

REDTONE INTERNATIONAL BERHAD

Incorporated in Malaysia: 596364-U

QUARTERLY REPORT ON CONSOLIDATED RESULTS
FOR THE FIRST QUARTER ENDED 31 AUGUST 2009

REDTONE INTERNATIONAL BERHAD

(Company No: 596364-U)

The Directors are pleased to announce the unaudited results for the first quarter ended 31 August 2009.

**UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT
FOR THE PERIOD FROM 1 JUNE 2009 TO 31 AUG 2009**

	Note	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
		1 Jun 09 to 31 Aug 09 CURRENT QUARTER RM'000	1 Jun 08 to 31 Aug 08 PRECEDING YEAR CORRESPONDING QUARTER RM'000	1 Jun 09 to 31 Aug 09 CURRENT YEAR TODATE RM'000	1 Jun 08 to 31 Aug 08 PRECEDING YEAR CORRESPONDING YEAR TO DATE RM'000
Continuing Operations					
Revenue	A12	19,399	21,395	19,399	21,395
Profit From Operations		2,034	72	2,034	72
Finance Income, Net		39	102	39	102
Depreciation And Amortisation		(944)	(816)	(944)	(816)
Profit/ (Loss) Before Tax And Minority Interest	B1	1,130	(642)	1,130	(642)
Taxation	B5	52	(51)	52	(51)
Profit/ (Loss) After Tax And Before Minority Interest From Continuing Operations		1,182	(693)	1,182	(693)
Discontinued Operations					
Profit For The Period From Discontinued Operations		-	303	-	303
Profit/ (Loss) For The Period		1,182	(390)	1,182	(390)
Attributable To:					
Equity Holders Of The Parent		1,190	(354)	1,190	(354)
Minority Interest		(9)	(36)	(9)	(36)
		1,182	(390)	1,182	(390)
Earnings Per Share (Sen)	B10	0.31	(0.14)	0.31	(0.14)
Fully Diluted Earnings Per Share (Sen)	B10	0.31	(0.14)	0.31	(0.14)

The Unaudited Condensed Consolidated Income Statement should be read in conjunction with the Audited Financial Statements for year ended 31 May 2009.

REDTONE INTERNATIONAL BERHAD
(Company No: 596364-U)

UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEET

	Unaudited	Audited
	AS AT END OF CURRENT YEAR ENDED 31 Aug 2009 RM'000	AS AT PRECEDING YEAR ENDED 31 May 2009 RM'000
ASSETS		
Non-Current Assets		
Property, Plant And Equipment	26,954	25,549
Investment In Associates	1,022	1,019
Investment In Jointly Controlled Entity	1,492	1,492
Investment Property	870	870
Intangible Assets	17,669	16,418
Deferred Tax Assets	3,529	3,529
Other Receivables	790	790
	<u>52,324</u>	<u>49,667</u>
Current Assets		
Inventories	2,797	2,642
Trade And Other Receivables	36,543	35,164
Tax Recoverable	544	848
Other Investment	105	8
Cash And Cash Equivalents	27,019	27,136
	<u>67,009</u>	<u>65,798</u>
TOTAL ASSETS	119,333	115,465
EQUITY AND LIABILITIES		
Equity Attributable To Equity Holders Of The Parent		
Share Capital	38,792	38,647
Reserves	23,065	21,320
	<u>61,856</u>	<u>59,967</u>
Minority Interest	5,720	5,455
Total Equity	67,576	65,422
Non-Current Liabilities		
Borrowings	3,659	2,853
Deferred Tax Liabilities	2	2
	<u>3,661</u>	<u>2,856</u>
Current Liabilities		
Trade Payables	18,948	18,000
Borrowings	1,121	1,065
Other Payable & Accruals	15,887	16,645
Deferred Income	12,140	11,478
	<u>48,096</u>	<u>47,187</u>
Total Liabilities	51,757	50,043
TOTAL EQUITY AND LIABILITIES	119,333	115,465
Net Assets Per Share (Sen)	17.42	16.93

(The Unaudited Condensed Consolidated Balance Sheet should be read in conjunction with the Audited Financial Statements for year ended 31 May 2009)

REDTONE INTERNATIONAL BERHAD

(Co number: 596364-U)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For The Three Months Ended 31 August 2009

