appointed on 29 July 2008; resigned on 2 January 2009)	N/A
Dato' Suriah Abd Rahman (appointed on 11 November 2008)	N/A

The Committee is responsible for recommending the remuneration framework for Executive Directors and Senior Management staff. In formulating the recommended framework and levels of remuneration, the Committee has considered information prepared by management and independent consultants and survey data on the remuneration practices of comparable companies.

B. DIRECTORS' REMUNERATION (Cont'd)

Remuneration Committee (Cont'd)

The Board, as a whole, determines the remuneration of Non-Executive Directors, with each Director concerned abstaining from any decision as regards his remuneration. Taking into account the performance of the Group and the responsibilities and performance of the Directors, Directors' fees are set in accordance with a remuneration framework comprising responsibility fees and attendance fees. The Company pays its Directors an annual fee which is approved annually by shareholders. Details of the nature and amount of each major element of the remuneration of Directors of the Company, during the financial year, are as follows:

Remuneration (RM)	Executive Directors	Non-Executive Directors
Salaries	839,904	–
Fees	–	154,500

The number of Directors whose remuneration fell within the respective bands is as follows:

Range of Remuneration (RM)	Executive Directors	Non-Executive Directors
50,000 and below	–	3
50,001 to 100,000	–	1
100,001 to 150,000	–	–
150,001 to 200,000	–	–
200,001 to 250,000	1	–
250,001 to 300,000	1	–
300,001 and above	1	–

C. SHAREHOLDERS AND INVESTORS

Communication

The Company recognizes the importance of communicating with its shareholders and other stakeholders and does this through the Annual Reports, Annual General Meetings and the various disclosures and announcements made to Bursa Securities. At the Annual General Meeting, the shareholders are encouraged to ask questions both about the resolutions being proposed or about the Group's operations in general.

In addition, the Company makes various announcements through Bursa Securities, in particular, the timely release of the quarterly results within two (2) months from the close of a particular quarter. Summaries of the quarterly and full year results and copies of the full announcements are supplied to shareholders and members of the public upon request. Members of the public can also obtain the full financial results and Company announcements from the Bursa Securities website.

Investor Relations

Along with good corporate governance practices, the Company has embarked on appropriate corporate policies to provide greater disclosure and transparency through all its communications with its shareholders, investors and the general public. The Company strives to promote and encourage bilateral communications with its shareholders through participation at its general meetings and also ensures timely dissemination of any information to investors, analysts and the general public.

The Group maintains the following website that allows all shareholders and investors access to information about the Group: www.redtone.com

D. ACCOUNTABILITY AND AUDIT

Financial Reporting

The Board aims to provide a balanced and meaningful assessment of the Group's financial performance and prospects at the end of the financial year, primarily through the annual financial statements, quarterly announcements of results to shareholders and the Chairman's Statement in the Annual Report. The Board is assisted by the Audit Committee in overseeing the Group's financial reporting processes and the quality of its financial reporting.

Internal Control

The Board has overall responsibility for maintaining a system of internal control and risk management that provides a reasonable assurance of effective and efficient operations and compliance with laws and regulations, as well as with internal procedures and guidelines.

The Statement of Internal Control furnished on pages 28 to 30 of this Annual Report provides an overview of the internal control framework within the Group during the financial year under review.

Relationship with the Auditors

The Company has established a transparent arrangement with the Auditors to meet their professional requirement. Key features underlying the relationship of the Audit Committee with the Internal and External Auditors are included in the Audit Committee Report on pages 22 to 27 of this Annual Report.

A summary of the activities of the Audit Committee during the financial year under review, including an evaluation of the independent audit process is also set out in the Audit Committee Report.

Internal Audit

In the pursuit of greater independence in the internal audit function, the internal audit function continued to be outsourced during the financial year under review to Messrs Stanco & Ruche Consulting, a company specialising in the provision of internal audit services.

A summary of the activities of the Audit Committee and the Internal Auditors during the financial year under review is set out in the Audit Committee Report.

Additional Compliance Information

Options, Warrants or Convertible Securities

No options, warrants or convertible securities were issued during the financial year under review.

Non Audit Fees

The amount of non-audit fees paid to the External Auditors by the Company for the financial year ended 31 May 2009 was RM16,300 (2008: RM11,950).

Recurrent Related Party Transactions ("RRPT")

The aggregate value of recurrent related party transactions of revenue nature conducted during the financial year ended 31 May 2009 in accordance with the shareholders' mandate were as follows:

COMPANY	TRANSACTING PARTY	NATURE OF RELATIONSHIP	1.6.2008 TO 31.5.2009 RM'000	NATURE OF TRANSACTION
REDtone Marketing Sdn Bhd ("RMSB")	REDtone Mytel Sdn Bhd ("RMT")	Note (a)	5,910	RMSB sells call bandwidth to RMT.
RMSB and/or REDtone-CNX Broadband Sdn Bhd ("RCNX")	eB Technologies (M) Sdn Bhd ("eBT")	Note (b)	364	RMSB and/or RCNX provide outsourced services including call center, technical support services, consultancy and administrative services to eBT.
RMSB and/or RCNX	eBT	Note (b)	193	RMSB and/or RCNX provide broadband infrastructure and related services to eBT.
RMSB and/or RCNX	eBT	Note (b)	72	Annual rental for the usage of broadband equipment.
RMSB and/or RCNX	eBT	Note (b)	137	Sale of internet transit bandwith.

Notes:

(a) (i) RMSB is a wholly owned subsidiary of REDtone International Berhad ("RIB").
(ii) REDtone Technology Sdn Bhd ("RT"), a wholly owned subsidiary of RIB.
(iii) RT holds 60% in RMT while Lai Kim Choy, holds 40% equity interest in RMT.

(b) (i) RIB and eB Capital Berhad (the holding company of eBT) have common direct and indirect substantial shareholders namely Juara Sejati Sdn Bhd, Berjaya Capital Berhad, Bizurai Bijak (M) Sdn Bhd, Berjaya Group Berhad, Berjaya Corporation Berhad, Hotel Resort Enterprise Sdn Bhd and Tan Sri Dato' Seri Vincent Tan Chee Yioun.

(ii) Zainal Amanshah bin Zainal Arshad is a Director of RMSB, RCNX, RIB and eB Capital Berhad. Shaifubahrim bin Mohd Saleh is also a Director of RIB and eB Capital Berhad. Both of them have resigned as Directors of eB Capital Berhad with effect from 15 April 2009.

Additional Compliance Information

Revaluation of Landed Property

The Group has one property that falls within the definition of investment property. The Group adopts the fair value approach for this investment property and valuations are done annually.

Share Buy-Backs

During the financial year under review, the Company did not enter into any share buy-back transactions.

Sanctions and/or Penalties

In the financial year ended 31 May 2009 there were no sanctions and/or penalties imposed on the Company and its subsidiaries, Directors or management by any regulatory body.

Variance in Profit Estimates, Forecasts or Projections

There were no significant variances noted between the reported results and the unaudited results announced. The Company did not make any release on the profit estimates, forecasts or projections for the financial year.

Profit Guarantees

There were no profit guarantees given by the Company during the financial year.

Material Contract Involving Directors and Substantial Shareholders

The Company and its subsidiary companies have not entered into any material contracts outside the ordinary course of business, involving Directors and substantial shareholders since the end of the previous financial year.

Depository Receipt ("DR") Programme

During the financial year, the Company did not sponsor any DR programme.

STATEMENT OF COMPLIANCE

The Group has complied throughout the financial year ended 31 May 2009 with all the Best Practices of Corporate Governance set out in Part 2 of the Code.

Audit Committee Report

TERMS OF REFERENCE

The Audit Committee was established to act as a Committee of the Board of Directors to fulfill its fiduciary responsibilities in accordance to the Audit Committee Charter of REDtone International Berhad. The Audit Committee shall assist the Board of Directors to review the adequacy and integrity of the Group's financial administration and reporting, internal control and risk management systems including the management information systems and systems for compliance with applicable laws, regulations, rules, directives and guidelines.

1.0 COMPOSITION

1.1 The Committee shall fulfill the following requirements :-

(a) the Committee must be composed of no fewer than three (3) members;

(b) all members of the Audit Committee shall be Non-Executive Directors and financially literate, a majority of the Committee must be Independent Directors; and

(c) at least one (1) member of the Committee:

(i) must be a member of the Malaysian Institute of Accountants; or

(ii) if he is not a member of the Malaysian Institute of Accountants, he must have at least three (3) years' working experience and:

(aa) he must have passed the examinations specified in Part 1 of the 1st Schedule of the Accountants Act 1967; or

(bb) he must be a member of one of the associations of accountants specified in Part II of the 1st Schedule of the Accountants Act 1967; or

(iii) be a holder of a degree/ masters/ doctorate in accounting or finance and has at least three (3) years' post qualification experience in accounting or finance; or

(iv) have at least seven (7) years' experience being a chief financial officer of a corporation or having the function of being primarily responsible for the management of the financial affairs of a corporation; or

(v) fulfils such other requirement as prescribed by the Exchange.

1.2 The members of the Committee shall elect a Chairman from among themselves who shall be an Independent Non-Executive Director.

1.3 No Alternate Director should be appointed as a member of the Committee.

1.4 In the event of any vacancy in the Committee resulting in the non-compliance of the ACE Market Listing Requirements of Bursa Securities Malaysia Berhad pertaining to composition of Audit Committee, the Board of Directors shall within three (3) months of that event fill the vacancy.

1.5 The terms of office and performance of the Committee and each of its members must be reviewed by the Board of Directors at least once every three (3) years to determine whether the Committee and its members have carried out their duties in accordance with their terms of reference.

1.6 The internal audit function must be independent of the activities it audits and reports directly to the Audit Committee.

2.0 MEETINGS

2.1 Frequency

2.1.1 Meeting shall be held at least four (4) times annually, or more frequently if circumstances so require the Committee to do so.

2.1.2 Upon the request of the external auditor, the Chairman of the Committee shall convene a meeting of the Committee to consider any matter the External Auditors believe should be brought to the attention of the Directors or shareholders.

2.2 Quorum

2.2.1 A quorum shall consist of a majority of Independent Directors. In the absence of the Chairman, the members present shall elect a Chairman for the meeting from amongst the members present.

2.3 Secretary

2.3.1 The Company Secretary shall be the Secretary of the Committee or in his absence, another person authorised by the Chairman of the Committee. The Secretary in conjunction with the Chairman shall draw up an agenda which shall be circulated at least one (1) week before each meeting to members of the Committee.

2.4 Attendance

2.4.1 The Head of the Finance Department and the Head of Internal Audit (where such a function exists) shall normally attend meetings.

2.4.2 Other Directors, employees and a representative of the External Auditors may attend any particular meeting only at the Committee's invitation, specific to the relevant meeting.

2.5 Reporting Procedure

2.5.1 The minutes of each meeting shall be circulated to all members of the Board.

2.6 Meeting Procedure

The Committee shall regulate its own procedure, in particular:-

(a) the calling of meetings;

(b) the notice to be given of such meetings;

(c) the voting and proceedings of such meetings;

(d) the keeping of minutes; and

(e) the custody, production and inspection of such minutes.

3.0 RIGHTS

The Committee shall:

(a) have authority to investigate any matter within its terms of reference;

(b) have the resources which it needs to perform its duties;

(c) have full and unrestricted access to any information pertaining to the Company and group;

(d) have unrestricted access to the Senior Management of the Company and group;

(e) have direct communication channels with the External Auditors and person(s) carrying out the internal audit function or activity;

(f) be able to obtain external professional advice or other advice in the performance of its duties;

(g) be able to convene meetings with External Auditors, Internal Auditors or both, excluding the attendance of the other directors and employees whenever deemed necessary; and

(h) be able to invite outsiders with relevant experience to attend its meeting, whenever deemed necessary.

4.0 FUNCTIONS

The Committee shall, amongst other, discharge the following functions:

4.1 To review

(a) the quarterly results and year end financial statements, prior to the approval by the Board of Directors, focusing particularly on:

(i) the going concern assumption;

(ii) changes in or implementation of major accounting policy changes;

(iii) significant and unusual events; and

(iv) compliance with accounting standards and other legal requirements.

(b) any related party transaction and conflict of interest situation that may arise within the Company or group including any transaction, procedure or course of conduct that raises questions of management integrity.

(c) with the External Auditors:

(i) the audit plan;

(ii) his evaluation of the system of internal controls;

(iii) his audit report;

(iv) his management letter and management's response; and

(v) the assistance given by the Company's employees to the External Auditors.

4.0 FUNCTIONS (Cont'd)

4.2 To review the effectiveness of the internal control, management information system and management's risk management practices and procedures.

4.3 In respect of the appointment of external auditors:

(a) to review whether there is reason (supported by grounds) to believe that the external auditors is not suitable for reappointment;

(b) to consider the nomination of a person or persons as external auditors and the audit fee; and

(c) to review any letter or resignation from the external auditors of the Company.

4.4 In respect of the internal audit function:

(a) to review the adequacy of the scope, functions, competency and resources of the internal audit function and that it has the necessary authority to carry out its work;

(b) to review the internal audit programme, processes, the results of the internal audit programme, processes or investigation undertaken and whether or not appropriate action is taken on the recommendations of the internal audit function;

(c) to review any appraisal or assessment of the performance of members of the internal audit function;

(d) to approve any appointment or termination of senior staff members of the internal audit function; and

(e) to cognisance of resignations of internal audit staff member and provide the resigning staff member an opportunity to submit his reasons for resigning.

4.5 To promptly report such matter to Bursa Securities if the Committee is of the view that the matter reported by it to the Board of Directors has not been satisfactorily resolved resulting in a breach of the Listing Requirements.

4.6 To carry out such other functions as may be agreed to by the Committee and the Board of Directors.

Audit Committee Report

THE AUDIT COMMITTEE REPORT IN RESPECT OF THE YEAR UNDER REVIEW

MEMBERSHIP

The Directors who served as members of the Audit Committee during the financial year under review and as at the date of this report are:

MEMBERS	STATUS
Mr. Mathew Thomas A/L Vargis Mathews (Chairman)	Independent Non Executive Director
Encik Zainal Amanshah bin Zainal Arshad (resigned on 25 August 2008)	Non Independent Executive Director
Encik Shaifubahrim Bin Mohd Saleh	Independent Non Executive Director
Mr. Cheang Kwan Chow (appointed on 25 August 2008; resigned on 2 January 2009)	Non Independent Non Executive Director
Dato' Suriah Abd Rahman (appointed on 26 November 2008)	Independent Non Executive Director

MEETINGS

The Audit Committee convened a total of five (5) meetings and recorded an attendance of its members during the financial year as follows:

MEMBERS	ATTENDANCE
Mr. Mathew Thomas A/L Vargis Mathews (Chairman)	5/5
Encik Zainal Amanshah bin Zainal Arshad	1/1
Encik Shaifubahrim Bin Mohd Saleh	5/5
Mr. Cheang Kwan Chow	2/2
Dato' Suriah Abd Rahman	2/2

The Company Secretary was present at all meetings. Also attended, when required, by invitation were representatives from Corporate Planning and Finance with the General Managers of these departments representing their respective department. The Managing Partner of Messrs Stanco & Ruche Consulting represented the Internal Auditors also by invitation, when required.

Where appropriate, the External Auditors were invited to attend and brief the Audit Committee and to provide responses to queries raised by the Audit Committee in respect of the Company's Financial Statements and reporting requirements.

SUMMARY OF ACTIVITIES OF THE AUDIT COMMITTEE DURING THE FINANCIAL YEAR UNDER REVIEW

1. Reviewed the unaudited quarterly financial results of the Group before recommending to the Board of Directors for their approval and release of the Group's financial results to Bursa Securities.

2. Reviewed the Audit Planning Memorandum of the Group for the financial year ended 31 May 2009 with the External Auditors and deliberated on the appointment and fee payable to the External Auditors before recommending to the Board of Directors for approval.

SUMMARY OF ACTIVITIES OF THE AUDIT COMMITTEE DURING THE FINANCIAL YEAR UNDER REVIEW (Cont'd)

3. Together with the External Auditors, reviewed the audited financial statements of the Group, the issues arising from the audit, their resolution and the audit report prior to recommending to the Board of Directors for approval.

   Without the presence of Management, reviewed the extent of cooperation of Management in providing required information, explanation and clarification and whether this was done timely and if there had been any problems impinging on their independence and objectivity in the course of their audit.

4. Reviewed with the Internal Auditors the internal audit findings and recommendations presented and the manner in which the issues raised by the Internal Auditors were subsequently responded to and resolved by management.

5. Reviewed the role and management of the internal audit function and the decision to continue to outsource of the internal audit function for the year.

6. Reviewed other pertinent issues of the Group, which has significant impact on the results of the Group and the statutory audits.

INTERNAL AUDIT FUNCTION

It is the responsibility of the internal audit department to provide the Audit Committee with independent and objective reports on the state of internal control of the various operating units within the Group and the extent of compliance of the units with the Group's established policies and procedures.

The Board of Directors and the Audit Committee are satisfied with the performance of the Internal Auditors and have in the interest of continuity and greater independence in the internal audit function, taken the decision to outsource the internal audit function to Messrs Stanco & Ruche Consulting, a firm specialising in the provision of outsourced internal audit services.

The functions of the internal auditors are to:

1. Perform audit work in accordance with the pre-approved internal audit plan
2. Carry out reviews on the systems of internal control of the Group
3. Review and comment on the effectiveness and adequacy of the existing control policies and procedures
4. Provide recommendations, if any, for the improvement of the control policies and procedures

In the financial year ended 31 May 2009, the Internal Auditors undertook two (2) operational reviews and with the adoption of the recommendations made by the Internal Auditors, the reviews were found to be satisfactory. The operational reviews undertaken were as follows:

- Debtor & Credit Control Management
- Sales Order Processing & Management

The total cost incurred in the provision of internal audit services is RM38,587.

STATEMENT ON EXECUTIVE SHARE OPTION SCHEME BY THE COMMITTEE

The By-Laws governing the Company's Executive Share Option Scheme ("ESOS") was approved on 10 February 2006 for a duration of 4 (four) years commencing 15 February 2006. The Board of Directors and the Options Committee may extend the ESOS for another 6 (six) years upon expiry of the current validity period.

The Audit Committee confirms that the allocation of options offered by the Company to the eligible executives of the Group complies with the By-Laws of the Company's ESOS.

This report is made in accordance with a resolution of the Board of Directors dated 10 September 2009.

Statement of Internal Control

1. INTRODUCTION

The Malaysian Code of Corporate Governance requires listed companies to maintain a sound system of internal controls to safeguard shareholders' investments and Group assets.

The Bursa Malaysia Securities Berhad's ACE Market Listing Requirements Rule 15.26(b) requires Directors of listed companies to include a statement in their annual report on the state of their internal controls.

The Board of Directors of REDtone International Berhad, in recognition of its responsibility, hereby issues the following statement which is prepared in accordance with these requirements and the Statement of Internal Control: Guidance for Directors of Public Listed Companies.

2. BOARD RESPONSIBILITY

The Board of Directors acknowledges that it is their responsibility to maintain a sound system of internal controls to cover all aspects of the Group's business. This responsibility requires Directors to establish procedures, controls and policies and to seek continuous assurance that the system is operating satisfactorily.

The Directors are also aware that a sound internal control system provides reasonable and not absolute assurance that the company will not be hindered in achieving its business objectives in the ordinary course of business. It should also be appreciated that the whole system of internal control is designed to manage and control risks appropriately rather than a definitive system designed for the total avoidance of risks or for eliminating the risk of failure.

The Board of Directors maintains full control over strategic, financial, organisational and compliance issues and has put in place an organisation with formal lines of responsibility and delegation of authority. The Board has delegated to the executive management the implementation of the system of internal controls within an established framework throughout the Group.

The Board also acknowledges the need to establish an ongoing process for identifying, evaluating and managing significant risks faced by the Group and to regularly review this process with the Statement on Internal Control: Guidance for Directors of Public Listed Companies.

3. CONTROL STRUCTURE & RISK MANAGEMENT FRAMEWORK

Day to day operations is monitored by the Managing Director & Executive Directors. This control is exercised through Senior Management in respect of commercial, financial and operational aspects of the Company. The Managing Director, Executive Directors and Senior Management meet regularly in respect of such matters.

The Board fully supports the contents of the Internal Control Guidance and through the Audit Committee continually reviews the adequacy and effectiveness of the risk management processes in place within the various operating units with the aim of strengthening the risk management functions across the Group.

Management is responsible for the management of risks, for developing, operating and monitoring the system of internal control and for providing assurance to the Board that it has done so in accordance with the policies adopted by the Board. Further assurance is provided by the internal audit function which operates across the group with emphasis on key operating units within the Group. Acknowledging the need for an effective and independent internal audit function as an integral part of the control structure and risk management framework of the Group, the decision was taken to outsource the internal audit activity to a third party service provider.

The Board of Directors and Senior Management also recognise and acknowledge that the development of an effective internal control system is an ongoing process and to this end maintains a continuous commitment to strengthen the existing internal control environment of the Group.

4. INTERNAL AUDIT FUNCTION

In a desire to maintain total independence in the management of the internal control environment and remain in compliance with the Bursa Malaysia Securities Berhad's ACE Market Listing Requirements, the Company has retained Messrs Stanco & Ruche Consulting to manage the Company's internal audit function on an outsourced basis.

Messrs Stanco & Ruche Consulting reports independently and directly to the Audit Committee in respect of the internal audit function. The Audit Committee together with Messrs Stanco & Ruche Consulting agree on the scope and plan internal audit activity annually and all audit findings arising there from are reported to the Audit Committee on a half-yearly basis.

Messrs Stanco & Ruche Consulting is allowed complete and unrestricted access to all documents and records of the Group deemed necessary in the performance of its function and independently reviews the risk identification procedures and control processes implemented by management. It also reviews the internal controls in the key activities of the Group's business based on the risk profiles of the business units in the Group. In addition, Messrs Stanco & Ruche Consulting carries out periodic assignments to ensure the policies and procedures established by the Board are complied with by management. All reports and findings arising from these reviews are discussed primarily with the respective process custodians prior to a formal report being presented to the Audit Committee.

