

REDTONE INTERNATIONAL BERHAD

Incorporated in Malaysia: 596364-U

**QUARTERLY REPORT ON CONSOLIDATED RESULTS
FOR THE FIRST QUARTER ENDED 31 AUG 2008**

REDTONE INTERNATIONAL BERHAD

(Company No: 596364-U)

The Directors are pleased to announce the unaudited results for the first quarter ended 31 August 2008.

**CONDENSED CONSOLIDATED INCOME STATEMENT
FOR THE PERIOD FROM 1 JUNE 2008 TO 31 AUGUST 2008**

	Note	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
		1 June 08 to 31 Aug 08	1 June 07 to 31 Aug 07	1 June 08 to 31 Aug 08	1 June 07 to 31 Aug 07
		CURRENT QUARTER RM'000	PRECEDING YEAR CORRESPONDING QUARTER RM'000	CURRENT YEAR TODATE RM'000	PRECEDING YEAR CORRESPONDING YEAR TODATE RM'000
CONTINUING OPERATIONS					
REVENUE	A12	21,395	34,669	21,395	34,669
PROFIT FROM OPERATIONS		72	2,029	72	2,029
FINANCE INCOME, NET		102	184	102	184
DEPRECIATION AND AMORTISATION		(816)	(666)	(816)	(666)
(LOSS)/ PROFIT BEFORE TAX AND MINORITY INTEREST	B1	(642)	1,547	(642)	1,547
TAXATION	B5	(51)	-	(51)	-
(LOSS)/ PROFIT AFTER TAX AND BEFORE MINORITY INTEREST FROM CONTINUING OPERATIONS		(693)	1,547	(693)	1,547
DISCONTINUED OPERATIONS					
PROFIT FOR THE YEAR FROM DISCONTINUED OPERATIONS		303	1,252	303	1,252
(LOSS)/ PROFIT FOR THE YEAR		(390)	2,799	(390)	2,799
ATTRIBUTABLE TO:					
EQUITY HOLDERS OF THE PARENT		(354)	2,708	(354)	2,708
MINORITY INTEREST		(36)	91	(36)	91
		(390)	2,799	(390)	2,799
EARNINGS PER SHARE (SEN)	B10	(0.14)	1.07	(0.14)	1.07
FULLY DILUTED EARNINGS PER SHARE (SEN)	B10	(0.14)	1.07	(0.14)	1.07

The unaudited Condensed Consolidated Income Statement should be read in conjunction with the Audited Financial Statements for year ended 31 May 2008.

REDTONE INTERNATIONAL BERHAD

(Company No: 596364-U)

Condensed Consolidated Balance Sheet

	Unaudited	Audited
	AS AT END OF CURRENT QUARTER 31 Aug 2008 RM'000	AS AT PRECEDING YEAR ENDED 31 May 2008 RM'000
Note		
ASSETS		
Non-Current Assets		
Property, Plant and Equipment	22,949	22,575
Investment in associates	1,215	1,317
Investment in jointly controlled entity	1,492	1,492
Investment Property	790	790
Intangible Assets	13,805	13,214
Deferred Tax Assets	3,834	3,834
Other receivables	485	457
	<u>44,570</u>	<u>43,679</u>
Current Assets		
Inventories	1,764	1,567
Trade and other receivables	39,702	38,531
Tax recoverable	1,115	1,115
Other Investment	21	724
Cash and cash equivalents	20,569	20,764
	<u>63,171</u>	<u>62,701</u>
Assets of disposal group classified as held for sale	3,940	4,526
	<u>67,111</u>	<u>67,227</u>
TOTAL ASSETS	<u>111,681</u>	<u>110,906</u>
EQUITY AND LIABILITIES		
Equity attributable to equity holders of the parent		
Share capital	25,765	25,765
Reserves	39,256	39,520
	<u>65,021</u>	<u>65,285</u>
Minority Interest	5,705	5,741
Total Equity	<u>70,726</u>	<u>71,026</u>
Non-current Liabilities		
Deferred Tax Liabilities	83	2
	<u>83</u>	<u>2</u>
Current Liabilities		
Trade payables	21,378	13,880
Other payable & accruals	10,372	15,929
Deferred income	8,060	8,821
Taxation	158	429
	<u>39,968</u>	<u>39,059</u>
Liabilities directly associated with assets classified as held for sale	904	819
	<u>40,872</u>	<u>39,878</u>
Total Liabilities	<u>40,955</u>	<u>39,880</u>
TOTAL EQUITY AND LIABILITIES	<u>111,681</u>	<u>110,906</u>
Net assets per share (sen)	<u>27.45</u>	<u>27.57</u>

