

REDTONE INTERNATIONAL BERHAD

Incorporated in Malaysia - 596364-U

**QUARTERLY REPORT ON CONSOLIDATED RESULTS
FOR THE SECOND QUARTER ENDED 31 AUGUST 2005**

REDTONE INTERNATIONAL BERHAD

(Company No: 596364-U)

The Directors are pleased to announce the unaudited results for the second quarter ended 31 August 2005.

CONDENSED CONSOLIDATED INCOME STATEMENT FOR THE PERIOD FROM 1 MARCH 2005 TO 31 AUGUST 2005

	Note	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
		1 Jun 05 to 31 Aug 05	1 Jun 04 to 31 Aug 04	1 Mar 05 to 31 Aug 05	1 Mar 04 to 31 Aug 04
		CURRENT QUARTER RM'000	PRECEDING YEAR CORRESPONDING QUARTER RM'000	CURRENT YEAR TODATE RM'000	PRECEDING YEAR CORRESPONDING PERIOD RM'000
REVENUE	A11	42,267	39,718	85,366	74,711
PROFIT FROM OPERATIONS		5,356	6,445	12,567	13,310
FINANCE INCOME, NET		11	224	389	644
DEPRECIATION AND AMORTISATION		(1,279)	(790)	(2,317)	(1,559)
PROFIT BEFORE TAX AND EXCEPTIONAL GAIN		4,088	5,879	10,639	12,395
EXCEPTIONAL GAIN	B7	2,253	-	2,253	-
PROFIT BEFORE TAX AND MINORITY INTEREST		6,341	5,879	12,892	12,395
TAXATION	B5	(106)	(115)	(292)	(195)
PROFIT AFTER INCOME TAX		6,235	5,764	12,600	12,200
MINORITY INTEREST		(223)	(108)	(377)	(244)
NET PROFIT ATTRIBUTABLE TO MEMBERS		6,012	5,656	12,223	11,956
EARNINGS PER SHARE (SEN)	B10	2.39	2.24	4.85	4.74
ANNUALISED EARNINGS PER SHARE (SEN)	B10	9.54	8.98	9.70	9.49

(The unaudited Condensed Consolidated Income Statement should be read in conjunction with the audited financial statements for year ended 28 February 2005)

REDTONE INTERNATIONAL BERHAD

(Company No: 596364-U)

Condensed Consolidated Balance Sheet

		Unaudited	Audited
		AS AT END OF CURRENT QUARTER 31 Aug 2005	AS AT PRECEDING FINANCIAL YEAR END 28 Feb 2005
Note		RM'000	RM'000
Property, Plant and Equipment		16,628	15,526
Intangible Assets		2,190	2,369
Deferred Tax Assets		1,130	1,130
Current Assets			
Inventories		4,968	4,218
Trade and other receivables		37,188	33,673
Marketable securities		-	1
Cash and cash equivalents		44,536	53,767
		86,692	91,659
Current Liabilities			
Trade payables		21,373	30,052
Other payable & accruals		14,025	7,919
Deferred income		4,202	4,978
Proposed Dividend		-	-
Taxation		-	171
		39,600	43,120
Net Current Assets		47,092	48,539
		67,040	67,564
Financed by:			
Share capital		25,200	25,200
Reserves		32,678	35,654
Shareholders' Equity		57,878	60,854
Reserve on Consolidation	A14	6,559	6,272
Deferred Income		-	142
Minority Interest		2,603	296
		67,040	67,564
		(0)	
		sen	sen
Net tangible assets per share		24.70	25.70

(The unaudited Condensed Consolidated Balance Sheet should be read in conjunction with the audited financial statements for year ended 28 February 2005)

REDTONE INTERNATIONAL BERHAD

(Co number:596364-U)

Condensed Consolidated Statement of Changes in Equity**6 MONTHS ENDED 31 AUGUST 2005**

Group	Note	Non Distributable			Distributable	Total
		Share Capital RM'000	Share premium RM'000	Exchange reserve RM'000	Retained profits RM'000	
As at 1 March 2005		25,200	16,421	0	19,233	60,854
Net profit for the period		-	-		12,223	12,223
Exchange Reserve				(79)		(79)
Dividend declared	A12				(15,120)	(15,120)
At 31 August 2005		<u>25,200</u>	<u>16,421</u>	<u>(79)</u>	<u>16,336</u>	<u>57,878</u>

6 MONTHS ENDED 31 AUGUST 2004

Group	Non Distributable		Distributable	Total
	Share Capital RM'000	Share premium RM'000	Retained profits RM'000	
As at 1 March 2004	25,200	16,421	3,821	45,442
Net profit for the period	-	-	11,956	11,956
Dividend declared			(10,080)	(10,080)
At 31 August 2004	<u>25,200</u>	<u>16,421</u>	<u>5,697</u>	<u>47,318</u>

