

# **REDTONE INTERNATIONAL BERHAD**

Incorporated in Malaysia: 596364-U

**QUARTERLY REPORT ON CONSOLIDATED RESULTS  
FOR THE FOURTH QUARTER ENDED 28 FEBRUARY 2006**

**REDTONE INTERNATIONAL BERHAD**

(Company No: 596364-U)

The Directors are pleased to announce the unaudited results for the fourth quarter ended 28 February 2006.

**CONDENSED CONSOLIDATED INCOME STATEMENT  
FOR THE PERIOD FROM 1 MARCH 2005 TO 28 FEBRUARY 2006**

	Note	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
		1 Dec 05 to 28 Feb 06	1 Dec 04 to 28 Feb 05	1 Mar 05 to 28 Feb 06	1 Mar 04 to 28 Feb 05
		CURRENT QUARTER RM'000	PRECEDING YEAR CORRESPONDING QUARTER RM'000	CURRENT YEAR TODATE RM'000	PRECEDING YEAR CORRESPONDING PERIOD RM'000
REVENUE	A11	30,288	47,657	153,578	174,661
PROFIT FROM OPERATIONS		3,750	7,460	19,546	29,230
FINANCE INCOME, NET		132	274	637	1,348
DEPRECIATION AND AMORTISATION		(1,648)	(1,377)	(5,403)	(4,189)
PROFIT BEFORE TAX AND EXCEPTIONAL GAIN		2,234	6,357	14,780	26,389
EXCEPTIONAL GAIN	B7	-	-	2,252	-
PROFIT BEFORE TAX AND MINORITY INTEREST		2,234	6,357	17,032	26,389
TAXATION	B5	(245)	(173)	(512)	(619)
PROFIT AFTER TAX		1,989	6,184	16,520	25,770
MINORITY INTEREST		(12)	(137)	(290)	(278)
NET PROFIT ATTRIBUTABLE TO MEMBERS		1,977	6,047	16,230	25,492
EARNINGS PER SHARE (SEN)	B10	0.78	2.40	6.44	10.12
ANNUALISED EARNINGS PER SHARE (SEN)	B10	3.14	9.60	6.44	10.12

(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
	Note	AS AT END OF CURRENT QUARTER 28 Feb 2006 RM'000	AS AT PRECEDING FINANCIAL YEAR END 28 Feb 2005 RM'000
<b>Property, Plant and Equipment</b>		18,193	15,525
<b>Intangible Assets</b>		2,321	2,369
<b>Deferred Tax Assets</b>		1,113	1,130
<b>Current Assets</b>			
Inventories		3,125	4,218
Trade and other receivables		49,141	33,673
Marketable securities	B7	1,061	1
Cash and cash equivalents		43,891	53,767
		97,218	91,659
<b>Current Liabilities</b>			
Trade payables		20,249	30,052
Other payable & accruals		19,457	7,918
Deferred income		4,641	4,978
Proposed Dividend		-	-
Taxation		-	171
		44,347	43,119
Net Current Assets		52,871	48,540
		74,498	67,564
<b>Financed by:</b>			
Share capital		25,200	25,200
Reserves		36,682	35,654
Shareholders' Equity		61,882	60,854
Reserve on Consolidation	A14	6,556	6,272
Deferred Income		-	142
Minority Interest		6,060	296
		74,498	67,564
		74,498	67,564
Net assets per share (sen)		24.56	24.15

(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

(Co number: 596364-U)

## Condensed Consolidated Statement of Changes in Equity

### 12 MONTHS ENDED 28 FEBRUARY 2006

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 March 2005		25,200	16,421	0	19,233	60,854
Net profit for the period		-	-	-	16,230	16,230
Exchange Reserve		-	-	(82)	-	(82)
Dividend declared	<b>A12</b>	-	-	-	(15,120)	(15,120)
At 28 February 2006		<u>25,200</u>	<u>16,421</u>	<u>(82)</u>	<u>20,343</u>	<u>61,882</u>

### 12 MONTHS ENDED 28 FEBRUARY 2005

Group	Non Distributable		Distributable	Total RM'000
	Share Capital RM'000	Share premium RM'000	Retained profits RM'000	
At 1 March 2004	25,200	16,421	3,821	45,442
Net profit for the period	-	-	25,492	25,492
Dividend declared	-	-	(10,080)	(10,080)
At 28 February 2005	<u>25,200</u>	<u>16,421</u>	<u>19,233</u>	<u>60,854</u>