As an additional function to the Group, Messrs Stanco & Ruche also provide business improvement recommendations for the consideration of management and the Board to assist in the continuous development of a more efficient and comprehensive internal control environment.

In the financial year under review, Messrs Stanco & Ruche Consulting undertook two assignments covering the following specific areas:

- Debtors & Credit Control Management
- Sales Order Processing & Management

5. OTHER KEY INTERNAL CONTROL ELEMENTS

- Clearly defined terms of reference, authorities and responsibilities of the various committees which include the Audit Committee, Nomination Committee and Remuneration Committee.
- Well defined organisational structure with clear lines of accountability and delegation of responsibilities to senior management and the respective division heads including appropriate authority limits to ensure accountability and approval responsibility.
- Budgets are prepared annually for the Business/Operating units and approved by the Board. The budgets include operational, financial and capital expenditure requirements and performance monitored on a monthly basis and the business objectives and plans are reviewed in the monthly management meetings attended by division and business unit heads. The Managing Director & Executive Directors meet regularly with Senior Management to consider the Group's financial performance, business initiatives and other management and corporate issues.
- There are regular Board meetings and Board papers are distributed to members and Board members are entitled to receive and access all necessary and relevant information and decisions of the Board are only made after the required information is made available and deliberated on by the Board. The Board maintains complete and effective control over the strategies and direction of the Group.
- The Audit Committee reviews the effectiveness of the Group's system of internal control on behalf of the Board. The Audit Committee comprises of Non-Executive members of the Board, the majority of who are Independent Directors. The Audit Committee is not restricted in any way in the conduct of its duties and has unrestricted access to the Internal and External Auditors of the company and to all employees of the Group.

5. OTHER KEY INTERNAL CONTROL ELEMENTS (Cont'd)

- Review by the Audit Committee of internal control issues identified by the External and Internal Auditors and action taken by management in respect of the findings arising there from. The Internal Auditors report directly to the Audit Committee. Findings are communicated to management and the Audit Committee with recommendations for improvements and follow up to confirm all agreed recommendations are implemented. The internal audit plan is structured on a risk based approach and is reviewed and approved by the Audit Committee.

- Review of all proposals for material capital and investment opportunities by the management committee and approval for the same by the Board prior to expenditure being committed.

- There are sufficient reports generated in respect of the business and operating units to enable proper review of the operational, financial and regulatory environment. Management Accounts are prepared timely and on a monthly basis and is reviewed by the Managing Director, Executive Directors and Senior Management.

- The decision of the Board of Directors to the appointment of Messrs Stanco & Ruche Consulting, a firm specialising in the provision of internal audit services, to manage the internal audit function of the company on an outsourced basis for greater independence and accountability in the internal audit function.

6. WEAKNESSES IN INTERNAL CONTROL RESULTING IN MATERIAL LOSS

The Board is cognizant of the fact that the Group's system of internal control and risk management practices must continuously evolve to meet the changing and challenging business environment. Therefore, the Board will, when necessary, put in place appropriate action plans to further enhance the system of internal controls.

Statement of Directors' Interests

in the Company and related corporation as at 16 September 2009

Name of Director	Direct No. of Ordinary Shares	Direct %	Indirect No. of Ordinary Shares	Indirect %
THE COMPANY				
Dato' Larry Gan Nyap Liou @ Gan Nyap Liow	–	–	–	–
Wei Chuan Beng	14,960,400	3.85	(1) 10,298,976	2.65
Zainal Amanshah bin Zainal Arshad	2,201,768	0.57	(2) 94,227,291	24.25
Lau Bik Soon	225,100	0.06	–	–
Mathew Thomas A/L Vargis Mathews	–	–	–	–
Shaifubahrim bin Mohd Saleh	–	–	–	–
Dato' Suriah Abd Rahman	–	–	–	–
SUBSIDIARY				
REDtone Network Sdn Bhd				
Zainal Amanshah bin Zainal Arshad	450,000	30.00	–	–

Note:

1. *Deemed interested by virtue of the direct shareholding of his wife, Choo Yeh Fung.*
2. *Deemed interested by virtue of his interest in Indah Pusaka Sdn Bhd and the direct shareholding of his wife, Suryani Binti Ahmad Sarji.*

Statement on Directors' Responsibility

The Directors are required by the Companies Act, 1965 ("the Act") to prepare and present the financial statements of REDtone International Berhad ("the Company") and its subsidiaries ("the Group") which give a true and fair view of the Group and the Company at the end of the financial year. As required by the Act and the Bursa Malaysia Securities Berhad's ACE Market Listing Requirements, the financial statements have been prepared in accordance with the provisions of the Act and the MASB Approved Accounting Standards in Malaysia. The financial statements include the consolidated balance sheet, cash flows and income statements and are made out in accordance with relevant provisions of the Act and applicable accounting standards. In preparing the financial statements, the Directors have:

- adopted the appropriate accounting policies and applied them consistently;
- made necessary judgments and estimates that are reasonable and prudent; and
- prepared the financial statements on a going concern basis.

The Directors have placed reliance on the system of internal control within the Company and the Group to form a basis of reasonable grounds that accounting systems and records maintained by the Company and the Group provide a true and fair view of the current state of affairs of the Company and the Group, a true and fair view of the financial year results and that it sufficiently explains the transactions and financial position of the Company and the Group.

The Directors also have a general responsibility for taking such steps as are reasonably open to them to preserve the interests of the stakeholders and to safeguard the assets of the Company and the Group and to detect or prevent the incidence of fraud and other irregularities.

In compliance with the several responsibilities of the Directors, the Directors present the financial statements of the Company and the Group for the financial year ended 31 May 2009 as set out on pages 40 to 115 of this annual report.

The directors have pleasure in presenting their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 May 2009.

PRINCIPAL ACTIVITIES

The principal activities of the Company are investment holding and the provision of management services to its subsidiaries. The principal activities of the subsidiaries are as disclosed in Note 12 to the financial statements.

There have been no significant changes in the nature of the principal activities during the financial year.

RESULTS

	Group RM	Company RM
Loss for the year	(6,949,834)	(1,242,104)
Attributable to:		
Equity holders of the Company	(5,982,861)	(1,242,104)
Minority interests	(966,973)	–
	(6,949,834)	(1,242,104)

All material transfers to or from reserves or provisions during the financial year are disclosed in the financial statements.

In the opinion of the directors, the results of the operations of the Group and of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature.

DIVIDENDS

No dividends were declared and paid during the financial year. The directors do not recommend the payment of any dividend for the current financial year.

DIRECTORS

The names of the directors of the Company in office since the date of the last report and at the date of this report are:

Dato' Gan Nyap Liou @ Gan Nyap Liow

Wei Chuan Beng

Mathew Thomas A/L Vargis Mathews

Shaifubahrim Bin Mohd Saleh

Zainal Amanshah bin Zainal Arshad

Lau Bik Soon

Dato' Suriah binti Abd Rahman

Cheang Kwan Chow (Resigned on 2.1.2009)

DIRECTORS' BENEFITS

Neither at the end of the financial year, nor at any time during that year, did there subsist any arrangement to which the Company was a party, whereby the directors might acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate, other than those arising from the share options granted under the Employees' Share Option Scheme ("ESOS").

Since the end of the previous financial year, no director has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the directors of the fixed salary of a full-time employee of the Company as shown in Note 6 to the financial statements) by reason of a contract made by the Company or a related corporation with any director or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest, except as disclosed in Note 30 to the financial statements.

DIRECTORS' INTERESTS

According to the register of directors' shareholdings, the interests of directors in office at the end of the financial year in shares and options over shares in the Company during the financial year were as follows:

	Number of ordinary shares of RM0.10 each				
	1 June 2008	**Acquired**	**Bonus issue#**	**Sold**	**31 May 2009**
The Company					
Direct interests					
Wei Chuan Beng	11,664,850	49,500	5,857,175	–	17,571,525
Zainal Amanshah bin Zainal Arshad	2,975,179	–	957,589	(1,291,000)	2,641,768
Lau Bik Soon	150,067	–	75,033	–	225,100
Deemed interests					
Wei Chuan Beng *	6,865,984	–	3,432,992	–	10,298,976
Zainal Amanshah bin Zainal Arshad **	150,000	500,000	75,000	–	725,000

Note:

* Deemed interested by virtue of the direct shareholding of his wife, Choo Yeh Fung.

** Deemed interested by virtue of the direct shareholding of his wife, Suryani Binti Ahmad Sarji.

Arising from the Company's bonus issue on the basis of one bonus share for every 2 existing shares held, issued and alloted on 27 November 2008.

	Number of ordinary shares of RM0.10 each under option				
	1 June 2008	**Granted**	**Adjustment##**	**Exercised**	**31 May 2009**
The Company					
Dato' Larry Gan Nyap Liou @ Gan Nyap Liow	–	2,300,000	1,150,000	–	3,450,000
Wei Chuan Beng	500,000	500,000	250,000	–	1,250,000
Zainal Amanshah bin Zainal Arshad	1,200,000	2,950,000	600,000	–	4,750,000
Mathew Thomas A/L Vargis Mathews	150,000	–	75,000	–	225,000
Shaifubahrim bin Mohd Saleh	90,000	–	45,000	–	135,000
Lau Bik Soon	2,000,000	1,717,500	1,000,000	–	4,717,500

Note:

Adjustment to the number of options granted pursuant to the Company's bonus issue.

None of the other directors in office at the end of the financial year had any interest in shares in the Company or its related corporations during the financial year.

ISSUE OF SHARES

During the financial year,

(a) there were no changes in the authorised share capital of the Company;

(b) the Company increased its issued and paid-up ordinary share capital from RM25,764,500 to RM38,646,750 by a bonus issue of 128,822,500 new ordinary shares of RM0.10 each in the ratio of 1 bonus share for every 2 existing ordinary shares held. The bonus shares were issued by capitalisation of RM12,882,250 from the share premium account. The new ordinary shares issued during the financial year ranked pari passu in all respects with the existing ordinary shares of the Company; and

(c) there were no issues of debentures by the Company.

EMPLOYEE SHARE OPTION SCHEME ("ESOS")

The Company's Employees' Share Option Scheme ("ESOS") is governed by the by-laws approved by the shareholders at an Extraordinary General Meeting held on 10 February 2006. The ESOS was implemented on 15 February 2006 and is to be in force for a period of 4 years from the date of implementation. The Board of Directors and Options Committee may as deemed fit, extend the ESOS for another 6 years.

The salient features, other terms of the ESOS and details of the share options granted during the year are disclosed in Note 27 to the financial statements.

Details of the options granted to directors are disclosed in the section on Directors' interests in this report.

The Company has been granted exemption by the Companies Commission of Malaysia from having to disclose the names of employees who have been granted options to subscribe for less than 150,000 ordinary shares of RM0.10 each.

The following are names of employees who have been granted options to subscribe for 150,000 or more ordinary shares of RM0.10 each.

	Number of ordinary shares of RM0.10 each under option		
	Granted	**Exercised**	**31 May 2009**
Noraesyah Yvonne Binti Abdullah	1,000,000	–	1,000,000
Ng Keng Chai	200,000	–	200,000
Leng Kah Hui	200,000	–	200,000
Janice Lim Joo Lin	170,000	–	170,000
Ong Cheok Seong	150,000	–	150,000

OTHER STATUTORY INFORMATION

(a) Before the income statements and balance sheets of the Group and of the Company were made out, the directors took reasonable steps:

(i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for doubtful debts; and

(ii) to ensure that any current assets which were unlikely to realise their value as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.

OTHER STATUTORY INFORMATION (Cont'd)

(b) At the date of this report, the directors are not aware of any circumstances which would render:

(i) it necessary to write off further bad debts or increase the amount of the allowance for doubtful debts in the financial statements of the Group and of the Company to any substantial extent; and

(ii) the values attributed to the current assets in the financial statements of the Group and of the Company misleading.

(c) At the date of this report, the directors are not aware of any circumstances which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

(d) As at the date of this report, there does not exist:

(i) any charge on the assets of the Group or of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or

(ii) any contingent liability of the Group or of the Company which has arisen since the end of the financial year.

(e) In the opinion of the directors:

(i) other than the contingent liability as disclosed in Note 32, no contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group or of the Company to meet their obligations when they fall due; and

(ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group or of the Company for the financial year in which this report is made.

SIGNIFICANT EVENTS

Details of the significant events are disclosed in Note 33 to the financial statements.

SUBSEQUENT EVENT

Details of the subsequent event are disclosed in Note 34 to the financial statements.

AUDITORS

The auditors, Messrs. Horwath, have expressed their willingness to continue in office.

Signed on behalf of the Board in accordance with a resolution of directors dated 29 September 2009.

WEI CHUAN BENG **ZAINAL AMANSHAH BIN ZAINAL ARSHAD**

Kuala Lumpur, Malaysia

Statement by Directors

Pursuant to Section 169(15) of the Companies Act, 1965

We, Wei Chuan Beng and Zainal Amanshah Bin Zainal Arshad, being two of the directors of REDtone International Berhad, do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 40 to 115 are drawn up in accordance with Financial Reporting Standards and the Companies Act 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 May 2009 and of the results and the cash flows of the Group and of the Company for the year then ended.

Signed on behalf of the Board in accordance with a resolution of the directors dated 29 September 2009.

WEI CHUAN BENG **ZAINAL AMANSHAH BIN ZAINAL ARSHAD**

Kuala Lumpur, Malaysia

Statutory Declaration

Pursuant to Section 169(16) of the Companies Act, 1965

I, Sah Yan Suan, being the officer primarily responsible for the financial management of REDtone International Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 40 to 115 are in my opinion correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by
the above named Sah Yan Suan at
Kuala Lumpur in the Wilayah Persekutuan
on 29 September 2009

SAH YAN SUAN

Before me,

Independent Auditors' Report
to the Members of Redtone International Berhad

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of REDtone International Berhad, which comprise the balance sheets as at 31 May 2009 of the Group and of the Company, and the income statements, statements of changes in equity and cash flow statements of the Group and of the Company for the financial year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 40 to 115.

Directors' Responsibility for the Financial Statements

The directors of the Company are responsible for the preparation and fair presentation of these financial statements in accordance with Financial Reporting Standards and the Companies Act 1965 in Malaysia. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with Financial Reporting Standards and the Companies Act 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 31 May 2009 and of their financial performance and cash flows for the financial year then ended.

Other Matters

The financial statements of the Group and of the Company for the preceeding financial year were audited by another firm of auditors whose report dated 30 September 2008, expressed an unqualified opinion on those statements.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act 1965 in Malaysia, we also report the following:-

(a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and the subsidiaries for which we have acted as auditors, have been properly kept in accordance with the provisions of the Act.

(b) We have considered the financial statements and the auditors' reports of the subsidiaries of which we have not acted as auditors, which are indicated in Note 12 to the financial statements.

(c) We are satisfied that the financial statements of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.

(d) The audit reports on the financial statements of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

OTHER MATTERS

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

HORWATH
Firm No: AF 1018
Chartered Accountants

JAMES CHAN KUAN CHEE
Approval No: 2271/10/09 (J)
Partner

Kuala Lumpur
29 September 2009

Income Statements
For the year ended 31 May 2009

		Group		Company	
		2009	2008	2009	2008
	Note	RM	RM	RM	RM
Continuing operations					
Revenue	3	79,417,968	109,912,898	–	–
Other income	4	1,536,149	2,376,077	1,380	19,664
Call bandwidth cost		(47,368,847)	(68,093,501)	–	–
Changes in inventories of trading goods		103,898	(195,260)	–	–
Depreciation of property, plant and equipment		(3,120,132)	(2,767,256)	(91)	(91)
Employee benefits expense	5	(16,757,897)	(14,375,767)	(226,493)	(210,631)
Gain on disposal of subsidiaries	12(c)	4,406,839	273,632	–	–
Materials and consumables used		(5,306,308)	(5,608,558)	–	–
Sales commissions and incentives		(4,348,501)	(6,877,386)	–	–
Universal Service Provision fund contribution		(818,897)	(1,317,171)	–	–
Other expenses		(9,334,284)	(14,942,920)	(1,016,968)	(633,516)
Operating loss		(1,590,012)	(1,615,212)	(1,242,172)	(824,574)
Share of (loss)/profit in associates		(716,517)	141,258	–	–
Share of loss of jointly controlled entity		(607)	(1,551)	–	–
Loss before tax	7	(2,307,136)	(1,475,505)	(1,242,172)	(824,574)
Income tax (expense)/benefit	8	(154,220)	(920,439)	68	-
Loss for the year from continuing operations		(2,461,356)	(2,395,944)	(1,242,104)	(824,574)
Discontinued operations					
Loss after tax for the year from discontinued operations	9(a)	(4,488,478)	(4,609,363)	–	–
Loss for the year		(6,949,834)	(7,005,307)	(1,242,104)	(824,574)
Attributable to:					
Equity holders of the Company		(5,982,861)	(6,798,619)	(1,242,104)	(824,574)
Minority interests		(966,973)	(206,688)	–	–
		(6,949,834)	(7,005,307)	(1,242,104)	(824,574)

The accompanying notes form an integral part of the financial statements.

	Note	Group 2009 RM	Group 2008 RM	Company 2009 RM	Company 2008 RM
Loss per share (LPS) attributable to equity holders of the Company (sen):					
Basic LPS					
- continuing operations	10(a)	(0.5)	(0.6)	–	–
- discontinuing operations	10(a)	(1.4)	(1.5)	–	–
- for the year	10(a)	(1.9)	(2.1)	–	–
Diluted LPS					
- continuing operations	10(b)	(0.4)	(0.6)	–	–
- discontinuing operations	10(b)	(1.4)	(1.5)	–	–
- for the year	10(b)	(1.8)	(2.1)	–	–

The accompanying notes form an integral part of the financial statements.

Balance Sheets
as at 31 May 2009

	Note	Group 2009 RM	Group 2008 RM	Company 2009 RM	Company 2008 RM
ASSETS					
Non-current assets					
Property, plant and equipment	11	25,549,126	22,575,371	470	561
Investment in subsidiaries	12	–	–	6,262,580	5,227,966
Investment in associates	13	1,019,450	1,316,610	–	–
Investment in a jointly controlled entity	14	1,491,641	1,492,248	–	–
Investment property	15	870,000	790,000	–	–
Intangible assets	16	16,418,065	13,213,535	–	–
Deferred tax assets	17	3,528,872	3,833,705	–	–
Other receivables	18	789,690	457,016	–	–
		49,666,844	43,678,485	6,263,050	5,228,527
Current assets					
Inventories	19	2,642,000	1,567,419	–	–
Trade and other receivables	18	35,164,370	38,531,145	38,240,959	39,331,237
Tax recoverable		847,855	1,115,065	480	–
Other investments	20	8,629	724,031	1,065	112,037
Cash and bank balances	21	27,135,765	20,763,607	108	108
		65,798,619	62,701,267	38,242,612	39,443,382
Asset of disposal group classified as held for sale	9(b)	–	4,525,292	–	–
		65,798,619	67,226,559	38,242,612	39,443,382
TOTAL ASSETS		115,465,463	110,905,044	44,505,662	44,671,909

The accompanying notes form an integral part of the financial statements.

	Note	Group 2009 RM	Group 2008 RM	Company 2009 RM	Company 2008 RM
EQUITY AND LIABILITIES					
Equity attributable to equity holders of the Company					
Share capital	22	38,646,750	25,764,500	38,646,750	25,764,500
Share premium	22	6,396,054	19,278,304	6,396,054	19,278,304
Other reserves	23	2,620,916	1,955,654	1,774,529	739,915
Retained earnings/ (Accumulated losses)		12,303,201	18,286,062	(2,396,987)	(1,154,883)
Total equity		59,966,921	65,284,520	44,420,346	44,627,836
Minority interests		5,455,135	5,741,445	–	–
Total equity		65,422,056	71,025,965	44,420,346	44,627,836
Non-current liabilities					
Deferred tax liabilities	17	2,496	2,496	–	–
Borrowings	24	2,853,469	–	–	–
		2,855,965	2,496	–	–
Current liabilities					
Deferred income	25	11,477,826	8,821,077	–	–
Trade and other payables	26	34,644,769	29,807,567	85,316	44,073
Current tax payable		–	429,348	–	–
Borrowings	24	1,064,847	–	–	–
		47,187,442	39,057,992	85,316	44,073
Liabilities directly associated with assets classified as held for sale	9(b)	–	818,591	–	–
		47,187,442	39,876,583	85,316	44,073
Total liabilities		50,043,407	39,879,079	85,316	44,073
TOTAL EQUITY AND LIABILITIES		115,465,463	110,905,044	44,505,662	44,671,909

The accompanying notes form an integral part of the financial statements.

Statement of Changes in Equity

For the year ended 31 May 2009

	Attributable to Equity Holders of the Company						
		Non-distributable		Distributable			
Group	**Share capital (Note 22) RM**	**Share premium (Note 22) RM**	**Other reserves (Note 23) RM**	**Retained earnings RM**	**Total RM**	**Minority interests RM**	**Total equity RM**
At 1 June 2007	25,213,500	16,492,448	1,063,500	25,084,681	67,854,129	2,529,538	70,383,667
Foreign currency translation, representing net income recognised directly in equity	–	–	919,890	–	919,890	–	919,890
Loss for the year	–	–	–	(6,798,619)	(6,798,619)	(206,688)	(7,005,307)
Total recognised income and expense for the year	–	–	919,890	(6,798,619)	(5,878,729)	(206,688)	(6,085,417)
Acquisition of remaining equity in a subsidiary from minority interest	–	–	–	–	–	131,559	131,559
Contribution to share capital of subsidiaries by minority interests	–	–	–	–	–	3,287,036	3,287,036
Issuance of ordinary shares, pursuant to ESOS	551,000	1,818,300	–	–	2,369,300	–	2,369,300
Share options granted under ESOS, recognised in profit or loss	–	–	939,820	–	939,820	–	939,820
Exercise of share options	–	967,556	(967,556)	–	–	–	–
At 31 May 2008	25,764,500	19,278,304	1,955,654	18,286,062	65,284,520	5,741,445	71,025,965

The accompanying notes form an integral part of the financial statements.

