

REDTONE INTERNATIONAL BERHAD

Incorporated in Malaysia: 596364-U

QUARTERLY REPORT ON CONSOLIDATED RESULTS
FOR THE FOURTH QUARTER ENDED 31 MAY 2011

REDTONE INTERNATIONAL BERHAD

(Company No: 596364-U)

The Directors are pleased to announce the unaudited results for the fourth quarter ended 31 May 2011

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE FOURTH QUARTER ENDED 31 MAY 2011**

	Note	UNAUDITED INDIVIDUAL QUARTER		UNAUDITED	AUDITED
		1 Mar 11 to 31 May 11 CURRENT QUARTER RM'000	1 Mar 10 to 31 May 10 PRECEDING YEAR CORRESPONDING QUARTER RM'000	1 Jun 10 to 31 May 11 CURRENT YEAR TO DATE RM'000	1 Jun 09 to 31 May 10 PRECEDING YEAR CORRESPONDING YEAR TO DATE RM'000
Revenue	A12	23,035	21,546	89,461	82,211
(Loss)/Profit From Operations		(5,447)	(5,350)	(1,909)	1,145
Finance Expenses/(Income), Net		(194)	(327)	(750)	45
Depreciation And Amortisation		(1,990)	(2,433)	(7,485)	(5,604)
Loss Before Tax And Minority Interest	B1	(7,631)	(8,110)	(10,144)	(4,414)
Taxation	B5	(237)	(262)	(1,369)	(585)
Loss After Tax And Before Minority Interest		(7,868)	(8,372)	(11,513)	(4,999)
Loss For The Financial Period		<u>(7,868)</u>	<u>(8,372)</u>	<u>(11,513)</u>	<u>(4,999)</u>
Attributable To:					
Equity Holders Of The Company		(8,014)	(8,516)	(11,721)	(5,414)
Minority Interest		146	144	208	415
		<u>(7,868)</u>	<u>(8,372)</u>	<u>(11,513)</u>	<u>(4,999)</u>
Basic Loss Per Share (Sen)	B9	<u>(1.83)</u>	<u>(2.13)</u>	<u>(2.67)</u>	<u>(1.40)</u>

The Unaudited Condensed Consolidated Income Statement should be read in conjunction with the Audited Financial Statements for year ended 31 May 2010.

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(Company No: 596364-U)

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Loss For The Financial Period	(7,868)	(8,372)	(11,513)	(4,999)
Other comprehensive income/(loss), net of tax:				
Foreign currency exchange differences	279	(652)	(1,495)	(1,085)
Total comprehensive loss for the financial period	<u>(7,589)</u>	<u>(9,024)</u>	<u>(13,008)</u>	<u>(6,084)</u>
Total comprehensive loss attributable to:				
Equity holders of the Company	(7,735)	(9,168)	(13,216)	(6,401)
Minority interests	146	144	208	317
	<u>(7,589)</u>	<u>(9,024)</u>	<u>(13,008)</u>	<u>(6,084)</u>

The Unaudited Condensed Consolidated Income Statement should be read in conjunction with the Audited Financial Statements for year ended 31 May 2010.

REDTONE INTERNATIONAL BERHAD
(Company No: 596364-U)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 MAY 2011

