REDtone

INTERNATIONAL BERHAD

(596364-U)

ANNUAL REPORT 2014

CONTENTS

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the **Twelfth Annual General Meeting** of the Company will be held at Manhattan VI, Level 14, Berjaya Times Square Hotel & Convention Center, No. 1 Jalan Imbi, 55100 Kuala Lumpur on Saturday, **29 November 2014** at **9.00 a.m.** for the following purposes:

AGENDA

1.	To receive the Audited Financial Statements for the financial year ended 31 May 2014 of the Company and Group together with the Directors' and Auditors' Report thereon.	*Please refer to Explanatory Note (a)*
2.	To approve the payment of a final single tier dividend of 1.1 sen per share in respect of the financial year ended 31 May 2014.	*Resolution 1*
3.	To approve the payment of Directors' fees amounting to RM455,050 in respect of the financial year ended 31 May 2014 (2013: RM358,375)	*Resolution 2*
4.	To re-elect the following Directors who retire pursuant to **Article 85** of the Company's Articles of Association:-	
	(i) Dato' Ismail Bin Osman	*Resolution 3*
	(ii) Lau Bik Soon	*Resolution 4*
5.	To re-elect Avinderjit Singh A/L Harjit Singh who retires pursuant to **Article 92** of the Company's Articles of Association.	*Resolution 5*
6.	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:

7. **Ordinary Resolution** *Resolution 7*
Retention of Mathew Thomas A/L Vargis Mathews as Senior Independent Non-Executive Director pursuant to the Malaysian Code on Corporate Governance 2012

"THAT Mathew Thomas A/L Vargis Mathews who has served the Board as Independent Non-Executive Director of the Company for a cumulative term of more than nine (9) years be and is hereby retained as a Senior Independent Non-Executive Director of the Company."

8. **Ordinary Resolution** *Resolution 8*
Authority to Issue Shares Pursuant to Section 132D of the Companies Act, 1965

"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 Companies Act, 1965 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 of the Company."

9. **Ordinary Resolution** *Resolution 9*
Proposed Renewal of Authority to Purchase Its Own Shares by the Company ("Proposed Renewal of Share Buy-Back Authority")

"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 ("ACE Market Listing Requirements") 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:

(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 of the Company for the time being ("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 retained profits and the share premium account of the Company. As of 31 May 2014, the audited retained profit and share premium of the Company were RM8.69 million and RM16.77 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 is 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 a general meeting or the expiration of the period within which the next AGM is required by law to be held, whichever occurs first.

THAT in respect of each purchase of REDtone Shares, the Directors of the Company shall have the absolute discretion to decide whether such shares purchased are to be cancelled and/or retained as treasury shares for distribution of dividend to the shareholders and/or resale on the ACE Market of Bursa Securities and/or retained part as treasury shares and cancel the remainder.

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

10. To transact any other business of which due notice shall have been given in accordance with Companies Act, 1965.

NOTICE OF DIVIDEND ENTITLEMENT AND PAYMENT

NOTICE IS HEREBY GIVEN THAT subject to the approval of shareholders at the Twelfth Annual General Meeting of the Company to be held on Saturday, 29 November 2014, the final single tier dividend of 1.1 sen per share in respect of the financial year ended 31 May 2014 will be paid on 24 February 2015 to the shareholders whose names appear in the Record of Depositors on 26 January 2015.

Notice of Annual General Meeting

A Depositor shall qualify for entitlement to the dividend only in respect of:

(a) shares transferred into the Depositor's Securities Account before 5.00 p.m. on 26 January 2015 in respect of ordinary transfers; and

(b) shares bought on the Bursa Malaysia Securities Berhad on a cum entitlement basis according to the Rules of Bursa Malaysia Securities Berhad.

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 2014

Notes:

I) A member of the Company entitled to attend and vote at the above meeting is not entitled to appoint 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 of the Company, an advocate, an approved company auditor or a person approved by the Registrar of Companies, and the provision of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company.

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 two (2) proxies 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 Twelfth 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 Depositors as at 21 November 2014. 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.

Notice of Annual General Meeting

Explanatory Notes on Ordinary Business:-

(a) Item 1 of the Agenda

This agenda item is meant for discussion only, as the provision of Section 169(1) of the Companies Act, 1965 does not require a formal approval of the shareholders for the Audited Financial Statements. Hence, this agenda item is not put forward for voting.

Explanatory Notes on Special Business:-

(a) Ordinary Resolution 7 – Retention of Mathew Thomas A/L Vargis Mathews as Senior Independent Non-Executive Director of the Company pursuant to the Malaysian Code on Corporate Governance 2012

Mathew Thomas A/L Vargis Mathews has served the Board as a Senior Independent Non-Executive Director of the Company for a cumulative term of more than nine (9) years since 15 November 2003. The Board recommends that he should be retained as a Senior Independent Non-Executive Director due to the following reasons:

(i) He is a Fellow of the Chartered Association of Certified Accountants, United Kingdom. He has 27 years of working experience in the audit and accounting practices and is currently the Managing Partner of Mathew & Partners, Chartered Accountants.

(ii) He has made an annual confirmation of independence and met the criteria of an Independent Director as defined in Chapter 1 of the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad. During his years of appointment, he has demonstrated his ability to provide an independent judgement and views to the proposals from Management, thereby brought an element of objectivity to the Board.

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

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

(b) Ordinary Resolution 8 - Section 132D of the Companies Act, 1965

The Ordinary Resolution 8 is a renewal of Section 132D mandate obtained from the Shareholders of the Company at the previous Annual General Meeting ("AGM").

The Ordinary Resolution 8, 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 involving the issuance or placement of shares, as the Directors consider would be in the best 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, the Company has not issued any new ordinary shares pursuant to the 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 Renewal of Share Buy-Back Authority

Please refer to the Share Buy-Back Statement dated 6 November 2014 accompanying the Company's Annual Report 2014, for information pertaining to Ordinary Resolution 9.

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

Director standing for election

There is no Director standing for election at the Twelfth Annual General Meeting of the Company.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Datuk Seri Syed Ali Bin Tan Sri Syed Abbas Al Habshee
(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
(Senior Independent Non-Executive Director)

Jagdish Singh Dhaliwal
(Independent Non-Executive Director)

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

Avinderjit Singh A/L Harjit Singh
(Independent Non-Executive Director)

AUDIT COMMITTEE

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

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

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

NOMINATION COMMITTEE

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

COMPANY SECRETARIES

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

HEAD OFFICE

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

REGISTERED OFFICE

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

SHARE 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

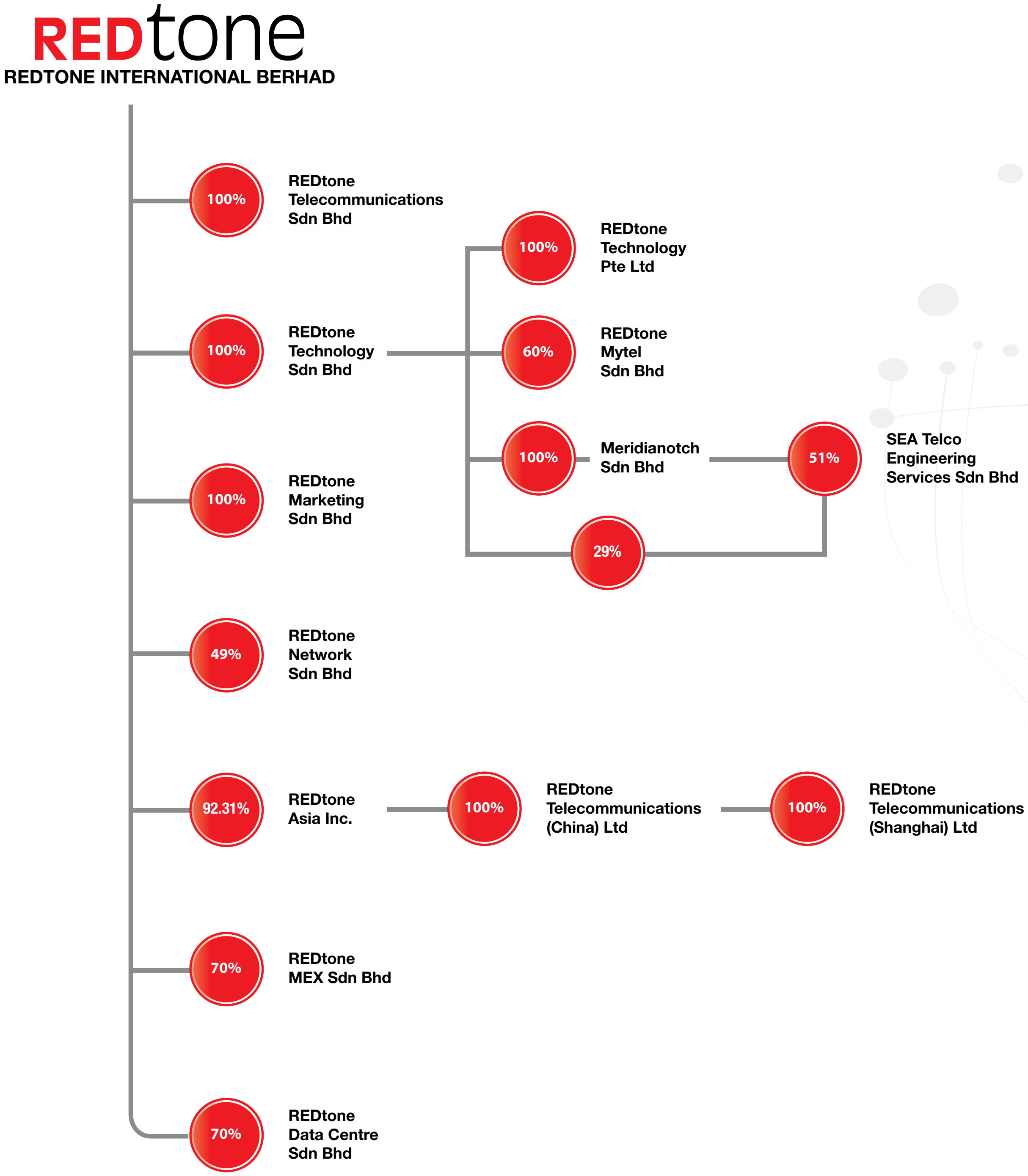
AUDITORS

Crowe Horwath (AF1018)
Chartered Accountants

STOCK EXCHANGE LISTING

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

CORPORATE STRUCTURE



BOARD OF DIRECTORS' PROFILE

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

Datuk Seri Syed Ali Bin Tan Sri Syed Abbas Al Habshee, aged 52, a Malaysian, 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 Seri has great knowledge and executive experience in leading private, public and government controlled organisations in a broad range of industries. Datuk Seri 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 businesses such as Asia Media Group Berhad, UZMA Berhad and Bright Packaging Industry Berhad. He is also the Chairman of Yayasan Pendidikan Cheras, Kuala Lumpur and was appointed as a member of the Malaysian Senate (Dewan Negara) on 21 April 2003 until April 2009.

He attended five of the six Board Meetings held during the financial year ended 31 May 2014.

DATO' WEI CHUAN BENG
(Managing Director)

Dato' Wei Chuan Beng, aged 48, was appointed to the Board of Directors of the Company on 15 November 2003. He is the Group Managing Director of REDtone and also manages the business in China which is operating under REDtone Asia Inc, a company listed on the US OTC Bulletin Board. 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 a 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.

Dato' Wei is known as a passionate ICT leader among industry players. He was appointed 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 an advisor for PIKOM. He 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 a Youth Service Director of the Royal Kuala Lumpur Rotary Club. He is a master trainer for professional selling skills in REDtone Academy and also a regular speaker at industry conferences and institutions of higher learning.

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

He attended all six Board Meetings held during the financial year ended 31 May 2014.

Board of Directors' Profile

LAU BIK SOON
(Group Chief Executive Officer)

Mr. Lau Bik Soon, aged 43, a Malaysian, was appointed to the Board of Directors of the Company on 13 August 2008. He assumed the position of REDtone's Group Chief Executive Officer on 8 July 2011.

Having guided the Company to achieve a firm footing in the data and broadband space, Mr. Lau will continue to play a significant role in driving REDtone as it expands its spectrum of services. He was awarded the 2014 Asia Pacific Entrepreneurship Awards, a regional award for outstanding entrepreneurship.

Mr. Lau has a First Class Honours Degree in Electrical Engineering from University Technology Malaysia. His extensive experience in the ICT and telecommunications industry spans over 19 years during which he held key positions with international organizations such as Cisco Systems, Sun Microsystems, Compaq Computer, TQC Consultant (IT Division) Sdn Bhd and Motorola. He won numerous sales management excellence awards and accolades during his time there. Prior to joining REDtone, he was the Country Manager for Hitachi Data Systems Malaysia.

He attended all six Board Meetings held during the financial year ended 31 May 2014.

DATO' ISMAIL BIN OSMAN
(Senior Executive Director)

Dato' Ismail Bin Osman, aged 64, a Malaysian, 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 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, 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 # 9 called Smart Network.

He attended all six Board Meetings held during the financial year ended 31 May 2014.

Board of Directors' Profile

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

Mr. Mathew Thomas A/L Vargis Mathews, aged 59, a Malaysian, 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 six Board Meetings held during the financial year ended 31 May 2014.

JAGDISH SINGH DHALIWAL
(Independent Non-Executive Director)

Mr. Jagdish Singh Dhaliwal, aged 62, a Malaysian, 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 from 1999 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 six Board Meetings held during the financial year ended 31 May 2014.

Board of Directors' Profile

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

Dato' Mohd. Zaini Bin Hassan, aged 50, a Malaysian, 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 is a member of the Audit Committee and Nomination Committee of the Company.

He attended four of the six Board Meetings held during the financial year ended 31 May 2014.

AVINDERJIT SINGH A/L HARJIT SINGH
(Independent Non-Executive Director)

Mr. Avinderjit Singh A/L Harjit Singh, aged 43, a Malaysian, was appointed to the Board of Directors of the Company on 19 February 2014. He completed his education in Singapore Stamford College. He has more than 20 years experience in marketing in several business areas including property development, oil & gas and auto-sports and currently sits on the board of a public company Knusford Berhad and several private limited companies, including Transwater Capital Venture Sdn Bhd, Lido Waterfront Boulevard Sdn Bhd and Berjaya Waterfront Sdn Bhd.

He attended one Board Meeting held during the financial year ended 31 May 2014 as he was appointed to the Board on 19 February 2014.

CHAIRMAN AND MANAGING DIRECTOR'S LETTER TO SHAREHOLDERS

"2014 marked the third consecutive year of profit for REDtone. We are pleased with the achievement and look forward to a better performance in 2015, a year that is expected to see us move into a new growth phase."

Dear Shareholders,

We begin on a happy note by reporting that we turned in another good year in 2014. This marked the third consecutive year of profit for REDtone following our return to the black in FY'12. This commendable performance against a competitive operating environment is a reflection of a well executed business plan and the continued demand for our data solutions.

It took us close to five years to complete our transformation to become an integrated telecommunications and solutions provider that offers a comprehensive suite of services. We persevered during this time and our tenacity is paying off. We are now making greater inroads especially into the data space and have also expanded our services by leveraging on our technical expertise. By offering a broader spectrum of services, this has in turn enabled us to widen the niche market segments that we are targeting.

A Commendable Year

REDtone recorded revenue of RM141.76 million for the year in review which is 0.19% lower compared to RM142 million in 2013. Profit before tax was RM27.42 million compared to last year's RM33.66 million. If it weren't for delays in some projects which were supposed to be completed in 2014, we would have posted better revenue and profit in 2014. The said projects' earnings contributions will now be recognized in FY'15.

We would like to take this opportunity to reassure shareholders that we are taking the necessary measures to recover the RM15.6 million 3rd party debt and are confident that we will be able to do so.

In line with our dividend policy of returning no less than 25% of the current year's net profit to shareholders, the Board is proposing a final dividend of 1.1 sen net per share subject to shareholders' approval at the upcoming AGM. This policy supports our commitment to enhance shareholder value.

Highlights In 2014

It has been a decade since our listing on Bursa Malaysia in 2004. We have learnt what works, what needed to be improved in order for us to compete with a leading edge as well as identified business models that allowed us to change with the competition and regulatory framework. We are now in a much stronger position to better manage the future.

The past year has seen us realigning and diversifying our offerings to broaden our earnings base in addition of ensuring on-going revenue stream for sustained growth. REDtone now provides an extensive suite of services under four main categories:

(i) ***Telecommunications services*** where we offer data and voice services to government, enterprises and SMEs. We are the only service provider in the industry to offer infrastructure integration expertise. Our access to a unique suite of last mile technologies also enables us to offer broadband-on-demand.

(ii) ***Managed telecommunications network services*** which include building, maintaining and operating large scale WiFi hotspots, base stations and fiber infrastructure.

(iii) ***Managed value-added services*** where we provide data centre services, cloud services and applications and healthcare solutions to enterprises, government and healthcare industry.

(iv) ***Mobile services.***

Chairman and Managing Director's Letter to Shareholders

Under managed value-added services, we have integrated vertical industry solutions with our network with the aim of securing long-term subscription base income as can be seen in our new radiology services targeted at the healthcare industry. Towards this end, we established a radiology centre in Petaling Jaya and recruited senior personnel to manage the operations.

Our business of offering discounted call services and mobile reload in China continued to remain profitable.

Looking Ahead

For FY'15 and beyond, we believe that managed telecommunications network services and managed value-added services will be the main growth drivers. Both will provide sustainable and recurring earnings and differentiate REDtone from other industry players. Supporting these two key business pillars are the telecommunications services and mobile services.

Barring any unforeseen circumstances, we are optimistic of a stronger performance in FY'15. Additionally, in FY'15 we will be billing some projects that were supposed to be completed in FY'14 but were delayed.

Other catalysts that are expected to fuel REDtone's growth include teleradiology services which started at the end of FY'14. This involves offering radiographic images interpretation services to both local and regional hospitals. We believe there's tremendous growth potential in this area as currently there's an acute shortage of radiologists in Malaysia and regionally.

Beginning from FY15, REDtone's network sharing and alliance agreement (NSA) with Maxis is also expected to contribute to group earnings. This will be over a 10-year period as per the agreement.

For our China operations, we will look into leveraging on our ICT strength to expand beyond the current business to bring in new streams of income.

A transfer to the Main Board is in the pipeline and we will make the move when the conditions are right.

Reaching Out To The Community

REDtone has always placed high emphasis on being a good corporate citizen. We were the title sponsor for the REDtone KL International Junior Open Squash Championships 2013 for the second year running. It was the largest Junior Open Championships in Asia that year with Malaysia topping the list with the biggest squad. Our sponsorship enabled our Malaysian players to hone their skills and at the same time, helped to identify junior players with good potential for future grooming.

Our corporate responsibility also extended to us sponsoring the Kuala Lumpur Rotaract Club's Dengue Buster Run. This initiative was aimed at raising funds for an invention competition that uses the x prize methodology to reward innovative and affordable inventions of mosquito traps that will help to reduce and eventually eradicate dengue and mosquitoes spawn diseases.

The past year also saw us contributing RM10,000 to The Sun-Mercy Malaysia Bosnia Flood Disaster Relief Fund to help alleviate the sufferings of Bosnians whose homes and lives were badly affected by the flood in their country.

Chairman and Managing Director's Letter to Shareholders

Appreciation

The third consecutive year of profit in 2014 would not have been possible without the contribution and dedication of our employees. Our appreciation goes out to each one of them for their perseverance and commitment to excellence that enabled us to close 2014 on a positive note. We would also like to thank our business partners and loyal customers for their cooperation and support as well as stakeholders for placing their trust in the Board of Directors and the management of REDtone.

Finally, the guidance and insights provided by the Board of Directors were invaluable and we look forward to your continued support and counsel in the coming year.

Datuk Seri Syed Ali Bin Tan Sri Syed Abbas Al Habshee
Chairman

Dato' Wei Chuan Beng
Managing Director

STATEMENT ON CORPORATE GOVERNANCE

The Board of Directors ("Board") of REDtone International Berhad recognises the importance of upholding good corporate governance in the discharge of its duties and responsibilities to protect and enhance shareholders' value and raise the performance of the Group.

The Board is pleased to present this Statement on Corporate Governance which outlines the key aspects of how the Company has applied the Principles and Recommendations of the Malaysian Code on Corporate Governance 2012 ("MCCG 2012") and the governance standards prescribed in the ACE Market Listing Requirements, and any non-observation of the Recommendations of MCCG 2012, including the reasons thereof, has been included in this Statement.

A. ESTABLISH CLEAR ROLES AND RESPONSIBILITIES

1. Clear Functions of the Board and Management

The Board is responsible for the leadership, oversight and the long-term success of the Group. The Board fully understands their collective responsibilities in guiding the business activities of the Group in reaching an optimum balance of a sound and sustainable business operation in order to safeguard shareholders' value.

