

REDTONE INTERNATIONAL BERHAD

Incorporated in Malaysia: 596364-U

**QUARTERLY REPORT ON CONSOLIDATED RESULTS
FOR THE SECOND QUARTER ENDED 30 NOVEMBER 2006**

REDTONE INTERNATIONAL BERHAD

(Company No: 596364-U)

The Directors are pleased to announce the unaudited results for the second quarter ended 30 November 2006.

CONDENSED CONSOLIDATED INCOME STATEMENT FOR THE PERIOD FROM 1 JUNE 2006 TO 30 NOVEMBER 2006

	Note	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
		1 Sept 06 to 30 Nov 06	1 Sept 05 to 30 Nov 05	1 June 06 to 30 Nov 06	1 June 05 to 30 Nov 05
		CURRENT QUARTER RM'000	PRECEDING YEAR CORRESPONDING QUARTER RM'000	CURRENT YEAR TODATE RM'000	PRECEDING YEAR CORRESPONDING PERIOD RM'000
REVENUE	A11	26,518	N/A	55,193	N/A
PROFIT FROM OPERATIONS		4,145	N/A	8,523	N/A
FINANCE INCOME, NET		234	N/A	379	N/A
DEPRECIATION AND AMORTISATION		(2,400)	N/A	(4,840)	N/A
PROFIT BEFORE TAX AND MINORITY INTEREST		1,979	N/A	4,062	N/A
TAXATION	B5	-	N/A	-	N/A
PROFIT AFTER TAX AND BEFORE MINORITY INTEREST		1,979	N/A	4,062	N/A
ATTRIBUTABLE TO:					
EQUITY HOLDERS OF THE PARENT		2,606	N/A	5,150	N/A
MINORITY INTEREST		(627)	N/A	(1,088)	N/A
		1,979	-	4,062	-
EARNINGS PER SHARE (SEN)	B10	1.03	N/A	2.04	N/A
ANNUALISED EARNINGS PER SHARE (SEN)	B10	4.14	N/A	4.09	N/A

The financial year end of the Company has been changed from 28 February to 31 May commencing financial period ended 31 May 2006 and thereafter to end on 31 May of every subsequent year. Accordingly, there are no comparative figures for the current quarter ended 30 November 2006 and the preceding year corresponding period. However, the previously announced results for the second quarter (June 2005 to Aug 2005) is attached herewith as reference

The unaudited Condensed Consolidated Income Statement should be read in conjunction with the audited financial statements for year ended 31 May 2006.

REDTONE INTERNATIONAL BERHAD

(Company No: 596364-U)

Condensed Consolidated Balance Sheet

	Unaudited	Audited
	AS AT END OF CURRENT QUARTER 30 Nov 2006	AS AT PRECEDING YEAR ENDED 31 May 2006
Note	RM'000	RM'000
ASSETS		
Non-Current Assets		
Property, Plant and Equipment	17,972	20,992
Intangible Assets	2,380	2,169
Deferred Tax Assets	1,142	1,142
	21,494	24,303
Current Assets		
Inventories	2,269	2,123
Trade and other receivables	36,728	40,184
Marketable securities	1,892	1,892
Cash and cash equivalents	28,649	41,428
	69,538	85,627
TOTAL ASSETS	91,032	109,930
EQUITY AND LIABILITIES		
Equity attributable to equity holders of the parent		
Share capital	25,200	25,200
Reserves	33,538	38,397
Reserve on Consolidation	3,788	6,038
	62,526	69,635
Minority Interest	3,205	3,565
Total Equity	65,731	73,200
Non-current Liabilities		
Deferred Income	64	283
Deferred Tax Liabilities	15	15
	79	298
Current Liabilities		
Trade payables	15,374	19,664
Other payable & accruals	7,946	14,164
Deferred income	1,902	2,579
Taxation	-	25
	25,222	36,432
Total Liabilities	25,301	36,730
TOTAL EQUITY AND LIABILITIES	91,032	109,930
Net assets per share (sen)	26.08	29.05

(The unaudited Condensed Consolidated Balance Sheet should be read in conjunction with the audited financial statements for year ended 31 May 2006)

REDTONE INTERNATIONAL BERHAD

(Co number: 596364-U)

Condensed Consolidated Statement of Changes in Equity

MONTH ENDED 30 NOVEMBER 2006

Group	Note	Non Distributable		Exchange reserve RM'000	Distributable	Total RM'000
		Share Capital RM'000	Share premium RM'000		Retained profits RM'000	
At 1 June 2006		25,200	16,421	(370)	22,346	63,597
Net profit for the period		-	-	71	5,150	5,221
Dividend paid		-	-	-	(10,080)	(10,080)
At 30 November 2006		<u>25,200</u>	<u>16,421</u>	<u>(299)</u>	<u>17,416</u>	<u>58,738</u>

Due to the change in financial year end from 28 February to 31 May the results for the corresponding period in the prior year are not presented as it is not comparable.