	Attributable to Equity Holders of the Company						
		Non-distributable		Distributable			
Group	Share capital (Note 22) RM	Share premium (Note 22) RM	Other reserves (Note 23) RM	Retained earnings RM	Total RM	Minority interests RM	Total equity RM
At 1 June 2008	25,764,500	19,278,304	1,955,654	18,286,062	65,284,520	5,741,445	71,025,965
Foreign currency translation, net expense recognised directly in equity	–	–	(712,506)	–	(712,506)	484,916	(227,590)
Loss for the year	–	–	–	(5,982,861)	(5,982,861)	(966,973)	(6,949,834)
Total recognised income and expense for the year	–	–	(712,506)	(5,982,861)	(6,695,367)	(482,057)	(7,177,424)
Contribution to share capital of a subsidiary by minority interests	–	–	–	–	–	538,901	538,901
Issuance of ordinary shares, pursuant to bonus issue	12,882,250	(12,882,250)	–	–	–	–	–
Share options granted under ESOS, recognised in profit or loss	–	–	1,034,614	–	1,034,614	–	1,034,614
Accretion arising from disposal of stake to non-controlling interest	–	–	343,154	–	343,154	(343,154)	–
At 31 May 2009	38,646,750	6,396,054	2,620,916	12,303,201	59,966,921	5,455,135	65,422,056

The accompanying notes form an integral part of the financial statements.

Statement of Changes in Equity

For the year ended 31 May 2009 (Cont'd)

Company	Share capital (Note 22) RM	Non-distributable Share premium (Note 22) RM	Non-distributable Other reserves (Note 23) RM	Accumulated Losses RM	Total equity RM
At 1 June 2007	25,213,500	16,492,448	767,651	(330,309)	42,143,290
Loss for the year, representing total recognised income and expense for the year	–	–	–	(824,574)	(824,574)
Issuance of ordinary shares, pursuant to ESOS	551,000	1,818,300	–	–	2,369,300
Share options granted under ESOS included in investments in subsidiaries	–	–	939,820	–	939,820
Exercise of share options	–	967,556	(967,556)	–	–
At 31 May 2008	25,764,500	19,278,304	739,915	(1,154,883)	44,627,836
At 1 June 2008	25,764,500	19,278,304	739,915	(1,154,883)	44,627,836
Loss for the year, representing total recognised income and expense for the year	–	–	–	(1,242,104)	(1,242,104)
Issuance of ordinary shares, pursuant to bonus issues	12,882,250	(12,882,250)	–	–	–
Share options granted under ESOS included in investments in subsidiaries	–	–	1,034,614	–	1,034,614
At 31 May 2009	38,646,750	6,396,054	1,774,529	(2,396,987)	44,420,346

The accompanying notes form an integral part of the financial statements.

Cash Flow Statements

For the year ended 31 May 2009

		Group		Company	
		2009	**2008**	**2009**	**2008**
	Note	**RM**	**RM**	**RM**	**RM**
Cash flows from operating activities					
Loss before tax from:					
Continuing operations		(2,307,136)	(1,475,505)	(1,242,172)	(824,574)
Discontinued operations		(4,488,478)	(4,520,026)	–	–
Adjustments for:					
Amortisation of intangible assets	7	116,399	273,523	–	–
Bad debts written off (Notes 7 and 9(a)(ii))		4,069,118	135,067	–	–
Depreciation of property, plant and equipment	11	3,475,152	3,486,677	91	91
Deposits written off		146,970	–	–	–
Fair value adjustment for investment property	4	(80,000)	–	–	–
Gain on disposal of subsidiaries	12(c)	(4,406,839)	(273,632)	–	–
Loss/(Gain) on disposal of property, plant and equipment	7	2,407	(5,139)	–	–
Impairment of goodwill	7	–	179,397	–	–
Impairment of investment in associates	7	–	3,687,778	–	–
Impairment of property, plant and equipment	7	–	57,197	–	–
Intangible assets written off	16	678,091	–	–	–
Interest income (Notes 4, 9(a)(i) and 9(a)(ii))		(325,749)	(451,678)	(1,380)	(19,664)
Interest expense	7	24,384	–	–	–
Inventories written off	7	136,842	23,516	–	–
Loss recognised on the remeasurement of assets of disposal group	9(a)(i)	–	32,308	–	–
Negative goodwill recognised in profit or loss	4	–	(61,759)	–	–
Property, plant and equipment written off	7	441,470	268,424	–	–
Universal Service Provision fund contribution		2,729,475	1,515,878	–	–
Operating (loss)/profit before working capital changes carried forward		212,106	2,872,026	(1,243,461)	(844,147)

The accompanying notes form an integral part of the financial statements.

Cash Flow Statements
For the year ended 31 May 2009 (Cont'd)

	Note	Group 2009 RM	Group 2008 RM	Company 2009 RM	Company 2008 RM
Cash flows from operating activities (cont'd)					
Operating (loss)/profit before working capital changes brought forward		212,106	2,872,026	(1,243,461)	(844,147)
Allowance for doubtful debts	7	455,500	569,225	–	–
Share of loss/(profit) in associates		716,517	(141,258)	–	–
Share of loss from joint venture		607	1,551	–	–
Share option granted under ESOS	5	1,034,614	939,820	–	–
Short-term accumulating compensation absences	5	(32,103)	52,126	–	–
Unrealised foreign exchange loss (Note 7 and 9(a)(ii))		138,316	2,416,008	–	–
Gain arising from deemed disposal of investment in a subsidiary	4	(116,110)	–	–	–
Gain arising from deemed disposal of investment in associate	4	(419,357)	–	–	–
Waiver of debt	4	(302,791)	–	–	–
Operating (loss)/profit before working capital changes		1,687,299	6,709,498	(1,243,461)	(844,147)
(Increase)/Decrease in inventories		(682,254)	180,631	–	–
(Increase)/Decrease in trade and other receivables		(21,510,410)	(50,399,459)	1,090,278	(1,404,389)
Increase in trade and other payables		20,782,285	50,473,529	41,243	18,397
Cash generated from/(used in) operations		276,920	6,964,199	(111,940)	(2,230,139)
Taxes paid		(565,159)	(1,193,283)	(412)	–
Net cash (used in)/generated from operating activities		(288,239)	5,770,916	(112,352)	(2,230,139)
Cash flows from investing activities					
Additional investment in subsidiaries		–	–	–	(100,000)
Interest income received		325,749	451,678	1,380	19,664
Investment in associate		–	(2,421,449)	–	–
Acquisition of subsidiaries, net of cash and cash equivalents	12(b)(i)	558,425	(64,684)	–	–
Proceeds from disposal of property, plant and equipment		7,679	145,613	–	–
Net proceeds from disposal of subsidiaries, net of cash and cash equivalents	12(c)	9,134,341	(692,387)	–	–
Purchase of property, plant and equipment	29	(4,036,695)	(5,705,502)	–	–
Expenditure of intangible assets		(3,676,828)	(9,162,154)	–	–
Net cash used in investing activities		2,312,671	(17,448,885)	1,380	(80,336)

The accompanying notes form an integral part of the financial statements.

	Note	Group 2009 RM	Group 2008 RM	Company 2009 RM	Company 2008 RM
Cash flows from financing activities					
Cash received from disposal of other investments		600,000	–	–	–
Cash received from minority interests		655,011	3,287,036	–	–
Proceeds from issuance of ordinary shares		–	2,369,300	–	2,369,300
Proceeds from term loan		1,050,000	–	–	–
Repayment of finance lease		(193,108)	–	–	–
Net cash generated from financing activities		2,111,903	5,656,336	–	2,369,300
Net increase/(decrease) in cash and cash equivalents		4,136,335	(6,021,633)	(110,972)	58,825
Effects of exchange rate changes		1,946,476	1,736,645	–	–
Cash and cash equivalents at beginning of year		21,061,405	25,346,393	112,145	53,320
Cash and cash equivalents at end of year		27,144,216	21,061,405	1,173	112,145

Cash and cash equivalents comprise:

	Group 2009 RM	Group 2008 RM	Company 2009 RM	Company 2008 RM
Other investments (Note 20)	8,451	124,031	1,065	112,037
Cash on hand and at bank (Note 21)	21,856,436	16,257,671	108	108
Deposits with licensed banks (Note 21)	5,279,329	4,679,703	–	–
	27,144,216	21,061,405	1,173	112,145

The accompanying notes form an integral part of the financial statements.

1. CORPORATE INFORMATION

The Company is a public limited liability company, incorporated and domiciled in Malaysia, and is listed on the ACE Market of Bursa Malaysia Securities Berhad. The principal place of business of the Company is located at Suites 22-30, 5th Floor, IOI Business Park, 47100 Puchong, Selangor.

The principal activities of the Company are investment holding and the provision of management services to its subsidiaries. The principal activities of the subsidiaries are as disclosed under Note 12 to the financial statements. There have been no significant changes in the nature of the principal activities during the year then ended.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 29 September 2009.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The financial statements comply with the provisions of the Companies Act, 1965 and Financial Reporting Standards in Malaysia. At the beginning of the current financial year, the Group and the Company had adopted the new and revised FRSs which are mandatory for financial periods beginning on or after 1 July 2007.

The financial statements of the Group and the Company have also been prepared on a historical basis, except for investment property that has been measured at fair value.

The financial statements are presented in Ringgit Malaysia ("RM").

2.2 Summary of significant accounting policies

(a) Subsidiaries and basis of consolidation

(i) Subsidiaries

Subsidiaries are entities over which the Group has the ability to control the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group has such power over another entity.

In the Company's separate financial statements, investments in subsidiaries are stated at cost less any impairment losses. On disposal of such investments, the difference between the net disposal proceeds and their carrying amounts is included in profit or loss.

(ii) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the balance sheet date. The financial statements of the subsidiaries are prepared for the same reporting date as the Company.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. In preparing the consolidated financial statements, intragroup balances, transactions and unrealised gains or losses are eliminated in full. Uniform accounting policies are adopted in the consolidated financial statements for like transactions and event in similar circumstances.

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

2.2 Summary of significant accounting policies (Cont'd)

(a) Subsidiaries and basis of consolidation (Cont'd)

(ii) Basis of consolidation (Cont'd)

Acquisitions of subsidiaries are accounted for using the purchase method. The purchase method of accounting involves allocating the cost of the acquisition to the fair value of the assets acquired and liabilities and contingent liabilities assumed at the date of acquisition. The cost of an acquisition is measured as the aggregate of the fair values, at the date of exchange, of the assets given, liabilities incurred or assumed, and equity instruments issued, plus any costs directly attributable to the acquisition.

Any excess of the cost of the acquisition over the Group's interest in the fair value of the identifiable assets, liabilities and contingent liabilities represents goodwill. Any excess of the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition is recognised immediately in profit or loss.

Minority interests represent the portion of profit or loss and net assets in subsidiaries not held by the Group. It is measured at the minorities' share of the fair value of the subsidiaries' identifiable assets and liabilities at the acquisition date and the minorities' share of changes in the subsidiaries' equity since then.

(b) Associates

Associates are entities in which the Group has significant influence and that is neither a subsidiary nor an interest in joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but not in control or joint control over those policies.

Investments in associates are accounted for in the consolidated financial statements using the equity method of accounting. Under the equity method, the investment in associate is carried in the consolidated balance sheet at cost adjusted for post-acquisition changes in the Group's share of net assets of the associate. The Group's share of the net profit or loss of the associate is recognised in the consolidated income statements. Where there has been a change recognised directly in the equity of the associate, the Group recognises its share of such changes. In applying the equity method, unrealised gains and losses on transactions between the Group and the associate are eliminated to the extent of the Group's interest in the associate. After application of the equity method, the Group determines whether it is necessary to recognise and additional impairment loss with respect to the Group's net investment in the associate. The associate is equity accounted for from the date the Group obtains significant influence until the date the Group ceases to have significant influence over the associate.

Goodwill relating to an associate is included in the carrying amount of the investment and is not amortised. Any excess of the Group's share of the net fair value of the associate's identifiable assets, liabilities and contingent liabilities over the cost of the investment is excluded from the carrying amount of the investment and is instead included as income in the determination of the Group's share of the associate's profit or loss in the period in which the investment is acquired.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any long-term interests that, in substance, form part of the Group's net investment in the associate, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

The most recent available management accounts and audited financial statements of the associates are used by the Group in applying the equity method. Uniform accounting policies are adopted for like transactions and events in similar circumstances.

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

2.2 Summary of significant accounting policies (Cont'd)

(b) Associates (Cont'd)

In the Company's separate financial statements, investments in associates are stated at cost less impairment losses.

On disposal of such investments, the difference between net disposal proceeds and their carrying amount is included in profit or loss.

(c) Jointly controlled entities

The Group has an interest in a joint venture which is a jointly controlled entity. A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control, and a jointly controlled entity is a joint venture that involves the establishment of a separate entity in which each venturer has an interest.

Investments in jointly controlled entities are accounted for in the consolidated financial statements using the equity method of accounting as described in Note 2.2 (b).

In the Company's separate financial statements, investments in jointly controlled entities are stated at cost less impairment losses.

On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is included in profit or loss.

(d) Intangible assets

(i) Goodwill

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. Following the initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is not amortised but instead, it is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

(ii) Other intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair values as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised on a straight-line basis over the estimated economic useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each balance sheet date.

Intangible assets with indefinite useful lives are not amortised but tested for impairment annually or more frequently if the events or changes in circumstances indicate that the carrying value may be impaired either individually or at the cash-generating unit level. The useful life of an intangible asset with an indefinite life is also reviewed annually to determine whether the useful life assessment continues to be supportable.

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

2.2 Summary of significant accounting policies (Cont'd)

(d) Intangible assets (Cont'd)

(iii) Research and development costs

All research costs are recognised in the profit or loss as incurred.

Expenditure incurred on projects to develop new products is capitalised and deferred only when the Company can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditures which do not meet these criteria are expensed when incurred.

Development costs, considered to have finite useful lives, are stated at cost less any impairment losses and are amortised using the straight-line basis over the commercial lives of the underlying products not exceeding five years. Impairment is assessed whenever there is an indication of impairment and the amortisation period and method are also reviewed at least at each balance sheet date.

(e) Property, plant and equipment, and depreciation

All items of property, plant and equipment are initially recorded at cost. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Subsequent to recognition, property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses.

Asset in progress is not depreciated. Depreciation of property, plant and equipment is provided for on a straight-line basis to write off the cost of each asset to its residual value over the estimated useful life, at the following annual rates:

Freehold office lots	2%
Computers and software	10%
Furniture, fittings and office equipment	10%
Equipment, plant and machinery	10% - 20%
Renovation	10%

The residual values, useful life and depreciation method are reviewed at each financial year-end to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. The difference between the net disposal proceeds, if any and the net carrying amount is recognised in profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

2.2 Summary of significant accounting policies (Cont'd)

(f) Investment properties

Investment properties are properties which are held either to earn rental income or for capital appreciation or for both. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value. Fair value is arrived at by reference to market evidence of transaction prices for similar properties and is performed by registered independent valuers having an appropriate recognised professional qualification and recent experience in the location and category of the properties being valued.

Gains or losses arising from changes in the fair values of investment properties are recognised in profit or loss in the year in which they arise.

A property interest under an operating lease is classified and accounted for as an investment property on a property-by-property basis when the Company holds it to earn rentals or for capital appreciation or both. Any such property interest under an operating lease classified as an investment property is carried at fair value.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in profit or loss in the year in which they arise.

(g) Impairment of non-financial assets

The carrying amounts of assets, other than investment properties, inventories and deferred tax assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated to determine the amount of impairment loss.

For intangible assets that have an indefinite useful life and intangible assets that are not yet available for use, the recoverable amount is estimated at each balance sheet date or more frequently when indicators of impairment are identified.

For the purpose of impairment testing of these assets, recoverable amount is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other assets. If this is the case, recoverable amount is determined for the cash-generating unit ("CGU") to which the asset belongs. Goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's CGUs, or groups of CGUs that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs to sell and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses recognised in respect of a CGU or groups of CGUs are allocated to reduce the carrying amount of any goodwill allocated to those units or groups of units and then to reduce the carrying amount of the other assets in the unit or groups of units on a pro-rata basis.

An impairment loss is recognised in profit or loss in the period in which it arises.

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

2.2 Summary of significant accounting policies (Cont'd)

(g) Impairment of non-financial assets (Cont'd)

Impairment loss on goodwill is not reversed in a subsequent period. An impairment loss for an asset other than goodwill is reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of an asset other than goodwill is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior years. A reversal of impairment loss for an asset other than goodwill is recognised in the profit or loss.

(h) Inventories

Inventories which consist of trading goods are stated at the lower of cost and net realisable value. Cost is determined using the first in, first out method.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

(i) Financial instruments

Financial instruments are recognised in the balance sheet when the Group has become a party to the contractual provisions of the instrument.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends and gains and losses relating to a financial instrument classified as a liability, are reported as expense or income. Distributions to holders of financial instruments classified as equity are recognised directly in equity. Financial instruments are offset when the Group has a legally enforceable right to offset and intends to settle either on a net basis or to realise the asset and settle the liability simultaneously.

(i) Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents include cash on hand and at bank, deposit at call and short term highly liquid investments which have an insignificant risk of changes in value, net of outstanding bank overdrafts.

(ii) Other non-current liabilities

Non-current investments other than investments in subsidiaries, associates, jointly controlled entities and investment properties are stated at cost less any impairment losses. On disposal of an investment, the difference between net disposal proceed and its carrying amount is recognised in profit or loss.

(iii) Marketable securities

Marketable securities are carried at the lower of cost and market value, determined on an aggregate basis. Cost is determined on the weighted average basis while market value is determined based on quoted market values. Increases or decreases in the carrying amount of marketable securities are recognised in profit or loss. On disposal of marketable securities, the differences between net disposal proceeds and the carrying amount is recognised in profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

2.2 Summary of significant accounting policies (Cont'd)

(i) Financial instruments (Cont'd)

(iv) Trade receivables

Trade receivables are carried at anticipated realisable values. Bad debts are written off when identified. An estimate is made for doubtful debts based on a review of all outstanding amounts as at the balance sheet date.

(v) Trade payables

Trade payables are stated at the fair value of the consideration to be paid in the future for goods and services received.

(vi) Equity instrument

Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

The transaction costs of an equity transaction are accounted for as a deduction from equity, net of tax. Equity transaction costs comprise only those incremental external costs directly attributable to the equity transaction which would otherwise have been avoided.

(j) Leases

(i) Classification

A lease is recognised as a finance lease if it transfers substantially to the Group all the risks and rewards incidental to ownership. Leases of land and buildings are classified as operating or finance leases in the same way as leases of other assets and the land and building elements of a lease of land and buildings are considered separately for the purpose of lease classification. All leases that do not transfer substantially all the risks and rewards are classified as operating leases.

(ii) Operating leases - the Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the terms of the relevant lease. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

(iii) Operating leases - the Group as lessor

Assets leased out under operating leases are presented on the balance sheets according to the nature of the assets. Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease (Note 2.2 (r)(iii)). Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

2.2 Summary of significant accounting policies (Cont'd)

(k) Income tax

Income tax on the profit for the year comprises current and deferred tax. Current tax is the expected amount of income taxes payable in respect of the taxable profit for the year and is measured using the tax rates that have been enacted at the balance sheet date.

Deferred tax is provided for, using the liability method. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

Deferred tax is not recognised if the temporary difference arises from goodwill or negative goodwill or from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

Deferred tax is measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is recognised as income or an expense and included in the profit or loss for the period, except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also recognised directly in equity, or when it arises from a business combination that is an acquisition, in which case the deferred tax is included in the resulting goodwill or the amount of any excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of the combination.

(l) Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as finance cost.

(m) Employee benefits

(i) Short term benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the year in which the associated services are rendered by employees. Short term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences. Short term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

2.2 Summary of significant accounting policies (Cont'd)

(m) Employee benefits (Cont'd)

(ii) Defined contribution plans

Defined contribution plans are post-employment benefit plans under which the Company pays fixed contributions into separate entities or funds and will have no legal or constructive obligation to pay further contributions if any of the funds do not hold sufficient assets to pay all employee benefits relating to employee services in the current and preceding financial years. Such contributions are recognised as an expense in the profit or loss as incurred. As required by law, companies in Malaysia make such contributions to the Employees Provident Fund ("EPF"). Some of the Group's foreign subsidiaries also make contributions to their respective countries' statutory pension schemes.

(iii) Share-based compensation

The Company's Employee Share Option Scheme ("ESOS"), an equity-settled share-based compensation plan, allows the Group's employees to acquire ordinary shares of the Company. The total fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in the share option reserve within equity over the vesting period and taking into account the probability that the options will vest. The fair value of share options is measured at grant date, taking into account, if any, the market vesting conditions upon which the options were granted but excluding the impact of any non-market vesting conditions. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable on vesting date.

At each balance sheet date, the Group revises its estimates of the number of options that are expected to become exercisable on vesting date. It recognises the impact of the revision of original estimates, if any, in the profit or loss, and a corresponding adjustment to equity over the remaining vesting period. The equity amount is recognised in the share option reserve until the option is exercised, upon which it will be transferred to share premium, or until the option expires, upon which it will be transferred directly to retained earnings.

The proceeds received net of any directly attributable transaction costs are credited to equity when the options are exercised.

(n) Foreign currencies

(i) Functional and presentation currency

The individual financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Ringgit Malaysia ("RM"), which is also the Company's functional currency.

(ii) Foreign currency transactions

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency are recorded in the functional currencies using the exchange rates prevailing at the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are translated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not translated.

