

XII. ACCOUNTANTS' REPORT



■ Chartered Accountants
22nd Floor, MWE Plaza
No. 8, Lebuhr Farquhar
10200 Penang, Malaysia.

Mail Address:
P.O. Box 148,
10710 Penang, Malaysia.

■ Phone : (04) 264 1878
(04) 263 0033
Fax : (04) 262 1812
(04) 263 0099
www.ey.com/my

- 4 DEC 2003

The Board of Directors
Redtone International Berhad
Suite 22-28, 5th Floor, IOI Business Park,
47100 Puchong,
Selangor Darul Ehsan, Malaysia.

Dear Sirs,

1.0 INTRODUCTION

This Report has been prepared by Ernst & Young, an approved company auditor, for inclusion in the Prospectus of Redtone International Berhad ("RIB" or "the Company") to be dated **- 9 DEC 2003**, in connection with the Public Issue of 31,080,000 new ordinary shares of RM0.10 each in RIB at an issue price of RM0.95 per share payable in full on application comprising:-

- (i) 3,000,000 new ordinary shares of RM0.10 each available for application by the Malaysian Public; and
- (ii) 28,080,000 new ordinary shares of RM0.10 each by way of private placement to identified investors.

in conjunction with the listing of and quotation for the entire enlarged issued and paid-up share capital of RIB comprising 252,000,000 RIB Shares on the Official List of the MESDAQ market of the Kuala Lumpur Stock Exchange.

2.0 GENERAL INFORMATION

2.1 Background

RIB was incorporated on 22nd October 2002, under the Companies Act 1965, as a private limited company, under the name Redtone International Sdn. Bhd. On 3rd January 2003, RIB was converted into a public limited company and assumed its present name.

The principal activities of RIB are those of an investment holding company and the provision of management services.

As at the date of this Report, RIB has 6 subsidiary companies, all of which were acquired on 14 November 2003. The principal activities of the subsidiaries are as disclosed in paragraph 2.3 of this report.

XII. ACCOUNTANTS' REPORT (CONT'D)**2.2 Share Capital**

As at the date of incorporation, the authorised share capital of the Company was RM100,000 comprising 100,000 ordinary shares of RM1.00 each and the issued and fully paid up share capital was RM2.00 comprising 2 ordinary shares of RM1.00 each.

Authorised Share Capital

The movement in RIB's authorised share capital since the date of incorporation is as follows:

Date of creation	No. of ordinary shares created	Par value RM	Total authorised share capital RM
22.10.2002	100,000	1.00	100,000
14.11.2003	29,900,000	1.00	30,000,000
14.11.2003	270,000,000 *	0.10	30,000,000

* Sub-division of RM1.00 per ordinary share to RM0.10 per ordinary share.

Issued and Fully Paid-up Share Capital

The movement in RIB's ordinary issued and paid-up share capital since the date of incorporation is as follows:

Date of allotment	No. of ordinary shares allotted	Par Value RM	Type of issue/ Consideration	Total RM
22.10.2002	2	1.00	Subscribers' shares	2
14.11.2003	6,240,000	1.00	Issued pursuant to the increase in share capital	6,240,002
14.11.2003	62,400,020	0.10	Sub-division of RM1.00 par value to RM0.10 par value	6,240,002
14.11.2003	13,336,750	0.10	Issued pursuant to the Acquisitions	7,573,677
14.11.2003	20,333,230	0.10	Issued pursuant to the Rights Issue	9,607,000
14.11.2003	40,500,000	0.10	Issued pursuant to the Bonus Issue I	13,657,000
14.11.2003	350,000	0.10	Issued pursuant to the Acquisition of RTC II	13,692,000

XII. ACCOUNTANTS' REPORT (CONT'D)**2.3 Subsidiaries**

Details of the subsidiaries of RIB as at the date of this report are as follows:

Company	Date and Place of Incorporation	Issued and Paid-up Share Capital	Effective Equity Interest	Principal Activities
Redtone Telecommunications Sdn. Bhd. ("RTC")	28 th February 1996 Malaysia	RM1,600,000	100%	Research, development, manufacturing and marketing of computer-telephony integration products, provisioning of communication services and investment holding
Redtone Technology Sdn. Bhd. ("RT")	9 th December 1996 Malaysia	RM1,000,000	100%	Provider of total solutions in business communication and telecommunication services provisioning
Redtone Marketing Sdn. Bhd. ("RMSB")	13 th September 2000 Malaysia	RM2	100%	Research and development, manufacturing and marketing of telecommunication and multimedia solutions
Redtone Network Sdn Bhd ("RN")	26 th August 2000 Malaysia	RM100	51%	Research and development and marketing of communication application such as payphone
<i>Subsidiary of RTC:</i> VMS Technology Limited ("VMSTL")	14 th September 1998 Hong Kong	HKD500,000	100%	Provider of computer telephony systems and services
<i>Subsidiary of RT:</i> Redtone Sdn. Bhd. ("RSB")	12 th June 2003 Malaysia	RM100	75%	Research, development, manufacturing and marketing of technology-based products.

