REDtone

REDTONE INTERNATIONAL BERHAD

(596364-U)

ANNUAL REPORT 2012

CONTENTS

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN THAT the Tenth Annual General Meeting of the Company will be held at Langkawi Room, Bukit Jalil Golf & Country Resort, Jalan Jalil Perkasa 3, Bukit Jalil, 57000 Kuala Lumpur on **Wednesday, 28 November 2012** at 2.30 p.m. for the following purposes:

AGENDA

1. To receive the Audited Financial Statements for the financial year ended 31 May 2012 of the Company and Group together with the Directors' and Auditors' Report thereon. — Resolution 1

2. To approve the payment of Directors' fees amounting to RM353,917 in respect of the financial year ended 31 May 2012 (2011: RM282,000.00). — Resolution 2

3. To re-elect the following Directors, who are retiring pursuant to Article 85 of the Company's Articles of Association and, being eligible, offered themselves for re-election:-
   (i) Dato' Wei Chuan Beng — Resolution 3
   (ii) Mathew Thomas A/L Vargis Mathews — Resolution 4

4. To elect Dato' Mohd Zaini Bin Hassan, who is retiring pursuant to Article 92 of the Company's Articles of Association and, being eligible, offered himself for election. — Resolution 5

5. To re-appoint Messrs Crowe Horwath as Auditors of the Company and to authorise the Directors to fix their remuneration. — Resolution 6

AS SPECIAL BUSINESS:

To consider and if thought fit, to pass the following resolutions with or without modifications:

6. **Ordinary Resolutions**

   (i) To consider and if thought fit, to pass the following resolution in accordance with the Recommendation 3.3 of the Malaysian Code on Corporate Governance 2012 — Resolution 7

   "THAT Mathew Thomas A/L Vargis Mathews who has served the Board as the Independent Non-Executive Director of the Company for a term of nine years since 15 November 2003 be and is hereby retained as the Independent Non-Executive Director of the Company."

   (ii) Authority to Issue Shares Pursuant to Section 132D of the Companies Act, 1965 ("the Act") — Resolution 8

   "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 nominal value of the issued and paid-up capital (excluding treasury shares) 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 Annual General Meeting ("AGM") of the Company."

   (iii) Proposed Grant of Options to Datuk Wira Syed Ali Bin Tan Sri Syed Abbas Al Habshee — Resolution 9

   "THAT the Option Committee for administering REDtone International Berhad's Employees Share Option Scheme ("Scheme") be and is hereby authorised at any time, and from time to time, during the existence of the Scheme to offer and grant to Datuk Wira Syed Ali Bin Tan Sri Syed Abbas Al Habshee, the Non-Independent Non-Executive Director of the Company, options to subscribe for such number of new ordinary shares of RM0.10 each in the Company ("REDtone Shares") under the Scheme PROVIDED THAT:

   (a) not more than 50% of the new REDtone Shares available under the Scheme shall be allocated, in aggregate, to the Directors and Senior Management of REDtone Group; and

Notice of Annual General Meeting

(b) not more than 10% of the new REDtone Shares available under the Scheme shall be allocated to an Eligible Person who, either singly or collectively through persons connected with that Eligible Person, holds 20% or more of the issued and paid-up ordinary share capital of the Company (excluding treasury shares).

and subject always to the provisions of the By-Laws of the Scheme, any prevailing guidelines issued by Bursa Malaysia Securities Berhad ("Bursa Securities"), the ACE Market Listing Requirements of Bursa Securities ("AMLR") or any other relevant authorities as amended from time to time."

(iv) Proposed Grant of Options to Dato' Ismail Bin Osman Resolution 10

"THAT the Option Committee for administering the Scheme be and is hereby authorised at any time, and from time to time, during the existence of the Scheme to offer and grant to Dato' Ismail Bin Osman, the Senior Executive Director of the Company, options to subscribe for the new REDtone Shares available to be issued under the Scheme PROVIDED THAT:

(a) not more than 50% of the new REDtone Shares available under the Scheme shall be allocated, in aggregate, to the Directors and Senior Management of REDtone Group; and

(b) not more than 10% of the new REDtone Shares available under the Scheme shall be allocated to an Eligible Person who, either singly or collectively through persons connected with that Eligible Person, holds 20% or more of the issued and paid-up ordinary share capital of the Company (excluding treasury shares).

and subject always to the provisions of the By-Laws of the Scheme, any prevailing guidelines issued by Bursa Securities, the AMLR or any other relevant authorities as amended from time to time."

(v) Proposed Grant of Options to Dato' Mohd Zaini Bin Hassan Resolution 11

"THAT the Option Committee for administering the Scheme be and is hereby authorised at any time, and from time to time, during the existence of the Scheme to offer and grant to Dato' Mohd Zaini Bin Hassan, the Independent Non-Executive Director of the Company, options to subscribe for the new REDtone Shares available to be issued under the Scheme PROVIDED THAT:

(a) not more than 50% of the new REDtone Shares available under the Scheme shall be allocated, in aggregate, to the Directors and Senior Management of REDtone Group; and

(b) not more than 10% of the new REDtone Shares available under the Scheme shall be allocated to an Eligible Person who, either singly or collectively through persons connected with that Eligible Person, holds 20% or more of the issued and paid-up ordinary share capital of the Company (excluding treasury shares).

and subject always to the provisions of the By-Laws of the Scheme, any prevailing guidelines issued by Bursa Securities, the AMLR or any other relevant authorities as amended from time to time."

(iv) Proposed Renewal Of Authority To Purchase Its Own Shares By The Company ("Proposed Share Buy-Back") Resolution 12

"THAT subject to the Companies Act, 1965 ("the Act"), rules, regulations and orders made pursuant to the Act, provisions of the Company's Memorandum and Articles of Association and Bursa Malaysia Securities Berhad ("Bursa Securities") ACE Market Listing Requirements ("AM LR") for the time being in force and any other relevant authorities, the Directors of the Company be hereby unconditionally and generally authorised to make purchases of ordinary shares of RM0.10 each in the Company's issued and paid-up share capital through Bursa Securities at anytime and upon such terms and conditions and for such purposes as the Directors may, in their discretion deem fit, subject further to the following:

Notice of Annual General Meeting

(i) the maximum number of ordinary shares which may be purchased and/or held by the Company as treasury shares shall not exceed ten per centum (10%) of the issued and paid-up share capital for the time being of the Company ("REDtone Shares");

(ii) the maximum fund to be allocated by the Company for the purpose of purchasing the REDtone Shares shall not exceed the aggregate of the accumulated profits and the share premium account of the Company. As of 31 May 2012, the audited retained losses and share premium of the Company were RM10.78 million and RM10.96 million, respectively;

(iii) the authority conferred by this resolution shall commence immediately upon the passing of this ordinary resolution and will continue to be in force until the conclusion of the next Annual General Meeting ("AGM") of the Company at which such resolution was passed (at which time it will lapse unless by ordinary resolution passed at that meeting the authority is renewed, either unconditionally or subject to conditions), or unless earlier revoked or varied by ordinary resolution of the shareholders of the Company in general meeting or the expiration of the period within which the next AGM is required by law to be held, whichever occurs first, but not so as to prejudice the completion of purchase(s) by the Company made before the aforesaid expiry date and, in any event, in accordance with the AM LR or any other relevant authorities; and

(iv) upon completion of the purchase(s) of the REDtone Shares by the Company, the Directors of the Company be hereby authorised to deal with the REDtone Shares in the following manner:

(a) cancel the REDtone Shares so purchased; and/or

(b) retain the REDtone Shares so purchased as treasury shares for distribution as dividend to the shareholders and/or resale on the market of Bursa Securities and/or for cancellation subsequently; and/or

(c) retain part of the REDtone Shares so purchased as treasury shares and cancel the remainder,

and in any other manner as prescribed by the Act, rules, regulations and orders made pursuant to the Act and AM LR and any other relevant authorities for the time being in force;

AND THAT the Directors of the Company be hereby authorised to take all such steps as are necessary or expedient (including the appointment of a stockbroking firm and the opening and maintaining of a Central Depository Account designated as a Share Buy-Back Account) and to enter into any agreements, arrangements and guarantees with any party or parties to implement or to effect the purchase(s) of the REDtone Shares with full powers to assent to any conditions, modifications, variations and/or amendments (if any) as may be required by the relevant authorities."

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 November 2012

Notice of Annual General Meeting

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 it 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 Share Registrar of the Company at Level 17, 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) Where a Member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.

VII) For the purpose of determining a member who shall be entitled to attend the Tenth Annual General Meeting, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd, in accordance with Article 61 of the Company's Articles of Association and Section 34(1) of the Securities Industry (Central Depositories) Act, 1991 to issue a General Meeting Record of Depositor as at 20 November 2012. Only a depositor whose name appears therein shall be entitled to attend the said meeting or appoint a proxy to attend and/or vote on his stead.

VIII) Dato' Ibrahim Bin Che Mat who is of the age of seventy years and retiring in accordance with Section 129(2) of the Companies Act, 1965, had indicated to the Company that he does not wish to seek re-appointment at this AGM.

Explanatory Notes on Special Business:-

(a) Ordinary Resolution 7 - To retain the designation of Mathew Thomas A/L Vargis Mathews as the Independent Non-Executive Director of the Company in accordance with the Recommendation 3.3 of the Malaysian Code on Corporate Governance 2012

Mathew Thomas A/L Vargis Mathews has served the Board as the Independent Non-Executive Director of the Company for a term of nine years since 15 November 2003. The Board recommends retaining his designation as Independent Non-Executive Director due to the following reasons:

(i) Mathew Thomas A/L Vargis Mathews is a Fellow of the Chartered Association of Certified Accountants, United Kingdom. He has 25 years of working experience in the audit and accounting practices and is currently the Managing Partner of Mathew & Partners, Chartered Accountants. He fulfills the criteria stated under the definition of Independent Director as defined in the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad and he is able to provide proper checks and balances thus bring an element of objectivity to the Board of Directors.

(ii) He has vast experience in a diverse range of businesses and has financial expertise especially in internal audit, and therefore would be able to provide constructive opinions and exercise independent judgement and has ability to act in the best interest of the Company.

(iii) He actively participated in Board's and Board Committees' discussion and provided an independent view to the Board.

(iv) He has the calibre, qualifications, experiences and personal qualities to consistently challenged management in an effective and constructive manner.

Notice of Annual General Meeting

(b) Ordinary Resolution 8 - Section 132D of the Act

Proposed Resolution 8 is a renewal of Section 132D mandate obtained from the Shareholders of the Company at the previous AGM and, if passed, will give the Directors of the Company, from the date of the above Meeting, authority to issue ordinary shares in the Company up to an amount not exceeding in total 10% of the nominal value of the issued and paid-up share capital (excluding treasury shares) of the Company for purpose of funding current and/or future investment projects, working capital, repayment of bank borrowings, acquisitions and/or for such other purposes as the Directors consider would be in the interest of the Company. This authority will, unless revoked or varied by the Company in General Meeting, expire at the next AGM.

Since the previous AGM, there was no issuance of new ordinary shares by the Company pursuant to Section 132D mandate and the Directors do not intend to utilise Section 132D mandate from the date of issuance of this Annual Report up to the expiry date of the existing mandate.

(c) Ordinary Resolution 9 - Proposed Grant of Options to Datuk Wira Syed Ali Bin Tan Sri Syed Abbas Al Habshee

In accordance with the AMLR, the Board proposes to seek the shareholders' approval to enable Datuk Wira Syed Ali Bin Tan Sri Syed Abbas Al Habshee, a Non-Independent Non-Executive Director of the Company to participate in the Scheme.

(d) Ordinary Resolution 10 - Proposed Grant of Options to Dato' Ismail Bin Osman

In accordance with the AMLR, the Board proposes to seek the shareholders' approval to enable Dato' Ismail Bin Osman, the Senior Executive Director of the Company to participate in the Scheme.

(e) Ordinary Resolution 11 - Proposed Grant of Options to Dato' Mohd Zaini Bin Hassan

In accordance with the AMLR, the Board proposes to seek the shareholders' approval to enable Dato' Mohd Zaini Bin Hassan, the Independent Non-Executive Director of the Company to participate in the Scheme.

(f) Ordinary Resolution 12 - Proposed Share Buy-Back

For further information, please refer to the Share Buy-Back Statement dated 6 November 2012 accompanying the Company's Annual Report for the financial year ended 31 May 2012.

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING
Pursuant to Rule 8.29 of the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad

1. Director standing for election

The Director retiring by rotation and standing for election pursuant to Article 92 of the Company's Articles of Association is Dato' Mohd Zaini Bin Hassan.

The profile of Dato' Mohd Zaini Bin Hassan is set out in the Board of Directors' Profile on page 12 of the Annual Report. He does not hold any shares in the Company.

Corporate Information

BOARD OF DIRECTORS

Dato' Ibrahim Bin Che Mat
(Chairman/Independent Non-Executive Director)

Datuk Wira Syed Ali Bin Tan Sri Syed Abbas Al Habshee
(Deputy Chairman/ Non-Independent Non-Executive Director)

Dato' Wei Chuan Beng
(Managing Director)

Lau Bik Soon
(Group Chief Executive Officer)

Dato' Ismail Bin Osman
(Senior Executive Director)

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

Jagdish Singh Dhaliwal
(Independent Non-Executive Director)

Dato' Mohd Zaini Bin Hassan
(Independent Non-Executive Director)

AUDIT COMMITTEE

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

Jagdish Singh Dhaliwal
(Member/ Independent Non-Executive Director)

Dato' Mohd Zaini Bin Hassan
(Member/Independent Non-Executive Director)

COMPANY SECRETARY

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

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

HEAD OFFICE

Suite 22-30, 5th Floor
IOI Business Park
47100 Puchong
Selangor Darul Ehsan
Telephone no.: 03-8073 2288
Facsimile no.: 03-2773 9015
Website: www.redtone.com
E-mail: info@redtone.com

REGISTRAR

Tricor Investor Services 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

PRINCIPAL BANKERS

HSBC Bank Malaysia Berhad

NOMINATION COMMITTEE

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

Jagdish Singh Dhaliwal
(Member/Independent Non-Executive Director)

Dato' Mohd Zaini bin Hassan
(Member/ Independent Non-Executive Director)

REMUNERATION COMMITTEE

Jagdish Singh Dhaliwal
(Chairman/Independent Non-Executive Director)

Dato' Wei Chuan Beng
(Member/Managing Director)

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

AUDITORS

Crowe Horwath
Chartered Accountants

LISTING

ACE Market of the Bursa Malaysia Securities Bhd
Stock Name : REDTONE
Stock Code : 0032

Corporate Structure

Board of Directors' Profile

DATO' IBRAHIM BIN CHE MAT
(Chairman/Independent Non-Executive Director)

Dato' Ibrahim bin Che Mat, aged 71, a Malaysian, is the Chairman of the Company and was appointed to the Board of Directors of the Company on 1 November 2009. He obtained his Bachelor of Social Science degree from Universiti Sains Malaysia in 1979. He began his career as a school teacher in 1963 until 1982. From 1982 to 2005, he served as a political secretary and senior private secretary to the Ministers of various Government ministries. He is also a leader in various co-operative societies including various societies for the youth.

He attended all five (5) Board Meetings held during the financial year ended 31 May 2012.

DATUK WIRA SYED ALI BIN TAN SRI SYED ABBAS AL HABSHEE
(Deputy Chairman/Non-Independent Non-Executive Director)

Datuk Wira Syed Ali bin Tan Sri Syed Abbas Al Habshee, aged 50, a Malaysian, is the Deputy Chairman and was appointed to the Board of Directors of the Company on 28 July 2011. He obtained his Professional Diploma in Leadership and Management by the New Zealand Institute of Management, New Zealand in 2003.

Datuk Wira has great knowledge and executive experience in leading private, public and government controlled organisations from a broad range of industries. Datuk Wira ventured into business in the early 1980s and currently sits on the board of several private and public corporations involved in a diverse range of businessses such as Asia Media Group Berhad, C.I. Holdings Berhad, Tanjung Offshore Berhad and UZMA Berhad. He also holds Chairmanships in Composites Technology Research Malaysia Sdn Bhd, a company which is controlled by the Ministry of Finance, and Yayasan Pendidikan Cheras, Kuala Lumpur. He was appointed as a member of the Malaysian Senate (Dewan Negara) on 21 April 2003 until April 2009.

He attended four (4) Board Meetings held during the financial year ended 31 May 2012 as he was appointed to the Board of Directors on 28 July 2011.

Board of Directors' Profile

DATO' WEI CHUAN BENG
(Managing Director)

Dato' Wei Chuan Beng, aged 46, is the Group Managing Director of REDtone and its business in China which is operating under REDtone Asia Inc. He obtained his Bachelor's Degree (Honors) in Electrical Engineering from University Technology Malaysia in 1989 and Diploma in Management (Gold Medalist Award Winner) from Malaysia Institute of Management (MIM) in 1995. He also completed an Entrepreneur Development Program from the renowned MIT Sloan School of Management in USA in 2006.

Dato' Wei began his career with Hewlett Packard Sales Malaysia Sdn Bhd in 1989 as Customer Engineer responsible for information technology (IT) technical support and customer relations before taking up a role as Major Account Manager managing sales for large and strategic global customers such as Motorola, Nortel, Intel and Alcatel, among others. Having gained wide exposure in the IT, electronics and telecommunications industries, he focused his attention to become an entrepreneur. He started REDtone Telecommunications Sdn Bhd in 1996 with two partners.

As one of the founding members of the REDtone Group, Dato' Wei is instrumental in shaping the Group's strategic directions, business relations and policies to grow the business locally and internationally. At present, Dato' Wei is known as a passionate ICT leader among industry players. He was appointed as member of the National IT Council chaired by Malaysia's Prime Minister (2010-2011). He sat on the board of PIKOM's (Association of the Computer and Multimedia Industry of Malaysia) council for 10 years and was the association's Chairman from 2010-2011. Dato' Wei is currently the immediate past Chairman for PIKOM and holding the position of Chairman of the PIKOM Angel Chapter. Dato' Wei is also a past Chapter Chair of YPO Malaysia (Young Presidents' Organisation, a global organisation for CEOs with about 20,000 members in 120 countries) and has taken a role in the South East Asia based YPO SEA Dragon Chapter. Dato' Wei is member of the Royal Kuala Lumpur Rotary Club. He is a regular speaker at industry conferences and institutions of higher learning.

Dato' Wei is also a member of Remuneration Committee of the Company.

He attended all five (5) Board Meetings held during the financial year ended 31 May 2012.

LAU BIK SOON
(Group Chief Executive Officer)

Mr. Lau Bik Soon, aged 41, a Malaysian, was appointed to the Board of Directors of the Company on 13 August 2008. He was subsequently appointed as the Group Chief Executive Officer on 8 July 2011 and is responsible for taking the company to newer levels of growth following its successful transformation from a voice to data and broadband provider. He has a First Class Honours Degree in Electrical Engineering from University Technology Malaysia.

During his six years with REDtone, Lau played a key role in building the company's data business. He was also instrumental in facilitating the company's transition to its present positioning. He has more than 18 years of experience in the ICT and telecommunications industry where he held numerous key positions with international organizations such as Cisco Systems, Sun Microsystems, Compaq Computer and Motorola. While with those companies, he won a number of sales management excellence awards and accolades.

Prior to joining REDtone, he was the Country Manager for Hitachi Data Systems Malaysia.

He attended all five (5) Board Meetings held during the financial year ended 31 May 2012.

Board of Directors' Profile

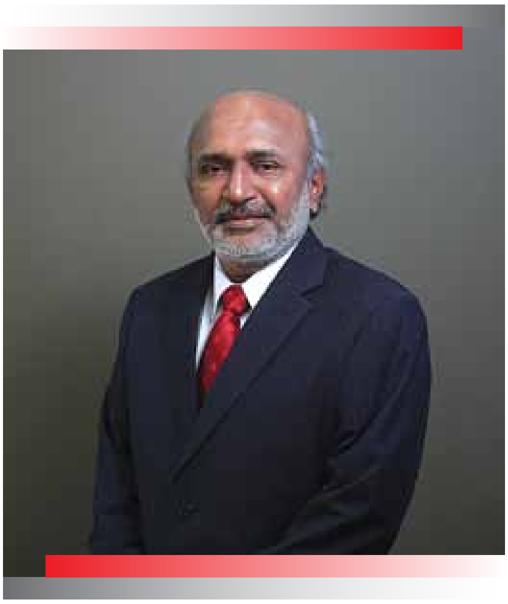
DATO' ISMAIL BIN OSMAN
(Senior Executive Director)

Dato' Ismail bin Osman, aged 62, a Malaysian, is a Senior Executive Director and was appointed to the Board of Directors of the Company on 5 September 2011. He obtained his Master of Science in Microwave Semiconductor Electronics from the University of Kent, United Kingdom.

Dato' Ismail Bin Osman began his career in the telecommunications industry when he joined the Jabatan Telekom Malaysia (then known as JT) in 1976 after graduating in 1975 from UiTM. He then moved to the newly established telecommunications regulatory department called Jabatan Telekomunikasi Malaysia (JTM) in January, 1987 when JT migrated from government department to a corporation (called then STMB, now TM) established under the Companies Act, 1965. He held the position of Director of Spectrum Management in JTM until 1994 when he was promoted to Deputy Director General. In January 1999, he was promoted to the Director General of Telecommunications. Due to changes of regulatory regime from the Telecommunications Act, 1950 to the Communication Multimedia Act, 1998, JTM ceased its functions and regulatory functions were handed over to the Communications and Multimedia Commission from April 1999. He retired as the last Director General of Telecommunications on 1 April 1999. Since his retirement from the government service, he has been actively involved directly in the private sector involving telecommunications industry in particular and others in general. He previously sat on various boards of public and private companies, including DiGi.Com Berhad, Cosway Berhad, Berjaya Group Berhad, MOLACCESS Bhd and Asiaspace Sdn. Bhd.

He is currently the Chairman of Malaysian Technical Standard Forum Bhd (MTSFB), a forum designated by Malaysian Communications and Multimedia Commission (MCMC). He is also nominated by the Chairman of MCMC to lead the Entry Point Project (EPP) # 9 called Smart Network.

He attended four (4) Board Meetings held during the financial year ended 31 May 2012 as he was appointed to the Board of Directors on 5 September 2011.



MATHEW THOMAS A/L VARGIS MATHEWS
(Independent Non-Executive Director)

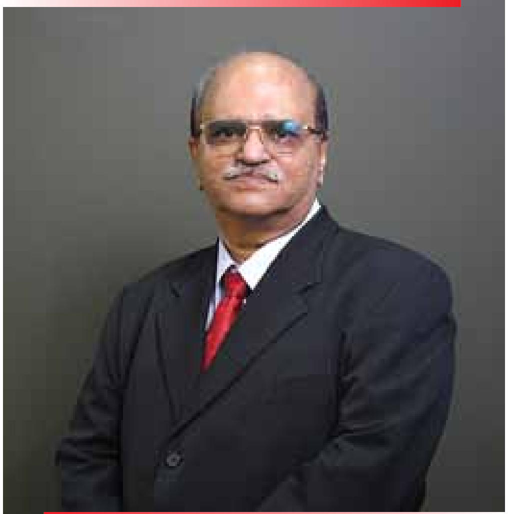
Mr. Mathew Thomas A/L Vargis Mathews, aged 57, a Malaysian, is the Independent Non-Executive Director of the Company and was appointed to the Board of Directors of the Company on 15 November 2003. He obtained his Chartered Association of Certified Accountants (UK) qualification from London in 1985. He 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 one of the big four accounting firms 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 and Nomination Committee. He is also a member of Remuneration Committee of the Company.

He attended all five (5) Board Meetings held during the financial year ended 31 May 2012.

Board of Directors' Profile

JAGDISH SINGH DHALIWAL
(Independent Non-Executive Director)



Mr. Jagdish Singh Dhaliwal, aged 60, a Malaysian, is the Independent Non-Executive Director of the Company and was appointed to the Board of Directors of the Company on 1 May 2010. He is a Fellow of the Association of Chartered Certified Accountants and a member of the Malaysian Institute of Accountants. He began his career as a Managing Director at Nebpalm Ltd in 1975. From 1977 to 1978, he worked in various industries till 1979 when he was appointed as an Accountant/Chief Accountant in Malaysian Rubber Research & Development Board where he served till 1996. He was Financial Controller in Multimedia Development Corporation (MDec) from 1996 to 1999 and Vice President of MDec from1999 to 2008.

Mr. Jagdish is the Chairman of the Remuneration Committee and also a member of the Audit Committee and Nomination Committee of the Company.

He attended all five (5) Board Meetings held during the financial year ended 31 May 2012.

DATO' MOHD ZAINI BIN HASSAN
(Independent Non-Executive Director)

Dato' Mohd. Zaini Bin Hassan, aged 48, a Malaysian, is the Independent Non-Executive Director of the Company and was appointed to the Board of Directors of the Company on 23 April 2012. He obtained his Master of Science (MSc.) in Media Management from University of Stirling, United Kingdom in 1995. He has also successfully completed his Bachelor of Mass Communication (Journalism) from Universiti Teknologi MARA (UiTM) in 1988. He began his career as a Cadet Reporter with Utusan Melayu (Malaysia) Berhad in 1989, had continuously climbed the corporate ladder, and is the Assistant Editor-in-Chief with Utusan Melayu (Malaysia) Berhad since 2008.

Dato' Mohd. Zaini Bin Hassan is a member of the Audit Committee of the Company.

He attended one (1) Board Meetings held during the financial year ended 31 May 2012 as he was appointed to the Board of Directors on 23 April 2012.

Chairman and Managing Director's Letter to Shareholders

"All our business segments were profitable in FY'12 with data taking the lead. Major projects secured and the growth strategy that we have in place are expected to pave the way for an even stronger year ahead."

Dear Shareholders,

2012 was an exciting year for REDtone. We are pleased to report that the Group succeeded in turning around its performance to record its first profitable year since 2008. This achievement was made possible due to the Group's business repositioning plan that started in 2009 and one that will continue to guide our growth moving ahead.

Our new core data and broadband business received a big boost when we were awarded several major broadband contracts that will be implemented over the next three years. These include big-scale WiFi projects which are a testimony of REDtone's expertise in designing, building and managing WiFi networks since 2009.

To further strengthen our growth, we divested our stake in non-yielding subsidiaries, namely REDtone Mobile Sdn Bhd, REDtone System Sdn Bhd (f.k.a REDtone Software Sdn Bhd) and REDtone Multimedia Sdn Bhd. Details can be found in page 90 of the Annual Report.