	<-----NON DISTRIBUTABLE----->					DISTRIBUTABLE	TOTAL RM'000
	SHARE CAPITAL RM'000	SHARE PREMIUM RM'000	SHARE OPTION RESERVE RM'000	EXCHANGE RESERVE RM'000	CAPITAL RESERVE RM'000	RETAINED PROFITS RM'000	
At 1 June 2009	38,647	6,396	1,775	503	343	12,303	59,967
Net Profit For The Period	-	-	-	-	-	1,190	1,190
Exchange Reserve	-	-	-	484	-	-	484
Esos Issued	145	128	(58)	-	-	-	215
At 31 Aug 2009	38,792	6,524	1,717	987	343	13,493	61,856

For The Twelve Months Ended 31 May 2008 (Audited)

	<-----NON DISTRIBUTABLE----->					DISTRIBUTABLE	TOTAL RM'000
	SHARE CAPITAL RM'000	SHARE PREMIUM RM'000	SHARE OPTION RESERVE RM'000	EXCHANGE RESERVE RM'000	CAPITAL RESERVE RM'000	RETAINED PROFITS RM'000	
At 1 June 2008	25,764	19,279	739	1,216	-	18,286	65,284
Net Profit For The Year	-	-	-	-	-	(5,983)	(5,983)
Accretion Arising For Disposal Of Stake To Non-Controlling Interest	-	-	-	-	343	-	343
Exchange Reserve	-	-	-	(713)	-	-	(713)
Esos Issued	-	-	1,036	-	-	-	1,036
Bonus Issued	12,883	(12,883)	-	-	-	-	-
At 31 May 2009	38,647	6,396	1,775	503	343	12,303	59,967

(The Unaudited Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Audited Financial Statements for year ended 31 May 2009)

REDTONE INTERNATIONAL BERHAD

(Co number:596364-U)

UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	3 MONTHS CURRENT FINANCIAL PERIOD 1 Jun 09 to 31 Aug 09 RM'000	3 MONTHS PRECEDING FINANCIAL PERIOD 1 Jun 08 to 31 Aug 08 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit/ (Loss) Before Taxation		
Continuing Operations	1,130	(642)
Discontinued Operations	-	303
Adjustments For:		
Non Cash Items	1,417	215
Non Operating Items	(39)	18
Operating Profit Before Working Capital Changes	<u>2,507</u>	<u>(106)</u>
Net Changes In Current Assets	(1,392)	(1,042)
Net Changes In Current Liabilities	<u>622</u>	<u>889</u>
	1,738	(259)
Tax Paid	-	(255)
Net Cash Generated From Operating Activities	<u>1,738</u>	<u>(514)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition Of Subsidiary (Net Of Cash Acquired)	2	51
Interest Received	82	-
Proceeds From Upliftment Of Structured Fund Investment	(96)	-
Purchase Of Property, Plant And Equipment	(2,231)	871
Expenditure On Intangible Assets	<u>(1,187)</u>	<u>(621)</u>
Net Cash Used In Investing Activities	<u>(3,430)</u>	<u>301</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment For Finance Lease	(290)	-
Proceeds from Term Loan	1,128	-
Cash Received From Issuance Of Shares	273	39
Net Cash Generated From Financing Activities	<u>1,092</u>	<u>39</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(600)	(174)
EFFECTS OF EXCHANGE RATE CHANGES	484	51
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	<u>27,136</u>	<u>20,887</u>
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u>27,019</u>	<u>20,764</u>
Cash And Cash Equivalents Comprise:		
Cash And Bank Balances	10,568	8,935
Deposits With Licensed Bank	16,346	11,634
	<u>26,915</u>	<u>20,569</u>
Short-Term Investment	105	21
	<u>27,019</u>	<u>20,590</u>
Cash And Bank Balances Classified As Held For Sale	-	174
	<u>27,019</u>	<u>20,764</u>

(The unaudited Condensed Consolidated Cash Flow Statement should be read in conjunction with the Audited Financial Statements for year ended 31 May 2009)

REDTONE INTERNATIONAL BERHAD
(Co number:596364-U)

A. NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUG 2009

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 ACE Market 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 2009.

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 2009.

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 2009, 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 4	Insurance Contracts
FRS 7	Financial Instruments: Disclosures
FRS 123	Borrowing Costs
FRS 139	Financial Instruments: Recognition and Measurement
FRS 1 and 127	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
FRS 2	Vesting Conditions and Cancellations
IC Interpretation 9	Reassessment of Embedded Derivatives
IC Interpretation 10	Interim Financial Reporting and Impairment
IC Interpretation 11	FRS 2: Group and Treasury Share Transactions
IC Interpretation 13	Customer Loyalty Programmes
IC Interpretation 14	FRS 119: The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their interaction

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 2009.