	Note	Unaudited AS AT 31 May 2011 RM'000	Audited AS AT 31 May 2010 RM'000
ASSETS			
Non-Current Assets			
Property, Plant And Equipment		34,279	32,181
Investment Property		870	870
Investment In Associates		-	231
Investment In Associates - Quasi Loan		16,502	-
Other Investment	B7	10	-
Intangible Assets		24,154	21,610
Deferred Tax Assets		4,668	4,930
		<u>80,483</u>	<u>59,822</u>
Current Assets			
Inventories		2,308	1,998
Trade And Other Receivables		20,228	42,784
Tax Recoverable		864	430
Other Investment	B7	934	1,343
Cash And Cash Equivalents		27,829	53,774
		<u>52,163</u>	<u>100,329</u>
TOTAL ASSETS		<u>132,646</u>	<u>160,151</u>
EQUITY AND LIABILITIES			
Equity Attributable To Equity Holders Of The Company			
Share Capital		44,778	43,181
Treasury shares		(270)	(92)
ICULS - Equity Component		12,007	13,666
Reserves		18,642	36,057
		<u>75,157</u>	<u>92,812</u>
Minority Interests		7,304	475
Total Equity		<u>82,461</u>	<u>93,287</u>
Non-Current Liabilities			
ICULS - Liability Component		4,555	5,605
Deferred Tax Liabilities		185	3
Borrowings	B12	2,508	4,510
		<u>7,248</u>	<u>10,118</u>
Current Liabilities			
Deferred Income		7,275	9,450
Trade And Other Payables		29,440	39,006
Current Tax Payables		907	268
Bank Overdraft		3,223	4,829
Borrowings	B12	2,092	3,193
		<u>42,937</u>	<u>56,746</u>
Total Liabilities		<u>50,185</u>	<u>66,864</u>
TOTAL EQUITY AND LIABILITIES		<u>132,646</u>	<u>160,151</u>
Net Assets Per Share (Sen)		<u>18.42</u>	<u>21.60</u>

(The Unaudited Condensed Consolidated Balance Sheet should be read in conjunction with the Audited Financial Statements for year ended 31 May 2010)

REDTONE INTERNATIONAL BERHAD

(Co number: 596364-U)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FOURTH QUARTER ENDED 31 MAY 2011

	<-----NON DISTRIBUTABLE----->					WARRANTS RESERVE	DISTRIBUTABLE RETAINED EARNINGS/ (ACCUMULATED LOSSES)	TOTAL	MINORITY INTERESTS	TOTAL EQUITY
	SHARE CAPITAL	SHARE PREMIUM	OTHER RESERVES	TREASURY SHARES	ICULS					
At 1 June 2010	43,181	9,342	(141)	(92)	13,666	19,331	7,525	92,812	475	93,287
Dilution of investment in Redtone China	-	-	-	-	-	-	(6,677)	(6,677)	6,621	(56)
	43,181	9,342	(141)	(92)	13,666	19,331	848	86,135	7,096	93,231
Foreign currency translation, net expense recognised directly in equity	-	-	(1,495)	-	-	-	-	(1,495)	-	(1,495)
Loss for the year	-	-	-	-	-	-	(11,721)	(11,721)	208	(11,513)
Total comprehensive loss for the period	-	-	(1,495)	-	-	-	(11,721)	(13,216)	208	(13,008)
Treasury shares acquired	-	-	-	(178)	-	-	-	(178)	-	(178)
Issuance of ordinary shares, pursuant to conversion of ICULS	1,597	62	-	-	(1,659)	-	-	-	-	-
Share options granted under ESOS, recognised in the income statement	-	-	2,416	-	-	-	-	2,416	-	2,416
At 31 May 2011	44,778	9,404	780	(270)	12,007	19,331	(10,873)	75,157	7,304	82,461

FOR THE YEAR ENDED 31 MAY 2010 (AUDITED)