With SMEs (small and medium sized enterprises) as one of the Group's market segments, it is vital that we further build our SME customer base. We now have the opportunity to do so when we widen our services to them via the High Speed Broadband (HSBB) deal that has been sealed with Telekom Malaysia.

Financial Performance

FY'12 was a turnaround year for REDtone. Revenue increased by 19.4% to RM106.97 million compared to RM89.57 million in 2011. The spike was primarily driven by higher data and broadband sale across all market segments. The Group stayed focused in pushing its data, broadband and WiFi services. This unwavering effort, prudent cost management, higher revenue and divestment of subsidiaries saw profit before tax rise by RM14.23 million to RM3.23 million against the previous year's loss before tax of RM11.00 million. Profit after tax also shot up by RM14.12 million to RM1.86 million from a loss after tax of RM12.26 million in 2011.

Business Overview

Data and broadband

The Group's data and broadband business which includes WiFi registered strong growth. Our unrelenting efforts to secure a bigger slice of the government contracts pie are bearing fruits. REDtone executed a major high speed customized data solution project for the Higher Education Ministry, among others. On the WiFi front, we were awarded contracts under the government's "Kampung Tanpa Wayar" initiative of providing collective broadband access in underserved areas across Sabah and Sarawak. Having made our name as the largest WiFi network builder in Malaysia, REDtone now counts Tier 1 telcos and the Penang state government as its WiFi customers, in addition to managing the Group's own WiFi network.

LTE (Long Term Evolution)

In keeping with its focus to build its data and broadband segment, REDtone inked an infrastructure sharing and alliance agreement with Maxis. This is a significant development that will accelerate REDtone's rollout of ultra-high speed 4G LTE services. The infrastructure sharing and alliance deal will also help to address REDtone's rollout obligation to cover 50% of the country's population without having to incur high capital expenditure (capex). The capex will mostly be replaced by riding on Maxis' existing infrastructure and leasing the necessary capacity from them.

Voice

Our voice business stabilized after a few years of decline. This service provided by the Group for well over 10 years now, no longer requires capex but remained profitable with over 10,000 corporate and SME customers.

Chairman and Managing Director's Letter to Shareholders

Business Overview (Cont'd)

China

Pre-paid and reload services remained a popular choice in Shanghai where the Group's China operations are based, contributing a steady income to REDtone. REDtone utilizes its proprietary e-reload platform to facilitate reloads of this pre-paid service where there over 650,000 customers in 2012.

Corporate Responsibility

REDtone's community relations efforts are largely concentrated on sponsoring free WiFi service for deserving causes. In 2012, we initiated a 3-year project with a college in Cheras, Kuala Lumpur to provide its students and teachers with free broadband access to widen their knowledge. REDtone was also the ICT partner for the Barisan Youth Job Fair 2012 which saw us offering free WiFi access to both visitors and exhibitors at four fair locations in the country.

Bright Outlook Ahead

REDtone has always strived to keep its capex low. This strategy will remain as we focus our efforts to achieve a stronger year ahead. We will continue to leverage on the Group's existing infrastructure and integrate our solutions according to customers' requirements. Additional infrastructure will only be built when orders are received so that our capex remains light. Investment in our core network and value-add services will remain a priority as is putting our weight behind research and development to establish ourselves ahead of the competition and to stand out in the market.

Having turned the business around to show profit in 2012, we will align our resources appropriately to ensure our growth momentum stays on track. Barring any unforeseen circumstances, we are optimistic of seeing good growth prospects. The Group's ***core data and broadband business is expected to show strong growth*** due to overall increasing demand for these services in the country. Projects secured in 2012 will be implemented over the next three years providing the Group with recurring and steady income flow. Having gained a stronger foothold in government projects and our expertise proven, we aim to make greater inroads and be the ace data and broadband partner to government agencies. With the government speeding up its efforts to provide Internet connection to rural areas, we expect more broadband projects to be initiated and are optimistic of getting a slice of the cake.

We will further sharpen our expertise to tailor solutions to meet customers' demands to grow our corporate and SME segment where currently the total number of customers is over 2,000. Recognising the advantages of long-term projects, we will be on the lookout to participate in contracts ranging from 10 to 20 years so as to leverage on our ever-developing strengths.

REDtone is gearing to launch its ***4G LTE mobile broadband services*** riding on its shared network with Maxis in 2013. This will provide the Group additional source of revenue for the next ten years from the spectrum usage. We will tap into new business opportunities and explore new business models that are aligned to our strengths by leveraging on Maxis' 2G, 3G and LTE networks. This will strengthen our revenue and profit stream.

We will ride on our WiFi core competency to tap into opportunities in the Asean region.

The ***Voice business*** is expected to continue generating consistent cash flow for the Group. Value-add services are important to our Voice customers and we will continue to ensure these services remain attractive and relevant.

In ***East Malaysia*** where we offer WiMAX services primarily to SMEs and SOHOs, REDtone will utilize a host of wireless and fixed technologies to continue serving this market segment.

For our ***China*** operations, we are looking into expanding our e-reload platform to cater to REDtone's own pre-paid cards for customers in the mid to low-income segments.

In June this year, we formalized a revision of an assignment consideration with Mobile Money International Sdn Bhd ("Mobile Money"). This was part of an agreement in 2006 between both companies for the transfer of REDtone's e-purse technology to Mobile Money. The revised assignment consideration is RM3.5 million cash payable in three tranches and is subject to shareholders' approval at an Extraordinary General Meeting. We are optimistic that shareholders recognize the advantage of this arrangement and we seek your support to give the go-ahead which will improve the Group's profit and cash position for FY 2013 by approximately RM3.2 million and RM2.93 million respectively.

Maximizing shareholders' value continues to be one of the Group's top priorities. We will consider formulating a dividend policy when we believe the company's performance justifies so.

Chairman and Managing Director's Letter to Shareholders

Business Overview (Cont'd)

Appreciation

The hard work and dedication of our staff have contributed greatly to the Group's profitable performance in 2012. We would like to thank them for giving their best. Our gratitude goes to our many loyal customers and business partners for their support and co-operation as well as to our shareholders for your trust in the Board of Directors and the management of REDtone.

We appreciate the Board of Directors' invaluable guidance and would like to thank them for their support and strong commitment.

Dato' Ibrahim Bin Che Mat
Chairman

Dato' Wei Chuan Beng
Managing Director

Corporate Governance Statement

The Board of Directors ("Board") of REDtone International Berhad appreciates the importance of embedding the highest standards of corporate governance best practices in the business and affairs of the Company and the Group and views this as the fundamental part of its responsibilities to protect and enhance shareholder value.

The Board is also 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 the Malaysian Code on Corporate Governance (Revised 2007) ("Code").

The Board has adopted the Code as a fundamental guide to the discharge of its principal duty to act in the best interest of the Company as well as managing the business affairs of the Group effectively. In addition, the Board is in the midst of reviewing the Malaysian Code on Corporate Governance 2012 ("MCCG 2012") which was issued by Securities Commission on 29 March 2012.

In the attainment of this purpose, the Board is pleased to share the manner in which the Principles of the Code have been applied in the Group in respect of the financial year ended 31 May 2012 and the extent to which the Company has complied with the Best Practices of the Code. The Board believes that the Principles and the Best Practices set out in the Code have, in all material respects, been adhered to and complied with.

A. BOARD OF DIRECTORS

1. The Board and its Responsibilities

The Company is led and controlled by an effective Board comprised of members drawn from various professional backgrounds, bringing depth and diversity in experience, expertise and perspectives to the Group's business operations. The Group recognises 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.

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 reserves to itself responsibility for the following matters:

- Strategic business plan and direction for the Group
- Investment and divestment proposals
- Approval of financial results
- Reviewing the adequacy and integrity of the Group's internal control systems
- Implementing an effective public communications and investor relations policies and programmes

The Board of Directors delegates certain responsibilities to the Board Committees, namely the Audit Committee, Nomination Committee and Remuneration Committee in order to enhance business and operational efficiencies as well as efficacies.

All Board Committees have written terms of reference and charters and the Board receives all minutes and reports of their proceedings and deliberations, where relevant. The Chairpersons of the various Committees report to the Board on the outcome of Committee meetings. Such reports are incorporated in the minutes of the full Board meetings.

Corporate Governance Statement

A. BOARD OF DIRECTORS (CONT'D)

2. Board Composition and Independence

There are eight Directors, comprising three Executive Directors and five Non-Executive Directors. Four out of five of the Non-Executive Directors are independent, which fulfils the prescribed requirement of one third of the Board to be independent. The profiles of the directors are set out on pages 9 to 12 of this Annual Report.

The Independent Non-Executive Directors do not participate in the day-to-day management of the Group and they are no business or other relationship with the Group which could be perceived to materially interfere with their exercise of independent judgment. The Independent Non-Executive Directors remain in a position to fulfill their responsibility to provide check and balance to the Board.

The Board holds the view that the ability of an Independent Director to exercise independence is not a function of his length of service as an Independent Director. The suitability and ability of an Independent Director to carry out his roles and responsibilities effectively are very much a function of his calibre, qualifications, experience and personal qualities.

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.

3. Appointment and Re-election of Directors

The Nomination Committee established by the Board is responsible for assessing the nominee for directorship and thereupon submitting their recommendation to the Board for decision. The Nomination Committee is also responsible for assessing the performance of Directors whose term of appointment is due to expire and submitting their recommendation to the Board for decision on the tabling of the proposed re-election of the Director concerned for shareholder's approval at the Annual General Meeting ("AGM").

The Nomination Committee comprises entirely of Independent Non-Executive Directors. The Committee comprised the following members in the financial year under review and their attendance at meetings is as follows:

NAME OF COMMITTEE MEMBERS	SCHEDULED MEETINGS [3]	ATTENDANCE
Mr. Mathew Thomas a/l Vargis Mathews (Chairman)	1	0
Mr. Jagdish Singh Dhaliwal	1	1
Dato' Mohd Zaini bin Hassan [1]	0	0
Dato' Suriah Abd Rahman [2]	1	1

Notes:

1. *Appointed on 23 April 2012*
2. *Retired on 15 November 2011*
3. *Reflects the number of meetings scheduled during the time the Director held office*

Article 85 of the Articles of Association ("AA") of the Company provide that at every AGM of the Company, one-third of the directors shall retire from office and being eligible offer themselves for re-election. New directors appointed by the Board are subject to election by the shareholders at the next AGM following their appointments.

In accordance with Recommendation 3.3 of MCCG 2012, the Board must justify and seek shareholders' approval in the event it retains an independent director, a person who has served in that capacity for more than nine years.

At the forthcoming AGM of the Company, the Board with the recommendation of the Nomination Committee will seek shareholders' approval to retain the designation of Mathew Thomas a/l Vargis Mathews as the Independent Non-Executive Director of the Company. Mathew Thomas a/l Vargis Mathews has served the Board as the Independent Non-Executive Director of the Company for a term of nine years since 15 November 2003. At present, he is the Chairman of Audit Committee and Nomination Committee and also Senior Independent Non-Executive Director of the Company. He is also a member of the Remuneration Committee.

Corporate Governance Statement

A. BOARD OF DIRECTORS (CONT'D)

4. Board Meetings

Board meetings for the ensuing financial year are scheduled in advance before the end of the current financial year so that the Directors are able to plan ahead.

During the financial year ended 31 May 2012, the Board met on five 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 maintained by the Company Secretary. Details of the Directors' attendance during the financial year under review are summarized below:

NAME OF DIRECTOR	SCHEDULED BOARD MEETINGS [5]	ATTENDANCE
Dato' Ibrahim bin Che Mat	5	5
Datuk Wira Syed Ali bin Tan Sri Syed Abbas Al Habshee [1]	4	4
Dato' Wei Chuan Beng	5	5
Mr. Mathew Thomas a/l Vargis Mathews	5	5
Mr. Lau Bik Soon	5	5
Dato' Ismail bin Osman [2]	4	4
Mr. Jagdish Singh Dhaliwal	5	5
Dato' Mohd Zaini bin Hassan [3]	1	1
Dato' Suriah Abd Rahman [4]	3	3

Notes:

1. *Appointed on 28 July 2011*
2. *Appointed on 5 September 2011*
3. *Appointed on 23 April 2012*
4. *Retired on 15 November 2011*
5. *Reflects the number of meetings scheduled during the time the Director held office*

All the directors have complied with the minimum 50% attendance requirement in respect of Board meetings as stipulated by the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad.

5. Supply of Information

To facilitate productive and meaningful deliberations, the proceedings of the Board meetings are conducted in accordance with a structured agenda. The structured agenda together with management reports and proposed papers are furnished to the Board 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 Chairman of the Audit Committee would brief the Board on any salient matters raised at the Audit Committee meetings and which require the Board's notice or direction.

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.

Corporate Governance Statement

A. BOARD OF DIRECTORS (CONT'D)

6. Directors' Training

The Board places great emphasis on continuous education for Directors. The Board, through the Nomination Committee, ensures that it recruits to the Board only individuals of sufficient calibre, knowledge, and experience to perform the duties of a director. All Directors have successfully completed the Mandatory Accreditation Programme. In addition, the Directors undergo continuous training to equip themselves with the necessary knowledge and to keep abreast with developments to discharge their duties as a director effectively.

The Board evaluates the training needs of its members on a continuous basis by identifying potential training that would strengthen and generally improve the contribution of the Board to the Group.

During the financial year under review, the Directors of the Company has attended and participated in various forums and seminars in areas of finance, tax, accounting regulatory updates. Some of the seminars or courses attended by the Director during the financial year ended 31 May 2012 are as follow:

1. The Malaysian Code on Corporate Governance 2012
2. The Malaysian Code on Corporate Governance 2012. The Implication and Challenges to Public Listed Companies
3. 8th Tricor Tax and Corporate Seminar 2012
4. Transformational Leadership The Catalyst For Successful Change
5. Suntzu Art of War Seminar September 2011

B. DIRECTORS' REMUNERATION

Remuneration Committee

The Remuneration 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 Remuneration Committee has considered information prepared by management and survey data on the remuneration practices of comparable companies.

The current members of the Remuneration Committee and their attendance at meetings is as follows:

NAME OF COMMITTEE MEMBERS	SCHEDULED MEETING [3]	ATTENDANCE
Mr. Jagdish Singh Dhaliwal (Chairman)	1	1
Dato' Wei Chuan Beng	1	1
Mr. Mathew Thomas a/l Vargis Mathews [1]	0	0
Dato' Suriah Abd Rahman [2]	1	1

Notes:

1. *Appointed on 15 November 2011*
2. *Retired on 15 November 2011*
3. *Reflects the number of meetings scheduled during the time the Director held office*

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.

Corporate Governance Statement

B. DIRECTORS' REMUNERATION (CONT'D)

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:

	Salary * (RM)	Bonus (RM)	Directors' Fees (RM)	TOTAL (RM)
Executive Directors	963,684	165,000	–	1,128,684
Non-executive Directors	–	–	353,917	353,917

* *Inclusive of Company's contribution to employee provident fund*

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

Range of Remuneration (RM)	Number of Executive Directors	Number of Non-Executive Directors
50,000 and below	–	4 [1]
50,001 to 100,000	–	1
100,001 to 150,000	1	–
150,001 to 200,000	1 [1]	1
200,001 to 250,000	–	–
250,001 to 300,000	–	–
300,001 and above	2	–

Notes:

1. *Include Directors resigned during the year*

C. SHAREHOLDERS AND INVESTORS

Communications between Company and Investors

The Company values and encourages dialogue with the shareholders to establish better understanding of the Company's objectives and performance. The AGM is the principal forum for dialogue with all shareholders who are encouraged and are given sufficient opportunity to enquire about the Group's activities and prospects as well as to communicate their expectations and concerns. Shareholders are also encouraged to participate in the Question and Answer session on the resolutions being proposed or about the Group's operations in general. Shareholders who are unable to attend the AGM are allowed to appoint proxies in accordance with the Company's Articles of Association to attend and vote on their behalf. The Chairman and the Board members are in attendance to provide clarification on shareholders queries. Shareholders are also encouraged to contact REDtone anytime during the year and not only at the AGM.

In addition, the Company makes various announcements through Bursa Malaysia Securities Berhad, in particular, the Company's quarterly interim financial results are released within two months from the end of each quarter and the Annual Report, which remains a key channel of communication, is published within six months after the financial year end. Shareholders and members of the public can also obtain the interim and full financial results and Company announcements from the Company website and Bursa Malaysia Securities Berhad website.

Corporate Governance Statement

C. SHAREHOLDERS AND INVESTORS (CONT'D)

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 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.

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

Any queries, concerns or request for any information relating to the Group may be conveyed to the following persons:

Ng Keng Chai
General Manager, Corporate Affairs
REDtone International Berhad

Telephone : 603 8073 2288
Facsimile : 603 2773 9015
Email: kengchai.ng@redtone.com

Annie Wong
Company Secretary
Tricor Corporate Services Sdn. Bhd

Telephone : 603 2264 8888
Facsimile : 603 2282 2733
Email: annie.wong@my.tricorglobal.com

D. ACCOUNTABILITY AND AUDIT

Financial Reporting

The Board aims to provide a balanced, clear 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 to ensure completeness, adequacy and accuracy of its financial reporting.

This assessment is provided in this Annual Report through the Statement by Directors pursuant to Section 169(15) of the Companies Act, 1965 as set out on page 40 of this Annual Report.

Internal Control

The Board has overall responsibility for maintaining a system of internal control 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 on 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 24 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.

E. STATEMENT OF COMPLIANCE

The Group has complied throughout the financial year ended 31 May 2012 with all the Best Practices of Corporate Governance set out in Part 2 of the Code.

Additional Compliance Information

Options, Warrants or Convertible Securities

During the financial year ended 31 May 2012, a total of 11,153,000 options were granted and 7,904,500 options were exercised pursuant to the Employees' Share Option Scheme. The option outstanding as at 31 May 2012 were 16,996,000.

During the financial year, the total number of Irredeemable Convertible Unsecured Loan Stocks ("ICULS") converted to ordinary shares are as follows:

No. of ICULS converted	49,892,600
No. of Ordinary Shares issued	19,957,040

The ICULS outstanding as at 31 May 2012 were 252,460,935.

There was no exercise of Warrants into ordinary shares during the financial year ended 31 May 2012. As at 31 May 2012, 162,446,534 Warrants remain unexercised.

Utilisation of Proceeds raised from issuance of ICULS

Details of Utilisation	Approved Utilisation RM'000	Revised Utilisation RM'000	Actual Utilisation as at 31 May 2012 RM'000	Intended Timeframe for Utilisation	Deviation
Capital expenditure	38,120	23,210	21,815	Within 3 years	NA
Working capital	1,802	16,802	15,288	Within 2 years	NA
Estimated expenses for right issue	600	600	596	Within 1 year	NA
	40,612	40,612	37,699		

The proceeds raised from issuance of ICULS were fully utilized as at 31 August 2012.

Non-Audit Fees

The amount of non-audit fees paid to the external auditors by the Company for the year ended 31 May 2012 was RM5,400. (2011: RM 108,991)

Recurrent Related Party Transactions ("RRPT")

In addition to the details of RRPT as disclosed in Note 36 of the financial statements, the transaction with related party during the financial year is as follow:

	RM'000
Rental paid to Endless Revenue Sdn Bhd, a company where Dato' Wei Chuan Beng is a major shareholder and director	141

The above related party transactions are of revenue or trading in nature and are entered into in the ordinary course of business and no shareholder's mandate was required as the amount involved is below the threshold requiring the shareholder's approval.

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.

Additional Compliance Information

Share Buy-Backs

During the financial year under review, the share buy-back transactions were as follows:

Month	No. of REDtone shares purchased and retained as Treasury Shares	Purchase price per Share (RM)	Total Consideration Paid (RM)
August 2011	52,700	0.18	9,556
October 2011	100,000	0.25	25,182
January 2012	10,000	0.34	3,446
	162,700		38,184

The shares purchased are held as treasury shares. As at 31 May 2012, the number of treasury shares held by the Company is 1,654,900.

Sanctions and/or Penalties

In the financial year ended 31 May 2012, except for the traffic compounds, there were no sanctions and/or penalties imposed on the Company and its subsidiaries, directors or management by any regulatory body.

Variation of Results, 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 ended 31 May 2012.

Profit Guarantees

There were no profit guarantees given by the Company during the financial year ended 31 May 2012.

Material Contract Involving Directors and Substantial Shareholders

Except for the following, 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 ended 31 May 2011.

On 12 June 2012, REDtone Technology Sdn Bhd, ("RT"), a wholly owned subsidiary of the Company, and Mobile Money International Sdn Bhd ("Mobile Money") entered into a supplemental letter of agreement ("SA"). The SA is to revise the terms of the assignment consideration for the assignment of RT's intellectual property rights in respect of the computer programming in relation to the electronic purse transaction method and system. The SA is subject to shareholders approval.

Depository Receipt Programme

During the financial year ended 31 May 2012, the Company did not sponsor any Depository Receipt Programme.

Audit Committee Report

The Board of Directors of REDtone International Berhad is pleased to present the report on the Audit Committee of the Board for the year ended 31 May 2012.

OBJECTIVE

The Audit Committee was established to act as a Committee of the Board of Directors to fulfill its fiduciary responsibilities in accordance with the Terms of Reference of the Audit Committee of REDtone International Berhad and to assist the Board in reviewing the adequacy and integrity of the Group's financial administration and reporting and internal control.

TERMS OF REFERENCE

1. COMPOSITION

(a) The Committee shall fulfill the following requirements :

- The Committee must be composed of not less than three members;
- All members of the Committee shall be non-executive directors with a majority of them being independent directors; and
- At least one member of the Committee:
  - must be a member of the Malaysian Institute of Accountants ("MIA"); or
  - if he is not a member of MIA, he must have the relevant qualification and experience as specified by the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad ("Listing Requirements").

(b) Members of the Committee shall elect from among them a Chairman who shall be an independent non-executive director.

(c) The Committee shall have the authority to:

- investigate any activity of the Company and its subsidiaries
- seek any information relevant to its activities from any employee
- have full and unrestricted access to any information and documents pertaining to the Company and its subsidiaries
- convene meeting with the internal auditors and external auditors without the presence of the Executive Directors and Management staff

(d) Where the Committee is of the view that a matter reported by it to the Board has not been satisfactorily resolved resulting in a breach of the Listing Requirements, the Committee shall promptly report such matter to Bursa Malaysia Securities Berhad.

2. MEMBERSHIP

The present members of the Committee comprise of the following Directors:

Mr. Mathew Thomas a/l Vargis Mathews (Chairman & Independent Non-Executive Director)
Mr. Jagdish Singh Dhaliwal (Independent Non-Executive Director)
Dato' Mohd Zaini Bin Hassan (Independent Non-Executive Director)

Audit Committee Report

3. ATTENDANCE OF MEETINGS

(a) 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.

(b) The Committee may require the members of management, the internal auditors and representatives of the external auditors to attend any of its meetings as it determines.

(c) Other Directors and employees may attend any particular meeting only at the Committee's invitation, specific to the relevant meeting.

(d) The Company Secretary shall be the Secretary of the Committee or in his absence, another person authorized by the Chairman of the Committee ("Company Secretary").

4. FREQUENCY OF MEETINGS

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

(b) The Committee should meet with the External Auditors without Executive Directors present at least once a year.

The details of attendance of each member at the Audit Committee meetings held during the financial year ended 31 May 2012 are as follows:

Name of Committee Member	Scheduled Committee Meeting [4]	Attendance
Mr. Mathew Thomas a/l Vargis Mathews (Chairman)	5	5
Mr. Jagdish Singh Dhaliwal	5	5
Dato' Suriah Abd Rahman [1]	3	3
Dato' Ibrahim Bin Che Mat [2]	2	1
Dato' Mohd Zaini Bin Hassan [3]	0	0

Note:
1. Retired on 15 November 2011
2. Appointed on 15 November 2011, Resigned on 23 April 2012
3. Appointed on 23 April 2012
4. Reflects the number of meetings scheduled during the time the Director held office

The Company Secretary was present at all meetings.

Also attended by invitation were Senior Management and 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.

5. AUTHORITY

(a) The Committee shall have explicit authority to investigate any matter within its Terms of Reference.

(b) The Committee has full access to any information pertaining to the Company and Group and unrestricted access to the senior management of the Company and Group.

(c) The Committee has direct communication channels with the external auditor and the internal auditor.

(d) The Committee may with the approval of the Board, obtain independent professional or other advice in the performance of its duties.

Audit Committee Report

6. DUTIES AND RESPONSIBILITIES

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

(a) Financial Reporting

To review the quarterly result and year-end financial statements, prior to the approval by the Board of Directors, focusing particularly on

- the going concern assumption;
- changes in or implementation of major accounting policy changes;
- significant and unusual events; and
- compliance with accounting standards and other legal requirements.

(b) Related Party Transactions

To monitor and review any related party transaction that may arise within the Company or Group.

(c) Audit Reports

- To review internal and external audit reports to ensure that management has taken adequate and appropriate remedial actions on weaknesses identified.
- To discuss problems and reservations arising from the interim and final audits and any matter the auditors wish to discuss (in the absence of management, where necessary).

(d) External Audit

- To consider the performance of the external auditors and make recommendations to the Board of Directors on their appointment and the external auditors audit fee.
- To review the external auditors' audit plan, nature and scope of audit.

(e) Internal Audit

- 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.
- To review the internal audit plan, processes, the results of the internal audit program, processes or investigation undertaken and whether or not appropriate action is taken on the recommendations of the internal audit function.
- To approve the appointment of the Internal Auditor.

(f) Other Matters

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

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 Malaysia Securities Berhad.

2. Reviewed the Audit Planning Memorandum of the Group for the financial year ended 31 May 2012 with the external auditors.

3. Reviewed the annual audited financial statements of the Group, the issues arising from the audit, their resolutions and the external audit report with the external auditors prior to submission to the Board of Directors for their approval.

4. Reviewed the performance of the external auditors and make recommendations to the Board of Directors on their appointment and remuneration.

5. Reviewed the role and management of the internal audit function and the continued option to outsource the internal audit function.

Audit Committee Report

SUMMARY OF ACTIVITIES OF THE AUDIT COMMITTEE DURING THE FINANCIAL YEAR UNDER REVIEW (CONT'D)

6. Reviewed the annual internal audit plan to ensure adequate scope coverage over the activities of the Group.

7. Reviewed the internal audit findings and recommendations presented on the state of internal control of the Group.

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

INTERNAL AUDIT FUNCTION

The Committee is supported by the Internal Auditors in the discharge if its duties and responsibilities. It is the responsibility of the Internal Auditors 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.