The Board has reserved certain matters for its review including the approval of Group strategic plans, financial statements, dividend policy, risk management, significant acquisitions and disposals, investments in significant joint ventures, significant property transactions, significant capital expenditure, board appointments, etc.

The Board recognises that a strong independent element of the Board is essential to ensure a balance of power and authority. The roles and responsibilities of the Chairman and Managing Director are clearly segregated to further enhance and preserve a balance of authority and accountability. The Chairman provides overall leadership to the Board, without comprising the principle of collective responsibility for Board's decisions while the Managing Director focuses primarily on formulation and implementation of business strategies, oversees the implementation of the Board's decision and policies, as well as supervises the day to day management and running of the Group.

Beyond matters reserved for the Board's decision, the Board has delegated the authority to achieving the corporate objective to the Managing Director supported by the Management team. The Managing Director remains accountable to the Board for the authority that is delegated to him and for the performance of the Group.

The Board has also delegated certain responsibilities to other Board Committees, which operate within clearly defined terms of reference. Standing committees of the Board include the Audit Committee, Nomination Committee and Remuneration Committee. The Board receives reports at its meetings from the Chairman of each committee on current activities and it is the general policy of the Company that all major decisions be considered and made by the Board as a whole.

2. Clear Roles and Responsibilities

During the financial year ended 31 May 2014, the Board reviewed the sustainability, effectiveness and implementation of the strategic plans for the year and provided guidance and input to the Management. To ensure the effective discharge of its function and duties, the principal responsibilities of the Board include the following specific areas:-

- 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

Statement on Corporate Governance

A. ESTABLISH CLEAR ROLES AND RESPONSIBILITIES (CONT'D)

3. Code of Conduct

The Board would formalise ethical standards through a code of conduct and to ensure the implementation of appropriate internal systems by the Management to support, promote and ensure its compliance. The Board would also ensure that the code of conduct would be reviewed and updated regularly to meet the Company's needs and to address the changing conditions of its business environment.

4. Strategies Promoting Sustainability

The Group recognises the importance of its corporate and social responsibility whilst pursuing its corporate goals. The Group continues to invest in its staff through continuous training to develop in-house capability and also a united workforce that assists the Group in realising its goals and objectives.

The Group also promotes protection of the environment within the work environment, preventing wastages, recycling initiatives and conserving energy.

5. Access to Information and Advice

In ensuring the effective functioning of the Board, all Directors have individual and independent access to the advice and support services of the Company Secretary and External Auditors and, may seek advice from the Management on issues under their respective purview. The Directors may also interact directly with, or request further explanation, information or updates, on any aspect of the Company's business concerns from the Management to enable the Board to discharge its duties in relation to the matters being deliberated.

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, whether as a full board or in their individual capacity, may seek independent professional advice at the Company's expense on specific issues and gain access to relevant information whenever required to enable the Board to discharge its duties in connection with specific matters.

6. Company Secretary

The appointment and removal of the Company Secretary is a matter for the Board as a whole. All directors have access to the advice and services of the Company Secretary, who is responsible for ensuring that board procedures are followed and that applicable rules and regulations are complied with.

The Board is satisfied with the support rendered by the Company Secretary to the Board in discharge of its roles and responsibility. The Company Secretary plays an advisory role to the Board on the Board's policies and procedures and compliance with the relevant regulatory requirements, codes or guidance and legislations. Also, the Company Secretary ensures that the deliberations at the Board meetings are well captured and minuted.

7. Board Charter

In discharging its duties, the Board is constantly mindful of the need to safeguard the interests of the Group's stakeholders. In order to facilitate the effective discharge of its duties and to ensure that all Board members acting on the Group's behalf are aware of their expanding roles and responsibilities, a Board Charter was formalised and adopted by the Board in October 2014. The Board Charter clearly sets out the roles, responsibilities, authorities and operation of the Board and Board Committees.

The Board Charter is made available on the Company's website. The Board will review the Board Charter from time to time to ensure that the Board Charter remains consistent with the Board's objectives, current law and practices.

B. STRENGTHEN COMPOSITION

1. Audit Committee

The composition of the Audit Committee, its terms of reference, attendance of meetings and summary of its activities are set out on Pages 26 to 30 of this Annual Report.

2. Nomination Committee

The Board has established the Nomination Committee comprising exclusively of three (3) Independent and Non-Executive Directors.

A summary of the activities of the Nomination Committee in discharge of its duties during the financial year ended 31 May 2014 are set out in the Nomination Committee Statement on pages 31 to 32 of this Annual Report.

The Nomination Committee is guided by a clearly defined terms of reference approved by the Board and is tasked with the following responsibilities:-

(i) Consider and recommend to the Board prospective candidates for directorship, proposed by the Management, a Director or a Shareholder, taking into consideration the candidates skills, knowledge, expertise, experience, time commitment, character, professionalism and integrity;

ii) Recommend to the Board, the candidates to fill the seats on board committees, in consultation with the chairman of those committees. In the event that the chairman's position (regardless of board/ committees) is to be filled, the committee will consult with the Board;

(iii) Recommend to the Board, eligible candidates for re-election of directors by shareholders during the annual re-election provision or retirement;

(iv) Reviewing and assessing the independence of the independent directors;

(v) Periodically report to the Board on succession planning personnel including the senior management. The Nomination Committee will together with the Board evaluate potential successors, taking into account the challenges and opportunities faced by the Company, and the skills and expertise, including diversity needed on the Board in the future;

(vi) Annually review the required mix of skills, experience, diversity and other qualities, including core competencies and effectiveness of the Board, as a whole, the board committees and the contribution of each individual director.

3. Develop, Maintain and Review Criteria for Recruitment and Annual Assessment of Directors

The Board is confident that its current size and composition is sufficient and effective in discharging the Board's responsibilities and in meeting the Group's current needs and requirements. The MCCG 2012 endorses a formal procedure for appointments to the Board and as such the Nomination Committee oversees the Board's succession planning and is responsible for assessing and recommending suitable candidates of Directors to fill the Board vacancies and complement the existing Board taking into consideration the required mix of skills, knowledge, expertise, experience, professionalism, integrity of the candidates, and in the case of independent non-executive directors, their abilities to discharge the responsibilities as expected from them. New nomination will be assessed and recommended to the full Board for appointment when the need arises.

Directors are also advised on appointment of their legal and other obligations as a director of a listed company. They are also encouraged to attend training courses at the Company's expense.

The Nomination Committee also assists the Board in the annual assessment of Board and Board Committees.

The assessment of the Board is based on specific criteria, covering areas such as the Board structure, mix of skills, Board operations, roles and responsibilities of the Board, the Board Committee and the Chairman's role and responsibilities. For Individual Self Assessment, the assessment criteria include contribution to interaction, quality of inputs, and understanding of role.

Statement on Corporate Governance

B. STRENGTHEN COMPOSITION (CONT'D)

4. Remuneration Committee

The Remuneration Committee was established to assist the Board and is responsible for recommending the remuneration framework for Executive Directors.

The Remuneration Committee comprises two (2) Independent Non-Executive Directors and one (1) Executive Director. The Remuneration Committee met two (2) times during the financial year under review and the attendance record is as follows:

NAME OF COMMITTEE MEMBERS	Designation	Attendance
Mr. Jagdish Singh Dhaliwal *(Independent Non-Executive Director)*	Chairman	2/2
Dato' Wei Chuan Beng *(Managing Director)*	Member	2/2
Mr. Mathew Thomas A/L Vargis Mathews *(Senior Independent Non-Executive Director)*	Member	2/2

The Remuneration Committee is responsible for recommending the remuneration framework for Executive Directors. In formulating the recommended framework and levels of remuneration, the Remuneration Committee ensures the remuneration policy remains supportive of the Company's corporate objectives, is aligned with the interests of the shareholders, is designed to attract, retain and motivate the Executive Directors, and reflective of their experience and level of responsibilities.

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 at the Annual General Meeting.

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:

	Fees (RM'000)	Value of Remuneration and Others (RM'000)	Total (RM'000)
Executive Directors	–	1,282	1,282
Non-Executive Directors	455	–	455

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

Range of Remuneration (RM)	Number of Executive Directors	Number of Non-Executive Directors
50,000 and below	–	3
50,001 to 100,000	–	1
100,001 to 150,000	–	–
150,001 to 200,000	–	–
200,001 to 250,000	1	–
250,001 to 300,000	–	–
300,001 and above	2	1

C. REINFORCE INDEPENDENCE

1. Annual Assessment of Independence

The Nomination Committee had undertaken a review and assessment of the level of independence of the Independent Directors of the Board.

Based on the assessment, the Board is satisfied with the level of independence demonstrated by the Independent Directors, i.e. they are independent of management and free from any business dealing or other relationship with the Group that could reasonably be perceived to materially interfere with their exercise of unfettered and independent judgment.

2. Tenure of Independent Directors

The Company does not have term limits for Independent Directors as the Board believes there are significant advantages to be gained from the long-serving Directors who possess tremendous insight and in-depth knowledge of the Company's business and affairs coupled with their calibre, qualifications, experience and personal qualities.

Recommendation 3.2 of MCCG 2012 states that the tenure of an independent director should not exceed a cumulative term of nine (9) years.

Mr. Mathew Thomas A/L Vargis Mathews has served on the Board for more than nine (9) years. However, the Nomination Committee and the Board have duly assessed, determined and resolved that Mr. Mathew Thomas A/L Vargis Mathews, who had served the Board for more than nine (9) years, remains objective and independent in expressing his views and in participating in deliberation and discussion of the Board and Board Committees. The length of his service on the Board does not in any way interfere with his exercise of independent judgement and ability to act in the best interest of the Group. Mr. Mathew Thomas A/L Vargis Mathews has demonstrated independence in carrying out his roles as a member of the Board and Board Committees, notably in fulfilling his role as Chairman of the Audit Committee and Nomination Committee.

The Board will recommend and seek the shareholders approval at the forthcoming AGM to retain Mr. Mathew Thomas A/L Vargis Mathews as a Senior Independent Non-Executive Director of the Company.

3. Separation of Positions of the Chairman and Managing Director

The positions of the Chairman and the Managing Director are held by two different individuals and there is a clear division of responsibilities between the Chairman and the Managing Director to ensure that there is a balance of power and authority, such that no one individual has unfettered powers of decision-making.

4. Board Composition and Balance

There are currently eight (8) Directors, comprising three (3) Executive Directors, one (1) Non Independent Non-Executive Director and four (4) Independent Non-Executive Directors.

The Board acknowledges and takes cognisance of Recommendation 3.5 of the MCCG 2012, which recommends that the Board should comprise a majority of independent directors where the chairman is not an independent director.

The Chairman is a Non-Independent Non-Executive Director and he does not participate in the day-to-day management of the Group and there is no business or other relationship with the Group which could be perceived to materially interfere with his exercise of independent judgment. The Group's Independent Non-Executive Directors remain in a position to fulfill their responsibility to provide check and balance to the Board. The Board is of the opinion that this deviation from the recommendation of the MCCG 2012 will not significantly impair the corporate governance framework of the Company, and will maintain close monitoring to ensure balance of power and authority and the Board's decisions are made with adequate independent supervision. Also, Directors are required to abstain from deliberations and voting on decisions concerning transactions which are related to them or of which they have interests in.

Statement on Corporate Governance

C. REINFORCE INDEPENDENCE (CONT'D)

4. Board Composition and Balance (Cont'd)

The profiles of the directors are set out on pages 8 to 11 of this Annual Report.

The Group is an equal opportunity employer and does not practice discrimination of any form, whether based on age, gender, race or religion, throughout the organisation.

Where boardroom diversity is concerned, the Board does not adopt any formal gender diversity policy in the selection of new Board candidates. The Board is cognisant of Recommendation 2.2 of the MCCG 2012 on gender diversity policies and targets and the measures taken to meet the targets. Currently, there is no female representation on the Board but the Board is not gender biased. The Board is satisfied with the current mix of skills, experiences, and industry-specific knowledge gained to-date by the respective Directors. Nevertheless, the Board will remain mindful of the gender diversity guideline when considering future changes to the Board's composition.

The Board will, from time to time continue to review its composition and size to ensure its effectiveness in its pivotal role in the stewardship of its strategic business direction and ultimately in the enhancement of its long-term shareholder value.

According to the Articles of Association ("AA") 85 of the Company, all Directors are required to submit themselves for re-election at intervals not more than three (3) years. Article 85 of the AA also provides that at every Annual General Meeting of the Company, one-third (1/3) of the directors shall retire from office and shall be eligible for re-election at the same Annual General Meeting. New directors appointed by the Board are subject to re-election by the shareholders at the next Annual General Meeting following their appointments during the year in accordance with Article 92 of the AA of the Company.

D. FOSTER COMMITMENT

1. Time Commitment

The Board requires its members to devote sufficient time to the workings of the Board, to effectively discharge their duties as Directors of the Company, and to use their best endeavours to attend 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 2014, the Board met six (6) times, 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 summarised below:

NAME OF DIRECTORS	**Attendance**
Datuk Seri Syed Ali Bin Tan Sri Syed Abbas Al Habshee	5/6
Dato' Wei Chuan Beng	6/6
Mr. Mathew Thomas A/L Vargis Mathews	6/6
Mr. Lau Bik Soon	6/6
Dato' Ismail Bin Osman	6/6
Mr. Jagdish Singh Dhaliwal	6/6
Dato' Mohd Zaini Bin Hassan	4/6
Avinderjit Singh A/L Harjit Singh (appointed on 19.02.2014)	1/1

D. FOSTER COMMITMENT (CONT'D)

2. Directors' Training

The Board places great emphasis on continuous education for Directors. All Directors have successfully completed the Mandatory Accreditation Programme. In addition, the Directors undergo continuous training to ensure that they are kept abreast on various issues facing the changing business environment within which the Group operates.

Some of the courses, seminars, conferences and talks attended by the Directors were in the following areas:

- Enhanced Understanding of Risk Management and Internal Control Workshop
- Competitive Laws and their Impact on your Business
- DNA Profiling in Healthy Aging and Living
- The Dilemma of Businessmen
- Risk Management & Internal Control Workshop
- Advocacy Sessions on Corporate Disclosure

The Company Secretary circulates the relevant guidelines on statutory and regulatory requirements from time to time for the Board's reference and briefs the Board on these updates at Board Meetings.

E. UPHOLD INTEGRITY IN FINANCIAL REPORTING

1. Compliance with Applicable Financial Reporting Standards

The Company's audited financial statements are prepared in accordance with the requirements of the applicable approved accounting standards in Malaysia and the provisions of the Companies Act, 1965.

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 and the Chairman and Managing Director's Statement in the Annual Report. The Board is assisted by the Audit Committee in overseeing the Group's financial reporting to ensure compliance, 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 44 of this Annual Report.

2. Suitability and Independence of External Auditors

The Group has always maintained a close and transparent relationship with its External Auditors in seeking professional advice and ensuring compliance with the relevant accounting standards whilst the Audit Committee maintains an appropriate transparent relationship with the External Auditors.

The Company's External Auditors play an essential role by enhancing the reliability of the Company's financial statements and giving assurance of that reliability to users of these financial statements.

The Audit Committee has explicit authority to communicate directly with the External Auditors. The Audit Committee meets the External Auditors without the presence of the Executive Directors and Management to discuss any concerns including management's cooperation in the audit process, quality and competency in the financial reporting function, sharing of information and audit issues in relation to appropriate accounting treatment.

The terms of engagement for services provided by the External Auditors are reviewed by the Audit Committee prior to submission to the Board for approval. The effectiveness and performance of the External Auditors is reviewed annually by the Audit Committee.

The External Auditors have direct access at all times to highlight to the Audit Committee and the Board any issues of concern, significant defects in the Company's system of control and compliance.

Statement on Corporate Governance

F. RECOGNISE AND MANAGE RISK

1. Risk Management and Internal Control

The Board acknowledges its overall responsibility for continuous maintenance of a sound system of internal control. The Board has the overall responsibility in reviewing and monitoring the Group's risk, risk management framework and internal control system which provides reasonable assurance of an effective and efficient operation and compliance with laws and regulations and to safeguard shareholders' investment and the Group's assets. The Group has commenced and is in the process of establishing an Enterprise Wide Risk Management Program to identify, evaluate and manage significant risks that may affect the achievement of the business objectives of the Group.

The Board believes that this is a continuing process and more importantly a concerted effort by all employees of the Group.

2. Internal Audit Function

The Company has outsourced its internal audit function to independent professional consulting firms as part of its effort to provide adequate and effective internal control system.

The internal auditors report independently and directly to the Audit Committee in respect of the Internal Audit function. The internal audit function is carried out in accordance with the annual internal audit plan as approved by the Audit Committee and all audit findings arising therefrom are reported to the Audit Committee on a quarterly basis.

The Statement on Risk Management and Internal Control furnished on pages 33 to 35 of this Annual Report provides an overview of the internal control framework within the Group during the financial year under review.

G. ENSURE TIMELY AND HIGH QUALITY DISCLOSURE

1. Corporate Disclosure Policy

The Board acknowledges the need to establish corporate disclosure and procedures to enable comprehensive, accurate and timely disclosures relating to the Group to the regulator, shareholders and stakeholders. The timely release of financial results and announcement of the Group's performance on a quarterly basis provide the shareholders with an overview of the Group's performance and operations.

The Board is mindful that information which is expected to be material must be announced in a timely fashion to Bursa Securities.

The Company is committed to ensuring that communications to the public regarding the business, operations and financial performance of the Company are accurate, timely, factual, informative, consistent, broadly disseminated and where necessary, information filed with regulators is in accordance with applicable legal and regulatory requirements.

2. Leverage on Information Technology for Effective Dissemination of Information

The Company maintains a website at www.redtone.com to facilitate access on pertinent information concerning the Group and its operations by the shareholders, consumers and general public. The Company's website includes all announcements, annual reports and financial results made by the Company to Bursa Securities

Through the Company's website, the stakeholders are also able to direct queries to the Company.

H. STRENGHTHEN RELATIONSHIP BETWEEN COMPANY AND SHAREHOLDERS

1. Encourage Shareholders' Participation at General Meetings

The Annual General Meeting is the principal forum for dialogue with shareholders.

Notice of the AGM and annual reports are sent out to shareholders at least twenty one (21) days before the date of the meeting together with the financial statements and agenda for meeting to enable shareholders to review the annual report, to appoint proxies and collate questions to be raised at the AGM.

2. Encourage Poll Voting

The Board takes note of the Recommendation 8.2 of the MCCG 2012 that the Board should encourage poll voting. In line with this recommendation, the Chairman informs the shareholders of their right to demand for a poll vote at the commencement of the general meeting.

3. Effective Communication and Proactive Engagement

Shareholders' meetings are important events for the Board and shareholders to meet each other. The Company values feedback from its shareholders and encourages them to actively participate in discussion and deliberations. AGM is held yearly to consider the ordinary business of the Company and any other special businesses. The Chairman ensures sufficient time is provided to encourage the shareholders, proxies and the corporate representatives to raise any questions before each resolution is proposed. The senior management and External Auditors are present at the AGM to answer any query that the shareholders, proxies and corporate representatives may have.

ADDITIONAL COMPLIANCE INFORMATION

Options, Warrants or Convertible Securities

During the financial year ended 31 May 2014, a total of 1,500,000 options were granted and 7,045,000 options were exercised pursuant to the Employees' Share Option Scheme.

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	31,487,350
No. of Ordinary Shares issued	12,594,940

During the financial year, 5,604,400 Warrants were exercised and converted into 5,604,400 ordinary shares.

Utilisation of Proceeds Raised from Corporate Proposals

There were no corporate proposals carried out during the financial year under review.

Non-Audit Fees

The amount of non-audit fees paid to the External Auditors by the Company for the financial year ended 31 May 2014 was RM16,000. (2013: RM 6,500)

Recurrent Related Party Transactions ("RRPT")

The details of RRPT for the financial year under review are disclosed in Note 35 of the financial statements. 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.

Share Buy-Back

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	Average purchase price per Share (RM)	Total consideration paid (RM)
August 2013	10,000	0.80	7,958
November 2013	65,000	0.71	45,858
December 2013	1,245,000	0.67	840,190
January 2014	1,199,500	0.65	775,455
February 2014	114,000	0.62	71,117
April 2014	1,000	0.80	800
	2,634,500		1,741,378

Additional Compliance Information

Share Buy-Back (Cont'd)

Details of the resale of treasury shares were as follows:-

Month	No. of REDtone shares resold	Average Purchase price per Share (RM)	Total Consideration Received (RM)
July 2013	5,452,800	0.72	3,938,192

Imposition of Sanctions and/or Penalties

There were no sanctions and / or penalties imposed on the Company and its subsidiaries, Directors or Management by any regulatory bodies, which were material and made public during the financial year ended 31 May 2014.

