

REDTONE INTERNATIONAL BERHAD

Incorporated in Malaysia: 596364-U

QUARTERLY REPORT ON CONSOLIDATED RESULTS
FOR THE FOURTH QUARTER ENDED 31 MAY 2010

REDTONE INTERNATIONAL BERHAD

(Company No: 596364-U)

The Directors are pleased to announce the unaudited results for the 4th quarter ended 31 May 2010.

**UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT
FOR THE PERIOD FROM 1 JUN 2009 TO 31 MAY 2010**

	Note	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
		1 Mar 10 to 31 May 10 CURRENT QUARTER RM'000	1 Mar 09 to 31 May 09 PRECEDING YEAR CORRESPONDING QUARTER RM'000	1 Jun 09 to 31 May 10 CURRENT YEAR TODATE RM'000	1 Jun 08 to 31 May 09 PRECEDING YEAR CORRESPONDING YEAR TO DATE RM'000
Continuing Operations					
Revenue	A12	21,546	18,630	82,439	79,418
Profit/(Loss) From Operations		(5,350)	2,151	1,368	635
Finance (Expense)/Income, Net		(327)	98	(300)	295
Depreciation And Amortisation		(2,433)	(864)	(5,432)	(3,237)
Profit/(Loss) Before Tax And Minority Interest	B1	(8,110)	1,385	(4,364)	(2,307)
Taxation	B5	(262)	(22)	(412)	(154)
Profit/(Loss) After Tax And Before Minority Interest From Continuing Operations		(8,372)	1,363	(4,776)	(2,461)
Discontinued Operations					
Less:					
Profit For The Period From Discontinued Operations		-	(4,472)	-	(4,489)
Loss For The Period		(8,372)	(3,109)	(4,776)	(6,950)
Attributable To:					
Equity Holders Of The Parent		(8,516)	(2,388)	(5,092)	(5,983)
Minority Interest		144	(721)	316	(967)
		(8,372)	(3,109)	(4,776)	(6,950)
Earnings Per Share (Sen)	B9	(2.13)	(0.80)	(1.28)	(1.90)
Fully Diluted Earnings Per Share (Sen)	B9	(1.94)	(0.74)	(1.15)	(1.85)

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 31 May 2010 RM'000	Audited AS AT PRECEDING YEAR ENDED 31 May 2009 RM'000
ASSETS			
Non-Current Assets			
Property, Plant And Equipment		32,181	25,549
Investment In Associates		231	1,019
Investment In Jointly Controlled Entity		-	1,492
Investment Property		870	870
Intangible Assets		21,717	16,418
Deferred Tax Assets		4,930	3,529
Other Receivables		790	790
		<u>60,719</u>	<u>49,667</u>
Current Assets			
Inventories		2,071	2,642
Trade And Other Receivables		35,252	35,164
Tax Recoverable		383	848
Investment		1,334	-
Cash And Cash Equivalents		53,777	27,144
		<u>92,817</u>	<u>65,798</u>
TOTAL ASSETS		<u>153,536</u>	<u>115,465</u>
EQUITY AND LIABILITIES			
Equity Attributable To Equity Holders Of The Parent			
Share Capital		43,181	38,647
Treasury shares		(92)	-
ICULS - Equity Component		13,666	-
Reserves		35,809	21,320
		<u>92,564</u>	<u>59,967</u>
Minority Interest		475	5,455
Total Equity		<u>93,039</u>	<u>65,422</u>
Non-Current Liabilities			
Borrowings	B12	4,510	2,853
ICULS - Liability Component		5,245	-
Deferred Tax Liabilities		2	2
		<u>9,757</u>	<u>2,855</u>
Current Liabilities			
Trade Payables		14,454	18,000
Borrowings	B12	8,022	1,065
ICULS - Liability Component		360	-
Other Payable & Accruals		18,504	16,645
Deferred Income		9,400	11,478
		<u>50,740</u>	<u>47,188</u>
Total Liabilities		<u>60,497</u>	<u>50,043</u>
TOTAL EQUITY AND LIABILITIES		<u>153,536</u>	<u>115,465</u>
		(0)	
Net Assets Per Share (Sen)		<u>21.55</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 Twelve Months Ended 31 May 2010