(The unaudited Condensed Consolidated Balance Sheet should be read in conjunction with the Audited Financial Statements for year ended 31 May 2008)

REDTONE INTERNATIONAL BERHAD

(Co number: 596364-U)

Unaudited Condensed Consolidated Statement of Changes in Equity

For The Three Months Ended 31 Aug 2008

	← Non Distributable →				Distributable	Total RM'000
	Share Capital RM'000	Share premium RM'000	Share option reserve RM'000	Exchange reserve RM'000	Retained profits RM'000	
At 1 June 2008	25,765	19,278	739	1,216	18,287	65,285
Net (loss)/ profit for the period	-	-	-	-	(354)	(354)
Exchange reserve	-	-	-	51	-	51
ESOS issued	-	-	39	-	-	39
At 31 Aug 2008	25,765	19,278	778	1,267	17,933	65,021

For The Three Months Ended 31 Aug 2007

	← Non Distributable →				Distributable	Total RM'000
	Share Capital RM'000	Share premium RM'000	Share option reserve RM'000	Exchange reserve RM'000	Retained profits RM'000	
At 1 June 2007	25,213	16,492	768	296	25,099	67,868
Net profit for the period	-	-	-	-	2,708	2,708
Exchange reserve	-	-	-	33	-	33
At 31 Aug 2007	25,213	16,492	768	329	27,807	70,609

(The unaudited Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Audited Financial Statements for year ended 31 May 2008)

REDTONE INTERNATIONAL BERHAD

(Co number:596364-U)

Unaudited Condensed Consolidated Cash Flow Statement

	3 MONTHS CURRENT FINANCIAL PERIOD 1 June 08 to 31 Aug 08 RM'000	3 MONTHS PRECEDING FINANCIAL PERIOD 1 June 07 to 31 Aug 07 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
(Loss)/ Profit before taxation		
Continuing operations	(642)	1,547
Discontinued operations	303	1,252
Adjustments for:		
Non cash items	215	1,943
Non operating items	18	92
Operating profit before working capital changes	(106)	4,834
Net changes in current assets	(1,042)	(11,215)
Net changes in current liabilities	889	4,532
	(259)	(1,849)
Tax paid	(255)	-
Net cash generated from operating activities	(514)	(1,849)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	51	45
Purchase of marketable securities	-	(2,421)
Purchase of property, plant and equipment	871	(352)
Expenditure on intangible assets	(621)	(522)
Net cash used in investing activities	301	(3,250)
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash received from issuance of shares	39	-
Net cash generated from financing activities	39	-
NET DECREASE IN CASH AND CASH EQUIVALENTS	(174)	(5,099)
EFFECTS OF EXCHANGE RATE CHANGES	51	34
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	20,887	25,346
CASH AND CASH EQUIVALENTS AT END OF PERIOD	20,764	20,281
Cash and cash equivalents comprise:		
Cash and bank balances	8,935	14,932
Deposits with licensed bank	11,634	4,284
	20,569	19,216
Short-term investment	21	-
	20,590	19,216
Cash and bank balances classified as held for sale	174	1,065
	20,764	20,281

(The unaudited Condensed Consolidated Cash Flow Statement should be read in conjunction with the Audited Financial Statements for year ended 31 May 2008)

REDTONE INTERNATIONAL BERHAD

(Co number:596364-U)

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

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 2008.

