

REDTONE INTERNATIONAL BERHAD

Incorporated in Malaysia: 596364-U

**QUARTERLY REPORT ON CONSOLIDATED RESULTS
FOR THE FIFTH QUARTER ENDED 31 MAY 2006**

REDTONE INTERNATIONAL BERHAD

(Company No: 596364-U)

The Directors are pleased to announce the unaudited results for the fifth quarter ended 31 May 2006.

CONDENSED CONSOLIDATED INCOME STATEMENT FOR THE PERIOD FROM 1 MARCH 2005 TO 31 MAY 2006

	Note	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
		1 Mar 06 to 31 May 06	1 Mar 05 to 31 May 05	1 Mar 05 to 31 May 06	1 Mar 04 to 31 May 05
		CURRENT QUARTER RM'000	PRECEDING YEAR CORRESPONDING QUARTER RM'000	CURRENT YEAR TODATE RM'000	PRECEDING YEAR CORRESPONDING PERIOD RM'000
REVENUE	A11	28,749	N/A	182,327	N/A
PROFIT FROM OPERATIONS		3,426	N/A	22,972	N/A
FINANCE INCOME, NET		161	N/A	798	N/A
DEPRECIATION AND AMORTISATION		(2,006)	N/A	(7,409)	N/A
PROFIT BEFORE TAX AND EXCEPTIONAL GAIN		1,581	N/A	16,361	N/A
EXCEPTIONAL GAIN	B7	-	N/A	2,252	N/A
PROFIT BEFORE TAX AND MINORITY INTEREST		1,581	N/A	18,613	N/A
TAXATION	B5	126	N/A	(386)	N/A
PROFIT AFTER TAX		1,707	N/A	18,227	N/A
MINORITY INTEREST		344	N/A	54	N/A
NET PROFIT ATTRIBUTABLE TO MEMBERS		2,051	N/A	18,281	N/A
EARNINGS PER SHARE (SEN)	B10	0.81	N/A	7.25	N/A
ANNUALISED EARNINGS PER SHARE (SEN)	B10	3.26	N/A	5.80	N/A

Due to the change in the financial year end from 28 February to 31 May, no comparative figures are presented. However, the previously announced results for 12 months period ended 28 February 2006 is attached to this announcement as reference.

The current financial period is for a period of 15 months from 1 March 2005 to 31 May 2006 and subsequent financial year shall end on 31 May annually.

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 May 2006	AS AT PRECEDING FINANCIAL YEAR END 28 Feb 2005
Note	RM'000	RM'000
Property, Plant and Equipment	20,373	15,525
Intangible Assets	2,179	2,369
Deferred Tax Assets	1,125	1,130
Current Assets		
Inventories	2,170	4,218
Trade and other receivables	36,879	33,673
Marketable securities	1,892	1
Cash and cash equivalents	41,471	53,767
	82,412	91,659
Current Liabilities		
Trade payables	19,220	30,052
Other payable & accruals	10,254	7,918
Deferred income	3,028	4,978
Taxation	-	171
	32,502	43,119
Net Current Assets	49,910	48,540
	73,587	67,564
Financed by:		
Share capital	25,200	25,200
Reserves	38,509	35,654
Shareholders' Equity	63,709	60,854
Reserve on Consolidation	6,038	6,272
Deferred Income	-	142
Minority Interest	3,840	296
	73,587	67,564
	73,587	67,564
Net assets per share (sen)	25.28	24.15

(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

15 MONTHS ENDED 31 MAY 2006

Group	Note	Share Capital RM'000	Non Distributable Share premium RM'000	Exchange reserve RM'000	Distributable Retained profits RM'000	Total RM'000
At 1 March 2005		25,200	16,421	0	19,233	60,854
Net profit for the period		-	-	-	18,281	18,281
Exchange Reserve		-	-	(306)	-	(306)
Dividend declared	A12	-	-	-	(15,120)	(15,120)
At 31 May 2006		<u>25,200</u>	<u>16,421</u>	<u>(306)</u>	<u>22,394</u>	<u>63,709</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 28 February 2005)

REDTONE INTERNATIONAL BERHAD

(Co number:596364-U)