Variations of Results

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 2014

Profit Guarantee

There were no profit guarantees given by the Company during the financial year ended 31 May 2014.

Material Contract Involving Directors and Major Shareholders

There were no material contracts entered into by the Group involving the interest of Directors and Major Shareholders, either still subsisting as at the end of the financial year or entered into since the end of the previous financial year.

Depository Receipt Programme

During the financial year ended 31 May 2014, 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 Audit Committee Report for the financial year ended 31 May 2014.

OBJECTIVE

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

TERMS OF REFERENCE

1.0 COMPOSITION

(a) The Committee shall fulfill the following requirements :

- The Committee must compose 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 Requirement of Bursa Malaysia Securities Berhad ("ACE Market 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 ACE Market Listing Requirements, the Committee shall promptly report such matter to Bursa Malaysia Securities Berhad.

2.0 MEMBERSHIP

The current members of the Audit Committee are as follows:

Mr. Mathew Thomas A/L Vargis Mathews (Chairman, Senior Independent Non-Executive Director)
Mr. Jagdish Singh Dhaliwal (Member, Independent Non-Executive Director)
Dato' Mohd Zaini Bin Hassan (Member, Independent Non-Executive Director)

3.0 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

4.0 FREQUENCY OF MEETINGS

(a) Meetings 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 2014 are as follows:

NAME OF COMMITTEE MEMBERS	Designation	Attendance
Mr. Mathew Thomas A/L Vargis Mathews	Chairman	5/5
Mr. Jagdish Singh Dhaliwal	Member	5/5
Dato' Mohd Zaini Bin Hassan	Member	3/5

5.0 AUTHORITY

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

(b) The Committee have 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 have direct communication channels with the external auditors and person(s) carrying out the internal audit function or activity.

(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

6.0 DUTIES AND RESPONSIBILITIES

The Committee shall, amongst others, 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;
- 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 same for the Board's approval and release to Bursa Securities.

2. Reviewed the Audit Planning Memorandum for the Group for the financial year ended 31 May 2014 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 for approval.

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

4. Reviewed the performance of the External Auditors and make recommendations to the Board on their re-appointment and remuneration.

5. Reviewed the Audit Committee Report and Statement on Risk Management and Internal Control prior to submission of the same to the Board for consideration and inclusion in the Annual Report.

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. Reported to the Board on significant audit issues and concerns discussed during the Committee's meetings which have significant impact on the Group, for consideration and deliberation by the Board.

9. Met with the External Auditors without the presence of Management staff and Executive Directors.

INTERNAL AUDIT FUNCTION

The Committee is supported by the outsourced Internal Auditors in the discharge of its duties and responsibilities. Based on the audits, the outsourced Internal Auditors provide the Committee with independent and objective reports on the state of internal control of the various operating units within the Group and the extent of compliance of the units with the Group's established policies and procedures.

The functions of the outsourced 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 internal control policies and procedures
4. Provide recommendations, if any, for the improvement of the internal control policies and procedures.

The Committee and Board are satisfied with the performance of the outsourced 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 Committee in the financial year under review, the operational compliance reviews were as follows:

- Loans, Borrowings, Contingencies and Material Litigation
- Purchase and Expense Management
- Occupational Health and Safety Management
- Procurement and Payment Processing
- Inventory Management
- Credit Control and Collection
- Sales and Marketing

At the request of the Committee the internal audit reports and recommendations issued in the financial year ended 31 May 2014 were reviewed and reported upon to determine management compliance to the same.

The fees incurred during the financial year ended 31 May 2014 in relation to the internal audit function for the Group was RM88,000.

Audit Committee Report

STATEMENT ON SHARE ISSUANCE SCHEME BY THE COMMITTEE

The By-Laws governing the Company's Employee 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 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 options, held by the Non-Executive Directors pursuant to the Company's ESOS in respect the financial year ended 31 May 2014 is as follows:

	Number of Share Options Over Ordinary Shares of RM0.10 Each			
Name of Directors	**At 1 June 2013**	**Granted**	**Exercised**	**At 31 May 2014**
Mr Mathew Thomas A/L Vargis Mathews	100,000	–	–	100,000
Mr Jagdish Singh Dhaliwal	100,000	–	100,000	–
Dato' Mohd Zaini Bin Hassan	50,000	–	–	50,000

NOMINATION COMMITTEE REPORT

OBJECTIVE

The Nomination Committee ("the Committee") was established to act as a Committee of the Board of Directors to assist the Board of Directors to identify, nominate and orientate new Directors.

TERMS OF REFERENCE

1.0 COMPOSITION

(a) The Committee shall fulfill the following requirements :
- The Committee must comprise not less than three members; and
- All the members of the Committee shall be non-executive directors, with a majority of whom are independent non-executive directors;

(b) The Chairman of the Committee shall be a Senior Independent Non-Executive Director.

2.0 ATTENDANCE OF MEETINGS

(a) A quorum shall consist of two or half of the committee, whichever is the higher. In the absence of the Chairman, the members present shall elect a Chairman for the meeting from amongst the members present.

(b) The Committee Members may participate in a meeting by means of conference telephone, conference videophone or any similar or other communications equipment by means of which all persons participating in the meeting can hear each other. Such participation in a meeting shall constitute his/her presence in person at such meeting. Minutes of such a meeting signed by the Chairman of the Committee shall be conclusive evidence of any resolution of any meeting conducted in the manner as aforesaid.

(c) The Company Secretary shall be the Secretary of the Committee or in his/her absence, another person authorised by the Chairman of the Committee

3.0 FREQUENCY OF MEETINGS

(a) Meetings shall be held at least once a year, or more frequently if circumstances so require the Committee to do so.

4.0 AUTHORITY

(a) 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.

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

5.0 DUTIES AND RESPONSIBILITIES

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

(a) Consider and recommend to the Board prospective candidates for directorship, proposed by the management, a Director or a shareholder, taking into consideration the candidates skills, knowledge, expertise, experience, time commitment, character, professionalism and integrity;

(b) Recommend to the Board, the candidates to fill the seats on board committees, in consultation with the chairman of those committees. In the event that the chairman's position (regardless of board/committees) is to be filled, the committee will consult with the Board;

(c) Recommend to the Board, eligible candidates for re-election of directors by shareholders during the annual re-election provision or retirement;

Nomination Committee Report

(d) Reviewing and assessing the independence of the independent directors;

(e) Periodically report to the Board on succession planning personnel including the senior management. The Nomination Committee will together with the Board evaluate potential successors, taking into account the challenges and opportunities facing the Company, and the skills and expertise, including diversity needed on the Board in the future;

(f) Annually review the required mix of skills, experience, diversity and other qualities, including core competencies and effectiveness of the board, as a whole, the board committees and the contribution of each individual Director.

The Nomination Committee comprises exclusively three (3) Independent and Non-Executive Directors. The Nomination Committee met once during the financial year under review and the attendance record is as follows:-

NAME OF COMMITTEE MEMBERS	Designation	Attendance
Mr. Mathew Thomas A/L Vargis Mathews	Chairman	1/1
Mr. Jagdish Singh Dhaliwal	Member	1/1
Dato' Mohd Zaini Bin Hassan	Member	0/1

The Board is cognisant of the gender diversity recommendation promoted by the Malaysian Code on Corporate Governance 2012. Currently, there is no female representation on the Board but the Board is not gender biased. The Board is satisfied with the current mix of skills, experiences, and industry-specific knowledge gained to-date by the respective Directors. Nevertheless, the Board will remain mindful of the gender diversity guideline when considering future changes to the Board's composition.

The Nomination Committee conducted an annual assessment of the Board's effectiveness as a whole and the contribution of each individual Director and Board Committees in respect of the financial year ended 31 May 2014.

The annual assessment comprises Board and Committee Assessments, an Individual Self Assessment and an Assessment of Independence of the Independent Directors using customised questionnaires which were completed by the Directors. These questionnaires are sent to respective Board Committees and Directors for their completion, in order for them to provide their feedback, views, and suggestions for improvement. The results of the self-assessment questionnaires are compiled by the Company Secretary and tabled to the Board for review and deliberation.

The assessment of the Board is based on specific criteria, covering areas such as the Board structure, mix of skills, Board operations, roles and responsibilities of the Board, the Board Committee and the Chairman's role and responsibilities. For Individual Self Assessment, the assessment criteria include contribution to interaction, quality of inputs, and understanding of role.

The results of the annual assessment as compiled by the Company Secretary were tabled to the Board for review and deliberation. The Board was satisfied with the results of the assessment and the current size and composition of the Board is appropriate and well-balanced with the right mix of skills with the Board composition comprising individuals of high caliber, credibility and with the necessary skills and qualifications to enable the Board to discharge its duties and responsibilities effectively.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

1. INTRODUCTION

The Board of Directors ("Board") of REDtone International Berhad recognises the importance of good corporate governance practices and is committed to maintaining a sound risk management and internal control system to safeguard shareholders' investment and the Group's assets.

The Board is pleased to set out below the Board's Statement on Risk Management and Internal Control ("Statement") which is prepared in accordance with Rule 15.26(b) of the ACE Market Listing Requirements, Malaysian Code on Corporate Governance 2012 and as guided by the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers ("Guidelines"). This Statement outlines the nature and scope of risk management and internal control of the Group and there are no material associates that have not been dealt with as part of the Group in applying the Guidelines.

2. BOARD RESPONSIBILITY

The Board affirms its overall responsibility for the Group's system of internal control and for reviewing the adequacy and integrity of the system. 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 system of risk management and internal control covers not only financial control but also operational, commercial and compliance control. The Board believes that this is a continuing process and more importantly a concerted effort by all employees of the Group. As part of its review, the Board will continue taking necessary measures to strengthen its risk management and internal control system to address any weaknesses identified. These processes are in place throughout the financial year under review and up to the date of approval of this Annual Report.

The Board has delegated to the Executive Committee the implementation of the system of internal control within an established framework throughout the Group.

3. RISK MANAGEMENT FRAMEWORK

The Board regards the management of core risks as an integral and critical part of the day-to-day operations of the Group. The experience, knowledge and expertise to identify and manage such risks throughout the financial year under review enables the Group to make cautious, mindful and well-informed decisions through formulation and implementation of requisite action plans and monitoring regime which are imperative in ensuring the accomplishment of the Group's objectives.

Day to day operations in respect of financial, commercial, legal compliance and operational aspects of the Group are closely monitored by the respective Heads of Department and they are delegated with the responsibilities to identify and manage these risks within define parameters and standards. The deliberation of risks and mitigation responses are discussed at periodic management meetings.

The Company has commenced and is in the process of establishing an Enterprise-Wide Risk Management Program ("ERM") to further assist in the management of risks.

The key features of ERM framework are as follows:

- It outlines the ERM methodology on the identification of key business risks through a structured approach and to determine if controls are in place in mitigating the risks identified.
- It establishes guidelines to enable Management to prioritise the risks and allocation of resources to manage the risks.

The management of risks is an on-going process to identify, evaluate and manage the significant risks faced by the Group. Further assurance is provided by the Internal Audit function which operates across the Group with emphasis on key operating functions within the Group. The Board shall re-evaluate the existing risk management practices, and where appropriate and necessary, revise such practices accordingly.

Statement on Risk Management and Internal Control

4. KEY INTERNAL CONTROL ELEMENTS

The key elements of the Group's Internal Control System includes:

- Clearly defined terms of reference, authorities and responsibilities of the various committees which includes the Audit Committee, Nomination Committee and Remuneration Committee;
- Well defined organisational structure with clear lines of authority, accountability and responsibilities of the Management team;
- The Company's performance is monitored regularly and the business objectives and plans are reviewed in the 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 sufficient reports generated in respect of the business and operating units to enable proper review of the operations and financials. Management accounts are prepared timely and on a monthly basis and is reviewed by the Managing Director, Executive Directors and Senior Management;
- The Managing Director, Chief Executive Officer and Senior Management are closely involved in the running of business and operations of the Group. They report to the Board on significant changes in the business and external environment which may affect the operations of the Group at large;
- The Board meets at least quarterly and has a formal agenda on matters for discussion. 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;
- Review of all proposals for material capital and investment opportunities by the Executive Committee and approval for the same by the Board prior to expenditure being committed;
- 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 are communicated to Management and the Audit Committee with recommendations for improvements and follow-up to confirm all agreed recommendations are implemented. The Internal Audit plan is structured on a risk based approach and is reviewed and approved by the Audit Committee;
- The professionalism and competency of staff are enhanced through a 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 to outsource its internal audit function to independent professional consulting firms for greater independence and accountability in the Internal Audit function.

Statement on Risk Management and Internal Control

5. INTERNAL AUDIT FUNCTION

In a desire to maintain total independence in the management of the internal control environment and remain in compliance with the ACE Market Listing Requirements, the Company has outsourced its internal audit function to independent professional consulting firms as part of its effort to provide adequate and effective internal control system.

The internal auditors report independently and directly to the Audit Committee in respect of the internal audit function. The internal audit function is carried out in accordance with the annual internal audit plan as approved by the Audit Committee and all audit findings arising therefrom 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.

Based on the reports of the internal auditors, identified issues in internal control have been adequately addressed, and none of the weaknesses noted have resulted in any material losses, contingency and uncertainties that would require separate disclosure in this Annual Report.

As an additional function to the Group, the internal auditors also provide improvement recommendations pertaining to their operational and financial activities for the consideration of Management and the Board to assist in the continuous development of a more efficient and comprehensive internal control environment.

6. REVIEW BY EXTERNAL AUDITORS

Pursuant to Rule 15.23 of the ACE Market Listing Requirements, the External Auditors have reviewed the Statement on Risk Management and Internal Control for inclusion in the Annual Report for the financial year ended 31 May 2014. Their review was performed in accordance with Recommended Practice Guide 5 (Revised): Guidance for Auditors on Engagements to Report on the Statement on Risk Management and Internal Control included in the Annual Report, issued by the Malaysian Institute of Accountants. The External Auditors have reported to the Board that nothing has come to their attention that causes them to believe that this Statement is not prepared, in all material respects, in accordance with the disclosures required by paragraph 41 and 42 of the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers to be set out, nor is factually inaccurate.

7. CONCLUSION

For the year under review, the Board has reviewed the risk management and internal control system and is of the view that the system is adequate and effective and no material weakness and/or reported shortfall in the risk management practices and internal control system has resulted and/or give rise to any material loss, contingency and/or uncertainty during the financial year under review. Nevertheless, the Board also recognizes the fact that the Group's system of internal control and risk management practices must continuously evolve to support the growth and dynamics of the Group as well as to meet the changing and challenging business environment. As such, the Board, in striving for continuous improvement, will put in place appropriate action plans to further enhance the system of internal controls and risk management practices.

This Statement was approved by the Board on 30 October 2014.

STATEMENT OF DIRECTORS' INTERESTS

in the Company as at 9 October 2014

Name of Director	Direct	No. of Shares Held %	Indirect	%
Datuk Seri Syed Ali Bin Tan Sri Syed Abbas Al Habshee	–	–	156,300,000 [(1)]	30.40
Dato' Wei Chuan Beng	26,259,256	5.10	4,000,000 [(2)]	0.77
Lau Bik Soon	5,216,600	1.01	–	–
Dato' Ismail Bin Osman	–	–	–	–
Mathew Thomas A/L Vargis Mathews	515,000	0.10	–	–
Jagdish Singh Dhaliwal	500,000	0.09	–	–
Dato' Mohd Zaini Bin Hassan	–	–	–	–
Avinderjit Singh A/L Harjit Singh	–	–	–	–

Name of Director	Direct	No. of Irredeemable Convertible Unsecured Loan Stocks 2010/2020 Held %	Indirect	%
Datuk Seri Syed Ali Bin Tan Sri Syed Abbas Al Habshee	–	–	53,602,291 [(1)]	25.71
Dato' Wei Chuan Beng	283,000	0.13	–	–
Lau Bik Soon	511,900	0.24	–	–
Dato' Ismail Bin Osman	–	–	–	–
Mathew Thomas A/L Vargis Mathews	–	–	–	–
Jagdish Singh Dhaliwal	–	–	–	–
Dato' Mohd Zaini Bin Hassan	–	–	–	–
Avinderjit Singh A/L Harjit Singh	–	–	–	–

Name of Director	Direct	No. of Free Detachable Warrants Held %	Indirect	%
Datuk Seri Syed Ali Bin Tan Sri Syed Abbas Al Habshee	–	–	41,407,931 [(1)]	27.45
Dato' Wei Chuan Beng	1,136,000	0.75	–	–
Lau Bik Soon	–	–	–	–
Dato' Ismail Bin Osman	–	–	–	–
Mathew Thomas A/L Vargis Mathews	–	–	–	–
Jagdish Singh Dhaliwal	–	–	–	–
Dato' Mohd Zaini Bin Hassan	–	–	–	–
Avinderjit Singh A/L Harjit Singh	–	–	–	–

Note:

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

2. Deemed interest is by virtue of 4,000,000 shares registered in the name of his spouse.

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 enables 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 2014 as set out on pages 47 to 119 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 2014.

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'000	The Company RM'000
Profit/(Loss) after taxation for the financial year	23,288	(1,085)
Attributable to:-		
Owners of the Company	22,174	(1,085)
Non-controlling interests	1,114	–
	23,288	(1,085)

DIVIDENDS

Since the end of the previous financial year, the Company paid an interim tax exempt dividend of 1.5 sen per ordinary share amounting to RM7,586,800 in respect of 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 RM48,297,893 to RM50,822,327 by:-

   (i) the issuance of 12,594,940 new ordinary shares of RM0.10 each resulting from the conversion of 2.75% Irredeemable Convertible Unsecured Loan Stocks ("ICULS") at the rate of ten RM0.10 nominal amount of ICULS into four fully paid-up ordinary shares of RM0.10 each in the Company;

   (ii) the issuance of 7,045,000 new ordinary shares of RM0.10 each at prices ranging from RM0.145 to RM0.34 per share pursuant to the Employees' Share Option Scheme of the Company; and

   (iii) the issuance of 5,604,400 new ordinary shares of RM0.10 each resulting from the conversion of warrants at the rate of one RM0.10 nominal amount of warrants into one fully paid-up ordinary share of RM0.10 each in 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.

TREASURY SHARES

During the financial year, the Company repurchased a total of 2,634,500 of its issued ordinary shares from the open market for RM1,741,378 including transaction costs. The average price paid for the shares repurchased was approximately RM0.66 per share. 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 equity.

The Company disposed of 5,452,800 treasury shares for a total consideration of RM3,938,192.

Of the total 508,223,265 (2013 - 482,978,925) issued and fully paid-up ordinary shares as at the end of the reporting period, 2,634,500 (2013 - 5,452,800) ordinary shares are held as treasury shares by the Company amounting to RM1,741,378 (2013 - RM1,950,489). Relevant details on the treasury shares are disclosed in Note 20 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 Employees' Share Option Scheme.

EMPLOYEES' SHARE OPTION SCHEME

The Employees' 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 21(f) to the financial statements.

During the financial year, the Company granted 1,500,000 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 2012 ('000)**	**GRANTED ('000)**	**EXERCISED ('000)**	**AT 31 MAY 2013 ('000)**
4 March 2011	RM0.165	8,000	–	1,600	6,400
11 August 2011	RM0.145	8,640	–	5,305	3,335
29 December 2011	RM0.230	10	–	10	–
7 June 2012	RM0.220	150	–	30	120
5 July 2012	RM0.250	14,050	–	–	14,050
25 September 2012	RM0.300	180	–	–	180
21 February 2013	RM0.340	2,450	–	100	2,350
27 June 2013	RM0.610	–	1,000	–	1,000
2 September 2013	RM0.550	–	100	–	100
22 October 2013	RM0.630	–	100	–	100
9 January 2014	RM0.590	–	300	–	300
		33,480	1,500	7,045	27,935

EMPLOYEES' SHARE OPTION SCHEME (CONT'D)

The name of option holders granted 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	Granted during the financial year
Chew Kah Eng	27 June 2013	13 January 2016	RM0.61	1,000,000
Foo Su Ren	2 September 2013	13 January 2016	RM0.55	100,000
Yeong Kong Wai	22 October 2013	13 January 2016	RM0.63	100,000
Ling Ming Choo	9 January 2014	13 January 2016	RM0.59	200,000
Yeong Kong Wai	9 January 2014	13 January 2016	RM0.59	100,000

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.