	SHARE CAPITAL RM'000	TREASURY SHARE RM'000	NON DISTRIBUTABLE				WARRANT RESERVE RM'000	EXCHANGE RESERVE RM'000	CAPITAL RESERVE RM'000	DISTRIBUTABLE RETAINED PROFITS RM'000	TOTAL RM'000
			SHARE PREMIUM RM'000	SHARE OPTION RESERVE RM'000	ICULS EQUITY COMPONENT RM'000						
At 1 June 2009	38,647	-	6,396	1,775	-	-	503	343	12,303	59,967	
Net Profit For The Period	-	-	-	-	-	-	-	-	(5,092)	(5,092)	
Exchange Reserve	-	-	-	-	-	-	(922)	-	-	(922)	
Esos Issued	1,980	-	2,947	(1,775)	-	-	-	-	-	3,152	
ICULS Issued	2,554	-	-	-	13,666	-	-	-	-	16,220	
Warrant Issued	-	-	-	-	-	19,331	-	-	-	19,331	
Purchase of Treasury Shares	-	(92)	-	-	-	-	-	-	-	(92)	
At 31 May 2010	43,181	(92)	9,343	-	13,666	19,331	(419)	343	7,211	92,564	

For The Twelve Months Ended 31 May 2009 (Audited)

	SHARE CAPITAL RM'000	TREASURY SHARE RM'000	NON DISTRIBUTABLE		EXCHANGE RESERVE RM'000	CAPITAL RESERVE RM'000	DISTRIBUTABLE RETAINED PROFITS RM'000	TOTAL RM'000
			SHARE PREMIUM RM'000	SHARE OPTION RESERVE 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

	12 MONTHS CURRENT FINANCIAL PERIOD 1 Jun 09 to 31 May 10 RM'000	12 MONTHS PRECEDING FINANCIAL PERIOD 1 Jun 08 to 31 May 09 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss Before Taxation		
Continuing Operations	(4,364)	(2,307)
Discontinued Operations	-	(4,488)
Adjustments For:		
Non Cash Items	6,731	6,585
Non Operating Items	55	(298)
Operating Profit Before Working Capital Changes	2,422	(509)
Net Changes In Current Assets	(1,974)	(17,716)
Net Changes In Current Liabilities	(12,384)	19,198
	(11,936)	973
Tax Paid	-	-
Net Cash (Used In)/Generated From Operating Activities	(11,936)	973
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition Of Subsidiary (Net Of Cash Acquired)	(5,651)	558
Investment In Joint Ventures	-	6
Disposal Of A Subsidiary (Net Of Cash Disposed)	-	9,134
Interest Received	262	325
Investment	(1,334)	-
Proceeds from upliftment of Structured Fund Investment	-	122
Accretion Arising For Disposal Of Stake To Non-Controlling Interest	-	459
Purchase Of Property, Plant And Equipment	(7,496)	(8,148)
Expenditure On Intangible Assets	(45)	(3,437)
Net Cash Used In Investing Activities	(14,264)	(980)
CASH FLOWS FROM FINANCING ACTIVITIES		
Treasury shares acquired	(92)	-
Proceeds from Finance Lease	4,583	3,037
Repayment for Finance Lease	(2,219)	(193)
Proceeds from Term Loan	1,128	1,050
Repayment for Term Loan	(137)	-
Proceeds from hire purchase	123	-
Proceeds from issuance of ICULS	40,612	-
Cash Received From Issuance Of Shares	4,927	-
Net Cash Generated From Financing Activities	48,925	3,894
NET INCREASE IN CASH AND CASH EQUIVALENTS	22,725	3,886
EFFECTS OF EXCHANGE RATE CHANGES	(920)	2,494
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	27,144	20,764
CASH AND CASH EQUIVALENTS AT END OF PERIOD	48,948	27,144
Cash And Cash Equivalents Comprise:		
Cash And Bank Balances	32,255	21,865
Deposits With Licensed Bank	21,523	5,279
	53,777	27,144
Bank Overdraft	(4,829)	-
Total cash and cash equivalents	48,948	27,144
	(0)	

(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 MAY 2010

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

The Group considers financial guarantee contracts entered into to be insurance arrangements and accounts for them under FRS4. In this respect, the Group treats the guarantee contract as a contingent liability until such a time as it becomes probable that the Group will be required to make a payment under the guarantee. The adoption of FRS4 is expected to have no material impact on the financial statements of the Group.

The possible impacts of FRS7 and FRS139 on the financial statements upon their initial application are not disclosed by virtue of the exemptions given in these standards.

The possible impacts of FRS7 and FRS139 on the financial statements upon their initial application are not disclosed by virtue of the exemptions given in these standards.

Amendments to FRS1 and FRS127 are not relevant to the Group's operations.