Unaudited Condensed Consolidated Cash Flow Statement

	15 MONTHS CURRENT FINANCIAL YEAR 1 Mar 05 to 31 May 06 RM'000	12 MONTHS PRECEDING FINANCIAL YEAR 1 Mar 04 to 28 Feb 05 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	18,613	26,389
Adjustments for:		
Non cash items	8,391	5,049
Non operating items	(5,958)	(1,348)
Operating profit before working capital changes	21,046	30,090
Net changes in current assets	4,212	(20,692)
Net changes in current liabilities	(12,993)	17,695
Tax paid	(642)	(463)
Net cash generated from operating activities	11,623	26,630
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceed from disposal of quoted shares	3,898	-
Proceed from disposal of property, plant and equipment	11	3
Purchase of marketable securities	(3,536)	-
Purchase of property, plant and equipment	(12,250)	(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	1,041	1,348
Net cash used in investing activities	(11,503)	(14,445)
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividend paid	(15,120)	(10,080)
Cash received from minority interest	2,704	18
Net cash generated from financing activities	(12,416)	(10,062)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(12,296)	2,123
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	53,767	51,644
CASH AND CASH EQUIVALENTS AT END OF PERIOD	41,471	53,767
Cash and cash equivalents comprise:		
Cash and bank balances	10,322	7,866
Deposits with licensed bank	31,149	45,901
	41,471	53,767

(The unaudited Condensed Consolidated Cash Flow 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 31 MAY 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 qualification 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 under review. There is an exceptional gain for the year to date as disclosed in note B7.

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 shareholders approval on the Proposed Disposal was obtained on 27 April 2006. The Proposed Disposal is pending completion as at the date of this report.

Acquisition by RT from Tan Teck Leong ("TTL") of 60% Equity Interest in Jupitel Sdn Bhd

On 7 July 2006, REDtone announced that Redtone Technology Sdn Bhd ("RT"), its wholly-owned subsidiary has on 7 July 2006 entered into Share Sale Agreement ("SSA") between TTL and RT in conjunction with its Acquisition of Jupitel. RT, will acquire 300,000 ordinary shares of RM1.00 each in Jupitel representing 60% of the equity interest in Jupitel from TTL for a total cash consideration of RM300,000.

(i) **Acquisition by RT from Juan Kuang (M) Industrial Berhad of 700,000 Ordinary Shares of RM1.00 each in Meridianotch Sdn Bhd ("MSB") representing 50% of the Issued and Paid-up Share Capital of MSB**

(ii) **Acquisition by RT from CNX Holdings Sdn Bhd ("CNXH") of 51,000 Ordinary Shares of RM1.00 each in CNX Solutions Sdn Bhd ("CNXS") representing 1.86% of the Enlarged Issued and Paid-up Share Capital in CNXS**

(iii) **Investment by RT in 745,000 Ordinary Shares in CNXS representing 27.14% of the Enlarged Issued and Paid-up Share Capital in CNXS**

On 10 July 2006, REDtone announced that RT, its wholly-owned subsidiary has on 10 July 2006 entered into an agreement for the acquisition of 700,000 MSB Shares representing 50% of the issued and paid up share capital in MSB for a total cash consideration of RM1,500,000.

On the same day, RT also entered into an agreement with CNXH for the acquisition of 51,000 CNXS Shares for a total cash consideration of RM109,293.

In addition, RT will subscribe for 745,000 ordinary shares in CNXS for a cash consideration of RM968,500.

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 Mar 2006 to 31 May 2006	1 Mar 2005 to 31 May 2005	1 Mar 2005 to 31 May 2006	1 Mar 2004 to 31 May 2005
	RM'000	RM'000	RM'000	RM'000
<u>Revenue by Types of Products:-</u>				
Discounted call services	27,276	N/A	175,303	N/A
Computer-telephony and other related products and services	1,473	N/A	7,024	N/A
	<u>28,749</u>	<u>0</u>	<u>182,327</u>	<u>0</u>
<u>Profit Before Tax and Exceptional Gain:-</u>				
Discounted call services	1,500	N/A	15,520	N/A
Computer-telephony and other related products and services	81	N/A	841	N/A
	<u>1,581</u>	<u>0</u>	<u>16,361</u>	<u>0</u>

A12. Dividend

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 ended 28 February 2005.

