

# **REDTONE INTERNATIONAL BERHAD**

Incorporated in Malaysia: 596364-U

**QUARTERLY REPORT ON CONSOLIDATED RESULTS  
FOR THE THIRD QUARTER ENDED 28 FEBRUARY 2007**

**REDTONE INTERNATIONAL BERHAD**

(Company No: 596364-U)

The Directors are pleased to announce the unaudited results for the third quarter ended 28 February 2007

**CONDENSED CONSOLIDATED INCOME STATEMENT  
FOR THE PERIOD FROM 1 JUNE 2006 TO 28 FEBRUARY 2007**

	Note	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
		1 Dec 06 to 28 Feb 07	1 Dec 05 to 28 Feb 06	1 June 06 to 28 Feb 07	1 June 05 to 28 Feb 06
		CURRENT QUARTER RM'000	PRECEDING YEAR CORRESPONDING QUARTER RM'000	CURRENT YEAR TODATE RM'000	PRECEDING YEAR CORRESPONDING PERIOD RM'000
REVENUE	A11	27,111	N/A	82,304	N/A
PROFIT FROM OPERATIONS		3,597	N/A	12,120	N/A
FINANCE INCOME, NET		128	N/A	507	N/A
DEPRECIATION AND AMORTISATION		(2,240)	N/A	(7,080)	N/A
PROFIT BEFORE TAX AND MINORITY INTEREST		1,485	N/A	5,547	N/A
TAXATION	B5	(4)	N/A	(4)	N/A
PROFIT AFTER TAX AND BEFORE MINORITY INTEREST		1,481	N/A	5,543	N/A
ATTRIBUTABLE TO:					
EQUITY HOLDERS OF THE PARENT		2,010	N/A	7,160	N/A
MINORITY INTEREST		(529)	N/A	(1,617)	N/A
		1,481	-	5,543	-
EARNINGS PER SHARE (SEN)	B10	0.80	N/A	2.84	N/A
ANNUALISED EARNINGS PER SHARE (SEN)	B10	3.19	N/A	3.79	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 third quarter (Dec 2005 to Feb 2006) 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 28 Feb 2007	AS AT PRECEDING YEAR ENDED 31 May 2006
Note	RM'000	RM'000
<b>ASSETS</b>		
<b>Non-Current Assets</b>		
Property, Plant and Equipment	17,129	20,992
Intangible Assets	2,327	2,169
Deferred Tax Assets	1,142	1,142
	20,598	24,303
<b>Current Assets</b>		
Inventories	2,991	2,123
Trade and other receivables	36,087	40,184
Marketable securities	2,497	1,892
Cash and cash equivalents	26,365	41,428
	67,940	85,627
<b>TOTAL ASSETS</b>	<b>88,538</b>	<b>109,930</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity attributable to equity holders of the parent</b>		
Share capital	25,200	25,200
Reserves	35,602	38,397
Reserve on Consolidation	3,788	6,038
	64,590	69,635
Minority Interest	2,676	3,565
<b>Total Equity</b>	67,266	73,200
<b>Non-current Liabilities</b>		
Deferred Income	-	283
Deferred Tax Liabilities	15	15
	15	298
<b>Current Liabilities</b>		
Trade payables	8,586	19,664
Other payable & accruals	10,812	14,164
Deferred income	1,721	2,579
Taxation	138	25
	21,257	36,432
<b>Total Liabilities</b>	21,272	36,730
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>88,538</b>	<b>109,930</b>
Net assets per share (sen)	26.69	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

### PERIOD ENDED 28 FEBRUARY 2007

Group	Note	Non Distributable			Distributable	Total RM'000
		Share Capital RM'000	Share premium RM'000	Exchange reserve RM'000	Retained profits RM'000	
At 1 June 2006		25,200	16,421	(370)	22,346	63,597
Net profit for the period		-	-	125	7,160	7,285
Dividend paid		-	-	-	(10,080)	(10,080)
At 28 February 2007		<u>25,200</u>	<u>16,421</u>	<u>(245)</u>	<u>19,426</u>	<u>60,802</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**

	<b>9 MONTHS CURRENT FINANCIAL YEAR 1 June 06 to 28 Feb 07 RM'000</b>	<b>15 MONTHS PRECEDING FINANCIAL YEAR 1 Mar 05 to 31 May 06 RM'000</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit for the period	5,547	18,839
Adjustments for:		
Non cash items	7,421	9,950
Non operating items	(1,761)	(6,265)
Operating profit before working capital changes	11,207	22,524
Net changes in current assets	5,908	(15,043)
Net changes in current liabilities	(15,978)	5,688
	1,137	13,169
Tax paid	(420)	(1,072)
<b>Net cash generated from operating activities</b>	<b>717</b>	<b>12,097</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
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	(606)	(3,536)
Purchase of property, plant and equipment	(3,204)	(13,238)
Intangible assets incurred	(181)	(1,714)
Acquisition of equity interest in subsidiaries	(2,216)	-
Purchase consideration for the remaining equity interest in a subsidiary	-	(239)
Interest received	507	987
<b>Net cash used in investing activities</b>	<b>(5,700)</b>	<b>(12,764)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Dividend paid	(10,080)	(15,120)
Cash received from minority interest	-	3,448
<b>Net cash generated from financing activities</b>	<b>(10,080)</b>	<b>(11,672)</b>
<b>NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(15,063)</b>	<b>(12,339)</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>	<b>41,428</b>	<b>53,767</b>
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b>26,365</b>	<b>41,428</b>
Cash and cash equivalents comprise:		
Cash and bank balances	12,020	10,248
Deposits with licensed bank	14,345	31,180
	26,365	41,428