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 39 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:-

Datuk Seri Syed Ali Bin Tan Sri Syed Abbas Al Habshee
Dato' Wei Chuan Beng
Lau Bik Soon
Dato' Ismail Bin Osman
Mathew Thomas A/L Vargis Mathews
Jagdish Singh Dhaliwal
Dato' Mohd Zaini Bin Hassan
Avinderjit Singh A/L Harjit Singh (Appointed on 19.2.2014)

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 1.6.2013	Bought	Sold	At 31.5.2014
Direct Interests				
Dato' Wei Chuan Beng	18,270,976	11,213,480	(5,300,000)	24,184,456
Mathew Thomas A/L Vargis Mathews	515,000	–	–	515,000
Lau Bik Soon	1,216,600	4,000,000	–	5,216,600
Jagdish Singh Dhaliwal	300,000	250,000	(50,000)	500,000
Indirect Interests				
Dato' Wei Chuan Beng*	–	4,000,000	–	4,000,000
Datuk Seri Syed Ali Bin Tan Sri Syed Abbas Al Habshee #	156,300,000	–	–	156,300,000

Directors' Report

DIRECTORS' INTERESTS (CONT'D)

	Number Of ICULS Of RM0.10 Each			
	At 1.6.2013	**Bought**	**Converted**	**At 31.5.2014**
Direct Interests				
Dato' Wei Chuan Beng	21,993,900	–	(21,710,900)	283,000
Mathew Thomas A/L Vargis Mathews	225,000	–	(225,000)	–
Lau Bik Soon	511,900	–	–	511,900
Indirect Interest				
Datuk Seri Syed Ali Bin Tan Sri Syed Abbas Al Habshee #	53,602,291	–	–	53,602,291

	Number Of Warrants			
	At 1.6.2013	**Bought**	**Exercised**	**At 31.5.2014**
Direct Interest				
Dato' Wei Chuan Beng	200,000	–	(200,000)	–
Indirect Interest				
Datuk Seri Syed Ali Bin Tan Sri Syed Abbas Al Habshee #	41,407,931	–	–	41,407,931

Note:
\# *Deemed interested by virtue of his interest in Indah Pusaka Sdn Bhd via Tema Juara Sdn Bhd.*
* *Deemed interest by virtue of 4,000,000 shares registered in the name of his spouse.*

	Number Of Share Options Over Ordinary Shares Of RM0.10 Each			
	At 1.6.2013	**Granted**	**Exercised**	**At 31.5.2014**
Share Options Of The Company				
Dato' Wei Chuan Beng	11,000,000	–	(2,000,000)	9,000,000
Mathew Thomas A/L Vargis Mathews	100,000	–	–	100,000
Lau Bik Soon	6,000,000	–	(4,000,000)	2,000,000
Jagdish Singh Dhaliwal	100,000	–	(100,000)	–
Dato' Ismail Bin Osman	500,000	–	–	500,000
Dato' Mohd Zaini Bin Hassan	50,000	–	–	50,000

The other director holding office at the end of the financial year had no interest in shares and options over shares of 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 share options granted to certain directors pursuant to the ESOS of the Company.

SIGNIFICANT EVENTS DURING THE REPORTING PERIOD

The significant events during the financial year are disclosed in Note 41 to the financial statements.

SIGNIFICANT EVENTS OCCURRING AFTER THE REPORTING PERIOD

The significant events occurring after the reporting period are disclosed in Note 42 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 30 September 2014

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 47 to 119 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of 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 at 31 May 2014 and of their financial performance 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 30 SEPTEMBER 2014

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 47 to 119 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 30 September 2014

Ng Hui Nooi

Before me

Lai Din (W-668)
Commissioner for Oaths

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 2014 of the Group and of the Company, and the statements of profit or loss and other 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 47 to 119.

Directors' Responsibility for the Financial Statements

The directors of the Company are responsible for the preparation of financial statements so as to give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 1965 in Malaysia. The directors are also responsible 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 entity'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 entity'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 qualified audit opinion.

Basis for Qualified Opinion

Included in Note 17 to the financial statements, Other Receivables, are overdue amounts from a third party of RM15,614,644 and RM14,872,212 of the Group and the Company respectively. The directors are of the opinion that the amounts are recoverable and accordingly no impairment has been made in the financial statements. However, as the amounts are long outstanding, we are of the opinion that an adjustment for impairment should be made. Had an adjustment for impairment on these Other Receivables been made, the carrying value of Other Receivables would have been decreased by same for the Group and the Company respectively. Similarly profit for the year and retained profits would have decreased same by the effects of this impairment for the Group and the Company respectively.

Qualified Opinion

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements give a true and fair view of the financial position of the Group and of the Company as of 31 May 2014 and of their financial performance and cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 1965 in Malaysia.

Independent Auditors' Report

to the Members of REDtone International Berhad

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 and did not include any adverse comment made under Section 174(3) of the Act, other than the auditors' report of REDtone Telecommunications Sdn Bhd which contains a qualification on the recoverability of an amount of RM742,432 due from a third party.

The supplementary information set out in Note 44 on page 120 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

Lee Kok Wai
Approval No: 2760/06/16 (J)
Chartered Accountant

30 September 2014

Kuala Lumpur

STATEMENTS OF FINANCIAL POSITION

at 31 May 2014

	Note	The Group 2014 RM'000	The Group 2013 RM'000	The Company 2014 RM'000	The Company 2013 RM'000
ASSETS					
NON-CURRENT ASSETS					
Investments in subsidiaries	5	–	–	87,316	84,702
Investments in associates	6	–	22,958	–	–
Investment in joint controlled entity	7	–	–	–	–
Property, plant and equipment	8	30,285	29,307	–	–
Investment properties	9	1,274	1,138	–	–
Deferred tax assets	10	1,631	3,060	606	782
Other investments	11	50	50	–	–
Goodwill	12	6,758	6,756	–	–
Intangible assets	13	35,110	–	–	–
Development costs	14	11,151	9,478	–	–
Other receivables	17	16,960	14,174	16,218	14,174
		103,219	86,921	104,140	99,658
CURRENT ASSETS					
Inventories	15	841	1,076	–	–
Trade receivables	16	54,134	65,278	–	–
Other receivables, deposits and prepayments	17	13,310	13,037	27,738	20,913
Tax recoverable		530	10	–	–
Other investments	11	8	1	–	–
Deposits with licensed banks	18	25,054	31,513	–	–
Cash and bank balances		12,652	5,085	54	554
		106,529	116,000	27,792	21,467
TOTAL ASSETS		209,748	202,921	131,932	121,125

The annexed notes form an integral part of the financial statements

Statements of Financial Position

at 31 May 2014

	Note	The Group 2014 RM'000	The Group 2013 RM'000	The Company 2014 RM'000	The Company 2013 RM'000
EQUITY AND LIABILITIES					
EQUITY					
Share capital	19	50,822	48,298	50,822	48,298
Treasury shares	20	(1,741)	(1,950)	(1,741)	(1,950)
Reserves	21	77,806	59,318	55,927	61,445
TOTAL EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY		126,887	105,666	105,008	107,793
NON-CONTROLLING INTERESTS		10,004	7,394	–	–
TOTAL EQUITY		136,891	113,060	105,008	107,793
NON-CURRENT LIABILITIES					
Irredeemable convertible unsecured loan stocks ("ICULS")	21(e)	2,424	3,128	2,424	3,128
Finance lease payables	22	197	300	–	–
Term loans	23	1,825	1,890	–	–
Deferred tax liabilities	10	482	61	–	–
		4,928	5,379	2,424	3,128
CURRENT LIABILITIES					
Deferred income	24	6,194	6,450	–	–
Trade payables	25	34,296	25,943	–	–
Other payables and accruals	26	22,878	42,876	24,500	10,204
Finance lease payables	22	103	103	–	–
Term loans	23	65	62	–	–
Provision for taxation		2,757	5,755	–	–
Bank overdraft	27	1,636	3,293	–	–
		67,929	84,482	24,500	10,204
TOTAL LIABILITIES		72,857	89,861	26,924	13,332
TOTAL EQUITY AND LIABILITIES		209,748	202,921	131,932	121,125

The annexed notes form an integral part of the financial statements

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the financial year ended 31 May 2014

		The Group		The Company	
		2014	2013	2014	2013
	Note	RM'000	RM'000	RM'000	RM'000
REVENUE	28	141,758	142,048	-	32,834
COST OF SALES		(82,430)	(73,354)	-	-
GROSS PROFIT		59,328	68,694	-	32,834
OTHER INCOME		9,408	4,814	717	495
		68,736	73,508	717	33,329
GENERAL AND ADMINISTRATIVE EXPENSES		(40,279)	(38,826)	(1,065)	(4,605)
FINANCE COSTS		(1,039)	(1,019)	(561)	(669)
PROFIT/(LOSS) BEFORE TAXATION	29	27,418	33,663	(909)	28,055
INCOME TAX (EXPENSE)/INCOME	30	(4,130)	(8,501)	(176)	87
PROFIT/(LOSS) AFTER TAXATION		23,288	25,162	(1,085)	28,142
OTHER COMPREHENSIVE INCOME/ (EXPENSE) NET OF TAX					
- Revaluation of investment properties		–	418	–	–
- Foreign currency translation		1,415	(391)	–	–
TOTAL COMPREHENSIVE INCOME/(EXPENSES) FOR THE FINANCIAL YEAR		24,703	25,189	(1,085)	28,142
PROFIT/(LOSS) AFTER TAXATION ATTRIBUTABLE TO:-					
Owners of the Company		22,174	25,091	(1,085)	28,142
Non-controlling interests		1,114	71	–	–
		23,288	25,162	(1,085)	28,142
TOTAL COMPREHENSIVE INCOME/ (EXPENSES) ATTRIBUTABLE TO:-					
Owners of the Company		22,921	25,138	(1,085)	28,142
Non-controlling interests		1,782	51	–	–
		24,703	25,189	(1,085)	28,142
EARNINGS PER SHARE (SEN)					
Basic	31	4.42	5.23		
Diluted	31	3.40	4.25		

The annexed notes form an integral part of the financial statements

STATEMENTS OF CHANGES IN EQUITY

for the financial year ended 31 May 2014

The Group	Share Capital RM'000	Treasury Shares RM'000	Share Premium RM'000	Foreign Exchange Translation Reserve RM'000	Other Reserves RM'000	ICULS RM'000	Employees' Share Option Reserve RM'000	Distributable (Accumulated Losses)/ Retained Profits RM'000	Attributable to Owners Of The Company RM'000	Non-Controlling Interests RM'000	Total Equity RM'000
	<----Non-distributable						---->	Distributable			
Balance at 1.6.2012	47,564	(349)	10,962	(1,056)	19,331	10,080	2,418	(8,847)	80,103	7,816	87,919
Profit after taxation for the financial year	–	–	–	–	–	–	–	25,091	25,091	71	25,162
Other comprehensive income /(expenses) for the financial year, net of tax:											
- Revaluation of investment properties	–	–	–	–	418	–	–	–	418	–	418
- Foreign currency translation	–	–	–	(371)	–	–	–	–	(371)	(20)	(391)
Total comprehensive (expenses) /income for the financial year	–	–	–	(371)	418	–	–	25,091	25,138	51	25,189
Contributions by and distributions to owners of the Company:											
- Arising from disposal of a subsidiary	–	–	–	–	–	–	–	–	–	(473)	(473)
- Issuance of shares, pursuant to conversion of ICULS	385	–	(1)	–	–	(384)	–	–	–	–	–
- Exercise of warrants	–	–	1	–	–	–	–	–	1	–	1
- Treasury shares:											
- acquired	–	(1,706)	–	–	–	–	–	–	(1,706)	–	(1,706)
- disposed of	–	105	85	–	–	–	–	–	190	–	190
- Employees' share options:											
- granted	–	–	–	–	–	–	1,412	–	1,412	–	1,412
- exercised	349	–	718	–	–	–	(539)	–	528	–	528
Total transactions with owners	734	(1601)	803	–	–	(384)	873	–	425	(473)	(48)
Balance at 31.5.2013	48,298	(1,950)	11,765	(1,427)	19,749	9,696	3,291	16,244	105,666	7,394	113,060

The annexed notes form an integral part of the financial statements

Statements of Changes in Equity
for the financial year ended 31 May 2014

The Group	Share Capital RM'000	Treasury Shares RM'000	Share Premium RM'000	Foreign Exchange Translation Reserve RM'000	Other Reserves RM'000	ICULS RM'000	Employees' Share Option Reserve RM'000	Retained Profits RM'000	Attributable to Owners Of The Company RM'000	Non-Controlling Interests RM'000	Total Equity RM'000
	<--------Non-distributable						-------->	Distributable			
Balance at 31.5.2013/1.6.2013	48,298	(1,950)	11,765	(1,427)	19,749	9,696	3,291	16,244	105,666	7,394	113,060
Profit after taxation for the financial year	–	–	–	–	–	–	–	22,174	22,174	1,114	23,288
Other comprehensive income for the financial year, net of tax:											
- Foreign currency translation	–	–	–	747	–	–	–	–	747	668	1,415
Total comprehensive income for the financial year	–	–	–	747	–	–	–	22,174	22,921	1,782	24,703
Contributions by and distributions to Owners of the Company:											
- Dividend paid	–	–	–	–	–	–	–	(7,587)	(7,587)	–	(7,587)
- Acquisition of subsidiaries	–	–	–	–	–	–	–	–	–	828	828
- Issuance of shares pursuant to conversion of ICULS	1,259	–	(1)	–	–	(1,258)	–	–	–	–	–
- Exercise of warrants	560	–	1,507	–	(668)	–	–	–	1,399	–	1,399
- Treasury shares:											
- acquired	–	(1,741)	–	–	–	–	–	–	(1,741)	–	(1,741)
- disposed of	–	1,950	1,988	–	–	–	–	–	3,938	–	3,938
- Employees' share options:											
- granted	–	–	–	–	–	–	1,213	–	1,213	–	1,213
- exercised	705	–	1,508	–	–	–	(1,135)	–	1,078	–	1,078
Total transactions with owners	2,524	209	5,002	–	(668)	(1,258)	78	(7,587)	(1,700)	828	(872)
Balance at 31.5.2014	50,822	(1,741)	16,767	(680)	19,081	8,438	3,369	30,831	126,887	10,004	136,891

The annexed notes form an integral part of the financial statements

Statements of Changes in Equity

for the financial year ended 31 May 2014

The Company	<---Non-distributable Share Capital RM'000	Treasury Shares RM'000	Share Premium RM'000	ICULS RM'000	Other Reserves RM'000--->	Distributable (Accumulated Losses)/ Retained Profits RM'000	Total Equity RM'000
Balance at 1.6.2012	47,564	(349)	10,962	10,080	21,749	(10,780)	79,226
Profit after taxation/ Total comprehensive income for the financial year	–	–	–	–	–	28,142	28,142
Contributions by and Distributions to owners Of the Company:							
- Issuance of shares pursuant to conversion of ICULS	385	–	(1)	(384)	–	–	–
- Exercise of warrants	–	–	1	–	–	–	1
- Treasury shares:							
- acquired	–	(1,706)	–	–	–	–	(1,706)
- disposed of	–	105	85	–	–	–	190
- Employees' share options:							
- granted	–	–	–	–	1,412	–	1,412
- exercised	349	–	718	–	(539)	–	528
Total transactions with owners	734	(1,601)	803	(384)	873	–	425
Balance at 31.5.2013	48,298	(1,950)	11,765	9,696	22,622	17,362	107,793

The annexed notes form an integral part of the financial statements

Statements of Changes in Equity
for the financial year ended 31 May 2014

The Company	<----- Share Capital RM'000	Treasury Shares RM'000	Non-distributable Share Premium RM'000	ICULS RM'000	Other Reserves RM'000 ----->	Distributable Retained Profits RM'000	Total Equity RM'000
Balance at 31.5.2013/1.6.2013	48,298	(1,950)	11,765	9,696	22,622	17,362	107,793
Loss after taxation/ Total comprehensive expenses for the financial year	–	–	–	–	–	(1,085)	(1,085)
Contributions by and distributions to owners of the Company:							
- Dividend	–	–	–	–	–	(7,587)	(7,587)
- Issuance of shares pursuant to conversion of ICULS	1,259	–	(1)	(1,258)	–	–	–
- Exercise of warrants	560	–	1,507	–	(668)	–	1,399
- Treasury shares:							
- acquired	–	(1,741)	–	–	–	–	(1,741)
- disposed of	–	1,950	1,988	–	–	–	3,938
- Employees' share options:							
- granted	–	–	–	–	1,213	–	1,213
- exercised	705	–	1,508	–	(1,135)	–	1,078
Total transactions with owners	2,524	209	5,002	(1,258)	(590)	(7,587)	(1,700)
Balance at 31.5.2014	50,822	(1,741)	16,767	8,438	22,032	8,690	105,008

The annexed notes form an integral part of the financial statements

STATEMENTS OF CASH FLOWS

for the financial year ended 31 May 2014

	Note	The Group 2014 RM'000	The Group 2013 RM'000 (Restated)	The Company 2014 RM'000	The Company 2013 RM'000 (Restated)
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit/(Loss) before taxation		27,418	33,663	(909)	28,055
Adjustments for:-					
Amortisation of development costs		1,942	1,865	–	–
Bad debts written off		467	67	–	–
Depreciation of property, plant and equipment		5,861	5,239	–	–
Dividend income		–	–	–	(32,834)
Fair value gain on investment properties		(136)	(162)	–	–
Loss/(Gain) on disposal of:-					
- property, plant and equipment		–	26	–	–
- subsidiaries		–	(1,807)	–	45
- associate		(5,000)	–	–	–
Impairment loss on:-					
- goodwill		–	1,250	–	–
- associates		–	841	–	841
- non-trade receivables		100	2,231	100	1,500
- trade receivables		346	1,037	–	–
Interest expense		846	1,019	561	669
Interest income		(1,373)	(779)	(13)	(16)
Inventories written down		–	19	–	–
Inventories written off		176	–	–	–
Share-based payments		1,213	1,412	–	40
Net gain on ICULS conversion		(416)	(136)	(416)	(136)
Property, plant and equipment written off		–	12	–	
Provision for annual leave		–	5	–	–
Provision of Universal Service Fund Contribution ("USOF")		305	506	–	–
Unrealised (gain)/loss on foreign exchange		(50)	(140)	(80)	389
Writeback of impairment losses on other investments		–	(66)	–	–
Writeoff of impairment losses on trade receivables		(52)	(101)	–	–
Writeback of impairment losses on other receivables		(528)	(31)	–	(31)
Operating profit/(loss) before working capital changes		31,119	45,970	(757)	(1,478)
Decrease/(Increase) in inventories		59	(225)	–	–
Decrease/(Increase) in receivables		8,062	(57,495)	(8,968)	40,834
(Decrease)/Increase in payables		(16,490)	32,564	14,088	(37,932)
CASH FROM OPERATIONS		22,750	20,814	4,363	1,424
Interest paid		(846)	(1,019)	(561)	(669)
Tax paid		(5,278)	(3,729)	–	–
Tax refunded		–	199	–	199
NET CASH FROM OPERATING ACTIVITIES/BALANCE CARRIED FORWARD		16,626	16,265	3,802	954

The annexed notes form an integral part of the financial statements

Statements of Cash Flows

for the financial year ended 31 May 2014

	Note	The Group 2014 RM'000	The Group 2013 RM'000 (Restated)	The Company 2014 RM'000	The Company 2013 RM'000 (Restated)
NET CASH FROM OPERATING ACTIVITIES/BALANCE BROUGHT FORWARD		16,626	16,265	3,802	954
CASH FLOWS (FOR)/FROM INVESTING ACTIVITIES					
Disposal of subsidiaries, - net of cash and cash equivalents disposed		–	313	–	–
Acquisition of subsidiaries, - net of cash and cash equivalents acquired	32	(1,440)	–	–	–
Increase in investments in subsidiaries		–	–	(1,400)	–
Decrease/(Increase) in pledged deposits		6,459	(13,989)	–	–
Interest income received		1,373	779	13	16
Purchase of property, plant and equipment		(3,645)	(1,651)	–	–
Proceeds from disposal of property, plant and equipment		–	54	–	–
Proceeds from disposal of an associate		5,000	–	–	–
Proceeds from upliftment of structured investment fund		–	1,063	–	–
Purchase of intangible assets		(10,440)	–	–	–
Development costs paid		(1,940)	(947)	–	–
NET CASH (FOR)/FROM INVESTING ACTIVITIES		(4,633)	(14,378)	(1,387)	16
CASH FLOWS FOR FINANCING ACTIVITIES					
Proceeds from exercise of employee share options		1,076	528	1,076	843
Purchase of treasury shares		(1,741)	(1,706)	(1,741)	(1,706)
Proceeds from resale of treasury shares		3,938	190	3,938	190
Proceeds from exercise of warrants		1,399	1	1,399	1
Repayment of finance lease payables		(103)	(428)	-	-
Repayment of hire purchase payables		-	(69)	-	-
Repayment of term loans		(62)	(57)	-	-
Dividend paid		(7,587)	-	(7,587)	-
NET CASH FOR FINANCING ACTIVITIES		(3,080)	(1,541)	(2,915)	(672)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS/ BALANCE CARRIED FORWARD		8,913	346	(500)	298

The annexed notes form an integral part of the financial statements

Statements of Cash Flows

for the financial year ended 31 May 2014

	Note	The Group 2014 RM'000	The Group 2013 RM'000 (Restated)	The Company 2014 RM'000	The Company 2013 RM'000 (Restated)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS/ BALANCE BROUGHT FORWARD		8,913	346	(500)	298
EFFECTS OF EXCHANGE RATE CHANGES		311	(178)	–	–
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR		1,792	1,624	554	256
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR	33	11,016	1,792	54	554

The annexed notes form an integral part of the financial statements

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 31 May 2014

1. GENERAL INFORMATION

The Company is a public company limited by shares, incorporated and domiciled in Malaysia, and 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 30 September 2014.