A4. Nature And Amount Of Exceptional And Extraordinary Items

During the quarter under review, there is a reversal of provision amounting to approximately RM1.1million, as it is no longer required.

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

During the quarter under review, the Group did not revalue any of its property, plant & equipment.

A7. Changes In The Composition Of The Group

There no changes in the composition of the Group during the quarter.

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 Jun 2009 to 31 Aug 2009 RM'000	1 Jun 2008 to 31 Aug 2008 RM'000	1 June 2009 to 31 Aug 2009 RM'000	1 June 2008 to 31 Aug 2008 RM'000
<u>Revenue by Types of Products:-</u>				
Continuing Operations				
Communication Services	18,672	20,498	18,672	20,498
Computer-Telephony And Other Related Products And Services	666	897	666	897
Digital Television Services	61	-	61	-
	<u>19,399</u>	<u>21,395</u>	<u>19,399</u>	<u>21,395</u>
Discontinued Operations				
Communication Services	-	1,928	-	1,928
Computer-Telephony And Other Related Products And Services	-	271	-	271
	<u>-</u>	<u>2,199</u>	<u>-</u>	<u>2,199</u>
	<u>19,399</u>	<u>23,594</u>	<u>19,399</u>	<u>23,594</u>
<u>Profit / (Loss) Before Tax:-</u>				
Continuing Operations				
Communication Services	1,410	(615)	1,410	(615)
Computer-Telephony And Other Related Products And Services	50	(27)	50	(27)
Digital Television Services	(331)	0	(331)	0
	<u>1,130</u>	<u>(642)</u>	<u>1,130</u>	<u>(642)</u>
Discontinued Operations				
Communication Services	-	266	-	266
Computer-Telephony And Other Related Products And Services	-	37	-	37
	<u>-</u>	<u>303</u>	<u>-</u>	<u>303</u>
	<u>1,130</u>	<u>(339)</u>	<u>1,130</u>	<u>(339)</u>

A13. Dividends

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: -

(i) On 24 August 2009, De Multimedia Sdn Bhd, a subsidiary of REDtone International Bhd ("REDtone"), had entered into a Collaboration Agreement with China International Communications Co Ltd to broadcast television package services which enrolls fifteen (15) different international channels from China Central Television, China local television and other overseas television services in Malaysia.

(ii) On 12 October 2009, the Company announced a proposed renounceable rights issue of up to RM41,522,330 nominal value of 10-year 2.75% irredeemable convertible unsecured loan stocks ("ICULS") at 100% of its nominal value together with up to 166,089,321 free detachable warrants on the basis of 10 RM0.10 nominal value of ICULS together with 4 free detachable warrants for every 10 ordinary shares of RM0.10 each held in REDtone.

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

B1. Review Of Group Results For The First Quarter Ended 31 August 2009

During the current quarter ended 31 August 2009 ("Q1 FY2010"), the Group registered a consolidated revenue of RM19.4million, which shows a RM2million drop of revenue compared to preceding year corresponding quarter. The decrease was mainly because we had Pakistan's revenue consolidated in the preceding year corresponding quarter, while Q1 FYE 2010 exclude Pakistan as it was disposed in December 2008.

For Q1 FY 2010, the Group recorded a profit after tax of RM1.2million as compared to loss after tax of RM0.4million for the preceding year corresponding quarter. The increase in profit is mainly due to positive contribution from the broadband business and China operations, the Group's transformation initiative, which include streamlining of business and cost optimization that has started to produce better margin and results and the divestment of Pakistan. In addition there is also a reversal of provision amounting to approximately RM1.1million as it is no longer required.

B2. Current year prospects

Seeing a challenging year ahead due to uncertain global economy and intense competition, the Board of Directors has taken affirmative cost-containment measures in order to achieve higher operational efficiency, while continuously rolling out data services and actively pursuing other opportunities and technology development which is expected to generate favorable results by leveraging the Group's core competencies.

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

	1st Quarter ended 31 Aug 2009 RM'000	4th Quarter ended 31 May 2009 RM'000
<u>Revenue</u>		
Continuing Operations	19,399	18,630
Discontinued Operations	-	(42)
	19,399	18,588
 <u>Profit/ (Loss) Before Taxation and Minority Interest</u>		
Continuing Operations	1,130	1,385
Discontinued Operations	-	(4,473)
	1,130	(3,088)
 <u>Profit/ (Loss) After Taxation and After Minority Interest</u>		
Continuing Operations	1,190	1,531
Discontinued Operations	-	(4,473)
	1,190	(2,942)

For Q1 FYE 2010, the Group registered a turnover of RM19.4million compared to RM18.6million for the preceding quarter. The increase in revenue of approximately 4.3% was mainly due to the contribution from its local data services.