(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**

(Co number:596364-U)

**Unaudited Condensed Consolidated Cash Flow Statement**

	<b>CURRENT FINANCIAL YEAR 1 Mar 05 to 28 Feb 06 RM'000</b>	<b>PREVIOUS FINANCIAL YEAR 1 Mar 04 to 28 Feb 05 RM'000</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before taxation	17,032	26,389
Adjustments for:		
Non cash items	5,135	5,049
Non operating items	(3,069)	(1,348)
Operating profit before working capital changes	19,098	30,090
Net changes in current assets	(8,362)	(20,692)
Net changes in current liabilities	(2,704)	17,695
	8,032	27,093
Tax paid	(642)	(463)
<b>Net cash generated from operating activities</b>	<b>7,390</b>	<b>26,630</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceed from disposal of quoted shares	4,728	-
Proceed from disposal of property, plant and equipment	11	3
Purchase of marketable securities	(3,536)	-
Purchase of property, plant and equipment	(8,090)	(13,155)
Intangible assets incurred	(102)	(2,372)
Acquisition of equity interest in subsidiaries	(306)	(269)
Purchase consideration for the remaining equity interest in a subsidiary	(152)	-
Additional purchase consideration to vendor of a subsidiary	(107)	-
Interest received	814	1,348
<b>Net cash used in investing activities</b>	<b>(6,740)</b>	<b>(14,445)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Dividend paid	(15,120)	(10,080)
Cash received from minority interest	4,594	18
<b>Net cash generated from financing activities</b>	<b>(10,526)</b>	<b>(10,062)</b>
<b>NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(9,876)</b>	<b>2,123</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>	<b>53,767</b>	<b>51,644</b>
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b>43,891</b>	<b>53,767</b>
Cash and cash equivalents comprise:		
Cash and bank balances	12,926	7,866
Deposits with licensed bank	30,965	45,901
	<b>43,891</b>	<b>53,767</b>

(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**

(Co number:596364-U)

**A. NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 28 FEBRUARY 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 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. However, subsequent to the quarter, Redtone entered into the transaction disclosed below:-

**Proposed Disposal Of Mobile Money International Sdn Bhd ("MMISB"), a 93% Subsidiary Of Redtone International Berhad ("Proposed Disposal")**

On 28 March 2006, Redtone announced that REDtone had on 28 March 2006 entered into a conditional share sale agreement with Lee Eng Sia and Hexarich Sdn Bhd ("Purchasers") for the proposed disposal by REDtone of 13,950,000 Mobile Money's share to the Purchasers for a total cash consideration of RM14.88 million and subject to the other conditions stipulated in the Agreement. The Group is expect to hold its Extraordinary General Meeting for the Proposed Disposal on 27 April 2006.

**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 2005 to 28 Feb 2006	1 Dec 2004 to 28 Feb 2005	1 Mar 2005 to 28 Feb 2006	1 Mar 2004 to 28 Feb 2005
	RM'000	RM'000	RM'000	RM'000
<u>Revenue by Types of Products:-</u>				
Discounted call services	28,481	46,549	148,027	168,066
Computer-telephony and other related products and services	1,807	1,108	5,551	6,595
	<u>30,288</u>	<u>47,657</u>	<u>153,578</u>	<u>174,661</u>
<u>Profit Before Tax and Exceptional Gain:-</u>				
Discounted call services	2,556	6,270	14,020	24,996
Computer-telephony and other related products and services	(322)	87	760	1,393
	<u>2,234</u>	<u>6,357</u>	<u>14,780</u>	<u>26,389</u>

**A12. Dividend**

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

In June 2005, RM15.12 million was paid as a second interim tax exempt dividend of RM0.06 per ordinary share for the financial year ending 28 February 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 except as disclosed below:-

**Proposed Disposal Of Mobile Money International Sdn Bhd ("MMISB"), a 93% Subsidiary Of Redtone International Berhad ("Proposed Disposal")**

On 28 March 2006, Redtone announced that REDtone had on 28 March 2006 entered into a conditional share sale agreement with Lee Eng Sia and Hexarich Sdn Bhd ("Purchasers") for the proposed disposal by REDtone of 13,950,000 Mobile Money's share to the Purchasers for a total cash consideration of RM14.88 million and subject to the other conditions stipulated in the Agreement. The Group is expect to hold its Extraordinary General Meeting for the Proposed Disposal on 27 April 2006.