XII. ACCOUNTANTS' REPORT (CONT'D)

AF: 0039

3.0 LISTING EXERCISE

In conjunction with, and as an integral part of the Listing, the Company implemented a restructuring exercise, which was approved by the KLSE on 1st October 2003 and SC and FIC on 4th September 2003 which involved the following inter-conditional transactions:

3.1 Increase in Share Capital

RIB increased its issued and fully paid-up share capital from RM2.00 to RM6,240,002 through the subscription of 6,240,000 new ordinary shares of RM1.00 each in RIB for a total consideration of RM6,240,000 by the subscriber shareholders of RIB by way of advances made by the existing shareholders of RI satisfied by cash, at RM1.00 per ordinary share of RM1.00 each in RIB.

The increase in the issued and paid-up share capital of RIB was completed on 14 November 2003. Upon completion of the Increase in Share Capital, the issued and paid-up share capital of RIB increased from RM2.00 to RM6,240,002 comprising 6,240,002 ordinary shares of RM1.00 each in RIB.

3.2 Share Split

The share split involves a change in the par value of the ordinary shares of RIB from RM1.00 each to RM0.10 each, by way of sub-division of par value of the existing ordinary shares in RIB.

Upon completion of the Share Split, the issued and paid-up share capital of RIB changed from RM6,240,002 comprising 6,240,002 ordinary shares of RM1.00 each in RIB to RM6,240,002 comprising 62,400,020 ordinary shares of RM0.10 each in RIB.

3.3 Dividend

The declaration of interim tax-exempt dividend of RM400,000 to the existing shareholders of RTC for the financial year ending 29 February 2004. The interim tax-exempt dividend was paid on 14 November 2003.

3.4 Acquisitions**(i) Acquisition of VMSTL**

On 22nd April 2003, RTC entered into a conditional share sale agreement with Sim Hock Meng to acquire 40% of the issued and paid-up share capital of VMSTL comprising 200,000 ordinary shares of HKD1.00 each in VMSTL, not already owned by RTC, for a total purchase consideration of RM553,500 based on an exchange rate of HKD2.06 per RM1.00 as at 31st October 2002 satisfied by cash.

On completion, 199,999 ordinary shares of HKD1.00 each in VMSTL were transferred to RTC and Sim Hock Meng holds 1 ordinary share of HKD1.00 each in VMSTL in trust for the benefit of RTC. Upon completion of the Acquisition of VMSTL, VMSTL is a 100%-owned subsidiary of RTC.

The purchase consideration for 40% of the issued and paid-up share capital of VMSTL was derived at on a willing buyer-willing seller basis after taking into consideration the audited NTA of VMSTL as at 31st October 2002 of HKD291,973 (equivalent to approximately RM141,607 based on an exchange rate of HKD2.06 per RM1.00).

The Acquisition of VMSTL was completed on 14 November 2003.

XII. ACCOUNTANTS' REPORT (CONT'D)



AF: 0039

(ii) Acquisition of RTC I

On 22nd April 2003, RIB entered into a conditional share sale agreement with RI to acquire 95.50% of the issued and fully paid-up share capital of RTC comprising 1,528,000 ordinary shares of RM1.00 each in RTC from RI for a total purchase consideration of RM1,333,669 satisfied by the issuance of 13,336,690 new ordinary shares of RM0.10 each in RIB, at RM0.10 per ordinary share of RM0.10 each.

The purchase consideration of RM1,333,669 was arrived at based on a willing buyer-willing seller basis after taking into consideration the adjusted audited NTA of RTC and its subsidiary, namely VMSTL as at 31st October 2002 of RM1,333,669.

The Acquisition of RTC I was completed on 14 November 2003.

(iii) Acquisition of RT

On 22nd April 2003, RIB entered into a conditional share sale agreement with RI to acquire the entire issued and fully paid-up share capital of RT comprising 1,000,000 ordinary shares of RM1.00 each in RT from RI for a total purchase consideration of RM2.00 satisfied by the issuance of 20 new ordinary shares of RM0.10 each in RIB, at RM0.10 per ordinary share of RM0.10 each.

