

REDTONE INTERNATIONAL BERHAD

Incorporated in Malaysia: 596364-U

**QUARTERLY REPORT ON CONSOLIDATED RESULTS
FOR THE FOURTH QUARTER ENDED 31 MAY 2008**

REDTONE INTERNATIONAL BERHAD

(Company No: 596364-U)

The Directors are pleased to announce the unaudited results for the fourth quarter ended 31 May 2008.

CONDENSED CONSOLIDATED INCOME STATEMENT FOR THE PERIOD FROM 1 JUNE 2007 TO 31 MAY 2008

	Note	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
		1 Mar 08 to 31 May 08	1 Mar 07 to 31 May 07	1 June 07 to 31 May 08	1 June 06 to 31 May 07
		CURRENT QUARTER RM'000	PRECEDING YEAR CORRESPONDING QUARTER RM'000	CURRENT YEAR TODATE RM'000	PRECEDING YEAR CORRESPONDING YEAR RM'000
CONTINUING OPERATIONS					
REVENUE	A11	24,399	25,215	110,037	105,108
(LOSS)/ PROFIT FROM OPERATIONS		(12,609)	557	(4,946)	4,129
FINANCE INCOME, NET		204	37	437	751
DEPRECIATION AND AMORTISATION		(1,883)	2,372	(3,532)	(2,746)
(LOSS)/ PROFIT BEFORE TAX AND MINORITY INTEREST	B1	(14,288)	2,966	(8,041)	2,134
TAXATION	B5	(666)	472	(678)	2,330
(LOSS)/ PROFIT AFTER TAX AND BEFORE MINORITY INTEREST FROM CONTINUING OPERATIONS		(14,954)	3,438	(8,719)	4,464
DISCONTINUED OPERATIONS					
PROFIT FOR THE YEAR FROM DISCONTINUED OPERATIONS		493	451	1,908	451
(LOSS)/ PROFIT FOR THE YEAR		(14,461)	3,889	(6,811)	4,915
ATTRIBUTABLE TO:					
EQUITY HOLDERS OF THE PARENT		(14,406)	3,816	(6,703)	5,562
MINORITY INTEREST		(55)	73	(108)	(647)
		(14,461)	3,889	(6,811)	4,915
EARNINGS PER SHARE (SEN)	B10	(5.59)	1.33	(2.63)	2.20
FULLY DILUTED EARNINGS PER SHARE (SEN)	B10	(5.61)	1.51	(2.61)	2.19

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
Note	AS AT END OF CURRENT QUARTER 31 May 2008 RM'000	AS AT PRECEDING YEAR ENDED 31 May 2007 RM'000
ASSETS		
Non-Current Assets		
Property, Plant and Equipment	22,392	23,638
Investment in associates	1,282	1,468
Investment in jointly controlled entity	1,497	1,494
Investment Property	790	790
Intangible Assets	12,737	5,188
Other investments	747	923
Deferred Tax Assets	4,310	4,104
	<u>43,755</u>	<u>37,605</u>
Current Assets		
Inventories	1,567	1,938
Trade and other receivables	54,568	34,922
Cash and cash equivalents	20,609	25,346
	<u>76,744</u>	<u>62,206</u>
Assets of disposal group classified as held for sale	3,868	-
TOTAL ASSETS	124,367	99,811
EQUITY AND LIABILITIES		
Equity attributable to equity holders of the parent		
Share capital	25,765	25,213
Reserves	39,422	42,642
	<u>65,187</u>	<u>67,855</u>
Minority Interest	5,814	2,529
Total Equity	71,001	70,384
Non-current Liabilities		
Deferred Tax Liabilities	15	15
	<u>15</u>	<u>15</u>
Current Liabilities		
Trade payables	11,269	10,625
Other payable & accruals	39,386	15,900
Deferred income	2,726	2,484
Taxation	(262)	403
	<u>53,119</u>	<u>29,412</u>
Liabilities directly associated with assets classified as held for sale	232	-
Total Liabilities	53,366	29,427
TOTAL EQUITY AND LIABILITIES	124,367	99,811
	-	-
Net assets per share (sen)	<u>27.56</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 31 MAY 2008