(The unaudited Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the audited financial statements for year ended 31 May 2006)

REDTONE INTERNATIONAL BERHAD

(Co number:596364-U)

Unaudited Condensed Consolidated Cash Flow Statement

	6 MONTHS CURRENT FINANCIAL YEAR 1 June 06 to 30 Nov 06 RM'000	15 MONTHS PRECEDING FINANCIAL YEAR 1 Mar 05 to 31 May 06 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	4,062	18,839
Adjustments for:		
Non cash items	6,395	9,950
Non operating items	(548)	(6,265)
Operating profit before working capital changes	9,909	22,524
Net changes in current assets	3,205	(15,043)
Net changes in current liabilities	(11,860)	5,688
	1,254	13,169
Tax paid	(255)	(1,072)
Net cash generated from operating activities	999	12,097
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceed from disposal of marketable securities	-	3,898
Proceed from disposal of property, plant and equipment	-	11
Proceeds from disposal of subsidiary	-	1,067
Purchase of marketable securities	-	(3,536)
Purchase of property, plant and equipment	(1,744)	(13,238)
Intangible assets incurred	(286)	(1,714)
Acquisition of equity interest in subsidiaries	(2,216)	-
Purchase consideration for the remaining equity interest in a subsidiary	-	(239)
Interest received	548	987
Net cash used in investing activities	(3,698)	(12,764)
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividend paid	(10,080)	(15,120)
Cash received from minority interest	-	3,448
Net cash generated from financing activities	(10,080)	(11,672)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(12,779)	(12,339)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	41,428	53,767
CASH AND CASH EQUIVALENTS AT END OF PERIOD	28,649	41,428
Cash and cash equivalents comprise:		
Cash and bank balances	15,273	10,248
Deposits with licensed bank	13,376	31,180
	28,649	41,428

(The unaudited Condensed Consolidated Cash Flow Statement should be read in conjunction with the audited financial statements for year ended 31 May 2006)

RNATIONAL BERHAD

Number: 596364-U)

A. NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 NOVEMBER 2006**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 period ended 31 May 2006.

The accounting policies and presentation adopted for this interim financial report are consistent with those adopted for the audited financial statements for the period ended 31 May 2006.

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 qualification on the audited financial statements for company and the subsidiaries for the financial period ended 31 May 2006.

A3. Nature and amount of exceptional and extraordinary items

There were no exceptional or extraordinary items during the current quarter under review.

A4. Changes in estimates

There were no material changes in the nature and amount of estimates reported in prior financial period 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 quarter.

A7. Seasonality or cyclicity of interim operations

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

A8. Debt and equity securities

There were no issuances, cancellations, repurchases, resale or 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		Cumulative Quarter	
	1 Sept 2006 to 30 Nov 2006 RM'000	1 Sept 2005 to 30 Nov 2005 RM'000	1 June 2006 to 30 Nov 2006 RM'000	1 June 2005 to 30 Nov 2005 RM'000
Revenue by Types of Products:-				
Discounted call services	25,494	N/A	53,554	N/A
Computer-telephony and other related products and services	1,024	N/A	1,639	N/A
	<u>26,518</u>	<u>-</u>	<u>55,193</u>	<u>-</u>

Profit Before Tax:-

Discounted call services	1,866	N/A	3,912	N/A
Computer-telephony and other related products and services	113	N/A	150	N/A
	<u>1,979</u>	<u>-</u>	<u>4,062</u>	<u>-</u>

A12. Dividend

There were no dividends declared by the Group for the current quarter under review.

On 15 September 2006, the Company paid an interim tax exempt dividend of RM0.04 per ordinary share amounting to RM10.08 million for the financial period ended 31 May 2006.

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	As at
	30 Nov 2006	30 Nov 2005
	RM'000	RM'000
Goodwill on consolidation	3,591	N/A
Reserve on consolidation	(7,379)	N/A
	<u>(3,788)</u>	<u>-</u>

A15. Change of financial year end

The financial year end of the Company has been changed from 28 February to 31 May commencing financial period ended 31 May 2006 and thereafter to end on 31 May of every subsequent year.