The purchase consideration for RT was arrived at based on a willing buyer-willing seller basis after taking into consideration the audited net liabilities position of RT as at 31st October 2002 of RM2,764,223 and the future potential earnings of RT.

The Acquisition of RT was completed on 14 November 2003.

(iv) Acquisition of RMSB

On 22nd April 2003, RIB entered into a conditional share sale agreement with RI to acquire the entire issued and fully paid-up share capital of RMSB comprising 2 ordinary shares of RM1.00 each in RMSB from RI for a total purchase consideration of RM2.00 satisfied by the issuance of 20 new ordinary shares of RM0.10 each in RIB, at RM0.10 per ordinary share of RM0.10 each.

The purchase consideration for RMSB of RM2.00 was derived at based on a willing buyer-willing seller basis after taking into consideration the carrying value of the cost of investments in RMSB by RI as per the audited accounts of RI as at 31st October 2002 of SGD1 (equivalent to approximately RM2.00 based on an exchange rate of SGD1.00 per RM2.118).

The Acquisition of RMSB was completed on 14 November 2003.

(v) Acquisition of RN

On 22nd April 2003, RIB entered into a conditional share sale agreement with RI to acquire 51.00% of the issued and fully paid-up share capital of RN comprising 51 ordinary shares of RM1.00 each in RN from RI for a total purchase consideration of RM2.00 to be satisfied by the issuance of 20 new ordinary shares of RM0.10 each in RIB, at RM0.10 per ordinary share of RM0.10 each.

The purchase consideration of RM2.00 was arrived at based on a willing buyer-willing seller basis after taking into consideration the carrying value of the cost of investments in RN by RI as per the audited accounts of RI as at 31st October 2002 of SGD1 (equivalent to approximately RM2.00 based on an exchange rate of SGD1.00 per RM2.118).

XII. ACCOUNTANTS' REPORT (CONT'D)

AF: 0039

The Acquisition of RN was completed on 14 November 2003. The shareholder of the remaining 49% of the issued and paid-up share capital of RN comprising 49 ordinary shares of RM1.00 each in RN is Law Say Chuan.

Upon completion of the Acquisitions, the issued and paid-up share capital of RIB increased from RM6,240,002 comprising, 62,400,020 ordinary shares of RM0.10 each in RIB to RM7,573,677 comprising 75,736,770 ordinary shares of RM0.10 each in RIB.

3.5 Distribution in Specie

Upon completion of the Acquisitions, RI distributed in specie the surplus capital of 13,336,750 new ordinary shares of RM0.10 each in RIB, at RM0.10 per ordinary share of RM0.10 each to the existing shareholders of RI.

The Distribution in Specie was completed on 14 November 2003. Upon completion of the Distribution in Specie, the existing shareholders of RI became the shareholders of RIB.

3.6 Reorganisation

In conjunction with the Distribution in Specie, the existing subscriber shareholders of RIB reorganised their shareholdings by transferring 62,400,000 new ordinary shares of RM0.10 each in RIB held by them, at RM0.10 per ordinary share of RM0.10 each directly to the other shareholders of RIB. The Reorganisation is for the settlement of the advances made by the existing shareholders of RI pursuant to the Increase in Share Capital described in Section 3.1 above.

3.7 Rights Issue

On 14 November 2003, RIB implemented a renounceable Rights Issue of 20,333,230 new ordinary shares of RM0.10 each in RIB to the existing shareholders of RIB at an issue price of RM0.30 per ordinary share of RM0.10 each in RIB on the basis of approximately 2.6847 ordinary shares of RM0.10 each in RIB for every 10 existing ordinary shares of RM0.10 each in RIB held after the Distribution in Specie and Reorganisation, of which 8,643,230 ordinary shares of RM0.10 each in RIB were subscribed for by the entitled shareholders of RIB and 11,690,000 ordinary shares of RM0.10 each in RIB were subsequently renounced by the entitled shareholders of RIB to the eligible Directors and employees of the RIB Group.

The ordinary shares of RM0.10 each in RIB issued pursuant to the Rights Issue shall rank *pari passu* with the existing ordinary shares of RM0.10 each of RIB in all respects except that they will not be entitled to any dividends, rights, allotments and/or other distributions the entitlement date of which is prior to the allotment of the Rights Issue shares.

The Rights Issue was completed on 14 November 2003. Upon completion of the Rights Issue, the issued and paid-up share capital of RIB increased from RM7,573,677 comprising 75,736,770 ordinary shares of RM0.10 each in RIB to RM9,607,000 comprising 96,070,000 ordinary shares of RM0.10 each in RIB.