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. Changes in accounting policies

The accounting policies and presentation adopted for the interim financial report are consistent with those adopted for the audited financial statements for the year ended 31 May 2008, except for the adoption of the following revised Financial Reporting Standards ("FRS"), amendment to FRS and Interpretations effective for the financial period beginning on or after 1 July 2007:

FRS 107	Cash Flow Statements
FRS 111	Construction Contracts
FRS 112	Income Taxes
FRS 118	Revenue
FRS 120	Accounting for Government Grants and Disclosure of Government Assistance
FRS 134	Interim Financial Reporting
FRS 137	Provisions, Contingent Liabilities and Contingent Assets
IC Interpretation 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities
IC Interpretation 2	Members' Shares in Co-operative Entities and Similar Instruments
IC Interpretation 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
IC Interpretation 6	Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment
IC Interpretation 7	Applying the Restatement Approach under FRS 129 ²⁰⁰⁴ - Financial Reporting in Hyperinflationary Economies
IC Interpretation 8	Scope of FRS 2

As the date of authorisation of the interim financial report, FRS 139: Financial Instruments: Recognition and Measurement was in issue but yet effective. The Group is exempted from disclosing the possible impact, if any, to the financial statements upon the initial application of FRS 139.

The adoption of the above revised FRSs, amendments to FRS and Interpretation do not have any significant impact on the financial statements of the Group.

A3. 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 2008.

A4. Nature and amount of exceptional and extraordinary items

There were no exceptional or extraordinary items during the current quarter under review.

A5. 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.

A6. Property, Plant and Equipment

The Group did not revalue any of its property, plant and equipment.

A7. Changes in the composition of the Group

The change in the composition of the Group during the quarter is 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 ventured 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 Chenghuitang Advertising Art Co Ltd, Ma Xiaotian, Hoon Heh, Song Lianyu and Suzhou Kangyu Communication Equipment Co. Ltd. (collectively known as "CCPI's Shareholders");
- ii) BITB 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.

On 11 August 2008, Redtone had announced the completion of the Agreements and the reverse takeover of Hotgate Technology Inc (formerly known as RNS Software Inc) ("HTI"), an Over The Counter Bulletin Board company in the United States. With the completion of the reverse takeover, RTC holds 19.5% shareholdings in HTI.

A8. 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.

A9. Debt and equity securities

There were no issuances, cancellations, repurchases, resale or repayments of debt during the financial period under review.

A10. Contingent liabilities

There were no material contingent liabilities as at the date of this report.

A11. Off Balance Sheet Financial Instruments

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

A12. Segmental Information

	Individual Quarter		Cumulative Quarter	
	1 June 2008 to 31 Aug 2008 RM'000	1 June 2007 to 31 Aug 2007 RM'000	1 June 2008 to 31 Aug 2008 RM'000	1 June 2007 to 31 Aug 2007 RM'000
<u>Revenue by Types of Products:-</u>				
Continuing Operations				
Communication Services	20,498	33,806	20,498	33,806
Computer-telephony and other related products and services	897	863	897	863
	<u>21,395</u>	<u>34,669</u>	<u>21,395</u>	<u>34,669</u>
Discontinued Operations				
Communication Services	1,928	1,513	1,928	1,513
Computer-telephony and other related products and services	271	937	271	937
	<u>2,199</u>	<u>2,450</u>	<u>2,199</u>	<u>2,450</u>
	<u>23,594</u>	<u>37,119</u>	<u>23,594</u>	<u>37,119</u>
<u>(Loss)/ Profit Before Tax:-</u>				
Continuing Operations				
Communication Services	(615)	1,508	(615)	1,508
Computer-telephony and other related products and services	(27)	39	(27)	39
	<u>(642)</u>	<u>1,547</u>	<u>(642)</u>	<u>1,547</u>
Discontinued Operations				
Communication Services	266	773	266	773
Computer-telephony and other related products and services	37	479	37	479
	<u>303</u>	<u>1,252</u>	<u>303</u>	<u>1,252</u>
	<u>(339)</u>	<u>2,799</u>	<u>(339)</u>	<u>2,799</u>

A13. Dividend

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

A14. 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, except for the following:

DISPOSAL OF REDTONE TECHNOLOGY SDN BHD'S ("RT") 75 ORDINARY SHARES OF RM1.00 EACH REPRESENTING 75% OF THE ISSUED AND PAID-UP SHARE CAPITAL IN COMMPULSE SDN BHD (FORMERLY KNOWN AS REDTONE SDN BHD) ("CSB") TO YONG KOK LEONG FOR A TOTAL CASH CONSIDERATION OF RM1.00

On 26 September 2008, RT entered into a Share Sale Agreement with Yong Kok Leong ("YKL") to dispose its 75 CSB Shares, representing 75% of the issued and paid-up share capital of CSB, to YKL for a total cash consideration of RM1.00 ("the Disposal"). Upon completion of the Disposal, CSB shall cease as a subsidiary of Redtone.