The amendments to FRS2 clarify that vesting conditions under a share-based payment are service conditions and performance conditions only and do not include other features of a share-based payment. The amendments also clarify that cancellations on share-based payment by parties other than the entity are to be treated in the same way as cancellations by the entity. These amendments are expected to have no material impact on the financial statements of the Group upon their initial application.

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 estimates for the quarter ended 31 May 2010.

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 are 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 and repayment of debts and equity securities, share buy-back, share cancellation, shares held as treasury shares for the quarter ended 31 May 2010 except for the following:

(a) 2.75% 10-year irredeemable convertible unsecured loan stocks of RM0.10 nominal value each ("ICULS")

On 4 March 2010, 406,116,335 ICULS was issued pursuant to the Rights Issue as disclosed in note B10.

During the quarter ended 31 May 2010, 63,827,400 ICULS has been tendered for the subscription of 25,530,960 ordinary shares of RM0.10 each.

(b) Warrant 2010/2015 ("Warrant")

On 4 March 2010, 162,446,534 Warrants was issued pursuant to the Rights Issue as disclosed in note B10.

During the quarter, no warrant was exercised.

(c) Share Capital

	Ordinary share of RM0.10 each	
	No of shares	RM
Share capital - issued and fully paid up as at 28.2.2010	406,273,905	40,627,391
Arising from conversion of ICULS	25,530,960	2,553,096
Share capital as at 31.5.2010	<u>431,804,865</u>	<u>43,180,487</u>

(d) Share buy-back

There were no shares buy-back during the quarter ended 31 May 2010.

Subsequent events to the quarter ended 31 May 2010 and up to 23 July 2010 (the latest practical date which is not earlier than 7 days from the date of issue of this quarterly report) were as follows

(i) Share capital

The share capital for the Group as at 23 July 2010 is as follows:-

	Ordinary share of RM0.10 each	
	No of shares	RM
Share capital - issued and fully paid up as at 31.5.2010	431,804,865	43,180,487
Arising from conversion of ICULS	326,560	32,656
Share capital as at 23.7.2010	<u>432,131,425</u>	<u>43,213,143</u>

(ii) Share buy-back

326,200 ordinary shares of RM0.10 each at minimum and maximum price of RM0.17 and 0.175 respectively was purchased subsequent to the quarter and is being held as treasury shares with none of these shares being cancelled or sold.

A10. Contingent Liabilities

Contingent Liabilities of the Group comprise the following:-

Unsecured	RM'000
Corporate guarantees given to suppliers for supply of services to subsidiaries	7,701
Corporate guarantees given to Kerry Telecommunications (Shanghai) Limited for the acquisition by REDtone Technology Sdn Bhd of the remaining 25% equity interest in REDtone Telecommunications (China) Limited	8,940 *
Secured	
Bank guarantees extended to suppliers for supply of services	<u>7,220</u>
	<u>23,861</u>

* based on the exchange rate of HKD1 : RM0.4362

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 Mar 2010 to 31 May 2010 RM'000	1 Mar 2009 to 31 May 2009 RM'000	1 Jun 2009 to 31 May 2010 RM'000	1 Jun 2008 to 31 May 2009 RM'000
Revenue by Types of Products:-				
Continuing Operations				
Communication Services	21,413	18,296	81,200	77,632
Computer-Telephony And Other Related Products And Services	101	106	1,072	1,147
Digital Television Services	32	229	167	639
	<u>21,546</u>	<u>18,630</u>	<u>82,439</u>	<u>79,418</u>
Discontinued Operations				
Communication Services	-	303	-	7,195
Computer-Telephony And Other Related Products And Services	-	(345)	-	-
	<u>-</u>	<u>(42)</u>	<u>-</u>	<u>7,195</u>
	<u>21,546</u>	<u>18,589</u>	<u>82,439</u>	<u>86,613</u>
Profit / (Loss) Before Tax:-				
Continuing Operations				
Communication Services	(6,831)	1,667	(1,882)	(121)
Computer-Telephony And Other Related Products And Services	(105)	40	(25)	(2)
Digital Television Services	(1,174)	(322)	(2,457)	(2,184)
	<u>(8,110)</u>	<u>1,385</u>	<u>(4,364)</u>	<u>(2,307)</u>
Discontinued Operations				
Communication Services	-	(4,495)	-	(4,511)
Computer-Telephony And Other Related Products And Services	-	23	-	22
	<u>-</u>	<u>(4,472)</u>	<u>-</u>	<u>(4,489)</u>
	<u>(8,110)</u>	<u>(3,087)</u>	<u>(4,364)</u>	<u>(6,796)</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 31 May 2010 till 23 July 2010 (the latest practicable date which is not earlier than 7 days from the date of issue of this quarterly report) except for the following:

On 16 July 2010, the Company announced that its wholly-owned subsidiary, Redtone Technology Pte Ltd had on 16 July 2010 disposed its wholly-owned dormant subsidiary, VMS Telecommunication (S) Pte Ltd, for a total cash consideration of SGD2.00 in line with the Company's streamlining exercise of its dormant companies.