XII. ACCOUNTANTS' REPORT (CONT'D)

AF: 0039

3.8 Bonus Issue I

On 14 November 2003, RIB implemented a bonus issue of 40,500,000 new ordinary shares of RM0.10 each in RIB to the existing shareholders of RIB, on the basis of approximately 4.22 new ordinary shares of RM0.10 each in RIB for every 10 existing ordinary shares of RM0.10 each in RIB held after the Rights Issue, of which 36,118,000 new ordinary shares of RM0.10 each in RIB are held by the entitled shareholders of RIB and 4,382,000 new ordinary shares of RM0.10 each in RIB were subsequently renounced by the entitled shareholders of RIB other than Chemquest Sdn Bhd and MSC Venture One Sdn Bhd to Chemquest Sdn Bhd and MSC Venture One Sdn Bhd.

The new ordinary shares of RM0.10 each in RIB issued pursuant to the Bonus Issue I shall rank *pari passu* with the existing ordinary shares of RM0.10 each of RIB in all respects except that they will not be entitled to any dividends, rights, allotments and/or other distributions the entitlement date of which is prior to the allotment of the Bonus Issue I shares.

The Bonus Issue I was completed on 14 November 2003. Upon completion of the Bonus Issue I, the issued and paid-up share capital of RIB increased from RM9,607,000 comprising 96,070,000 ordinary shares of RM0.10 each in RIB to RM13,657,000 comprising 136,570,000 ordinary shares of RM0.10 each in RIB.

3.9 Acquisition of RTC II

On 22nd April 2003, RIB entered into a conditional share sale agreement with Wong Seng Huat to acquire the remaining 2.25% of the issued and fully paid-up share capital of RTC comprising 36,000 ordinary shares of RM1.00 each in RTC, not already owned by RIB, for a total purchase consideration of RM35,000.00 satisfied by the issuance of 350,000 new ordinary shares of RM0.10 each in RIB, at RM0.10 per ordinary share of RM0.10 each.

The Acquisition of RTC II was completed on 14 November 2003. Upon completion of the Acquisition of RTC II, RTC is a wholly-owned subsidiary of RIB.

Upon completion of the Proposed Acquisition of RTC II, the issued and paid-up share capital of RIB increased from RM13,657,000 comprising 136,570,000 ordinary shares of RM0.10 each in RIB to RM13,692,000 comprising 136,920,000 ordinary shares of RM0.10 each in RIB.

3.10 Public Issue

To facilitate the Listing, RIB will undertake a Public Issue of 31,080,000 new ordinary shares of RM0.10 each in RIB to be issued to the Malaysian public and identified investors, at an issue price of RM0.95 per Public Issue Share.

Upon completion of the Public Issue, the issued and paid-up share capital of RIB will be increased from RM13,692,000 comprising 136,920,000 ordinary shares of RM0.10 each in RIB to RM16,800,000 comprising 168,000,000 ordinary shares of RM0.10 each in RIB.

3.11 Bonus Issue II

As part of the Listing and an incentive to the shareholders of RIB subsequent to the Public Issue, RIB shall implement a bonus issue of 84,000,000 new ordinary shares of RM0.10 each in RIB to be issued to the existing shareholders of RIB on the basis of 1 new ordinary share of RM0.10 each in RIB for every 2 existing ordinary shares of RM0.10 each held after the Public Issue.

Upon completion of the Bonus Issue II, the issued and paid-up share capital of RIB will be increased from RM16,800,000 comprising 168,000,000 ordinary shares of RM0.10 each in RIB to RM25,200,000 comprising 252,000,000 ordinary shares of RM0.10 each in RIB.

XII. ACCOUNTANTS' REPORT (CONT'D)

The new ordinary shares of RM0.10 each in RIB to be issued pursuant to the Bonus Issue II shall rank pari passu with the existing ordinary shares of RM0.10 each in RIB in all respects except that they will not be entitled to any dividends, rights, allotments and/or other distributions the entitlement date of which is prior to the allotment of the Bonus Issue II shares.

3.12 Listing and Quotation

The admission and the listing of and quotation for the entire enlarged issued and paid-up share capital of RIB of RM25,200,000 comprising 252,000,000 ordinary shares of RM0.10 each in RIB on the Official List of the MESDAQ Market will be sought.

4.0 BASIS OF ACCOUNTING AND ACCOUNTING POLICIES

This Report is based on the audited financial statements which have been prepared in accordance with applicable Approved Accounting Standards in Malaysia issued by the Malaysian Accounting Standards Board and is presented on a basis consistent with the accounting policies normally adopted by the Group.

These financial statements are the responsibilities of the Company's directors.

