

REDTONE INTERNATIONAL BERHAD

Incorporated in Malaysia: 596364-U

**QUARTERLY REPORT ON CONSOLIDATED RESULTS
FOR THE SECOND QUARTER ENDED 30 NOVEMBER 2007**

REDTONE INTERNATIONAL BERHAD

(Company No: 596364-U)

The Directors are pleased to announce the unaudited results for the second quarter ended 30 November 2007.

CONDENSED CONSOLIDATED INCOME STATEMENT FOR THE PERIOD FROM 1 JUNE 2007 TO 30 NOVEMBER 2007

	Note	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
		1 Sept 07 to 30 Nov 07	1 Sept 06 to 30 Nov 06	1 June 07 to 30 Nov 07	1 June 06 to 30 Nov 06
		CURRENT QUARTER RM'000	PRECEDING YEAR CORRESPONDING QUARTER RM'000	CURRENT YEAR TODATE RM'000	PRECEDING YEAR CORRESPONDING PERIOD RM'000
REVENUE	A11	28,939	26,518	66,058	55,193
PROFIT/(LOSS) FROM OPERATIONS		3,196	4,145	6,694	8,523
FINANCE INCOME, NET		5	234	38	379
DEPRECIATION AND AMORTISATION		(499)	(2,400)	(1,231)	(4,840)
PROFIT BEFORE TAX AND MINORITY INTEREST	B1	2,702	1,979	5,501	4,062
TAXATION	B5	(1)	-	(1)	-
PROFIT AFTER TAX AND BEFORE MINORITY INTEREST		2,701	1,979	5,500	4,062
ATTRIBUTABLE TO:					
EQUITY HOLDERS OF THE PARENT		2,854	2,606	5,562	5,150
MINORITY INTEREST		(153)	(627)	(62)	(1,088)
		2,701	1,979	5,500	4,062
EARNINGS PER SHARE (SEN)	B10	1.12	1.03	2.20	2.04
ANNUALISED EARNINGS PER SHARE (SEN)	B10	4.49	2.07	4.40	4.09

The unaudited Condensed Consolidated Income Statement should be read in conjunction with the audited financial statements for year ended 31 May 2007.

REDTONE INTERNATIONAL BERHAD

(Company No: 596364-U)

Condensed Consolidated Balance Sheet

	Unaudited	Audited
	AS AT END OF CURRENT QUARTER 30 Nov 2007	AS AT PRECEDING YEAR ENDED 31 May 2007
Note	RM'000	RM'000
ASSETS		
Non-Current Assets		
Property, Plant and Equipment	28,580	23,638
Investment in associates	5,013	1,468
Investment in jointly controlled entity	1,494	1,494
Investment Property	790	790
Intangible Assets	11,138	5,188
Other investments	600	923
Deferred Tax Assets	4,104	4,104
	<u>51,719</u>	<u>37,605</u>
Current Assets		
Inventories	1,697	1,938
Trade and other receivables	23,042	34,922
Marketable Securities	-	-
Cash and cash equivalents	27,830	25,346
	<u>52,569</u>	<u>62,206</u>
TOTAL ASSETS	<u>104,288</u>	<u>99,811</u>
EQUITY AND LIABILITIES		
Equity attributable to equity holders of the parent		
Share capital	25,753	25,213
Reserves	50,462	42,642
	<u>76,215</u>	<u>67,855</u>
Minority Interest	5,498	2,529
Total Equity	<u>81,713</u>	<u>70,384</u>
Non-current Liabilities		
Deferred Tax Liabilities	-	15
	<u>-</u>	<u>15</u>
Current Liabilities		
Trade payables	11,298	10,625
Other payable & accruals	9,694	15,900
Deferred income	1,535	2,484
Taxation	48	403
	<u>22,575</u>	<u>29,412</u>
Total Liabilities	<u>22,575</u>	<u>29,427</u>
TOTAL EQUITY AND LIABILITIES	<u>104,288</u>	<u>99,811</u>
Net assets per share (sen)	<u>31.73</u>	<u>27.92</u>

(The unaudited Condensed Consolidated Balance Sheet should be read in conjunction with the audited financial statements for year ended 31 May 2007)

REDTONE INTERNATIONAL BERHAD

(Co number: 596364-U)