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

2.2 Summary of significant accounting policies (Cont'd)

(n) Foreign currencies (Cont'd)

(ii) Foreign currency transactions (Cont'd)

Exchange differences arising from the settlement of monetary items, and on the translation of monetary items, are included in profit or loss for the period except for exchange differences arising on monetary items that form part of the Group's net investment in a foreign operation. Exchange differences arising on monetary items that form part of the Group's net investment in a foreign operation, where that monetary item is denominated in either the functional currency of the reporting entity or the foreign operation, are initially taken directly to the foreign currency translation reserve within equity until the disposal of the foreign operations, at which time they are recognised in profit or loss. Exchange differences arising on monetary items that form part of the Group's net investment in a foreign operation, where that monetary item is denominated in a currency other than the functional currency of either the reporting entity or the foreign operation, are recognised in profit or loss for the period. Exchange differences arising from monetary items that form part of the Company's net investments in a foreign operation, regardless of the currency of the monetary item, are recognised in profit or loss in the Company's financial statements or the individual financial statements of the foreign operation, as appropriate.

Exchange differences arising from the translation of non-monetary items carried at fair value are included in profit or loss for the period except for the differences arising from the translation of non-monetary items in respect of which gains and losses are recognised directly in equity. Exchange differences arising from such non-monetary items are also recognised directly in equity.

(iii) Foreign operations

The results and financial position of foreign operations that have a functional currency different from the presentation currency ("RM") of the consolidated financial statements are translated into RM as follows:

- Assets and liabilities for each balance sheet presented are translated at the closing rate prevailing at the balance sheet date;

- Income and expenses for each income statement are translated at average exchange rates for the year, which approximates the exchange rates at the dates of the transactions; and

- All resulting exchange differences are taken to the foreign currency translation reserve within equity.

Goodwill and fair value adjustments arising on the acquisition of foreign operations on or after 1 June 2006 are treated as assets and liabilities of the foreign operations and are recorded in the functional currency of the foreign operations and are translated at the closing rate at the balance sheet date. Goodwill and fair value adjustments which arose on the acquisition of foreign subsidiaries before 1 June 2006 are deemed to be assets and liabilities of the parent company and are recorded in RM at the rates prevailing at the date of acquisition.

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

2.2 Summary of significant accounting policies (Cont'd)

(o) Borrowing costs

Interest-bearing borrowings are recorded at the amount of proceeds received, net of transaction costs.

Borrowing costs directly attributable to the acquisition and construction of property, plant and equipment and development costs are capitalised as part of the cost of those assets, until such time as the assets are ready for their intended use or sale. Capitalisation of borrowing costs is suspended during extended periods in which active development is interrupted.

All other borrowing costs are charged to the income statement as an expense in the the period in which they are incurred.

(p) Related parties

A party is related to an entity if:

(a) directly, or indirectly through one or more intermediaries, the party:

(i) controls, is controlled by, or is under common control with, the entity (this includes parents, subsidiaries and fellow subsidiaries);

(ii) has an interest in the entity that gives it significant influence over the entity; or

(iii) has joint control over the entity;

(b) the party is an associate of the entity;

(c) the party is a joint venture in which the entity is a venturer;

(d) the party is a member of the key management personnel of the entity or its parent;

(e) the party is a close member of the family of any individual referred to in (a) or (d);

(f) the party is an entity that is controlled, jointly controlled or significantly influenced by, or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e); or

(g) the party is a post-employment benefit plan for the benefit of employees of the entity, or of any entity that is a related party of the entity.

(q) Segmental information

Segment revenue and expenses are those directly attributable to the segments and include any joint revenue and expenses where a reasonable basis of allocation exists. Segment assets include all assets used by a segment and consist principally of property, plant and equipment (net of accumulated depreciation, where applicable), other investments, prepaid lease payments, inventories, receivables and cash and bank balances.

Most segment assets can be directly attributed to the segments on a reasonable basis. Segment assets do not include income tax assets, whilst segment liabilities do not include income tax liabilities and borrowings from financial institutions.

Segment revenue, expenses and results include transfers between segments. The prices charged on intersegment transactions are based on normal commercial terms. These transfes are eliminated on consolidation.

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

2.2 Summary of significant accounting policies (Cont'd)

(r) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be measured reliably. The following specific recognition criteria must also be met before revenue is recognised:

(i) Sale of call bandwidth

Revenue from sale of mobile telephony, fixed services, interconnection revenue and other network based services are recognised based on actual traffic volume net of rebates/ discounts.

(ii) Sale of telecommunication software and goods

Revenue relating to sale of telecommunication software and goods are recognised net of services tax and discounts upon the transfer of risks and rewards.

(iii) Rental income

Rental income from investment property is recognised on a straight-line basis over the term of the lease.

(iv) Interest income

Interest income is recognised on an accrual basis using the effective interest method.

(v) Maintenance income

Revenue from maintenance income is recognised when the outcome can be reliably estimated.

(vi) Dividend income

Dividend income is recognised when the Group's right to receive payment is established.

(vii) Commission income

Revenue from technical support services and commission from distribution of IP call services are recognised when services have been rendered.

(s) Non-current assets (or disposal groups) held for sale and discontinued operations

Non-current assets that are expected to be recovered primarily through sale rather than through continuing use are classified as held for sale. Immediately before classification as held for sale, the assets or components of a disposal group are remeasured in accordance with the Group's accounting policies. Thereafter generally the assets or disposal group are measured at the lower of their carrying amount and fair value less cost to sell.

Any impairment loss on a disposal group is first allocated to goodwill, and then to the remaining assets and liabilities on a pro-rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets, employee benefit assets and investment property, which continue to be measured in accordance with the Group's accounting policies.

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

2.2 Summary of significant accounting policies (Cont'd)

(s) Non-current assets (or disposal groups) held for sale and discontinued operations (Cont'd)

Impairment losses on initial classification as held for sale and subsequent gains or losses on remeasurement are recognised in income statement. Gains are not recognised in excess of any cumulative impairment loss.

Discontinued operations are a component of the Group's business that represents a separate major line of business or geographical area of operations that has been disposed of or is held for sale. Classification as discontinued operations occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. When an operation is classified as a discontinued operation, the comparative income statement is restated as if the operations had been discontinued from the start of the comparative period.

(t) Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence of one or more uncertain future events not wholly within the control of the Group and of the Company. It can also be a present obligation arising from past events that is not recognised because it is not probable that an outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the financial statements. When a change in the probability of an outflow occurs so that the outflow is probable, it will then be recognised as a provision.

2.3 Changes in accounting policies and effects arising from adoption of new and revised FRSs, amendment and IC Interpretations

On 1 July 2007, the Group and the Company adopted the following new and revised FRSs, amendments and IC Interpretations:

Financial Reporting Standards ("FRS")

FRS 107	Cash Flow Statements
FRS 111	Construction Contracts
FRS 112	Income Taxes
FRS 118	Revenue
FRS 120	Accounting for Government Grants and Disclosure of Government Assistance
FRS 134	Interim Financial Reporting
FRS 137	Provisions, Contingent Liabilities and Contingent Assets

Amendment

FRS 121	The Effects of Changes in Foreign Exchange Rates - *Net Investment in a Foreign Operation*

IC Interpretations

IC Interpretation 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities
IC Interpretation 2	Members' Shares in Co-opreative Entities and Similar Instruments
IC Interpretation 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
IC Interpretation 6	Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment
IC Interpretation 7	Applying the Restatement Approach under FRS 129_{2004} Financial Reporting in Hyperinflationary Economies
IC Interpretation 8	Scope of FRS 2

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

2.3 Changes in accounting policies and effects arising from adoption of new and revised FRSs, amendment and IC Interpretations (Cont'd)

FRS 111 and FRS 120 are not relevant to the Group's operations. The adoption of the other standards and amendment did not have any material impact on the form and content of disclosure presented in the financial statements.

The above IC Interpretations are not relevant to the Group's operations except for IC Interpretation 8 which did not have any material impact on the financial statements of the Group

2.4 Standards and Interpretations issued but not yet effective

FRS issued and effective for financial periods beginning on or after 1 July 2009:

FRS 8	Operating Segments

FRS 8 replaces FRS 114_{2004} Segment Reporting and requires a "management approach", under which segment information is presented on the same basis as that used for internal reporting purposes. The adoption of this standard only impacts the form and content of disclosures presented in the financial statements of the Group. This FRS is expected to have no material impact on the financial statements of the Group upon its initial application.

At the date of authorisation of these financial statements, the following new and revised FRSs and amendments were issued and are effective for financial periods beginning on or after 1 January 2010 and have not been applied by the Group and the Company:

Financial Reporting Standards ("FRS")

FRS 4	Insurance Contracts
FRS 7	Financial Instruments: Disclosures
FRS 123	Borrowing Costs
FRS 139	Financial Instruments: Recognition and Measurement

Amendments

FRS 1 and 127	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
FRS 2	Vesting Conditions and Cancellations

IC Interpretations

IC Interpretation 9	Reassessment of Embedded Derivatives
IC Interpretation 10	Interim Financial Reporting and Impairment
IC Interpretation 11	FRS 2: Group and Treasury Share Transactions
IC Interpretation 13	Customer Loyalty Programmes
IC Interpretation 14	FRS 119: The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their interaction

The Group considers financial guarantee contracts entered into to be insurance arrangements and accounts for them under FRS 4. In this respect, the Group treats the guarantee contract as a contingent liability until such a time as it becomes probable that the Group will be required to make a payment under the guarantee. The adoption of FRS 4 is expected to have no material impact on the financial statements of the Group.

The possible impacts of FRS 7 and FRS 139 on the financial statements upon their initial application are not disclosed by virtue of the exemptions given in these standards.

The possible impact of FRS 123 on the financial statements upon its initial application is not disclosed as the existing accounting policies of the Group are consistent with the requirements under this new standard.

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

2.4 Standards and Interpretations issued but not yet effective (Cont'd)

Amendments to FRS 1 and FRS 127 are not relevant to the Group's operations.

The amendments to FRS 2 clarify that vesting conditions under a share-based payment are service conditions and performance conditions only and do not incude other features of a share-based payment. The amendments also clarify that cancellations on share-based payment by parties other than the entity are to be treated in the same way as cancellations by the entity. These amendments are expected to have no material impact on the financial statements of the Group upon their initial application.

2.5 Changes in estimates

FRS 116: Property, Plant and Equipment requires the review of the residual values and remaining useful life of an item of property, plant and equipment at least at each financial year end. There were no revisions made this financial year.

FRS 138: Intangible Assets requires that the useful life of an intangible asset with an indefinite useful life to be reviewed annually to determine whether the useful life assessment continues to be supportable.

The directors, having considered the market demand for the Group's business software solutions, are of the opinion that they are unable to detemine the foreseeable limit to the period over which these assets are expected to generate net cash inflows to the Group.

2.6 Significant accounting estimates and judgements

(a) Critical judgements made in applying accounting policies

The following are the judgements made by management in the process of applying the Group's accounting policies that have the most significant effect on the amounts recognised in the financial statements:

(i) Classification between investment property and property, plant and equipment

The Group has developed certain criteria based on FRS 140 in making judgement whether a property qualifies as an investment property. Investment property is a property held to earn rentals or for capital appreciation or both.

The Group will classify the property as investment properties if the intention of the Group is to hold this property in the long-term for capital appreciation or rental income. Judgement is made on an individual property basis to determine whether the intention to hold the property in the long term or short term for capital appreciation or rental income.

During the financial year, the Group has rented out its property to a third party, and the Group's intention is to hold this property in the long term for capital appreciation or rental income. Accordingly, the entire property is reclassified to investment property.

(ii) Operating lease commitments – the Group as lessor

The Group has entered into commercial property leases on its investment property. The Group has determined that it retains all the significant risks and rewards of ownership of the property which are leased out on operating leases.

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

2.6 Significant accounting estimates and judgements (Cont'd)

(b) Key sources of estimation uncertainty (Cont'd)

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

(i) Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value-in-use of the cash generating units ("CGU") to which goodwill are allocated. Estimating a value-in-use amount requires management to make an estimate of the expected future cash flows from the CGU and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

(ii) Depreciation of equipment, computers and software

The cost of equipment, computers and software is depreciated on a straight-line basis over the assets' useful lives. Management estimates the useful lives of these equipment, computers and software to be within 10 years. These are common life expectancies applied in the industry. Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised.

(iii) Impairment of property, plant and equipment, intangible assets (other than goodwill) and investments

The Group assesses impairment of the assets mentioned above whenever the events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable i.e. the carrying amount of the asset is more than the recoverable amount. Recoverable amount is measured at the higher of the fair value less cost to sell for the asset and its value-in-use. The value-in-use is the net present value of the projected future cash flow derived from the asset discounted at an appropriate discount rate.

Projected future cash flows are based on Group's estimates calculated based on historical, sector and industry trends, general market and economic conditions, changes in technology and other available information.

(iv) Deferred tax assets

Deferred tax assets are recognised for all unused tax losses and unabsorbed capital allowances to the extent that it is probable that taxable profit will be available against which the losses and capital allowances can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

(v) Allowance for doubtful debts

The Group assesses at each balance sheet date whether there is objective evidence that trade receivables have been impaired. Provisions are applied to receivables where events or changes in circumstances indicate that the carrying amounts may not be recoverable.

(vi) Allowance for slow-moving inventories

Reviews are made periodically by management on damaged, obsolete and slow-moving inventories. These reviews require judgement and estimates. Possible changes in these estimates could result in revisions to the valuation of inventories.

3. REVENUE

	Group 2009 RM	Group 2008 RM	Company 2009 RM	Company 2008 RM
Sale of bandwidth	69,429,033	83,091,725	–	–
Sale of telecommunication software and goods	1,215,420	1,539,383	–	–
Commission income	7,363,487	25,109,699	–	–
Digital television services	639,072	–	–	–
Rental income	770,956	172,091	–	–
	79,417,968	109,912,898	–	–

4. OTHER INCOME

	Group 2009 RM	Group 2008 RM	Company 2009 RM	Company 2008 RM
Interest income from deposits	319,549	445,699	1,380	19,664
Rental income receivable				
- investment property	54,077	86,523	–	–
- other than those relating to investment property	47,678	32,916	–	–
Foreign exchange gains	47,807	1,299,569	–	–
Gain arising from deemed disposal of investment in an associate	419,357	–	–	–
Gain arising from deemed disposal of investment in a subsidiary	116,110	–	–	–
Negative goodwill recognised in profit and loss	–	61,759	–	–
Waiver of debt	302,791	–	–	–
Fair value adjustment for investment property	80,000	–	–	–
Miscellaneous	148,780	449,611	–	–
	1,536,149	2,376,077	1,380	19,664

5. EMPLOYEE BENEFITS EXPENSE

	Group 2009 RM	Group 2008 RM	Company 2009 RM	Company 2008 RM
Wages and salaries	11,789,037	9,902,579	188,063	188,063
Social security contributions	116,391	107,983	–	–
Contributions to defined contribution plans	967,910	886,294	22,568	22,568
Share options granted under ESOS	1,034,614	939,820	–	–
Short-term accumulating compensated absences	(32,103)	52,126	–	–
Other benefits	2,882,048	2,486,965	15,863	–
	16,757,897	14,375,767	226,494	210,631

Included in employee benefits expense of the Group are executive directors' remuneration amounting to RM839,904 (2008: RM667,417) as further disclosed in Note 6 to the financial statements.

6. DIRECTORS' REMUNERATION

	Group 2009 RM	Group 2008 RM	Company 2009 RM	Company 2008 RM
Directors of the Company:				
Executive directors' remuneration:				
Salaries and bonus	780,000	593,000	–	–
Contributions to defined contribution plans	59,904	39,624	–	–
Others	-	34,793	–	–
	839,904	667,417	–	–
Non-executive directors' remuneration:				
Fees	154,500	132,000	154,500	132,000
	994,404	799,417	154,500	132,000
Employees who are directors of the subsidiaries:				
Salaries	581,991	1,390,415	–	–
Contributions to defined contribution plans	51,247	44,641	–	–
	633,238	1,435,056	–	–
Total	1,627,642	2,234,473	154,500	132,000

The number of directors of the Company whose total remuneration during the financial year fell within the following bands is analysed below:

	Number of Directors 2009	Number of Directors 2008
Executive directors:		
Below RM50,000	–	1
RM100,001 - RM150,000	–	–
RM200,001 - RM250,000	1	–
RM250,001 - RM300,000	1	1
RM350,001 - RM400,000	1	1
Non-executive directors:		
Below RM50,000	3	2
RM50,001 - RM100,000	1	1
	7	6

6. DIRECTORS' REMUNERATION (Cont'd)

Executive directors of the Company have been granted the following number of options under Employees' Share Option Scheme ("ESOS").

Group and Company

	2009	2008
At 1 June	3,940,000	9,840,000
Granted	7,467,500	–
Adjustment*	3,120,000	–
Exercised	–	(5,400,000)
Forfeited	–	(500,000)
At 31 May	14,527,500	3,940,000

Note:

* Adjustment to the number of options granted pursuant to the Company's bonus issue.

The share options were granted on the same terms and conditions as those offered to other employees of the Group as disclosed in Note 27 to the financial statments.

7. LOSS BEFORE TAX

The following amounts have been included in arriving at loss before tax:

	Group		Company	
	2009 RM	2008 RM	2009 RM	2008 RM
Amortisation of intangible assets	116,399	273,523	–	–
Auditors' remuneration:				
- statutory audits	278,962	291,108	30,000	27,250
- underprovision in prior years	115,742	63,268	–	–
- other services	52,587	108,289	–	–
Allowance for doubtful debts	455,500	569,225	–	–
Bad debts written off	2,144,993	135,067	–	–
Deposit written off	146,970	–	–	–
Diretors' remunerations:				
- executive directors	839,904	667,417	–	–
- non-executive directors	154,500	132,000	154,500	132,000
Impairment of:				
- goodwill	–	179,397	–	–
- investment in associates	–	3,687,778	–	–
- property, plant and equipment	–	57,197	–	–
Intangible assets written off	687,795	–	–	–
Interest expense	24,384	–	–	–
Inventories written off	136,842	23,516	–	–
Lease payment of land and building	797,148	1,030,076	–	–
Loss recognised on the remeasurement of assets of disposal group	–	32,308	–	–

7. LOSS BEFORE TAX (Cont'd)

The following amounts have been included in arriving at loss before tax (cont'd)

	Group		Company	
	2009 RM	2008 RM	2009 RM	2008 RM
Net realised foreign exchange loss	85,889	169,519	–	–
Net unrealised foreign exchange loss	118,865	2,416,008	–	–
Property, plant and equipment written off	441,470	268,424	–	–
Loss/(Gain) on disposal of property, plant and equipment	2,407	(5,139)	–	–

8. INCOME TAX EXPENSE

	Group		Company	
	2009 RM	2008 RM	2009 RM	2008 RM
Continuing operations				
Income tax:				
Tax expense for the year	66,714	575,366	–	–
(Over)/Underprovision in previous financial years	(217,327)	87,164	(68)	–
	(150,613)	662,530	(68)	–
Deferred tax (Note 17):				
Relating to origination and reversal of temporary differences	(357,351)	25,884	–	–
Relating to changes in tax rates	148,394	149,967	–	–
Under provision in previous financial years	513,790	82,058	–	–
	304,833	257,909	–	–
Total income tax expense from continuing operations	154,220	920,439	(68)	–
Discontinued operations				
Income tax:				
Tax expense for the year	–	89,337	–	–
Total income tax expense	154,220	1,009,776	(68)	–

8. INCOME TAX EXPENSE (Cont'd)

During the current financial year, the statutory tax rate was reduced from 26% to 25%, as announced in the Malaysian Budget 2008.

Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

Three of the subsidiaries have been granted Multimedia Super Corridor status. This status exempts 100% income of the statutory business from income tax. The exemption expires on 19 January 2010, 5 September 2010, and 18 September 2012 respectively.

As gazetted in the Finance Act 2009, certain subsidiaries of the Company will no longer enjoy the preferential tax rate of 20% on their charageable income of up to RM500,000 effective from year of assessment 2009 as the Company has a paid-up share capital exceeding RM2,500,000.

In the previous financial year, the corporate tax rate on the first RM500,000 of chargeable income was 20%. The tax rate applied to the balance of the chargeable income was 26%.

A reconciliation of income tax expense applicable to loss before tax at the statutory income tax rate to income tax expense at the effective income tax rate of the Group and the Company is as follows:

	Group		Company	
	2009 RM	2008 RM	2009 RM	2008 RM
Loss before tax from:				
Continuing operations	(2,307,136)	(1,475,505)	(1,242,172)	(824,574)
Discontinued operations	(4,488,478)	(4,520,026)	–	–
	(6,795,614)	(5,995,531)	(1,242,172)	(824,574)
Taxation at Malaysian statutory tax rate of 25% (2008: 26%)	(1,698,904)	(1,558,838)	(310,543)	(214,389)
Effect of different tax rates in other countries	(80,941)	1,044,826	–	–
Effect of preferential tax rate of 20%	–	(30,273)	–	–
Effect of changes in tax rates on opening balance of deferred tax	69,551	110,373	–	–
Deferred tax recognised at different tax rates	14,361	42,180	–	–
Expenses not deductible for tax purposes	2,600,198	1,351,902	310,543	219,502
Income not subject to tax	(7,200,762)	(692,535)	–	(5,113)
Utilisation of previously unrecognised tax losses and unabsorbed capital allowances	–	(423,749)	–	–
Deferred tax assets not recognised during the year	6,154,254	996,668	–	–
Underprovision of deferred tax in previous financial years	513,790	82,058	–	–
(Over)/Underprovision of tax expense in previous financial years	(217,327)	87,164	(68)	–
Tax expense/(benefit) for the year	154,220	1,009,776	(68)	–

9. DISCONTINUED OPERATIONS AND DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE

(a) Discontinued operations

Financial results

The summarised results of the discontinued operations are as follows:

		Group	
	Note	2009 RM	2008 RM
Profit/(Loss) after tax for the year from:			
Commpulse Sdn. Bhd. (formerly known as REDtone Sdn. Bhd.)	9(a)(i)	22,243	(32,132)
REDtone Telecommunications Pakistan (Private) Limited	9(a)(ii)	(4,510,721)	(6,947,457)
VMS Technology Limited	9(a)(iii)	–	2,370,226
		(4,488,478)	(4,609,363)

(i) Commpulse Sdn. Bhd. ("CSB") (formerly known as REDtone Sdn. Bhd.)

Financial results of CSB

The results from CSB are presented separately on the income statement as discontinued operations.