5.0 AUDITORS

We have been appointed as auditors of RIB, RTC, RT, RN and RMSB with effect from the financial year ended 28th February 2003 and RSB, for the financial period ended 30th June 2003. We have reported on the financial statements of the above named companies for the relevant years in which we have acted as auditors without qualification.

The financial statements of the above named companies prior to our appointment as auditors for the relevant years under review were audited by another firm of chartered accountants in Malaysia. The financial statements of VMSTL were audited by a certified public accountant in Hong Kong. These financial statements were reported on without qualification.

6.0 DIVIDENDS

The Company has not paid or declared any dividends since its incorporation.

No dividend have been declared or paid by the subsidiaries during the relevant years under review except for RTC.

Details of tax exempt ordinary shares and preference shares dividend declared and paid by RTC for the last five relevant years under review are as follows:

Year Ended	Gross dividend rate (%)	Net dividend declared and paid RM'000	Remark
28.2.2000	4	64	Ordinary shares
28.2.2001	400	220	Preference shares

XII. ACCOUNTANTS' REPORT (CONT'D)

AF: 0039

7.0 EVENTS SUBSEQUENT TO BALANCE SHEET DATED 30TH JUNE 2003

Based on the audited financial statements for the period ended 30th June 2003 and other than the Restructuring Scheme as mentioned in Section 3.0, no events have arisen subsequent to the balance sheet date, which required disclosure in this Report.

8.0 SUMMARISED INCOME STATEMENTS**8.1 Pro forma Consolidated Income Statements**

The pro forma consolidated income statements of RIB Group as set out below is based on the audited financial statements of RIB, RTC, VMSTL, RT, RSB, RMSB and RN and have been presented for illustrative purposes only, on the assumption that the RIB Group has been in existence throughout the period under review. RIB is assumed to have 100% equity interest in all its subsidiaries during the period under review, except for RN and RSB, which is at 51% and 75% respectively.

	← Financial Year Ended 28 th /29 th February →					Financial
	1999	2000	2001	2002	2003	Period Ended
	RM'000	RM'000	RM'000	RM'000	RM'000	30/6/03 RM'000
Revenue	2,468	8,228	9,279	14,586	32,132	19,679
Profit/(Loss) before depreciation, amortisation, interest and taxation	495	422	641	(1,665)	3,427	3,527
Amortisation	(79)	(83)	(315)	(656)	(652)	(219)
Depreciation	(10)	(76)	(160)	(1,238)	(725)	(405)
Finance income	-	*	31	15	20	32
Finance expenses	*	(8)	(12)	(13)	(239)	(12)
Profit/(Loss) before taxation	406	255	185	(3,557)	1,831	2,923
Taxation	-	(9)	(7)	1,126 [^]	74 [^]	(137)
Profit/(Loss) after taxation	406	246	178	(2,431)	1,905	2,786
Minority interest	-	-	*	-	-	(90)
Net profit/(loss) attributable to shareholders	406	246	178	(2,431)	1,905	2,696
Number of ordinary shares of RM0.10 each assumed in issue before public issue and private placement ('000)	136,920	136,920	136,920	136,920	136,920	136,920
Gross earnings/(loss) per share (sen)	0.30	0.19	0.14	(2.60)	1.34	6.21#
Net earnings/(loss) per share (sen)	0.30	0.18	0.13	(1.78)	1.39	5.91#

* Amount less than RM1,000.00

Annualised for comparison purposes only

[^] In compliance with Malaysian Accounting Standard Board Standard ("MASB") 25, Income Taxes, the taxation expenses for the financial year ended 28th February 2002 and 2003 have been restated.

XII. ACCOUNTANTS' REPORT (CONT'D)**Notes to the Pro forma Consolidated Results of RIB Group**

- (i) The gross earnings/(loss) per share is calculated based on the consolidated profit/(loss) before taxation while the net earnings/(loss) per share is calculated based on consolidated profit/(loss) after taxation and minority interest, over 136,920,000 ordinary shares of RM0.10 each assumed in issue from 1st March 1998.
- (ii) (a) Revenue has increased from the financial years 1999 to 2003 mainly due to:
1. Merit recognition of its products through winning of awards, which had enhanced the marketability of the product.
 2. Addition to its core business i.e. TeleCARE products to include the provision of telecommunication services, which has strong synergistic correlation to its original core business.
 3. Aggressive marketing strategy undertaken by the marketing team to increase its sales volume.
- (b) Decrease in profit before taxation in the financial year 2000 was mainly due to deterioration in its gross profit margin and higher operating expenses cost incurred, such as manpower cost and interest cost.
- (c) Further decrease in profit before taxation in the financial year 2001 was mainly due to higher amortisation and depreciation cost being incurred during the period.
- (d) Loss before taxation in the financial year 2002 was mainly due to development costs being charged to income statement instead of being capitalised as research and development expenditure.
- (e) Improvement in profit before taxation in the financial year 2003 was mainly due to the increase in revenue, as a result of additional Discounted Call services being introduced and also the expansion of its distribution channel, which has enabled the Group to further expand its customer base.
- (iii) The under provision of taxation for the financial year ended 2001 of approximately RM7,000 has been adjusted to reflect the actual tax expenses for the financial year.
- (iv) The subsidiaries namely, RTC and RT had been granted pioneer status, which exempts 100% of their statutory business income from taxation concurrent with their MSC status.
- The taxation expenses were mainly in relation to interest income and rental income, which had been separately assessed.
- (v) There were no extraordinary items included in the income statement for the relevant years under review.