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 first quarter ended 31 Aug 2008

For the current quarter ended 31 Aug 2008, the Group registered a consolidated revenue of RM23.6 million, generated from both continuing and discontinuing operations amounting RM21.4 million and RM2.2 million respectively.

The Group's loss before tax for continuing operations was RM0.6 million and discontinuing operations recorded a profit before tax of RM0.3 million.

B2. Current year prospects

Although the Board of Directors expect a challenging year ahead, barring unforeseen circumstances, the Board believes that the Group's prospect for the financial year ending 31 May 2009 and future financial years will improve in view of the favorable industry outlook in respect of data and broadband services.

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

	1st Quarter ended 31 Aug 2008 RM'000	4th Quarter ended 31 May 2008 RM'000
Revenue		
Continuing Operations	21,395	24,399
Discontinued Operations	2,199	2,817
	23,594	27,216
 (Loss)/ Profit Before Taxation and Minority Interest		
Continuing Operations	(642)	(14,288)
Discontinued Operations	303	493
	(339)	(13,795)
 (Loss)/ Profit After Taxation and After Minority Interest		
Continuing Operations	(657)	(14,861)
Discontinued Operations	303	455
	(354)	(14,406)

For the current quarter under review, the Group recorded revenue of RM23.6 million, which is a decrease of approximately RM3.6 million or 13% decrease as compared to the immediate preceding quarter of RM27.2 million. The decrease in revenue is due to a drop in voice revenue and the fact that Data project implemented in the quarter under review will only be billed in the following quarter.

The Group recorded a loss before tax of RM0.3 million in the current quarter as compared to the last quarter loss of RM13.8 million. The decrease in loss before tax is mainly due to higher expenses incurred in preceding quarter, such as increase in infrastructure costs amounting to approximately RM4.0 million, provision for diminution of investment in its associated company, eB Capital berhad of approximately RM4.9 million, unrealized foreign exchange losses for inter-company loans 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 June 2008 to 31 Aug 2008	1 June 2007 to 31 Aug 2007	1 June 2008 to 31 Aug 2008	1 June 2007 to 31 Aug 2007
	RM'000	RM'000	RM'000	RM'000
Within Malaysia				
Current period provision	51	-	51	-

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 Aug 2008 are summarised as follows:

	RM'000
Total investment at cost	4,919
Total investment at carrying value	-
Total investment at market value	2,612

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 the Arbitrator to fix a date for the meeting between RT, RTPL and Ashraf.

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 KLRCA 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 the Arbitrator to fix a date for the meeting between RT, RTPL and Ashraf.

B10. Earnings per share

	Individual Quarter		Cumulative Quarter	
	1 June 2008 to 31 Aug 2008	1 June 2007 to 31 Aug 2007	1 June 2008 to 31 Aug 2008	1 June 2007 to 31 Aug 2007
Basic earnings per share				
Profit attributable to equity holders of parent (RM'000)	(354)	2,708	(354)	2,708
Weighted average number of ordinary shares in issue ('000)	257,645	252,034	257,645	252,034
Basic earnings per share (sen)	(0.14)	1.07	(0.14)	1.07
Fully diluted earnings per share				
Weighted average number of ordinary shares in issue ('000)	258,917	252,135	258,917	252,135
Fully diluted earnings per share (sen)	(0.14)	1.07	(0.14)	1.07

B11. Corporate proposals

There are no corporate developments since the last quarter except for the following: -

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 ("Proposed Special Issue").
- 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 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 2008, 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 ("SC") approval. On 7 August 2008, the Company announced that the SC has approved the Proposed Special Issue on 6 August 2008.

The proposal under I to V are currently pending shareholders approval.

B12. Group borrowings

There are no Group borrowings.