To this end 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.

The Audit Committee and Board of Directors are satisfied with the performance of the Internal Auditors and have in the interest of greater independence and continuity in the Internal Audit function, taken the decision to continue with the outsource of the Internal Audit function.

In compliance with the decision of the Audit Committee in the financial year under review, the operational compliance reviews undertook by the Internal Auditor are as follows:

- Penang Branch's Operation
- HR & Payroll Management
- Fixed Asset Management
- Treasury Management
- Account Receivable and Credit Control Management
- Procurement Management Post Audit Compliance Review
- China Operations Management

Cost incurred for the internal audit function for the year ended 31 May 2012 was RM135,070. At the request of the Audit Committee the internal audit reports and recommendations issued in the financial year ended 31 May 2012 were reviewed and reported upon to determine management compliance of the same.

STATEMENT ON EMPLOYEES' SHARE OPTION SCHEME BY THE COMMITTEE

The bye-laws governing the Company's Employees' Share Option Scheme ("ESOS") was approved on 30 November, 2010 for a duration of five (5) years commencing 14 January 2011. The Board of Directors and the Options Committee may extend the ESOS for another five (5) years upon expiry of the current validity period.

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

The breakdown of the option held by the Non-Executive Directors pursuant to the Company's ESOS in respect of the financial year ended 31 May 2012 is as follows:

	Number of Share Options Over Ordinary Shares of RM0.10 Each			
Name of Directors	**At 1 June 2011**	**Granted**	**Exercised/ Lapsed**	**At 31 May 2012**
Mr Mathew Thomas a/l Vargis Mathews	200,000	–	–	200,000
Dato' Ibrahim bin Che Mat	100,000	–	–	100,000
Mr Jagdish Singh Dhaliwal	50,000	–	–	50,000
Dato' Suriah Abd Rahman	100,000	–	(100,000)	–
Dato' Mohd Zaini bin Hassan	–	–	–	–

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 Listing Requirements Paragraph 15.26(b) requires Directors of listed companies to include a statement in their annual report on the state of their internal controls for the financial year ended 31 May 2012.

The Board of Directors of REDtone International Berhad, in recognition of this responsibility, hereby issues the following statement which is prepared in accordance with both 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 overall responsibility to maintain a sound system of internal controls to cover all aspects of the Group's business and to safeguard the interests of its shareholders. This responsibility requires Directors to establish procedures, controls and policies and to seek continuous assurance that the system is operating satisfactorily in respect of the strategic direction, financial, operational, compliance and risk management policies and procedures for the period under review.

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 maintains full control over strategic, financial, organisational and compliance issues and has put in place an organization with formal lines of responsibility, clear segregation of duties and appropriate 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.

3. CONTROL STRUCTURE & RISK MANAGEMENT FRAMEWORK

Day to day operations is monitored by the Managing Director. This control is exercised through Executive Directors and 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.

Risk Management is regarded by the Board to be an integral part of managing the Company's business operations. Subsequent to the financial year, the Board had approved to implement an Enterprise Risk Management System which will enable the Group to further enhance its strategic enterprise risk management.

In addition, there is an on-going process of identifying the major risks that could potentially and significantly impact on the Group's business objectives and the Company has assigned the respective Heads of Department to manage the risks within their departments. Significant risks identified and the corresponding internal controls implemented are discussed at management meetings.

The Board of Directors and 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.

Statement of Internal Control

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 Listing Requirements, the Company has appointed Messrs Stanco & Ruche Consulting and Audex Governance Sdn Bhd to manage the Company's Internal Audit function on an outsourced basis.

The internal auditors report independently and directly to the Audit Committee in respect of the Internal Audit function. The Audit Committee together with the internal auditors agreed on the scope and planned Internal Audit activity annually and all audit findings arising there from are reported to the Audit Committee on a quarterly basis.

The internal auditors are 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, the internal auditors carry 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, the internal auditor 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 year under review, the following are the internal audit compliance reviews undertook by the auditors:

- Penang Branch's Operation
- HR & Payroll Management
- Fixed Asset Management
- Treasury Management
- Accounts Receivable And Credit Control Management
- Procurement Management Post Audit Compliance Review
- China Operations Management

The findings arising from the above reviews have been reported to Management for their response and subsequently for Audit Committee deliberation.

Further and at the request of the Audit Committee the internal audit reports and recommendations issued in the financial year ended 31 May 2012 were reviewed and reported upon in respect of management compliance to the same.

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, Remuneration Committee and ESOS Committee.

- Well defined organisational structure with clear lines for the segregation of duties, accountability and the 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 and 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 in advance to all Board members who are entitled to receive and access all necessary and relevant information. 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.

Statement of Internal Control

5. OTHER KEY INTERNAL CONTROL ELEMENTS (CONT'D)

- 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, 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. The Audit Committee is also entitled to seek such other third party independent professional advice deemed necessary in the performance of its responsibility.

- 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 therefrom. The Internal Audit function reports directly to the Audit Committee. Findings communicated to management and the Audit Committee with recommendations for improvements and follow up to confirm all agreed recommendations 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, financials 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 professionalism and competency of staff are enhanced through a structured training and development program. A performance management system is in place with established key performance indicators to measure and review staff performance on an annual basis.

- The decision of the Board of Directors to the appointment of Messrs Stanco & Ruche Consulting and Audex Governance Sdn Bhd, to manage the Internal Audit functions 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

For the financial year ended 31 May 2012, the Board of Directors is of the opinion that there is no significant weakness in the system of internal control, contingencies, or uncertainties that could result in material loss and adversely affect the Group. The Group continues to take necessary measures to strengthen its internal control structure and the management of risks.

7. REVIEW OF THE INTERNAL CONTROL STATEMENT BY EXTERNAL AUDITORS

The external auditors have reviewed this Internal Control Statement for inclusion in the annual report for the year ended 31 May 2012 and nothing has come to their attention that causes them to believe that the statement is inconsistent with their understanding of the process adopted by the Board in reviewing the adequacy and integrity of the system of internal controls.

Statement of Directors' Interests

in the Company and related corporation as at 9 October 2012

Name of Director	Direct	No. of Ordinary Shares Held %	Indirect	%
THE COMPANY				
Dato' Ibrahim bin Che Mat	–	–	–	–
Datuk Wira Syed Ali Bin Tan Sri Syed Abbas Al Habshee	–	–	(1)156,300,000	32.79
Dato' Wei Chuan Beng	16,239,476	3.41	–	–
Lau Bik Soon	1,696,600	0.36	–	–
Dato' Ismail bin Osman	–	–	–	–
Mathew Thomas A/L Vargis Mathews	225,000	0.05	–	–
Jagdish Singh Dhaliwal	100,000	0.02	–	–
Dato' Mohd Zaini bin Hassan	–	–	–	–

Name of Director	Direct	No. of Irredeemable Convertible Unsecured Loan Stocks 2010/2020 Held %	Indirect	%
THE COMPANY				
Dato' Ibrahim bin Che Mat	–	–	–	–
Datuk Wira Syed Ali Bin Tan Sri Syed Abbas Al Habshee	–	–	(1) 96,393,491	38.87
Dato' Wei Chuan Beng	21,283,000	8.58	–	–
Lau Bik Soon	511,900	0.21	–	–
Dato' Ismail bin Osman	–	–	–	–
Mathew Thomas A/L Vargis Mathews	225,000	0.09	–	–
Jagdish Singh Dhaliwal	–	–	–	–
Dato' Mohd Zaini bin Hassan	–	–	–	–

Name of Director	Direct	No. of Warrants Held %	Indirect	%
THE COMPANY				
Dato' Ibrahim bin Che Mat	–	–	–	–
Datuk Wira Syed Ali Bin Tan Sri Syed Abbas Al Habshee	–	–	(1) 41,407,931	25.49
Dato' Wei Chuan Beng	–	–	–	–
Lau Bik Soon	–	–	–	–
Dato' Ismail bin Osman	–	–	–	–
Mathew Thomas A/L Vargis Mathews	90,000	0.05	–	–
Jagdish Singh Dhaliwal	–	–	–	–
Dato' Mohd Zaini bin Hassan	–	–	–	–

Note:

1. Deemed interested by virtue of his interest in Indah Pusaka Sdn Bhd via Tema Juara Sdn Bhd pursuant to Section 6A of the Companies Act, 1965.

Directors' Responsibility Statement

The Companies Act 1965 ("Act") requires the Directors to present the financial statements of the Company and the Group in accordance with the Act and approved accounting standards and that they give a true and fair view of the results of the business and the state of affairs of the Group and the Company at the end of the financial year.

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 the 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

The Directors have further responsibility of ensuring that accounting records are kept with reasonable accuracy which enable the Company to provide a true and fair view of the financial results. In addition, the annual audited financial statements have been prepared based on relevant and appropriate accounting policies and with usage of reasonable and prudent judgment and estimates.

The Directors have also a general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect 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 2012 as set out on pages 43 to 105 of this Annual Report.

Directors' Report

The directors hereby submit their report and the audited financial statements of the Group and of the Company for the financial year ended 31 May 2012.

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 set out in Note 5 to the financial statements. There have been no significant changes in the nature of these activities during the financial year.

RESULTS

	THE GROUP RM	THE COMPANY RM
Profit/(Loss) after taxation for the financial year	1,859,887	(8,849,674)
Attributable to:-		
Owners of the Company	2,148,274	(8,849,674)
Non-controlling interests	(288,387)	–
	1,859,887	(8,849,674)

DIVIDENDS

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

RESERVES AND PROVISIONS

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

ISSUES OF SHARES AND DEBENTURES

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 RM44,777,903 to RM47,564,057 by:-

(i) the issuance of 19,957,040 new ordinary shares of RM0.10 each resulting from the conversion of 2.75% Irredeemable Convertible Unsecured Loan Stocks ("ICULS") at the rate of 10 RM0.10 nominal amount of ICULS into 4 fully paid-up ordinary shares of RM0.10 each in the Company; and

(ii) the issuance of 7,904,500 new ordinary shares of RM0.10 each at prices ranging from RM0.145 to RM0.230 per share pursuant to the Employee Share Option Scheme of the Company.

The entire new ordinary shares issued during the financial year rank pari passu in all respects with the existing ordinary shares of the Company; and

(c) there were no debentures issued by the Company.

Directors' Report

TREASURY SHARES

During the financial year, the Company purchased 162,700 of its issued ordinary shares from the open market at an average price of RM0.23 per share. The total consideration paid for the purchase was RM38,184 including transaction costs. The shares purchased are being held as treasury shares in accordance with Section 67A of the Companies Act 1965 and are presented as a deduction from total equity.

As at 31 May 2012, the Company held as treasury shares a total of 1,654,900 out of its 475,640,565 issued and fully paid-up ordinary shares. The treasury shares are held at a carrying amount of RM349,347. Relevant details on the treasury shares are disclosed in Note 19 to the financial statements.

OPTIONS GRANTED OVER UNISSUED SHARES

During the financial year, no options were granted by the Company to any person to take up any unissued shares in the Company except for the share options granted pursuant to the Employee Share Option Scheme.

EMPLOYEE SHARE OPTION SCHEME

The Employee Share Option Scheme of the Company ("ESOS") is governed by the ESOS By-Laws and was approved by shareholders on 30 November 2010. The ESOS is to be in force for a period of 5 years effective from 14 January 2011.

The salient features, other terms of the ESOS and details of the share options granted during the financial year are disclosed in Note 20(f) to the financial statements.

During the financial year, the Company granted 11,153,000 share options under the ESOS. These options expire on 13 January 2016.

The option prices and the details in the movement of the options granted are as follows:-

		NUMBER OF SHARE OPTIONS OVER ORDINARY SHARES OF RM0.10 EACH			
DATE OF OFFER	EXERCISE PRICE	AT 1 JUNE 2011	GRANTED	EXERCISED	AT 31 MAY 2012
4 MARCH 2011	RM0.165	13,747,500	–	(4,147,500)	9,600,000
11 AUGUST 2011	RM0.145	–	10,703,000	(3,357,000)	7,346,000
29 DECEMBER 2011	RM0.230	–	450,000	(400,000)	50,000
		13,747,500	11,153,000	(7,904,500)	16,996,000

Directors' Report

EMPLOYEE SHARE OPTION SCHEME (CONT'D)

The Company has been granted exemption by the Companies Commission of Malaysia from having to disclose in this report the names of holders to whom options have been granted to subscribe for less than 160,000 ordinary shares of RM0.10 each. The names of option holders granted options to subscribe for 160,000 or more ordinary shares of RM0.10 each during the financial year, other than directors whose details are disclosed in the section on Directors' Interests in this report, are as follows:-

NAME	GRANT DATE	EXPIRY DATE	EXERCISE PRICE	<----- NUMBER OF SHARE OPTIONS -----> GRANTED	EXERCISED	AT 31 MAY 2012
WONG THIM FATT	11 AUGUST 2011	13 JANUARY 2016	RM0.145	1,200,000	1,200,000	–
PHANG MIOW SIN	29 DECEMBER 2011	13 JANUARY 2016	RM0.230	400,000	400,000	–
NG HUI NOOI	11 AUGUST 2011	13 JANUARY 2016	RM0.145	215,000	215,000	–
NG KENG CHAI	11 AUGUST 2011	13 JANUARY 2016	RM0.145	200,000	200,000	–
TI LIAN KHOON	11 AUGUST 2011	13 JANUARY 2016	RM0.145	160,000	–	160,000
TAN KEE ANN	11 AUGUST 2011	13 JANUARY 2016	RM0.145	160,000	–	160,000
ONG CHEOK SEONG	11 AUGUST 2011	13 JANUARY 2016	RM0.145	160,000	–	160,000
NG KOK HING	11 AUGUST 2011	13 JANUARY 2016	RM0.145	160,000	–	160,000
MOHAMAD ZAZRIAN BIN ZAKARIA	11 AUGUST 2011	13 JANUARY 2016	RM0.145	160,000	160,000	–
LESLIE DAVID NALLIAH	11 AUGUST 2011	13 JANUARY 2016	RM0.145	160,000	–	160,000
LENG KAH HUI	11 AUGUST 2011	13 JANUARY 2016	RM0.145	160,000	100,000	60,000
LEE KOK SER	11 AUGUST 2011	13 JANUARY 2016	RM0.145	160,000	160,000	–
LAI KIM CHOY	11 AUGUST 2011	13 JANUARY 2016	RM0.145	160,000	160,000	–
TIEW MING CHING	11 AUGUST 2011	13 JANUARY 2016	RM0.145	160,000	40,000	120,000
CHEONG JAU JIUNN	11 AUGUST 2011	13 JANUARY 2016	RM0.145	160,000	160,000	–
THAM SIEW WAH	11 AUGUST 2011	13 JANUARY 2016	RM0.145	160,000	–	160,000

BAD AND DOUBTFUL DEBTS

Before the financial statements of the Group and of the Company were made out, the directors took reasonable steps to ascertain that action had been taken in relation to the writing off of bad debts and the making of allowance for impairment losses on receivables, and satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for impairment losses on receivables.

At the date of this report, the directors are not aware of any circumstances that would require the further writing off of bad debts, or the additional allowance for impairment losses on receivables in the financial statements of the Group and of the Company.

CURRENT ASSETS

Before the financial statements of the Group and of the Company were made out, the directors took reasonable steps to ascertain that any current assets other than debts, which were unlikely to be realised in the ordinary course of business, including their value as shown in the accounting records of the Group and of the Company, have been written down to an amount which they might be expected so to realise.

At the date of this report, the directors are not aware of any circumstances which would render the values attributed to the current assets in the financial statements of the Group and of the Company misleading.

Directors' Report

VALUATION METHODS

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

CONTINGENT AND OTHER LIABILITIES

The contingent liability is disclosed in Note 40 to the financial statements. At the date of this report, there does not exist:-

(i) any charge on the assets of the Group and of the Company that 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 and of the Company which has arisen since the end of the financial year.

No contingent or other liability of the Group and of the Company has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the directors, will or may substantially affect the ability of the Group and of the Company to meet their obligations when they fall due.

CHANGE OF CIRCUMSTANCES

At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.

ITEMS OF AN UNUSUAL NATURE

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

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors, to affect substantially the results of the operations of the Group and of the Company for the financial year.

DIRECTORS

The directors who served since the date of the last report are as follows:-

Dato' Ibrahim Bin Che Mat
Datuk Wira Syed Ali Bin Tan Sri Syed Abbas Al Habshee (Appointed on 28.7.2011)
Dato' Wei Chuan Beng
Lau Bik Soon
Dato' Ismail Bin Osman (Appointed on 5.9.2011)
Mathew Thomas A/L Vargis Mathews
Jagdish Singh Dhaliwal
Dato' Mohd Zaini Bin Hassan (Appointed on 23.4.2012)
Zainal Amanshah Bin Zainal Arshad (Resigned on 8.7.2011)
Dato' Suriah Abd Rahman (Retired on 15.11.2011)

Directors' Report

DIRECTORS' INTERESTS

According to the register of directors' shareholdings, the interests of directors holding office at the end of the financial year in shares in the Company and its related corporations during the financial year are as follows:-

	NUMBER OF ORDINARY SHARES OF RM0.10 EACH			
	AT 1.6.2011/ DATE OF APPOINTMENT	**BOUGHT**	**SOLD**	**AT 31.5.2012/ DATE OF RESIGNATION**
DIRECT INTERESTS				
Dato' Wei Chuan Beng	26,259,376	1,400,000	(12,011,300)	15,648,076
Mathew Thomas A/L Vargis Mathews	225,000	–	–	225,000
Lau Bik Soon	2,196,600	–	(500,000)	1,696,600
Jagdish Singh Dhaliwal	50,000	–	–	50,000
Zainal Amanshah Bin Zainal Arshad #	3,078,658	–	–	3,078,568
INDIRECT INTERESTS				
Zainal Amanshah Bin Zainal Arshad #	93,686,291	–	(93,686,291)	–
Datuk Wira Syed Ali Bin Tan Sri Syed Abbas Al Habshee ## (Appointed on 28.7.2011)	93,602,291	36,397,709	–	130,000,000

	NUMBER OF ICULS OF RM0.10 EACH			
	AT 1.6.2011/ DATE OF APPOINTMENT	**BOUGHT**	**SOLD**	**AT 31.5.2012/ DATE OF RESIGNATION**
DIRECT INTERESTS				
Dato' Wei Chuan Beng	21,283,000	–	–	21,283,000
Mathew Thomas A/L Vargis Mathews	225,000	–	–	225,000
Lau Bik Soon	511,900	–	–	511,900
INDIRECT INTEREST				
Zainal Amanshah Bin Zainal Arshad #	93,602,291	–	(93,602,291)	–
Datuk Wira Syed Ali Bin Tan Sri Syed Abbas Al Habshee ## (Appointed on 28.7.2011)	93,602,291	–	–	93,602,291

Directors' Report

DIRECTORS' INTERESTS (CONT'D)

	NUMBER OF WARRANTS			
	AT 1.6.2011/ DATE OF APPOINTMENT	BOUGHT	SOLD	AT 31.5.2012/ DATE OF RESIGNATION
DIRECT INTERESTS				
Mathew Thomas A/L Vargis Mathews	90,000	–	–	90,000
INDIRECT INTEREST				
Zainal Amanshah Bin Zainal Arshad #	37,440,916	–	(37,440,916)	–
Datuk Wira Syed Ali Bin Tan Sri Syed Abbas Al Habshee ## (Appointed on 28.7.2011)	37,440,916	–	–	37,440,916

Note:

Zainal Amanshah Bin Zainal Arshad had resigned as Director of the Company on 8 July 2011.

Deemed interested by virtue of his interest in Indah Pusaka Sdn Bhd via Tema Juara Sdn Bhd.

	NUMBER OF SHARE OPTIONS OVER ORDINARY SHARES OF RM0.10 EACH			
	AT 1.6.2011/ DATE OF APPOINTMENT	GRANTED	EXERCISED	AT 31.5.2012/ DATE OF RESIGNATION
SHARE OPTIONS OF THE COMPANY				
DATO' IBRAHIM BIN CHE MAT	100,000	–	–	100,000
DATO' WEI CHUAN BENG	5,000,000	5,000,000	–	10,000,000
ZAINAL AMANSHAH BIN ZAINAL ARSHAD #	1,000,000	–	(1,000,000)	–
MATHEW THOMAS A/L VARGIS MATHEWS	200,000	–	–	200,000
LAU BIK SOON	2,500,000	2,500,000	–	5,000,000
JAGDISH SINGH DHALIWAL	50,000	–	–	50,000

The other directors holding office at the end of the financial year did not have any interest in shares in the Company or its related corporations during the financial year.

DIRECTORS' BENEFITS

Since the end of the previous financial year, no director has received or become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by directors as shown in the financial statements, or the fixed salary of a full-time employee of the Company) by reason of a contract made by the Company or a related corporation with the 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.

Neither during nor at the end of the financial year was the Group or the Company a party to any arrangements whose object is to enable the directors to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate other than the options granted to certain directors pursuant to the ESOS of the Company.

Directors' Report

SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

The significant events during the financial year are disclosed in Note 42 to the financial statements.

SIGNIFICANT EVENTS OCCURRING AFTER THE REPORTING PERIOD

The significant events occurring after the reporting period are disclosed in Note 43 to the financial statements.

AUDITORS

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

SIGNED IN ACCORDANCE WITH A RESOLUTION OF THE DIRECTORS
DATED 25 SEPTEMBER 2012

Dato' Wei Chuan Beng **Lau Bik Soon**

Statement by Directors

We, Dato' Wei Chuan Beng and Lau Bik Soon, being two of the directors of REDtone International Berhad, state that, in the opinion of the directors, the financial statements set out on pages 43 to 105 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 state of affairs of the Group and of the Company at 31 May 2012 and of their results and cash flows for the financial year ended on that date.

The supplementary information set out in Note 44, which is not part of the financial statements, is prepared in all material respects, in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants and the directive of Bursa Malaysia Securities Berhad.

SIGNED IN ACCORDANCE WITH A RESOLUTION OF THE DIRECTORS
DATED 25 SEPTEMBER 2012

Dato' Wei Chuan Beng **Lau Bik Soon**

Statutory Declaration

I, Ng Hui Nooi, being the officer primarily responsible for the financial management of REDtone International Berhad, do solemnly and sincerely declare that the financial statements set out on pages 43 to 105 are, to the best of my knowledge and belief, 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
Ng Hui Nooi,
at Kuala Lumpur in the Federal Territory
on this 25 September 2012

Ng Hui Nooi

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 statements of financial position as at 31 May 2012 of the Group and of the Company, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 43 to 105.

Directors' Responsibility for the Financial Statements

The directors of the Company are responsible for the preparation of financial statements that give a true and fair view in accordance with Financial Reporting Standards and the Companies Act 1965 in Malaysia, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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 about 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 of financial statements that give a true and fair view 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 2012 and of their financial performance and cash flows for the financial year then ended.

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 its subsidiaries of 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 5 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.

Independent Auditors' Report
to the Members of REDtone International Berhad

The supplementary information set out in Note 44 to the financial statements is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

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.