Group	Note	Share Capital RM'000	Non Distributable		Exchange reserve RM'000	Distributable	Total RM'000	
			Share premium RM'000	Share option reserve RM'000		Retained profits RM'000		
At 1 June 2007		25,213	16,492	768	297	25,085	67,855	-
Net (loss)/ profit for the period		-	-	-	-	(6,703)	(6,703)	
Exchange reserve		-	-	-	654	-	654	
ESOS issued		552	2,715	114	-	-	3,381	
Dividend paid		-	-	-	-	-	-	
At 31 May 2008		25,765	19,207	882	951	18,382	65,187	-

(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

	12 MONTHS CURRENT FINANCIAL YEAR 1 June 07 to 31 May 08 RM'000	12 MONTHS PRECEDING YEAR 1 June 06 to 31 May 07 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
(Loss)/ Profit before taxation		
Continuing operations	(8,041)	2,134
Discontinued operations	1,946	451
Adjustments for:		
Non cash items	12,529	2,986
Non operating items	(562)	5,948
Operating profit before working capital changes	5,872	11,519
Net changes in current assets	(46,401)	1,288
Net changes in current liabilities	49,400	(7,317)
	8,871	5,490
Tax paid	(1,360)	(433)
Net cash generated from operating activities	7,511	5,057
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	290	751
Investment in associate	(3,397)	(1,078)
Investment in joint venture	-	(1,500)
Acquisition of subsidiaries, net of cash acquired	(83)	(271)
Sale of a subsidiary, net of cash disposed	281	-
Dividend paid to minority interest	-	(912)
Proceed from disposal of property, plant and equipment	-	274
Proceed from disposal of marketable securities	-	-
Purchase of marketable securities	-	(606)
Purchase of property, plant and equipment	(5,045)	(7,846)
Expenditure on intangible assets	(8,432)	(1,535)
Purchase of other investment	-	(600)
Net cash used in investing activities	(16,386)	(13,323)
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividend paid	-	(10,080)
Cash received from issuance of shares	3,380	85
Cash received from minority interest	-	450
Net cash generated from financing activities	3,380	(9,545)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(5,495)	(17,811)
EFFECTS OF EXCHANGE RATE CHANGES	758	1,729
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	25,346	41,428
CASH AND CASH EQUIVALENTS AT END OF PERIOD	20,609	25,346
Cash and cash equivalents comprise:		
Cash and bank balances	15,509	17,575
Deposits with licensed bank	4,926	7,771
Cash and bank balances classified as held for sale	174	-
	20,609	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

(Co number:596364-U)

A. NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MAY 2008

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 period 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

The changes in the composition of the Group during the quarter are as follows:

REDTONE TO VENTURE INTO HOTEL INFORMATION & COMMUNICATIONS TECHNOLOGY ("ICT") SOLUTION IN CHINA

On 25 March 2008, Redtone announced that Redtone has on 25 March 2008 venture into hotel information and communications technology ("ICT") solutions in China.

VMS Technology Limited ("VMS") and REDtone Telecommunications Sdn Bhd ("RTC"), wholly owned subsidiaries of RIB had on 25 March 2008 entered into the following agreements:

- i) Business Agreement between VMS, Hotgate Holdings Ltd ("HHL"), Michael Yang Chee Hong ("MY"), Hotgate Technology (M) Sdn Bhd ("HTM"), Beijing Sino Zhaotong Public Information Network Development Co. Ltd ("CCPI"), Beijing Chenghuaitang Advertising Art Co Ltd, Ma Xiaotian, Hoon Heh, Song Lianyu and Suzhou Kangyu Communication Equipment Co. Ltd. (collectively known as "CCPI's Shareholders");
- ii) BTB Agreement between VMS, CCPI and HTM; and
- iii) Shareholders Agreement between HHL, MY, RTC, Pang Wee Tak, Alvin James and CCPI's Shareholders.