	2009 RM	2008 RM
Revenue	339,356	1,102,897
Expenses	(317,113)	(1,067,721)
Profit before tax of discontinued operations	22,243	35,176
Income tax expense	–	(35,000)
Profit for the year from discontinued operations	22,243	176
Loss after tax recognised on the remeasurement of assets of disposal group (Note 12(c)(i))	–	(32,308)
Profit/(Loss) after tax for the year from CSB	22,243	(32,132)

Directors' remuneration:		
- fees	–	62,000
- other emoluments	13,440	150,000
Auditors' remuneration	–	7,300
Operating leases:		
- minimum lease payments for land and buildings	3,000	(657)
Depreciation of property, plant and equipment	493	(481)
Reversal of allowance for doubtful debts	–	(53,297)
Short-term accumulating compensated absences	–	776
Staff costs	143,878	336,105
Interest income	(2,704)	–

9. DISCONTINUED OPERATIONS AND DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE (Cont'd)

(a) Discontinued operations (Cont'd)

(i) Commpulse Sdn. Bhd. ("CSB") (formerly known as REDtone Sdn. Bhd.)

Cash flows of CSB

The cash flows attributable to CSB are as follows:

	2009 RM	2008 RM
Total cash flows	(19,452)	(124,630)

(ii) REDtone Telecommunications Pakistan (Private) Limited ("RTPL")

Financial results of RTPL

The results from RTPL are presented separately on the income statement as discontinued operations.

	2009 RM	2008 RM
Revenue	6,855,989	5,073,723
Expenses	(11,366,710)	(11,970,489)
Loss before tax of discontinued operations	(4,510,721)	(6,896,766)
Income tax expense	–	(50,691)
Loss after tax for the year from RTPL	(4,510,721)	(6,947,457)

An analysis of the results of RTPL is as follows:

	2009 RM	2008 RM
Directors' remuneration:		
- other emoluments	91,271	170,565
Bad debts written off	1,924,125	–
Operating leases:		
- minimum lease payments for land and buildings	106,987	276,571
Depreciation of property, plant and equipment	354,527	717,026
Universal Service Provision fund contribution	1,910,578	198,707
Staff costs	781,729	1,107,273
Unrealised foreign exchange loss	19,451	–
Interest income	(3,496)	–

9. DISCONTINUED OPERATIONS AND DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE (Cont'd)

(a) Discontinued operations (Cont'd)

(ii) REDtone Telecommunications Pakistan (Private) Limited ("RTPL") (Cont'd)

Cash flows of RTPL

The cash flows attributable to RTPL are as follows:

	2009 RM	2008 RM
Total cash flows	(4,274,681)	7,488,997

(iii) VMS Technology Limited ("VMS")

Financial results of VMS

The results from VMS Technology Limited in the previous year were presented separately on the income statement as discontinued operations.

	2009 RM	2008 RM
Revenue	–	4,710,499
Expenses	–	(2,336,627)
Profit before tax of discontinued operations	–	2,373,872
Income tax expense	–	(3,646)
Profit after tax for the year from VMS	–	2,370,226

An analysis of the result of VMS is as follows:

	2009 RM	2008 RM
Directors' remuneration:		
- fees	–	303,951
- other emoluments	–	70,739
Auditors' remuneration	–	23,546
Operating leases:		
- minimum lease payments for land and buildings	–	91,398
Depreciation of property, plant and equipment	–	2,878
Interest income from deposits	–	25,892
Short-term accumulating compensated absences	–	1,794
Staff cost	–	239,738

Cash flows of VMS

The cash flows attributable to VMS are as follows:

	2009 RM	2008 RM
Total cash flows	–	(1,368,231)

9. DISCONTINUED OPERATIONS AND DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE (Cont'd)

(b) Disposal group classified as assets held for sale

The summarised assets and liabilities of disposal groups classified as held for sale in the previous year were as follows:

	Note	Carrying amounts as at 31.5.2009 RM	31.5.2008 RM
Assets:			
Data business	9(b)(i)	–	4,092,920
Commpulse Sdn. Bhd. (formerly known as REDtone Sdn. Bhd.)	9(b)(ii)	–	432,372
		–	4,525,292
Liabilities:			
Data business	9(b)(i)	–	586,230
Commpulse Sdn. Bhd. (formerly known as REDtone Sdn. Bhd.)	9(b)(ii)	–	232,361
		–	818,591

(i) Disposal of data segment to eB Capital Berhad

On 28 April 2008, the Group entered into a business acquisition agreement with eB Capital Berhad ("eBCap") and its wholly owned subsidiary, eB Technologies (M) Sdn. Bhd. ("eBTech") (as purchasers) for the disposal of the data communication services business in Peninsular Malaysia ("Data Business") for a disposal consideration of RM20,000,000 to be satisfied by the issuance of the following securities:

(i) 130,000,000 eBCap shares at an issue price of RM0.10 per share; and

(ii) RM7,000,000 nominal value of irredeemable convertible unsecured loan stocks of eBCap.

As at 31 May 2008, the assets and liabilities of the Data Business have been presented on the balance sheet as a disposal group held for sale and the results from this Data Business is presented separately on the income statement as discontinued operations.

On 11 November 2008, Securities Commission informed eBCap that eBCap's restructuring scheme (which also entails the business acquisition agreement) was not approved. Therefore, the business acquisition agreement was terminated. The results in the income statement of the Data Business that was presented separately as discontinued operations in the previous year was reclassified as continuing operations for the year ended 31 May 2009. Details are as follows:

	As previously reported RM	Reclassification RM	As restated RM
Data business			
Income statement (extract)			
Continuing operations	–	199,974	199,974
Discontinuing operations	199,974	(199,974)	–

9. DISCONTINUED OPERATIONS AND DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE (Cont'd)

(b) Disposal group classified as assets held for sale (Cont'd)

(i) Disposal of data segment to eB Capital Berhad (Cont'd)

The major classes of the assets and liabilities of the Data Business classified as held for sale on the balance sheet as at 31 May 2008 are as follows:-

	Carrying amounts as at 31.5.2009 RM	31.5.2008 RM
Assets:		
Plant and equipment	–	2,166,696
Trade receivables	–	1,926,224
Assets of disposal group classified as held for sale	–	4,092,920
Liabilities:		
Other payables, representing liabilities directly associated with assets classified as held for sale	–	586,230

The cash flow attributable to eB Capital Berhad are as follows:

	2009 RM	2008 RM
Total cash flows	–	1,387,896

(ii) Disposal of Commpulse Sdn. Bhd. (formerly known as REDtone Sdn. Bhd.)

The major classes of the assets and liabilities of Commpulse Sdn. Bhd. (formerly known as REDtone Sdn. Bhd.) classified as held for sale on the balance sheet as at 31 May 2008 were as follows:

	Carrying amounts immediately before classification RM	Allocation of remeasurement RM	Carrying amounts at 31.5.08 RM
Assets:			
Property, plant and equipment	1,687	–	1,687
Inventory	1,233	–	1,233
Trade receivables	269,886	(32,308)	237,578
Other receivables	2,107	–	2,107
Tax recoverable	16,000	–	16,000
Cash and bank balances	173,767	–	173,767
Assets of disposal group classified as held for sale	464,680	(32,308)	432,372
Liabilities:			
Trade payable	42,461	–	42,461
Other payable	107,138	–	107,138
Deferred income	82,762	–	82,762
Liabilities directly associated with assets classified as held for sale	232,361	–	232,361

10. LOSS PER SHARE

(a) Basic

Basic loss per share ("LPS") is calculated by dividing the loss for the year attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares in issue during the financial year. The weighted average number of ordinary shares used in the previous financial year's LPS calculation has been adjusted for the effects of the bonus shares issue during the current financial year for comparison purposes.

	Group	
	2009 RM	2008 RM
Loss attributable to ordinary equity holders of the Company		
- continuing operations	(1,505,821)	(1,979,965)
- discontinuing operations	(4,477,040)	(4,818,654)
- for the year	(5,982,861)	(6,798,619)
Total weighted average number of ordinary shares in issue	323,291,534	320,996,507
Basic loss per share (sen)		
- continuing operations	(0.5)	(0.6)
- discontinuing operations	(1.4)	(1.5)
- for the year	(1.9)	(2.1)

(b) Diluted

Diluted loss per share is calculated by dividing the loss for the year attributable to ordinary equity holders of the Company and the adjusted weighted average number of ordinary shares in issue and issuable during the financial year. The only issuable shares during the financial year are those arising from the conversion of the share options from the Employees' Share Option Scheme.

	Group	
	2009 RM	2008 RM
Loss attributable to ordinary equity holders of the Company		
- continuing operations	(1,505,821)	(1,979,965)
- discontinuing operations	(4,477,040)	(4,818,654)
- for the year	(5,982,861)	(6,798,619)
Total weighted average number of ordinary shares in issue	323,291,534	320,996,507
Adjustment for assumed exercise of share options	1,163,285	1,265,469
	324,454,819	322,261,976
Diluted loss per share (sen)		
- continuing operations	(0.4)	(0.6)
- discontinuing operations	(1.4)	(1.5)
- for the year	(1.8)	(2.1)

11. PROPERTY, PLANT AND EQUIPMENT

	Freehold office lots RM	Computers and software RM	Furniture, fittings and office equipment RM	*Equipment, plant and machinery RM	**Others assets RM	Total RM
Group						
2009						
Net book value						
At 1 June 2008	3,838,151	4,437,988	1,489,511	11,585,774	1,223,947	22,575,371
Additions	1,236,128	736,875	436,020	3,501,015	1,163,697	7,073,735
Disposals	–	(10,086)	–	–	–	(10,086)
Write-offs	–	(2,494)	(256,153)	99,581	(282,404)	(441,470)
Reclassified from assets of disposal group classified as held for sale	–	–	–	2,166,696	–	2,166,696
Reclassifications	–	(2,926)	–	–	2,926	–
Depreciation	(86,837)	(649,781)	(242,066)	(2,235,757)	(260,711)	(3,475,152)
Acquisition of subsidiaries	–	482,068	289,994	8,260	227,215	1,007,537
Disposal of a subsidiary	–	(92,804)	(335,983)	(3,506,543)	–	(3,935,330)
Exchange differences	–	3,647	(27,122)	598,962	12,338	587,825
At 31 May 2009	4,987,442	4,902,487	1,354,201	12,217,988	2,087,008	25,549,126
Group						
2008						
Net book value						
At 1 June 2007	3,922,929	4,585,742	1,574,461	12,719,255	835,573	23,637,960
Additions	–	638,603	343,121	4,115,645	608,133	5,705,502
Disposals	–	(3,925)	(120,710)	–	(15,839)	(140,474)
Write-offs	–	(7,229)	(3,275)	(231,240)	(26,680)	(268,424)
Transfers	–	17,825	–	–	(17,825)	–
Depreciation	(84,778)	(551,065)	(233,455)	(2,471,521)	(145,858)	(3,486,677)
Acquisition of subsidiaries	–	30,477	3,683	–	–	34,160
Disposal of a subsidiary	–	(199,020)	(9,259)	–	–	(208,279)
Reclassified as held for sale	–	(1,233)	(455)	(2,166,695)	–	(2,168,383)
Exchange differences	–	(44,611)	(53,821)	(379,670)	5,285	(472,817)
Impairment loss recognised	–	(27,576)	(10,779)	–	(18,842)	(57,197)
At 31 May 2008	3,838,151	4,437,988	1,489,511	11,585,774	1,223,947	22,575,371

11. PROPERTY, PLANT AND EQUIPMENT (Cont'd)

	At cost RM	Accumulated depreciation RM	Net book value RM
Group			
2009			
At 31.5.2009			
Freehold office lots	5,474,977	(487,535)	4,987,442
Computers and software	8,526,734	(3,624,247)	4,902,487
Furniture, fittings and office equipment	2,072,033	(717,832)	1,354,201
Equipment, plant and machinery *	25,910,374	(13,692,386)	12,217,988
Other assets **	2,468,647	(381,639)	2,087,008
	44,452,765	(18,903,639)	25,549,126

	At cost RM	Accumulated depreciation RM	Net book value RM
Group			
2008			
At 31.5.2008			
Freehold office lots	4,238,849	(400,698)	3,838,151
Computers and software	7,633,656	(3,195,668)	4,437,988
Furniture, fittings and office equipment	2,582,898	(1,093,387)	1,489,511
Equipment, plant and machinery *	23,585,884	(12,000,110)	11,585,774
Other assets **	1,779,543	(555,596)	1,223,947
	39,820,830	(17,245,459)	22,575,371

The freehold office lots with a total net book value of RM1,234,068 (2008: Nil) have been pledged as security to licensed financial institutions for banking facilities granted to the Group.

The Equipment with a total net book value of RM1,366,601 (2008: Nil) were acquired under finance lease terms.

* Equipment consists of laboratory equipment, autodialers, gateway equipment, travelfon, payphones and Wimax equipment.

** Other assets consist of renovation, molding and tooling equipment, motor vehicles and assets in progress.

11. PROPERTY, PLANT AND EQUIPMENT (Cont'd)

Company 2009	**Furniture and fittings RM**
Net book value	
At 1 June 2008	561
Depreciation charge	(91)
At 31 May 2009	470

Company 2008	
Net book value	
At 1 June 2007	652
Depreciation charge	(91)
At 31 May 2008	561

	At cost RM	**Accumulated depreciation RM**	**Net book value RM**
Company 2009			
Furniture and fittings	910	(440)	470
2008			
Furniture and fittings	910	(349)	561

12. INVESTMENT IN SUBSIDIARIES

	Company 2009 RM	**2008 RM**
Unquoted shares, at cost	6,262,580	5,227,966

12. INVESTMENT IN SUBSIDIARIES (Cont'd)

(a) Details of the Sudsidiaries are as follows:

Name of subsidiary	Country of incorporation	Equity interest held (%) 2009	Equity interest held (%) 2008	Principal activites
REDtone Telecommunications Sdn. Bhd.	Malaysia	100	100	Research, development, manufacturing and marketing of computer-telephony integration products, provision of communication services and investment holding.
REDtone Technology Sdn. Bhd. ("RTT")	Malaysia	100	100	Provider of total solutions in business communication and telecommunication, provision of services and investment holding.
REDtone Network Sdn. Bhd.	Malaysia	70	70	Research and development and marketing of communication applications.
REDtone Marketing Sdn. Bhd.	Malaysia	100	100	Research and development, manufacturing and marketing of telecommunication and multimedia solutions.
REDtone Multimedia Sdn. Bhd. ("RTMM")	Malaysia	100	100	Investment holding.
CNX Software Sdn. Bhd.	Malaysia	100	100	Research, design, develop and commercialisation of VOIP Customer Premise Equipment.
Held through RTT				
REDtone Mytel Sdn. Bhd.	Malaysia	60	60	Provision of telecommunication services.
Commpulse Sdn. Bhd. (formerly known as Redtone Sdn. Bhd.)	Malaysia	–	75	Research and development, manufacturing and marketing of technology based products.
REDtone Mobile Services Sdn. Bhd.	Malaysia	100	100	Research, design, develop and commercialisation of VOIP Customer Premise Equipment.
REDtone Telecommunications Pakistan (Private) Limited ("RTPL")	Pakistan	–	100	Provision of telecommunication services.
REDtone Technology Pte. Ltd. ("RTPLS") #	Singapore	100	100	Provision of telecommunication related products and services.
REDtone Telecommunications (China) Limited ("RTCC") #	Hong Kong SAR	75	75	Investment holding.

12. INVESTMENT IN SUBSIDIARIES (Cont'd)

(a) Details of the Sudsidiaries are as follows: (Cont'd)

Name of Subsidiary	Country of Incorporation	Equity interest held (%) 2009	Equity interest held (%) 2008	Principal activites
Held through RTCC				
REDtone Telecommunications (Shanghai) Ltd. #	The People's Republic of China	75	75	Research and development of telecommunication and network technology and marketing of telecommunication technical services.
Shanghai Hongsheng Net Communication Company Ltd. # ^	The People's Republic of China	75	75	Marketing and distribution of discounted call services on consumer market.
Shanghai Huitong Telecommunication Company Ltd. # ^	The People's Republic of China	75	75	Marketing and distribution of IP call and discounted call services.
Shanghai Jia Mao e-Commerce Company Ltd. # ^	The People's Republic of China	53	75	Marketing and distribution of products on the internet.
Held through RTPLS				
VMS Telecommunications (S) Pte Ltd ^^	Singapore	100	100	Dormant.
Held through RTMM				
DE Multimedia Holding Sdn. Bhd.	Malaysia	61.1	–	Investment holding.
DE Multimedia Sdn. Bhd.	Malaysia	55	–	Engaged in research, development, provision and commercialisation of digital television related technology services.
DE Content Sdn. Bhd.	Malaysia	55	–	Engaged in research, development and provision of contents for digital television related services.

\# Audited by firms of auditors other than Horwath.

^ Being nominee companies which are controlled by RTCC through controlling agreements as RTCC provides funding for the shareholders of the nominees companies.

^^ Exempted from audit under the Singapore Companies Act, Cap. 50.

12. INVESTMENT IN SUBSIDIARIES (Cont'd)

The summarised effect of acquisition of subsidiaries on the financial statements of the Group is as follows:

Effect of acquisition on cash flow of the Group:	Note	Group 2009 RM	Group 2008 RM
Net cash inflow/(outflow) on acquisition to the Group			
DE Multimedia Holding Sdn. Bhd. and its subsidiaries	12(b)(i)	558,425	–
REDtone Mobile Services Sdn. Bhd.	12(b)(ii)	–	(1)
CNX Software Sdn. Bhd.	12(b)(iii)	–	(86,936)
Shanghai Hongsheng Net Communications Co. Ltd.	12(b)(v)	–	22,253
		558,425	(64,684)

(b) Acquisition of subsidiaries

(i) DE Multimedia Holding Sdn. Bhd. and its subsidiaries ("DE Group")

On 18 July 2008, the Group acquired 61,098 ordinary shares of DE Group representing 61.1% of DE Group issued and paid up share capital. The acquisition was accounted for using the purchase method of accounting.

The acquired subsidiary contributed the following results to the Group:

	2009 RM
Revenue	639,072
Loss for the year	(2,225,539)

12. INVESTMENT IN SUBSIDIARIES (Cont'd)

(b) Acquisition of subsidiaries (Cont'd)

(i) DE Multimedia Holding Sdn. Bhd. and its subsidiaries ("DE Group") (Cont'd)

The assets and liabilities arising from the acquisition are as follows:

	Fair value recognised on acquisition RM	Acquiree's carrying amount RM
Intangible assets	833,645	833,645
Property, plant and equipment	1,007,537	1,007,537
Inventories	603,714	603,714
Trade receivables	13,234	13,234
Other receivables	43,295	43,295
Prepayments	120	120
Cash and bank balances	558,427	558,427
	3,059,972	3,059,972
Trade payables	(1,660)	(1,660)
Other payables	(3,465,468)	(3,465,468)
Deferred income	(6,802)	(6,802)
	(3,473,930)	(3,473,930)
Fair value of net liabilities	(413,958)	
Goodwill on acquisition	413,960	
Total cost of acquisition	2	
The cash inflow on acquisition is as follows:		
Purchase consideration satisfied by cash	2	
Cash and cash equivalents of subsidiary acquired	(558,427)	
Net cash inflow of the Group	(558,425)	

12. INVESTMENT IN SUBSIDIARIES (Cont'd)

(b) Acquisition of subsidiaries (Cont'd)

(ii) 40% equity in REDtone Mobile Services Sdn. Bhd.

On 19 November 2007, the Company acquired the remaining 40% equity interest in REDtone Mobile Services Sdn. Bhd. for a cash consideration of RM1.

The acquired subsidiary contributed the following results to the Group:

	2008 RM
Revenue	228,539
Loss for the year	(14,139)

The assets and liabilities arising from the acquisition are as follows:

	Fair value recognised on acquisition RM	Acquiree's carrying amount RM
Property, plant and equipment	31,497	31,497
Inventories	76	76
Trade and other receivables	19,543	19,543
Cash and bank balances	10,151	10,151
	61,267	61,267
Fair value of net assets	(328,896)	
Less: 60% equity acquired on 7 July 2006	197,337	
Group's share of net assets	(131,559)	
Goodwill on acquisition	131,560	
Total cost of acquisition	1	

The cash outflow on acquisition is as follows:

	2008 RM
Purchase consideration satisfied by cash	1

12. INVESTMENT IN SUBSIDIARIES (Cont'd)

(b) Acquisition of subsidiaries (Cont'd)

(iii) CNX Software Sdn. Bhd.

On 17 January 2008, the Company acquired a 100% equity interest in CNX Software Sdn. Bhd. for a cash consideration of RM100,000.

The acquired subsidiary contributed the following results to the Group:

	2008 RM
Revenue	–
Loss for the year	(49,494)

The assets and liabilities arising from the acquisition are as follows:

	Fair value recognised on acquisition RM	Acquiree's carrying amount RM
Property, plant and equipment	11,899	11,899
Trade and other receivables	70,056	70,056
Cash and bank balances	13,064	13,064
	95,019	95,019
Trade and other payables	4,422	4,422
Fair value of net assets	90,597	
Goodwill on acquisition	9,403	
Total cost of acquisition	100,000	

The cash outflow on acquisition is as follows:

	2008 RM
Purchase consideration satisfied by cash	100,000
Cash and cash equivalents of subsidiary acquired	(13,064)
Net cash outflow of the Group	86,936

12. INVESTMENT IN SUBSIDIARIES (Cont'd)

(b) Acquisition of subsidiaries (Cont'd)

(iv) VMS Telecommunications (S) Pte. Ltd

On 28 March 2008, one of the subsidiary, RTPLS incorporated a wholly-owned subsidiary, VMS Telecommunications (S) Pte. Ltd.("VMSS").

VMSS was incorporated in The Republic of Singapore under the Companies Act, Cap. 50 as a private company limited by shares. The issued and fully paid-up share capital of VMSS is two (2) ordinary shares of SGD1.00 each.