Crowe Horwath
Firm No: AF 1018
Chartered Accountants

James Chan Kuan Chee
Approval No: 2271/10/13 (J)
Chartered Accountant

Kuala Lumpur
25 September 2012

Statements of Financial Position
At 31 May 2012

	NOTE	THE GROUP 2012 RM	THE GROUP 2011 RM	THE COMPANY 2012 RM	THE COMPANY 2011 RM
ASSETS					
NON-CURRENT ASSETS					
Investments in subsidiaries	5	–	–	84,532,007	82,798,262
Investments in associates	6	20,235,161	16,501,984	20	–
Investment in joint controlled entity	7	–	–	–	–
Property, plant and equipment	8	32,636,807	34,278,996	197	288
Investment properties	9	1,128,938	1,038,600	–	–
Deferred tax assets	10	3,943,366	4,667,592	893,919	1,138,721
Other investment	11	50,000	10,000	–	–
Goodwill	12	8,005,891	9,020,434	–	–
Development costs	13	10,566,534	15,751,704	–	–
Other receivables	16	14,586,042	–	14,586,042	–
		91,152,739	81,269,310	100,012,185	83,937,271
CURRENT ASSETS					
Inventories	14	671,776	2,308,102	–	–
Trade receivables	15	13,287,776	14,196,528	–	–
Other receivables, deposits and prepayments	16	12,905,332	7,544,031	30,358,926	52,787,560
Tax recoverable		–	385,871	–	200
Other investment	11	998,837	933,891	–	–
Deposits with licensed banks	17	17,524,058	10,040,831	–	–
Cash and bank balances		4,065,764	17,886,076	255,996	3,653,532
		49,453,543	53,295,330	30,614,922	56,441,292
TOTAL ASSETS		140,606,282	134,564,640	130,627,107	140,378,563

The annexed notes form an integral part of the financial statements

Statements of Financial Position

At 31 May 2012 (Cont'd)

		THE GROUP		THE COMPANY	
		2012	2011	2012	2011
	NOTE	RM	RM	RM	RM
EQUITY AND LIABILITIES					
EQUITY					
Share capital	18	47,564,057	44,777,903	47,564,057	44,777,903
Treasury shares	19	(349,347)	(311,163)	(349,347)	(311,163)
Reserves	20	32,887,377	29,933,022	32,011,477	40,533,327
TOTAL EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY		80,102,087	74,399,762	79,226,187	85,000,067
NON-CONTROLLING INTERESTS		7,816,530	7,012,769	–	–
TOTAL EQUITY		87,918,617	81,412,531	79,226,187	85,000,067
NON-CURRENT LIABILITIES					
Irredeemable convertible unsecured loan stocks ("ICULS")	20(e)	3,575,677	4,554,884	3,575,677	4,554,884
Finance lease payables	21	402,788	573,874	–	–
Hire purchase payables	22	42,378	69,143	–	–
Term loans	23	1,900,274	1,865,396	–	–
Deferred taxation	10	106,291	147,470	–	–
		6,027,408	7,210,767	3,575,677	4,554,884
CURRENT LIABILITIES					
Deferred income	24	7,621,742	7,968,058	–	–
Trade payables	25	17,162,504	16,492,659	–	–
Other payables and accruals	26	17,279,859	15,551,866	47,825,243	50,823,612
Finance lease payables	21	428,392	1,956,871	–	–
Hire purchase payables	22	26,739	26,739	–	–
Term loans	23	108,902	108,902	–	–
Provision for taxation		1,590,634	613,743	–	–
Bank overdraft	27	2,441,485	3,222,504	–	–
		46,660,257	45,941,342	47,825,243	50,823,612
TOTAL LIABILITIES		52,687,665	53,152,109	51,400,920	55,378,496
TOTAL EQUITY AND LIABILITIES		140,606,282	134,564,640	130,627,107	140,378,563

The annexed notes form an integral part of the financial statements

Statements of Comprehensive Income
For the financial year ended 31 May 2012

		THE GROUP		THE COMPANY	
		2012	2011	2012	2011
	NOTE	RM	RM	RM	RM
REVENUE	28	106,975,930	89,573,235	–	–
COST OF SALES		(75,340,128)	(61,340,637)	–	–
GROSS PROFIT		31,635,802	28,232,598	–	–
OTHER INCOME		14,341,306	4,934,865	895,178	4,157,248
		45,977,108	33,167,463	895,178	4,157,248
GENERAL AND ADMINISTRATIVE EXPENSES		(41,399,440)	(42,729,888)	(8,830,420)	(1,847,688)
FINANCE COSTS		(1,343,567)	(1,437,629)	(669,630)	(842,370)
PROFIT/(LOSS) BEFORE TAXATION	29	3,234,101	(11,000,054)	(8,604,872)	1,467,190
INCOME TAX EXPENSE	30	(1,374,214)	(1,260,314)	(244,802)	(262,608)
PROFIT/(LOSS) AFTER TAXATION		1,859,887	(12,260,368)	(8,849,674)	1,204,582
OTHER COMPREHENSIVE INCOME/(EXPENSES), NET OF TAX					
- Foreign currency translation		1,256,092	(1,435,190)	–	–
TOTAL COMPREHENSIVE INCOME/ (EXPENSES) FOR THE FINANCIAL YEAR		3,115,979	(13,695,558)	(8,849,674)	1,204,582
PROFIT/(LOSS) AFTER TAXATION ATTRIBUTABLE TO:-					
Owners of the Company		2,148,274	(11,714,151)	(8,849,674)	1,204,582
Non-controlling interests		(288,387)	(546,217)	–	–
		1,859,887	(12,260,368)	(8,849,674)	1,204,582
TOTAL COMPREHENSIVE INCOME/(EXPENSES) ATTRIBUTABLE TO:-					
Owners of the Company		2,969,685	(13,053,516)	(8,849,674)	1,204,582
Non-controlling interests		146,294	(642,042)	–	–
		3,115,979	(13,695,558)	(8,849,674)	1,204,582
EARNINGS/(LOSS) PER SHARE (SEN)					
Basic	31	0.45	(2.67)		
Diluted	31	Not applicable	Not applicable		

The annexed notes form an integral part of the financial statements

Statements of Changes in Equity

For the financial year ended 31 May 2012

		<------------NON-DISTRIBUTABLE					------------>	DISTRIBUTABLE			
THE GROUP	NOTE	SHARE CAPITAL RM	TREASURY SHARES RM	SHARE PREMIUM RM	FOREIGN EXCHANGE TRANSLATION RESERVE RM	OTHER RESERVES RM	ICULS RM	EMPLOYEE SHARE OPTION RESERVE RM	RETAINED PROFIT/ (ACCUMULATED LOSSES) RM	ATTRIBUTABLE TO OWNERS OF THE COMPANY RM	NON-CONTROLLING INTERESTS RM	TOTAL EQUITY RM
Balance at 1.6.2010		43,180,487	(91,664)	9,342,028	(483,631)	19,674,292	13,665,772	–	7,524,717	92,812,001	475,479	93,287,480
Effect of dilution arising from investment in subsidiaries		–	–	–	(41,456)	–	–	–	(6,806,042)	(6,847,498)	6,847,498	–
Loss after taxation for the financial year		–	–	–	–	–	–	–	(11,714,151)	(11,714,151)	(546,217)	(12,260,368)
Other comprehensive expenses for the financial year, net of tax: - Foreign currency translation		–	–	–	(1,339,365)	–	–	–	–	(1,339,365)	(95,825)	(1,435,190)
Total comprehensive expenses for the financial year		–	–	–	(1,339,365)	–	–	–	(11,714,151)	(13,053,516)	(642,042)	(13,695,558)
Effect of adopting FRS 3		–	–	–	(12,913)	–	–	–	–	(12,913)	331,834	318,921
Issuance of shares, pursuant to conversion of ICULS	18 & 20	1,597,416	–	60,932	–	–	(1,658,348)	–	–	–	–	–
Treasury shares acquired	19	–	(219,499)	–	–	–	–	–	–	(219,499)	–	(219,499)
Employee share options: - granted	20	–	–	–	–	–	–	1,721,187	–	1,721,187	–	1,721,187
Balance at 31.5.2011		44,777,903	(311,163)	9,402,960	(1,877,365)	19,674,292	12,007,424	1,721,187	(10,995,476)	74,399,762	7,012,769	81,412,531
Balance at 1.6.2011		44,777,903	(311,163)	9,402,960	(1,877,365)	19,674,292	12,007,424	1,721,187	(10,995,476)	74,399,762	7,012,769	81,412,531
Arising from disposal of a subsidiary		–	–	–	–	(343,154)	–	–	–	(343,154)	657,467	314,313
Profit after taxation for the financial year		–	–	–	–	–	–	–	2,148,274	2,148,274	(288,387)	1,859,887
Other comprehensive income for the financial year, net of tax: - Foreign currency translation		–	–	–	821,411	–	–	–	–	821,411	434,681	1,256,092
Total comprehensive income for the financial year		–	–	–	821,411	–	–	–	2,148,274	2,969,685	146,294	3,115,979
Issuance of shares, pursuant to conversion of ICULS	18 & 20	1,995,704	–	(67,982)	–	–	(1,927,722)	–	–	–	–	–
Treasury shares acquired	19	–	(38,184)	–	–	–	–	–	–	(38,184)	–	(38,184)
Employee share options: - granted	20	–	–	–	–	–	–	1,901,283	–	1,901,283	–	1,901,283
- exercised	20	790,450	–	1,627,295	–	–	–	(1,205,050)	–	1,212,695	–	1,212,695
Balance at 31.5.2012		47,564,057	(349,347)	10,962,273	(1,055,954)	19,331,138	10,079,702	2,417,420	(8,847,202)	80,102,087	7,816,530	87,918,617

The annexed notes form an integral part of the financial statements

Statements of Changes in Equity
For the financial year ended 31 May 2012 (Cont'd)

		<---NON-DISTRIBUTABLE			--->		DISTRIBUTABLE	
	NOTE	SHARE CAPITAL RM	TREASURY SHARES RM	SHARE PREMIUM RM	ICULS RM	OTHER RESERVES RM	ACCUMULATED LOSSES RM	TOTAL EQUITY RM
THE COMPANY								
Balance at 1.6.2010		43,180,487	(91,664)	9,342,028	13,665,772	19,331,138	(3,133,964)	82,293,797
Profit after taxation/Total comprehensive income for the financial year		–	–	–	–	–	1,204,582	1,204,582
Issuance of shares, pursuant to conversion of ICULS	18 & 20	1,597,416	–	60,932	(1,658,348)	–	–	–
Treasury shares acquired	19	–	(219,499)	–	–	–	–	(219,499)
Employee share options:								
- granted	20	–	–	–	–	1,721,187	–	1,721,187
Balance at 31.5.2011/1.6.2011		44,777,903	(311,163)	9,402,960	12,007,424	21,052,325	(1,929,382)	85,000,067
Loss after taxation/Total comprehensive expenses for the financial year		–	–	–	–	–	(8,849,674)	(8,849,674)
Issuance of shares, pursuant to conversion of ICULS	18 & 20	1,995,704	–	(67,982)	(1,927,722)	–	–	–
Treasury shares acquired	19	–	(38,184)	–	–	–	–	(38,184)
Employee share options:								
- granted	20	–	–	–	–	1,901,283	–	1,901,283
- exercised	20	790,450		1,627,295	–	(1,205,050)	–	1,212,695
Balance at 31.5.2012		47,564,057	(349,347)	10,962,273	10,079,702	21,748,558	(10,779,056)	79,226,187

The annexed notes form an integral part of the financial statements

Statements of Cash Flows

For the financial year ended 32 May 2012

		THE GROUP		THE COMPANY	
		2012	2011	2012	2011
	NOTE	RM	RM	RM	RM
CASH FLOWS FROM/(FOR) OPERATING ACTIVITIES					
Profit/(Loss) before taxation		3,234,101	(11,000,054)	(8,604,872)	1,467,190
Adjustments for:-					
Amortisation of development costs	13	2,994,844	3,535,911	–	–
Bad debts written off	29	50,192	720,427	5,500,000	–
Depreciation of property, plant and equipment	8	5,331,173	4,493,684	91	91
Dividend income	29	–	–	–	(2,786,467)
Fair value gain on investment properties	29	(90,338)	(168,600)	–	–
(Gain)/Loss on disposal of:-					
- property, plant and equipment	29	(10,876)	–	–	–
- subsidiaries	29	(10,879,717)	–	100,076	–
Impairment loss on:-					
- goodwill	29	–	1,729,556	–	–
- non-trade receivables	29	2,476,026	–	2,312,477	–
- other investment	29	–	1,334,178	–	–
- trade receivables	29	767,861	699,355	–	–
Interest expense	29	1,342,667	1,437,629	669,630	842,370
Interest income	29	(761,044)	(775,439)	(16,047)	(317,061)
Inventories written down	29	364,543	–	–	–
Inventories written off	29	88,690	188,443	–	–
Net gain on ICULS conversion		(714,882)	(623,274)	(714,882)	(623,274)
Property, plant and equipment written off	8	125,363	–	–	–
Provision for annual leave		(189,540)	326,858	–	–
Provision of Universal Service Fund Contribution ("USOF")		651,048	888,233	–	–
Share options to employees	29	1,901,283	1,721,187	–	56,340
Unrealised gain on foreign exchange	29	(283,449)	(420,801)	(224,772)	–
Writeback of impairment losses on trade receivables	29	(266,028)	(757,098)	–	–
Operating profit/(loss) before working capital changes		6,131,917	3,330,195	(978,299)	(1,360,811)
Decrease/(Increase) in inventories		117,770	(517,816)	–	–
(Increase)/Decrease in receivables		(48,869,957)	(3,738,761)	55,276	27,759,108
Increase/(Decrease) in payables		46,554,277	(8,120,797)	(3,707,552)	26,090,810
CASH FROM/(FOR) OPERATIONS		3,934,007	(9,047,179)	(4,630,575)	52,489,107
Interest paid		(581,675)	(595,259)	–	(842,370)
Tax paid		(942,736)	(461,905)	–	–
NET CASH FROM/(FOR) OPERATING ACTIVITIES/CARRIED FORWARD		2,409,596	(10,104,343)	(4,630,575)	51,646,737

The annexed notes form an integral part of the financial statements

Statements of Cash Flows

For the financial year ended 31 May 2012 (Cont'd)

	NOTE	THE GROUP 2012 RM	THE GROUP 2011 RM	THE COMPANY 2012 RM	THE COMPANY 2011 RM
BROUGHT FORWARD		2,409,596	(10,104,343)	(4,630,575)	51,646,737
CASH FLOWS (FOR)/FROM INVESTING ACTIVITIES					
Acquisition of subsidiaries,					
- net of cash and cash equivalents acquired		–	(2,526,027)	–	(75,426,226)
Disposal of subsidiaries,					
- net of cash and cash equivalents disposed	32	(107,921)	–	–	–
Dividend received		–	–	–	2,786,467
Purchase of other investment		(104,946)	(943,891)	–	–
Interest income received		761,044	775,439	16,047	317,061
Purchase of property, plant and equipment	33	(6,757,278)	(5,058,673)	–	–
Proceeds from disposal of property, plant and equipment		278,155	–	–	–
Proceeds from disposal of other investment		–	8,802	–	–
Proceeds from disposal of subsidiaries		–	–	4	–
Development costs paid		(1,005,208)	(3,386,941)	–	–
NET CASH (FOR)/FROM INVESTING ACTIVITIES		(6,936,154)	(11,131,291)	16,051	(72,322,698)
CASH FLOWS (FOR)/FROM FINANCING ACTIVITIES					
Proceeds from exercise of employee share options		1,212,695	–	1,255,172	–
Purchase of treasury shares		(38,184)	(219,499)	(38,184)	(219,499)
Repayment of finance lease payables		(2,213,762)	(2,966,768)	–	–
Repayment of hire purchase payables		(26,765)	(26,765)	–	–
Repayment of term loans		(56,484)	(108,902)	–	–
NET CASH (FOR)/FROM FINANCING ACTIVITIES		(1,122,500)	(3,321,934)	1,216,988	(219,499)
NET DECREASE IN CASH AND CASH EQUIVALENTS		(5,649,058)	(24,557,568)	(3,397,536)	(20,895,460)
EFFECTS OF EXCHANGE RATE CHANGES		92,992	308,609	–	–
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR		24,704,403	48,953,362	3,653,532	24,548,992
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR	34	19,148,337	24,704,403	255,996	3,653,532

The annexed notes form an integral part of the financial statements

Notes to the Financial Statements
For the financial year ended 31 May 2012

1. GENERAL INFORMATION

The Company is a public company limited by shares, incorporated and domiciled in Malaysia, and is listed on the ACE Market of Bursa Malaysia Securities Berhad. The registered office and principal place of business are as follows:-

Registered office	:	Level 18, The Gardens North Tower, Mid Valley City, Lingkaran Syed Putra, 59200 Kuala Lumpur.
Principal place of business	:	Suite 22-30, 5th Floor, IOI Business Park, 47100 Puchong, Selangor Darul Ehsan.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors dated 25 September 2012.

2. 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 set out in Note 5 to the financial statements. There have been no significant changes in the nature of these activities during the financial year.

3. BASIS OF PREPARATION

The financial statements of the Group are prepared under the historical cost convention and modified to include other bases of valuation as disclosed in other sections under significant accounting policies, and in compliance with Financial Reporting Standards ("FRS") and the Companies Act 1965 in Malaysia.

(a) During the current financial year, the Group has adopted the following new accounting standards and interpretations (including the consequential amendments):-

FRSs and IC Interpretations (including the Consequential Amendments)

FRS 1 (Revised) First-time Adoption of Financial Reporting Standards

Amendments to FRS 1 (Revised): Limited Exemption from Comparative FRS 7 Disclosures for First-time Adopters

Amendments to FRS 1 (Revised): Additional Exemptions for First-time Adopters

Amendments to FRS 2: Scope of FRS 2 and FRS 3 (Revised)

Amendments to FRS 2: Group Cash-settled Share-based Payment Transactions

Amendments to FRS 5: Plan to Sell the Controlling Interest in a Subsidiary

Amendments to FRS 7: Improving Disclosures about Financial Instruments

Amendments to FRS 138: Consequential Amendments Arising from FRS 3 (Revised)

IC Interpretation 4 Determining Whether An Arrangement Contains a Lease

IC Interpretation 12 Service Concession Arrangements

Notes to the Financial Statements
For the financial year ended 31 May 2012

3. BASIS OF PREPARATION (CONT'D)

(a) **FRSs and IC Interpretations (including the Consequential Amendments) (Cont'd)**

IC Interpretation 16 Hedges of a Net Investment in a Foreign Operation

IC Interpretation 17 Distributions of Non-cash Assets to Owners

IC Interpretation 18 Transfers of Assets from Customers

Amendments to IC Interpretation 9: Scope of IC Interpretation 9 and FRS 3 (Revised)

Annual Improvement to FRSs (2010)

The adoption of the above accounting standards and interpretations (including the consequential amendments) did not have any material impact on the Group's financial statements, other than the following:-

(i) Amendments to FRS 7 expand the disclosure requirements in respect of fair value measurements and liquidity risk. In particular, the amendments require additional disclosure of fair value measurements by level of a fair value measurement hierarchy. Comparatives are not presented by virtue of the exemption given in the amendments.

(ii) Annual Improvements to FRSs (2010) contain amendments to 11 accounting standards that result in accounting changes for presentation, recognition or measurement purposes.

The amendments to FRS 101 (Revised) clarify that an entity may choose to present the analysis of the items of other comprehensive income either in the statement of changes in equity or in the notes to the financial statements. The Company has chosen to present the items of other comprehensive income in the statement of changes in equity.

(b) The Group has not applied in advance the following accounting standards and interpretations (including the consequential amendments) that have been issued by the Malaysian Accounting Standards Board (MASB) but are not yet effective for the current financial year:-

FRSs and IC Interpretations (including the Consequential Amendments)	Effective Date
FRS 9 Financial Instruments	1 January 2015
FRS 10 Consolidated Financial Statements	1 January 2013
FRS 11 Joint Arrangements	1 January 2013
FRS 12 Disclosure of Interests in Other Entities	1 January 2013
FRS 13 Fair Value Measurement	1 January 2013
FRS 119 (Revised) Employee Benefits	1 January 2013
FRS 124 (Revised) Related Party Disclosures	1 January 2012
FRS 127 (2011) Separate Financial Statements	1 January 2013
FRS 128 (2011) Investments in Associates and Joint Ventures	1 January 2013
Amendments to FRS 1 (Revised): Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters	1 January 2012

Notes to the Financial Statements
For the financial year ended 31 May 2012

3. BASIS OF PREPARATION (CONT'D)

(b)

FRSs and IC Interpretations (including the Consequential Amendments) (Cont'd)	**Effective Date**
Amendments to FRS 7: Disclosures – Transfers of Financial Assets	1 January 2012
Amendments to FRS 7: Disclosures – Offsetting Financial Assets and Financial Liabilities	1 January 2013
Amendments to FRS 9: Mandatory Effective Date of FRS 9 and Transition Disclosures	1 January 2015
Amendments to FRS 101 (Revised): Presentation of Items of Other Comprehensive Income	1 July 2012
Amendments to FRS 112: Recovery of Underlying Assets	1 January 2012
Amendments to FRS 132: Offsetting Financial Assets and Financial Liabilities	1 January 2014
IC Interpretation 15 Agreements for the Construction of Real Estate	Withdrawn on 19 November 2011
IC Interpretation 19 Extinguishing Financial Liabilities with Equity Instruments	1 July 2011
IC Interpretation 20 Stripping Costs in the Production Phase of a Surface Mine	1 January 2013
Amendments to IC Interpretation 14: Prepayments of a Minimum Funding Requirement	1 July 2011

The Group's next set of financial statements for the annual period beginning on 1 June 2012 will be prepared in accordance with the Malaysian Financial Reporting Standards ("MFRSs") issued by the MASB that will also comply with International Financial Reporting Standards ("IFRSs"). As a result, the Group will not be adopting the above accounting standards and interpretations (including the consequential amendments).

(c) Following the issuance of MFRSs (equivalent to IFRSs) by the MASB on 19 November 2011, the Group will be adopting the new accounting standards in the next financial year. The Group is currently in the process of assessing the impact of the adoption of these new accounting standards and the directors do not expect any significant impact on the financial statements arising from the adoption.

4. SIGNIFICANT ACCOUNTING POLICIES

(a) Critical Accounting Estimates and Judgements

Estimates and judgements are continually evaluated by the directors and management and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The estimates and judgements that affect the application of the Group's accounting policies and disclosures, and have a significant risk of causing a material adjustment to the carrying amounts of assets, liabilities, income and expenses are discussed below:-

(i) Depreciation of Property, Plant and Equipment

The estimates for the residual values, useful lives and related depreciation charges for the property, plant and equipment are based on commercial factors which could change significantly as a result of technical innovations and competitors' actions in response to the market conditions.

The Group anticipates that the residual values of its property, plant and equipment will be insignificant. As a result, residual values are not being taken into consideration for the computation of the depreciable amount.

Changes in the expected level of usage and technological development could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised.

Notes to the Financial Statements
For the financial year ended 31 May 2012

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(a) Critical Accounting Estimates and Judgements (Cont'd)

(ii) 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 measure 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.

(iii) Income Taxes

There are certain transactions and computations for which the ultimate tax determination may be different from the initial estimate. The Group recognises tax liabilities based on its understanding of the prevailing tax laws and estimates of whether such taxes will be due in the ordinary course of business. Where the final outcome of these matters is different from the amounts that were initially recognised, such difference will impact the income tax and deferred tax provisions in the year in which such determination is made.

(iv) Deferred Tax Assets

Deferred tax assets are recognised for all unused tax losses, unabsorbed capital allowances and provisions to the extent that it is probable that taxable profit will be available against which the losses, capital allowances and provisions 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) Amortisation of Development Costs

Changes in the expected level of usage and technological development could impact the economic useful lives and therefore, future amortisation charges could be revised.

(vi) Write-down of 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.

(vii) Classification between Investment Properties and Owner Occupied Properties

The Group determines whether a property qualifies as an investment property, and has developed a criteria in making that judgement. Investment property is a property held to earn rentals or for capital appreciation or both. Therefore, the Group considers whether a property generates cash flows largely independent of the other assets held by the Group.

Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately (or leased out separately under a finance lease), the Group accounts for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes.

Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as investment property.

Notes to the Financial Statements
For the financial year ended 31 May 2012

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(a) Critical Accounting Estimates and Judgements (Cont'd)

(viii) Impairment of Trade and Other Receivables

An impairment loss is recognised when there is objective evidence that a financial asset is impaired. Management specifically reviews its loans and receivables financial assets and analyses historical bad debts, customer concentrations, customer creditworthiness, current economic trends and changes in the customer payment terms when making a judgment to evaluate the adequacy of the allowance for impairment losses. Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. If the expectation is different from the estimation, such difference will impact the carrying value of receivables.

(ix) Impairment of Available-for-sale Financial Assets

The Group reviews its available-for-sale financial assets at the end of each reporting period to assess whether they are impaired. The Group also records impairment loss on available-for-sale equity investments when there has been a significant or prolonged decline in the fair value below their cost. The determination of what is "significant' or "prolonged" requires judgement. In making this judgement, the Group evaluates, among other factors, historical share price movements and the duration and extent to which the fair value of an investment is less than its cost.

(x) Impairment of Goodwill

Goodwill is tested for impairment annually and at other times when such indicators exist. This requires management to estimate the expected future cash flows of the cash-generating unit to which goodwill is allocated and to apply a suitable discount rate in order to determine the present value of those cash flows. The future cash flows are most sensitive to budgeted gross margins, growth rates estimated and discount rate used. If the expectation is different from the estimation, such difference will impact the carrying value of goodwill.

(xi) Fair Value Estimates for Certain Financial Assets and Liabilities

The Group carries certain financial assets and liabilities at fair value, which requires extensive use of accounting estimates and judgement. While significant components of fair value measurement were determined using verifiable objective evidence, the amount of changes in fair value would differ if the Group uses different valuation methodologies. Any changes in fair value of these assets and liabilities would affect profit and/or equity.

(xii) Share-based Payments

The Group measures the cost of equity settled transactions with employees by reference to the fair value of the equity investments at the date at which they are granted. The estimating of the fair value requires determining the most appropriate valuation model for a grant of equity instruments, which is dependent on the terms and conditions of the grant. This also requires determining the most appropriate inputs to the valuation model including the expected life of the option volatility and dividend yield and making assumptions about them.

(xiii) Fair Value Estimates for Investment Properties

The Group carries investment properties at fair value, which requires extensive use of accounting estimates and judgements. While significant components of fair value measurement were determined using verifiable objective evidence, the amount of changes in fair value would differ if the Group uses different valuation methodologies. Any changes in fair value of these investment properties would affect profit and equity.

Notes to the Financial Statements
For the financial year ended 31 May 2012

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(b) Basis of Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31 May 2012.

A subsidiary is defined as a company in which the parent company has the power, directly or indirectly, to exercise control over its financial and operating policies so as to obtain benefits from its activities.

Subsidiaries are consolidated from the date on which control is transferred to the Group up to the effective date on which control ceases, as appropriate.

Intragroup transactions, balances, income and expenses are eliminated on consolidation. Where necessary, adjustments are made to the financial statements of subsidiaries to ensure consistency of accounting policies with those of the Group.

Non-controlling interests are presented within equity in the consolidated statement of financial position, separately from the Company's shareholders' equity, and are separately disclosed in the consolidated statement of comprehensive income. Transactions with non-controlling interests are accounted for as transactions with owners and are recognised directly in equity. Profit or loss and each component of other comprehensive income are attributed to the owners of the parent and to the non-controlling interests. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

At the end of each reporting period, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity.

All changes in the parent's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of consideration paid or received is recognised directly in equity and attributed to owners of the parent.

Upon loss of control of a subsidiary, the profit or loss on disposal is calculated as the difference between:-

(i) the aggregate of the fair value of the consideration received and the fair value of any retained interest in the former subsidiary; and

(ii) the previous carrying amount of the assets (including goodwill), and liabilities of the former subsidiary and any non-controlling interests.

Amounts previously recognised in other comprehensive income in relation to the former subsidiary are accounted for (i.e. reclassified to profit or loss or transferred directly to retained profits) in the same manner as would be required if the relevant assets or liabilities were disposed of. The fair value of any investments retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under FRS 127.

All subsidiaries are consolidated using the purchase method. At the date of acquisition, the fair values of the subsidiaries' net assets are determined and these values are reflected in the consolidated financial statements. The cost of acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination.

Non-controlling interests are initially measured at their share of the fair values of the identifiable assets and liabilities of the acquiree as at the date of acquisition.

Notes to the Financial Statements

For the financial year ended 31 May 2012

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(c) Goodwill

Goodwill is measured at cost less accumulated impairment losses, if any. The carrying value of goodwill is reviewed for impairment annually. The impairment value of goodwill is recognised immediately in profit or loss. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Under the purchase method, goodwill represents the excess of the fair value of the purchase consideration over the Group's share of the fair values of the identifiable assets, liabilities and contingent liabilities of the subsidiaries at the date of acquisition.

If, after reassessment, the Group's interest in the fair values of the identifiable net assets of the subsidiaries exceeds the cost of the business combinations, the excess is recognised as income immediately in profit or loss.

(d) Functional and Foreign Currencies

(i) Functional and Presentation Currency

The individual financial statements of each entity in the Group are presented in the currency of the primary economic environment in which the entity operates, which is the functional currency.

The consolidated financial statements are presented in Ringgit Malaysia, which is the Company's functional and presentation currency.

(ii) Transactions and Balances

Transactions in foreign currencies are converted into the respective functional currencies on initial recognition, using the exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities at the end of the reporting period are translated at the rates ruling as of that date. Non-monetary assets and liabilities are translated using exchange rates that existed when the values were determined. All exchange differences are recognised in profit or loss.