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 Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards and the requirements of 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, if any):-

MFRSs and IC Interpretations (Including The Consequential Amendments)
MFRS 10 Consolidated Financial Statements
MFRS 11 Joint Arrangements
MFRS 12 Disclosure of Interests in Other Entities
MFRS 13 Fair Value Measurement
MFRS 119 (2011) Employee Benefits
MFRS 127 (2011) Separate Financial Statements
MFRS 128 (2011) Investments in Associates and Joint Ventures
Amendments to MFRS 7: Disclosures - Offsetting Financial Assets and Financial Liabilities
Amendments to MFRS 10, MFRS 11 and MFRS 12: Transition Guidance
IC Interpretation 20 Stripping Costs in the Production Phase of a Surface Mine
Annual Improvements to MFRSs 2009 - 2011 Cycle

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.

Notes to the Financial Statements

for the financial year ended 31 May 2014

3. BASIS OF PREPARATION (CONT'D)

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

MFRSs and IC Interpretations (Including The Consequential Amendments)	Effective Date
MFRS 9 (2009) Financial Instruments	)
MFRS 9 (2010) Financial Instruments	) To be
MFRS 9 Financial Instruments (Hedge Accounting and Amendments to MFRS 7, MFRS 9 and MFRS 139)	) announced) by MASB
Amendments to MFRS 9 and MFRS 7: Mandatory Effective Date of MFRS 9 and Transition Disclosures	))
MFRS 14 Regulatory Deferral Accounts	1 January 2016
Amendments to MFRS 10, MFRS 12 and MFRS 127 (2011): Investment Entities	1 January 2014
Amendments to MFRS 11: Accounting for Acquisitions of Interests in Joint Operations	1 January 2016
Amendments to MFRS 116 and MFRS 138: Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016
Amendments to MFRS 119: Defined Benefit Plans - Employee Contributions	1 July 2014
Amendments to MFRS 132: Offsetting Financial Assets and Financial Liabilities	1 January 2014
Amendments to MFRS 136: Recoverable Amount Disclosures for Non-financial Assets	1 January 2014
Amendments to MFRS 139: Novation of Derivatives and Continuation of Hedge Accounting	1 January 2014
IC Interpretation 21 Levies	1 January 2014
Annual Improvements to MFRSs 2010 - 2012 Cycle	1 July 2014
Annual Improvements to MFRSs 2011 - 2013 Cycle	1 July 2014

The above accounting standards and interpretations (including the consequential amendments) are not relevant to the Group's operations except as follows:-

MFRS 9 (2009) introduces new requirements for the classification and measurement of financial assets. Subsequently, this MFRS 9 was amended in year 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition (known as MFRS 9 (2010)). Generally, MFRS 9 replaces the parts of MFRS 139 that relate to the classification and measurement of financial instruments. MFRS 9 divides all financial assets into 2 categories - those measured at amortised cost and those measured at fair value, based on the entity's business model for managing its financial assets and the contractual cash flow characteristics of the instruments. For financial liabilities, the standard retains most of the MFRS 139 requirement. An entity choosing to measure a financial liability at fair value will present the portion of the change in its fair value due to changes in the entity's own credit risk in other comprehensive income rather than within profit or loss. Accordingly, there will be no material financial impact on the financial statements of the Group upon its initial application but may impact its future disclosures.

The amendments to MFRS 10, MFRS 12 and MFRS 127 (2011) require investment entities to measure particular subsidiaries at fair value through profit or loss instead of consolidating them. The Company is an investment entity whose business purpose is to invest funds solely for returns from capital appreciation, investment income or both. Accordingly, the Group will deconsolidate its subsidiaries upon the initial application of these amendments and to fair value the investments in accordance with MFRS 139. Accordingly, there will be no financial impact on the financial statements of the Group upon its initial application but may impact its future disclosures.

The amendments to MFRS 132 provide the application guidance for criteria to offset financial assets and financial liabilities. Accordingly, there will be no financial impact on the financial statements of the Group upon its initial application but may impact its future disclosures.

The amendments to MFRS 136 remove the requirement to disclose the recoverable amount when a cash-generating unit (CGU) contains goodwill or intangible assets with indefinite useful lives but there has been no impairment. Accordingly, there will be no financial impact on the financial statements of the Group upon its initial application but may impact its future disclosures.

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.

(ii) Impairment of Property, Plant and Equipment, Intangible Assets (Other Than Goodwill) and Other Investments

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

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

(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.

Notes to the Financial Statements

for the financial year ended 31 May 2014

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

(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.

(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 judgement 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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

(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.

(b) Basis of Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to the end of the reporting period.

Subsidiaries are entities (including structured entities) controlled by the Group. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

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.

(i) Business Combinations

Acquisitions of businesses are accounted for using the acquisition method. Under the acquisition method, the consideration transferred for acquisition of a subsidiary is the fair value of the assets transferred, liabilities incurred and the equity interests issued by the Group at the acquisition date. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs, other than the costs to issue debt or equity securities, are recognised in profit or loss when incurred.

In a business combination achieved in stages, previously held equity interests in the acquiree are remeasured to fair value at the acquisition date and any corresponding gain or loss is recognised in profit or loss.

Notes to the Financial Statements
for the financial year ended 31 May 2014

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(b) Basis of Consolidation (Cont'd)

(i) Business Combinations (Cont'd)

Non-controlling interests in the acquiree may be initially measured either at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets at the date of acquisition. The choice of measurement basis is made on a transaction-by-transaction basis.

(ii) Non-controlling Interests

Non-controlling interests are presented within equity in the consolidated statement of financial position, separately from the equity attributable to owners of the Company. 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.

(iii) Changes In Ownership Interests In Subsidiaries Without Change of Control

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 of the Group.

(iv) Loss of Control

Upon loss of control of a subsidiary, the Group recognizes any gain or loss on disposal in profit or loss which 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 in the same manner as would be required if the relevant assets or liabilities were disposed of (i.e. reclassified to profit or loss or transferred directly to retained profits). 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 MFRS 139 or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

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 or more frequently if events or changes in circumstances indicate that the carrying amount may be impaired. 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 acquisition method, any excess of the sum of the fair value of the consideration transferred in the business combination, the amount of non-controlling interests recognised and the fair value of the Group's previously held equity interest in the acquiree (if any), over the net fair value of the acquiree's identifiable assets and liabilities at the date of acquisition is recorded as goodwill.

Where the latter amount exceeds the former, after reassessment, the excess represents a bargain purchase gain and is recognised as a gain 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 ("RM"), 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 the 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.

Notes to the Financial Statements
for the financial year ended 31 May 2014

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(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.

A financial instrument is recognised initially at its fair value. Transaction costs that are directly attributable to the acquisition or issue of the financial instrument (other than a financial instrument at fair value through profit or loss) are added to/deducted from the fair value on initial recognition, as appropriate. Transaction costs on the financial instrument at fair value through profit or loss are recognised immediately in profit or loss.

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, held-to-maturity investments, loans and receivables financial assets, 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 Group's right to receive payment is established.

  Financial assets at fair value through profit or loss could be presented as current or non-current. Financial assets that are held primarily for trading purposes are presented as current whereas financial assets that are not held primarily for trading purposes are presented as current or non-current based on the settlement date.

- *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.

  Held-to-maturity investments are classified as non-current assets, except for those having maturity within 12 months after the reporting date which are classified as current assets.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(e) Financial Instruments (Cont'd)

(i) Financial Assets (Cont'd)

- *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.

  Loans and receivables financial assets are classified as current assets, except for those having settlement dates later than 12 months after the reporting date which are classified as non-current assets

- *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.

  Available-for-sale financial assets are classified as non-current assets unless they are expected to be realised within 12 months after the reporting date.

(ii) Financial Liabilities

All financial liabilities are initially measured 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.

Financial liabilities are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

Notes to the Financial Statements
for the financial year ended 31 May 2014

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(e) Financial Instruments (Cont'd)

(iii) Equity Instruments

Instruments classified as equity are measured at cost and are not remeasured subsequently.

(a) Ordinary shares

Incremental costs directly attributable to the issue of new ordinary 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.

(b) 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.

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

(c) 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.

(d) 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.

(iv) Derecognition

A financial asset or part of it is derecognised when, and only when, the contractual rights to the cash flows from the financial asset expire or the financial asset is transferred to another party without retaining control or substantially all risks and rewards of the asset. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in equity is recognised in profit or loss.

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged or cancelled or expires. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(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. The cost of the investments includes transaction costs.

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.

(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 cost of the investment includes transaction costs.

The investment in an associate is accounted for in the consolidated statement of financial position using the equity method, based on the financial statements of the associate made up to 31 May 2014. The Group's share of the post-acquisition profits and other comprehensive income of the associate is included in the consolidated statement of profit or loss and other comprehensive income, after adjustment if any, to align the accounting policies with those of the Group, from the date that significant influence commences up to the effective date on which significant influence ceases or when the investment is classified as held for sale. 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. The cost of investment includes transaction costs.

When the Group's share of losses exceeds its interest in an associate, the carrying amount of that interest is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation.

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.

When the Group ceases to have significant influence over an associate and the retained interest in the former associate is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as the initial carrying amount of the financial asset in accordance with MFRS 139. Furthermore, the Group also reclassifies its share of the gain or loss previously recognised in other comprehensive income of that associate to profit or loss when the equity method is discontinued. However, the Group will continue to use the equity method if the dilution does not result in a loss of significant influence or when an investment in a joint venture becomes an investment in an associate. Under such changes in ownership interest, the retained investment is not remeasured to fair value but a proportionate share of the amounts previously recognised in other comprehensive income of the associate will be reclassified to profit or loss where appropriate. All dilution gains or losses arising in investments in associates are recognised in profit or loss.

(h) Investment in Jointly 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.

Notes to the Financial Statements

for the financial year ended 31 May 2014

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(h) Investment in Jointly Controlled Entity (Cont'd)

Investments 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.

Depreciation is charged to profit or loss on 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:-

Leasehold 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. The revaluation reserve included in equity is transferred directly to retained profits on retirement or disposal of the asset.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(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.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner-occupied property or inventories, the fair value at the date of change becomes the cost for subsequent accounting purposes. If owner-occupied property becomes an investment property, such property shall be accounted for in accordance with the policy set out in Note 4(i) above.

(k) Intangible Assets

(i) Research and Development Expenditure

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

Development expenditure is recognised as an expense except that costs incurred on development projects are capitalised as non-current 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 intention to complete and the 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 useful lives if development expenditures are assessed to be either finite or indefinite. Development expenditure 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 development expenditure may be impaired. The amortisation period and the amortisation method for the development expenditure with a finite useful life are reviewed at least at the end of each reporting period.

Development expenditures with indefinite 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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(k) Intangible Assets (Cont'd)

(ii) Spectrum Rights

The Group's spectrum rights consist of telecommunications licences with allocated spectrum rights which were acquired as part of a business combination. Spectrum rights are considered to have an indefinite economic useful life and are not amortised but tested for impairment on an annual basis.

See accounting policy Note 4(l)(ii) on impairment of non-financial assets.

Management assesses the indefinite economic useful life assumption applied to the acquired intangible assets annually.

(iii) Licences

Licences acquired relating to teleradiology, management and health record systems are measured on initial recognition at cost. The licences are considered to have an indefinite economic useful life and are not amortised but tested for impairment on an annual basis, and where an indication of impairment exists.

See accounting policy Note 4(l)(ii) on impairment of non-financial assets.

Management assesses the indefinite economic useful life assumption applied to the acquired intangible assets annually.

(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.

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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(l) Impairment (Cont'd)

(ii) Impairment of Non-Financial Assets

The carrying values of assets, other than those to which MFRS 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, in which case the reversal of the impairment loss is treated as a revaluation increase.

(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).

(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.

Notes to the Financial Statements

for the financial year ended 31 May 2014

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(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.

Where investment properties are carried at their fair value, the amount of deferred tax recognised is measured using the tax rates that would apply on sale of those assets.

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, 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 with original maturity periods of three months or less.

During the current financial year, the Group excluded deposits pledged to financial institutions from cash and cash equivalents for the purpose of the statements of cash flows. This change has been applied retrospectively with an adjustment made against the opening balance of the cash and cash equivalents as at 1 June 2013.

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. The unwinding of the discount is recognised as interest expense in profit or loss.

(r) Employee Benefits

(i) Short-term Benefits

Wages, salaries, paid annual leave and sick leave, bonuses and non-monetary benefits are measured on an undiscounted basis and 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

The Group operates an equity-settled share-based compensation plan, under which the Group receives services from employees as consideration for equity instruments of the Company (share options).

At grant date, the fair value of the share options is recognised as an expense on a straight-line method over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding credit to employees' share option reserve in equity. The amount recognised as an expense is adjusted to reflect the actual number of the share options that are expected to vest. Service and non-market performance conditions attached to the transaction are not taken into account in determining the fair value.

In the Company's separate financial statements, the grant of the share options to the subsidiaries' employees is not recognised as an expense. Instead, the fair value of the share options measured at the grant date is accounted for as an increase to the investment in subsidiary undertaking with a corresponding credit to the employees' share option reserve.

Upon expiry of the share option, the employees' share option reserve is transferred to retained profits.

When the share options are exercised, the employees' share option reserve is transferred to share capital or share premium if new ordinary shares are issued.

Notes to the Financial Statements
for the financial year ended 31 May 2014

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(s) Related Parties

A party is related to an entity (referred to as the 'reporting entity') if:-

(a) A person or a close member of that person's family is related to a reporting entity if that person:-

(i) has control or joint control over the reporting entity;
(ii) has significant influence over the reporting entity; or
(iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

(b) An entity is related to a reporting entity if any of the following conditions applies:-

(i) The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
(iii) Both entities are joint ventures of the same third party.
(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
(v) The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.
(vi) The entity is controlled or jointly controlled by a person identified in (a) above.
(vii) A person identified in (a)(i) above has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

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

(t) 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.

(u) 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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(v) Fair Value Measurements

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using a valuation technique. The measurement assumes that the transaction takes place either in the principal market or in the absence of a principal market, in the most advantageous market. For non-financial asset, the fair value measurement takes into account a market's participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use. However, this basis does not apply to share-based payment transactions.

For financial reporting purposes, the fair value measurements are analysed into level 1 to level 3 as follows:-

Level 1: Inputs are quoted prices (unadjusted) in active markets for identical assets or liability that the entity can access at the measurement date;

Level 2: Inputs are inputs, other than quoted prices included within level 1, that are observable for the asset or liability, either directly or indirectly; and

Level 3: Inputs are unobservable inputs for the asset or liability.

The transfer of fair value between levels is determined as of the date of the event or change in circumstances that caused the transfer.

(w) 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) Interest Income

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

(iv) Maintenance Income

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

Notes to the Financial Statements

for the financial year ended 31 May 2014

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(w) Revenue Recognition (Cont'd)

(v) Dividend Income

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

(vi) Services

Revenue is recognised upon the rendering of services and when the outcome of the transaction can be estimated reliably. In the event the outcome of the transaction could not be estimated reliably, revenue is recognised to the extent of the expenses incurred that are recoverable.

(x) 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.

(y) 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.

Investment income earned on the temporary investment of specific borrowing pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

5. INVESTMENTS IN SUBSIDIARIES

	The Company 2014 RM'000	The Company 2013 RM'000
Unquoted shares, at cost		
- in Malaysia	11,890	9,276
Quoted shares, at cost		
- outside Malaysia	75,426	75,426
	87,316	84,702

The details of the subsidiaries are as follows:-

Name of Subsidiary	Country of Incorporation	Effective Equity Interest 2014 %	Effective Equity Interest 2013 %	Principal Activities
REDtone Telecommunications Sdn Bhd	Malaysia	100	100	Research, development, manufacturing and marketing of computer-telephony integration, provision of communication services and investment holding.
REDtone Technology Sdn Bhd ("RTT")	Malaysia	100	100	Provider of total solutions in business communication and telecommunication services and investment holding.
REDtone Marketing Sdn Bhd	Malaysia	100	100	Research and development, manufacturing and marketing of telecommunication and multimedia solutions.
REDtone Data Centre Sdn Bhd ("RDC")	Malaysia	70	–	Provides system integration, software solutions and trading in computer hardware.
REDtone MEX Sdn Bhd ("REX")	Malaysia	70	–	Building of teleconsultation/ teleradiology exchange and distributing, designing and development of information system, mobile solutions and healthcare solution.
REDtone Asia Inc. ("RTA") ^	United States of America	92.31	92.31	Investment holding.
Held through RTT				
REDtone Mytel Sdn Bhd ("RMT")	Malaysia	60	60	Provision of telecommunication services.
REDtone Technology Pte Ltd ("RTPLS") ^	Singapore	100	100	Provision of telecommunication related products and services.

Notes to the Financial Statements
for the financial year ended 31 May 2014

5. INVESTMENTS IN SUBSIDIARIES

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

Name of Subsidiary	Country of Incorporation	Effective Equity Interest 2014 %	2013 %	Principal Activities
Held through RTT (Cont'd)				
SEA Telco Engineering Services Sdn Bhd ("STE") (Formerly known as REDtone - CNX Broadband Sdn Bhd)	Malaysia	80	^^	Provision of information technology services.
Meridianotch Sdn Bhd ("MSB")	Malaysia	100	^^	Investment holding.
Held through RTA				
RT Communication Ltd ("RTCL") ^	British Virgin Islands	92.31	92.31	Investment holding.
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.
Held through RTCC				
REDtoneTelecommunications (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.

5. INVESTMENTS IN SUBSIDIARIES

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

Name of Subsidiary	Country of Incorporation	Effective Equity Interest 2014 %	Effective Equity Interest 2013 %	Principal Activities
Held through Hongsheng				
Nantong Jiatong Investment Consultant Co., Ltd ^*	The People's Republic of China	92.31	92.31	Investment holding.
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.
Shanghai Xin Chang Information Technology Company Ltd ("SXC") ^*	The People's Republic of China	51.69	–	Marketing and distribution of internet phone call and discounted call services.

Notes:

^ *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.*

^^ *The interest in STE is held through MSB. During the financial year, the Group's equity interest in MSB was increased as a result of the acquisition of MSB's remaining shares, as disclosed in Note 32 to the financial statements. Consequently, both MSB and STE became subsidiaries of the Group.*

(a) The non-controlling interests at the end of the reporting period comprise the following:-

	Group's Effective Equity Interest 2014 %	Group's Effective Equity Interest 2013 %	The Group 2014 RM'000	The Group 2013 RM'000
RTA Group (excluded SXC)	92.31	92.31	7,641	7,338
STE	80	^^	883	–
REX	70	–	389	–
RTM	60	60	379	56
RDC	70	–	134	–
SXC	51.69	–	578	–
			10,004	7,394

Notes to the Financial Statements
for the financial year ended 31 May 2014

5. INVESTMENTS IN SUBSIDIARIES (CONT'D)

(b) The summarised financial information (before intra-group elimination) for each subsidiary that has non-controlling interests that are material to the Group is as follows:-

	RTA Group	
	2014 RM'000	2013 RM'000
At 31 May		
Non-current assets	80,634	80,196
Current assets	60,348	63,585
Non-current liabilities	(15)	(61)
Current liabilities	(39,157)	(47,298)
Net assets	101,810	96,422
Financial year ended 31 May		
Revenue	20,251	22,378
Profit/(Loss) for the financial year	3,408	(54)
Total comprehensive income/(expense)	3,408	(54)
Total comprehensive income attributable to non-controlling interests	89	–
Net cash flows (for)/from operating activities	(1,000)	5,414
Net cash flows (for)/from investing activities	(1,669)	486
Net cash flows from financing activities	104	126

The summarised financial information (before intra-group elimination) of the other subsidiaries that have non-controlling interests are not presented as the non-controlling interests are not material to the Group.