(The unaudited Consolidated Statement of Changes in Equity should be read in conjunction with the audited financial statements for the year ended 28 February 2005)

REDTONE INTERNATIONAL BERHAD

(Co number:596364-U)

Unaudited Condensed Consolidated Cash Flow Statement

	CURRENT FINANCIAL YEAR 1 Mar 05 to 31 Aug 05 RM'000	PREVIOUS FINANCIAL YEAR 1 Mar 04 to 31 Aug 04 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	12,892	12,395
Adjustments for:		
Non cash items	1,594	2,122
Non operating items	(2,704)	(692)
Operating profit before working capital changes	11,782	13,825
Net changes in current assets	2,069	526
Net changes in current liabilities	(7,188)	5,809
	6,663	20,160
Tax paid	(455)	-
Net cash generated from operating activities	6,208	20,160
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceed from disposal of quoted shares	4,728	-
Proceed from disposal of property, plant and equipment	11	-
Purchase of quoted shares	(2,475)	-
Purchase of property, plant and equipment	(3,516)	(6,023)
Acquisition of equity interest in subsidiaries	(306)	(200)
Purchase consideration for the remaining equity interest in a subsidiary	(152)	-
Additional purchase consideration to vendor of a subsidiary	(107)	-
Intangible assets incurred	-	(1,913)
Interest received	448	692
Net cash used in investing activities	(1,369)	(7,444)
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividend paid	(15,120)	(10,080)
Cash received from minority interest	1,050	-
Net cash generated from financing activities	(14,070)	(10,080)
NET INCREASE IN CASH AND CASH EQUIVALENTS	(9,231)	2,636
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	53,767	51,644
CASH AND CASH EQUIVALENTS AT END OF PERIOD	44,536	54,280
Cash and cash equivalents comprise:		
Cash and bank balances	12,892	9,659
Deposits with licensed bank	31,644	44,621
	44,536	54,280

(The unaudited Condensed Consolidated Cash Flow Statement should be read in conjunction with the audited financial statements for the year ended 28 February 2005)

REDTONE INTERNATIONAL BERHAD

(Co number:596364-U)

A. NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 AUGUST 2005

A1. Basis of preparation

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

The interim financial report should be read in conjunction with the audited financial statements for the year ended 28 February 2005.

The accounting policies and presentation adopted for this interim financial report are consistent with those adopted for the audited financial statements for the year ended 28 February 2005

The following notes provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group.

A2. Qualification of financial statements

There were no audit qualifications on the audited financial statements for company and the subsidiaries for the financial year ended 28 February 2005

A3. Nature and amount of exceptional and extraordinary items

There were no exceptional or extraordinary items during the current quarter and financial year to date under review.

A4. Changes in estimates

There were no material changes in the nature and amount of estimates reported in prior financial year that have a material effect in the quarter under review.

A5. Property, Plant and Equipment

The Group did not revalue any of its property, plant and equipment.

A6. Changes in the composition of the Group

There were no changes in the composition of the Group during the period except as disclosed below:-

Proposed Demerger Of MMISB, A 93% Subsidiary Of RIB From The Redtone Group Of Companies ("Redtone Group") ("Proposed Demerger")

On 7 July 2005, RIB announced that it intends to demerge MMISB from the Redtone Group via a capital distribution of its 93% equity interest in MMISB to Redtone shareholders on the basis of approximately 55 Subdivided MMISB Shares for every existing 100 ordinary shares of RM0.10 each in RIB.

Incorporation Of A New Subsidiary, Redtone Telecommunications Ltd ("RTL")

On 5 August 2005, RIB announced that it's wholly-owned subsidiary, Redtone Telecommunications Sdn Bhd had obtained the approval of Shanghai Industrial and Commercial Administration Bureau on 26 July 2005 to incorporate Redtone

Telecommunications Ltd ("RTL") as a wholly foreign owned enterprise in Pudong, Shanghai, People's Republic of China subject to a minimum registered capital of United States Dollar One Hundred Forty Thousand only (USD140,000) ("Registered Capital").

Joint Venture And Shareholders Agreement In Respect Of Redtone Holding Pte Ltd ("Proposed Joint Venture")

On 12 August 2005, RIB announced that on 11 August 2005 its wholly owned subsidiary, Redtone Technology and REDtone Telecommunications (China) Limited (formerly known as REDtone Holding Pte Ltd) ("RHK") has entered into a joint venture and shareholders agreement ("Agreement") with Kerry Telecommunications (Shanghai) Ltd ("Kerry").