(collectively known as "Agreements")

In this agreement, HHL shall acquire the entire issued and fully paid-up share capital of VMS from RTC for a total purchase consideration of USD300,000 satisfied by the issuance of 30,000,000 new ordinary shares of USD0.01 each in HHL. Thus, VMS shall cease to be a subsidiary of RIB.

REDTONE TO VENTURE INTO INTERNET PROTOCOL TELEVISION AND ITS RELATED BUSINESS ACTIVITIES

On 25 May 2008, REDtone, through its wholly owned subsidiary, REDtone Multimedia Sdn Bhd ("RMSB"), has entered into the Shareholders Agreement in respect of DE Multimedia Holding Sdn Bhd ("DMH") ("SA DMH") and DE Multimedia Sdn Bhd ("DM") ("SA DM") with Club Excellence (M) Sdn Bhd ("CESB") to jointly invest into DMH and DM for the purpose of venturing into the business of providing internet protocol television and internet protocol related business activities ("Business") in Malaysia, Singapore, Indonesia, Thailand, Myanmar, Philippines, Cambodia, Vietnam and Taiwan ("Territories"). ("Joint Venture")

REDTONE TELECOMMUNICATIONS (CHINA) CO LTD

REDtone Telecommunications (China) Co Ltd ("RTC") had on 30 November 2006, among others entered into the loan agreements amounting to RMB500,000 with Huang Bin ("HB") and Mao Hong ("MH") for the establishment of Shanghai Hongsheng ("Hongsheng") and on 1 June 2007 an equity pledge agreement which provides that HB and MH will pledge all their equities in Hongsheng to RTC and Redtone Telecommunications (Shanghai) Co Ltd ("RTS").

On 30 April 2007, RTC had among others entered into the loan agreements amounting to RMB500,000 with Mao Junbao ("MJ") and MH for the establishment of Shanghai Huitong ("Huitong") and on 1 June 2007 an equity pledge agreement which provide that MJ and MH would pledge all their equities in Huitong to RTC and RTS.

In addition, RTC obtained a legal opinion dated 29 October 2007 which states that RTC can recognize and receive the benefit from the operation of Hongsheng and Huitong even though RTC does not have any ownership stake in Hongsheng and Huitong.

On 21 March 2008, Hongsheng incorporated a wholly-owned subsidiary, JiaMao E-Commerce, for the provision of e-commerce business.

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 2008 to 31 May 2008 RM'000	1 Mar 2007 to 31 May 2007 RM'000	1 June 2007 to 31 May 2008 RM'000	1 June 2006 to 31 May 2007 RM'000
<u>Revenue by Types of Products:-</u>				
Continuing Operations				
Communication Services	20,898	23,564	106,240	98,035
Computer-telephony and other related products and services	3,501	930	3,797	7,073
	<u>24,399</u>	<u>24,494</u>	<u>110,037</u>	<u>105,108</u>
Discontinued Operations				
Communication Services	2,050	721	6,857	721
Computer-telephony and other related products and services	767	-	3,882	-
	<u>2,817</u>	<u>721</u>	<u>10,739</u>	<u>721</u>
	<u><u>27,216</u></u>	<u><u>25,215</u></u>	<u><u>120,776</u></u>	<u><u>105,829</u></u>
<u>(Loss)/ Profit Before Tax:-</u>				
Continuing Operations				
Communication Services	(12,238)	1,950	(7,785)	1,953
Computer-telephony and other related products and services	(2,050)	565	(256)	181
	<u>(14,288)</u>	<u>2,515</u>	<u>(8,041)</u>	<u>2,134</u>
Discontinued Operations				
Communication Services	359	451	833	451
Computer-telephony and other related products and services	134	-	1,113	-
	<u>493</u>	<u>451</u>	<u>1,946</u>	<u>451</u>
	<u><u>(13,795)</u></u>	<u><u>2,966</u></u>	<u><u>(6,095)</u></u>	<u><u>2,585</u></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

There were no significant events since the end of this quarter up to the date of this announcement.

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(Co number:596364-U)

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

B1. Review of group results for the forth quarter ended 31 May 2008

For the current quarter ended 31 May 2008, the Group registered a consolidated revenue of RM27.2 million and loss before tax of RM13.7 million .