	<-----NON DISTRIBUTABLE----->					DISTRIBUTABLE		TOTAL RM'000	MINORITY INTERESTS RM'000	TOTAL EQUITY RM'000
	SHARE CAPITAL RM'000	SHARE PREMIUM RM'000	OTHER RESERVES RM'000	TREASURY SHARES RM'000	ICULS RM'000	WARRANTS RESERVE RM'000	RETAINED EARNINGS RM'000			
At 1 June 2009	38,647	6,396	2,621	-	-	-	12,303	59,967	5,455	65,422
Foreign currency translation, net expense recognised directly in equity	-	-	(987)	-	-	-	-	(987)	(98)	(1,085)
Loss for the year	-	-	-	-	-	-	(5,414)	(5,414)	415	(4,999)
Total comprehensive loss for the period	-	-	(987)	-	-	-	(5,414)	(6,401)	317	(6,084)
Treasury shares acquired	-	-	-	(92)	-	-	-	(92)	-	(92)
Acquisition of remaining equity in subsidiaries from minority interests	-	-	-	-	-	-	-	-	(5,297)	(5,297)
Share options granted under ESOS, recognised in the income statement	-	-	80	-	-	-	-	80	-	80
Issuance of ICULS, net of tax	-	-	-	-	16,215	-	-	16,215	-	16,215
Issuance of warrants	-	-	-	-	-	19,331	-	19,331	-	19,331
Issuance of ordinary shares, pursuant to conversion of ICULS	2,553	-	-	-	(2,549)	-	-	4	-	4
Issuance of ordinary shares, pursuant to exercise of ESOS	1,981	2,946	(1,219)	-	-	-	-	3,708	-	3,708
Expiry of ESOS	-	-	(636)	-	-	-	636	-	-	-
At 31 May 2010	43,181	9,342	(141)	(92)	13,666	19,331	7,525	92,812	475	93,287

(The Unaudited Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Audited Financial Statements for year ended 31 May 2010)

REDTONE INTERNATIONAL BERHAD

(Co number:596364-U)

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW
FOR THE FOURTH QUARTER ENDED 31 MAY 2011**

	12 MONTHS CURRENT FINANCIAL PERIOD 1 Jun 10 to 31 May 11 RM'000	12 MONTHS PRECEDING FINANCIAL PERIOD 1 Jun 09 to 31 May 10 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss Before Taxation	(10,144)	(4,414)
Adjustments For:		
Non Cash Items	7,758	12,971
Non Operating Items	(309)	(311)
Operating Profit Before Working Capital Changes	(2,695)	8,246
Net Changes In Current Assets	4,938	(7,807)
Net Changes In Current Liabilities	(13,393)	(962)
	(11,150)	(523)
Tax (Paid)/Refunded	(252)	385
Net Cash Used In Operating Activities	(11,402)	(138)
CASH FLOWS FROM INVESTING ACTIVITIES		
Net cash outflow on subscription of shares of existing subsidiaries	-	(8,981)
Interest Received	732	503
Proceeds from disposal of property, plant and equipment	-	385
Proceeds from disposal of an unquoted investment	-	167
Purchase of an unquoted investment	(10)	(2,000)
Purchase of an other investment	(932)	-
Purchase of Property, Plant And Equipment	(6,591)	(6,611)
Expenditure of Intangible Assets	(946)	(3,805)
Net Cash Used In Investing Activities	(7,747)	(20,342)
CASH FLOWS FROM FINANCING ACTIVITIES		
Treasury shares acquired	(178)	(92)
Cash paid from minority interests	-	(98)
Repayment for Finance Lease	(3,342)	(2,035)
Proceeds from Term Loan	-	1,128
Repayment for Term Loan	(157)	(95)
Repayment for Hire Purchase	(27)	(11)
Proceeds from issuance of ICULS	-	40,612
Proceeds from exercise of ESOS	-	3,707
Net Cash (Used In)/Generated From Financing Activities	(3,704)	43,116
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(22,853)	22,636
EFFECTS OF EXCHANGE RATE CHANGES	(1,495)	(826)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	48,954	27,144
CASH AND CASH EQUIVALENTS AT END OF PERIOD	24,606	48,954
Cash And Cash Equivalents Comprise:		
Other investment	-	9
Cash And Bank Balances	17,832	41,282
Deposits With Licensed Bank	9,997	12,492
	27,829	53,783
Bank Overdraft	(3,223)	(4,829)
Total cash and cash equivalents	24,606	48,954

(The unaudited Condensed Consolidated Cash Flow Statement should be read in conjunction with the Audited Financial Statements for year ended 31 May 2010)

REDTONE INTERNATIONAL BERHAD
(Co number:596364-U)

A. NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE FOURTH QUARTER ENDED 31 MAY 2011

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 2010.