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 Fourth Quarter Ended 31 May 2010

For the quarter under review, the Group's revenue increased by 15.6% compared to the corresponding period in the previous year. The Group, however, recorded a loss before tax of RM8.1 million for the quarter as compared to loss of RM4.4 million (excluding profit from the discontinued operation) in the corresponding period last year. The Q4 2010 loss was mainly due to the followings:-

- 1) share of losses amounting to RM 1.5 million in an associate company that is operating Wimax business in East Malaysia
- 2) bad debts provision and write off amounting RM 4.6 million, which include a RM3.2 million write off for amount due from an associate company
- 3) initial set up cost, launching and promotion expenses of RM0.6 million for the Group's new IPTV business
- 4) ICULS rights issue exercise expenses amounting to RM 0.6 million

On a full year basis, the Group's revenue increased marginally by 3.8% to RM82.4 million as compared to RM79.4 million reported in the preceding year. The Group has recorded a lower loss of RM4.4 million for the year as compared to loss of RM6.8 million (excluding profit from the discontinued operation) the preceding year.

B2. Current year prospects

The Group's main revenue contributor, broadband and voice business segment, though is operating in a competitive environment, will continue to contribute positively to the Group's performance. The Group will focus on broadband offerings to corporate and enterprise and continue to improve its service quality to retain and grow its customer base. The broadband market in Malaysia is projected to see further strong growth in demand over the next few years. Hence, the Group will continue to invest and expand its network and service operations to capitalize on the opportunity.

On the new IPTV business, the Group will continue its investment in content sourcing, promotion and marketing campaign to create awareness as well as attract more customers. It is also looking at various channels and strategic alliances to accelerate the penetration of IPTV in the local market.

In addition, the Board of Directors will continue to take affirmative cost-containment measures in order to achieve higher operational efficiency. The Group is actively pursuing other opportunities and technology development which are expected to generate favorable results by leveraging on its core competencies.

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

	4th Quarter ended 31 May 2010 RM'000	3rd Quarter ended 28 Feb 2010 RM'000
Revenue	<u>21,546</u>	<u>20,290</u>
Profit Before Taxation and Minority Interest	<u>(8,110)</u>	<u>223</u>

For Q4 FYE 2010, the Group registered a turnover of RM21.6million compared to RM20.3million for the preceding quarter, which represents a marginal increase in the Group's revenue.

The loss for the current quarter under review was mainly due to reasons and explanation provided in note B1.

B4. Profit forecast

No profit forecast was announced.

B5. Taxation

	Individual Quarter		Cumulative Quarter	
	1 Mar 2010 to 31 May 2010 RM'000	1 Mar 2009 to 31 May 2009 RM'000	1 Jun 2009 to 31 May 2010 RM'000	1 Jun 2008 to 31 May 2009 RM'000
Current period provision	262	22	412	154

B6. Profit On Sale Of Unquoted Investments And/Or Properties

There were no disposal of unquoted investment and/or properties for the current quarter and financial year to date.

B7. Investment

The investment in quoted shares as at 31 May 2010 are summarised as follows:

Total investment at cost	973
Total investment at carrying value	1,006
Total investment at market value as at 31.5.10 @ USD 0.05	6,228

B8. Material Litigation

There are no material litigation for the current quarter under review.

