

# **REDTONE INTERNATIONAL BERHAD**

Incorporated in Malaysia: 596364-U

QUARTERLY REPORT ON CONSOLIDATED RESULTS  
FOR THE SECOND QUARTER ENDED 30 NOVEMBER 2009

**REDTONE INTERNATIONAL BERHAD**

(Company No: 596364-U)

The Directors are pleased to announce the unaudited results for the first quarter ended 30 November 2009.

**UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT  
FOR THE PERIOD FROM 1 JUN 2009 TO 30 NOV 2009**

	Note	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
		1 Sep 09 to 30 Nov 09 CURRENT QUARTER RM'000	1 Sep 08 to 30 Nov 08 PRECEDING YEAR CORRESPONDING QUARTER RM'000	1 Jun 09 to 30 Nov 09 CURRENT YEAR TODATE RM'000	1 Jun 08 to 30 Nov 08 PRECEDING YEAR CORRESPONDING YEAR TO DATE RM'000
<b>Continuing Operations</b>					
Revenue	A12	21,204	21,611	40,603	43,006
Profit/(Loss) From Operations		3,385	(104)	5,420	(32)
Finance (Expense)/Income, Net		(5)	17	34	118
Depreciation And Amortisation		(987)	(840)	(1,931)	(1,655)
Profit/ (Loss) Before Tax And Minority Interest	B1	2,393	(927)	3,523	(1,569)
Taxation	B5	(20)	(46)	32	(97)
Profit/ (Loss) After Tax And Before Minority Interest From Continuing Operations		2,373	(973)	3,555	(1,666)
<b>Discontinued Operations</b>					
Profit For The Period From Discontinued Operations		-	123	-	426
Profit/ (Loss) For The Period		2,373	(850)	3,555	(1,240)
Attributable To:					
Equity Holders Of The Parent		1,578	(719)	2,768	(1,073)
Minority Interest		795	(131)	787	(167)
		2,373	(850)	3,555	(1,240)
Earnings Per Share (Sen)	B10	0.41	(0.27)	0.72	(0.41)
Fully Diluted Earnings Per Share (Sen)	B10	0.41	(0.28)	0.71	(0.42)

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**

	Note	Unaudited AS AT END OF CURRENT YEAR ENDED 30 Nov 2009 RM'000	Audited AS AT PRECEDING YEAR ENDED 31 May 2009 RM'000
<b>ASSETS</b>			
<b>Non-Current Assets</b>			
Property, Plant And Equipment		29,764	25,549
Investment In Associates		1,024	1,019
Investment In Jointly Controlled Entity		1,491	1,492
Investment Property		870	870
Intangible Assets		19,136	16,418
Deferred Tax Assets		3,529	3,529
Other Receivables		790	790
		<u>56,604</u>	<u>49,667</u>
<b>Current Assets</b>			
Inventories		2,571	2,642
Trade And Other Receivables		40,667	35,164
Tax Recoverable		613	848
Other Investment		204	8
Cash And Cash Equivalents		24,862	27,136
		<u>68,917</u>	<u>65,798</u>
<b>TOTAL ASSETS</b>		<b><u>125,521</u></b>	<b><u>115,465</u></b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity Attributable To Equity Holders Of The Parent</b>			
Share Capital		39,344	38,647
Reserves		24,807	21,320
		<u>64,151</u>	<u>59,967</u>
Minority Interest		7,175	5,455
<b>Total Equity</b>		<b><u>71,326</u></b>	<b><u>65,422</u></b>
<b>Non-Current Liabilities</b>			
Borrowings	B11	3,379	2,853
Deferred Tax Liabilities		2	2
		<u>3,381</u>	<u>2,855</u>
<b>Current Liabilities</b>			
Trade Payables		23,042	18,000
Borrowings	B11	1,121	1,065
Other Payable & Accruals		16,651	16,645
Deferred Income		9,984	11,478
Taxation		16	-
		<u>50,814</u>	<u>47,188</u>
<b>Total Liabilities</b>		<b><u>54,195</u></b>	<b><u>50,043</u></b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b><u>125,521</u></b>	<b><u>115,465</u></b>
Net Assets Per Share (Sen)		<u>18.15</u>	<u>16.93</u>