**A14. Reserve on consolidation**

	As at 28 Feb 2006	As at 28 Feb 2005
	RM'000	RM'000
Goodwill on consolidation	1,564	1,330
Reserve on consolidation	(8,120)	(7,602)
	<u>(6,556)</u>	<u>(6,272)</u>

**A15. Change of financial year end**

The Group had changed the financial year end from 28 February 2006 to 31 May 2006.

## REDTONE INTERNATIONAL BERHAD

(Co number:596364-U)

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

#### B1. Review of group results for the fourth quarter ended 28 February 2006

For the current quarter ended 28 February 2006, the Group registered consolidated revenue of RM30.29 million, a drop of approximately RM17.37 million or 36% as compared to the corresponding quarter in the preceding financial year of RM47.66 million. This drop in revenue was mainly attributable to the slower performance in the Prepaid Sector of the Discounted Call Services.

As a result of the decrease in revenue, the profit before tax has also dropped by RM4.13 million or 65% from RM6.36 million in the corresponding quarter of last financial year to RM2.23 million in the current quarter under review.

#### B2. Current year prospects

The fourth quarter under review has shown to be a challenging and competitive one for the Group. However the Directors expect the Group will continue to operate profitably and therefore improve its performance in the next quarter.

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

	<b>4th Quarter ended 28 Feb 2006 RM'000</b>	<b>3rd Quarter ended 30 Nov 2005 RM'000</b>
Revenue	30,288	37,924
Profit Before Taxation and Minority Interest	<u>2,234</u>	<u>1,906</u>

For the current quarter under review, the Group recorded a lower revenue of RM30.29 million as compared to RM37.92 million in the immediate preceding quarter. A drop of RM7.63 million or 20% from the immediate preceding quarter.

However, the profit before tax has increased by RM328,000 from RM1.906 million in the immediate preceding quarter to RM2.234 million in the current quarter under review.

The increase in profit before tax is mainly attributable to the Company's cost savings initiatives and also the increase in the contribution from the Postpaid Sector which yields a higher margin.

#### B4. Profit forecast

No profit forecast was announced.

B5. Taxation	<b>Individual Quarter</b>		<b>Cumulative Quarter</b>	
	<b>1 Dec 2005 to 28 Feb 2006 RM'000</b>	<b>1 Dec 2004 to 28 Feb 2005 RM'000</b>	<b>1 Mar 2005 to 28 Feb 2006 RM'000</b>	<b>1 Mar 2004 to 28 Feb 2005 RM'000</b>
Within Malaysia				
Current period estimated tax	<u>245</u>	<u>173</u>	<u>512</u>	<u>619</u>

The effective tax rate of the Group is lower than the statutory tax rate of 28%, mainly due to the absence of income tax provision in certain subsidiaries which have been granted tax free period for 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 28 February 2006

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

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

Disposal of quoted shares during the current financial period to date:	<b>RM'000</b>
Total purchases	2,475
Total disposals	4,727
Total profit/ (loss) on disposal	<u>2,252</u>

The investment in quoted shares as at 28 February 2006 are summarized below:	<b>RM'000</b>
Total investment at cost	1,061
Total investment at carrying value	1,061
Total investment at market value	<u>1,725</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. Summons have been filed and hearing date is pending.
- 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. Hearing of appeal made in favor of RT is fixed on 17 August 2006.
- 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 arbitration proceedings is presently pending the filing of Points of Claim and the appointment of the arbitrator.
- 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 is pending the filing of Points of Claim and the appointment of the arbitrator.
- 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. The suit has been adjourned to 11 May 2006 for Zain and the other witnesses to produce their statements on oath in person.  
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.