(iii) Foreign Operations

Assets and liabilities of foreign operations are translated to RM at the rates of exchange ruling at the end of the reporting period. Revenues and expenses of foreign operations are translated at exchange rates ruling at the dates of the transactions. All exchange differences arising from translation are taken directly to other comprehensive income and accumulated in equity under translation reserve. On disposal of a foreign operation, the cumulative amount recognised in other comprehensive income relating to that particular foreign operation is reclassified from equity to profit or loss.

Goodwill and fair value adjustments arising from the acquisition of foreign operations are treated as assets and liabilities of the foreign operations and are recorded in the functional currency of the foreign operations and translated at the closing rate at the end of the reporting period.

(e) Financial Instruments

Financial instruments are recognised in the statements of financial position when the Group has become a party to the contractual provisions of the instruments.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument classified as a liability, are reported as an expense or income. Distributions to holders of financial instruments classified as equity are charged directly to 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.

Notes to the Financial Statements
For the financial year ended 31 May 2012

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(e) Financial Instruments (Cont'd)

A financial instrument is recognised initially, at its fair value plus, in the case of a financial instrument not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial instrument.

Financial instruments recognised in the statements of financial position are disclosed in the individual policy statement associated with each item.

(i) Financial Assets

On initial recognition, financial assets are classified as either financial assets at fair value through profit or loss, loans and receivables financial assets, held-to-maturity investments, or available-for-sale financial assets, as appropriate.

- *Financial Assets at Fair Value Through Profit or Loss*

  Financial assets are classified as financial assets at fair value through profit or loss when the financial asset is either held for trading or is designated to eliminate or significantly reduce a measurement or recognition inconsistency that would otherwise arise. Derivatives are also classified as held for trading unless they are designated as hedges.

  Financial assets at fair value through profit or loss are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. Dividend income from this category of financial assets is recognised in profit or loss when the Company's right to receive payment is established.

- *Held-to-maturity Investments*

  Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the management has the positive intention and ability to hold to maturity. Held-to-maturity investments are measured at amortised cost using the effective interest method less any impairment loss, with revenue recognised on an effective yield basis.

- *Loans and Receivables Financial Assets*

  Trade receivables and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables financial assets. Loans and receivables financial assets are measured at amortised cost using the effective interest method, less any impairment loss. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

- *Available-for-sale Financial Assets*

  Available-for-sale financial assets are non-derivative financial assets that are designated in this category or are not classified in any of the other categories.

  After initial recognition, available-for-sale financial assets are remeasured to their fair values at the end of each reporting period. Gains and losses arising from changes in fair value are recognised in other comprehensive income and accumulated in the fair value reserve, with the exception of impairment losses. On derecognition, the cumulative gain or loss previously accumulated in the fair value reserve is reclassified from equity into profit or loss.

  Dividends on available-for-sale equity instruments are recognised in profit or loss when the Group's right to receive payments is established.

  Investments in equity instruments whose fair value cannot be reliably measured are measured at cost less accumulated impairment losses, if any.

Notes to the Financial Statements
For the financial year ended 31 May 2012

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(e) Financial Instruments (Cont'd)

(ii) Financial Liabilities

All financial liabilities are initially at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method other than those categorised as fair value through profit or loss.

Fair value through profit or loss category comprises financial liabilities that are either held for trading or are designated to eliminate or significantly reduce a measurement or recognition inconsistency that would otherwise arise. Derivatives are also classified as held for trading unless they are designated as hedges.

(iii) Equity Instruments

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from proceeds.

Dividends on ordinary shares are recognised as liabilities when approved for appropriation.

(iv) Treasury Shares

When the Company's own shares recognised as equity are bought back, the amount of the consideration paid, including all costs directly attributable, are recognised as a deduction from equity. Own shares purchased that are not subsequently cancelled are classified as treasury shares and are presented as a deduction from total equity.

Where such shares are subsequently sold or reissued, any consideration received, net of any direct costs, is included in equity.

(v) Irredeemable Convertible Unsecured Loan Stocks ("ICULS")

The ICULS are regarded as compound instruments, consisting of a liability component and an equity component. The component of ICULS that exhibits characteristics of a liability is recognised as a financial liability in the statements of financial position, net of transaction costs. The interests on ICULS are recognised as interest expense in the profit or loss using the effective interest rate method.

Transaction costs are apportioned between the liability and equity components of the ICULS based on the allocation of proceeds to the liability and equity components when the instruments were first recognised.

(vi) Warrants Reserve

Proceeds from the issuance of warrants, net of issue costs, are credited to warrants reserve which is non-distributable. Warrants reserve is transferred to the share premium account upon the exercise of warrants and the warrant reserve in relation to the unexercised warrants at the expiry of the warrants will be transferred to retained earnings.

(f) Investments in Subsidiaries

Investments in subsidiaries are stated at cost in the statement of financial position of the Company, and are reviewed for impairment at the end of the reporting period if events or changes in circumstances indicate that the carrying values may not be recoverable.

On the disposal of the investments in subsidiaries, the difference between the net disposal proceeds and the carrying amount of the investments is recognised in profit or loss.

Notes to the Financial Statements

For the financial year ended 31 May 2012

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(g) Investments in Associates

An associate is an entity in which the Group and the Company have a long term equity interest and where it exercises significant influence over the financial and operating policies.

Investments in associates are stated at cost in the statement of financial position of the Company, and are reviewed for impairment at the end of the reporting period if events or changes in circumstances indicate that the carrying values may not be recoverable.

The investment in an associate is accounted for under the equity method, based on the financial statements of the associate made up to 31 May 2012. The Group's share of the post acquisition profits of the associate is included in the consolidated statement of comprehensive income and the Group's interest in the associate is carried in the consolidated statement of financial position at cost plus the Group's share of the post acquisition retained profits and reserves.

Unrealised gains on transactions between the Group and the associate are eliminated to the extent of the Group's interest in the associate. Unrealised losses are eliminated unless cost cannot be recovered.

On the disposal of the investments in associates, the difference between the net disposal proceeds and the carrying amount of the investments is recognised in profit or loss.

(h) Investment in Joint Controlled Entity

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 venture has an interest.

Investment in jointly controlled entities are accounted for in the consolidated financial statements using the equity method of accounting as described in Note 4(g) to the financial statements.

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

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

(i) Property, Plant and Equipment

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 profit or loss during the financial period in which they are incurred.

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

Notes to the Financial Statements
For the financial year ended 31 May 2012

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(i) Property, Plant and Equipment (Cont'd)

Depreciation is calculated under the straight-line method to write off the depreciable amount of the assets over their estimated useful lives. Depreciation of an asset does not cease when the asset becomes idle or is retired from active use unless the asset is fully depreciated. The principal annual rates used for this purpose are:-

Freehold office lots	2%
Computers and software	10%
Furniture, fittings and office equipment	10%
Equipment, plant and machinery	10% - 20%
Office renovation	10%
Motor vehicles	20%

The assets in progress are stated at cost and will be transferred to the relevant category of long-term assets and depreciated accordingly when the assets are completed and ready for their intended use.

The depreciation method, useful life and residual values are reviewed, and adjusted if appropriate, at the end of each reporting period 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 the property, plant and equipment.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when the cost is incurred and it is probable that the future economic benefits associated with the asset will flow to the Group and the cost of the asset can be measured reliably. The carrying amount of parts that are replaced is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred. Cost also comprises the initial estimate of dismantling and removing the asset and restoring the site on which it is located for which the Group is obligated to incur when the asset is acquired, if applicable.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising from derecognition of the asset is recognised in profit or loss.

(j) Investment Properties

Investment properties are properties held either to earn rental income or for capital appreciation or for both. Initially investment properties are measured at cost including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value. 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.

Investment properties are derecognised when they have either been disposed of or when the investment property is permanently withdrawn from use and no future benefit is expected from its disposal.

On the derecognition of an investment property, the difference between the net disposal proceeds and the carrying amount is recognised in profit or loss.

(k) Intangible Assets

(i) Research and Development Expenditure

Research expenditure is recognised as an expense when it is incurred.

Notes to the Financial Statements
For the financial year ended 31 May 2012

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(k) Intangible Assets (Cont'd)

(i) Research and Development Expenditure (Cont'd)

Development expenditure is recognised as an expense except that costs incurred on development projects are capitalised as long-term assets to the extent that such expenditure is expected to generate future economic benefits. Development expenditure is capitalised if, and only if an entity can demonstrate all of the following:-

(i) its ability to measure reliably the expenditure attributable to the asset under development;

(ii) the product or process is technically and commercially feasible;

(iii) its future economic benefits are probable;

(iv) its ability to use or sell the developed asset; and

(v) the availability of adequate technical, financial and other resources to complete the asset under development.

Capitalised development expenditure is measured at cost less accumulated amortisation and impairment losses, if any. Development expenditure initially recognised as an expense is not recognised as assets in the subsequent period.

The development expenditure is amortised on a straight-line method over a period of 1 to 5 years when the products are ready for sale or use. In the event that the expected future economic benefits are no longer probable of being recovered, the development expenditure is written down to its recoverable amount.

(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 represents 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 if 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 the end of each reporting period.

Intangible assets with definite useful lives are not amortised but tested for impairment annually or more frequently if the events are 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.

(l) Impairment

(i) Impairment of Financial Assets

All financial assets (other than those categorised at fair value through profit or loss), are assessed at the end of each reporting period whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset. For an equity instrument, a significant or prolonged decline in the fair value below its cost is considered to be objective evidence of impairment.

An impairment loss in respect of held-to-maturity investments and loans and receivables financial assets is recognised in profit or loss and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

Notes to the Financial Statements
For the financial year ended 31 May 2012

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(l) Impairment (Cont'd)

(i) Impairment of Financial Assets (Cont'd)

An impairment loss in respect of available-for-sale financial assets is recognised in profit or loss and is measured as the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the fair value reserve. In addition, the cumulative loss recognised in other comprehensive income and accumulated in equity under fair value reserve, is reclassified from equity to profit or loss.

With the exception of available-for-sale equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised. In respect of available-for-sale equity instruments, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss made is recognised in other comprehensive income.

(ii) Impairment of Non-Financial Assets

The carrying values of assets, other than those to which FRS 136 Impairment of Assets does not apply, are reviewed at the end of each reporting period for impairment when there is an indication that the assets might be impaired. Impairment is measured by comparing the carrying values of the assets with their recoverable amounts. The recoverable amount of the assets is the higher of the assets' fair value less costs to sell and their value in use, which is measured by reference to discounted future cash flow.

An impairment loss is recognised in profit or loss immediately unless the asset is carried at its revalued amount. Any impairment loss of a revalued asset is treated as a revaluation decrease to the extent of a previously recognised revaluation surplus for the same asset.

In respect of assets other than goodwill, and when there is a change in the estimates used to determine the recoverable amount, a subsequent increase in the recoverable amount of an asset is treated as a reversal of the previous impairment loss and is recognised to the extent of the carrying amount of the asset that would have been determined (net of amortisation and depreciation) had no impairment loss been recognised. The reversal is recognised in profit or loss immediately, unless the asset is carried at its revalued amount. A reversal of an impairment loss on a revalued asset is credited to other comprehensive income. However, to the extent that an impairment loss on the same revalued asset was previously recognised as an expense in the statements of comprehensive income, a reversal of that impairment loss is recognised as income in the statements of comprehensive income.

(m) Assets under Finance Lease and Hire Purchase

Leases of plant and equipment where substantially all the benefits and risks of ownership are transferred to the Company are classified as finance leases.

Plant and equipment acquired under finance lease and hire purchase are capitalised in the financial statements.

Each lease or hire purchase payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding outstanding obligations due under the finance lease and hire purchase after deducting finance charges are included as liabilities in the financial statements.

Finance charges are recognised in profit or loss over the period of the respective lease and hire purchase agreements.

Plant and equipment acquired under finance leases and hire purchase are depreciated over the useful lives of the assets in accordance with the policy set out in Note 4(i).

Notes to the Financial Statements
For the financial year ended 31 May 2012

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(n) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method.

Net realisable value represents the estimated selling price less the estimated costs necessary to make the sale.

Where necessary, due allowance is made for all damaged, obsolete and slow-moving items. The Group writes down its obsolete or slow moving inventories based on assessment of the condition and the future demand for the inventories. These inventories are written down when events or changes in circumstances indicate that the carrying amounts may not be recovered.

(o) Income Taxes

Income tax 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 or substantively enacted at the end of the reporting period.

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

Deferred tax liabilities are recognised for all taxable temporary differences other than those that arise from goodwill or excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the business combination costs 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 assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. The carrying amounts of deferred tax assets are reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient future taxable profits will be available to allow all or part of the deferred tax assets to be utilised.

Deferred tax assets and liabilities are 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 the tax rates that have been enacted or substantively enacted at the end of the reporting period.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred income taxes relate to the same taxation authority.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transactions either in other comprehensive income or directly in equity and deferred tax arising from a business combination is included in the resulting goodwill or excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the business combination costs.

(p) Cash and Cash Equivalents

Cash and cash equivalents comprise cash in hand, bank balances, demand deposits, deposits pledged with financial institutions, bank overdrafts and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Notes to the Financial Statements
For the financial year ended 31 May 2012

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(q) Provisions

Provisions are recognised when the Group has a present obligation as a result of past events, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and when a reliable estimate of the amount can be made. Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the provision is the present value of the estimated expenditure required to settle the obligation.

(r) Employee Benefits

(i) Short-term Benefits

Wages, salaries, paid annual leave and sick leave, bonuses and non-monetary benefits are recognised in profit or loss and included in the development costs, where appropriate, in the period in which the associated services are rendered by employees of the Group.

(ii) Defined Contribution Plans

The Group's contributions to defined contribution plans are recognised in profit or loss and included in the development costs, where appropriate, in the period to which they relate. Once the contributions have been paid, the Group has no further liability in respect of the defined contribution plans.

(iii) Share-based Payment Transactions

At grant date, the fair value of options granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period in which the employees become unconditionally entitled to the options. The amount recognised as an expense is adjusted to reflect the actual number of share options that are expected to vest.

(s) Related Parties

A party is related to an entity if:-

(i) directly, or indirectly through one or more intermediaries, the party:-
- controls, is controlled by, or is under common control with, the entity (this includes parents, subsidiaries and fellow subsidiaries);
- has an interest in the entity that gives it significant influence over the entity; or
- has joint control over the entity;

(ii) the party is an associate of the entity;
(iii) the party is a joint venture in which the entity is a venturer;
(iv) the party is a member of the key management personnel of the entity or its parent;
(v) the party is a close member of the family of any individual referred to in (i) or (iv);
(vi) 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 (iv) or (v); or
(vii) 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.

Close members of the family of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity.

Notes to the Financial Statements

For the financial year ended 31 May 2012

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(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. 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.

(u) Revenue Recognition

Revenue is recognised to the extent that 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.

(v) Operating Segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. An operating segment's operating results are reviewed regularly by the chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Notes to the Financial Statements
For the financial year ended 31 May 2012

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(w) Borrowing Costs

Borrowing costs, directly attributable to the acquisition and construction of property, plant and equipment 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 recognised in profit or loss as expenses in the period in which they incurred.

(x) Contingent Assets

A contingent asset is a probable asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain events not wholly within the control of the Group.

5. INVESTMENTS IN SUBSIDIARIES

	THE COMPANY	
	2012 RM	2011 RM
Unquoted shares, at cost		
- in Malaysia	9,105,781	7,372,036
Quoted shares outside Malaysia, at cost		
- outside Malaysia	75,426,226	75,426,226
	84,532,007	82,798,262

The details of the subsidiaries are as follows:-

Name of Company	Country of Incorporation	Effective Equity Interest 2012 %	Effective Equity Interest 2011 %	Principal Activities
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 ("RMM") ^	Malaysia	–^^	100	Investment holding.

Notes to the Financial Statements

For the financial year ended 31 May 2012

5. INVESTMENTS IN SUBSIDIARIES (CONT'D)

The details of the subsidiaries are as follows:- (Cont'd)

Name of Company	Country of Incorporation	Effective Equity Interest 2012 %	Effective Equity Interest 2011 %	Principal Activities
REDtone Software Sdn Bhd	Malaysia	–	100	Research, design, develop and experiments in relation to VOIP Customer Premise Equipment.
REDtone Asia Inc. ("RTA") ^	United States of America	92.31	92.31	Investment holding.
Held through RTT				
REDtone Mytel Sdn Bhd	Malaysia	60	60	Provision of telecommunication services.
REDtone Mobile Sdn Bhd ("RM")	Malaysia	-**	100	Research, design, develop and commercialisation of VOIP Customer Premise Equipment.
REDtone Technology Pte Ltd ("RTPLS") ^	Singapore	100	100	Provision of telecommunication related products and services.
Held through RMM				
ETV Holding Sdn Bhd ("ETVH") (formerly known as DE Multimedia Holding Sdn Bhd) ^	Malaysia	-^^	100	Investment holding.
Held through ETVH				
ETV Multimedia Sdn Bhd ("ETVM") (formerly known as DE Multimedia Sdn Bhd) ^	Malaysia	-^^	90	Engaged in research, development, provision and commercialisation of digital television related technology services.
Held through RTA				
RT Communication Ltd ("RTCL") ^	British Virgin Islands	92.31	92.31	Investment holding.
Held through ETVM				
ETV Content Sdn Bhd (formerly known as DE Content Sdn Bhd) ^	Malaysia	-^^	90	Engaged in research, development and provision of contentsfor digital television related services.
Held through RTCL				
VMS Technology Ltd ^	Hong Kong SAR	92.31	92.31	Provides system design, maintenance services and distance call services.
REDtone Telecommunications (China) Limited ("RTCC") ^	Hong Kong SAR	92.31	92.31	Investment holding.

Notes to the Financial Statements
For the financial year ended 31 May 2012

5. INVESTMENTS IN SUBSIDIARIES (CONT'D)

The details of the subsidiaries are as follows:- (Cont'd)

Name of Company	Country of Incorporation	Effective Equity Interest 2012 %	2011 %	Principal Activities
Held through RTCC				
REDtone Telecommunications (Shanghai) Ltd ("RTShanghai") ^	The People's Republic of China	92.31	92.31	Provide technical support services.
Shanghai Huitong Telecommunication Company Ltd ^*	The People's Republic of China	92.31	92.31	Marketing and distribution of IP call and discounted call services.
Held through RTShanghai				
Shanghai Hongsheng Net Communication Company Ltd ("Hongsheng") ^*	The People's Republic of China	92.31	92.31	Marketing and distribution of discounted call services on consumer products.
Held through Hongsheng				
Shanghai Jia Mao E-commerce Company Ltd ^*	The People's Republic of China	92.31	92.31	Marketing and distribution of products on the internet.
Shanghai Qian Yue Business Administration Co., Ltd ^*	The People's Republic of China	92.31	92.31	Provide prepaid shopping card and services.

^ *These subsidiaries were audited by other firms of chartered accountants.*

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

^^ *During the financial year, the Group's equity interest in RMM group of companies were diluted as a result of divestment of the shares, as disclosed in Note 32(a) to the financial statements. Consequently, the subsidiary became an associate of the Group.*

** *During the financial year, the Group's equity interest in RM was diluted as a result of the disposal and divestment of the shares, as disclosed in Note 32(c) to the financial statements. Consequently, the subsidiary became an associate of the Group.*

Notes to the Financial Statements
For the financial year ended 31 May 2012

6. INVESTMENTS IN ASSOCIATES

	THE GROUP		THE COMPANY	
	2012 RM	2011 RM	2012 RM	2011 RM
Unquoted shares in Malaysia, at cost	1,256,315	1,077,794	20	–
Share of post-acquisition profits	(1,256,315)	(1,077,794)	–	–
	–	–	20	–
Quasi loans	20,235,161	16,501,984	–	–
	20,235,161	16,501,984	20	–

(a) Quasi loans represent advances and payments made on behalf of which the settlement is neither planned nor likely to occur in the foreseeable future. These amounts are in substance, a part of the Company's net investment in the associates. The quasi loans are stated at cost less accumulated impairment losses, if any.

(b) The details of the associates are as follows:-

Name of Company	Country of Incorporation	Effective Equity Interest 2012 %	Effective Equity Interest 2011 %	Principal Activities
RMM ^	Malaysia	20	100	Investment holding.
Held through RTT				
REDtone Mobile Sdn Bhd	Malaysia	35	100	Research, design, develop and commercialisation of VOIP Customer Premise Equipment.
REDtone-CNX Broadband Sdn Bhd	Malaysia	54.5**	54.5**	Provision of broadband.
Held through RMM				
ETV Holding Sdn Bhd ("ETVH") (formerly known as DE Multimedia Holding Sdn Bhd) ^	Malaysia	20	100	Investment holding.
Held through ETVH				
ETV Multimedia Sdn Bhd ("ETVM") (formerly known as DE Multimedia Sdn Bhd) ^	Malaysia	18	90	Engaged in research, development, provision and commercialisation of digital television related technology services.

Notes to the Financial Statements

For the financial year ended 31 May 2012

6. INVESTMENTS IN ASSOCIATES (CONT'D)

(b) The details of the associates are as follows:- (CONT'D)

Name of Company	Country of Incorporation	Effective Equity Interest 2012 %	Effective Equity Interest 2011 %	Principal Activities
Held through ETVM				
ETV Content Sdn Bhd (formerly known as DE Content Sdn Bhd) ^	Malaysia	18	90	Engage in research, development and provision of contents for digital television related services.

** *The Group does not have control as it only has minority representation in the composition of the Board of Directors in the associate.*

^ *These associates were audited by other firms of chartered accountants.*

(c) The summarised unaudited financial information of the associates is as follows:-

	THE GROUP 2012 RM	THE GROUP 2011 RM
Assets and liabilities		
Total assets	37,765,332	7,013,141
Total liabilities	54,821,250	3,170,522
Results		
Revenue	10,169,828	7,540,259
Loss after taxation	(4,666,981)	(5,441,280)

7. INVESTMENT IN JOINT CONTROLLED ENTITY

	THE GROUP 2012 RM	THE GROUP 2011 RM
Unquoted shares, at cost	1,491,641	1,491,641
Share of post-acquisition reserves	(1,491,641)	(1,491,641)
	–	–

(a) The details of the joint controlled entity are as follows:-

Name of Company	Country of Incorporation	Effective Equity Interest 2012 %	Effective Equity Interest 2011 %	Principal Activities
Held through RTT				
Meridianotch Sdn Bhd	Malaysia	50	50	Investment holding.

Notes to the Financial Statements
For the financial year ended 31 May 2012

8. PROPERTY, PLANT AND EQUIPMENT

THE GROUP	AT 1.6.2011 RM	ADDITIONS RM	DEPRECIATION CHARGE RM	DISPOSAL RM	WRITTEN OFF RM	RECLASSIFICATION RM	DISPOSAL OF SUBSIDIARIES RM	EXCHANGE DIFFERENCE RM	AT 31.5.2012 RM
NET BOOK VALUE									
Freehold office lots	4,768,442	–	(109,500)	–	–	–	–	–	4,658,942
Computers and software	5,136,633	2,334,599	(1,203,195)	–	(28,901)	(1,958)	(2,787,109)	7,852	3,457,921
Furniture, fittings and office equipment	1,775,310	55,569	(217,136)	–	(93,479)	(3,206)	(663,371)	(109,405)	744,282
Equipment, plant and machinery *	19,976,255	4,576,949	(3,568,158)	(267,279)	–	653,391	(304,482)	737,454	21,804,130
Other assets **	2,622,356	304,358	(233,184)	–	(2,983)	(648,227)	–	(70,788)	1,971,532
	34,278,996	7,271,475	(5,331,173)	(267,279)	(125,363)	–	(3,754,962)	565,113	32,636,807

THE GROUP	AT 1.6.2010 RM	ACQUISITION OF SUBSIDIARIES RM	ADDITIONS RM	RECLASSIFICATION RM	DEPRECIATION CHARGE RM	EXCHANGE DIFFERENCE RM	AT 31.5.2011 RM
NET BOOK VALUE							
Freehold office lots	4,877,942	–	–	–	(109,500)	–	4,768,442
Computers and software	4,323,103	1,350,656	262,397	(43,913)	(747,031)	(8,579)	5,136,633
Furniture, fittings and office equipment	1,441,700	450,887	47,442	45,905	(211,893)	1,269	1,775,310
Equipment, plant and machinery *	19,371,301	47,700	4,001,062	(1,992)	(3,134,358)	(307,458)	19,976,255
Other assets **	2,166,529	–	747,772	–	(290,902)	(1,043)	2,622,356
	32,180,575	1,849,243	5,058,673	–	(4,493,684)	(315,811)	34,278,996

THE GROUP	AT COST RM	ACCUMULATED DEPRECIATION RM	NET BOOK VALUE RM
At 31.5.2012			
Freehold office lots	5,474,977	(816,035)	4,658,942
Computers and software	9,110,408	(5,652,487)	3,457,921
Furniture, fittings and office equipment	1,735,107	(990,825)	744,282
Equipment, plant and machinery *	52,202,587	(30,398,457)	21,804,130
Other assets **	7,235,432	(5,263,900)	1,971,532
	75,758,511	(43,121,704)	32,636,807

Notes to the Financial Statements

For the financial year ended 31 May 2012

8. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

	AT COST RM	ACCUMULATED DEPRECIATION RM	NET BOOK VALUE RM
At 31.5.2011			
Freehold office lots	5,474,977	(706,535)	4,768,442
Computers and software	10,193,248	(5,056,615)	5,136,633
Furniture, fittings and office equipment	2,899,650	(1,124,340)	1,775,310
Equipment, plant and machinery *	39,077,201	(19,100,946)	19,976,255
Other assets **	3,550,699	(928,343)	2,622,356
	61,195,775	(26,916,779)	34,278,996

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

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

THE COMPANY	AT 1.6.2011 RM	DEPRECIATION CHARGE RM	AT 31.5.2012 RM
NET BOOK VALUE			
Furniture and fittings	288	(91)	197

	AT 1.6.2010 RM	DEPRECIATION CHARGE RM	AT 31.5.2011 RM
NET BOOK VALUE			
Furniture and fittings	379	(91)	288

THE COMPANY	AT COST RM	ACCUMULATED DEPRECIATION RM	NET BOOK VALUE RM
At 31.5.2012			
Furniture and fittings	910	(713)	197
At 31.5.2011			
Furniture and fittings	910	(622)	288

(a) Included in the assets of the Group at the end of the reporting period were motor vehicles with a total net book value of RM76,156 (2011 - RM101,159), which were acquired under hire purchase terms.