6. INVESTMENTS IN ASSOCIATES

	The Group		The Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Unquoted shares in Malaysia, at cost	841	2,098	841	841
Accumulated impairment losses	(841)	(841)	(841)	(841)
Share of post-acquisition losses	–	(1,257)	–	–
	–	–	–	–
Quasi loans	–	22,958	–	–
	–	22,958	–	–
Accumulated impairment losses:-				
At 1 June	841	–	841	–
Addition during the financial year	–	841	–	841
At 31 May	841	841	841	841

6. INVESTMENTS IN ASSOCIATES (CONT'D)

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

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

Name of Associate	Country of Incorporation	Effective Equity Interest 2014 %	2013 %	Principal Activities
REDtone Network Sdn Bhd	Malaysia	49	49	Research and development and marketing of communication applications.
Held through RTT				
Red One Network Sdn Bhd (Formerly known as REDtone Mobile Sdn Bhd)*	Malaysia	–	35	Operation on a mobile virtual network and research, design, develop and commercialisation of VOIP Customer Premise Equipment.
STE	Malaysia	^	54.5	Provision of broadband and information technology services.

Notes:

* *During the financial year, the Group disposed of its equity interest in Red One Network Sdn. Bhd.*

^ *The interest in STE is held through MSB. During the financial year, the Group's equity interest in MSB was increased as a result of the acquisition of MSB's remaining shares, as disclosed in Note 32 to the financial statements. Consequently, STE became a subsidiary of the Group.*

(c) The Group has not recognised losses relating to REDtone Network Sdn Bhd, where its share of losses exceeded the Group's interest in this associate. The Group's cumulative share of unrecognised losses at the end of the reporting period amounted to RM908,652. The Group has no obligation in respect of these losses.

(d) The summarised financial information for each associate is not presented as this associate is not material to the Group.

7. INVESTMENT IN JOINT CONTROLLED ENTITY

	The Group 2014 RM'000	2013 RM'000
Unquoted shares, at cost	–	1,492
Share of post-acquisition reserves	–	(1,492)
	–	–

Notes to the Financial Statements
for the financial year ended 31 May 2014

7. INVESTMENT IN JOINT CONTROLLED ENTITY (CONT'D)

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

Name of Company	**Country of Incorporation**	**Effective Equity Interest 2014 %**	**2013 %**	**Principal Activities**
Held through RTT				
Meridianotch Sdn Bhd	Malaysia	^	50	Investment holding.

Notes:

^ *During the financial year, the Group's equity interest in MSB was increased as a result of the acquisition of MSB's remaining shares, as disclosed in Note 32 to the financial statements. Consequently, MSB became a subsidiary of the Group.*

8. PROPERTY, PLANT AND EQUIPMENT

The Group	At 1.6.2013 RM'000	Acquisition of subsidiaries RM'000	Additions RM'000	Depreciation Charge RM'000	Reclassification RM'000	Exchange Difference RM'000	At 31.5.2014 RM'000
Net Book Value							
Leasehold office lots	5,107	–	–	(123)	–	–	4,984
Computers and software	2,813	–	1,131	(1,115)	26	26	2,881
Furniture, fittings and office equipment	487	40	56	(243)	473	7	820
Equipment, plant and machinery *	19,175	2,519	2,256	(4,050)	(86)	233	20,047
Other assets **	1,725	356	202	(330)	(413)	13	1,553
	29,307	2,915	3,645	(5,861)	–	279	30,285

The Group	At 1.6.2012 RM'000	Additions RM'000	Depreciation Charge RM'000	Disposals RM'000	Written Off RM'000	Reclassi-fication RM'000	Revaluation of Investment Properties transferred RM'000	Transferred from Investment Properties RM'000	Transfer to Inventories RM'000	Exchange Difference RM'000	At 31.5.2013 RM'000
Net Book Value											
Leasehold office lots	4,659	–	(123)	–	–	–	418	153	–	–	5,107
Computers and software	3,458	391	(1,029)	–	(4)	–	–	–	–	(3)	2,813
Furniture, fittings and office equipment	744	38	(267)	(22)	(5)	–	–	–	–	(1)	487
Equipment, plant and machinery *	21,804	897	(3,590)	–	–	281	–	–	(198)	(19)	19,175
Other assets **	1,972	325	(230)	(58)	(3)	(281)	–	–	–	–	1,725
	32,637	1,651	(5,239)	(80)	(12)	–	418	153	(198)	(23)	29,307

Notes to the Financial Statements
for the financial year ended 31 May 2014

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

The Group	At Cost RM	Accumulated Depreciation RM	Net Book Value RM
At 31.5.2014			
Leasehold office lots	5,954	(970)	4,984
Computers and software	10,652	(7,771)	2,881
Furniture, fittings and office equipment	2,289	(1,469)	820
Equipment, plant and machinery *	58,085	(38,038)	20,047
Other assets **	7,263	(5,710)	1,553
	84,243	(53,958)	30,285
At 31.5.2013			
Leasehold office lots	5,954	(847)	5,107
Computers and software	9,469	(6,656)	2,813
Furniture, fittings and office equipment	1,718	(1,231)	487
Equipment, plant and machinery *	53,163	(33,988)	19,175
Other assets **	7,105	(5,380)	1,725
	77,409	(48,102)	29,307

* 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.

(a) Included in the assets of the Group at the end of the reporting period were equipment with a total net book value of RM381,037 (2013 - RM418,881) acquired under hire purchase terms.

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

9. INVESTMENT PROPERTIES

	The Group 2014 RM'000	The Group 2013 RM'000
Leasehold office lot, at fair value		
At 1 June	1,138	1,129
Fair value adjustment	136	162
Net amount transfer to property, plant and equipment	–	(153)
At 31 May	1,274	1,138

9. INVESTMENT PROPERTIES (CONT'D)

(a) The leasehold office lot 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 estimated the fair values of the investment properties to be RM1,274,528 (2013 - RM1,138,100) based on the recent net selling prices of similar properties at locations adjacent to the Group's investment properties.

10. DEFERRED TAXATION

	The Group		The Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
At 1 June	2,999	3,837	782	894
Recognised in profit or loss (Note 30)	(1,850)	(838)	(176)	(112)
At 31 May	1,149	2,999	606	782

Presented after appropriate offsetting as follows:

	The Group		The Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Deferred tax assets	1,631	3,060	606	782
Deferred tax liabilities	(482)	(61)	–	–
At 31 May	1,149	2,999	606	782

As disclosed in Note 4(a) to the financial statements in respect of critical accounting estimates and judgements, the deferred tax assets are recognised on the basis of the Group's previous history of recording profits, and to the extent that it is probable that future taxable profits will be available against which temporary differences can be utilised. Estimating the future taxable profits involves significant assumptions, especially in respect of call charges and operating costs. These assumptions have been built based on past performance and adjusted for non-recurring circumstances and a reasonable growth rate.

Notes to the Financial Statements
for the financial year ended 31 May 2014

10. DEFERRED TAXATION (CONT'D)

THE GROUP	Unutilised tax losses and unabsorbed capital allowances RM'000	Provision RM'000	Property, plant and equipment RM'000	ICULS RM'000	Others RM'000	Total RM'000
At 1 June 2012	5,196	2,291	(4,561)	894	17	3,837
Recognised in profit or loss	(771)	–	–	(112)	45	(838)
At 31 May 2013/1 June 2013	4,425	2,291	(4,561)	782	62	2,999
Recognised in profit or loss	(1,674)	–	–	(176)	–	(1,850)
At 31 May 2014	2,751	2,291	(4,561)	606	62	1,149
The Company						
At 1 June 2012	–	–	–	894	–	894
Recognised in profit or loss	–	–	–	(112)	–	(112)
At 31 May 2013/1 June 2013	–	–	–	782	–	782
Recognised in profit or loss	–	–	–	(176)	–	(176)
At 31 May 2014	–	–	–	606	–	606

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

	The Group 2014 RM'000	The Group 2013 RM'000
Unutilised tax losses and unabsorbed capital allowances	23,820	3,814

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 2014 RM'000	The Group 2013 RM'000
At Cost:		
Non-Current		
Unquoted shares in Malaysia	50	50
Current		
Unquoted shares outside Malaysia	8	1
	58	51

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 2014 RM'000	The Group 2013 RM'000
At 1 June	9,915	9,915
Acquisition of a subsidiary	2	–
	9,917	9,915
Impairment losses	(3,159)	(3,159)
At 31 May	6,758	6,756
Impairment losses:-		
At 1 June	(3,159)	(1,909)
Addition during the financial year	–	(1,250)
At 31 May	(3,159)	(3,159)

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

	The Group 2014 RM'000	The Group 2013 RM'000
RTA Group	5,956	5,956
Others	802	800
	6,758	6,756

Notes to the Financial Statements

for the financial year ended 31 May 2014

12. GOODWILL (CONT'D)

(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 2015 – 2019	Average Growth Rate 2015 – 2019	Discount Rate 2015 – 2019
RTA Group	33%	9%	18.7%
Others	11%	7%	18.7%

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.

13. INTANGIBLE ASSETS

	Note	Telecommunications Licences with Allocated Spectrum RM'000	Teleradiology, Management and Health Record Systems Licences RM'000	Total RM'000
The Group				
At 1 June		–	–	–
Acquisition of subsidiaries	32	24,670	–	24,670
Addition during the financial year		–	10,440	10,440
At 31 May		24,670	10,440	35,110

13. INTANGIBLE ASSETS (CONT'D)

The Group assessed the recoverable amounts of intangible assets and determined that no impairment is required.

The recoverable amounts of the telecommunications licences with allocated spectrum are determined using the market comparable approach based on a valuation carried out by an independent firm of professional valuers.

The recoverable amounts of the teleradiology, management and health record systems licences 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	36.9%
Average growth rate	40.0%
Discount rate	18.7%

The key assumptions represent management's assessment of future trends in the region's similar 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 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 intangible assets to be materially higher than its recoverable amount.

14. DEVELOPMENT COSTS

	The Group	
	2014 RM'000	**2013 RM'000**
At Cost:-		
At 1 June	22,057	21,335
Additions during the financial year	1,940	947
Acquisition of subsidiaries (Note 32)	1,516	–
Exchange differences	252	(225)
At 31 May	25,765	22,057
Accumulated amortisation:-		
At 1 June	(12,579)	(10,768)
Amortisation for the financial year	(1,942)	(1,865)
Exchange differences	(93)	54
At 31 May	(14,614)	(12,579)
Net carrying amount	11,151	9,478

Notes to the Financial Statements
for the financial year ended 31 May 2014

14. DEVELOPMENT COSTS (CONT'D)

The development costs included the following expenses:-

	The Group 2014 RM'000	The Group 2013 RM'000
Staff costs	1,940	947

15. INVENTORIES

	The Group 2014 RM'000	The Group 2013 RM'000
At Cost:-		
Finished goods	841	1,076

None of the inventories are carried at net realisable value.

16. TRADE RECEIVABLES

	The Group 2014 RM'000	The Group 2013 RM'000
Trade receivables:		
- Third parties	22,585	57,894
- Accrued revenue	36,662	12,054
	59,247	69,948
Allowance for impairment losses	(5,113)	(4,670)
	54,134	65,278
Allowance for impairment losses:-		
At 1 June	(4,670)	(3,734)
Arising from acquisition of subsidiaries	(917)	–
Addition during the financial year	(346)	(1,037)
Written back during the financial year	52	101
Written off during the financial year	768	–
At 31 May	(5,113)	(4,670)

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.

17. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	The Group 2014 RM'000	The Group 2013 RM'000	The Company 2014 RM'000	The Company 2013 RM'000
Current	13,310	13,037	27,738	20,913
Non-current	16,960	14,174	16,218	14,174
	30,270	27,211	43,956	35,087

	Note	The Group 2014 RM'000	The Group 2013 RM'000 (Restated)	The Company 2014 RM'000	The Company 2013 RM'000 (Restated)
Represented by:-					
Other receivables:					
- Third parties	17(a)	25,140	22,733	20,414	19,598
- Associates	17(b)	2,023	2,119	2,023	175
- Subsidiaries	17(c)	–	–	25,363	19,064
		27,163	24,852	47,800	38,837
Deposits		1,606	1,438	–	–
Prepayments		2,354	2,788	37	31
Sundry receivables	17(d)	3,231	2,645	–	–
		34,354	31,723	47,837	38,868
Allowance for impairment losses:					
At 1 June		(4,512)	(2,312)	(3,781)	(2,312)
Addition during the financial year		(100)	(2,231)	(100)	(1,500)
Written back during the financial year		528	31	–	31
At 31 May	17(e)	(4,084)	(4,512)	(3,881)	(3,781)
Net carrying amount		30,270	27,211	43,956	35,087

(a)

	The Group 2014 RM'000	The Group 2013 RM'000 (Restated)	The Company 2014 RM'000	The Company 2013 RM'000 (Restated)
Current	4,398	4,850	415	1,715
Non-current	20,742	17,883	19,999	17,883
	25,140	22,733	20,414	19,598

Included in other receivables is an amount of RM19,395,899 (2013 - RM18,007,957) owing by former associates to the Group. This amount is non-trade in nature, interest-free, unsecured and expected to be repaid within a period of 6 years.

Notes to the Financial Statements

for the financial year ended 31 May 2014

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

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

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

(d) Included in sundry receivables were advances for purchases amounting to RM3,231,063 (2013 - RM2,644,802) paid to certain suppliers.

(e)

	The Group		The Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Current	(303)	(803)	(100)	(72)
Non-current	(3,781)	(3,709)	(3,781)	(3,709)
	(4,084)	(4,512)	(3,881)	(3,781)

18. 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 2.70% to 3.15% (2013 - 2.95% to 3.25%) per annum. The deposits have maturity periods ranging from 30 to 365 days (2013 - 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.

19. SHARE CAPITAL

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

	The Company			
	2014 Number Of Shares ('000)	2013 Number Of Shares ('000)	2014 RM'000	2013 RM'000
Authorised				
Ordinary shares of RM0.10 each	1,000,000	1,000,000	100,000	100,000
Issued And Fully Paid-up				
Ordinary shares of RM0.10 each				
At 1 June	482,979	475,641	48,298	47,564
Issuance of shares pursuant to conversion of ICULS	12,595	3,849	1,259	385
Issuance of shares pursuant to exercise of warrants	5,604	4	560	–
New shares issued under the employees' share option scheme	7,045	3,485	705	349
At 31 May	508,223	482,979	50,822	48,298

20. TREASURY SHARES

During the financial year, the Company repurchased a total of 2,634,500 of its issued ordinary shares from the open market for RM1,741,378 including transaction costs. The average price paid for the shares repurchased was approximately RM0.66 per share. 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.

The Company disposed of 5,452,800 treasury shares for a total consideration of RM3,938,192.

Of the total 508,223,265 (2013 - 482,978,925) issued and fully paid-up ordinary shares as at the end of the reporting period, 2,634,500 (2013 - 5,452,800) ordinary shares are held as treasury shares by the Company amounting to RM1,741,378 (2013 - RM1,950,489).

Details of the shares repurchased and retained as treasury shares were as follows:-

Month	No. of shares bought back	Highest price per share RM	Lowest price per share RM	Average price per share RM	Total consideration RM
August 2013	10,000	0.79	0.79	0.80	7,958
November 2013	65,000	0.70	0.70	0.71	45,858
December 2013	1,245,000	0.68	0.67	0.67	840,190
January 2014	1,199,500	0.66	0.63	0.65	775,455
February 2014	114,000	0.62	0.61	0.62	71,117
April 2014	1,000	0.76	0.76	0.80	800
	2,634,500				1,741,378

Details of treasury shares disposed of are as follows:-

Month	No.of shares resold	Highest price per share RM	Lowest price per share RM	Average price per share RM	Total consideration RM
July 2013	5,452,800	0.73	0.71	0.72	3,938,192

21. RESERVES

	The Group 2014 RM'000	The Group 2013 RM'000	The Company 2014 RM'000	The Company 2013 RM'000
Share premium	16,767	11,765	16,767	11,765
Foreign currency translation reserve	(680)	(1,427)	–	–
Revaluation reserve	418	418	–	–
Warrants reserve	18,663	19,331	18,663	19,331
Irredeemable convertible unsecured loan stocks	8,438	9,696	8,438	9,696
Employees' share option reserve	3,369	3,291	3,369	3,291
Retained profits	30,831	16,244	8,690	17,362
Total	77,806	59,318	55,927	61,445

Notes to the Financial Statements
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21. 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	
	2014 RM'000	2013 RM'000
At 1 June	11,765	10,962
Ordinary shares issued pursuant to conversion of ICULS	(1)	(1)
Ordinary shares issued pursuant to exercise of ESOS	1,508	718
Ordinary shares issued pursuant to exercise of warrants	1,507	1
Treasury shares	1,988	85
At 31 May	16,767	11,765

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	
	2014 RM'000	2013 RM'000
At 1 June	(1,427)	(1,056)
Foreign currency translation	747	(371)
At 31 May	(680)	(1,427)

(c) Revaluation Reserve

	The Group	
	2014 RM'000	2013 RM'000
At 1 June	418	–
Arising from transfer of investment properties to property, plant and equipment	–	418
At 31 May	418	418

21. RESERVES (CONT'D)

(d) Warrants Reserve

	The Group/The Company 2014 RM'000	2013 RM'000
At 1 June	19,331	19,331
Exercise of warrants	(668)	–
At 31 May	18,663	19,331

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.

5,604,400 warrants were exercised during the financial year ended 31 May 2014.

As at the end of the reporting period, 156,838,134 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")

Equity	The Group/The Company 2014 RM'000	2013 RM'000
At 1 June	9,696	10,080
Converted during the financial year	(1,258)	(384)
At 31 May	8,438	9,696

Notes to the Financial Statements
for the financial year ended 31 May 2014

21. RESERVES (CONT'D)

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

	The Group/The Company	
Non-current liabilities	**2014 RM'000**	**2013 RM'000**
At 1 June	3,128	3,576
Converted during the financial year	(416)	(136)
Amortisation charge during the financial year	(288)	(312)
At 31 May	2,424	3,128

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) Employees' Share Option Reserve

The employees' 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 Employees' 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.

21. RESERVES (CONT'D)

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

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.

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 2013 ('000)**	**Granted * ('000)**	**Exercised ('000)**	**At 31 May 2014 ('000)**
4 March 2011	RM0.165	8,000	–	1,600	6,400
11 August 2011	RM0.145	8,640	–	5,305	3,335
29 December 2011	RM0.230	10	–	10	–
7 June 2012	RM0.220	150	–	30	120
5 July 2012	RM0.250	14,050	–	–	14,050
25 September 2012	RM0.300	180	–	–	180
21 February 2013	RM0.340	2,450	–	100	2,350
27 June 2013	RM0.610	–	1,000	–	1,000
2 September 2013	RM0.550	–	100	–	100
22 October 2013	RM0.630	–	100	–	100
9 January 2014	RM0.590	–	300	–	300
		33,480	1,500	7,045	27,935

* During the financial year, the Company granted 1,500,000 share options under the ESOS. These options expire on 13 January 2016.

Notes to the Financial Statements
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21. RESERVES (CONT'D)

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

The fair values of the share options granted were estimated using an option 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:-

	2014	2013	2012	2011
Fair value of share options at the grant date (RM)				
- 4 March 2011	N/A	N/A	N/A	0.1252
- 11 August 2011	N/A	N/A	0.1713	N/A
- 29 December 2011	N/A	N/A	0.1508	N/A
- 7 June 2012	N/A	0.1181	N/A	N/A
- 5 July 2012	N/A	0.1465	N/A	N/A
- 25 September 2012	N/A	0.1520	N/A	N/A
- 21 February 2013	N/A	0.1615	N/A	N/A
- 27 June 2013	0.2388	N/A	N/A	N/A
- 2 September 2013	0.2118	N/A	N/A	N/A
- 22 October 2013	0.2323	N/A	N/A	N/A
- 9 January 2014	0.1962	N/A	N/A	N/A
Weighted average share price (RM)	0.611 - 0.698	0.243 - 0.376	0.159 - 0.255	0.183
Exercise price (RM)	0.55 - 0.63	0.22 - 0.34	0.145 - 0.230	0.165
Expected volatility (%)	43.77 - 48.29	55.42 - 60.62	61.23 - 61.99	85.22
Expected life (years)	0.66 - 0.75	0.271 - 0.415	0.30 - 0.316	0.22
Risk free rate (%)	3.35 - 3.54	3.15 - 3.29	3.22 - 3.37	3.86
Expected dividend yield (%)	0 - 1.04	0	0	0

22. FINANCE LEASE PAYABLES

	The Group	
	2014 RM'000	2013 RM'000
Future minimum lease payments:		
- not later than one year	123	123
- later than one year and not later than five years	236	360
	359	483
Less: Future finance charges	(59)	(80)
Present value of finance lease payables	300	403
Current portion:		
- not later than one year	103	103
Non-current portion:		
- later than one year and not later than five years	197	300
	300	403

23. TERM LOANS

	The Group	
	2014 RM'000	2013 RM'000
Current portion:		
- not later than one year	65	62
Non-current portion:		
- later than one year and not later than two years	68	65
- later than two years and not later than five years	226	215
- later than five years	1,531	1,610
	1,825	1,890
	1,890	1,952

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

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

Fixed loan 1 at bore effective interest rate 4.95% per annum	Repayable in 240 monthly instalments of RM1,881, effective from June 2009.
Fixed loan 2 at bore effective interest rate 4.95% per annum	Repayable in 240 monthly instalments of RM4,428, effective from June 2009.
Refinancing loan 1 at bore effective interest rate 4.95% per annum	Repayable in 240 monthly instalments of RM1,538, effective from September 2009.
Refinancing loan 2 at bore effective interest rate 4.95% per annum	Repayable in 240 monthly instalments of RM3,635, effective from September 2009.
Refinancing loan 3 at bore effective interest rate 4.95% per annum	Repayable in 240 monthly instalments of RM1,604, effective from September 2009.