Condensed Consolidated Statement of Changes in Equity**MONTH ENDED 30 NOVEMBER 2007**

Group	Note	Non Distributable			Exchange reserve RM'000	Distributable Retained profits RM'000	Total RM'000
		Share Capital RM'000	Share premium RM'000	Share option reserve RM'000			
At 1 June 2007		25,213	16,492	768	296	25,099	67,868
Net profit for the period		-	-	-	-	5,562	5,562
Exchange reserve		-	-	-	(43)	-	(43)
ESOS issued		540	1,782	506	-	-	2,828
Dividend paid		-	-	-	-	-	-
At 30 November 2007		<u>25,753</u>	<u>18,274</u>	<u>1,274</u>	<u>253</u>	<u>30,661</u>	<u>76,215</u>

(The unaudited Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the audited financial statements for year ended 31 May 2007)

REDTONE INTERNATIONAL BERHAD

(Co number:596364-U)

Unaudited Condensed Consolidated Cash Flow Statement

	6 MONTHS CURRENT FINANCIAL YEAR 1 June 07 to 30 Nov 07 RM'000	12 MONTHS PRECEDING YEAR 1 June 06 to 31 May 07 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	5,501	2,585
Adjustments for:		
Non cash items	4,501	2,986
Non operating items	780	5,948
Operating profit before working capital changes	10,782	11,519
Net changes in current assets	11,710	1,288
Net changes in current liabilities	(7,881)	(7,317)
	14,611	5,490
Tax paid	(1)	(433)
Net cash generated from operating activities	14,610	5,057
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	136	751
Investment in associate	-	(1,078)
Investment in joint venture	-	(1,500)
Acquisition of a subsidiary	-	(271)
Dividend paid to minority interest	-	(912)
Proceed from disposal of property, plant and equipment	-	274
Proceeds from disposal of subsidiary	-	-
Purchase of marketable securities	(2,421)	(606)
Purchase of property, plant and equipment	(4,015)	(7,846)
Expenditure on intangible assets	(8,106)	(1,535)
Purchase of other investment	-	(600)
Net cash used in investing activities	(14,406)	(13,323)
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividend paid	-	(10,080)
Cash received from issuance of shares	2,322	85
Cash received from minority interest	-	450
Net cash generated from financing activities	2,322	(9,545)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	2,526	(17,811)
EFFECTS OF EXCHANGE RATE CHANGES	(42)	1,729
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	25,346	41,428
CASH AND CASH EQUIVALENTS AT END OF PERIOD	27,830	25,346
Cash and cash equivalents comprise:		
Cash and bank balances	23,546	17,575
Deposits with licensed bank	4,284	7,771
	27,830	25,346

(The unaudited Condensed Consolidated Cash Flow Statement should be read in conjunction with the audited financial statements for year ended 31 May 2007)

REDTONE INTERNATIONAL BERHAD

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A. NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 NOVEMBER 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 year ended 31 May 2007.

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 31 May 2007.

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 31 May 2007.

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 2007 to 30 Nov 2007	1 Sept 2006 to 30 Nov 2006	1 June 2007 to 30 Nov 2007	1 June 2006 to 30 Nov 2006
	RM'000	RM'000	RM'000	RM'000
<u>Revenue by Types of Products:-</u>				
Communication Services	27,293	25,494	62,106	53,554
Computer-telephony and other related products and services	1,646	1,024	3,952	1,639
	<u>28,939</u>	<u>26,518</u>	<u>66,058</u>	<u>55,193</u>
<u>Profit Before Tax:-</u>				
Communication Services	2,425	1,866	5,178	3,912
Computer-telephony and other related products and services	277	113	323	150
	<u>2,702</u>	<u>1,979</u>	<u>5,501</u>	<u>4,062</u>

A12. Dividend

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

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

a) The Company had on 21 January 2008 announced its acquisition of 100,000 ordinary shares of RM1.00 each, being the entire issued and paid-up capital of CNX Software Sdn Bhd for a cash consideration of RM100,000.00

b) The Company had on 31 January 2008 announced its intention to venture into Hotel Information & Communications Technology ("ICT") solution in China.

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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 30 November 2007

For the current quarter ended 30 November 2007, the Group registered a consolidated revenue of RM28.9 million and profit before tax of RM2.7 million .