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 2010, 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 2009:

FRS 2	Share-based Payment (Vesting Conditions and Cancellations)
Revised FRS 3 (2010)	Business Combinations
FRS 7	Financial Instruments: Disclosures
FRS 8	Operating Segment
Revised FRS 101 (2009)	Presentation of Financial Statements
Revised FRS 127 (2010)	Consolidated and Separate Financial Statements
Revised FRS 139 (2010)	Financial Instruments: Recognition and Measurement
Amendments to FRS 1 and 127	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
FRS 138	Consequential Amendments Arising from Revised FRS 3 (2010)
IC Interpretation 4	Determining Whether An Agreement Contains a Lease
IC Interpretation 10	Interim Financial Reporting and Impairment
IC Interpretation 11	FRS 2: Group and Treasury Share Transactions

(a) FRS 101 (revised) "Presentation of Financial Statements"

The revised standard prohibits the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity in a statement of comprehensive income which can be presented as a single statement or two statements (comprising the income statement and statement of comprehensive income). The Group has elected to present the statement of comprehensive income in two statements. As a result, the Group has presented all owner changes in equity in the consolidated statement of changes in equity whilst all non-owner changes in equity in the consolidation statement of comprehensive income. Certain comparative figures have been reclassified to conform with the current period's presentation. There is no impact on the results of the Group since these changes affect only the presentation of items of income and expenses.

(b) FRS 139 "Financial Instruments: Recognition and Measurement"

The Group classifies its financial assets in the following categories: at fair value through profit or loss and loans and receivables. The classification depends on the nature of the asset and the purpose for which the asset was acquired. Management determines the classification of its financial assets at initial recognition. Set out below are the major changes in classifications of financial assets of the Group:

(i) Loans and receivables

Non-current receivables, previously measured at invoice amount and subject to impairment, are now classified as loans and receivables and measured at fair value plus transaction costs initially and subsequently, at amortised cost using the effective interest method.

When loans and receivables are impaired, the carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss. Impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the asset's original effective interest rate.

In a subsequent period, if the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in profit or loss.

(ii) Fair Value through profit or loss

Financial assets at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in profit or loss. Subsequent to initial recognition, these financial assets are measured at fair value at the date of the statement of financial position with changes in fair value recognised as gains or losses in profit or loss.

In accordance with the transitional provisions for first time adoption of FRS 139, the above changes in accounting policies have been accounted for prospectively and the comparatives as at 31 May 2010 are not restated. The effects of the changes on the accounting policies have been accounted for on 1 June 2010 by adjusting the following opening balances of the Group:

	As previously reported RM'000	Effects of adopting FRS 139 RM'000	After effects of adopting FRS 139 RM'000
<u>Consolidated Statement of Financial Position</u>			
<u>Non-current assets</u>			
Investment in Associates - Quasi Loan	-	16,502	16,502
<u>Current assets</u>			
Trade and Other Receivables	42,784	(16,502)	26,282

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 2010.

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 2011.

A6. Property, Plant And Equipment

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

A7. Changes In The Composition Of The Group

There are no changes in the composition of the Group during the quarter except for the following:

On 7 March 2011, the Company announced that Shanghai Hongsheng Net Telecommunications Company Ltd, a 100% indirect subsidiary of REDtone Asia Inc, which in turn is a 92.3% subsidiary of the Company, had on 7 March 2011 entered into a Share Sale Agreement with Shanghai QianYue Information Technology Co. Ltd for the acquisition of the entire issued and paid up capital of Shanghai Qianyue Business Administration Co. Ltd ("SQBA") for a total cash consideration of RMB7,900,000 . SQBA is principally involved in the provision of shopping card in Shanghai.