(b) Included in the assets of the Group at the end of the reporting period were equipment with a total net book value of RM465,858 (2011 - RM6,459,638) acquired under finance lease terms.

(c) The freehold office lots of the Group have been pledged to licensed banks as security for banking facilities granted to the Group.

Notes to the Financial Statements
For the financial year ended 31 May 2012

9. INVESTMENT PROPERTIES

THE GROUP	AT 1.6.2011 RM	FAIR VALUE ADJUSTMENT RM	AT 31.5.2012 RM
Leasehold land and buildings, at fair value	1,038,600	90,338	1,128,938

	AT 1.6.2010 RM	FAIR VALUE ADJUSTMENT RM	AT 31.5.2011 RM
Leasehold land and buildings, at fair value	870,000	168,600	1,038,600

(a) The leasehold land and buildings have been pledged to a licensed bank as security for banking facilities granted to the Group.

(b) Investment properties are stated at fair value, which have been determined based on directors' valuation at the end of the reporting period. The directors estimate the fair values of the investment properties to be RM1,128,938 (2011 - RM1,038,600) based on recent selling prices of similar properties at locations adjacent to the Group's investment properties.

10. DEFERRED TAXATION

	THE GROUP		THE COMPANY	
	2012 RM	2011 RM	2012 RM	2011 RM
At 1 June	4,520,122	4,927,705	1,138,721	1,401,329
Disposal of subsidiaries	(479,425)	–	–	–
Recognised in profit or loss (Note 30)	(205,769)	(407,583)	(244,802)	(262,608)
Exchange differences	2,147	–	–	–
At 31 May	3,837,075	4,520,122	893,919	1,138,721

Presented after appropriate offsetting as follows:

	THE GROUP		THE COMPANY	
	2012 RM	2011 RM	2012 RM	2011 RM
Deferred tax assets	3,943,366	4,667,592	893,919	1,138,721
Deferred tax liabilities	(106,291)	(147,470)	–	–
At 31 May	3,837,075	4,520,122	893,919	1,138,721

(i) Key assumptions used in recognition calculation

The recoverable amount of the deferred tax assets are 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 weighted average cost of capital beyond the 5-year period extrapolated assuming 5% growth rates.

Notes to the Financial Statements
For the financial year ended 31 May 2012

10. DEFERRED TAXATION (CONT'D)

(i) Key assumptions used in recognition calculation (cont'd)

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

Financial budget period	2013 - 2017
Average budgeted EBITDA margin	23.82%
Average growth rate	13.50%
Discount rate	12.90%

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

Management has determined the budgeted EBITDA margin and weighted average growth rates based on past performance and its expectations of market development. The discount rates used are computed based on the weighted average cost of capital of the industry that the Group operates in.

Sensitivity to Changes in Assumptions

The management believes that no reasonably possible changes in any of the above key assumptions would cause the carrying value of the deferred taxation to be materially higher than its recoverable amount.

THE GROUP	Unutilised tax losses and unabsorbed capital allowances RM	Provision RM	Property, plant and equipment RM	ICULS RM	Others RM	Total RM
At 1 June 2010	3,344,341	3,458,930	(3,344,868)	1,401,329	67,973	4,927,705
Recognised in profit or loss	832,442	308,664	(1,241,926)	(262,608)	(44,155)	(407,583)
At 31 May 2011/1 June 2011	4,176,783	3,767,594	(4,586,794)	1,138,721	23,818	4,520,122
Disposal of subsidiaries	(494,036)	(25,440)	56,897	–	(16,846)	(479,425)
Exchange differences	–	–	–	–	2,147	2,147
Recognised in profit or loss	1,513,078	(1,450,883)	(31,403)	(244,802)	8,241	(205,769)
At 31 May 2012	5,195,825	2,291,271	(4,561,300)	893,919	17,360	3,837,075
THE COMPANY						
At 1 June 2010	–	–	–	1,401,329	–	1,401,329
Recognised in profit or loss	–	–	–	(262,608)	–	(262,608)
At 31 May 2011/1 June 2011	–	–	–	1,138,721	–	1,138,721
Recognised in profit or loss	–	–	–	(244,802)	–	(244,802)
At 31 May 2012	–	–	–	893,919	–	893,919

Notes to the Financial Statements
For the financial year ended 31 May 2012

10. DEFERRED TAXATION (CONT'D)

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

	THE GROUP	
	2012	**2011**
	RM	**RM**
Unutilised tax losses and unabsorbed capital allowances	25,314,000	21,527,000

The above items are available for offsetting against future taxable profit subject to no substantial change in shareholdings as provided in the Income Tax Act, 1967 and guidelines issued by the tax authority.

11. OTHER INVESTMENTS

	THE GROUP	
	2012	**2011**
	RM	**RM**
At Cost:		
Non-Current		
Unquoted shares in Malaysia	50,000	10,000
Current		
Unquoted shares outside Malaysia	998,837	933,891
	1,048,837	943,891

Investments in unquoted shares of the Group, designated as available-for-sale financial assets, are stated at cost as their fair values cannot be reliably measured using valuation techniques due to the lack of marketability of the shares.

12. GOODWILL

	THE GROUP	
	2012	**2011**
	RM	**RM**
At 1 June	10,929,387	5,407,204
Acquisition of subsidiaries	–	5,627,593
Disposal of subsidiaries	(1,014,543)	–
Exchange differences	–	(105,410)
	9,914,844	10,929,387
Accumulated impairment losses	(1,908,953)	(1,908,953)
At 31 May	8,005,891	9,020,434

Notes to the Financial Statements
For the financial year ended 31 May 2012

12. GOODWILL (CONT'D)

(a) The carrying amounts of goodwill allocated to each cash-generating unit are as follows:-

	THE GROUP 2012 RM	THE GROUP 2011 RM
ETVH and its subsidiaries	–	684,822
RTA and its subsidiaries	7,206,212	7,206,212
Others	799,679	1,129,400
	8,005,891	9,020,434

(b) The Group assessed the recoverable amounts of goodwill allocated and determined that no additional impairment is required. The recoverable amounts of the cash-generating units are determined using the value-in-use approach, and this is derived from the present value of the future cash flows from the operating segments computed based on the projections of financial budgets approved by management covering a period of 5 years. The key assumptions used in the determination of the recoverable amounts are as follows:-

	AVERAGE BUDGETED EBITDA MARGIN 2012 – 2015	AVERAGE GROWTH RATE 2012 – 2015	DISCOUNT RATE 2012 – 2015
RTA Group	20%	11%	12.9%
Others	3%	10%	12.9%

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

Management has determined the average budgeted EBITDA margin and weighted average growth rate based on past performance and its expectation of market development. The discount rates used are computed based on the weighted average cost of capital of the industry that the Group operates in.

Sensitivity to Changes in Assumptions

The management believes that no reasonably possible changes in any of the above key assumptions would cause the carrying value of the goodwill to be materially higher than its recoverable amount.

Notes to the Financial Statements
For the financial year ended 31 May 2012

13. DEVELOPMENT COSTS

	THE GROUP 2012 RM	THE GROUP 2011 RM
At Cost:-		
At 1 June	23,590,788	20,775,233
Acquisition of a subsidiary	–	136,330
Addition during the financial year	1,005,208	3,386,941
Disposal of subsidiaries	(3,491,193)	–
Exchange differences	229,483	(707,716)
At 31 May	21,334,286	23,590,788
Accumulated amortisation:-		
At 1 June	(7,839,084)	(4,393,359)
Amortisation for the financial year	(2,994,844)	(3,535,911)
Disposal of subsidiaries	132,352	–
Exchange differences	(66,176)	90,186
At 31 May	(10,767,752)	(7,839,084)
Net carrying amount	10,566,534	15,751,704

The development costs included the following expenses:-

	THE GROUP 2012 RM	THE GROUP 2011 RM
Purchase of equipment	14,580	481,200
Staff costs	990,628	2,905,741
	1,005,208	3,386,941

14. INVENTORIES

	THE GROUP 2012 RM	THE GROUP 2011 RM
At Cost:-		
Finished goods	671,776	2,308,102

None of the inventories are carried at net realisable value.

Notes to the Financial Statements

For the financial year ended 31 May 2012

15. TRADE RECEIVABLES

	THE GROUP 2012 RM	THE GROUP 2011 RM
Trade receivables:		
- Third parties	17,022,427	17,448,679
- Associates	–	91
	17,022,427	17,448,770
Allowance for impairment losses	(3,734,651)	(3,252,242)
	13,287,776	14,196,528
Allowance for impairment losses:-		
At 1 June	(3,252,242)	(5,006,112)
Addition during the financial year	(767,861)	(699,355)
Written back during the financial year	266,028	757,098
Written off during the financial year	19,424	1,696,127
At 31 May	(3,734,651)	(3,252,242)

The Group's normal trade credit terms range from 30 to 90 days. Other credit terms are assessed and approved on a case-by-case basis.

16. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	Note	THE GROUP 2012 RM	THE GROUP 2011 RM	THE COMPANY 2012 RM	THE COMPANY 2011 RM
Current		12,905,332	7,544,031	30,358,926	52,787,560
Non-current		14,586,042	–	14,586,042	–
		27,491,374	7,544,031	44,944,968	52,787,560
Represented by:-					
Other receivables:					
- Third parties		7,793,071	5,473,348	–	–
- Associates	16(a)	18,007,957	–	18,007,957	–
- Subsidiaries	16(b)	–	–	29,181,429	52,756,035
		25,801,028	5,473,348	47,189,386	52,756,035
Deposits		590,645	658,355	–	–
Prepayments		2,272,905	1,127,645	68,059	–
Sundry receivables	16(c)	3,338,116	2,319,977	–	31,525
Carried forward		32,002,694	9,579,325	47,257,445	52,787,560

Notes to the Financial Statements

For the financial year ended 31 May 2012

16. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS (CONT'D)

	Note	THE GROUP 2012 RM	THE GROUP 2011 RM	THE COMPANY 2012 RM	THE COMPANY 2011 RM
Brought forward		32,002,694	9,579,325	47,257,445	52,787,560
Allowance for impairment losses:					
At 1 June		(2,035,294)	(2,035,294)	–	–
Addition during the financial year		(2,476,026)	–	(2,312,477)	–
At 31 May	16(d)	(4,511,320)	(2,035,294)	(2,312,477)	–
Net carrying amount		27,491,374	7,544,031	44,944,968	52,787,560

(a)

	THE GROUP 2012 RM	THE GROUP 2011 RM	THE COMPANY 2012 RM	THE COMPANY 2011 RM
Current	1,133,844	–	1,133,844	–
Non-current	16,874,113	–	16,874,113	–
	18,007,957	–	18,007,957	–

The amount owing by associates is non-trade in nature, interest-free, unsecured and expected repayable within a period of 10 years.

(b) The amount owing by subsidiaries is non-trade in nature, interest-free, unsecured and repayable on demand.

(c) Included in sundry receivables is an amount of RM2,548,426 (2011 - RM1,530,287) paid to a third party as part of advances for purchases and the security deposit of RM789,690 (2011 - RM789,690) placed in accordance with the requirements of an agreement with a telecommunication company.

(d)

	THE GROUP 2012 RM	THE GROUP 2011 RM	THE COMPANY 2012 RM	THE COMPANY 2011 RM
Current	(2,223,249)	(2,035,294)	(24,406)	–
Non-current	(2,288,071)	–	(2,288,071)	–
	(4,511,320)	(2,035,294)	(2,312,477)	–

17. DEPOSITS WITH LICENSED BANKS

(a) The deposits with licensed banks of the Group at the end of the reporting period bore effective interest rates ranging from 2.95% to 5.70% (2011 - 2.20% to 3.30%) per annum. The deposits have maturity periods ranging from 30 to 365 days (2011 - 30 to 365 days).

(b) The deposits with licensed banks of the Group at the end of the reporting period have been pledged to a licensed bank as security for banking facilities granted to the Group.

Notes to the Financial Statements
For the financial year ended 31 May 2012

18. SHARE CAPITAL

The movements in the authorised and paid-up share capital of the Company are as follows:-

	THE COMPANY			
	2012	2011	2012	2011
	NUMBER OF SHARES		RM	RM
AUTHORISED				
Ordinary shares of RM0.10 each	1,000,000,000	1,000,000,000	100,000,000	100,000,000
ISSUED AND FULLY PAID-UP				
Ordinary shares of RM0.10 each				
At 1 June	447,779,025	431,804,865	44,777,903	43,180,487
Issuance of shares pursuant to conversion of ICULS	19,957,040	15,974,160	1,995,704	1,597,416
New shares issued under the employee share option scheme	7,904,500	–	790,450	–
At 31 May	475,640,565	447,779,025	47,564,057	44,777,903

19. TREASURY SHARES

During the financial year, the Company purchased 162,700 of its issued ordinary shares from the open market at an average price of RM0.23 per share. The total consideration paid for the purchase was RM38,184 including transaction costs. The shares purchased are held as treasury shares in accordance with Section 67A of the Companies Act, 1965 and are presented as a deduction from total equity.

Of the total 475,640,565 (2011 - 447,779,025) issued and fully paid-up ordinary shares as at the end of the reporting period, 1,654,900 (2011 - 1,492,200) ordinary shares are held as treasury shares by the Company amounting to RM349,347 (2011 - RM311,163). None of the treasury shares were resold or cancelled during the financial year.

20. RESERVES

	THE GROUP		THE COMPANY	
	2012	2011	2012	2011
	RM	RM	RM	RM
Share premium	10,962,273	9,402,960	10,962,273	9,402,960
Foreign currency translation reserve	(1,055,954)	(1,877,365)	–	–
Capital reserve	–	343,154	–	–
Warrants reserve	19,331,138	19,331,138	19,331,138	19,331,138
Irredeemable convertible unsecured loan stocks	10,079,702	12,007,424	10,079,702	12,007,424
Employee share option reserve	2,417,420	1,721,187	2,417,420	1,721,187
Accumulated losses	(8,847,202)	(10,995,476)	(10,779,056)	(1,929,382)
Total	32,887,377	29,933,022	32,011,477	40,533,327

Notes to the Financial Statements
For the financial year ended 31 May 2012

20. RESERVES (CONT'D)

(a) Share Premium

The movements in the share premium of the Group and the Company are as follows:-

	THE GROUP/ THE COMPANY 2012 RM	2011 RM
At 1 June	9,402,960	9,342,028
Ordinary shares issued pursuant to conversion of ICULS	(67,982)	60,932
Ordinary shares issued pursuant to exercise of ESOS options	1,627,295	–
At 31 May	10,962,273	9,402,960

The share premium is not distributable by way of dividends and may be utilised in the manner set out in Section 60(3) of the Companies Act 1965.

(b) Foreign Exchange Translation Reserve

The foreign exchange translation reserve arose from the translation of the financial statements of foreign subsidiaries and is not distributable by way of dividends.

	THE GROUP 2012 RM	2011 RM
At 1 June	(1,877,365)	(483,631)
Foreign currency translation	821,411	(1,393,734)
At 31 May	(1,055,954)	(1,877,365)

(c) Capital Reserve

	THE GROUP 2012 RM	2011 RM
At 1 June	343,154	343,154
Arising from disposal of a subsidiary	(343,154)	–
At 31 May	–	343,154

(d) Warrants Reserve

	THE GROUP/ THE COMPANY 2012 RM	2011 RM
At 31 May	19,331,138	19,331,138

Notes to the Financial Statements
For the financial year ended 31 May 2012

20. RESERVES (CONT'D)

(d) Warrants Reserve (cont'd)

Each warrant entitles the registered holder to subscribe for one new ordinary share in the Company at any time on or after 4 March 2010 up to the date of expiry on 4 March 2015, at an exercise price of RM0.25 per share or such adjusted price in accordance with the provisions in the Deed Poll. The warrants were listed on the ACE Market of Bursa Malaysia Securities Berhad with effect from 4 March 2010.

No warrants were exercised during the financial year ended 31 May 2012.

As at the end of the reporting period, 162,446,534 warrants remain unexercised.

The fair value of the warrants is estimated using the Trinomial American model, taking into account the terms and conditions upon which the warrants are acquired. The fair value of the warrants measured at issuance date and the assumptions are as follows:-

Valuation model	Trinomial
Exercise type	American
Tenure	5 years
5-day volume weighted average price of REDtone share at 29.12.2009	RM0.29
Conversion price	RM0.25
Volatility rate	29.817%
Period of volatility assessment	The average of the following market days: 29.12.2009; 30.09.2009,30.6.2009; 31.3.2009; and 31.12.2008

(e) Irredeemable Convertible Unsecured Loan Stocks ("ICULS")

	THE GROUP/ THE COMPANY	
	2012	2011
Equity	RM	RM
At 1 June	12,007,424	13,665,772
Converted during the financial year	(1,927,722)	(1,658,348)
At 31 May	10,079,702	12,007,424
Non-current liabilities		
At 1 June	4,554,884	5,605,316
Converted during the financial year	(714,882)	(623,274)
Amortisation charge during the financial year	(264,325)	(427,158)
At 31 May	3,575,677	4,554,884

Notes to the Financial Statements

For the financial year ended 31 May 2012

20. RESERVES (CONT'D)

(e) Irredeemable Convertible Unsecured Loan Stocks ("ICULS") (Cont'd)

The ICULS represent the unconverted portion of the original RM40,611,634 nominal value of 10-year 2.75% ICULS issued and allotted at 100% of the nominal value, net of deferred tax and the amount allocated to the warrant reserve.

The ICULS have a tenure of ten years from the date of issue and will not be redeemable in cash. All outstanding ICULS will be mandatorily converted by the Company into new ordinary shares at the conversion price applicable on the maturity date. The ICULS are convertible into fully paid ordinary shares of RM0.10 each at any time during the tenure of the ICULS from 4 March 2010 to the maturity date on 4 March 2020, at the rate of ten RM0.10 nominal amount of ICULS for four fully paid up ordinary shares of RM0.10 each in the Company.

Upon conversion of the ICULS into new ordinary shares, such shares would rank pari passu in all material respects with the existing ordinary shares of the Company in issue at the date of allotment of the new ordinary shares except that the newly converted ordinary shares shall not be entitled to any rights, allotments of dividends, and/or other distribution if the dividend entitlement date is on or before the relevant conversion date.

The interest on the ICULS is at the rate of 2.75% per annum on the nominal value of the ICULS commencing March 2010 and is payable annually in arrears on March each year.

(f) Employee Share Option Reserve

The employee share option reserve represents the equity-settled share options granted to employees. The reserve is made up of the cumulative value of services received from employees recorded over the vesting period commencing from the grant date of equity-settled share options, and is reduced by the expiry or exercise of the share options.

The Employee Share Option Scheme of the Company ("ESOS") is governed by the ESOS By-Laws and was approved by shareholders on 30 November 2010. The ESOS is to be in force for a period of 5 years effective from 14 January 2011.

The main features of the ESOS are as follows:-

(i) Eligible persons are employees and/or directors of the Group, save for companies which are dormant, who have been confirmed in the employment of the Group and have served for at least for a continuous 6 months (which shall include any probation period) before the date of the offer.

(ii) The maximum number of new shares of the Company, which may be available under the scheme, shall not exceed in aggregate 10%, or any such amount or percentage as may be permitted by the relevant authorities of the issued and paid-up share capital of the Company at any one time during the existence of the ESOS.

(iii) The option price shall be determined by the Option Committee based on the 5-day weighted average market price of shares of the Company immediately preceding the offer date of the option, with a discount of not more than 10%, or at the par value of shares of the Company, whichever is higher.

(iv) The option may be exercised by the grantee by notice in writing to the Company in the prescribed form during the option period in respect of all or any part of the new shares of the Company comprised in the ESOS.

(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, provided always that new ordinary shares so allotted and issued, will not be entitled to any dividends, rights, allotments and/or other distributions declared, where the entitlement date of which is prior to date of allotment and issuance of the new shares.

Notes to the Financial Statements

For the financial year ended 31 May 2012

20. RESERVES (CONT'D)

(f) Employee Share Option Reserve (Cont'd)

The option prices and the details in the movement of the options granted are as follows:-

		NUMBER OF OPTIONS OVER ORDINARY SHARES OF RM0.10 EACH			
DATE OF OFFER	EXERCISE PRICE	AT 1 JUNE 2011	GRANTED *	EXERCISED	AT 31 MAY 2012
4 MARCH 2011	RM0.165	13,747,500	–	(4,147,500)	9,600,000
11 AUGUST 2011	RM0.145	–	10,703,000	(3,357,000)	7,346,000
29 DECEMBER 2011	RM0.230	–	450,000	(400,000)	50,000
		13,747,500	11,153,000	(7,904,500)	16,996,000

* *During the financial year, the Company granted 11,153,000 share options under the ESOS. These options expire on 13 January 2016.*

The fair values of the share options granted were estimated using a trinomial model, taking into account the terms and conditions upon which the options were granted. The fair values of the share options measured at grant date and the assumptions used are as follows:-

	2012	2011
Fair value of share options at the grant date (RM)		
- 4 March 2011	N/A	0.1252
- 11 August 2011	0.1713	N/A
- 29 December 2011	0.1508	N/A
Weighted average share price (RM)	0.159 - 0.255	0.183
Exercise price (RM)	0.145 - 0.23	0.165
Expected volatility (%)	61.23 - 61.99	85.22
Expected life (years)	0.30 - 0.316	0.22
Risk free rate (%)	3.22 - 3.37	3.86
Expected dividend yield (%)	0	0

21. FINANCE LEASE PAYABLES

	THE GROUP	
	2012 RM	2011 RM
Future minimum lease payments:		
- not later than one year	486,954	2,212,203
- later than one year and not later than five years	482,617	641,172
	969,571	2,853,375
Less: Future finance charges	(138,391)	(322,630)
Present value of finance lease payables	831,180	2,530,745

Notes to the Financial Statements
For the financial year ended 31 May 2012

21. FINANCE LEASE PAYABLES (CONT'D)

	THE GROUP 2012 RM	THE GROUP 2011 RM
Current portion:		
- not later than one year	428,392	1,956,871
Non-current portion:		
- later than one year and not later than five years	402,788	573,874
	831,180	2,530,745

22. HIRE PURCHASE PAYABLES

	THE GROUP 2012 RM	THE GROUP 2011 RM
Minimum hire purchase payments:		
- not later than one year	30,780	30,780
- later than one year and not later than five years	48,735	79,515
	79,515	110,295
Less: Future finance charges	(10,398)	(14,413)
Present value of hire purchase payables	69,117	95,882
Current portion:		
- not later than one year	26,739	26,739
Non-current portion:		
- later than one year and not later than five years	42,378	69,143
	69,117	95,882

23. TERM LOANS

	THE GROUP 2012 RM	THE GROUP 2011 RM
Current portion:		
- not later than one year	108,902	108,902
Non-current portion:		
- later than one year and not later than two years	108,902	108,902
- later than two years and not later than five years	217,802	217,802
- later than five years	1,573,570	1,538,692
	1,900,274	1,865,396
	2,009,176	1,974,298

Notes to the Financial Statements
For the financial year ended 31 May 2012

23. TERM LOANS (CONT'D)

The term loans are secured by a first party legal charge over the Group's freehold office lots, buildings and a corporate guarantee provided by the Company.

The repayment terms of the term loans are as follows:-

Term loan 1 at fixed 3.9% per annum	Repayable in 240 monthly instalments of RM6,308, effective from June 2009.
Term loan 2 at fixed 3.9% per annum	Repayable in 240 monthly instalments of RM6,776, effective from September 2009.

24. DEFERRED INCOME

	THE GROUP	
	2012 RM	2011 RM
At 1 June	7,968,058	9,449,699
Net utilisation during the financial year	(346,316)	(1,481,641)
At 31 May	7,621,742	7,968,058

Deferred income consists of prepaid products sold to customers which are yet to be utilised.

25. TRADE PAYABLES

	THE GROUP	
	2012 RM	2011 RM
Third parties	17,162,504	16,492,659

The normal trade credit term granted to the Group and the Company is 60 days. Other credit terms are assessed and approved on a case-by-case basis.

26. OTHER PAYABLES AND ACCRUALS

	THE GROUP		THE COMPANY	
	2012 RM	2011 RM	2012 RM	2011 RM
Other payables:				
- Third parties	5,861,079	5,642,956	247,041	133,158
- Associates	404	–	404	–
- Subsidiaries	–	–	47,248,141	50,315,744
	5,861,483	5,642,956	47,495,586	50,448,902
Provision for USOF contribution	7,576,615	7,004,414	–	–
Accruals	3,841,761	2,904,496	329,657	374,710
	17,279,859	15,551,866	47,825,243	50,823,612

The amounts owing to the subsidiaries and associates represent unsecured interest-free advances granted to the Company. The amount is repayable on demand.

Notes to the Financial Statements

For the financial year ended 31 May 2012

27. BANK OVERDRAFT

The bank overdraft of the Group bore an effective interest rate of 7.1% (2011 - 7.1%) and is secured by a Deed of Assignment executed by the Group, assigning all the rights and title, interests and benefits in respect of the properties with a total net book value of RM4,658,942 (2011 - RM4,768,442) and deposits with licensed banks as disclosed in Notes 8 and 17 respectively to the financial statements.