B2. Current year prospects

Baring 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 2007 RM'000	1st Quarter ended 31 Aug 2007 RM'000
Revenue	<u>28,939</u>	<u>37,119</u>
Profit Before Taxation and Minority Interest	<u>2,702</u>	<u>2,799</u>
Profit After Taxation and After Minority Interest	<u>2,854</u>	<u>2,708</u>

For the current quarter under review, the Group's recorded revenue of RM28.9 million, which is a decrease of about RM8.18 million or 22.04% as compared to the immediate preceding quarter of RM37.12 million mainly due to the extended festivities and Ramadhan season during the quarter resulting in shorter working business days locally and in Pakistan.

However, because of the low profit margin derived from Pakistan wholesale business, the decrease in Profit Before Tax is only about RM0.097 million or 3.47% as compared to previous quarter.

B4. Profit forecast

No profit forecast was announced.

B5. Taxation

	Individual Quarter		Cumulative Quarter	
	1 Sept 2007 to 30 Nov 2007 RM'000	1 Sept 2006 to 30 Nov 2006 RM'000	1 June 2007 to 30 Nov 2007 RM'000	1 June 2006 to 30 Nov 2006 RM'000
Within Malaysia				
Current period estimated tax recoverable	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</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 year ended 30 November 2007.

B7. Purchase or disposal of quoted securities

The investment in quoted shares for period ended 30 November 2007 are summarised as follows;

	RM'000
Total investment at cost	4,919
Total investment at carrying value	4,710
Total investment at market value	<u>6,304</u>

B8. Off balance sheet financial instruments

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

B9. Material litigation1 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 case is now pending filing of witness statements by RT.

2 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. RTPL has also applied to the Director of KLRC to be included as a co-claimant in RT's arbitration proceedings against Ashraf. The case is now pending filing of witness statements by RTPL.

B10. Earnings per share

	Individual Quarter		Cumulative Quarter	
	1 Sept 2007 to 30 Nov 2007	1 Sept 2006 to 30 Nov 2006	1 June 2007 to 30 Nov 2007	1 June 2006 to 30 Nov 2006
Basic earnings per share				
Profit attributable to equity holders of parent (RM'000)	2,854	2,606	5,562	5,150
Weighted average number of ordinary shares in issue ('000)	254,064	252,000	253,094	252,000
Basic earnings per share (sen)	<u>1.12</u>	<u>1.03</u>	<u>2.20</u>	<u>2.04</u>
Annualized earnings per share				
Annualized profit attributable to equity holders of parent (RM'000)	11,416	5,212	11,124	10,300
Weighted average number of ordinary shares in issue ('000)	254,064	252,000	253,094	252,000
Annualized earnings per share (sen)	<u>4.49</u>	<u>2.07</u>	<u>4.40</u>	<u>4.09</u>
Fully diluted earnings per share	<u>4.49</u>	<u>3.30</u>	<u>4.38</u>	<u>3.30</u>

B11. Corporate proposals

On 31 July 2007, the Company announced the following proposals:

I. Proposed bonus issue of up to 138,600,000 new ordinary shares of RM0.10 each in REDtone ("REDtone Shares"), to be credited as fully paid-up on the basis of 1 new REDtone share for every 2 existing REDtone shares held at a date to be determined later.

II. Proposed special issue of up to 172,550,000 new REDtone shares to bumiputera investors to be approved by the Ministry of International Trade and Industry at an issue price to be determined later.

III. Proposed Bonus Issue of up to 235,340,000 new REDtone Shares, to be credited as fully paid-up on the basis of 2 new REDtone Shares for every 5 existing REDtone Shares held at a date to be determined later.

IV. Proposed increase in the authorised share capital of REDtone.

V. Proposed amendments to the memorandum and Articles of Association of REDtone.

VI. Proposed Transfer of the Listing of and Quotation for the entire issued and paid-up share capital of REDtone from the MESDAQ to the Main Board of Bursa Malaysia Securities Berhad. ("Proposed Transfer Listing")

On 31 October 2007, the Company announced that the Proposed Transfer Listing will be postponed and on 30 November 2007, the Company announced that the application to the Authorities in relation to the corporate proposal to be made within 3 months from from date of announcement.

B12. Group borrowings

There are no Group borrowings.