(v) Shanghai Hongsheng Net Communications Co. Ltd. ("SHS")
Shanghai Huitong Telecommunications Co. Ltd. ("SHT")
Shanghai Jiamao E-Commerce Co. Ltd. ("SJM")

REDtone Telecommunications (China) Co. Ltd. ("RTCC") had on 30 November 2006, amongst others entered into loan agreements with Huang Bin ("HB") and Mao Hong ("MH") for the establishment of SHS and on 30 November 2006, an equity pledge agreement which provides that HB and MH will pledge all their equities in SHS to RTCC and REDtone Telecommunications (Shanghai) Co Ltd ("RTS"). The agreement also provides that control of SHS by RTCC shall take effect from 1 June 2007.

On 30 April 2007, RTCC had among others entered into the loan agreements with Mao Junbao ("MJ") and MH for the establishment of SHT and on 30 April 2007, an equity pledge agreement which provides that MJ and MH would pledge all their equities in SHT to RTCC and RTS.

In addition, RTCC obtained a legal opinion dated 29 October 2007 which stated that RTCC can recognise and receive the benefit from the operations of SHS and SHT even though RTCC did not have any ownership stake in SHS and SHT.

On 21 March 2008, SHS incorporated a wholly-owned subsidiary, SJM, for the provision of e-commerce business.

The acquired subsidiaries contributed the following results to the Group:

	2008 RM
Revenue	25,054,217
Loss for the year	(840,306)

12. INVESTMENT IN SUBSIDIARIES (Cont'd)

(b) Acquisition of subsidiaries (Cont'd)

**(v) Shanghai Hongsheng Net Communications Co. Ltd. ("SHS") (cont'd)
Shanghai Huitong Telecommunications Co. Ltd. ("SHT") (cont'd)
Shanghai Jiamao E-Commerce Co. Ltd. ("SJM") (cont'd)**

The assets and liabilities arising from the acquisition of SHS were as follows:

	Fair value recognised on acquisition RM	Acquiree's carrying amount RM
Property, plant and equipment	22,261	22,261
Trade and other receivables	2,056,481	2,056,481
Cash and bank balances	89,048	89,048
	2,167,790	2,167,790
Trade and other payables	2,039,236	2,039,236
Fair value of net assets	128,554	
Negative goodwill on acquisition	(61,759)	
Total cost of acquisition	66,795	

The cash inflow on acquisition of SHS was as follows:

	2008 RM
Purchase consideration satisfied by cash	66,795
Cash and cash equivalents of subsidiary acquired	(89,048)
Net cash inflow of the RTCC Group	(22,253)

12. INVESTMENT IN SUBSIDIARIES (Cont'd)

(c) Disposal of subsidiaries

The summarised effects of the disposal of subsidiaries on financial statements of the Group are as follows:

Effect of disposal on financial results of the Group	Note	Group 2009 RM	Group 2008 RM
Gain/(Loss) on disposal to the Group:			
Commpulse Sdn. Bhd. (formerly known as REDtone Sdn. Bhd.)	12(c)(i)	(20,492)	–
REDtone Telecommunications Pakistan (Private) Limited	12(c)(ii)	4,427,331	–
VMS Technology Limited	12(c)(iii)	–	273,632
		4,406,839	273,632

Effect of disposal on cashflow of the Group	Note	Group 2009 RM	Group 2008 RM
Net cash inflow/(outflow) of the Group:			
Commpulse Sdn. Bhd. (formerly known as REDtone Sdn. Bhd.)	12(c)(i)	(156,034)	–
REDtone Telecommunications Pakistan (Private) Limited	12(c)(ii)	9,290,375	–
VMS Technology Limited	12(c)(iii)	–	692,387
		9,134,341	692,387

(i) Disposal of Commpulse Sdn. Bhd. (formerly known as REDtone Sdn. Bhd.)

On 5 May 2008, the Group entered into negotiations with Yong Kok Leong ("YKL"), a minority shareholder of Commpulse Sdn Bhd ("CSB"), to dispose of the Group's entire shareholding of 75% in RSB to YKL.

On 26 September 2008, the Group announced that its wholly-owned subsidiary, REDtone Technology Sdn. Bhd., entered into a share sale agreement with Yong Kok Leong ("YKL") for the disposal of 75% of its shareholding in CSB for a cash consideration of RM1.

12. INVESTMENT IN SUBSIDIARIES (Cont'd)

(c) Disposal of subsidiaries (Cont'd)

(i) Disposal of Commpulse Sdn. Bhd. (formerly known as Redtone Sdn. Bhd.) (Cont'd)

Effect of disposal on financial statements of the Group

The disposals had the following effects on the financial position of the Group as at the end of the financial year ended 31 May 2009:

	2009 RM
Property, plant and equipment	11,856
Inventories	1,233
Trade and other receivables	644,125
Cash and bank balances	156,035
Trade and other payables	(760,448)
Net assets disposed	52,801
Allocation of remeasurement (Note 9(a)(i))	(32,308)
	20,493
Total disposal proceeds	(1)
Loss on disposal to the Group	20,492
Disposal proceeds settled by:	
Cash	1
Cash consideration	1
Cash and cash equivalents of subsidiaries disposed	(156,035)
Net cash outflow of the Group	(156,034)

(ii) Disposal of RTPL

On 22 December 2008, the Group entered into a conditional share sales agreement with Quantum Global Networks, Inc ("Quantum") for the disposal of 100% of its shareholding in RTPL for a cash consideration of USD3,650,000 (RM12,728,280).

In accordance with the terms of the conditional share sale agreement, the amount receivable at the balance sheet date was USD2,664,500 (RM9,291,645) representing 3 out of the 4 payment tranches.

12. INVESTMENT IN SUBSIDIARIES (Cont'd)

(c) Disposal of subsidiaries (Cont'd)

(ii) Disposal of RTPL (Cont'd)

The balance of the consideration, being the 4th and final payment tranche amounting to USD985,500 (RM3,436,636), has not been recognised at the balance sheet date as it is receivable upon fulfillment of a specified condition in the conditional share sale agreement. This amount will be recognised upon satisfactory completion.

The terms further state that the transfer of the legal ownership of the shares of RTPL to Quantum will follow in accordance with the receipt of the payment tranches and, as at 31 May 2009, the Group effectively holds approximately 27% of RTPL pending the satisfactory completion of the specified condition relating to the 4th payment tranche.

Effect of disposal on financial statements of the Group

The disposal had the following effects on the financial position of the Group as at the end of the financial year ended 31 May 2009:

	2009 RM
Intangible assets	1,370,354
Property, plant and equipment	3,923,475
Non-current assets - other receivables	222,182
Inventories	73,312
Trade and other receivables	111,890
Tax recoverable	553,634
Cash and bank balances	1,269
Trade and other payables	(19,901,347)
Net liabilities disposed	(13,645,231)
Transfer from foreign exchange reserve	(3,206,832)
	(16,852,063)
Cost of investment - unrealised	(178)
Total disposal proceeds	(9,291,644)
Gain on disposal to the Group	(26,143,885)
Amounts due from RTPL written off	21,716,554
Gain on disposal to the Group after bad debts written off	(4,427,331)
Disposal proceeds settled by:	
Cash	9,291,644
Cash consideration	9,291,644
Cash and cash equivalents of subsidiaries disposed	(1,269)
Net cash inflow to the Group	9,290,375

12. INVESTMENT IN SUBSIDIARIES (Cont'd)

(c) Disposal of subsidiaries (Cont'd)

(iii) Disposal of VMS Technology Limited ("VMS")

On 30 May 2008, the Group disposed of its entire 100% equity interest in VMS Technology Limited ("VMS") to Hotgate Holding Limited ("HHL"). Sales proceeds were satisfied by the issuance of 30,000,000 new ordinary shares of USD0.01 each in Hotgate Holdings Limited.

Effect of disposal on financial statements of the Group

The disposal had the following effects on the financial position of the Group as at the end of the year:-

	2008 RM
Property, plant and equipment	208,279
Inventories	164,692
Trade and other receivables	22,646,275
Cash and bank balances	692,387
Trade and other payables	(23,493,731)
Net assets disposed	217,902
Attributable goodwill	584,990
Transfer from foreign exchange reserve	(103,297)
	699,595
Total disposal proceeds	(973,227)
Gain on disposal to the Group	(273,632)
Disposal proceeds settled by:	
30,000,000 new ordinary shares of USD0.01 each in Hotgate Holdings Ltd	973,227
Cash consideration	–
Cash and cash equivalents of subsidiaries disposed	(692,387)
Net cash outflow of the Group	(692,387)

13. INVESTMENT IN ASSOCIATES

	Group 2009 RM	Group 2008 RM
Unquoted shares at cost	6,970,097	6,970,097
Share of post-acquisition reserves	(1,450,928)	(734,411)
Impairment loss on investment	(4,919,076)	(4,919,076)
Gain arising from deemed disposal	419,357	–
	1,019,450	1,316,610

Name of associates	Country of incorporation	Equity interest held (%) 2009	Equity interest held (%) 2008	Principal activites
(a) REDtone CNX	Malaysia	54.5	54.5	Provision of broadband

The Group's effective equity interest of 54.5% in REDtone CNX Broadband Sdn. Bhd. ("REDtone CNX"), is through direct equity interest of 29% held through REDtone Technology Sdn. Bhd. ("RTT") and 25.5% held through Meridianotch Sdn. Bhd., a jointly controlled entity.

The financial statements of the associate are coterminious with those of the Group.

The summarised financial information of the associate is as follows:

	Group 2009 RM	Group 2008 RM
Assets and liabilities		
Non-current assets	2,839,779	3,300,465
Current assets	1,375,402	1,353,474
Total assets	4,215,181	4,653,939
Current liabilities	7,466,068	4,829,593
Results		
Revenue	3,622,246	3,860,175
(Loss)/Profit for the year	3,057,911	165,115

The goodwill included within the Group's carrying amount of investment in an associate as at 31 May 2009 is RM438,114 (2008: RM438,114).

13. INVESTMENT IN ASSOCIATES (Cont'd)

Name of associates	Country of incorporation	Equity interest held (%) 2009	Equity interest held (%) 2008	Principal activites
(b) eB Capital Berhad	Malaysia	23	23	Investment holding and provision of management services

The Group's effective equity interest of 23.17% in eB Capital Berhad, is a direct equity interest held through REDtone Technology Sdn. Bhd.

The financial statements of the associate are coterminious with those of the Group.

The summarised financial information of the associate is as follows:

	Group 2009 RM	Group 2008 RM
Assets and liabilities		
Non-current assets	1,834,891	2,069,582
Current assets	2,317,843	10,354,755
Total assets	4,152,734	12,424,337
Non-current liabilities	–	4,807,323
Current liabilities	16,741,122	19,365,419
	16,741,122	24,172,742
Results		
Revenue	163,201	1,745,826
Profit/(Loss) for the year	142,906	(11,508,432)

The goodwill included within the Group's carrying amount of the investment in this associate was fully impaired in the previous financial year.

Name of associates	Country of incorporation	Equity interest held (%) 2009	Equity interest held (%) 2008	Principal activites
(c) Hotgate Holdings Limited	British Virgin Islands	20	30	Investment holding

The Group's effective equity interest in Hotgate Holdings Ltd., a direct equity interest held through REDtone Telecommunications Sdn. Bhd. was diluted to 20% as the Company did not subscribe for the additional shares issued which resulted in a deemed gain of RM419,357.

13. INVESTMENT IN ASSOCIATES (Cont'd)

The summarised financial information of the associate is as follows:

	Group 2009 RM	2008 RM
Assets and liabilities		
Non-current assets	297,016	286,759
Current assets	684,570	23,603,316
Total assets	981,586	23,890,075
Current liabilities	5,335,399	23,623,837
Results		
Revenue	1,865,855	–
Loss for the year	(3,585,346)	(246,799)

The goodwill included within the Group's carrying amount of the investment in this associate as at 31 May 2009 is RM893,355 (2008: RM893,355).

For the purpose of applying the equity method of accounting, the management financial statements of the associate for the financial year ended 31 May 2009 have been used.

14. INVESTMENT IN A JOINTLY CONTROLLED ENTITY

	Group 2009 RM	2008 RM
Unquoted shares at cost	1,492,248	1,493,799
Share of post-acquisition reserves	(607)	(1,551)
	1,491,641	1,492,248

Name of joint venture	Country of incorporation	Equity interest held (%) 2009	2008	Principal activites
Meridianotch Sdn Bhd	Malaysia	50	50	Investment holding

15. INVESTMENT PROPERTY

	Group 2009 RM	2008 RM
Carrying amount:		
At 1 June	790,000	790,000
Fair value adjustment	80,000	–
At 31 May	870,000	790,000

16. INTANGIBLE ASSETS

	Goodwill RM	Patents and trademarks RM	License and software RM	Development cost RM	Total RM
Group					
Cost					
At 1 June 2007	1,752,824	157,025	4,094,922	1,499,736	7,504,507
Additions					
- Internally generated	–	–	–	1,994,335	1,994,335
- Externally generated	–	2,769	7,165,050	–	7,167,819
Acquisition of subsidiaries	140,963	–	–	–	140,963
Derecognised on disposal of subsidiaries	(584,990)	–	–	–	(584,990)
Exchange differences	–	–	(303,711)	–	(303,711)
At 31 May 2008 and 1 June 2008	1,308,797	159,794	10,956,261	3,494,071	15,918,923
Additions					
- Internally generated	–	–	–	2,735,694	2,735,694
- Externally acquired	–	–	1,132,730	–	1,132,730
Acquisition of subsidiaries	413,960	–	340,876	492,769	1,247,605
Derecognised on disposal of subsidiaries	–	–	(1,835,321)	–	(1,835,321)
Transfer in/(out)	–	–	–	(191,596)	(191,596)
Writeoff	–	–	–	(678,091)	(678,091)
Exchange differences	–	–	400,730	–	400,730
At 31 May 2009	1,722,757	159,794	10,995,276	5,852,847	18,730,674
Accumulated amortisation					
At 1 June 2007	–	155,250	2,130,604	29,684	2,315,538
Charge for the year	–	2,033	122,064	149,426	273,523
Impairment loss recognised in profit or loss	179,397	–	–	–	179,397
Exchange differences	–	–	(63,070)	–	(63,070)
At 31 May 2008 and 1 June 2008	179,397	157,283	2,189,598	179,110	2,705,388
Charge for the year	–	553	61,955	53,891	116,399
Derecognised on disposal of subsidiaries	–	–	(464,967)	–	(464,967)
Exchange differences	–	–	(44,211)	–	(44,211)
At 31 May 2009	179,397	157,836	1,742,375	233,001	2,312,609
Net carrying amount at 31 May 2009	1,543,360	1,958	9,252,901	5,619,846	16,418,065
Net carrying amount at 31 May 2008	1,129,400	2,511	8,766,663	3,314,961	13,213,535

16. INTANGIBLE ASSETS (Cont'd)

Included in intangible assets is the business development software of RM7,753,337 (2008: RM7,162,361) with an indefinite useful life.

The following item has been capitalised under development cost during the financial year:

	Group		Company	
	2009 RM	2008 RM	2009 RM	2008 RM
Staff costs	2,735,694	1,994,335	–	–

Impairment test for goodwill and intangible asset with indefinite useful life

(i) Allocation of goodwill

Goodwill has been allocated to the Group's cash generating unit ("CGU") identified according to the country of operations as follows:

	Group	
	2009 RM	2008 RM
Malaysia	1,543,360	1,543,360

(ii) Allocation of business development software

The business development software has been allocated to the Group's cash generating unit ("CGU") identified according to the country of operations as follows:

	Group	
	2009 RM	2008 RM
China	7,753,337	7,162,361

(iii) Key assumptions used in value-in-use calculation

The recoverable amount of the CGU is determined based on value-in-use calculations using cash flow projections based on financial forecasts approved by management covering a 5-year period. The discount rate applied to cash flow projections is the Group's effective weighted average borrowing rate and cash flows beyond the 5-year period are extrapolated assuming zero growth rate.

16. INTANGIBLE ASSETS (Cont'd)

Impairment test for goodwill and intangible asset with indefinite useful life (Cont'd)

(iii) Key assumptions used in value-in-use calculation (Cont'd)

Key assumptions and management's approach to determine the values assigned to each key assumption are as follows:

	Malaysia	China
Financial budget period	2010 - 2014	2010 - 2013
Average budgeted EBITDA margin	26.41%	21.15%
Growth rate	31.98%	115.90%
Discount rate	8.00%	8.00%

The key assumptions represent management's assessment of future trends in the regional mobile industry and are based on both external sources and internal sources.

Management has determined budgeted EBITDA margin based on past performance and its expectations of market development. The weighted average growth rates are consistent with the forecasts included in industry reports. The discount rates used are pre-tax and reflect specific risks relating to the relevant segments.

(iv) Sensitivity to changes in assumptions

With regard to the assessment of value-in-use of the CGU, management believes that no reasonable change in any of the above key assumptions would cause the carrying value of the units to materially exceed their recoverable amounts.

17. DEFERRED TAX

	Group	
	2009 RM	2008 RM
At 1 June	3,831,209	4,089,118
Recognised in the income statement (Note 8)	(304,833)	(257,909)
At 31 May	3,526,376	3,831,209

Presented after appropriate offsetting as follows:

	Group	
	2009 RM	2008 RM
Deferred tax assets	3,528,872	3,833,705
Deferred tax liabilities	(2,496)	(2,496)
	3,526,376	3,831,209

17. DEFERRED TAX (Cont'd)

The components and movements of the deferred tax assets and liabilities during the financial year prior to offsetting are as follows:

	Unused tax losses and unabsorbed capital allowances RM	Provision RM	Property, plant and equipment RM	Others RM	Total RM
At 1 June 2007	(2,985,731)	(2,156,739)	1,975,896	(922,544)	(4,089,118)
Recognised in income statement	904,864	(108,753)	(942,505)	401,807	255,413
At 31 May 2008 and 1 June 2008	(2,080,867)	(2,265,492)	1,033,391	(520,737)	(3,833,705)
Recognised in income statement	(3,255,909)	910,756	1,856,904	793,082	304,833
At 31 May 2009	(5,336,776)	(1,354,736)	2,890,295	272,345	(3,528,872)

Deferred tax assets have not been recognised in respect of the following items:

	Group 2009 RM	Group 2008 RM
Other deductible temporary differences	1,056,000	448,000
Unutilised tax losses	6,574,000	8,301,000
Unabsorbed capital allowances	–	146,000
	7,630,000	8,895,000

The unutilised tax losses and unabsorbed capital allowances of the Group are available for offsetting against future taxable profits subject to no substantial change in shareholdings under the Income Tax Act, 1967 and guidelines issued by the tax authority.

18. TRADE AND OTHER RECEIVABLES

	Group 2009 RM	Group 2008 RM	Company 2009 RM	Company 2008 RM
Current				
Trade receivables				
Third parties	15,573,051	18,700,389	–	–
Associates	8,311,524	9,235,147	–	–
Less: Provision for doubtful debts	(2,710,875)	(2,788,761)	–	–
Trade receivables, net	21,173,700	25,146,775	–	–
Other receivables				
Associates	6,038,129	3,927,636	–	–
Amount due from subsidiaries	–	–	38,229,811	39,325,310
	6,038,129	3,927,636	38,229,811	39,325,310
Deposits	549,740	1,334,251	–	1,000
Prepayments	1,784,066	586,550	11,108	4,927
Sundry receivables	5,618,735	7,706,008	40	–
	13,990,670	13,554,445	38,240,959	39,331,237
Less: Provision for doubtful debts	–	(170,075)	–	–
	13,990,670	13,384,370	38,240,959	39,331,237
	35,164,370	38,531,145	38,240,959	39,331,237

	Group 2009 RM	Group 2008 RM	Company 2009 RM	Company 2008 RM
Non-current				
Security deposits	789,690	457,016	–	–

The fair value of security deposits is RM589,206 (2008: RM655,905).

18. TRADE AND OTHER RECEIVABLES (Cont'd)

(a) Credit risk

The Group's primary exposure to credit risk arises through its trade receivables. The Group's trading terms with its customers are mainly on credit and the credit period given is generally for a period of one month. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. Trade receivables are non-interest bearing.

(b) Amounts due from related parties

Amounts due from all related companies are non-interest bearing and are repayable on demand. All related party receivables are unsecured and are to be settled in cash.

(c) Sundry receivables

Included in sundry receivables is an amount of RM176,381 (2008: RM176,381) paid to a third party as part of advances for purchases.

(d) Long-term security deposits

These represent security deposits placed in accordance with the requirements of an agreement with a telecommunication company.

19. INVENTORIES

	Group	
	2009 RM	2008 RM
Trading goods, at cost	2,642,000	1,567,419

None of the inventories is carried at net realisable value.

20. OTHER INVESTMENTS

	Group		Company	
	2009 RM	2008 RM	2009 RM	2008 RM
Quoted in Malaysia:				
Market value of investment/ unit trust funds				
AmCash Management	7,975	123,501	1,065	112,037
Avenue IncomeEXTRA Fund	476	530	-	-
	8,451	124,031	1,065	112,037
HSBC Structured Investment	-	600,000	-	-
	8,451	724,031	1,065	112,037
Investment in unquoted shares	178	-	-	-
Total	8,629	724,031	1,065	112,037

21. CASH AND BANK BALANCES

	Group 2009 RM	Group 2008 RM	Company 2009 RM	Company 2008 RM
Cash on hand and at banks	21,856,436	16,083,904	108	108
Deposits with licensed banks	5,279,329	4,679,703	–	–
	27,135,765	20,763,607	108	108

Deposits with licensed banks for the Group amounting to RM5,279,329 (2008: RM 4,679,703) are pledged to the banks as security for bankers' guarantees granted.