28. REVENUE

	THE GROUP		THE COMPANY	
	2012 RM	2011 RM	2012 RM	2011 RM
Sale of bandwidth	78,383,675	68,611,525	–	–
Sale of telecommunication software, goods and installation charges	2,104,576	3,999,623	–	–
Commission income	26,160,421	16,269,688	–	–
Digital television services	327,258	692,399	–	–
	106,975,930	89,573,235	–	–

29. PROFIT/(LOSS) BEFORE TAXATION

	THE GROUP		THE COMPANY	
	2012 RM	2011 RM	2012 RM	2011 RM
Profit/(Loss) before taxation is arrived at after charging/(crediting):-				
Amortisation of development costs	2,994,844	3,535,911	–	–
Audit fee:-				
- statutory audits	355,740	508,711	75,000	65,000
- under/(over)provision in the previous financial year	20,000	(13,150)	20,000	(13,150)
- other services	305,851	447,586	135,070	176,090
Bad debts written off	50,192	720,427	5,500,000	–
Depreciation of property, plant and equipment	5,331,173	4,493,684	91	91
Directors' fee	353,917	282,000	353,917	282,000
Directors' non-fee emoluments	1,128,684	987,198	–	–
Dividend income	–	–	–	(2,786,467)
Fair value gain on investment properties	(90,338)	(168,600)	–	–
Loss/(Gain) on foreign exchange:				
- realised	68,183	155,225	–	(3,248)
- unrealised	(283,449)	(420,801)	(224,772)	–
(Gain)/Loss on disposal of subsidiaries	(10,879,717)	–	100,076	–
Impairment loss on:-				
- goodwill	–	1,729,556	–	–
- non-trade receivables	2,476,026	–	2,312,477	–
- other investment	–	1,334,178	–	–
- trade receivables	767,861	699,355	–	–

Notes to the Financial Statements
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29. PROFIT/(LOSS) BEFORE TAXATION (CONT'D)

	THE GROUP		THE COMPANY	
	2012 RM	2011 RM	2012 RM	2011 RM
Profit/(Loss) before taxation is arrived at after charging/(crediting) (Cont'd):-				
Interest expense:				
- bank overdraft	194,815	167,811	–	–
- finance lease	283,197	375,302	–	–
- hire purchase	4,015	4,015	–	–
- ICULS	669,630	842,370	669,630	842,370
- term loans:-				
(i) current financial year	99,648	48,131	–	–
(ii) underprovision in the previous financial year	91,362	–	–	–
Interest income for deposits	(761,044)	(775,439)	(16,047)	(317,061)
Inventories written down	364,543	–	–	–
Inventories written off	88,690	188,443	–	–
Gain on disposal of property, plant and equipment	(10,876)	–	–	–
Property, plant and equipment written off	125,363	–	–	–
Rental of computer	336,551	234,023	–	–
Rental of office	904,160	698,783	–	–
Staff costs:				
- salaries, wages, bonuses and allowances	14,722,912	13,883,435	339,137	587,220
- defined contribution plan	1,566,642	1,369,858	30,929	22,568
- share options to employee	1,901,283	1,721,187	–	56,340
Writeback of impairment losses on trade receivables	(266,028)	(757,098)	–	–

30. INCOME TAX EXPENSE

	THE GROUP		THE COMPANY	
	2012 RM	2011 RM	2012 RM	2011 RM
Income tax:				
- Malaysia tax	60,000	–	–	–
- Foreign tax	1,063,758	852,731	–	–
- Underprovision in the previous financial year	44,687	–	–	–
	1,168,445	852,731	–	–
Deferred taxation (Note 10):				
- relating to originating and recognition of temporary differences	205,769	407,583	244,802	262,608
	1,374,214	1,260,314	244,802	262,608

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

A subsidiary, REDtone Technology Sdn. Bhd. has been granted MSC Malaysia status, which qualifies the subsidiary for the Pioneer Status incentive under the Promotion of Investments Act 1986. The subsidiary will enjoy full exemption from income tax on its statutory income from pioneer activities for a period of 5 years, from 17 September 2007 to 18 September 2012.

Notes to the Financial Statements
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30. INCOME TAX EXPENSE (CONT'D)

A reconciliation of income tax expense applicable to the profit/(loss) before taxation at the statutory tax rate to income tax expense at the effective tax rate of the Group and the Company is as follows:-

	THE GROUP		THE COMPANY	
	2012 RM	**2011 RM**	**2012 RM**	**2011 RM**
Profit/(Loss) before taxation	3,234,101	(11,000,054)	(8,604,872)	1,467,190
Tax at the statutory tax rate of 25%	808,526	(2,750,014)	(2,151,218)	366,788
Tax effects of:-				
Non-taxable income	(2,775,972)	(221,098)	(56,193)	(775,882)
Non-deductible expenses	2,057,739	1,757,402	2,039,728	197,362
Deferred tax assets not recognised during the financial year	2,117,733	2,378,650	412,485	474,340
Utilisation of previously unrecognised tax losses and unabsorbed capital allowances	(792,378)	–	–	–
Underprovision of income tax in the previous financial year	44,687	–	–	–
Underprovision of deferred taxation in the previous financial year	–	98,000	–	–
Differential in tax rates	(86,121)	–	–	–
Others	–	(2,626)	–	–
Income tax expense for the financial year	1,374,214	1,260,314	244,802	262,608

31. EARNINGS/(LOSS) PER SHARE (SEN)

(a) Basic

Basic earnings/(loss) per share is calculated by dividing the profit/(loss) for the financial year attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares in issue during the financial year.

	THE GROUP	
	2012	**2011**
Profit/(Loss) attributable to owners of the Company (RM)	2,148,274	(11,714,151)
Total weighted average number of ordinary shares in issue	476,449,603	439,476,003
Basic earnings/(loss) per share (Sen)	0.45	(2.67)

(b) Diluted

The diluted earnings/(loss) per share was not applicable as there were no dilutive potential ordinary shares outstanding at the end of the reporting period.

Notes to the Financial Statements

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32. DISPOSAL OF SUBSIDIARIES

During the financial year, the Group disposed of its equity interests in RMM, RS and RM as follows:-

(a) REDtone Multimedia Sdn Bhd ("RMM")

On 20 April 2012, the Group entered into a Share Sale Agreement and Shareholders Agreement with a third party for the divestment of 80 ordinary shares of RM1.00 each, representing 80% of the total paid-up capital of its wholly owned subsidiary, RMM, for a total cash consideration of RM1.00 ("Divestment").

Upon completion of the Divestment, RMM and its subsidiaries will be associates of the Group.

(b) REDtone Software Sdn Bhd ("RS")

On 10 January 2012, the Group disposed of its wholly-owned subsidiary, RS, to a third party for a total cash consideration of RM3.

Upon completion of the aforesaid disposal on 12 January 2012, RS ceased to be a subsidiary of the Group.

(c) REDtone Mobile Sdn Bhd ("RMSB")

On 30 December 2011, RTT entered into a Share Sale Agreement and Shareholders Agreement with a third party ("Purchasers") for the divestment of 202,500 ordinary shares of RM1 each, representing a 40.5% of the paid-up capital for a total cash consideration of RM1.00.

Consequent to the completion of the divestment, the issued and paid-up share capital shall be increased to RM850,000 of RM1 each and the Purchasers shall subscribe for 350,0000 ordinary shares of RM1 each in equal proportions. Total cash consideration for the subscription of shares amounted to RM350,000. As a result, RTT diluted its equity interest in RMSB from 59.5% to 35%.

Upon completion of the aforesaid exercise on 20 January 2012, RMSB became an associate of the Group.

The fair values of the identifiable assets and liabilities of the abovementioned subsidiaries as at the date of disposal were:-

	AT DATE OF DISPOSAL	
	CARRYING AMOUNT RM	FAIR VALUE RECOGNISED RM
Non-current assets	8,607,771	8,607,771
Current assets	24,574,662	24,574,662
Current liabilities	(44,062,145)	(44,062,145)
Fair value of net liabilities disposed	(10,879,712)	(10,879,712)
Gain on disposal of subsidiaries		10,879,717
Less: Cash and cash equivalents of subsidiaries disposed		(107,926)
Net cash outflow for disposal of subsidiaries		(107,921)

Notes to the Financial Statements
For the financial year ended 31 May 2012

32. DISPOSAL OF SUBSIDIARIES (CONT'D)

The effects of the disposal of the subsidiaries on the financial results of the Group for the financial year are as follows:-

	THE GROUP 2012 RM
Revenue	2,816,168
Profit after taxation	1,576,283

33. PURCHASE OF PROPERTY, PLANT AND EQUIPMENT

	THE GROUP	
	2012 RM	2011 RM
Cash of property, plant and equipment purchased	7,271,475	5,058,673
Amount financed through finance lease	(514,197)	–
Cash disbursed for purchase of property, plant and equipment	6,757,278	5,058,673

34. CASH AND CASH EQUIVALENTS

For the purpose of the statements of cash flows, cash and cash equivalents comprise the following:-

	THE GROUP		THE COMPANY	
	2012 RM	2011 RM	2012 RM	2011 RM
Deposits with licensed banks	17,524,058	10,040,831	–	–
Cash and bank balances	4,065,764	17,886,076	255,996	3,653,532
Bank overdraft	(2,441,485)	(3,222,504)	–	–
	19,148,337	24,704,403	255,996	3,653,532

35. DIRECTORS' REMUNERATION

(a) The aggregate amounts of emoluments received and receivable by directors of the Group and the Company during the financial year are as follows:-

	THE GROUP		THE COMPANY	
	2012 RM	2011 RM	2012 RM	2011 RM
Executive directors:				
- non-fee emoluments	1,128,684	987,198	–	–
Non-executive directors:				
- fee	353,917	282,000	353,917	282,000
	1,482,601	1,269,198	353,917	282,000

Notes to the Financial Statements
For the financial year ended 31 May 2012

35. DIRECTORS' REMUNERATION (CONT'D)

(b) Details of directors' emoluments of the Company received/receivable for the financial year in bands of RM50,000 are as follows:-

	THE COMPANY 2012	THE COMPANY 2011
Executive directors:-		
RM100,001 – RM150,000	1	–
RM150,001 – RM200,000	1	–
RM250,001 – RM300,000	–	2
Above RM300,000	2	1
Non-executive directors:-		
Below RM50,000	4	3
Above RM50,000	2	1
	10	7

36. RELATED PARTY DISCLOSURES

(a) Identities of related parties

The Group has related party relationships with its directors, key management personnel and entities within the same group of companies.

(b) In addition to the information detailed elsewhere in the financial statements, the Group and the Company carried out the following significant transactions with the related parties during the financial year:-

	THE GROUP 2012 RM	THE GROUP 2011 RM	THE COMPANY 2012 RM	THE COMPANY 2011 RM
Dividend from subsidiaries	–	–	–	2,786,467
Key managementpersonnel compensation:				
- short-term employee benefits	2,190,746	1,975,477	353,917	282,000

37. OPERATING SEGMENTS

Operating segments are prepared in a manner consistent with the internal reporting provided to the Group Executive Committee as its chief operating decision maker in order to allocate resources to segments and to assess their performance. For management purposes, the Group is organised into business units based on their products and services provided.

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

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

Notes to the Financial Statements
For the financial year ended 31 May 2012

37. OPERATING SEGMENTS (CONT'D)

GEOGRAPHICAL INFORMATION

2012	MALAYSIA RM	THE REPUBLIC OF SINGAPORE RM	THE PEOPLE'S REPUBLIC OF CHINA RM	GROUP RM
Revenue				
External revenue	80,802,043	13,466	26,160,421	106,975,930
Inter-segment revenue	17,556,712	–	–	17,556,712
	98,358,755	13,466	26,160,421	124,532,642
Adjustments and eliminations				(17,556,712)
Consolidated revenue				106,975,930
Interest income	276,576	–	484,468	761,044
Other material items of income	11,076,192	–	191,593	11,267,785
Depreciation of property, plant and equipment	(4,135,864)	(450)	(1,194,859)	(5,331,173)
Other material items of expenses	(78,597,345)	(132,956)	(23,521,715)	(102,252,016)
Other non-cash expenses	(6,354,318)	(6,372)	(483,212)	(6,843,902)
				4,577,668
Finance costs				(1,343,567)
Income tax expense				(1,374,214)
Consolidated profit after taxation				1,859,887
Assets				
Segment assets	83,091,748	55,891	33,280,116	116,427,755
Investment in associates				20,235,161
Deferred tax assets				3,943,366
Consolidated total assets				140,606,282
Liabilities				
Segment liabilities	41,460,130	213,855	10,907,389	52,581,374
Deferred taxation				106,291
Consolidated total liabilities				52,687,665
Other segment items				
Additions to non-current assets other than financial instruments:-				
- investment in associates - quasi loan	3,733,177	–	–	3,733,177
- property, plant and equipment	7,228,138	–	43,337	7,271,475
- development costs	1,005,208	–	–	1,005,208
Amortisation of development costs	2,617,078	–	377,766	2,994,844

Notes to the Financial Statements
For the financial year ended 31 May 2012

37. OPERATING SEGMENTS (CONT'D)

GEOGRAPHICAL INFORMATION (CONT'D)

2011	MALAYSIA RM	THE REPUBLIC OF SINGAPORE RM	THE PEOPLE'S REPUBLIC OF CHINA RM	GROUP RM
Revenue				
External revenue	73,239,933	63,614	16,269,688	89,573,235
Inter-segment revenue	21,258,027	–	–	21,258,027
	94,497,960	63,614	16,269,688	110,831,262
Adjustments and eliminations				(21,258,027)
Consolidated revenue				89,573,235
Interest income	461,528	–	313,911	775,439
Other material items of income	3,362,407	–	797,019	4,159,426
Depreciation of property, plant and equipment	(3,780,529)	(486)	(712,669)	(4,493,684)
Other material items of expenses	(79,007,683)	(6,814)	(12,021,721)	(91,036,218)
Other non-cash expenses	(6,931,892)	(2,444)	(1,606,287)	(8,540,623)
				(9,562,425)
Finance costs				(1,437,629)
Income tax expense				(1,260,314)
Consolidated loss after taxation				(12,260,368)
Assets				
Segment assets	76,702,520	100,464	36,592,080	113,395,064
Investment in associates				16,501,984
Deferred tax assets				4,667,592
Consolidated total assets				134,564,640
Liabilities				
Segment liabilities	41,650,548	204,082	11,150,009	53,004,639
Deferred taxation				147,470
Consolidated total liabilities				53,152,109
Other segment items				
Additions to non-current assets other than financial instruments:				
- investment in associates - quasi loan	16,501,984	–	–	16,501,984
- property, plant and equipment	3,379,798	–	1,678,875	5,058,673
- development costs	3,294,128	–	92,813	3,386,941
Amortisation of development costs	3,169,450	–	366,461	3,535,911

Notes to the Financial Statements
For the financial year ended 31 May 2012

38. CAPITAL COMMITMENTS

	THE GROUP 2012 RM	THE GROUP 2011 RM
Approved and contracted for:-		
Purchase of property, plant and equipment	4,086,590	5,878,178

39. OPERATING LEASE COMMITMENTS

The future minimum lease payments under the non-cancellable operating leases are as follows:-

	THE GROUP 2012 RM	THE GROUP 2011 RM
Not more than one year	320,751	284,543
Later than one year and not later than five years	70,717	175,087
	391,468	459,630

40. CONTINGENT LIABILITY

	THE GROUP 2012 RM	THE GROUP 2011 RM
Corporate guarantees given by a subsidiary to third parties	2,003,111	4,625,896

41. FINANCIAL INSTRUMENTS

The Group's activities are exposed to a variety of market risks (including foreign currency risk, interest rate risk and equity price risk), credit risk and liquidity risk. The Group's overall financial risk management policy focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(a) Financial Risk Management Policies

The Group's policies in respect of the major areas of treasury activity are as follows:-

(i) Market Risk

(i) Foreign Currency Risk

The Group is exposed to foreign currency risk on transactions and balances that are denominated in currencies other than Ringgit Malaysia. The currencies giving rise to this risk are primarily United States Dollar and Chinese Renminbi. Foreign currency risk is monitored closely on an ongoing basis to ensure that the net exposure is at an acceptable level.

Notes to the Financial Statements

For the financial year ended 31 May 2012

41. FINANCIAL INSTRUMENTS (CONT'D)

(a) Financial Risk Management Policies (Cont'd)

(i) Market Risk (Cont'd)

(i) Foreign Currency Risk (Cont'd)

The Group's exposure to foreign currency is as follows:-

THE GROUP	UNITED STATES DOLLAR RM	HONG KONG DOLLAR RM	SINGAPORE DOLLAR RM	THAI BAHT RM	STERLING POUND RM	CHINESE RENMINBI RM	RINGGIT MALAYSIA RM	TOTAL RM
2012								
Financial assets								
Other investments	–	–	–	–	–	998,837	50,000	1,048,837
Trade receivables	1,030,568	–	-	5,639	–	1,826,397	10,425,172	13,287,776
Other receivables and deposits	3,052,324	279,639	15,180	14,784	–	927,030	20,929,512	25,218,469
Deposits with licensed banks	–	–	–	–	–	8,387,714	9,136,344	17,524,058
Cash and bank balances	59,009	37,045	41,129	–	108,921	2,577,746	1,241,914	4,065,764
	4,141,901	316,684	56,309	20,423	108,921	14,717,724	41,782,942	61,144,904
Financial liabilities								
Finance lease payables	–	–	–	–	–	–	831,180	831,180
Hire purchase payables	–	–	–	–	–	–	69,117	69,117
Term loans	–	–	–	–	–	–	2,009,176	2,009,176
Trade payables	3,300,676	1,383	68,783	688	–	2,197,147	11,593,827	17,162,504
Other payables and accruals	613,432	186,752	20,665	–	–	1,477,917	14,981,093	17,279,859
Bank overdraft	–	–	–	–	–	–	2,441,485	2,441,485
	3,914,108	188,135	89,448	688	–	3,675,064	31,925,878	39,793,321
Net financial assets/ (liabilities)	227,793	128,549	(33,139)	19,735	108,921	11,042,660	9,857,064	21,351,583
Less: Net financial (assets)/liabilities denominated in the respectiveentities' functional currencies	(227,793)	(128,549)	33,139	–	(108,921)	(11,042,660)	(9,857,064)	(21,331,848)
Currency exposure	–	–	–	19,735	–	–	–	19,735

Notes to the Financial Statements
For the financial year ended 31 May 2012

41. FINANCIAL INSTRUMENTS (CONT'D)

(a) Financial Risk Management Policies (Cont'd)

(i) Market Risk (Cont'd)

(i) Foreign Currency Risk (Cont'd)

The Group's exposure to foreign currency is as follows:-

THE GROUP	UNITED STATES DOLLAR RM	HONG KONG DOLLAR RM	SINGAPORE DOLLAR RM	THAI BAHT RM	STERLING POUND RM	CHINESE RENMINBI RM	RINGGIT MALAYSIA RM	TOTAL RM
2011								
Financial assets								
Other investments	–	–	–	–	–	933,891	10,000	943,891
Trade receivables	2,069,972	5,442	–	–	5,701	1,944,538	10,170,875	14,196,528
Other receivables and deposits	2,501,735	184,756	12,646	13,069	–	1,018,120	2,686,060	6,416,386
Deposits with licensed banks	–	–	–	–	–	1,191,353	8,849,478	10,040,831
Cash and bank balances	14,602	60,973	27,419	–	–	12,588,836	5,194,246	17,886,076
	4,586,309	251,171	40,065	13,069	5,701	17,676,738	26,910,659	49,483,712
Financial liabilities								
Finance lease payables	–	–	–	–	–	–	2,530,745	2,530,745
Hire purchase payables	–	–	–	–	–	–	95,882	95,882
Term loans	–	–	–	–	–	–	1,974,298	1,974,298
Trade payables	2,892,833	81,088	93,049	–	–	2,763,262	10,662,427	16,492,659
Other payables and accruals	629,898	258,568	13,499	–	–	955,523	13,694,378	15,551,866
Bank overdraft	–	–	–	–	–	–	3,222,504	3,222,504
	3,522,731	339,656	106,548	–	–	3,718,785	32,180,234	39,867,954
Net financial assets/ (liabilities)	1,063,578	(88,485)	(66,483)	13,069	5,701	13,957,953	(5,269,575)	9,615,758
Less: Net financial (assets)/liabilities denominated in the respective entities' functional currencies	(65,313)	–	271	–	–	(13,957,953)	5,269,575	(8,753,420)
Currency exposure	998,265	(88,485)	(66,212)	13,069	5,701	–	–	862,338

Notes to the Financial Statements
For the financial year ended 31 May 2012

41. FINANCIAL INSTRUMENTS (CONT'D)

(a) Financial Risk Management Policies (Cont'd)

(i) Market Risk (Cont'd)

(i) Foreign Currency Risk (Cont'd)

Foreign currency risk sensitivity analysis

A 5% strengthening or weakening would have had immaterial effect on the profit after taxation and equity of the Group. This assumes that all other variables remain constant.

(ii) Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to interest rate risk arises mainly from interest-bearing financial assets and liabilities. The Group's policy is to obtain the most favourable interest rates available. Any surplus funds of the Group will be placed with licensed financial institutions to generate interest income.

Information relating to the Group's exposure to the interest rate risk of the financial liabilities is disclosed in Note 41(a)(iii) to the financial statements.

Interest rate risk sensitivity analysis

The following table details the sensitivity analysis to a reasonably possible change in the interest rates as at the end of the reporting period, with all other variables held constant:-

	THE GROUP	
	2012 (Decrease)/ Increase RM	2011 (Decrease)/ Increase RM
Effects on profit/(loss) after taxation		
Increase of 100 basis points (bp)	(24,415)	32,225
Decrease of 100 bp	24,415	(32,225)
Effects on equity		
Increase of 100 bp	(24,415)	(32,225)
Decrease of 100 bp	24,415	32,225

(iii) Equity Price Risk

The Group does not have any quoted investments and hence, it is not exposed to equity price risk.

(ii) Credit Risk

The Group's exposure to credit risk, or the risk of counterparties defaulting, arises mainly from trade and other receivables. The Group manages its exposure to credit risk by the application of credit approvals, credit limits and monitoring procedures on an ongoing basis. For other financial assets (including quoted investments, cash and bank balances and derivatives), the Group minimises credit risk by dealing exclusively with high credit rating counterparties.

Notes to the Financial Statements
For the financial year ended 31 May 2012

41. FINANCIAL INSTRUMENTS (CONT'D)

(a) Financial Risk Management Policies (Cont'd)

(ii) Credit Risk (Cont'd)

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of the trade and other receivables as appropriate. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified. Impairment is estimated by management based on prior experience and the current economic environment.

Credit risk concentration profile

The Group does not have any major concentration of credit risk related to any individual customer or counterparty.

Exposure to credit risk

As the Group does not hold any collateral, the maximum exposure to credit risk is represented by the carrying amount of the financial assets as at the end of the reporting period.

The exposure of credit risk for trade receivables by geographical region is as follows:-

	THE GROUP	
	2012 RM	**2011 RM**
China	1,826,397	1,944,538
Singapore	–	5,440
Malaysia	11,461,379	12,246,550
	13,287,776	14,196,528

Ageing analysis

The ageing analysis of the Group's trade receivables is as follows:-

THE GROUP	**GROSS AMOUNT RM**	**INDIVIDUAL IMPAIRMENT RM**	**COLLECTIVE IMPAIRMENT RM**	**CARRYING VALUE RM**
2012				
Not past due	5,017,662	–	–	5,017,662
Past due:-				
- less than 3 months	5,357,468	–	–	5,357,468
- 3 to 6 months	751,775	–	–	751,775
- over 6 months	5,895,522	(3,314,223)	(420,428)	2,160,871
	17,022,427	(3,314,223)	(420,428)	13,287,776

Notes to the Financial Statements
For the financial year ended 31 May 2012

41. FINANCIAL INSTRUMENTS (CONT'D)

(a) Financial Risk Management Policies (Cont'd)

(ii) Credit Risk (Cont'd)

Ageing analysis (Cont'd)

THE GROUP	GROSS AMOUNT RM	INDIVIDUAL IMPAIRMENT RM	CARRYING VALUE RM
2011			
Not past due	7,132,496	–	7,132,496
Past due:-			
- less than 3 months	4,080,547	–	4,080,547
- 3 to 6 months	858,196	–	858,196
- over 6 months	5,377,531	(3,252,242)	2,125,289
	17,448,770	(3,252,242)	14,196,528

At the end of the reporting period, trade receivables that are individually impaired were those in significant financial difficulties and have defaulted on payments. These receivables are not secured by any collateral or credit enhancement.

The collective impairment allowance is determined based on estimated irrecoverable amounts from the sale of goods, determined by reference to past default experience.

Trade receivables that are past due but not impaired

The Group believes that no impairment allowance is necessary in respect of these trade receivables. They are substantially companies with good collection track record and no recent history of default.

Trade receivables that are neither past due nor impaired

A significant portion of trade receivables that are neither past due nor impaired are regular customers that have been transacting with the Group. The Groups uses ageing analysis to monitor the credit quality of the trade receivables. Any receivables having significant balances past due, which are deemed to have higher credit risk, are monitored individually.

(iii) Liquidity Risk

Liquidity risk arises mainly from general funding and business activities. The Group practises prudent risk management by maintaining sufficient cash balances and the availability of funding through certain committed credit facilities.

Notes to the Financial Statements
For the financial year ended 31 May 2012

41. FINANCIAL INSTRUMENTS (CONT'D)

(a) Financial Risk Management Policies (Cont'd)

(iii) Liquidity Risk (Cont'd)

The following table sets out the maturity profile of the financial liabilities as at the end of the reporting period based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on the rates at the end of the reporting period):-

THE GROUP	WEIGHTED AVERAGE EFFECTIVE RATE %	CARRYING AMOUNT RM	CONTRACTUAL UNDISCOUNTED CASH FLOWS RM	WITHIN 1 YEAR RM	1 – 5 YEARS RM	OVER 5 YEARS RM
2012						
Finance lease payables	3.9	831,180	969,571	486,954	482,617	–
Hire purchase payables	3.0	69,117	79,515	30,780	48,725	–
Term loans	3.9	2,009,176	2,689,464	157,008	628,032	1,904,424
Trade payables	–	17,162,504	17,162,504	17,162,504	–	–
Other payables and accruals	–	17,279,859	17,279,859	17,279,859	–	–
Bank overdraft	7.1	2,441,485	2,441,485	2,441,485	–	–
		39,793,321	40,622,398	37,558,590	1,159,384	1,904,424
2011						
Finance lease payables	3.9	2,530,745	2,853,375	2,212,203	641,172	–
Hire purchase payables	3.0	95,882	110,295	30,780	79,515	–
Term loans	3.9	1,974,298	2,846,472	157,008	628,032	2,061,432
Trade payables	–	16,492,659	16,492,659	16,492,659	–	–
Other payables and accruals	–	15,551,866	15,551,866	15,551,866	–	–
Bank overdraft	7.1	3,222,504	3,222,504	3,222,504	–	–
		39,867,954	41,077,171	37,667,020	1,348,719	2,061,432
THE COMPANY						
2012						
Other payables and accruals	–	47,825,243	47,825,243	47,825,243	–	–
2011						
Other payables and accruals	–	50,823,612	50,823,612	50,823,612	–	–

Notes to the Financial Statements
For the financial year ended 31 May 2012

41. FINANCIAL INSTRUMENTS (CONT'D)

(b) Capital Risk Management

The Group manages its capital to ensure that entities within the Group will be able to maintain an optimal capital structure so as to support their businesses and maximise shareholders' value. To achieve this objective, the Group may make adjustments to the capital structure in view of changes in economic conditions, such as adjusting the amount of dividend payment, returning of capital to shareholders or issuing new shares.