On 11 April 2011, the Company announced that the acquisition has been completed on 11 April 2011.

A8. Seasonality Or Cyclicity Of Interim Operations

The Group's operations are not significantly affected by any 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 2011 except for the following:

(a) Share Capital

	Ordinary share of RM0.10 each	
	No of shares	RM
Share capital - issued and fully paid up as at 28.02.2011	442,199,925	44,219,993
Arising from conversion of ICULS	5,579,100	557,910
Share capital as at 31.5.2011	<u>447,779,025</u>	<u>44,777,903</u>

(b) Share buy-back

During the quarter ended 31 May 2011, the Company purchased a total of 646,000 share under the share buyback scheme at an average cost of RM 0.20 per ordinary share for a total cash consideration of RM 129,041 which include transaction costs, and was financed by Company's internally generated funds. Shares purchased to date totalling 1,492,200 ordinary shares of RM 0.10 each were held as treasury shares in accordance with Section 67A of the Companies Act, 1965 and stated at cost.

A10. Contingent Liabilities

Contingent Liabilities of the Group comprise the following:-

<u>Unsecured</u>	RM'000
Corporate guarantee given to suppliers for supply of services to subsidiaries and an associate	<u>4,626</u>

A11. Off Balance Sheet Financial Instruments

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

A12. Segmental Information

	UNAUDITED Individual Quarter		UNAUDITED	AUDITED
	1 Mar 2011 to 31 May 2011 RM'000	1 Mar 2010 to 31 May 2010 RM'000	Cumulative Quarter 1 Jun 2010 to 31 May 2011 RM'000	1 Jun 2009 to 31 May 2010 RM'000
<u>Revenue by Types of Products:-</u>				
Communication Services	22,009	21,413	84,537	80,975
Computer-Telephony And Other Related Products And Services	957	101	4,524	1,069
Digital Television Services	69	32	400	167
	<u>23,035</u>	<u>21,546</u>	<u>89,461</u>	<u>82,211</u>
<u>Loss Before Tax:-</u>				
Communication Services	(4,273)	(6,831)	(3,265)	(2,140)
Computer-Telephony And Other Related Products And Services	(233)	(105)	(175)	(28)
Digital Television Services	(3,125)	(1,174)	(6,704)	(2,246)
	<u>(7,631)</u>	<u>(8,110)</u>	<u>(10,144)</u>	<u>(4,414)</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 2011 till 26 July 2011 (the latest practicable date which is not earlier than 7 days from the date of issue of this quarterly report) except for the following:

- (i) On 10 June 2011, the Company announced the Change of Board of Directors and Group CEO with effect from 8 July 2011. En. Zainal Amanshah bin Zainal Arshad shall resign as director and Mr. Lau Bik Soon will take over from Encik Zainal Amanshah bin Zainal Arshad as the Group CEO.
- (ii) on 27 June 2011, the Company announced that its wholly owned subsidiary, REDtone Marketing Sdn Bhd had received a letter of award from Ministry of Higher Education Malaysia to supply, deliver, install, certify and maintain wide area network for 19 agencies under the Ministry of Higher Education .

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

B1. Review Of Group Results For The Fourth Quarter Ended 31 May 2011

For the quarter under review, the Group's revenue increased by 6.9% compared to the preceding year's corresponding quarter mainly due to revenue contribution from REDtone Asia's operation.

The Group recorded a loss after tax before minority interest of RM7.87 million for the quarter compared to a loss of RM8.37 million in the preceding year corresponding quarter. For the financial year ended 31 May 2011 ("FYE 2011"), the Group recorded a loss after tax before minority interest of RM11.51 million, compared to a loss of RM5.0 million in the preceding year. The losses for FYE 2011 are mainly due to impairment of goodwill of RM1.1 million, share option granted under ESOS of RM2.4 million, impairment of past investment in China of RM1.3 million, depreciation of fixed assets of RM4.5 million, amortization of intangible such as R&D and project cost of RM3.0 million and provision for doubtful debts of RM0.7 million.