XII. ACCOUNTANTS' REPORT (CONT'D)**8.2 RIB**

	Financial Period from	
	22/10/2002	1/3/2003
	to	to
	28/2/2003	30/6/2003
	RM'000	RM'000
Revenue	-	-
Loss before taxation	(6)	(3)
Taxation	-	-
Loss after taxation	(6)	(3)
Number of ordinary shares of RM1.00 each in issue	2	2
Gross loss per share (RM)	(3,000)	(4,500)#
Net loss per share (RM)	(3,000)	(4,500)#
Gross dividend rate (%)	-	-

Annualised for comparison purposes only.

Notes to the results of RIB

- (i) RIB was incorporated on 22nd October 2002 and its first set of income statement was drawn up for the period ended 28 February 2003.
- (ii) There was no tax charge as the Company has not commenced operations since the date of incorporation.

XII. ACCOUNTANTS' REPORT (CONT'D)

AF: 0039

8.3 RTC

	← Financial Year Ended 28 th /29 th February →					Financial
	1999	2000	2001	2002	2003	Period
	RM'000	RM'000	RM'000	RM'000	RM'000	Ended
						30/6/03
						RM'000
Revenue	2,468	7,027	9,654	10,346	27,277	17,827
Profit/(Loss) before depreciation, amortisation, interest and taxation	496	339	2,949	(873)	3,884	2,968
Amortisation	(79)	(83)	(315)	(656)	(652)	(219)
Depreciation	(10)	(52)	(47)	(559)	(630)	(353)
Finance income	-	-	20	6	14	14
Finance expenses	**	(8)	(12)	(13)	(239)	(12)
Profit/(Loss) before tax	407	196	2,595	(2,095)	2,377	2,398
Taxation	-	-	(7)*	(14)*	(6)	-
Profit/(Loss) after taxation	407	196	2,588	(2,109)	2,371	2,398
Weighted number of ordinary shares of RM1.00 each in issue ('000)	1,394^^	1,600	1,600	1,600	1,600	1,600
Gross earnings/(loss) per share (RM)	0.29	0.12	1.62	(1.31)	1.49	4.50#
Net earnings/(loss) per share (RM)	0.29	0.12	1.62	(1.32)	1.48	4.50#
Effective tax rate (%)	-	-	(iii)	(iii)	(iii)	-
Gross dividend rate (%)	-	4	400	-	-	-

* The under provision of taxation for financial year ended 2001 of approximately RM7,000 has been adjusted to reflect the actual tax expenses for the financial year.

** Amount less than RM1,000.00

Annualised for comparison purposes only.

^^ Weighted average number of ordinary shares.

XII. ACCOUNTANTS' REPORT (CONT'D)

AF: 0039

Notes to the results of RTC

- (i) The gross earnings/(loss) per share is computed based on the profit/(loss) before taxation, while the net earnings/(loss) per share is calculated based on profit/(loss) after taxation over the weighted average number of ordinary shares of RM1.00 each in issue in the relevant years/periods under review.
- (ii) The company had been granted pioneer status effective 17th November 1997, which exempts 100% of the statutory business income from taxation concurrent with its MSC status. The taxation expenses incurred were mainly in relation to interest income and rental income, which had been separately assessed.
- (iii) The effective tax rate is calculated as a percentage of taxation over profit before taxation. The effective tax rate is negligible.
- (iv) There were no extraordinary items included in the income statement for the relevant years /periods under review.