The Directors have declared the payment of an interim tax exempt dividend in respect of the financial year ended 31 May 2006 of RM0.04 per ordinary share. The date of payment and book closure date will be determined later.

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 in Note A6.

A14. Reserve on consolidation

	As at	As at
	31 May 2006	28 Feb 2005
	RM'000	RM'000
Goodwill on consolidation	1,564	1,330
Reserve on consolidation	(7,602)	(7,602)
	<u>(6,038)</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.

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

B1. Review of group results for the fifth quarter ended 31 May 2006

For the current quarter ended 31 May 2006, the Group registered consolidated revenue of RM28.75 million and profit before tax of RM1.58 million. Due to change of financial year end from 28 February to 31 May, no comparative figures are presented.

B2. Current year prospects

The fifth 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

	5th Quarter ended 31 May 2006 RM'000	4th Quarter ended 28 Feb 2006 RM'000
Revenue	28,749	30,288
Profit Before Taxation and Minority Interest	1,581	2,234

For the current quarter under review, the Group recorded a lower revenue of RM28.75 million as compared to RM30.29 million in the immediate preceding quarter. The decrease RM1.54 million or 5% is due to decline in the consumer market due to price war.

The Group's profit before tax also decreased from RM2.23 million to RM1.58 million or 29% due to increase in advertising expenditure to promote the newly launch travelon and also the re-launch of consumer products and the higher provision for depreciation recorded in Q5 recorded by our China operations in Q5 as the equipments in China were only acquired in January 2006.

B4. Profit forecast

No profit forecast was announced.

B5. Taxation

	Individual Quarter		Cumulative Quarter	
	1 Mar 2006 to 31 May 2006 RM'000	1 Mar 2005 to 31 May 2005 RM'000	1 Mar 2005 to 31 May 2006 RM'000	1 Mar 2004 to 31 May 2005 RM'000
Within Malaysia				
Current period estimated tax	(126)	N/A	386	N/A

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 31 May 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:	RM'000
Total purchases	2,475
Total disposals	4,727
Total profit/ (loss) on disposal	<u>2,252</u>

The investment in quoted shares as at 31 May 2006 are summarized below:	RM'000
Total investment at cost	1,892
Total investment at carrying value	1,892
Total investment at market value	<u>3,571</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

- 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.
- 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.
- 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.
- 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.
- 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 12 December 2005, the Court has fixed the case for evidence by Zain on 26 January 2006. The case has been adjourned by the Court for a number of times for evidence by Zain. On 15 June 2006, Zain submitted his documentary evidence to the Court. The Court has adjourned the case to 27 July 2006 for the remaining cross examination by RTPL's lawyer.

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 Mar 2006 to 31 May 2006	1 Mar 2005 to 31 May 2005	1 Mar 2005 to 31 May 2006	1 Mar 2004 to 31 May 2005
Basic earnings per share				
Net profit for the period (RM'000)	2,051	N/A	18,281	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>0.81</u>	<u>N/A</u>	<u>7.25</u>	<u>N/A</u>
Annualized earnings per share				
Annualized net profit for the period (RM'000)	8,204	N/A	14,625	N/A
Number of ordinary shares in issue ('000)	252,000	N/A	252,000	N/A
Annualized earnings per share (sen)	<u>3.26</u>	<u>N/A</u>	<u>5.80</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 except as disclosed in Note A6.

B12. Group borrowings

There are no Group borrowings.

B13. Utilization of Proceeds

As at 31 May 2006, the Company has utilized approximately 75.6% 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 31-May-06 RM'000	Amount unutilized RM'000
Replication of business model overseas	10,000	10,000	0
Marketing expansion of products locally and	10,000	7,367	2,633
Research and development	10,000	3,943	6,057
Working capital (*)	3,126	4,034	(908)
Listing expenses (*)	2,500	1,592	908
Total	35,626	26,936	8,690

Note:

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