B2. Prospects

The Group is committed to steer the business back to a profitable track and has outlined rigorous plans to strengthen growth and profitability in its existing and new business moving forward as follows:

1. The Group will continue to build its profitable China business.
2. The Group will further grow its data services and provisioning of WiFi infrastructure in the corporate and enterprise segments as both segments have yielded encouraging results. The Group will also continue to bid for broadband and WiFi projects initiated by the Government and telco service providers.
3. The Group will vigorously defend its voice customer base.
4. The Group has crystalised and put into action a new direction for its IPTV operations from that of a service provider to a new media technology provider.
5. The Group plans to commercialise its proprietary technology such as e-Purse for telco service providers.
6. The Group will also work closely with the government in East Malaysia to complement the future 4G rollout.
7. The Group will continue to take affirmative cost-containment measures in order to achieve higher operational efficiency.
8. The Group intends to rationalize its mobile services.

Subject to a favourable outcome of the measures and strategies outlined above and with the appointment of Datuk Wira Syed Ali as the Group's new Deputy Chairman, the Group expects an improvement in its financial performance and sees growth in its business in the next 1 year and beyond. Datuk Wira Syed Ali is also an indirect substantial shareholder of the Group by virtue of his indirect interest in Indah Pusaka Sdn. Bhd, which holds a 20.92% stake in the Company.

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

	4th Quarter ended	3rd Quarter ended
	31 May 2011 RM'000	28 Feb 2011 RM'000
Revenue	23,035	20,955
Loss Before Taxation and Minority Interest	(7,631)	(1,598)

For Q4 FYE 2011, the Group registered a turnover of RM 23 million compared to RM21 million for the preceding quarter, which represents a marginal increase in the Group's revenue.

The loss for the quarter under review was mainly due to impairment of goodwill of RM1.1 million, share option granted under ESOS of RM2.4 million, impairment of past investment in China of RM1.3 million and provision for doubtful debts of RM0.7 million.

B4. Profit forecast

No profit forecast was announced.

B5. Taxation

	UNAUDITED Individual Quarter		UNAUDITED Cumulative Quarter	AUDITED
	1 Mar 2011 to 31 May 2011	1 Mar 2010 to 31 May 2010	1 Jun 2010 to 31 May 2011	1 Jun 2009 to 31 May 2010
	RM'000	RM'000	RM'000	RM'000
Current period provision	237	262	1,369	585

Current quarter tax was mainly due to the tax provision relating to subsidiary companies operating in China.

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. Other Investments

	RM'000
Unquoted in Malaysia	
Investment in unquoted shares, at cost	10
Unquoted outside Malaysia	
Investment in Financial products, at cost	934
Total other investment at 31 May 2011	<u>944</u>

B8. Material Litigation

On 30 August 2010, the Company announced that Redtone Technology Sdn Bhd and Redtone Telecommunications Sdn Bhd lodged a Notice of Dispute to the Singapore International Arbitration Centre following the default of payment of the purchase consideration by Quantum Global Network Inc for the acquisition of Redtone Telecommunications (Pakistan) Pte Ltd.

A sole arbitrator was appointed on 1 March 2011 for the above-mentioned arbitration. The Company has filed a statement of claim on 25 May 2011 and it is now pending the reply from Quantum Global Network Inc.