(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 Six Months Ended 30 November 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	-	-	-	-	-	2,768	2,768
Exchange Reserve	-	-	-	306	-	-	306
Esos Issued	697	800	(387)	-	-	-	1,110
At 30 Nov 2009	39,344	7,196	1,388	809	343	15,071	64,151

**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**

	<b>6 MONTHS CURRENT FINANCIAL PERIOD 1 Jun 09 to 30 Nov 09 RM'000</b>	<b>6 MONTHS PRECEDING FINANCIAL PERIOD 1 Jun 08 to 30 Nov 08 RM'000</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit/ (Loss) Before Taxation		
Continuing Operations	3,523	(1,569)
Discontinued Operations	-	426
Adjustments For:		
Non Cash Items	2,814	1,924
Non Operating Items	(23)	(47)
Operating Profit Before Working Capital Changes	<u>6,314</u>	<u>734</u>
Net Changes In Current Assets	(3,968)	(621)
Net Changes In Current Liabilities	<u>464</u>	<u>3,025</u>
	2,810	3,138
Tax Paid	-	(40)
<b>Net Cash Generated From Operating Activities</b>	<u>2,810</u>	<u>3,098</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition Of Subsidiary (Net Of Cash Acquired)	(23)	-
Investment In Joint Ventures	1	-
Disposal Of A Subsidiary (Net Of Cash Disposed)	-	(156)
Interest Received	126	97
Additional Investment in Structured Fund Investment	(196)	-
Proceeds from upliftment of Structured Fund Investment	-	600
Purchase Of Property, Plant And Equipment	(5,435)	(3,103)
Expenditure On Intangible Assets	(715)	(1,629)
<b>Net Cash Used In Investing Activities</b>	<u>(6,242)</u>	<u>(4,191)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Repayment For Finance Lease	(586)	-
Repayment for Term Loan	(58)	-
Cash Received From Issuance Of Shares	1,496	75
<b>Net Cash Generated From Financing Activities</b>	<u>852</u>	<u>75</u>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	(2,580)	(1,018)
<b>EFFECTS OF EXCHANGE RATE CHANGES</b>	306	923
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>	<u>27,136</u>	<u>21,061</u>
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<u>24,862</u>	<u>20,966</u>
Cash And Cash Equivalents Comprise:		
Cash And Bank Balances	9,506	5,118
Deposits With Licensed Bank	15,152	15,826
	<u>24,658</u>	<u>20,944</u>
Short-Term Investment	204	22
	<u>24,862</u>	<u>20,966</u>
Cash And Bank Balances Classified As Held For Sale	-	-
	<u>24,862</u>	<u>20,966</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 30 NOV 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 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**

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

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 Sep 2009 to 30 Nov 2009 RM'000	1 Sep 2008 to 30 Nov 2008 RM'000	1 Jun 2009 to 30 Nov 2009 RM'000	1 Jun 2008 to 30 Nov 2008 RM'000
<u>Revenue by Types of Products:-</u>				
<b>Continuing Operations</b>				
Communication Services	21,045	21,470	39,717	41,968
Computer-Telephony And Other Related Products And Services	109	141	775	1,038
Digital Television Services	50	-	111	-
	<u>21,204</u>	<u>21,611</u>	<u>40,603</u>	<u>43,006</u>
<b>Discontinued Operations</b>				
Communication Services	-	1,763	-	3,690
Computer-Telephony And Other Related Products And Services	-	74	-	345
	<u>-</u>	<u>1,837</u>	<u>-</u>	<u>4,035</u>
	<u>21,204</u>	<u>23,448</u>	<u>40,603</u>	<u>47,041</u>
<u>Profit / (Loss) Before Tax:-</u>				
<b>Continuing Operations</b>				
Communication Services	2,750	(920)	4,160	(1,531)
Computer-Telephony And Other Related Products And Services	43	(7)	93	(38)
Digital Television Services	(400)	-	(730)	-
	<u>2,393</u>	<u>(927)</u>	<u>3,523</u>	<u>(1,569)</u>
<b>Discontinued Operations</b>				
Communication Services	-	111	-	414
Computer-Telephony And Other Related Products And Services	-	12	-	12
	<u>-</u>	<u>123</u>	<u>-</u>	<u>426</u>
	<u>2,393</u>	<u>(804)</u>	<u>3,523</u>	<u>(1,143)</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 material transactions or events subsequent to the current quarter ended 30 November 2009 till 28 January 2010 (the latest practicable date which is not earlier than 7 days from the date of issue of this quarterly report).