8.4 VMSTL

	Financial Period from Date of Incorporation 14/09/1998 to 29/02/2000 RM'000	Financial Year Ended 28 th February			Financial Period Ended 30/6/03 RM'000
		2001 RM'000	2002 RM'000	2003 RM'000	
Revenue	2,170	2,707	2,010	1,709	388
Profit/(Loss) before depreciation interest and taxation	108	(55)	30	(99)	(11)
Depreciation	(24)	(34)	(37)	(35)	(9)
Finance income	*	11	6	1	*
Profit/(Loss) before taxation	84	(78)	(1)	(133)	(20)
Taxation	(9)	-	-	-	-
Profit/(Loss) after taxation	75	(78)	(1)	(133)	(20)
Number of ordinary shares of HK\$1.00 each ('000)	1	151 ^{^^}	500	500	500
Gross earnings/(loss) per share (RM)	58 [#]	(0.52)		(0.27)	(0.12) [#]
Net earnings/(loss) per share (RM)	51 [#]	(0.52)	[^]	(0.27)	(0.12) [#]
Effective tax rate (%)	11	-	-	-	-

* Amount less than RM1,000.00

Annualised for comparison purposes only

[^] Negligible^{^^} Weighted average number of ordinary shares

XII. ACCOUNTANTS' REPORT (CONT'D)

AF: 0039

Notes to the results of VMSTL

- (i) As the company was incorporated outside Malaysia, the financial statement results were translated into RM, based on the audited financial statements, which were prepared in their local currency, at the following exchange rate for the respective year/period ended.

	Financial Period/Year Ended				Financial Period Ended 30/6/03
	28 th /29 th February				
	2000	2001	2002	2003	
Hong Kong Dollar	0.486	0.485	0.485	0.485	0.485

- (ii) The company was incorporated on 14th September 1998 and its first set of income statement was drawn up for the period ended 29th February 2000.
- (iii) The gross earnings/(loss) per share is calculated based on profit/(loss) before taxation, while the net earnings/(loss) per share is calculated based on profit/(loss) after taxation over the average number of ordinary shares in issue in the relevant years/periods under review.
- (iv) The effective tax rate is calculated as a percentage of taxation over profit before taxation. The effective tax rate for the financial year ended 2000 is negligible.
- (v) There were no extraordinary items included in the income statement for the relevant periods/years under review.

8.5 RT

	Financial Years Ended 28 th /29 th February					Financial Period Ended 30/6/03 RM'000
	1999 RM'000	2000 RM'000	2001 RM'000	2002 RM'000	2003 RM'000	
Revenue	-	-	727	7,202	14,919	7,937
(Loss)/Profit before amortisation, depreciation, interest and taxation	(1)	(1)	(37)	(558)	(329)	368
Amortisation	-	-	(333)	(198)	(402)	(133)
Depreciation	-	-	(77)	(635)	(52)	(19)
Finance income	-	-	-	3	5	18
(Loss)/Profit before taxation	(1)	(1)	(447)	(1,388)	(778)	234
Taxation	-	-	-	1,140 ^{^^}	80 ^{^^}	(103)
(Loss)/Profit after taxation	(1)	(1)	(447)	(248)	(698)	131

XII. ACCOUNTANTS' REPORT (CONT'D)

AF: 0039

	← Financial Years Ended 28 th /29 th February →					Financial Period Ended 30/6/03 RM'000
	1999	2000	2001	2002	2003	
	RM'000	RM'000	RM'000	RM'000	RM'000	
Number of ordinary shares of RM1.00 each in issue ('000)	*	*	*	981 [^]	1,000	1,000
Gross (loss)/earnings per share (RM)	(500)	(500)	(223,500)	(1.41)	(0.78)	0.70#
Net (loss)/earnings per share (RM)	(500)	(500)	(223,500)	(0.25)	(0.70)	0.39#

* Share capital of RM2.00 only.

Annualised for comparison purposes only.

[^] Weighted average number of ordinary shares

^{^^} In compliance with MASB 25, Income Taxes, the taxation expenses for the financial year ended 28th February 2002 and 2003 have been restated.

Notes to the results of RT

(i) The gross earnings/(loss) per share is calculated based on profit/(loss) before taxation, while the net earnings/(loss) per share is calculated based on profit/(loss) after taxation divided by the weighted average number of ordinary shares in issue in the relevant years/periods under review.

(ii) There was no tax charge for the financial years ended 1999 to 2002, as the company was in a tax loss position. In the financial year 2003, the company has obtained Multimedia Super Corridor ("MSC") status for a period of five years, which exempts the company from paying any income taxes from its business activities.

Taxation expense incurred in the financial period ended 30th June 2003 relates to origination of deferred taxation.

(iii) There were no extraordinary items included in the income statement for the relevant years/periods under review.