B2. Current year prospects

financial year ending 31 May 2009 and future financial years will improve in veiw of the favourable industry outlook in respect of data and broadband services.

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

	4th Quarter ended 31 May 2008 RM'000	3rd Quarter ended 29 Feb 2008 RM'000
Revenue		
Continuing Operations	24,399	27,502
Discontinued Operations	2,817	-
	<u>27,216</u>	<u>27,502</u>
(Loss)/ Profit Before Taxation and Minority Interest		
Continuing Operations	(14,288)	2,162
Discontinued Operations	493	-
	<u>(13,795)</u>	<u>2,162</u>
(Loss)/ Profit After Taxation and After Minority Interest		
Continuing Operations	(14,861)	2,142
Discontinued Operations	455	-
	<u>(14,406)</u>	<u>2,142</u>

For the current quarter under review, the Group recorded revenue of RM27.2 million, which is a slight increase of about RM0.3 million as compared to the immediate preceding quarter of RM27.5 million.

However, the Group recorded a loss before tax of RM13.66 million in the current quarter as compared to the PBT recorded in last quarter of RM2.162 million mainly due to an increase in infrastructure costs amounting to approximately RM4.0 million, provision of diminution of investment in its associated company, eB Capital berhad of approximately RM4.9 million, unrealized foreign exchange losses for inter-company loan of approximately RM1.5 million, write-down of obsolete stock and fixed assets of approximately RM0.5 million each, increase in depreciation, advertising and provision of outstanding debts of approximately RM0.8 million, RM0.9million and RM1.5million respectively.

B4. Profit forecast

No profit forecast was announced.

B5. Taxation

	Individual Quarter		Cumulative Quarter	
	1 Mar 2008 to 31 May 2008 RM'000	1 Mar 2007 to 31 May 2007 RM'000	1 June 2007 to 31 May 2008 RM'000	1 June 2006 to 31 May 2007 RM'000
Within Malaysia				
Current period estimated (provision for tax)/ recoverable	(666)	472	(678)	2,330

The tax charge for the quarter is due to subsidiaries that are profit making which are not MSC status.

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

There were no disposal of unquoted investment and/or properties for the year ended 31 May 2008.

B7. Purchase or disposal of quoted securities

The investment in quoted shares as at 31 May 2008 are summarised as follows:	RM'000
Total investment at cost	4,919
Total investment at carrying value	-
Total investment at market value	<u>2,612</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 Points of Claim has been served on Ashraf on 9 June 2008 and 10 June 2008. The case is now pending Ashraf to reply to the said Points of Claim.

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 Points of Claim has been served on Ashraf on 9 June 2008 and 10 June 2008. The case is now pending Ashraf on the said Points of Claim.

B10. Earnings per share

	Individual Quarter		Cumulative Quarter	
	1 Mar 2008 to 31 May 2008	1 Mar 2007 to 31 May 2007	1 June 2007 to 31 May 2008	1 June 2006 to 31 May 2007
Basic earnings per share				
Profit attributable to equity holders of parent (RM'000)	(14,406)	3,816	(6,703)	5,562
Weighted average number of ordinary shares in issue ('000)	257,645	252,000	255,350	252,000
Basic earnings per share (sen)	<u>(5.59)</u>	<u>1.51</u>	<u>(2.63)</u>	<u>2.21</u>
Fully diluted earnings per share				
Weighted average number of ordinary shares in issue ('000)	256940	253483	256940	253483
Fully diluted earnings per share	<u>(5.61)</u>	<u>1.51</u>	<u>(2.61)</u>	<u>2.19</u>

B11. Corporate proposals

There are no corporate developments since the last quarter.

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 1 April 2008, the Company announced that the application to the Authorities in relation to the corporate proposal has been made. On 2 July 2007, the Company announced that the Ministry of International Trade and Industry has no objection to the corporate proposal subject to the Company obtaining the Securities Commission's approval.

B12. Group borrowings

There are no Group borrowings.