Acquisition -Of A New Subsidiary, Mobile Money Marketing Sdn Bhd (Formerly Known As Ace Affiliate Sdn Bhd) ("MMMSB")

On 30 September 2005, RIB announced that Mobile Money International Sdn Bhd (formerly known as Endoz International Sdn Bhd), a subsidiary of RIB, had on 26 September 2005 acquired two (2) ordinary shares of RM1.00 each in MMMSB, representing the entire issued and paid-up capital of MMMSB for a cash consideration of RM2.00.

A7. Seasonality or cyclicity of interim operations

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

A8. Debt and equity securities

There were no issuances, cancellations, repurchases, resale and repayments of debt during the financial period under review.

A9. Contingent liabilities

There were no material contingent liabilities as at the date of this report.

A10. Off Balance Sheet Financial Instruments

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

A11. Segmental Information

	Individual Quarter		Cummulative Quarter	
	1 Jun 2005 to 31 Aug 2005 RM'000	1 Jun 2004 to 31 Aug 2004 RM'000	1 Mar 2005 to 31 Aug 2005 RM'000	1 Mar 2004 to 31 Aug 2004 RM'000
Revenue by Types of Products:-				
Discounted call services	41,064	38,073	82,695	71,210
Computer-telephony and related products	1,203	1,645	2,671	3,501
	<u>42,267</u>	<u>39,718</u>	<u>85,366</u>	<u>74,711</u>
Profit from Operations Before Taxation:-				
Discounted call services	3,560	5,165	9,997	11,560
Computer-telephony and related products	528	714	642	835
	<u>4,088</u>	<u>5,879</u>	<u>10,639</u>	<u>12,395</u>

A12. Dividends paid

The Directors have declared a second interim tax exempt dividend of RM0.06 per ordinary share for the financial year ending 28 February 2005 amounting to RM15.12 million paid on 20 June 2005 to holders of ordinary shares whose names appear in the Record of Depositors at the close of business on 6 June 2005.

A13. Material events subsequent to the end of the reporting period

There were no significant events since the end of this current quarter up to the date of this announcement.

A14. Reserve on consolidation

	As at 31 Aug 2005 RM'000	As at 28 Feb 2005 RM'000
Goodwill on consolidation	1,561	269
Reserve on consolidation	(8,120)	(6,541)
	<u>(6,559)</u>	<u>(6,272)</u>

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

B1. Review of group results for the second quarter ended 31 Aug 2005

For the quarter ended 31 August 2005, the Group registered consolidated revenue of RM42.27 million, a growth of approximately RM2.55 million or 6% as compared to the corresponding quarter in the preceeding financial year of RM39.72 million. This increase in revenue is contributed by the international business and also the growth in the local business volume

In term of profitability, the Group recorded a profit before tax of RM6.34 million, an increase of RM0.46 million or 8% higher as compared to RM5.9 million reported in the the corresponding quarter of last financial year. Of the profit before tax of RM6.34million, included is an amount of RM2.2 million being gain from disposal of investment in quoted shares.

B2. Current year prospects

Barring any unforeseen circumstances, the Directors anticipate that the performance of the Group will be satisfactory for the current financial year.

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

	2nd Quarter ended 31 Aug 2005 RM'000	1st Quarter ended 31 May 2005 RM'000
Revenue	42,267	43,099
Profit Before Taxation and Minority Interest	6,341	6,551

For the quarter under review, the Group recorded a fairly consistent revenue of RM42.27 million as compared to RM43.01 million in the preceeding quarter.

The Group registered a fairly consistent profit before tax of RM6.34 million for the current quarter which is RM0.2 million or 3% lower than the preceeding quarter of RM6.55 million.

Included in the current quarter profit before tax, is a gain on disposal of investment in quoted shares amounting to RM2.2 million. Operational profit for the quarter is lower as compared to the preceeding quarter due to competition from other telecommunication provider which affected the profit margin.

B4. Profit forecast

No profit forecast was announced.

B5. Taxation

	Individual Quarter		Cummulative Quarter	
	1 Jun 2005 to 31 Aug 2005 RM'000	1 Jun 2004 to 31 Aug 2004 RM'000	1 Mar 2005 to 31 Aug 2005 RM'000	1 Mar 2004 to 31 Aug 2004 RM'000
Within Malaysia In respect of the current period taxation	106	115	292	195

The effective tax rate of the Group is lower than the statutory tax rate of 28%, mainly due to absent of income tax provision in certain subsidiaries which have been granted tax free period as a result of being awarded Multimedia Super Corridor ("MSC") status.