24. DEFERRED INCOME

	The Group	
	2014 RM'000	2013 RM'000
At 1 June	6,450	7,622
Net utilisation during the financial year	(256)	(1,172)
At 31 May	6,194	6,450

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

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25. TRADE PAYABLES

	The Group	
	2014 RM'000	2013 RM'000
Third parties	23,601	24,752
Accrued purchase	10,695	1,191
	34,296	25,943

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	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Other payables:				
- Third parties	10,025	29,159	43	22
- Subsidiaries	–	–	24,217	9,933
	10,025	29,159	24,260	9,955
Provision for Universal Service Fund Contribution ("USP Fund")	6,513	8,035	–	–
Accruals	6,340	5,682	240	249
	22,878	42,876	24,500	10,204

The amounts owing to the subsidiaries represent unsecured interest-free advances granted to the Company. The amounts are repayable on demand.

27. BANK OVERDRAFT

The bank overdraft of the Group bore an effective interest rate of 7.1% (2013 - 7.1%) per annum and is secured by a Deed of Assignment executed by the Group, assigning all the rights and titles, interests and benefits in respect of the properties with a total net book value of RM3,292,721 (2013 - RM2,441,485) and deposits with licensed banks as disclosed in Notes 8, 9 and 18 respectively to the financial statements.

28. REVENUE

	The Group		The Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Dividend income	–	–	–	32,834
Telecommunication services	70,678	97,479	–	–
Managed telecommunication network services	64,850	37,300	–	–
Managed solutions	5,520	–	–	–
Sale of telecommunication software, goods and installation charges	710	7,269	–	–
	141,758	142,048	–	32,834

29. PROFIT/(LOSS) BEFORE TAXATION

	The Group		The Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Profit/(Loss) before taxation is arrived at after charging/ (crediting):-				
Amortisation of development costs	1,942	1,865	–	–
Audit fee:				
- statutory audits	478	319	85	75
- overprovision in the previous financial year	–	(4)	–	(2)
- other services	163	143	163	143
Bad debts written off	467	67	–	–
Depreciation of property, plant and equipment	5,861	5,239	–	–
Directors' remuneration:-				
- fees	455	318	455	318
- non-fee emoluments	1,282	1,219	39	210
Dividend income	–	–	–	(32,834)
Fair value gain on investment properties	(136)	(162)	–	–
Loss/(Gain) on foreign exchange:				
- realised	124	46	–	–
- unrealised	(50)	(140)	(80)	389
(Gain)/Loss on disposal of				
- subsidiaries	–	(1,807)	–	45
- associates	(5,000)	–	–	–
Impairment loss on:-				
- goodwill	–	1,250	–	–
- associates	–	841	–	841
- non-trade receivables	100	2,231	100	1,500
- trade receivables	346	1,037	–	–
Interest expense:				
- bank overdraft	170	184	–	–
- finance lease	20	59	–	–
- hire purchase	–	7	–	–
- ICULS	561	669	561	669
- term loans	95	100	–	–
Interest income for deposits with licensed banks	(1,373)	(779)	(13)	(16)
Inventories written down	–	19	–	–
Inventories written off	176	–	–	–

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29. PROFIT/(LOSS) BEFORE TAXATION (CONT'D)

	The Group		The Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Profit/(Loss) before taxation is arrived at after charging/ (crediting) (Cont'd):-				
Loss on disposal of property, plant and equipment	–	26	–	–
Property, plant and equipment written off	–	12	–	–
Rental of computer	187	231	–	–
Rental of office	894	578	–	–
Share-based payments	1,213	1,412	–	40
Staff costs:				
- salaries, wages, bonuses and allowances	12,370	11,073	–	280
- defined contribution plan	1,573	1,224	–	34
Loss on measurement	(490)	–	–	–
Writeback on:-				
- impairment losses on trade receivables	(52)	(101)	–	–
- impairment losses on other receivables	(528)	(31)	–	(31)
- impairment losses on other investments	–	(66)	–	–

30. INCOME TAX EXPENSE/(INCOME)

	The Group		The Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Income tax:				
- Malaysia tax	2,748	6,727	–	–
- Foreign tax	(293)	1,135	–	–
- Overprovision in the previous financial year	(175)	(199)	–	(199)
	2,280	7,663	–	(199)
Deferred tax (Note 10):				
- Relating to originating and recognition of temporary differences	1,548	838	176	112
- Underprovision in the previous financial year	302	–	–	–
	4,130	8,501	176	(87)

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

A subsidiary, REDtone MEX Sdn Bhd has been granted tax exempt status under the Income Tax Act 1967 for a period of 10 years.

30. INCOME TAX EXPENSE/(INCOME) (CONT'D)

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

	The Group		The Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Profit/(Loss) before taxation	27,418	33,663	(909)	28,055
Tax at the statutory tax rate of 25%	6,854	8,416	(227)	7,013
Tax effects of:-				
Non-taxable income	(2,916)	–	–	(8,208)
Tax exempt income	(74)	–	–	–
Non-deductible expenses	1,078	2,824	403	1,307
Deferred tax assets not recognised during the financial year	136	–	–	–
Utilisation of previously unrecognised tax losses and unabsorbed capital allowances	(1,057)	(2,615)	–	–
Overprovision of current tax in the previous financial year	(175)	(199)	–	(199)
Underprovision of deferred tax in the previous financial year	302	–	–	–
Differential tax rates	(18)	75	–	–
Income tax expense/(income) for the financial year	4,130	8,501	176	(87)

31. EARNINGS PER SHARE (SEN)

(a) Basic

Basic earnings per share is calculated by dividing the profit 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	
	2014	2013
Profit attributable to owners of the Company (RM'000)	22,174	25,091
Total weighted average number of ordinary shares in issue ('000)	501,118	479,376
Basic earnings per share (Sen)	4.42	5.23

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31. EARNINGS PER SHARE (SEN) (CONT'D)

(b) Diluted

The calculation of diluted earnings per ordinary share at 31 May 2014 was based on profit attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares, calculated as follows:

Profit attributable to ordinary shareholders (diluted)

	The Group	
	2014	**2013**
	RM'000	**RM'000**
Profit attributable to owners of the Company (basic)	22,174	25,091
Interest expense on ICULS, net of tax	1,818	2,346
Profit attributable to owners of the Company (diluted)	23,992	27,437

	The Group	
	2014	**2013**
	'000	**'000**
Total weighted average number of ordinary shares in issue (basic)	501,118	479,376
Effect of conversion of ICULS	84,541	97,135
Effect of exercise of warrants	101,069	55,360
Effect of share options on issue	18,163	14,345
Total weighted average number of ordinary shares in issue (diluted)	704,891	646,216

	The Group	
	2014	**2013**
Diluted earnings per share (Sen)	3.40	4.25

32. ACQUISITION OF SUBSIDIARIES

During the financial year, the Group acquired the following subsidiaries:

(a) On 29 July 2013, the Group entered into a Share Sale Agreement with TSM Global Berhad ("TSM") for the acquisition of the remaining 700,001 ordinary shares of RM1.00 each, representing 50% of the total paid up capital of Meridianotch Sdn Bhd from TSM for a total cash consideration of RM490,001. Consequently, Meridianotch Sdn Bhd became a subsidiary of the Group.

(b) On 28 January 2014, Shanghai Hongsheng Net Telecommunication Company Limited, an indirect subsidiary of the Company, acquired 56% equity interest in Shanghai Xin Chang Information Technology Company Limited ("Shanghai Xin Chang") for a purchase price of RMB1.5 million (equivalent to RM849,000) and advance of up to RMB3 million (equivalent to RM1,698,000) as working capital, when necessary.

32. ACQUISITION OF SUBSIDIARIES (CONT'D)

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

At Date Of Acquisition

	Carrying Amount RM'000	Fair Value Recognised RM'000
Equipment	2,915	2,915
Intangible asset	–	24,670
Development cost	1,434	1,516
Trade and other receivables	796	796
Cash and bank balances	(101)	(101)
Trade and other payables	(27,057)	(27,057)
Deferred income	(245)	(245)
Loss on remeasurement	–	(490)
Non-controlling interests	–	(667)
Net identifiable asset and liabilities	(22,258)	1,337
Add: Goodwill on acquisition		2
Total purchase consideration		1,339
Add: Cash and bank balances of subsidiaries acquired		101
Net cash outflow for acquisition of subsidiaries		1,440

The non-controlling interests are measured at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets at the date of acquisition.

The acquired subsidiaries have contributed the following results to the Group:-

	The Group 2014 RM'000
Revenue	5,179
Profit after taxation	3,213

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33. CASH AND CASH EQUIVALENTS

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

	The Group		The Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Deposits with licensed banks (Note 18)	25,054	31,513	–	–
Cash and bank balances	12,652	5,085	54	554
Bank overdraft	(1,636)	(3,293)	–	–
	36,070	33,305	54	554
Less: Deposits pledged to licensed banks	(25,054)	(31,513)	–	–
	11,016	1,792	54	554

The Renminbi is not freely convertible into foreign currencies. Under the People's Republic China Foreign Exchange Control Regulations and Administration of Settlement, Sales and Payment of Foreign Exchange Regulations, the Group is permitted to exchange Renminbi for foreign currencies through banks that are authorised to conduct foreign exchange business.

34. 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	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Executive directors:				
- non-fee emoluments	1,282	1,219	39	210
- share-based payments	–	246	–	–
Non-executive directors:				
- fee	455	318	455	318
- share-based payments	–	40	–	40
	1,737	1,823	494	568

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

	The Group		The Company	
	2014	2013	2014	2013
Executive directors:-				
RM150,001 - RM200,000	–	1	–	1
RM200,001 - RM250,000	1	-	–	–
Above RM300,000	2	2	–	–
Non-executive directors:-				
Below RM50,000	3	3	3	3
Above RM50,000	2	2	2	2
	8	8	5	6

35. SIGNIFICANT RELATED PARTY DISCLOSURES

(a) Identities of related parties

The Group has related party relationships with its directors, key management personnel, associates 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		The Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Dividend from subsidiaries	–	–	–	32,834
Associates:				
(a) Sale of goods to:				
- Red One Network Sdn Bhd (formerly known as REDtone Mobile Sdn Bhd)	–	37	–	–
- Sea Telco Engineering Services Sdn Bhd (formerly known as REDtone-CNX Broadband Sdn Bhd)	–	267	–	–
(b) Rental expenses paid to Endless Revenue Sdn Bhd, a company in which a director, Dato' Wei Chuan Beng's spouse is director and major shareholder	–	144	–	–
Key management personnel compensation:				
- short-term employee benefits	2,581	2,290	494	528
- share-based payments	–	420	–	40

36. 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.

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36. OPERATING SEGMENTS (CONT'D)

Geographical Information

	Malaysia RM'000	The People's Republic of China RM'000	Other Countries RM'000	The Group RM'000
2014				
Revenue				
External revenue	121,463	19,988	307	141,758
Inter-segment revenue	23,960	–	–	23,960
	145,423	19,988	307	165,718
Adjustments and eliminations				(23,960)
Consolidated revenue				141,758
Interest income	577	-	796	1,373
Other material items of income	8,030	-	5	8,035
Depreciation of property, plant and equipment	(4,573)	-	(1,288)	(5,861)
Other material items of expenses	(96,199)	(46)	(14,914)	(111,159)
Other non-cash expenses	(4,785)	-	(904)	(5,689)
				28,457
Finance costs				(1,039)
Income tax expense				(4,130)
Consolidated profit after taxation				23,288
Assets				
Segment assets	163,303	44,151	133	207,587
Tax recoverable				530
Deferred tax assets				1,631
Consolidated total assets				209,748
Liabilities				
Segment liabilities	55,170	14,039	409	69,618
Deferred tax labitities				482
Provision for taxation				2,757
Consolidated total liabilities				72,857
Other segment items				
Additions to non-current assets other than financial instruments:-				
- property, plant and equipment	2,905	–	740	3,645
- intangible assets	10,440	–	–	10,440
- development costs	1,680	–	260	1,940
Amortisation of development cost	1,496	–	446	1,942

36. OPERATING SEGMENTS (CONT'D)

Geographical Information (Cont'd)

	Malaysia RM'000	The People's Republic of China RM'000	Other Countries RM'000	The Group RM'000
2013				
Revenue				
External revenue	119,666	22,263	119	142,048
Inter-segment revenue	23,535	–	–	23,535
	143,201	22,263	119	165,583
Adjustments and eliminations				(23,535)
Consolidated revenue				142,048
Interest income	457	–	322	779
Other material items of income	3,918	–	117	4,035
Depreciation of property, plant and equipment	(4,037)	–	(1,202)	(5,239)
Other material items of expenses	(79,813)	(106)	(19,453)	(99,372)
Other non-cash expenses	(7,259)	–	(310)	(7,569)
				34,682
Finance costs				(1,019)
Income tax expense				(8,501)
Consolidated profit after taxation				25,162
Assets				
Segment assets	135,995	40,536	362	176,893
Investment in associates				22,958
Tax recoverable				10
Deferred tax assets				3,060
Consolidated total assets				202,921
Liabilities				
Segment liabilities	67,401	16,344	300	84,045
Deferred tax liabilities				61
Provision for taxation				5,755
Consolidated total liabilities				89,861
Other segment items				
Additions to non-current assets other than financial instruments:-				
- investment in associates - quasi loan	2,722	–	–	2,722
- property, plant and equipment	1,202	–	449	1,651
- development costs	947	–	–	947
Amortisation of development costs	1,489	–	376	1,865

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37. CAPITAL COMMITMENTS

	The Group	
	2014 RM'000	2013 RM'000
Approved and contracted for:-		
Purchase of property, plant and equipment	184	87
Purchase of intangible assets	10,210	–
	10,394	87

38. OPERATING LEASE COMMITMENTS

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

	The Group	
	2014 RM'000	2013 RM'000
Not more than one year	110	192
Later than one year and not later than five years	32	49
	142	241

39. CONTINGENT LIABILITY

	The Group	
	2014 RM'000	2013 RM'000
Corporate guarantees given by subsidiaries to third parties	13,927	16,185

40. 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 Singapore Dollar. Foreign currency risk is monitored closely on an ongoing basis to ensure that the net exposure is at an acceptable level.

40. 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'000	Hong Kong Dollar RM'000	Singapore Dollar RM'000	Chinese Renminbi RM'000	Ringgit Malaysia RM'000	Total RM'000
2014						
Financial assets						
Other investments	–	–	–	–	58	58
Trade receivables	–	–	14	9,326	44,794	54,134
Other receivables and deposits	211	11	142	2,691	24,861	27,916
Deposits with licensed banks	–	–	–	8,030	17,024	25,054
Cash and bank balances	47	91	8	6,913	5,593	12,652
	258	102	164	26,960	92,330	119,814
Financial liabilities						
Finance lease payables	–	–	–	–	300	300
Term loans	–	–	–	–	1,890	1,890
Trade payables	492	67	88	9,040	24,609	34,296
Other payables and accruals	189	295	20	1,484	20,890	22,878
Bank overdraft	–	–	–	–	1,636	1,636
	681	362	108	10,524	49,325	61,000
Net financial (liabilities)/assets	(423)	(260)	56	16,436	43,005	58,814
Less: Net financial liabilities/ (assets) denominated in the respective entities' functional currencies	427	260	71	(16,436)	(43,005)	(58,683)
Currency exposure	4	–	127	–	–	131

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40. 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'000	Hong Kong Dollar RM'000	Singapore Dollar RM'000	Euro RM'000	Sterling Pound RM'000	Chinese Renminbi RM'000	Ringgit Malaysia RM'000	Total RM'000
2013								
Financial assets								
Other investments	–	–	–	–	–	–	51	51
Trade receivables	89	17	–	–	5	7,362	57,805	65,278
Other receivables and deposits	2,859	464	147	640	–	873	19,440	24,423
Deposits with licensed banks	–	–	–	–	–	13,514	17,999	31,513
Cash and bank balances	125	17	7	–	–	3,208	1,728	5,085
	3,073	498	154	640	5	24,957	97,023	126,350
Financial liabilities								
Finance lease payables	–	–	–	–	–	–	403	403
Term loans	–	–	–	–	–	–	1,952	1,952
Trade payables	2,821	64	36	–	–	11,416	11,606	25,943
Other payables and accruals	811	203	33	–	–	1,296	40,533	42,876
Bank overdraft	–	–	–	–	–	–	3,293	3,293
	3,632	267	69	–	–	12,712	57,787	74,467
Net financial (liabilities)/assets	(559)	231	85	640	5	12,245	39,236	51,883
Less: Net financial liabilities/ (assets) denominated in the respective entities' functional currencies	207	(232)	–	–	–	(12,245)	(39,236)	(51,506)
Currency exposure	(352)	(1)	85	640	5	–	–	377

40. 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 40(a)(iii) to the financial statements.

Interest rate risk sensitivity analysis

The analysis is not presented as the sensitivity impact is immaterial.

(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 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.

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.

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40. FINANCIAL INSTRUMENTS (CONT'D)

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

(ii) Credit Risk (Cont'd)

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	
	2014 RM'000	2013 RM'000
China	9,326	7,379
Malaysia	44,808	57,899
	54,134	65,278

Ageing analysis

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

The Group	Gross Amount RM'000	Individual Impairment RM'000	Collective Impairment RM'000	Carrying Value RM'000
2014				
Not past due	45,661	–	–	45,661
Past due:-				
- less than 3 months	3,454	–	–	3,454
- 3 to 6 months	4,328	–	–	4,328
- over 6 months	5,804	(4,983)	(130)	691
	59,247	(4,983)	(130)	54,134
2013				
Not past due	55,766	–	–	55,766
Past due:-				
- less than 3 months	7,510	–	–	7,510
- 3 to 6 months	346	–	–	346
- over 6 months	6,326	(4,670)	–	1,656
	69,948	(4,670)	–	65,278

40. FINANCIAL INSTRUMENTS (CONT'D)

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

(ii) Credit Risk (Cont'd)

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.

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'000	Contractual Undiscounted Cash Flows RM'000	Within 1 Year RM'000	1 – 5 Years RM'000	Over 5 Years RM'000
2014						
Finance lease payables	7.20	300	359	123	236	–
Term loans	4.95	1,890	2,841	157	628	2,056
Trade payables	–	34,296	34,296	34,296	–	–
Other payables and accruals	–	22,878	22,878	22,878	–	–
Bank overdraft	7.10	1,636	1,636	1,636	–	–
		61,000	62,010	59,090	864	2,056

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40. FINANCIAL INSTRUMENTS (CONT'D)

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

(iii) Liquidity Risk (Cont'd)

The Group	Weighted Average Effective Rate %	Carrying Amount RM'000	Contractual Undiscounted Cash Flows RM'000	Within 1 Year RM'000	1 – 5 Years RM'000	Over 5 Years RM'000
2013						
Finance lease payables	3.90	403	483	123	360	–
Term loans	4.95	1,952	2,533	157	628	1,748
Trade payables	–	25,943	25,943	25,943	–	–
Other payables and accruals	–	42,876	42,876	42,876	–	–
Bank overdraft	7.10	3,293	3,293	3,293	–	–
		74,467	75,128	72,392	988	1,748
The Company						
2014						
Other payables and accruals	-	24,500	24,500	24,500	–	–
2013						
Other payables and accruals	-	10,204	10,204	10,204	–	–

(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 that complies with debt covenants and regulatory, if any. The debt-to-equity ratio is calculated as total net borrowings from financial institutions divided by total equity.

The debt-to-equity ratio of the Group at the end of the reporting period is not presented as its cash and cash equivalents exceeded the total borrowings from financial institutions.

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.