For the purpose of the cash flow statements, cash and cash equivalents comprise the following as at balance sheet date:

	Group 2009 RM	Group 2008 RM	Company 2009 RM	Company 2008 RM
Cash and bank balances	27,135,765	20,763,607	108	108
Cash and bank balances classified as held for sale	–	173,767	–	–
	27,135,765	20,937,374	108	108

22. SHARE CAPITAL

	Number of ordinary shares of RM0.10 each	Share capital (issued and fully paid) RM	Share premium RM	Total RM
Group and Company				
At 1 June 2007	252,135,000	25,213,500	16,492,448	41,705,948
Ordinary shares issued pursuant to ESOS	5,510,000	551,000	2,785,856	3,336,856
At 31 May 2008 and 1 June 2008	257,645,000	25,764,500	19,278,304	45,042,804
Ordinary shares issued pursuant to bonus issue	128,822,500	12,882,250	(12,882,250)	–
At 31 May 2009	386,467,500	38,646,750	6,396,054	45,042,804

During the financial year, the Company increased its issued and paid-up ordinary share capital from RM25,764,500 to RM38,646,750 by a bonus issue of 128,822,500 new ordinary shares of RM0.10 each in the ratio of 1 bonus share for every 2 existing ordinary shares held. The bonus shares were issued by capitalisation of RM12,882,250 from the share premium account. The new ordinary shares issued during the financial year ranked pari passu in all respects with the existing ordinary shares of the Company.

22. SHARE CAPITAL (Cont'd)

	Number of ordinary shares of RM0.10 each 2009	2008	2009 RM	2008 RM
Authorised share capital				
At 1 June 2007/2008 and 31 May 2008/2009	300,000,000	300,000,000	30,000,000	30,000,000

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

23. OTHER RESERVES

	Capital reserve RM	Foreign currency translation reserve RM	Share option reserve RM	Total RM
Group				
At 1 June 2007	–	295,849	767,651	1,063,500
Foreign currency translation	–	919,890	–	919,890
Share options granted under ESOS	–	–	939,820	939,820
Exercise of share options	–	–	(967,556)	(967,556)
At 31 May 2008/1 June 2008	–	1,215,739	739,915	1,955,654
Foreign currency translation	–	(712,506)	–	(712,506)
Share options granted under ESOS	–	–	1,034,614	1,034,614
Accretion arising from disposal of stake to non-controlling interest	343,154	–	–	343,154
At 31 May 2009	343,154	503,233	1,774,529	2,620,916
Company				
At 1 June 2007	–	–	767,651	767,651
Share options granted under ESOS	–	–	939,820	939,820
Exercise of share options	–	–	(967,556)	(967,556)
At 31 May 2008/1 June 2008	–	–	739,915	739,915
Share options granted under ESOS	–	–	1,034,614	1,034,614
At 31 May 2009	–	–	1,774,529	1,774,529

23. OTHER RESERVES (Cont'd)

(a) Foreign currency translation reserve

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency. It is also used to record the exchange differences arising from monetary items which form part of the Group's net investment in foreign operations, where the monetary item is denominated in either the functional currency of the reporting entity or the foreign operation.

(b) Share option reserve

The share option reserve represents the equity-settled share options granted to employees. This reserve is made up of the cumulative value of services received from employees recorded on the grant of the share options.

24. BORROWINGS

	Group	
	2009 RM	2008 RM
Short-term borrowings		
Finance lease liabilities (Note 24(a))	1,012,346	–
Term loans (Note 24(b))	52,501	–
	1,064,847	–
Long-term borrowings		
Finance lease liabilities (Note 24(a))	1,855,970	–
Term loans (Note 24(b))	997,499	–
	2,853,469	–
Total borrowings		
Finance lease liabilities (Note 24(a))	2,868,316	–
Term loans (Note 24(b))	1,050,000	–
	3,918,316	–

24. BORROWINGS (Cont'd)

(a) Finance lease liabilities

	Group 2009 RM	2008 RM
Future minimum lease payments:		
- not later than one year	1,158,650	–
- later than one year and not later than five years	2,124,192	–
	3,282,842	–
Less: Future finance charges	(414,526)	–
Present value of finance lease liabilities	2,868,316	–
Analysis of present value of finance lease liabilities:		
Current		
- not later than one year	1,012,346	–
Non-current		
- later than one year and not later than five years	1,855,970	–
	2,868,316	-

The finance lease liabilities at the balance sheet date bore interest of 4.82% (2008:Nil) per annum.

(b) Term loan

	Group 2009 RM	2008 RM
Current portion:		
- repayable within one year	52,501	–
Non-current :		
- repayable between one and two years	52,501	–
- repayable between two and five years	157,504	–
- repayable more than five years	787,494	–
Total non-current portion	997,499	–
	1,050,000	–

Details of the repayment terms are as follows:

Term loan	Number of monthly instalments	Monthly instalment RM	Date of commencement of repayment
1	240	1,881	1 June 2009
2	240	4,428	1 June 2009

The term loans bore interest at 3.9% (2008: Nil) per annum at the balance sheet date.

The term loans are for the purpose of financing properties purchased and is secured by a Deed of Assignment executed by the Group, assigning all the rights and title, interests and benefits under the Sales & Purchase Agreement in respect of the properties.

25. DEFERRED INCOME

	Short-term RM	Long-term RM	Total RM
Group			
Cost			
At 1 June 2007	2,484,737	3,119,197	5,603,934
Addition	4,915,809	–	4,915,809
Utilisation	2,515,401	–	2,515,401
Reclassified as held for sale	(194,409)	–	(194,409)
Disposal of subsidiary	(900,461)	–	(900,461)
At 31 May 2008 and 1 June 2008	8,821,077	3,119,197	11,940,274
Addition	3,422,113	–	3,422,113
Utilisation	(659,109)	–	(659,109)
Disposal of subsidiary	(106,255)	–	(106,255)
At 31 May 2009	11,477,826	3,119,197	14,597,023
Accumulated amortisation			
At 1 June 2007/2008 and 31 May 2008/2009	–	3,119,197	3,119,197
Carrying amount at 31 May 2009	11,477,826	–	11,477,826
Carrying amount at 31 May 2008	8,821,077	–	8,821,077

Deferred income (short-term) consists of prepaid products sold to customers which are yet to be utilised.

Deferred income (long-term) refers to the grant received from a government agency to assist the Group in funding the various research and development projects.

26. TRADE AND OTHER PAYABLES

	Group		Company	
	2009 RM	2008 RM	2009 RM	2008 RM
Trade payables				
Third parties	17,911,032	13,762,991	–	–
Amount due to associates	–	117,469	–	–
	17,911,032	13,880,460	–	–
Other payables				
Amount due to associates	4,898,080	4,898,675	–	–
USOF contribution	5,257,832	4,330,311	–	–
Accruals	1,829,895	2,749,581	63,230	28,526
Sundry payables	4,747,930	3,948,540	22,086	15,547
	16,733,737	15,927,107	85,316	44,073
	34,644,769	29,807,567	85,316	44,073

Trade payables are non-interest bearing and the normal trade credit term granted to the Group is one month.

27. EMPLOYEE SHARE OPTION SCHEME ("ESOS")

(a) The Company's Employee Share Option Scheme ("ESOS") is governed by the by-laws approved by the shareholders at an Extraordinary General Meeting held on 10 February 2006. The duration of ESOS was from 15 February 2006 and is to be in force for a period of 4 years from the date of implementation. The Board of Directors and Options Committee may as deemed fit, extend the ESOS for another 6 years.

The salient features of the ESOS are as follows:

(i) The Options Committee appointed by the Board of Directors to administer the ESOS, may from time to time grant options to eligible employees of the Group to subscribe for new ordinary shares of RM0.10 each in the Company.

(ii) Subject to the discretion of the Options Committee, any employee whose employment has been confirmed and any executive director holding office in a full-time executive capacity of the Group, shall be eligible to participate in the ESOS.

(iii) The total number of shares to be issued under the ESOS shall not exceed in aggregate 10% of the issued share capital of the Company at any point of time during the tenure of the ESOS and out of which not more than 50% of the shares shall be allocated, in aggregate, to directors and senior management. In addition, not more than 10% of the shares available under the ESOS shall be allocated to any individual director or employee who, either singly or collectively through his/her associates, holds 20% or more in the issued and paid-up capital of the Company.

(iv) The option price for each share shall be the weighted average of the market price as quoted in the Daily Official List issued by Bursa Malaysia Securities Berhad for the 5 market days immediately preceding the date on which the option is granted less, if the Options Committee shall so determine at their discretion from time to time, a discount of not more than 10% or the par value of the shares of the Company of RM0.10.

(v) All new ordinary shares issued upon exercise of the options granted under the ESOS will rank pari passu in all respects with the existing ordinary shares of the Company other than as may be specified in a resolution approving the distribution of dividends prior to their exercise dates.

The terms of the share options outstanding as at the end of the financial year are as follows:

Grant date	Expiry date	Outstanding as at 1 June 2008 '000	Exercise price (adjusted*) RM	Granted '000	Exercised '000	Forfeited '000	Adjustment* '000	At 31 May 2009 '000	Exercisable at 31 May 2009 '000
2009									
31 May 2005	15 February 2010	5,816	0.42*	–	–	(1,152)	2,332	6,996	6,996
19 October 2006	15 February 2010	1,428	0.29*	–	–	–	714	2,142	2,142
1 November 2006	15 February 2010	2,000	0.29*	–	–	–	1,000	3,000	2,678
13 November 2008	15 February 2010	–	0.29*	2,300	–	–	1,150	3,450	3,450
23 March 2009	15 February 2010	–	0.14	11,000	–	–	–	11,000	11,000
23 April 2009	15 February 2010	–	0.20	2,168	–	–	–	2,168	2,168
		9,244		15,468	–	(1,152)	5,196	28,756	28,434
2008									
31 May 2005	15 February 2010	6,540	0.63	–	–	(724)		5,816	5,267
19 October 2006	15 February 2010	6,938	0.43	–	(5,510)	–		1,428	1,398
1 November 2006	15 February 2010	2,000	0.44	–	-	–		2,000	1,287
		15,478		–	(5,510)	(724)		9,244	7,952

Note:

* Adjustment to the number of options granted pursuant to the Company's bonus issue.

27. EMPLOYEE SHARE OPTION SCHEME ("ESOS") (Cont'd)

Fair value of share options granted during the year

The fair value of share options granted during the year was estimated by an external valuer using the Black-Scholes-Merton model, taking into account the terms and conditions upon which the options were granted.

The fair value of share options measured at grant date and the assumptions are as follows:

	2009	2008
Fair value of share options at the following grant dates (sen):		
13 June 2008	16.04	–
23 March 2009	4.80	–
22 April 2009	3.00	–
Market price of the underlying shares (RM)	0.18 - 0.31	–
Adjusted price of the option (RM)	0.14 - 0.43	–
Expected volatility (%)	86.95 - 123.15	–
Expected life (years)	0.17 - 5.00	–
Risk free rate (%)	2.60 - 3.68	–
Expected dividend yield (%)	0	–
Dilutive ratio	0.85 - 0.90	–

The expected life of the options is based on historical data and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome. No other features of the option grant were incorporated into the measurement of fair value.

Number of share options granted:

	2009 '000	2008 '000
At 31 May	22,831	4,460

(b) Share options exercised during the year

There were no options exercised during the financial year.

Options exercised in the previous financial year resulted in the issuance of 5,510,000 ordinary shares at an average price of RM0.43 each.

28. OPERATING LEASE AGREEMENTS

The Group as lessee

The Group entered into non-cancellable operating lease agreements for the use of land and buildings. These leases have an average life of between 1 and 3 years with no renewal or purchase option included in the contracts. These contracts include fixed rentals for an average of between 1 to 3 years. There are no restrictions placed upon the Group by entering into these leases.

The future aggregate minimum lease payments under the non-cancellable operating lease agreements contracted for as at the balance sheet date but not recognised as liabilities, are as follows:

	Group	
	2009 RM	**2008 RM**
Future minimum rentals payments:		
Not later than 1 year	214,152	381,982
Later than 1 year and not later than 5 years	54,755	303,410
	268,907	685,392

The lease payments recognised in profit or loss during the financial year are disclosed in Note 7 to the financial statements.

29. PURCHASE OF PROPERTY, PLANT AND EQUIPMENT

	Group	
	2009 RM	**2008 RM**
Cost of property, plant and equipment purchased	7,073,735	5,705,502
Amount financed through lease	(3,037,040)	–
Cash disbursed for purchase of property, plant and equipment	4,036,695	5,705,502

30. SIGNIFICANT RELATED PARTY TRANSACTIONS

(a) In addition to the transactions detailed elsewhere in the financial statements, the Group and the Company had the following transactions with the related parties during the financial year:

	2009 RM	**2008 RM**
Group		
Rental expenses paid to Endless Revenue Sdn. Bhd., a company in which the spouse of a director, Wei Chuan Beng, is a director and major shareholder	124,820	150,300

30. SIGNIFICANT RELATED PARTY TRANSACTIONS (Cont'd)

(b) Compensation of key management personnel

The remuneration of directors and other members of key management during the year was as follows:

	Group 2009 RM	Group 2008 RM	Company 2009 RM	Company 2008 RM
Short-term employee benefits	2,285,516	2,896,886	154,500	132,000
Defined contribution plans	209,211	218,355	–	–
Others	–	34,793	–	–
	2,494,727	3,150,034	154,500	132,000

Included in the total key management personnel are:

	Group 2009 RM	Group 2008 RM	Company 2009 RM	Company 2008 RM
Directors' remuneration (Note 6)	1,627,642	2,234,473	154,500	132,000

Executive directors of the Group and the Company and other members of key management have been granted the following number of options under Employees' Share Options Scheme ("ESOS"):

	2009 RM	2008 RM
Group and Company		
At 1 June	5,608,000	11,608,000
Granted	9,067,500	–
Adjustment*	3,954,000	–
Exercised	–	(5,500,000)
Forfeited	–	(500,000)
At 31 May	18,629,500	5,608,000

Note:

* Adjustment to the number of options granted pursuant to the Company's bonus issue.

31. FINANCIAL INSTRUMENTS

(a) Financial risk management objectives and policies

The Group's financial risk management policy seeks to ensure that adequate financial resources are available for the development of the Group's businesses whilst managing their interest rate, foreign exchange, liquidity and credit risks. The Group operates within clearly defined guidelines that are approved by the Board and the Group's policy is not to engage in speculative transactions.

(b) Interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. As the Group has no significant interest-bearing financial assets, the Group's income and operating cash flows are substantially independent of changes in market interest rates. The Group's interest-bearing financial assets are mainly short term in nature and have been mostly placed in fixed deposits or occasionally, in short term commercial papers.

The Group's interest rate risk arises primarily from interest-bearing borrowings. Borrowings at floating rates expose the Group to cash flow interest rate risk. Borrowings obtained at fixed rates expose the Group to fair value interest rate risk. The Group manages its interest rate exposure by maintaining a mix of fixed and floating rate borrowings.

The following tables set out the carrying amount, interest rates as at balance sheet date and the remaining maturities of the Group's financial instruments that are exposed to interest rate risk:

	Note	Interest rate %	Within 1 Year RM	1 - 2 Years RM	Total RM
Group					
At 31 May 2009					
Fixed rate:					
Other investments	20	1.04 - 2.47	8,451	–	8,451
Deposits with licensed banks	21	2.25 - 3.40	5,279,329	–	5,279,329
			5,287,780	–	5,287,780
At 31 May 2008					
Fixed rate:					
Other investments	20	2.39 - 3.21	124,031	–	124,031
Deposits with licensed banks	21	3.00 - 4.00	4,679,703	–	4,679,703
			4,803,734	–	4,803,734
Floating rate:					
Other investments	20	11.00	–	600,000	600,000
			4,803,734	600,000	5,403,734
Company					
At 31 May 2009					
Fixed rate:					
Other investments	20	1.04 - 2.47	1,065	–	1,065
At 31 May 2008					
Fixed rate:					
Other investments	20	2.41 - 3.21	112,037	–	112,037

31. FINANCIAL INSTRUMENTS (Cont'd)

(c) Foreign exchange risk

The Group is exposed to various currencies, mainly United States Dollar, Singapore Dollar, Pakistan Rupees, Sterling Pound, Indonesian Rupiah, Thai Baht and Hong Kong Dollar. Foreign currency denominated assets and liabilities together with expected cash flows from highly probable purchases and sales give rise to foreign exchange exposures.

Foreign exchange exposures in transactional currencies other than functional currencies of the operating entities are kept to an acceptable level. The net unhedged financial assets and financial liabilities of the Group that are not denominated in their functional currencies are as follows:

	Net financial assets/(liabilities) held in non-functional currencies								
Functional currency of the Group	Indonesian Rupiah RM	Sterling Pound RM	Pakistan Rupees RM	Thai Baht RM	Hong Kong Dollar RM	United States Dollar RM	Singapore Dollar RM	Ringgit Malaysia RM	Total RM
At 31 May 2009									
Hong Kong Dollar	–	–	–	–	11,664,592	–	–	(46,575)	11,618,017
Singapore Dollar	–	–	–	–	(20)	(241,782)	–	5,047	(236,755)
Ringgit Malaysia	19,227	6,420	–	12,697	(998,902)	23,620,911	(75,272)	–	22,585,081
	19,227	6,420	–	12,697	10,665,670	23,379,129	(75,272)	(41,528)	33,966,343
At 31 May 2008									
Chinese Renminbi	–	–	–	–	2,579,351	1,289,899	–	–	3,869,250
Pakistan Rupees	–	–	–	–	–	309,237	–	–	309,237
Ringgit Malaysia	–	(2,165)	(587,955)	13,497	(914,595)	18,658,682	(27,880)	–	17,139,584
	–	(2,165)	(587,955)	13,497	1,664,756	20,257,818	(27,880)	–	21,318,071

(d) Liquidity risk

The Group manages their debt maturity profile, operating cash flows and the availability of funding so as to ensure that all refinancing, repayment and funding needs are met. As part of their overall liquidity management, the Group maintains sufficient levels of cash or cash convertible investments to meet their working capital requirements. In addition, the Group strives to maintain available banking facilities of a reasonable level to their overall debt position. As far as possible, the Group raises committed funding from financial institutions and balances its portfolio with some short-term funding so as to achieve overall cost effectiveness.

(e) Credit risk

Credit risk, or the risk of counterparties defaulting, are controlled by the application of credit approvals, limits and monitoring procedures. Credit risks are minimised and monitored by strictly limiting the Group's and the Company's associations with business partners of high creditworthiness. Trade receivables are monitored on an ongoing basis via the Group's and the Company's management reporting procedures.

As at 31 May 2009, the Group and the Company have no significant concentration of credit risk that may arise from exposures to a single debtor or to groups of debtors.

31. FINANCIAL INSTRUMENTS (Cont'd)

(e) Credit risk (Cont'd)

The method and assumptions used by management to determine fair values of financial instruments other than those whose carrying amounts reasonably approximate their fair values are as follows:

(i) Other investments

The fair value of other investments is determined by reference to the bank's offer prices for redemption at the close of the business on the balance sheet date.

32. CONTINGENT LIABILITY (UNSECURED)

	2009 RM	2008 RM
Group		
Corporate guarantees given to suppliers for supply of services to subsidiaries	5,059,374	7,651,181

33. SIGNIFICANT EVENTS

(1) On 18 June 2008, the Group subscribed for 61,098 ordinary shares of DE Multimedia Holding Sdn. Bhd. ("DEMH"), representing 61.1% of DEMH issued and paid-up share capital. Consequently DEMH became a subsidiary of the Group.

(2) On 26 September 2008, the Group entered into a Share Sale Agreement with Yong Kok Leong ("YKL") to dispose its 75 ordinary shares in Commpulse Sdn. Bhd. ("CSB"), representing 75% of CSB issued and paid-up share capital for a total cash consideration of RM1.00.

(3) On 11 November 2008, the Group received a letter from the Securities Commission ("SC") informing that eB Capital Berhad's ("eBCap") restructuring scheme was not approved as the SC is of the view that eBCap's restructuring scheme is not sufficiently comprehensive and capable of resolving problems faced by eBCap after taking into consideration the following:-

(a) Uncertain prospects of eBCap in view of: -

(i) uncertainties on the future viability of its licensed frequency spectrum; and

(ii) continued reliance on large projects that had partly resulted in eBCap's distressed financial position; and

(b) Uncertainty on the ability of REDtone Telecommunications Sdn Bhd's data business (to be disposed to eBCap pursuant to its restructuring scheme) to increase its market penetration in view of its limited number of customers and operating history.

(4) On 27 November 2008, the Company increased its issued and paid-up ordinary share capital from RM25,764,500 to RM38,646,750 by a bonus issue of 128,822,500 new ordinary shares of RM0.10 each in the ratio of 1 bonus share for every 2 existing ordinary shares held. The bonus shares were issued by capitalisation of RM12,882,250 from the share premium account. The new ordinary shares issued during the financial year ranked pari passu in all respects with the existing ordinary shares of the Company.

33. SIGNIFICANT EVENTS (Cont'd)

(5) On 23 December 2008, the Group has received a letter dated 17 December 2008 from the arbitrator whereby the arbitrator made the award in favor of the Group and REDtone Telecommunications Pakistan Private Limited ("RTPL") i.e the Joint Venture Agreement between the Group and RTPL and Ashraf dated 13 September 2004 is void and duly terminated.

(6) REDtone Telecommunications Sdn. Bhd. ("RTC") and REDtone Technolgy Sdn. Bhd. (RTT"), wholly-owned subsidiaries of the Group, had on 22 December 2008 entered into the Share Sale Agreement ("SSA") with Quantum Global Networks, Inc ("Quantum") for the proposed disposal by RTT and RTC of 90 and 10 REDtone Telecommunications Pakistan Private Limited ("RTPL") Shares, representing 90% and 10% respectively of the issued and paid-up share capital of RTPL, to Quantum for a total cash consideration of USD3,650,000 ("Consideration"). The consideration shall be settled by cash and was arrived at on a willing buyer-willing seller basis. The sale proceeds from the Proposed Disposal shall be utilised for working capital purposes.

The Proposed Disposal is expected to be completed within twenty-four (24) months from the date of the SSA. Upon completion of the Proposed Disposal, RTPL shall cease to be a subsidiary of the Group.

34. SUBSEQUENT EVENT

During the period from 1 June 2009 to 16 September 2009, the Company issued 2,135,380 additional ordinary shares at RM0.10 each pursuant to the Employees' Share Option Scheme.