XII. ACCOUNTANTS' REPORT (CONT'D)**8.6 RSB**

	Financial Period Ended 30/6/2003 RM'000
Revenue	-
Loss before taxation	(2)
Taxation	-
Loss after taxation	(2)
Number of ordinary shares of RM1.00 each in issue	100
Loss per share (RM)	(20)

Notes to the results of RSB

- (i) RSB was incorporated on 12th June 2003 and its first set of income statement was drawn up for the period ended 30th June 2003.
- (ii) There was no tax charge for the financial period under review as the company was in a tax loss position.

8.7 RMSB

	Financial Period from Date of Incorporation 13/09/2000 to 28/02/2001 RM'000			Financial Year Ended 2002 2003 RM'000		Financial Period Ended 30/6/03 RM'000
Revenue	51	28	-	-	-	
Loss before depreciation and taxation	(239)	(153)	(5)	(1)	(1)	
Depreciation	(2)	(7)	(7)	(2)	(2)	
Loss before taxation	(241)	(160)	(12)	(3)	(3)	
Taxation	-	-	-	-	-	
Loss after taxation	(241)	(160)	(12)	(3)	(3)	
Number of ordinary shares of RM1.00 each in issue	2	2	2	2	2	
Gross loss per share (RM)	(120,500)	(80,000)	(6,000)	(4,500)#	(4,500)#	
Net loss per share (RM)	(120,500)	(80,000)	(6,000)	(4,500)#	(4,500)#	

Annualised for comparison purposes only.

XII. ACCOUNTANTS' REPORT (CONT'D)

AF: 0039

Notes to the results of RMSB

- (i) RMSB was incorporated on 13th September 2000 and its first set of income statement was drawn up for the period ended 2001.
- (ii) The gross and net loss per share is calculated based on loss before and after taxation respectively over the ordinary shares in issue in the relevant years/periods under review.
- (iii) There was no tax charge for all the financial years/periods under review as the company was in a tax loss position.
- (iv) There were no extraordinary items included in the income statement for the financial years/periods under review.

8.8 RN

	Financial Period from Date of Incorporation 26/8/2000 to 28/02/2001 RM'000	Financial Year Ended		Financial Period Ended 30/6/2003 RM'000
		28/2/2002 RM'000	28/2/2003 RM'000	
Revenue	-	-	38	1,040
(Loss)/Profit before depreciation and taxation	(2)	(2)	(76)	242
Depreciation	-	-	(1)	(22)
(Loss)/Profit before taxation	(2)	(2)	(77)	220
Taxation	-	-	-	(34)
(Loss)/Profit after taxation	(2)	(2)	(77)	186
Number of ordinary shares of RM1.00 each in issue	2	2	36 [^]	100
Gross (loss)/earning per share (RM)	(1,000)	(1,000)	(2,14)	6,600 [#]
Net (loss)/earning per share (RM)	(1,000)	(1,000)	(2,14)	5,580 [#]
Effective tax rate (%)	-	-	-	15

Annualised for comparison purposes only.

[^] Weighted average number of ordinary shares

XII. ACCOUNTANTS' REPORT (CONT'D)

AF: 0039

Notes to the results of RN.

- (i) RN was incorporated on 26th August 2000 and its first set of income statement was drawn up for the period ended 28th February 2001.
- (ii) The gross earning/(loss) per share is calculated based on profit/(loss) before taxation, while the net earning/(loss) per share is calculated based on profit/(loss) after taxation divided by the weighted average number of ordinary shares in issue in the relevant years/periods under review.
- (iii) The effective tax rate is calculated as a percentage of taxation over profit before taxation. The effective tax rate for the financial period ended 30th June 2003 is lower than the statutory tax rate due to reduction in the income tax rate for small and medium scale company.
- (iv) There were no extraordinary items included in the income statement for the years/periods under review.

9.0 BALANCE SHEETS

The summarised balance sheets of RIB and its subsidiaries based on their respective audited financial statements are set out below:-

9.1 RIB

	As at 28/2/2003 RM'000	As at 30/6/2003 RM'000
INVESTMENT	-	350
CURRENT ASSETS	222	522
CURRENT LIABILITIES	228	881
NET CURRENT LIABILITIES	(6)	(359)
	(6)	(9)
REPRESENTED BY:		
Share capital	*	*
Accumulated losses	(6)	(9)
Shareholders' deficits	(6)	(9)
Net liabilities per share (RM)	(3,000)	(4,500)

* Share capital of RM2.00 consisting of 2 ordinary shares of RM1.00 each

RIB was incorporated on 22nd October 2002 with an issued and paid-up capital of 2 ordinary shares at RM1.00 each. As such, no summarised balance sheet is prepared for the financial years ended 1999 to 2002.