B9. Loss Per Share

	UNAUDITED Individual Quarter		UNAUDITED Cumulative Quarter	AUDITED
	1 Mar 2011 to 31 May 2011	1 Mar 2010 to 31 May 2010	1 Jun 2010 to 31 May 2011	1 Jun 2009 to 31 May 2010
Basic loss per share				
Loss Attributable To Equity Holders Of The Company (RM'000)	(8,014)	(8,516)	(11,721)	(5,414)
Weighted Average Number Of Ordinary Shares In Issue ('000)	439,476	400,018	439,476	400,018
Basic Loss Per Share (Sen)	<u>(1.83)</u>	<u>(2.13)</u>	<u>(2.67)</u>	<u>(1.40)</u>

B10. Corporate Proposals

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

(i) On 8 March 2011, the Company announced that is participating in the Diagnostic Services Nexus under the Healthcare National Key Economic Area of the Economic Transformation Programme. The Company will work with General Electric ("GE") as one of GE's local partner whereby the Company shall provide the broadband and telecommunications infrastructure services.

(ii) On 26 April 2011, the Company announced that its wholly owned subsidiary, REDtone Marketing Sdn Bhd had on 25 April 2011 entered into a Shareholders Agreement ("Agreement") with twenty-three (23) other parties to form a consortium under the name of KONSORTIUM RANGKAIAN SERANTAU SDN BHD (formerly known as "My Regional Network Company Sdn Bhd") ("Consortium")

The Consortium is formed for the purpose of implementing one of the entry points project ("EPP") titled "Regional Network" to lower the costs of IP Transit and domestic bandwidths by the aggregation of capacity of the Shareholders (as a form of buying power) to secure lower prices from suppliers.

(iii) On 27 April 2011, the Company announced that its Board had deliberated on the Group's asset rationalization plan, and out of which the following has been approved-in-principal by the Board:

(a) to restructure including the divestment of the investment in REDtone-CNX Broadband Sdn Bhd ("RCNX") to potential strategic investor ("Proposed Restructuring").

RCNX is the entity that carries out the Wimax business in East Malaysia and REDtone is holding 54.5% interest in RCNX.

(b) to place out REDtone Asia Inc's (formerly known as Hotgate Technology Inc) ("RAI") shares to potential investors ("Proposed Placement"). REDtone is a substantial shareholder of RAI, holding approximately 92.3% interest in RAI and REDtone intends to pare down its shareholding in RAI to a minimum of 70%.

B11. Utilisation of Rights Proceeds

On 23 August 2010, the Company announced that there will be a revision to 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 ("Rights Issue").

The proceeds raised from the Rights Issue which was allocated for the capital expenditure for wireless infrastructure shall now be utilised for the working capital of the broadband for office and IPTV operations of the Group.

As at 31 May 2011, the status of the utilisation of proceeds from the Rights Issue is as follows:

Details of Utilisation	Approved	Revised	Actual	Intended	Deviation	%
	RM'000	RM'000	RM'000		RM'000	
Capital Expenditure	38,210	23,210	16,208	Within 3 years	-	N/A
Working Capital	1,802	16,802	13,722	Within 2 years	-	N/A
Estimated expenses for the Rights Issue	600	600	596	Within 1 year	-	N/A
Total	40,612	40,612	30,526		-	

B12. Group Borrowings

As at 31 May 2011, total borrowings of the Group are as follows:

	31 May 2011	31 May 2010
	RM'000	RM'000
<u>Total Secured Borrowings:-</u>		
Leasing facility from IBM Malaysia Sdn. Bhd. which are denominated in Ringgit Malaysia	2,530	5,497
Fixed loan facility from Public Bank Bhd. which are denominated in Ringgit Malaysia	1,974	2,083
Hire purchase facility from Public Bank Bhd. which are denominated in Ringgit Malaysia	96	123
	<u>4,600</u>	<u>7,703</u>
<u>Long Term Borrowings:-</u>		
Lease liability, repayment more than one year	574	2,440
Fixed loan liability, repayment more than one year	1,865	1,974
Hire purchase liability, repayment more than one year	69	96
	<u>2,508</u>	<u>4,510</u>
<u>Short Term Borrowings:-</u>		
Lease liability, repayment less than one year	1,956	3,057
Fixed loan liability, repayment less than one year	109	109
Hire purchase liability, repayment more than one year	27	27
	<u>2,092</u>	<u>3,193</u>