The Group recorded a consolidated profit after tax of RM1.2million in Q1 FYE 2010 as compared to a consolidated loss after tax of RM2.9million for the preceding quarter ("Q4 FYE 2009"). The loss in Q4 FYE 2009 is mainly due to losses from discontinued operations amounting to RM4.5million.

B4. Profit forecast

No profit forecast was announced.

B5. Taxation

	Individual Quarter		Cumulative Quarter	
	1 Jun 2009 to 31 Aug 2009 RM'000	1 Jun 2008 to 31 Aug 2008 RM'000	1 June 2009 to 31 Aug 2009 RM'000	1 June 2008 to 31 Aug 2008 RM'000
Current period provision	(52)	51	(52)	51

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 2009

B7. Off Balance Sheet Financial Instruments

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

B8. Material Litigation

There are no material litigation for the current quarter under review

B9. Earnings Per Share

	Individual Quarter		Cumulative Quarter	
	1 Jun 2009 to 31 Aug 2009	1 Jun 2008 to 31 Aug 2008	1 June 2009 to 31 Aug 2009	1 June 2008 to 31 Aug 2008
Basic earnings per share				
Profit Attributable To Equity Holders Of Parent (RM'000)	1,190	(354)	1,190	(354)
Weighted Average Number Of Ordinary Shares In Issue ('000)	386,468	257,645	386,468	257,645
Basic Earnings Per Share (Sen)	0.31	(0.14)	0.31	(0.14)
Fully diluted earnings per share				
Weighted Average Number Of Ordinary Shares In Issue ('000)	391,316	258,917	391,316	258,917
Fully diluted earnings per share (Sen)	0.31	(0.14)	0.31	(0.14)

B10 Corporate Proposals

There are no corporate developments for the current quarter under review except for the following:

1) On 31 July 2007, CIMB Investment Bank Berhad, on behalf of our Board, announced that our Company proposes to implement the following:

(a) proposed special issue of up to 172,550,000 new REDtone Shares to Bumiputera investors to be approved by the MITI at an issue price to be determined later ("Proposed Special Issue");

(b) 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 on an entitlement date to be determined later upon completion of the Proposed Special Issue ("Proposed Bonus Issue");

(c) proposed transfer of listing from the MESDAQ Market (now known as ACE Market) of Bursa Securities to the Main Board (now known as Main Market) of Bursa Securities ("Proposed Transfer Listing"),

(collectively referred to as the "Proposals").

On 31 October 2007, our Board had announced that, in view of the deviation of RM4.963 million between the audited profit after taxation and minority interest ("PATMI") of our Group for the financial year ended 31 May 2007 of RM5.562 million compared to the unaudited PATMI of our Group for the financial year ended 31 May 2007 of RM10.525 million, which was stated in the announcement of our Group's fourth quarter results made on 31 July 2007, the Proposed Transfer Listing will be postponed until such time that our Group is able to meet the relevant profit requirements.

The Proposed Bonus Issue is conditional upon the Proposed Special Issue. Save for the foregoing, the Proposals are not conditional upon any other corporate exercise/scheme.

2) On 12 October 2009, the Company announced a proposed renounceable rights issue of up to RM41,522,330 nominal value of 10-year 2.75% irredeemable convertible unsecured loan stocks ("ICULS") at 100% of its nominal value together with up to 166,089,321 free detachable warrants on the basis of 10 RM0.10 nominal value of ICULS together with 4 free detachable warrants for every 10 ordinary shares of RM0.10 each held in REDtone.

B11 Group Borrowings

As at 31 Aug 2009, total borrowings of the Group are as follows:

	31 Aug 2009 RM'000	31 Aug 2008 RM'000
<u>Total Borrowings:-</u>		
Leasing facility from IBM Malaysia Sdn. Bhd. which are denominated in Ringgit Malaysia	2,615	-
Fixed loan facility from Public Bank Bhd. which are demoninated in Ringgit Malaysia (Secured)	2,165	-
	<u>4,780</u>	<u>-</u>
<u>Long Term Borrowings:-</u>		
Lease liability, repayment more than one year	1,603	-
Fixed loan liability, repayment more than one year	2,056	-
	<u>3,659</u>	<u>-</u>
<u>Short Term Borrowings:-</u>		
Lease liability, repayment less than one year	1,012	-
Fixed loan liability, repayment less than one year	109	-
	<u>1,121</u>	<u>-</u>