35. COMPARATIVES

The presentation and classification of items in the current year financial statements have been consistent with the previous year except that certain comparative amount have been reclassified to conform with the current's year presentation as follows:-

	As restated RM	As previously reported RM
Income statements (extracts):-		
(Loss)/Profit after tax:		
Continuing operations	(2,395,944)	(9,543,375)
Discontinued operations	(4,609,363)	2,538,068

36. SEGMENTAL INFORMATION

(a) Reporting format

The primary segment reporting format is determined to be geographical segments as the Group's risks and rates of return are affected predominantly by differences in countries operated.

(b) Business segments

As the Group operates primarily in the telecommunication business segment, no segmental information is prepared in respect of business segments.

36. SEGMENTAL INFORMATION (Cont'd)

Geographical segment

	Continuing operations					Discontinued operations				
	Malaysia RM	The Republic of Singapore RM	The People's Republic of China RM	Eliminations RM	Total RM	Malaysia RM	Pakistan RM	Eliminations RM	Total RM	Total operations RM
31 May 2009										
Revenue										
Sales to external customers	71,885,079	169,297	7,363,592	–	79,417,968	339,355	6,855,989	–	7,195,344	86,613,312
Inter-segment sales	41,415,332	–	–	(41,415,332)	–	–	–	–	–	–
Total revenue	113,300,411	169,297	7,363,592	(41,415,332)	79,417,968	339,355	6,855,989	–	7,195,344	86,613,312
Results										
Segment results	(21,828,320)	151,233	932,193	19,154,882	(1,590,012)	7,050	(4,905,403)	409,875	(4,488,478)	(6,078,490)
Share of profit of associates	(716,517)	–	–	–	(716,517)	–	–	–	–	(716,517)
Share of loss of jointly controlled entities	(607)	–	–	–	(607)	–	–	–	–	(607)
Loss before tax					(2,307,136)				(4,488,478)	(6,795,614)
Income tax expense					(154,220)				–	(154,220)
Net loss for the year					(2,461,356)				(4,488,478)	(6,949,834)

	Continuing operations					Discontinued operations			
	Malaysia RM	The Republic of Singapore RM	The People's Republic of China RM	Eliminations RM	Total RM	Malaysia RM	Pakistan RM	Total RM	Total operations RM
31 May 2009									
Assets									
Segment assets	241,176,953	6,528,534	36,644,082	(171,395,198)	112,954,371	–	–	–	112,954,371
Investments in associates	2,051,021	–	–	(1,031,571)	1,019,450	–	–	–	1,019,450
Investments in jointly controlled entities	1,500,000	–	–	(8,359)	1,491,641	–	–	–	1,491,641
Total Assets	244,727,974	6,528,534	36,644,082	(172,435,128)	115,465,462	–	–	–	115,465,462
Liabilities	166,883,748	8,210,244	13,369,119	(139,020,434)	49,442,677	–	–	–	49,442,677
Other segment information									
Capital expenditure	6,888,007	–	157,665	–	7,045,672	10,661	17,401	28,062	7,073,734
Depreciation	2,492,304	478	1,477,603	(937,672)	3,032,713	493	441,946	442,439	3,475,152
Amortisation	57,945	–	–	–	57,945	–	58,455	58,455	116,400

36. SEGMENTAL INFORMATION (Cont'd)

Geographical segment (Cont'd)

	Continuing operations					Discontinued operations					
	Malaysia RM	The Republic of Singapore RM	The People's Republic of China RM	Eliminations RM	Total RM	Malaysia RM	Hong Kong RM	Pakistan RM	Eliminations RM	Total RM	Total operations RM
31 May 2008											
Revenue											
Sales to external customers	84,180,279	622,920	25,109,699	–	109,912,898	1,079,659	4,681,184	5,073,724	–	10,834,567	120,747,465
Inter-segment sales	71,568,134	2,877,306	–	(74,445,440)	–	–	–	5,670,794	–	5,670,794	5,670,794
Total revenue	155,748,413	3,500,226	25,109,699	(74,445,440)	109,912,898	1,079,659	4,681,184	10,744,518	–	16,505,361	126,418,259
Results											
Segment results	(4,611,870)	(170,148)	155,638	3,011,168	(1,615,212)	2,869	2,373,871	(4,324,286)	(2,572,480)	(4,520,026)	(6,135,238)
Share of profit of associates	141,258	–	–	–	141,258	–	–	–	–	–	141,258
Share of loss of jointly controlled entities	(1,551)	–	–	–	(1,551)	–	–	–	–	–	(1,551)
(Loss)/Profit before tax					(1,475,505)					(4,520,026)	(5,995,531)
Income tax expense					(920,439)					(89,337)	(1,009,776)
Net (loss)/profit for the year					(2,395,944)					(4,609,363)	(7,005,307)

	Continuing operations						Discontinued operations			
	Malaysia RM	The Republic of Singapore RM	The People's Republic of China RM	Pakistan RM	Eliminations RM	Total RM	Malaysia RM	Hong Kong RM	Total RM	Total operations RM
31 May 2008										
Assets										
Segment assets	238,075,267	13,884,885	31,889,884	12,192,140	(192,471,282)	103,570,894	4,525,292	–	4,525,292	108,096,186
Investments in associates	1,316,610	–	–	–	–	1,316,610	–	–	–	1,316,610
Investments in jointly controlled entities	1,492,248	–	–	–	–	1,492,248	–	–	–	1,492,248
Total Assets	240,884,125	13,884,885	31,889,884	12,192,140	(192,471,282)	106,379,752	4,525,292	–	4,525,292	110,905,044
Liabilities	145,714,316	15,689,938	11,587,111	23,092,562	(157,023,439)	39,060,488	818,591	–	818,591	39,879,079
Other segment information										
Capital expenditure	3,585,554	137,752	10,137,341	91,272	–	13,951,919	715,289	200,448	915,737	14,867,656
Depreciation	2,016,274	32,508	1,234,575	894,337	(933,591)	3,244,103	239,696	2,878	242,574	3,486,677
Amortisation	154,959	–	–	118,564	–	273,523	–	–	–	273,523
Impairment losses recognised in profit or loss	3,867,175	57,197	–	–	–	3,924,372	–	–	–	3,924,372

List of Properties

Beneficial owner/ Location	Description/ Existing Use	Land/ Built-Up Area (sq. meters)	Tenure Leasehold/ Freehold	Approx. Age of Building (Yrs)	Fair Value as at 31 May 2009	Date of Valuation/ Effective Year of Purchase
RTC/ Unit No: T18/6F/BC6A (12), Storey: 6th, Plaza KLH Business Centre comprised in HS(M) 24969 PT 35937, Mukim and District of Petaling, State of Selangor	Office/ Occupied	N/A/ 89.37 square meters	Leasehold 99 years expiring on 22.11.2094	9	RM 118,029.68	N/A/ 10 Feb 1999
RTC/ Unit No: T19/6F/BC6B (13), Storey: 6th, Plaza KLH Business Centre comprised in HS(M) 24969 PT 35937, Mukim and District of Petaling, State of Selangor	Office/ Occupied	N/A/ 93.92 square meters	Leasehold 99 years expiring on 22.11.2094	9	RM 124,041.47	N/A/ 10 Feb 1999
RTC/ Unit No: T27/6F/BC6C (14), Storey: 6th, Plaza KLH Business Centre comprised in HS(M) 24969 PT 35937, Mukim and District of Petaling, State of Selangor	Office/ Occupied	N/A/ 113.90 square meters	Leasehold 99 years expiring on 22.11.2094	9	RM 150,423.54	N/A/ 10 Feb 1999
RTC/ Unit No: T32/6F/BC7A (16), Storey: 6th, Plaza KLH Business Centre comprised in HS(M) 24969 PT 35937, Mukim and District of Petaling, State of Selangor	Office/ Occupied	N/A/ 116.78 square meters	Leasehold 99 years expiring on 22.11.2094	9	RM 152,875.32	N/A/ 10 Feb 1999
RTC/ Unit No: 24, 25, 26, 27, 28, 29 & 30 Storey: 5th, Pusat Perdagangan IOI Bandar Puchong Jaya, Puchong, Selangor Darul Ehsan	Office/ Occupied	N/A/ 1,143 square meters	Freehold	10	RM 2,084,193.66	N/A/ 1 Mar 2004
RTC/ Unit No: 26 & 27 Storey: 2nd, Pusat Perdagangan IOI Bandar Puchong Jaya, Puchong, Selangor Darul Ehsan	Office/ Occupied	N/A/ 457.73 square meters	Freehold	10	RM 1,173,081.86	N/A/ 1 Mar 2005
RTC/ Unit No: 23 Storey: 4th, Pusat Perdagangan IOI Bandar Puchong Jaya, Puchong, Selangor Darul Ehsan	Office/ Occupied	N/A/ 119.66 square meters	Freehold	10	RM 233,237.16	N/A/ 28 Mar 2005

Beneficial owner/ Location	Description/ Existing Use	Land/ Built-Up Area (sq. meters)	Tenure Leasehold/ Freehold	Approx. Age of Building (Yrs)	Fair Value as at 31 May 2009	Date of Valuation/ Effective Year of Purchase
RTC/ Unit No: 24 Storey: 4th, Pusat Perdagangan IOI Bandar Puchong Jaya, Puchong, Selangor Darul Ehsan	Office/ Occupied	N/A/ 145.49 square meters	Freehold	10	RM 293,388.00	N/A/ 21 June 2005
RTC/ Unit No: 28 Storey: 6th, Pusat Perdagangan IOI Bandar Puchong Jaya, Puchong, Selangor Darul Ehsan	Office/ Occupied	N/A/ 142.14 square meters	Freehold	10	RM 294,103.82	N/A/ 7 July 2005
RTC/ Unit No: 26 & 27 Storey: 3rd, Pusat Perdagangan IOI Bandar Puchong Jaya, Puchong, Selangor Darul Ehsan	Office/ Occupied	N/A/ 457.92 square meters	Freehold	10	RM 1,234,068.19	N/A/ 16 Feb 2009

Analysis of Shareholdings
as at 16 September 2009

Authorised share capital	:	RM100,000,000
Issued and paid-up share capital	:	RM38,860,283
Class of Shares	:	Ordinary shares of RM0.10 each
Voting rights	:	One (1) vote per ordinary share

Size of holdings	No. of Shareholders	% of Total Shareholders	No. of Shares Held	% of Issued Capital
1 – 99 shares	58	1.20	3,647	0.00
100 – 1000 shares	96	1.99	55,125	0.01
1,001 – 10,000 shares	2,401	49.75	11,909,923	3.07
10,001 – 100,000 shares	2,007	41.59	61,184,986	15.75
100,001 – 19,430,140 shares	261	5.41	184,046,858	47.36
19,430,141 and above shares	3	0.06	131,402,291	33.81
TOTAL	4,826	100.00	388,602,830	100.00

THIRTY (30) LARGEST SHAREHOLDERS

No.	Name	No. of Shares Held	% of Issued Capital
1	Inter-Pacific Equity Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Indah Pusaka Sdn Bhd (AI0005)*	53,602,291	13.79
2	Indah Pusaka Sdn Bhd	40,000,000	10.29
3	Osk Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Warisan Jutamas Sdn Bhd*	37,800,000	9.73
4	Berjaya Sompo Insurance Berhad	19,225,800	4.95
5	Selat Makmur Sdn Bhd	19,200,000	4.94
6	Lee Eng Sia	14,180,388	3.65
7	Wei Chuan Beng	14,177,400	3.65
8	Choo Yeh Fung	10,298,976	2.65
9	Amanah Raya Nominees (Tempatan) Sdn Bhd *Amanah Saham Wawasan 2020*	5,854,800	1.51
10	Permodalan Nasional Berhad	4,969,350	1.28
11	How Beik Tin	4,409,500	1.13
12	Peter Yeow Heng Ho	4,095,849	1.05
13	Juara Sejati Sdn Bhd	3,825,000	0.98
14	HSBC Nominees (Asing) Sdn Bhd *Exempt An for Credit Suisse (SG BR-TST-ASING)*	3,551,550	0.91
15	Jason Tai Chen Hiung	3,337,111	0.86
16	CIMB Group Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Prime Credit Leasing Sdn Bhd (49739 HKIU)*	3,000,000	0.77
17	JF Apex Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Tiew Ming Ching (STA 2)*	2,876,341	0.74
18	Peter Yeow Heng Ho	2,352,000	0.61
19	Zainal Amanshah Bin Zainal Arshad	2,201,768	0.57

THIRTY (30) LARGEST SHAREHOLDERS (Cont'd)

No.	Name	No. of Shares Held	% of Issued Capital
20	Lee Eng Hock & Co. Sendirian Berhad	2,100,000	0.54
21	Inter-Pacific Equity Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Fabulous Channel Sdn Bhd (AF0010)*	1,500,000	0.39
22	Public Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Chuah Swee Huat (E-KLC)*	1,500,000	0.39
23	Leong Kok Tai	1,292,150	0.33
24	Jason Tai Chen Hiung	1,222,500	0.31
25	Public Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Lim Boon Jin @ Lim Bak Kim (E-SPI)*	1,200,000	0.31
26	On Thiam Chai	1,133,500	0.29
27	Affin Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Kong Tiong Kian (KON0202M)*	1,125,000	0.29
28	Mayban Securities Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Lim Paik Hong (REM156)*	1,121,050	0.29
29	Vignesan A/L Soundrapandian	1,000,000	0.26
30	HSBC Nominees (Asing) Sdn Bhd *Exempt An for HSBC Private Bank (Suisse) S.A. (SPORE TST AC CL)*	950,000	0.24
	TOTAL	263,102,324	67.70

SUBSTANTIAL SHAREHOLDERS

No	Name	Direct Interest No. of Shares	Direct Interest %	Indirect Interest No. of Shares	Indirect Interest %
1	Inter-Pacific Equity Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Indah Pusaka Sdn Bhd	53,602,291	13.79	–	–
2	Indah Pusaka Sdn Bhd	40,000,000	10.29	–	–
3	Osk Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Warisan Jutamas Sdn Bhd	37,800,000	9.73	–	–
4	Zainal Amanshah bin Zainal Arshad	2,201,768	0.57	(1)93,602,291	24.08
5	Juara Sejati Sdn Bhd	3,825,000	0.98	(2)41,425,800	10.66
6	Mohamed Shah bin Kadir	–	–	(3)37,800,000	9.73
7	Abdul Karim bin Abdul Kadir	–	–	(3)37,800,000	9.73
8	Berjaya Capital Berhad	–	–	(4)22,225,800	5.72
9	Bizurai Bijak (M) Sdn Bhd	–	–	(5)22,225,800	5.72
10	Berjaya Group Berhad	–	–	(6)45,250,800	11.64
11	Berjaya Corporation Berhad	–	–	(7)45,250,800	11.64
12	Hotel Resort Enterprise Sdn Bhd	–	–	(8)45,250,800	11.64
13	Tan Sri Dato' Seri Vincent Tan Chee Yioun	–	–	(8)45,250,800	11.64

SUBSTANTIAL SHAREHOLDERS (Cont'd)

Notes:

1 *Deemed interested by virtue of his interest in Indah Pusaka Sdn Bhd.*
2 *Deemed interested by virtue of its (i) deemed interest in Berjaya Capital Berhad, the holding company of Berjaya Sompo Insurance Berhad and Prime Credit Leasing Sdn Bhd; and (ii) interest in Berjaya Land Berhad, the holding company of Selat Makmur Sdn Bhd.*
3 *Deemed interested by virtue of their interest in Warisan Jutamas Sdn Bhd pursuant to Section 6A of the Act.*
4 *Deemed interested by virtue of its interest in Berjaya Sompo Insurance Berhad and Prime Credit Leasing Sdn Bhd.*
5 *Deemed interested by virtue of its interest in Berjaya Capital Berhad, the holding company of Berjaya Sompo Insurance Berhad and Prime Credit Leasing Sdn Bhd.*
6 *Deemed interested by virtue of its interest in Juara Sejati Sdn Bhd, Berjaya Sompo Insurance Berhad, Prime Credit Leasing Sdn Bhd and Selat Makmur Sdn Bhd.*
7 *Deemed interested by virtue of its interest in Berjaya Group Berhad.*
8 *Deemed interested by virtue of their interests in Berjaya Corporation Berhad.*

DIRECTORS' SHAREHOLDING

	Direct		Indirect	
Name	**No. of RIB shares**	**Percentage of share capital %**	**No. of RIB shares**	**Percentage of share capital %**
Dato' Larry Gan Nyap Liou @ Gan Nyap Liow	–	–	–	–
Wei Chuan Beng	14,960,400	3.85	(1)10,298,976	2.65
Zainal Amanshah bin Zainah Arshad	2,201,768	0.57	(2)94,227,291	24.25
Lau Bik Soon	225,100	0.06	–	–
Mathew Thomas A/L Vargis Mathews	–	–	–	–
Shaifubahrim bin Mohd Saleh	–	–	–	–
Dato' Suriah Abd Rahman	–	–	–	–

Notes:

1 *Deemed interest by virtue of the direct shareholding of his wife, Choo Yeh Fung.*
2 *Deemed interest by virtue of his interest in Indah Pusaka Sdn Bhd and the direct shareholding of his wife, Suryani Binti Ahmad Sarji.*

REDtone

Changing Rules, Better Alternatives

REDTONE INTERNATIONAL BERHAD
(Company No. 596364-U)
(Incorporated in Malaysia)

FORM OF PROXY

(before completing this Form of Proxy, please refer to the notes below)

I/We ....
(FULL NAME IN BLOCK LETTERS & NRIC NO.)

of ....
(FULL ADDRESS)

being a member of **REDtone International Berhad** ("the Company"), hereby appoint ....

....
(FULL NAME IN BLOCK LETTERS & NRIC NO.)

of ....
(FULL ADDRESS)

or failing him/her ....
(FULL NAME IN BLOCK LETTERS & NRIC NO.)

of ....
(FULL ADDRESS)

as my/our proxy to attend and vote for me/us on my/our behalf at the Seventh Annual General Meeting of the Company to be held at Anggerik Room, 4th Floor, Hotel Equatorial, Jalan Sultan Ismail, 50250 Kuala Lumpur on **Wednesday, 28 October 2009** at **10:00 a.m.** and at any adjournment thereof:

NO	RESOLUTION	FOR	AGAINST
1.	To receive the Statutory Financial Statements for the financial year ended 31 May 2009 together with the Reports of the Directors and Auditors thereon.		
2.	To approve the payment of Directors' fees amounting to RM154,500.00 in respect of the financial year ended 31 May 2009.		
3.	To re-appoint Messrs Horwath as Auditors of the Company and to authorize the Directors to fix their remuneration.		
4.	Authority to Issue Shares pursuant to Section 132D of the Companies Act, 1965.		
5.	Authority to Issue Shares pursuant to the Employees Share Option Scheme.		
6.	Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature.		
7.	Proposed Renewal of Authority for Share Buy-Back.		
8.	To re-elect Mr. Wei Chuan Beng retiring in accordance with Article 85 of the Company's Articles of Association.		

Please indicate with "X" how you wish your vote to be cast. Unless voting instructions are indicated in the space above, the proxy will vote or abstain from voting as he/she thinks fit.

Number of shares held

Dated this .... day of...........................2009

....
Signature of member/Common Seal

CDS Account No. ....

Notes:

I) A member of the Company entitled to attend and vote at the above meeting is entitled to appoint not more than two (2) proxies to attend and vote at the same meeting and the appointment shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.

II) A proxy may but need not be a Member or a qualified legal practitioner or an approved company auditor or a person approved by the Registrar.

III) The instrument appointing a proxy shall be in writing under the hand of the appointer or of his attorney authorised in writing or, if the appointer is a corporation, either under the corporation's common seal or under the hand of an officer or attorney duly authorised.

IV) Where a member is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, it may appoint one (1) proxy in respect of each Securities Account which holds with ordinary shares of the Company standing to the credit of the said Securities Account.

V) The instrument appointing a proxy and the power of attorney or other authority (if any), under which it is signed or a duly notarised certified copy of that power or authority, shall be deposited at the Registered Office of the Company at Level 18, The Gardens North Tower, Mid Valley City, Lingkaran Syed Putra, 59200 Kuala Lumpur not less than forty-eight (48) hours before the time for holding the meeting or any adjourned meeting at which the person named in the instrument proposes to vote, and in the case of a poll, not less than forty-eight (48) hours before the time appointed for the taking of the poll, and in default, the instrument of proxy shall not be treated as valid.

VI) Dato' Larry Gan Nyap Liou @ Gan Nyap Liow, who is due for retirement pursuant to Article 85 of the Company's Articles of Association, had indicated to the Company that he does not wish to seek re-appointment at this Annual General Meeting.

Explanatory Notes on Special Business:-

VII) Ordinary Resolution 4 - Section 132D of the Act
In accordance with the Act, the Directors would have to call a general meeting to approve the issuance of the new shares even though the number of shares involved is less than 10% of the issued capital. In order to avoid any delay and cost involved in convening such a general meeting, it is considered appropriate to seek the shareholders' approval for the Directors to issue shares in the Company up to an aggregate amount not exceeding 10% of the issued share capital of the Company for the time being. This authority, unless revoked or varied at a general meeting, will expire at the next AGM of the Company. The Directors did not allot nor issue any shares under the same mandate granted last year. Nevertheless, a renewal for the said mandate as sought to avoid any delay and cost involved in convening such a general meeting.

VIII) Ordinary Resolution 5 – Authority to Issue Shares Pursuant to the Employees' Share Option Scheme
The proposed Ordinary Resolution No. 5 is to empower the Directors to issue ordinary shares from the unissued share capital of the Company pursuant to REDtone International Berhad's Employees' Share Option Scheme.

IX) Ordinary Resolution 6 - RRPTs
For further information, please refer to the Circular to Shareholders dated 6 October 2009 accompanying the Company's Annual Report for the financial year ended 31 May 2009.

X) Ordinary Resolution 7 - Proposed Share Buy-Back
For further information, please refer to the Circular to Shareholders dated 6 October 2009 accompanying the Company's Annual Report for the financial year ended 31 May 2009.

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Stamp

Company Secretary
REDtone International Berhad (596364-U)
Level 18, The Gardens North Tower
Mid Valley City
Lingkaran Syed Putra
59200 Kuala Lumpur

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