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

**B10. Earnings per share**

	Individual Quarter		Cumulative Quarter	
	1 Dec 2005 to 28 Feb 2006	1 Dec 2004 to 28 Feb 2005	1 Mar 2005 to 28 Feb 2006	1 Mar 2004 to 28 Feb 2005
<b>Basic earnings per share</b>				
Net profit for the period (RM'000)	1,977	6,047	16,230	25,492
Weighted average number of ordinary shares in issue ('000)	252,000	252,000	252,000	252,000
Basic earnings per share (sen)	<u>0.78</u>	<u>2.40</u>	<u>6.44</u>	<u>10.12</u>
<b>Annualized earnings per share</b>				
Annualized net profit for the period (RM'000)	7,908	24,188	16,230	25,492
Number of ordinary shares in issue ('000)	252,000	252,000	252,000	252,000
Annualized earnings per share (sen)	<u>3.14</u>	<u>9.60</u>	<u>6.44</u>	<u>10.12</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 except as disclosed below:

**Proposed Demerger Of Mobile Money International Sdn Bhd ("MMISB"), a 93% Subsidiary Of Redtone International Berhad ("Proposed Demerger")**

On 7 July 2005, the Group announced that it intends to demerge MMISB from the 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 Redtone. On 10 February 2006, the Group announced that the Proposed Demerger has not been approved by the shareholders.

**Proposed Employee Share Option Scheme for the Eligible Employees and Directors of REDtone and its Subsidiaries ("Proposed ESOS")**

On 15 November 2005, Commerce International Merchant Bankers Berhad announced on behalf of Redtone the Proposed ESOS which involve the granting of options to the employees and Directors of REDtone and its subsidiaries who meet the criteria of eligibility for participation in the Proposed ESOS as set out in the by-laws of the Proposed ESOS.

On 10 February 2006, the Group announced that the Proposed ESOS has been approved by the shareholders.

**Memorandum of Understanding ("MOU") between REDtone Telecommunications Sdn Bhd ("RTC") and MiTV Corporation Sdn Bhd ("MiTV")**

On 28 November 2005, the Group announced that its wholly owned subsidiary, RTC, had entered into a MOU with MiTV to provide mobile telecommunications services subject to the successful award of the Ministerial Determination on Spectrum Reallocation, Determination No. 1 of 2005 to MiTV by the Malaysian Communications and Multimedia Commission.

**Proposed Disposal Of MMISB, a 93% Subsidiary Of Redtone International Berhad ("Proposed Disposal")**

**Proposed Assignment by REDtone Technology Sdn Bhd ("RT") a wholly owned subsidiary of Redtone, of its Intellectual Property Rights to the Licensed Software to MMISB and the Subsequent Grant of a License by MMISB to RT**

**Proposed Call Option Agreement between REDtone and the Purchasers for REDtone to be granted an Option to Purchase MMISB Shares**

On 28 March 2006, the Group announced that REDtone had on 28 March 2006 entered into a conditional share sale agreement with Lee Eng Sia and Hexarich Sdn Bhd ("Purchasers") for the proposed disposal by REDtone of 13,950,000 Mobile Money's share to the Purchasers for a total cash consideration of RM14.88 million and subject to the other conditions stipulated in the Agreement.

RT and MMISB had simultaneously entered into an agreement wherein RT proposes to assign its intellectual property rights in connection with the computer programming in relation to the electronic purse transaction method and system ("Licensed Software") to MMISB for a total assignment consideration payable by MMISB to RT subject to a minimum of RM15.0 million and a maximum of RM25.0 million. In addition, MMISB also proposes to grant to RT a non-exclusive and non-transferable perpetual license to use the Licensed Software.

Upon completion of the Proposed Disposal, REDtone proposes to enter into a call option agreement with the Purchasers wherein REDtone will be granted an option to purchase 1.0 million MMISB Shares or such corresponding number of MMISB Shares in its subdivided par value at an option price of RM1.0 million.

**B12. Group borrowings**

There are no Group borrowings.

**B13. Utilization of Proceeds**

As at 28 February 2006, the Company has utilized approximately 74% 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 RM'000</b>	<b>Utilized as at 28-Feb-06 RM'000</b>	<b>Amount unutilized RM'000</b>
Replication of business model overseas (*)	10,000	10,000	0
Marketing expansion of products locally and	10,000	7,059	2,941
Research and development	10,000	3,616	6,384
Working capital	3,126	4,034	(908)
Listing expenses (*)	2,500	1,592	908
<b>Total</b>	<b>35,626</b>	<b>26,301</b>	<b>9,325</b>

Note:

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