The Group manages its capital based on debt-to-equity ratio. The Group's strategies were unchanged from the previous financial year. The debt-to-equity ratio is calculated as net debt divided by total equity. Net debt is calculated as borrowings plus trade and other payables less cash and cash equivalents.

The debt-to-equity ratio of the Group as at the end of the reporting period was as follows:-

	THE GROUP	
	2012	**2011**
	RM	**RM**
Hire purchase payables	69,117	95,882
Finance lease payables	831,180	2,530,745
Term loans	2,009,176	1,974,298
Trade payables	17,162,504	16,492,659
Other payables and accruals	17,279,859	15,551,866
Bank overdraft	2,441,485	3,222,504
	39,793,321	39,867,954
Less: Deposits with licensed banks	(17,524,058)	(10,040,831)
Less: Cash and bank balances	(4,065,764)	(17,886,076)
Net debt	18,203,499	11,941,047
Total equity	87,918,617	81,412,531
Debt-to-equity ratio	0.207	0.147

Under the requirement of Bursa Malaysia Guidance Note No. 3/2006, the Company is required to maintain its shareholders' equity equal to or not less than the 25% of the issued and paid-up share capital (excluding treasury shares) of the Company. The Company has complied with this requirement.

Notes to the Financial Statements
For the financial year ended 31 May 2012

41. FINANCIAL INSTRUMENTS (CONT'D)

(c) Classification Of Financial Instruments

	THE GROUP 2012 RM	THE GROUP 2011 RM	THE COMPANY 2012 RM	THE COMPANY 2011 RM
Financial assets				
Available-for-sale financial assets				
Other investments	1,048,837	943,891	–	–
Loans and receivables financial assets				
Trade receivables	13,287,776	14,196,528	–	–
Other receivables and deposits	25,218,469	6,416,386	44,876,909	52,787,560
Deposits with licensed banks	17,524,058	10,040,831	–	–
Cash and bank balances	4,065,764	17,886,076	255,996	3,653,532
	60,096,067	48,539,821	45,132,905	56,441,092
Financial liabilities				
Other financial liabilities				
Finance lease payables	831,180	2,530,745	–	–
Hire purchase payables	69,117	95,882	–	–
Term loans	2,009,176	1,974,298	–	–
Trade payables	17,162,504	16,492,659	–	–
Other payables and accruals	17,279,859	15,551,866	47,825,243	50,823,612
Bank overdraft	2,441,485	3,222,504	–	–
	39,793,321	39,867,954	47,825,243	50,823,612

(d) Fair Values Of Financial Instruments

The carrying amounts of the financial assets and financial liabilities reported in the financial statements approximated their fair values except for the following:-

	2012 CARRYING AMOUNT RM	2012 FAIR VALUE RM	2011 CARRYING AMOUNT RM	2011 FAIR VALUE RM
THE GROUP				
Other investments - unquoted shares	50,000	*	10,000	*

* *The fair value cannot be reliably measured using valuation techniques due to the lack of marketability of the shares.*

Notes to the Financial Statements
For the financial year ended 31 May 2012

41. FINANCIAL INSTRUMENTS (CONT'D)

(d) Fair Values Of Financial Instruments (Cont'd)

The following summarises the methods used to determine the fair values of the financial instruments:-

(i) The financial assets and financial liabilities maturing within the next 12 months approximated their fair values due to the relatively short-term maturity of the financial instruments.

(ii) The fair values of the finance lease payables and hire purchase payables are determined by discounting the relevant cash flows using current interest rates for similar instruments as at the end of the reporting period.

(iii) The carrying amounts of the term loans approximated their fair values as these instruments bear interest at variable rates.

(e) Fair Value Hierarchy

As at 31 May 2012, there were no financial instruments carried at fair values.

42. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

The significant events during the financial year are as follows:-

a) On 3 January 2012, the Company announced that its wholly-owned subsidiary, RTT had divested 65% of its shareholding in RMSB to a third party.

b) On 10 January 2012, the Group disposed of its wholly-owned subsidiary, RS, to a third party for a total cash consideration of RM3. Upon completion of the aforesaid disposal on 12 January 2012, RS ceased to be a subsidiary of the Group.

c) On 14 March 2012, the Company announced that its wholly-owned subsidiary, REDtone Marketing Sdn Bhd ("RMK") had entered into a High Speed Broadband Collaboration ("HSBB") Agreement with Telekom Malaysia ("TM"). Under the agreement, TM will be providing the HSBB (Access) and HSBB (Transmission) services to RMK whereby RMK will have access to all 1.3 million premises covered by the HSBB services nationwide. The HSBB access will provide RMK the opportunity to widen its services to the small and medium enterprise (SME) segment.

d) On 20 April 2012, the Company announced that it had entered into a Share Sale Agreement and Shareholders Agreement with Swift Bell Consolidated Sdn. Bhd. ("SBCSB") for the divestment of 80 ordinary shares of RM1.00 each, representing 80% of the total paid-up capital of its wholly owned subsidiary, REDtone Multimedia Sdn. Bhd. ("RMM"), to SBCSB for a total cash consideration of RM1.00.

Notes to the Financial Statements

For the financial year ended 31 May 2012

43. SIGNIFICANT EVENTS OCCURRING AFTER THE REPORTING PERIOD

The significant events occurring after the reporting period are as follows:-

a) On 7 June 2012, the Company entered into a Share Sales Agreement with CCSB Consulting Sdn. Bhd. ("CCSB") for the divestment of 20 ordinary shares of RM1.00 each, representing 20% of the total paid-up capital of its associate, RMM to CCSB for a total cash consideration of RM1.

b) On 12 June 2012, the Company announced that its wholly owned subsidiary, RTT and Mobile Money International Sdn Bhd ("Mobile Money") had executed a Supplemental Letter of Agreement ("SAA") to revise the terms of the consideration payable by Mobile Money to RTT, for the assignment by RTT of its intellectual property rights, in respect of the Licensed Software as stated in the assignment agreement dated 28 March 2006. The SAA is conditional upon a resolution being passed by the shareholders.

c) On 13 July 2012, the Company announced that its wholly owned subsidiary, RMK had entered into a Network Sharing and Alliance Agreement with Maxis Broadband Sdn Bhd ("Maxis") in relation to infrastructure sharing and alliance on the 2600Mhz spectrum ("LTE Spectrum"). This alliance is in line with the Government's call to maximise the usage of scarce spectrum resource by combining the respective block of LTE Spectrum to roll out the fastest mobile broadband service using the latest LTE technology. Maxis will also provide to RMK certain mobile telecommunication service traffic capacity on a wholesale basis.

44. SUPPLEMENTARY INFORMATION – DISCLOSURE OF REALISED AND UNREALISED PROFITS/(LOSSES)

The breakdown of the retained profits/(accumulated losses) of the Group and of the Company as at the end of the reporting period into realised and unrealised profits/(losses) are presented in accordance with the directive issued by Bursa Malaysia Securities Berhad and prepared in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants, as follows:-

	THE GROUP		THE COMPANY	
	2012 RM	2011 RM	2012 RM	2011 RM
Total retained profits/(accumulated losses):				
- realised	59,855,398	38,291,314	(10,779,056)	(1,929,382)
- unrealised	(3,860,633)	589,401	–	–
	55,994,765	38,880,715	(10,779,056)	(1,929,382)
Total share of accumulated losses of associates:				
- realised	(1,256,315)	(1,077,794)	–	–
	54,738,450	37,802,921	(10,779,056)	(1,929,382)
Less: Consolidation adjustments	(63,585,652)	(48,798,397)	–	–
	(8,847,202)	(10,995,476)	(10,779,056)	(1,929,382)

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 2012	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/ Vacant	N/A/ 89.37 square meters	Leasehold 99 years expiring on 22.11.2094	13	RM 115,060.38	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/ Vacant	N/A/ 93.92 square meters	Leasehold 99 years expiring on 22.11.2094	13	RM 120,920.93	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/ Vacant	N/A/ 113.90 square meters	Leasehold 99 years expiring on 22.11.2094	13	RM 146,639.30	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/ Vacant	N/A/ 116.78 square meters	Leasehold 99 years expiring on 22.11.2094	13	RM 149,029.40	N/A/ 10 Feb 1999
RTC/ Unit No: 26 Storey: 2nd, Pusat Perdagangan IOI Bandar Puchong Jaya, Puchong, Selangor Darul Ehsan	Office/ Occupied	N/A/ 136.29 square meters	Freehold	14	RM 296,457.12	N/A/ 1 Mar 2005
RTC/ Unit No: 27 Storey: 2nd, Pusat Perdagangan IOI Bandar Puchong Jaya, Puchong, Selangor Darul Ehsan	Office/ Occupied	N/A/ 321.63 square meters	Freehold	14	RM 870,000	30 April 2009/ 1 Mar 2005

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 2012	Date of Valuation/ Effective Year of Purchase
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	14	RM 1,209,345.67	N/A/ 16 Feb 2009
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	14	RM 228,139.08	N/A/ 28 Mar 2005
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	14	RM 287,010	N/A/ 21 Jun 2005
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	14	RM 2,037,619.50	N/A/ 29 Mar 2004
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	14	RM 287,721.83	N/A/ 7 July 2005

Analysis of Shareholdings

As at 9 October 2012

Authorised share capital	:	RM100,000,000.00
Issued and paid-up share capital	:	RM 47,662,672.50 (excluding 1,704,900 Treasury Shares of RM0.10 each)
Class of Shares	:	Ordinary shares of RM0.10 each
Voting rights	:	One (1) vote per ordinary share

Size of shareholdings	No. of Shareholders	% of Total Shareholders	No. of Shares Held	% of Issued Capital
1 – 99 shares	148	3.200	6,608	0.001
100 – 1,000 shares	159	3.438	83,303	0.017
1,001 – 10,000 shares	2,171	46.950	11,591,084	2.431
10,001 – 100,000 shares	1,842	39.835	63,454,880	13.313
100,001 – 23,831,335 shares	301	6.509	220,690,850	46.302
23,831,336 and above of shares	3	0.064	180,800,000	37.933
TOTAL	4,624	100.000	476,626,725#	100.000

excluded 1,704,900 shares bought back and retained as treasury shares

THIRTY (30) LARGEST SHAREHOLDERS
(without aggregating securities from different securities accounts belonging to the same person)

No.	Name	No. of Shares Held	% of Issued Capital
1	INTER-PACIFIC EQUITY NOMINEES (TEMPATAN) SDN BHD INTER-PACIFIC MANAGEMENT SDN BHD FOR INDAH PUSAKA SDN BHD	93,602,291	19.638
2	INTER-PACIFIC EQUITY NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR INDAH PUSAKA SDN BHD	49,397,709	10.364
3	OSK NOMINEES (TEMPATAN) SDN BERHAD PLEDGED SECURITIES ACCOUNT FOR WARISAN JUTAMAS SDN. BHD.	37,800,000	7.930
4	SELAT MAKMUR SDN BHD	19,200,000	4.028
5	BERJAYA SOMPO INSURANCE BERHAD	19,175,800	4.023
6	INTER-PACIFIC EQUITY NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR ARSAM BIN DAMIS	14,750,000	3.094
7	INDAH PUSAKA SDN BHD	13,300,000	2.790
8	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR WEI CHUAN BENG	6,791,400	1.424
9	HSBC NOMINEES (ASING) SDN BHD EXEMPT AN FOR THE BANK OF NEW YORK MELLON SA/NV	6,500,000	1.363
10	CIMSEC NOMINEES (ASING) SDN BHD BANK OF SINGAPORE LTD FOR GLOBAL HEIGHTS GROUP LTD	6,100,000	1.279
11	MAYBANK NOMINEES (TEMPATAN) SDN BHD WEI CHUAN BENG	5,200,000	1.091

Analysis of Shareholdings
As at 9 October 2012

THIRTY (30) LARGEST SHAREHOLDERS (CONT'D)
(without aggregating securities from different securities accounts belonging to the same person)

No.	Name	No. of Shares Held	% of Issued Capital
12	BERJAYA PHILIPPINES INC.	4,400,000	0.923
13	INTER-PACIFIC EQUITY NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR CHAN CHIN YEOW	4,378,900	0.918
14	INTER-PACIFIC EQUITY NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR WEI CHUAN BENG	3,965,076	0.831
15	JUARA SEJATI SDN BHD	3,825,000	0.802
16	UOBM NOMINEES (ASING) SDN BHD EXEMPT AN FOR SOCIETE GENERALE BANK & TRUST, SINGAPORE BRANCH	3,817,700	0.800
17	MAYBANK SECURITIES NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LIM PAIK HONG	3,675,600	0.771
18	TIEW MING CHING	3,272,341	0.686
19	LOY TEIK NGAN	3,100,000	0.650
20	CIMB GROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR PRIME CREDIT LEASING SDN BHD	3,000,000	0.629
21	KENANGA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR PHANG MIOW SIN	2,999,200	0.629
22	HSBC NOMINEES (ASING) SDN BHD EXEMPT AN FOR CREDIT SUISSE	2,929,770	0.614
23	INTER-PACIFIC EQUITY NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR FABULOUS CHANNEL SDN BHD	2,500,000	0.524
24	CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB BANK FOR PHANG MIOW SIN	2,185,000	0.458
25	LEE ENG HOCK & CO. SENDIRIAN BERHAD	2,100,000	0.440
26	YONG CHAI LEE	2,000,000	0.419
27	LIM KIAN WAT	1,767,800	0.370
28	MAYBANK NOMINEES (TEMPATAN) SDN BHD MOHD ARIFFIN BIN ZAINOL	1,700,000	0.356
29	PETER YEOW HENG HO	1,652,000	0.346
30	SYED ALWI BIN SYED ABBAS AL-HABSHEE	1,527,000	0.320

Analysis of Shareholdings

As at 9 October 2012

SUBSTANTIAL SHAREHOLDERS

		No. of Shares Held			
No	**Name**	**Direct**	**%**	**Indirect**	**%**
1	INDAH PUSAKA SDN BHD	156,300,000	32.79	–	–
2	OSK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR WARISAN JUTAMAS SDN BHD	37,800,000	7.93	–	–
3	JUARA SEJATI SDN BHD	3,825,000	0.80	(1)45,775,800	9.60
4	TEMU JUARA SDN BHD	–	–	(2)156,300,000	32.79
5	DATUK WIRA SYED ALI BIN TAN SRI SYED ABBAS AL HABSHEE	–	–	(3)156,300,000	32.79
6	ZURAINAH BINTI MUSA			(3)156,300,000	32.79
7	MOHAMED SHAH BIN KADIR	–	–	(4)37,800,000	7.93
8	ABDUL KARIM BIN ABDUL KADIR	–	–	(4)37,800,000	7.93
9	BERJAYA GROUP BERHAD	–	–	(5)49,600,800	10.41
10	BERJAYA CORPORATION BERHAD	–	–	(6)49,600,800	10.41
11	TAN SRI DATO' SERI VINCENT TAN CHEE YIOUN	–	–	(7)49,600,800	10.41

Notes:

1 *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 and intermediate holding company of Berjaya Philippines Inc.*

2 *Deemed interested by virtue of its interest in Indah Pusaka Sdn Bhd pursuant to Section 6A of the Companies Act 1965.*

3 *Deemed interested by virtue of their interest in Indah Pusaka Sdn Bhd via Tema Juara Sdn Bhd and pursuant to Section 6A of the Companies Act 1965.*

4 *Deemed interested by virtue of their interest in Warisan Jutamas Sdn Bhd pursuant to Section 6A of the Companies Act, 1965.*

5 *Deemed interested by virtue of its (1) interest in Juara Sejati Sdn Bhd, Berjaya Sompo Insurance Berhad and Prime Credit Leasing Sdn Bhd (2) deemed interest in Berjaya Land Berhad, the holding company of Selat Makmur Sdn Bhd and intermediate holding company of Berjaya Philippines Inc.*

6 *Deemed interested by virtue of its interest in Berjaya Group Berhad.*

7 *Deemed interested by virtue of their interests in Berjaya Corporation Berhad.*

Analysis of 2.75% 10-Year Irredeemable Convertible Unsecured Loan Stocks 2010/2020 (ICULS) Holdings

As at 9 October 2012

Nominal Amount of ICULS	:	RM30,179,103.50
Conversion Price	:	RM0.25 per ordinary share of RM0.10 each
Conversion Period	:	4 March 2010 to 4 March 2020
Redeemability	:	Not redeemable for cash. All outstanding ICULS will be mandatorily converted into new ordinary shares of RM0.10 each on the Maturity Date at the Conversion Price
Coupon Rate	:	2.75% per annum calculated on the nominal value of the ICULS payable annually in arrears during the 10 years on the ICULS remaining outstanding. The last coupon payment shall be made on the Maturity Date.
ICULS converted during the year ended 31 May 2012	:	49,892,600

Size of ICULS holdings	No. of ICULS Holders	% of Total ICULS Holders	No. of ICULS	% of ICULS
1 – 99 ICULS	15	1.098	668	0.000
100 – 1,000 ICULS	33	2.415	15,982	0.006
1,001 – 10,000 ICULS	604	44.216	3,439,794	1.387
10,001 – 100,000 ICULS	611	44.729	19,510,450	7.867
100,001 – 12,399,888 of ICULS	97	7.101	52,411,600	21.133
12,399,889 and above of ICULS	6	0.439	172,619,291	69.605
TOTAL	1,366	100.00	247,997,785	100.00

THIRTY (30) LARGEST ICULS HOLDERS
(As per Record of Depositors)

No.	Name	No. of ICULS Held	% of ICULS
1	INDAH PUSAKA SDN BHD	42,791,200	17.254
2	WARISAN JUTAMAS SDN.BHD	37,800,000	15.242
3	INTER-PACIFIC EQUITY NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR INDAH PUSAKA SDN BHD	30,000,000	12.096
4	INTER-PACIFIC EQUITY NOMINEES (TEMPATAN) SDN BHD INTER-PACIFIC MANAGEMENT SDN BHD FOR INDAH PUSAKA SDN BHD	23,602,291	9.517
5	BERJAYA SOMPO INSURANCE BERHAD	19,225,800	7.752
6	SELAT MAKMUR SDN BHD	19,200,000	7.742
7	INTER-PACIFIC EQUITY NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR WEI CHUAN BENG	11,000,000	4.435
8	MAYBANK NOMINEES (TEMPATAN) SDN BHD WEI CHUAN BENG	10,000,000	4.032
9	JUARA SEJATI SDN BHD	3,825,000	1.542
10	CIMB GROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR PRIME CREDIT LEASING SDN BHD	3,000,000	1.209
11	LEE ENG HOCK & CO. SENDIRIAN BERHAD	2,900,000	1.169

Analysis of 2.75% 10-Year Irredeemable Convertible Unsecured Loan Stocks 2010/2020 (ICULS) Holdings

As at 9 October 2012

THIRTY (30) LARGEST ICULS HOLDERS (CONT'D)
(As per Record of Depositors)

No.	Name	No. of ICULS Held	% of ICULS
12	INTER-PACIFIC EQUITY NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR FABULOUS CHANNEL SDN BHD	1,500,000	0.604
13	HLIB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR CHAN BOON YONG	1,190,000	0.479
14	ON THIAM CHAI	833,500	0.336
15	LIM CHOONG KONG	750,000	0.302
16	WONG SIEW FOON	610,000	0.245
17	YEO KHEE HUAT	598,500	0.241
18	CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB BANK FOR WONG KING HU	536,000	0.216
19	HSBC NOMINEES (ASING) SDN BHD EXEMPT AN FOR CREDIT SUISSE	490,000	0.197
20	LAI KAM KHEONG	450,000	0.181
21	CIMSEC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR HO SENG YEE	362,600	0.146
22	CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB BANK FOR LIM EWE CHENG	345,000	0.139
23	BEK THIAM HONG	302,200	0.121
24	A.A. ANTHONY NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR T C HOLDINGS SDN BHD	300,000	0.120
25	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR JANICE LOW SU-LYN	300,000	0.120
26	CHEONG KAI KEE	300,000	0.120
27	INTER-PACIFIC EQUITY NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR ARSAM BIN DAMIS	300,000	0.120
28	K.B. LOH SDN BHD	300,000	0.120
29	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR WEI CHUAN BENG	283,000	0.114
30	RHB CAPITAL NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR HARCHARAN JIT KAUR A/P J SARWAN SINGH	265,000	0.106

Analysis of Warrant Holdings

As at 9 October 2012

No. of Warrant 2010/2015	:	162,442,534
Exercise Price	:	RM0.25 per ordinary share of RM0.10 each
Exercise Rights	:	Each Warrant entitles the holder to subscribe for one new ordinary share of RM0.10 each
Exercise Period	:	4 March 2010 to 4 March 2015
No. of Warrants exercised during the year ended 31 May 2012	:	Nil

Size of Warrant holdings	No. of Warrant Holders	% of Total Warrant Holders	No of Warrants	% of Warrants
1 – 99 Warrants	215	12.126	10,173	0.006
100 – 1,000 Warrants	93	5.245	58,900	0.036
1,001 – 10,000 Warrants	759	42.808	3,179,830	1.957
10,001 – 100,000 Warrants	544	30.682	21,642,620	13.323
100,001 – 8,122,125 Warrants	159	8.967	82,463,996	50.765
8,122,126 and above of Warrants	3	0.169	55,087,015	33.911
TOTAL	1,773	100.00	162,442,534	100.00

THIRTY (30) LARGEST WARRANT HOLDERS
(As per Record of Depositors)

No.	Name	No. of Warrants Held	% of Warrants
1	INTER-PACIFIC EQUITY NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR INDAH PUSAKA SDN BHD	20,000,000	12.312
2	INDAH PUSAKA SDN BHD	19,967,015	12.291
3	WARISAN JUTAMAS SDN.BHD	15,120,000	9.307
4	BERJAYA SOMPO INSURANCE BERHAD	7,690,320	4.734
5	SELAT MAKMUR SDN BHD	7,680,000	4.727
6	YAP TECK LONG	4,000,000	2.462
7	YAP KIM FATT	3,500,000	2.154
8	CHO KAM CHOONG	2,000,000	1.231
9	OOI SOW TECK @ OOI SOON TEIK	2,000,000	1.231
10	LEONG HON WAH	1,873,000	1.153
11	JUARA SEJATI SDN BHD	1,530,000	0.941
12	INTER-PACIFIC EQUITY NOMINEES (TEMPATAN) SDN BHD INTER-PACIFIC MANAGEMENT SDN BHD FOR INDAH PUSAKA SDN BHD	1,440,916	0.887
13	HSBC NOMINEES (ASING) SDN BHD EXEMPT AN FOR CREDIT SUISSE	1,340,620	0.825
14	LEE KIM SENG	1,290,000	0.794

Analysis of Warrant Holdings
As at 9 October 2012

THIRTY (30) LARGEST WARRANT HOLDERS (CONT'D)
(As per Record of Depositors)

No.	Name	No. of Warrants Held	% of Warrants
15	TAN YEE KONG	1,270,000	0.781
16	CIMB GROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR PRIME CREDIT LEASING SDN BHD	1,200,000	0.738
17	TAN YEE SENG	1,200,000	0.738
18	LEE ENG HOCK & CO. SENDIRIAN BERHAD	1,160,000	0.714
19	SJ SEC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR WONG CHEE XUNG	1,000,000	0.615
20	LIM KAM YOKE	985,000	0.606
21	CHEW MEE YAN	950,000	0.584
22	PHANG MIOW SIN	900,000	0.554
23	MAYBANK SECURITIES NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR SEOK SU FONG	874,000	0.538
24	CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB FOR ONG BOK LIM	836,000	0.514
25	CHO CHOOI LAN	823,000	0.506
26	SAW GUAT NGOH	820,000	0.504
27	PHAN CHOON LAN	740,000	0.455
28	LIM CHONG BENG	738,900	0.454
29	TAN EE HUNG	737,300	0.453
30	ADRIAN CHOO CHEE TEEM	690,000	0.424

REDtone

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 .... Tel No. ....
(FULL NAME IN BLOCK LETTERS & NRIC NO. & TELEPHONE 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 Tenth Annual General Meeting of the Company to be held at Langkawi Room, Bukit Jalil Golf & Country Resort, Jalan Jalil Perkasa 3, Bukit Jalil, 57000 Kuala Lumpur on Wednesday, **28 November 2012** at 2.30 p.m. and at any adjournment thereof:

RESOLUTION		FOR	AGAINST
1.	Statutory Financial Statements for the financial year ended 31 May 2012 together with the Reports of the Directors and Auditors thereon.		
2.	Payment of Directors' fees.		
3.	To re-elect Dato' Wei Chuan Beng as Director of the Company.		
4.	To re-elect Mathew Thomas A/L Vargis Mathews as Director of the Company.		
5.	To elect Dato' Mohd Zaini Bin Hassan as Director of the Company.		
6.	To re-appoint Messrs Crowe Horwath as Auditors.		
7.	To retain Mathew Thomas A/L Vargis Mathews as the Independent Non-Executive Director of the Company.		
8.	Authority to Issue Shares pursuant to Section 132D of the Companies Act, 1965.		
9.	Proposed Grant of Options to Datuk Wira Syed Ali Bin Tan Sri Syed Abbas Al Habshee.		
10.	Proposed Grant of Options to Dato' Ismail Bin Osman		
11.	Proposed Grant of Options to Dato' Mohd Zaini Bin Hassan		
12.	Proposed Share Buy-Back		

Please indicate with an "X" in the space provided whether you wish your votes to be cast for or against the resolution. Unless voting instructions are indicated in the space above, your proxy will vote or abstain from voting as he/she thinks fit.

Dated this .... day of 2012

CDS Account No.

No. of Shares held

....
Signature of member/Common Seal

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 it 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 Share Registrar of the Company at Level 17, 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) Where a Member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.

VII) For the purpose of determining a member who shall be entitled to attend the Tenth Annual General Meeting, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd, in accordance with Article 61 of the Company's Articles of Association and Section 34(1) of the Securities Industry (Central Depositories) Act, 1991 to issue a General Meeting Record of Depositor as at 20 November 2012. Only a depositor whose name appears therein shall be entitled to attend the said meeting or appoint a proxy to attend and/or vote on his stead.

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Share Registrar
REDtone International Berhad (596364-U)
Level 17, The Gardens North Tower
Mid Valley City
Lingkaran Syed Putra
59200 Kuala Lumpur

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REDtone International Berhad (596364-U)
Suites 22-30, 5th Floor, IOI Business Park, 47100 Puchong, Selangor, Malaysia. Tel: +603 8073 2288 Fax: +603 2773 9015

www.redtone.com Customer Care Toll Free: 1800 87 7790