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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 2009**

During the current quarter ended 30 November 2009 ("Q2 FY2010"), the Group registered a consolidated revenue of RM21.2million, which shows a RM0.4million drop of revenue compared to preceding year corresponding quarter. The decrease was mainly due to Pakistan's revenue is no longer consolidated due to its disposal in December 2008. Pakistan's operational revenue was RM4million for the preceeding year corresponding quarter (FYE Q2 2009).

For Q2 FY 2010, the Group recorded a profit after tax of RM2.4million as compared to loss after tax of RM0.9million 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's operations.

**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**

	<b>2nd Quarter ended 30 Nov 2009 RM'000</b>	<b>1st Quarter ended 31 Aug 2009 RM'000</b>
Revenue	<u>21,204</u>	<u>19,399</u>
Profit Before Taxation and Minority Interest	<u>2,393</u>	<u>1,130</u>
Profit After Taxation and After Minority Interest	<u>1,578</u>	<u>1,190</u>

For Q2 FYE 2010, the Group registered a turnover of RM21.2million compared to RM19.4million for the last quarter. The increase in revenue of approximately 9.3% was mainly due to higher revenue contribution from China's operations.

Comparing to last quarter, the Group's profit has increased by 33% or RM0.4million for the current quarter.

**B4. Profit forecast**

No profit forecast was announced.

**B5. Taxation**

	Individual Quarter		Cumulative Quarter	
	1 Sep 2009 to 30 Nov 2009 RM'000	1 Sep 2008 to 30 Nov 2008 RM'000	1 Jun 2009 to 30 Nov 2009 RM'000	1 Jun 2008 to 30 Nov 2008 RM'000
Current period provision	20	46	(32)	97

**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 Sep 2009 to 30 Nov 2009	1 Sep 2008 to 30 Nov 2008	1 Jun 2009 to 30 Nov 2009	1 Jun 2008 to 30 Nov 2008
<b>Basic earnings per share</b>				
Profit Attributable To Equity Holders Of Parent (RM'000)	1,578	(719)	2,768	(1,073)
Weighted Average Number Of Ordinary Shares In Issue ('000)	386,468	257,645	386,468	257,645
Basic Earnings Per Share (Sen)	0.41	(0.14)	0.72	(0.42)
<b>Fully diluted earnings per share</b>				
Weighted Average Number Of Ordinary Shares In Issue ('000)	391,316	258,917	391,316	258,917
Fully diluted earnings per share (Sen)	0.41	(0.14)	0.71	(0.41)

**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 Malaysia Berhad ("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. The Company had obtained the approvals from the Shareholders, Bursa Securities and Securities Commission on 28 October 2009, 3 December 2009 and 22 December 2009 respectively.

3) On 11 November 2009, the Company announced that REDtone Technology Sdn. Bhd., a wholly-owned subsidiary of RIB, had on 10 November 2009 entered into a share sale agreement with Kerry Telecommunications (Shanghai) Limited in respect of the acquisition of 14,625,250 ordinary shares of HK\$1.00 each in REDtone Telecommunications (China) Limited ("RTCL") representing 25% of the issued and paid up share capital of RTCL for a cash consideration of HK\$20,500,000, an equivalent of RM8,942,100 with the applicable currency exchange rate of HK\$1 to RM0.4362.

## B11 Group Borrowings

As at 30 Nov 2009, total borrowings of the Group are as follows:

	<b>30 Nov 2009 RM'000</b>	<b>30 Nov 2008 RM'000</b>
<u>Total Borrowings:-</u>		
Leasing facility from IBM Malaysia Sdn. Bhd. which are denominated in Ringgit Malaysia	2,362	-
Fixed loan facility from Public Bank Bhd. which are demoninated in Ringgit Malaysia (Secured)	2,138	-
	<u>4,500</u>	<u>-</u>
<u>Long Term Borrowings:-</u>		
Lease liability, repayment more than one year	1,350	-
Fixed loan liability, repayment more than one year	2,029	-
	<u>3,379</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>