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

# REDTONE INTERNATIONAL BERHAD

(Co number:596364-U)

## A. NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 28 FEBRUARY 2007

### 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 Dec 2006 to 28 Feb 2007	1 Dec 2005 to 28 Feb 2006	1 June 2006 to 28 Feb 2007	1 June 2005 to 28 Feb 2006
	RM'000	RM'000	RM'000	RM'000
Revenue by Types of Products:-				
Discounted call services	22,607	N/A	76,161	N/A
Computer-telephony and other related products and services	4,504	N/A	6,143	N/A
	<u>27,111</u>	<u>-</u>	<u>82,304</u>	<u>-</u>

Profit Before Tax:-

Discounted call services	1,053	N/A	4,965	N/A
Computer-telephony and other related products and services	432	N/A	582	N/A
	<u>1,485</u>	<u>-</u>	<u>5,547</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**

	<b>As at 28 Feb 2007 RM'000</b>	<b>As at 28 Feb 2006 RM'000</b>
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.

## REDTONE INTERNATIONAL BERHAD

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

#### B1. Review of group results for the third quarter ended 28 February 2007

For the current quarter ended 28 February 2007, the Group registered a consolidated revenue of RM27.1 million and profit before tax of RM1.48 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

	<b>3rd Quarter ended 28 Feb 2007 RM'000</b>	<b>2nd Quarter ended 30 Nov 2006 RM'000</b>
Revenue	<u>27,111</u>	<u>26,518</u>
Profit Before Taxation and Minority Interest	<u>1,485</u>	<u>1,979</u>
Profit After Taxation and After Minority Interest	<u>2,010</u>	<u>2,606</u>

For the current quarter under review, the Group's recorded revenue of RM27.1 million, which is increase of about RM593k or 2.2% as compared to the immediate preceding quarter of RM26.5 million.

The Group's Profit After Tax After MI saw a fall from RM2.6 million to RM2.0 million or 22.9% as compared with the previous quarter due to increased cost on broadband roll out activities.

#### B4. Profit forecast

No profit forecast was announced.

#### B5. Taxation

	<b>Individual Quarter</b>		<b>Cumulative Quarter</b>	
	<b>1 Dec 2006 to 28 Feb 2007 RM'000</b>	<b>1 Dec 2005 to 28 Feb 2006 RM'000</b>	<b>1 June 2006 to 28 Feb 2007 RM'000</b>	<b>1 June 2005 to 28 Feb 2006 RM'000</b>
Within Malaysia				
Current period estimated tax	<u>4</u>	<u>N/A</u>	<u>4</u>	<u>N/A</u>

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 28 February 2007.



**B7. Purchase or disposal of quoted securities**

During the quarter, RM606k of quoted securities were purchased while there were no disposal during the current financial period.

The investment in quoted shares as at 30 November 2006 are summarised as follows;

	<b>RM'000</b>
Total investment at cost	2,497
Total investment at carrying value	2,497
Total investment at market value as at 28 February 2007	<u>1,842</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 17 May 2007 for mention.
- 2 RT vs Choo Ah Seng t/a Pasar Raya Mesra Maju  
Recovery of debts of RM42,090 for services rendered. The Court has on 22 February 2007 dismissed the appeal filed by debtor against the Summary Judgement.
- 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 May 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 May 2007.

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

**B10. Earnings per share**

	<b>Individual Quarter</b>		<b>Cumulative Quarter</b>	
	<b>1 Dec 2006 to 28 Feb 2007</b>	<b>1 Dec 2005 to 28 Feb 2006</b>	<b>1 June 2006 to 28 Feb 2007</b>	<b>1 June 2005 to 28 Feb 2006</b>
<b>Basic earnings per share</b>				
Profit attributable to equity holders of parent (RM'000)	2,010	N/A	7,160	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>0.80</u>	<u>N/A</u>	<u>2.84</u>	<u>N/A</u>
<b>Annualized earnings per share</b>				
Annualized profit attributable to equity holders of parent (RM'000)	8,040	N/A	9,547	N/A
Number of ordinary shares in issue ('000)	252,000	N/A	252,000	N/A
Annualized earnings per share (sen)	<u>3.19</u>	<u>N/A</u>	<u>3.79</u>	<u>N/A</u>
<b>Fully diluted earnings per share</b>	<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 28 February 2007, the Company has utilized approximately 99.2% of the total proceeds raised from the Initial Public Offering. The status of the utilization proceeds is as follows:

<b>Details of Utilization</b>	<b>Total amount of proceeds RM'000</b>	<b>Utilized as at 28 Feb 2007 RM'000</b>	<b>Amount unutilized RM'000</b>
Replication of business model overseas	10,000	10,000	0
Marketing expansion of products locally	10,000	10,000	0
Research and development	10,000	10,000	0
Working capital (*)	3,126	4,034	(908)
Listing expenses (*)	2,500	1,592	908
<b>Total</b>	<b>35,626</b>	<b>35,626</b>	<b>0</b>

Note:

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