B6. Profit on sale of unquoted investments and/or properties

There were no disposal of unquoted investment and/or properties for the period ended 31 Aug 2005

B7. Purchase or disposal of quoted securities

Summary of the Group dealings in quoted securities during the current financial year to date are as follows:-

	RM'000
Total purchases	2,475
Total disposals	4,728
Total profit/ (loss) on disposal	<u>2,253</u>

The Group disposed all of its investment in quoted securities during the current quarter. There are no other investment in quoted securities as at the end of the current quarter under review.

B8. Off balance sheet financial instruments

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

B9. Material litigation

- 1 REDtone Telecommunications Sdn Bhd ("RTC") vs Shermont Graduate Studies
Recovery of debts of RM49,556 for services rendered. Mention date on 10 October 2005. Defendant's solicitors to file their defence.
- 2 RT vs Choo Ah Seng t/a Pasar Raya Mesra Maju
Recovery of debts of RM42,090 for services rendered. Appeal filed by debtor against Summary Judgement. Hearing of appeal fixed on 19 September 2005
- 3 Low Kok Yan Vs RTC
Action against RTC in industrial court for unlawful termination of employment by Low Kok Yan . The case was settled on 12 August 2005
- 4 RT vs Ashraf
The Notice of Arbitration was filed on 18 May 2005 and served on Ashraf on 21 May 2005. RT is claiming for the amount of USD310,000 being loss and damages. The arbitration proceedings is presently pending the payment of arbitration deposit.
- 5 RTPL vs Ashraf
The Notice of Arbitration was filed on 7 June 2005 and served on Ashraf. RTPL is claiming for the amount of USD290,000 being loss and damages and is pending the payment of the arbitration deposit.
- 6 Defamation suit by Syed Zain Ul Islam ("Zain")
On 8 July 2005, RIB announced that the Court had on 8 July 2005 adjourned the defamation suit for hearing on 15 July 2005. The suit was subsequently adjourned to 20 July 2005, 9 September 2005, 17 September 2005, 7 October 2005 and 21 October 2005.
Counsel of RTPL is of the opinion that the success of the suit is unlikely as the Public Notice issued by RTPL was based on true facts and in the interest of public good.

Provision for doubtful debts has been made for items 1 to 2.

B10. Earnings per share

	Individual Quarter		Cummulative Quarter	
	1 Jun 2005 to 31 Aug 2005	1 Jun 2004 to 31 Aug 2004	1 Mar 2005 to 31 Aug 2005	1 Mar 2004 to 31 Aug 2004
	RM'000	RM'000	RM'000	RM'000
Basic earnings per share				
Net profit for the period (RM'000)	6,012	5,656	12,223	11,956
Weighted average number of ordinary shares in issue ('000)	252,000	252,000	252,000	252,000
Basic earnings per share (sen)	<u>2.39</u>	<u>2.24</u>	<u>4.85</u>	<u>4.74</u>
Annualised earnings per share				
Annualised net profit for the period (RM'000)	24,048	22,624	24,446	23,912
Number of ordinary shares in issue ('000)	252,000	252,000	252,000	252,000
Annualised earnings per share (sen)	<u>9.54</u>	<u>8.98</u>	<u>9.70</u>	<u>9.49</u>
Fully diluted earnings per share	<u>Not applicable</u>	<u>Not applicable</u>	<u>Not applicable</u>	<u>Not applicable</u>

B11. Corporate proposals

There are no corporate developments since the last quarter except as disclosed below;

Proposed Demerger Of MMISB, A 93% Subsidiary Of RIB From The Redtone Group Of Companies ("Redtone Group") ("Proposed Demerger")

On 7 July 2005, RIB announced that it intends to demerge MMISB from the Redtone Group via a capital distribution of its 93% equity interest in MMISB to Redtone shareholders on the basis of approximately 55 Subdivided MMISB Shares for every existing 100 ordinary shares of RM0.10 each in RIB.

B12. Group borrowings

There are no Group borrowings.

B13. Utilization of Proceeds

As at 31 August 2005, the Company has utilized approximately 69% of the total proceeds raised from the Initial Public Offering. The status of the utilization proceeds is as follows:

Details of Utilisation	Total amount of RM'000	Utilised as at 31-Aug-05 RM'000	Amount RM'000
Replication of business model overseas	10,000	10,000	0
Marketing expansion of products locally	10,000	6,037	3,963
Research and development	10,000	2,962	7,038
Working capital	3,126	4,034	(908)
Listing expenses (*)	2,500	1,592	908
Total	35,626	24,625	11,001

Note:

* Proceeds not used to defray listing expenses has been utilised for working capital purposes.