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

B1. Review of group results for the first quarter ended 30 November 2006

For the current quarter ended 30 November 2006, the Group registered consolidated revenue of RM26.5 million and profit before tax of RM1.98 million. Due to change of financial year end from 28 February to 31 May, no comparative figures are presented.

B2. Current year prospects

Barring unforeseen circumstances, the Directors expect the Group will continue to operate profitably and therefore 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 30 Nov 2006 RM'000	1st Quarter ended 31 Aug 2006 RM'000
Revenue	26,518	28,675
Profit Before Taxation and Minority Interest	1,979	2,083
Profit After Taxation and After Minority Interest	2,606	2,544

For the current quarter under review, the Group's recorded revenue of RM26.5 million, which is reduction of about RM2.18 million or 7.6% as compared to the immediate preceding quarter of RM28.68 million, due to extended festivities in the quarter.

In tandem, the Group's Profit Before Tax saw a fall from RM2.08 million to RM1.98 million or 4.8% as compared with the previous quarter but this was mitigated by existing cost efficiency throughout the Group in the quarter. However, Profit After Tax increase of 2.44% was due to Minority Interests share of losses.

B4. Profit forecast

No profit forecast was announced.

B5. Taxation

	Individual Quarter		Cumulative Quarter	
	1 Sept 2006 to 30 Nov 2006 RM'000	1 Sept 2005 to 30 Nov 2005 RM'000	1 June 2006 to 30 Nov 2006 RM'000	1 June 2005 to 30 Nov 2005 RM'000
Within Malaysia				
Current period estimated tax	-	N/A	-	N/A

There are no tax charge for the quarter due to subsidiaries which have been granted MSC status which exempt 100% income from income tax.

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

There were no disposal of unquoted investment and/or properties for the period ended 30 November 2006.

B7. Purchase or disposal of quoted securities

There were no purchase nor disposal of quoted securities during the current financial period.

The investment in quoted shares as at 30 November 2006 are summarised as follows;	RM'000
Total investment at cost	1,892
Total investment at carrying value	1,892
Total investment at market value	<u>1,623</u>

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. The Court has fixed 7 March 2007 for mention for filing of affidavit of service.
- 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 Judgment. The Court has fixed 2007 for Decision.
- 3 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 arbitrator has fixed the 2nd preliminary meeting between both parties to be held on 2 April 2007.
- 4 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 the 2nd preliminary meeting between both parties to be held on 2 April 2007.
- 5 Defamation suit by Syed Zain Ul Islam ("Zain")
On 4th June 2005, Zain filed a defamation suit against RTPL for the publication of a notice on major newspapers in Pakistan informing the public that Zain no longer act as the Chief Executive Officer of RTPL with effect from 6 April 2005.

On 6 January 2007, the Court had dismissed the case.

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

B10. Earnings per share

	Individual Quarter		Cumulative Quarter	
	1 Sept 2006 to 30 Nov 2006	1 Sept 2005 to 30 Nov 2005	1 June 2006 to 30 Nov 2006	1 June 2005 to 30 Nov 2005
Basic earnings per share				
Profit attributable to equity holders of parent (RM'000)	2,606	N/A	5,150	N/A
Weighted average number of ordinary shares in issue ('000)	252,000	N/A	252,000	N/A
Basic earnings per share (sen)	<u>1.03</u>	<u>N/A</u>	<u>2.04</u>	<u>N/A</u>
Annualized earnings per share				
Annualized profit attributable to equity holders of parent (RM'000)	10,424	N/A	10,300	N/A
Number of ordinary shares in issue ('000)	252,000	N/A	252,000	N/A
Annualized earnings per share (sen)	<u>4.14</u>	<u>N/A</u>	<u>4.09</u>	<u>N/A</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.

B12. Group borrowings

There are no Group borrowings.

B13. Utilization of Proceeds

As at 30 November 2006, the Company has utilized approximately 92.6% of the total proceeds raised from the Initial Public Offering. The status of the utilization proceeds is as follows:

Details of Utilization	Total amount of RM'000	Utilized as at 30 Nov 2006 RM'000	Amount unutilized RM'000
Replication of business model overseas	10,000	10,000	0
Marketing expansion of products locally and	10,000	10,000	0
Research and development	10,000	7,373	2,627
Working capital (*)	3,126	4,034	(908)
Listing expenses (*)	2,500	1,592	908
Total	35,626	32,999	2,627

Note:

* The unused proceeds to defray listing expenses has been utilized for working capital purposes.