40. FINANCIAL INSTRUMENTS (CONT'D)

(c) Classification Of Financial Instruments

	The Group 2014 RM'000	The Group 2013 RM'000	The Company 2014 RM'000	The Company 2013 RM'000
Financial assets				
Available-for-sale financial assets				
Other investments	58	51	–	–
Loans and receivables financial assets				
Trade receivables	54,134	65,278	–	–
Other receivables and deposits	27,916	24,423	43,919	35,056
Deposits with licensed banks	25,054	31,513	–	–
Cash and bank balances	12,652	5,085	16	554
	119,756	126,299	43,935	35,610
Financial liabilities				
Other financial liabilities				
Finance lease payables	300	403	–	–
Term loans	1,890	1,952	–	–
Trade payables	34,296	25,943	–	–
Other payables and accruals	22,878	42,876	24,500	10,204
Bank overdraft	1,636	3,293	–	–
	61,000	74,467	24,500	10,204

(d) Fair Value Information

Other than those disclosed below, the fair values of the financial assets and financial liabilities maturing within the next 12 months approximated their carrying amounts due to the relatively short-term maturity of the financial instruments.

The Group	Fair Value Of Financial Instruments Carried At Fair Value Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Fair Value Of Financial Instruments Not Carried At Fair Value Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total Fair Value RM'000	Carrying Amount RM'000
2014								
Financial Asset								
Other investments:								
– unquoted shares	–	–	–	–	–	#	#	96
Financial Liabilities								
Finance lease payables	–	–	–	–	359	–	359	300
Term loans	–	–	–	–	2,841	–	2,841	1,890

Notes to the Financial Statements
for the financial year ended 31 May 2014

40. FINANCIAL INSTRUMENTS (CONT'D)

(d) Fair Value Information (Cont'd)

The Group	Fair Value Of Financial Instruments Carried At Fair Value Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Fair Value Of Financial Instruments Not Carried At Fair Value Level * RM'000	Total Fair Value RM'000	Carrying Amount RM'000
2013						
Financial Assets						
Other investments:						
– unquoted shares	–	–	–	#	#	51
Financial Liabilities						
Finance lease payables	–	–	–	483	483	403
Term loans	–	–	–	2,533	2,533	1,952

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

* *Comparative fair value information is not presented by levels, by virtue of the exemption given in MFRS 13.*

In regard to financial instruments carried at fair value, there were no transfer between level 1 and level 2 during the financial year.

41. SIGNIFICANT EVENTS DURING THE REPORTING PERIOD

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

(a) On 4 July 2013, the Company announced that it had incorporated a new subsidiary, REDtone MEX Sdn Bhd with a 70% equity interest comprising 7 ordinary shares of RM1.00 each for a total cash consideration of RM7.00. The intended principal activity is to provide tele-health services.

(b) On 29 July 2013, the Company announced that its subsidiary, REDtone Technology Sdn Bhd had acquired the balance of 50% of the issued and paid-up share capital of Meridianotch Sdn Bhd ("MSB") from TSM Global Berhad. Upon completion, MSB will be a wholly-owned subsidiary of the Company.

(c) On 1 November 2013, the Company announced that it incorporated a new subsidiary, REDtone Data Centre Sdn Bhd with a 70% equity interest comprising 7 ordinary shares of RM1.00 each for a total cash consideration of RM7.00.

(d) On 3 December 2013, the Company announced that it had disposed of the remaining 35% shareholding held in its associate, RED One Network Sdn Bhd (formerly known as REDtone Mobile Sdn Bhd ("RMSB")) to Theo Networks Sdn. Bhd. for a cash consideration of RM5 million only. The principal activity is operating a mobile virtual network and research design, develop and commercialise the VOIP customer premise equipment.

(e) On 28 January 2014, Shanghai Hongsheng Net Telecommunication Company Limited, an indirect subsidiary of the Company, acquired 56% equity interest in Shanghai Xin Chang Information Technology Company Limited ("Shanghai Xin Chang") for a purchase price of RMB1.5 million (equivalent to RM849,000) and advance of up to RMB3 million (equivalent to RM1,698,000) as working capital, when necessary.

42. SIGNIFICANT EVENTS OCCURRING AFTER THE REPORTING PERIOD

(a) On 1 August 2014, the Company announced that its indirect subsidiary, REDtone Telecommunications China Limited ("REDtone China"), had on 25 July 2014 entered into a Share Sale Agreement with Guotai Investment Holdings Limited to acquire the licence held by Shanghai Qianyue Business Administration Company Limited for a total cash consideration of RMB28,000,000 (equivalent to approximately RM14 million).

(b) On 22 September 2014, the Company announced that its indirect subsidiary, REDtone Telecommunications China Limited ("REDtone China"), had via its wholly-owned subsidiary, Shanghai Huitong Telecommunications Co. Ltd. ("Shanghai Huitong"), subscribed for the equity interests in the following new subsidiaries incorporated in The People's Republic of China:

(i) subscription of 49.8% equity interest in Shanghai YuZhong Financial Information Service Co., Ltd. ("Shanghai Yuzhong") for RMB398,400 on 11 September 2014; and

(ii) subscription of 20% equity interest in Shanghai YuGuang Automobile Inspection Technology Co., Ltd. ("Shanghai YuGuang") for RMB200,000 on 11 September 2014.

43. COMPARATIVE FIGURES

The following figures have been reclassified to conform with the presentation of the current financial year:-

	As Restated RM'000	As Previously Reported RM'000
Consolidated Statements of Cash Flows (Extract):-		
CASH FLOWS FOR INVESTING ACTIVITIES		
Increase in pledged deposits	(13,989)	–
NET CASH FOR INVESTING ACTIVITIES	(14,378)	(389)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR	1,624	19,148
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR	1,792	33,305

Notes to the Financial Statements

for the financial year ended 31 May 2014

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

The breakdown of the retained profits 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	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Total retained profits of the Company and its subsidiaries:				
- realised	55,778	67,808	8,690	17,362
- unrealised	(5,116)	(3,429)	–	–
	50,662	64,379	8,690	17,362
Total share of accumulated losses of associates:				
- realised	–	(2,098)	–	–
	50,662	62,281	8,690	17,362
Less: Consolidation adjustments	(19,831)	(46,037)	–	–
	30,831	16,244	8,690	17,362

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 2014	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	15	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	15	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	15	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	15	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	16	RM 296,457.12	N/A/ 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 2014	Date of Valuation/ Effective Year of Purchase
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	16	RM 870,000	30 April 2009/ 1 Mar 2005
RTC/ Unit No: 26 & 27 Storey: 3rd, Pusat Perdagangan IOI Bandar Puchong Jaya, Puchong, Selangor Darul Ehsan	Office/ Occupied	N/A/ 457.92 square meters	Freehold	16	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	16	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	16	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	16	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	16	RM 287,721.83	N/A/ 7 July 2005

ANALYSIS OF SHAREHOLDINGS

as at 9 October 2014

Authorised share capital	:	RM100,000,000.00 divided into 1,000,000,000 ordinary shares of RM0.10 each
Issued and paid-up share capital	:	RM 51,411,350.50 (excluding 2,634,500 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	156	3.390	6,644	0.001
100 – 1,000 shares	257	5.586	162,495	0.032
1,001 – 10,000 shares	2,410	52.380	13,260,076	2.579
10,001 – 100,000 shares	1,519	33.015	49,960,645	9.718
100,001 – 25,705,674 shares	255	5.542	275,734,745	53.633
25,705,675 and above of shares	4	0.087	174,988,900	34.037
TOTAL	4,601	100.000	514,113,505#	100.000

less 2,634,500 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	66,002,291	12.838
2	INTER-PACIFIC EQUITY NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR INDAH PUSAKA SDN BHD	49,397,709	9.608
3	WARISAN JUTAMAS SDN. BHD	31,988,900	6.222
4	KENANGA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR INDAH PUSAKA SDN BHD	27,600,000	5.368
5	DYMM SULTAN IBRAHIM JOHOR	25,000,000	4.862
6	JUARA SEJATI SDN BHD	20,025,000	3.895
7	BERJAYA SOMPO INSURANCE BERHAD	19,175,800	3.729
8	INTER-PACIFIC EQUITY NOMINEES (ASING) SDN BHD BERJAYA PHILIPPINES INC	19,000,000	3.695
9	INTER-PACIFIC EQUITY NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LYE EK SEANG	18,000,000	3.501
10	INTER-PACIFIC EQUITY NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR WEI CHUAN BENG	16,411,156	3.192
11	INTER-PACIFIC EQUITY NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR ARSAM BIN DAMIS	15,160,000	2.948

Analysis of Shareholdings

as at 9 October 2014

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	INDAH PUSAKA SDN BHD	13,300,000	2.586
13	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR WEI CHUAN BENG	8,860,000	1.723
14	KENANGA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR VINCENT TAN CHEE YIOUN	7,000,000	1.361
15	RHB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR WARISAN JUTAMAS SDN. BHD.	5,811,100	1.130
16	LAU BIK SOON	5,216,600	1.014
17	CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB BANK FOR PHANG MIOW SIN	4,436,600	0.862
18	CHOO YEH FUNG	4,000,000	0.778
19	INTER-PACIFIC EQUITY NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR FABULOUS CHANNEL SDN BHD	3,300,000	0.641
20	CIMB GROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR PRIME CREDIT LEASING SDN BHD	3,000,000	0.583
21	MIDF AMANAH INVESTMENT NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR JUARA SEJATI SDN BHD	3,000,000	0.583
22	MALACCA EQUITY NOMINEES (TEMPATAN) SDN BHD EXEMPT AN FOR PHILLIP CAPITAL MANAGEMENT SDN BHD	2,551,300	0.496
23	TIEW MING CHING	2,462,341	0.478
24	CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB BANK FOR WUAN THONG LOK	2,100,000	0.408
25	LEE ENG HOCK & CO. SENDIRIAN BERHAD	2,100,000	0.408
26	HLIB NOMINEES (TEMPATAN) SDN BHD HONG LEONG BANK BHD FOR NG KAM LOONG	1,867,400	0.363
27	MAYBANK SECURITIES NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LEE LEAN PANG	1,744,000	0.339
28	TA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT PHANG MIOW SIN	1,630,700	0.317
29	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR NG WEE MIAN	1,570,800	0.305
30	AMSEC NOMINEES (TEMPATAN) SDN BHD AMTRUSTEE BERHAD FOR PACIFIC PEARL FUND	1,490,100	0.289

Analysis of Shareholdings
as at 9 October 2014

SUBSTANTIAL SHAREHOLDERS

		No. of Shares Held			
No	Name	Direct	%	Indirect	%
1	Indah Pusaka Sdn Bhd	156,300,000	30.40	–	–
2	Tema Juara Sdn Bhd	–	–	156,300,000 [(1)]	30.40
3	Datuk Seri Syed Ali Bin Tan Sri Syed Abbas Al Habshee	–	–	156,300,000 [(2)]	30.40
4	Zurainah Binti Musa	–	–	156,300,000 [(2)]	30.40
5	Warisan Jutamas Sdn Bhd	37,800,000	7.35	–	–
6	Mohamed Shah Bin Kadir	–	–	37,800,000 [(3)]	7.35
7	Abdul Karim Bin Abdul Kadir	–	–	37,800,000 [(3)]	7.35
8	Dato' Wei Chuan Beng	26,259,256	5.10	4,000,000 [(4)]	0.77
9	Juara Sejati Sdn Bhd	23,025,000	4.47	41,175,800 [(5)]	8.00
10	Berjaya Group Berhad	–	–	64,200,800 [(6)]	12.48
11	Berjaya Corporation Berhad	–	–	64,200,800 [(7)]	12.48
12	Tan Sri Dato' Seri Vincent Tan Chee Yioun	7,000,000	1.36	64,200,800 [(8)]	12.48

Notes:

1. *Deemed interested by virtue of its interest in Indah Pusaka Sdn. Bhd pursuant to Section 6A of the Companies Act, 1965 ("the Act").*
2. *Deemed interested by virtue of their interest in Indah Pusaka Sdn Bhd via Tema Juara Sdn Bhd pursuant to Section 6A of the Act.*
3. *Deemed interested by virtue of their interest in Warisan Jutamas Sdn Bhd pursuant to Section 6A of the Act.*
4. *Deemed interested by virtue of interest held by his spouse.*
5. *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.*
6. *Deemed interested by virtue of its interest in (i) Juara Sejati Sdn Bhd, Berjaya Sompo Insurance Berhad and Prime Credit Leasing Sdn. Bhd;.and (ii) deemed interest in Berjaya Land Berhad, the holding company of Selat Makmur Sdn. Bhd and intermediate holding company of Berjaya Philippines Inc..*
7. *Deemed interested by virtue of its interest in Berjaya Group Berhad*
8. *Deemed interested by virtue of his interest in Berjaya Corporation Berhad.*

ANALYSIS OF 2.75% 10-YEAR IRREDEEMABLE CONVERTIBLE UNSECURED LOAN STOCKS 2010/2020 (ICULS) HOLDINGS

as at 9 October 2014

Nominal Amount of ICULS	:	RM20,847,233.50
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 2014	:	31,487,350

Size of ICULS holdings	No. of ICULS Holders	% of Total ICULS Holders	No. of ICULS	% of ICULS
1 – 99 ICULS	24	2.810	1,157	0.000
100 – 1,000 ICULS	28	3.279	11,787	0.006
1,001 – 10,000 ICULS	408	47.775	2,204,700	1.058
10,001 – 100,000 ICULS	344	40.281	10,834,100	5.197
100,001 – 10,423,615 of ICULS	45	5.269	18,237,500	8.748
10,423,616 and above of ICULS	5	0.586	177,183,091	84.991
TOTAL	854	100.00	208,472,335	100.00

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

No.	Name	No. of ICULS Held	% of ICULS
1	INTER-PACIFIC EQUITY NOMINEES (ASING) SDN BHD BERJAYA PHILIPPINES INC	81,330,000	39.012
2	INTER-PACIFIC EQUITY NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR INDAH PUSAKA SDN BHD	30,000,000	14.390
3	INTER-PACIFIC EQUITY NOMINEES (TEMPATAN) SDN BHD INTER-PACIFIC MANAGEMENT SDN BHD FOR INDAH PUSAKA SDN BHD	23,602,291	11.321
4	JUARA SEJATI SDN BHD	23,025,000	11.044
5	BERJAYA SOMPO INSURANCE BERHAD	19,225,800	9.222
6	CIMB GROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR PRIME CREDIT LEASING SDN BHD	3,000,000	1.439
7	LEE ENG HOCK & CO. SENDIRIAN BERHAD	2,900,000	1.391
8	INTER-PACIFIC EQUITY NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR FABULOUS CHANNEL SDN BHD	1,500,000	0.719
9	DYMM SULTAN IBRAHIM JOHOR	1,320,000	0.633
10	DENVER CORPORATION SDN BHD	670,000	0.321

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

as at 9 October 2014

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

No.	Name	No. of ICULS Held	% of ICULS
11	INTER-PACIFIC EQUITY NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LYE EK SEANG	550,000	0.263
12	LAU BIK SOON	511,900	0.245
13	YEO KHEE HUAT	500,000	0.239
14	WONG SIEW FOON	414,400	0.198
15	CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB BANK FOR WONG KING HU	346,000	0.165
16	INTER-PACIFIC EQUITY NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR ARSAM BIN DAMIS	330,000	0.158
17	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR JANICE LOW SU-LYN	300,000	0.143
18	CHEONG KAI KEE	300,000	0.143
19	K.B. LOH SDN BHD	300,000	0.143
20	T C HOLDINGS SENDIRIAN BERHAD	300,000	0.143
21	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR WEI CHUAN BENG	283,000	0.135
22	WONG AH YONG	260,000	0.124
23	TAN AH WENG @ TANG AH BAH	250,000	0.119
24	LOH BENG TUCK	235,600	0.113
25	PEH SEW CHONG	233,700	0.112
26	LIW KHIW @ LIEW SEE KIEW	200,000	0.095
27	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LIM THEAN SHIANG	200,000	0.095
28	SOH KAN TEE	200,000	0.095
29	CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB BANK FOR WONG AH YONG	197,000	0.094
30	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LOW KHONG SEE	193,400	0.092

ANALYSIS OF WARRANT HOLDINGS

as at 9 October 2014

No. of Warrant 2010/2015	:	150,812,034
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 2014	:	5,604,400

Size of Warrant holdings	No. of Warrant Holders	% of Total Warrant Holders	No of Warrants	% of Warrants
1 – 99 Warrants	225	17.469	10,473	0.007
100 – 1,000 Warrants	77	5.978	46,780	0.031
1,001 – 10,000 Warrants	516	40.062	2,587,860	1.716
10,001 – 100,000 Warrants	372	28.882	14,287,750	9.474
100,001 - 7,540,600 Warrants	93	7.221	43,239,836	28.671
7,540,601 and above of Warrants	5	0.388	90,639,335	60.101
TOTAL	1,288	100.00	150,812,034	100.00

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

No.	Name	No. of Warrants Held	% of Warrants
1	DYMM SULTAN IBRAHIM JOHOR	33,772,000	22.393
2	INTER-PACIFIC EQUITY NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR INDAH PUSAKA SDN BHD	20,000,000	13.261
3	INDAH PUSAKA SDN BHD	19,967,015	13.239
4	JUARA SEJATI SDN BHD	9,210,000	6.106
5	BERJAYA SOMPO INSURANCE BERHAD	7,690,320	5.099
6	WARISAN JUTAMAS SDN.BHD	3,900,000	2.586
7	TAN YEE KONG	1,820,000	1.206
8	INTER-PACIFIC EQUITY NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LYE EK SEANG	1,800,000	1.193
9	TAN YEE SENG	1,580,000	1.047
10	INTER-PACIFIC EQUITY NOMINEES (TEMPATAN) SDN BHD INTER-PACIFIC MANAGEMENT SDN BHD FOR INDAH PUSAKA SDN BHD	1,440,916	0.955
11	PUBLIC INVEST NOMINEES (TEMPATAN) SDN BHD EXEMPT AN FOR PHILLIP SECURITIES PTE LTD (CLIENTS)	1,345,000	0.891

Analysis of Warrant Holdings
as at 9 October 2014

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

No.	Name	No. of Warrants Held	% of Warrants
12	LEE KIM SENG	1,268,700	0.841
13	CIMB GROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR PRIME CREDIT LEASING SDN BHD	1,200,000	0.795
14	LEE ENG HOCK & CO. SENDIRIAN BERHAD	1,160,000	0.769
15	MAYBANK NOMINEES (TEMPATAN) SDN BHD YAW CHEE HOU	1,119,200	0.742
16	LEONG HON WAH	1,050,000	0.696
17	CHO KAM CHOONG	1,000,000	0.663
18	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR WEI CHUAN BENG	936,000	0.620
19	CIMSEC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR NGIENG SII JING	840,000	0.556
20	ARSAM BIN DAMIS	800,000	0.530
21	CHO CHOOI LAN	795,000	0.527
22	CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB BANK FOR ANG KOK SEONG	780,000	0.517
23	CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB BANK FOR WUAN THONG LOK	757,000	0.501
24	MAYBANK SECURITIES NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LIM PAIK HONG	730,600	0.484
25	LAM PUN YING	711,600	0.471
26	PUBLIC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR YOW WANG YIP	650,000	0.431
27	INTER-PACIFIC EQUITY NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR FABULOUS CHANNEL SDN BHD	600,000	0.397
28	TAY HOCK TIAM	600,000	0.397
29	CIMSEC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR YONG MING	588,000	0.389
30	CIMB GROUP NOMINEES (TEMPATAN) SDN BHD CIMB COMMERCE TRUSTEE BERHAD FOR PACIFIC RECOVERY FUND	540,100	0.358

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REDtone

REDTONE INTERNATIONAL BERHAD
(Company No. 596364-U)
(Incorporated in Malaysia)

CDS Account No.

No. of Shares held

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 Twelfth Annual General Meeting of the Company to be held at Manhattan VI, Level 14, Berjaya Times Square Hotel & Convention Center, No. 1 Jalan Imbi, 55100 Kuala Lumpur on Saturday, 29 November 2014 at 9.00 a.m. and at any adjournment thereof:

ORDINARY RESOLUTION		**FOR**	**AGAINST**
1.	Payment of Final Dividend.		
2.	Payment of Directors' fees.		
3.	Re-election of Dato' Ismail Bin Osman as Director.		
4.	Re-election of Lau Bik Soon as Director.		
5.	Re-election of Avinderjit Singh A/L Harjit Singh as Director.		
6.	Re-appointment of Messrs Crowe Horwath as Auditors.		
7.	Retention of Mathew Thomas A/L Vargis Mathews as a Senior Independent Non-Executive Director.		
8.	Authority to Issue Shares pursuant to Section 132D of the Companies Act, 1965.		
9.	Proposed Renewal of Share Buy-Back Authority.		

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...........................2014

....
Signature of member/Common Seal

Notes:

I) A member of the Company entitled to attend and vote at the above meeting is not entitled to appoint 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 of the Company, an advocate, an approved company auditor or a person approved by the Registrar of Companies, and the provision of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company.

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 two (2) proxies 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 Twelfth 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 Depositors as at 21 November 2014. 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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Stamp

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

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