B9. Earnings Per Share

	Individual Quarter		Cumulative Quarter	
	1 Mar 2010 to 31 May 2010	1 Mar 2009 to 31 May 2009	1 Jun 2009 to 31 May 2010	1 Jun 2008 to 31 May 2009
Basic earnings per share				
Profit Attributable To Equity Holders Of Parent (RM'000)	(8,516)	(2,388)	(5,092)	(5,983)
Weighted Average Number Of Ordinary Shares In Issue ('000)	400,018	386,468	400,018	323,292
Basic Earnings Per Share (Sen)	(2.13)	(0.80)	(1.28)	(1.90)
Fully diluted earnings per share				
Profit Attributable To Equity Holders Of Parent (RM'000)	(8,516)	(2,388)	(5,092)	(5,983)
<u>Adjustments made against earnings for the FY:</u>				
Reversal of interest expense accrued for FY	148	-	148	-
Reversal of deferred tax recognised (interest exp accrued) for FY	(37)	-	(37)	-
	(8,406)	(2,388)	(4,982)	(5,983)
Weighted Average Number Of Ordinary Shares In Issue ('000)	400,018	323,292	400,018	323,292
Effect of dilution ('000)	33,658	1,163	33,658	1,163
	433,676	324,455	433,676	324,455
Fully diluted earnings per share (Sen)	(1.94)	(0.74)	(1.15)	(1.85)

B10. Corporate Proposals

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

1) 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.

On 3 March 2010, our Board announced that the total acceptances and excess applications received for the Rights Issue (at the close on 23 February 2010 at 5.00 p.m.) was for 521,364,073 ICULS with 208,545,629 Warrants. This represents an over-subscription of 115,247,738 ICULS with 46,099,095 Warrants or approximately 28.38% over the total of 406,116,335 ICULS with 162,446,534 Warrants available for subscription under the Rights Issue.

Our Board announced the completion on 10 March 2010, following the admission of RM40,611,633 nominal value of ICULS and 162,446,534 Warrants to the Official List of Bursa Malaysia Securities Berhad ("Bursa Securities"), and the listing and quotation of the aforesaid securities on the ACE Market of Bursa Securities on 10 March 2010.

2) On 1 March 2010, our Board announced that its wholly owned subsidiary, DE Multimedia Sdn Bhd ("DMSB") ("Licensee") had received an Individual License ("Individual License") from the Malaysian Communications and Multimedia Commission ("MCMC") on 1 March 2010 for the provision of any content application services.

3) 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.

On 4 June 2010, our Board announced that the Ministry of International Trade and Industry had approved the application for the recognition of existing Bumiputera shareholder in REDtone for the purpose of compliance with the 30% Bumiputera equity condition.

On 17 June 2010, our Board announced that the Securities Commission (Equity Compliance Unit) has, vide its letter dated 17 June 2010, noted that REDtone has complied with the Bumiputera equity condition imposed.

In view of the foregoing, the Proposed Special Issue and Proposed Bonus Issue will not be implemented.

B11. Utilisation of Rights Proceeds

As at 31 May 2010, the status of the utilisation of proceeds from the renounceable rights issue of RM40,611,633 nominal value of 10-year 2.75% irredeemable convertible unsecured loan stocks ("ICULS") at 100% of its nominal value undertaken by the Company which was completed on 10 March 2010 is as follows:

Details of Utilisation	Proposed Utilisation RM'000	Actual Utilisation RM'000	Intended Timeframe for Utilisation	Deviation RM'000	%	Explanations
Capital Expenditure	38,210	8,347	Within 3 years	-	N/A	
Working Capital	1,802	693	Within 1 year	-	N/A	
Estimated expenses for the Rights Issue	600	461	Within 1 year	-	N/A	
Total	40,612	9,501		-		

B12. Group Borrowings

As at 31 May 2010, total borrowings of the Group are as follows:

	31 May 2010 RM'000	31 May 2009 RM'000
<u>Total Secured Borrowings:-</u>		
Leasing facility from IBM Malaysia Sdn. Bhd. which are denominated in Ringgit Malaysia	5,497	2,868
Fixed loan facility from Public Bank Bhd. which are demoninated in Ringgit Malaysia	2,083	1,050
Hire purchase facility from Public Bank Bhd. which are demoninated in Ringgit Malaysia	123	-
Bank overdraft from HSBC Bank Malaysia Berhad	4,829	-
	<u>12,532</u>	<u>3,918</u>
	0	
<u>Long Term Borrowings:-</u>		
Lease liability, repayment more than one year	2,440	1,856
Fixed loan liability, repayment more than one year	1,974	997
Hire purchase liability, repayment more than one year	96	-
	<u>4,510</u>	<u>2,853</u>
	-	
<u>Short Term Borrowings:-</u>		
Lease liability, repayment less than one year	3,057	1,012
Fixed loan liability, repayment less than one year	109	53
Hire purchase liability, repayment more than one year	27	-
Bank overdraft	4,829	-
	<u>8,022</u>	<u>1,065</u>
	-	