

REDTONE INTERNATIONAL BERHAD

Incorporated in Malaysia: 596364-U

**QUARTERLY REPORT ON CONSOLIDATED RESULTS
FOR THE FIRST QUARTER ENDED 31 AUGUST 2013**

REDTONE INTERNATIONAL BERHAD

(Company No: 596364-U)

The Directors are pleased to announce the unaudited results for the first quarter ended 31 August 2013

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE FIRST QUARTER ENDED 31 AUGUST 2013**

	Note	UNAUDITED INDIVIDUAL QUARTER		UNAUDITED	AUDITED
		1 Jun 2013 to 31 Aug 2013	1 Jun 2012 to 31 Aug 2012	CUMULATIVE QUARTER 1 Jun 2013 to 31 Aug 2013	1 Jun 2012 to 31 Aug 2012
		CURRENT QUARTER RM'000	PRECEDING YEAR CORRESPONDING QUARTER RM'000	CURRENT YEAR TO DATE RM'000	PRECEDING YEAR CORRESPONDING YEAR TO DATE RM'000
Revenue	A14 (B)	36,110	30,670	36,110	30,670
Cost of sales		<u>(22,985)</u>	<u>(20,463)</u>	<u>(22,985)</u>	<u>(20,463)</u>
Gross profit		13,125	10,207	13,125	10,207
Other income	A15	780	417	780	417
General and administrative expenses		(7,189)	(6,286)	(7,189)	(6,286)
Provisions		(83)	(104)	(83)	(104)
Loss on foreign exchange		<u>(21)</u>	<u>(412)</u>	<u>(21)</u>	<u>(412)</u>
Earnings Before Interest, Tax, Depreciation And Amortisation		6,612	3,822	6,612	3,822
Interest expenses (net)	A16	(36)	(131)	(36)	(131)
Depreciation and amortisation		<u>(1,920)</u>	<u>(1,807)</u>	<u>(1,920)</u>	<u>(1,807)</u>
Profit before taxation	A17	4,656	1,884	4,656	1,884
Taxation	A18	<u>(498)</u>	<u>120</u>	<u>(498)</u>	<u>120</u>
Profit for the period		4,158	2,004	4,158	2,004
Other comprehensive income, net of tax - Foreign currency translation		<u>2,716</u>	<u>109</u>	<u>2,716</u>	<u>109</u>
Total comprehensive income for the financial period		<u>6,874</u>	<u>2,113</u>	<u>6,874</u>	<u>2,113</u>
<u>Profit for the period attributable to:-</u>					
Equity holders of the company		3,649	2,008	3,649	2,008
Non-controlling interests		509	(4)	509	(4)
		<u>4,158</u>	<u>2,004</u>	<u>4,158</u>	<u>2,004</u>
<u>Total comprehensive income attributable to :-</u>					
Equity holders of the company		6,200	2,133	6,200	2,133
Non-controlling interests		674	(20)	674	(20)
		<u>6,874</u>	<u>2,113</u>	<u>6,874</u>	<u>2,113</u>
Basic Profit per share (sen)	A19	<u>0.74</u>	<u>0.42</u>	<u>0.74</u>	<u>0.42</u>

The unaudited Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the Audited Financial Statements for year ended 31 May 2013.

REDTONE INTERNATIONAL BERHAD
(Company No: 596364-U)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 AUGUST 2013

	Note	UNAUDITED AS AT 31 Aug 2013 RM'000	AUDITED AS AT 31 May 2013 RM'000
ASSETS			
Non-Current Assets			
Investment in associates - quasi Loan		-	22,958
Property, plant and equipment		31,818	29,307
Investment property		1,138	1,138
Deferred tax assets		2,983	3,060
Other investment	A20	50	50
Goodwill		7,486	6,756
Intangible asset		25,407	-
Development costs		9,939	9,478
Other receivables		14,174	14,174
		<u>92,995</u>	<u>86,921</u>
Current Assets			
Inventories		1,143	1,076
Trade receivables	A22	74,380	65,278
Other receivables, deposits and prepayments		29,163	13,037
Tax recoverable		-	10
Other investment	A20	1	1
Deposits with licensed banks		29,285	31,513
Cash and bank balances		9,523	5,085
		<u>143,495</u>	<u>116,000</u>
TOTAL ASSETS		<u>236,490</u>	<u>202,921</u>
EQUITY AND LIABILITIES			
Equity			
Share capital		49,410	48,298
Treasury shares		(93)	(1,950)
Reserves		66,639	59,318
Total Equity Attributable To Owners Of The Company		<u>115,956</u>	<u>105,666</u>
Non-controlling interests		10,324	7,394
Total Equity		<u>126,280</u>	<u>113,060</u>
Non-Current Liabilities			
Irredeemable convertible unsecured loan stocks ("ICULS")		2,820	3,128
Finance lease payables		274	300
Term loans		1,862	1,890
Deferred taxation		53	61
		<u>5,009</u>	<u>5,379</u>
Current Liabilities			
Deferred income		8,510	6,450
Trade payables		33,489	25,943
Other payables and accruals	A23	53,934	42,876
Finance lease payables		103	103
Term loans		62	62
Provision for taxation		5,756	5,755
Bank overdraft		3,347	3,293
		<u>105,201</u>	<u>84,482</u>
Total Liabilities		<u>110,210</u>	<u>89,861</u>
TOTAL EQUITY AND LIABILITIES		<u>236,490</u>	<u>202,921</u>
Net assets per share (sen)		<u>25.56</u>	<u>23.41</u>

The unaudited Condensed Consolidated Statement of Financial Position should be read in conjunction with the Audited Financial Statements for year ended 31 May 2013.

REDTONE INTERNATIONAL BERHAD

(Company No: 596364-U)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW FOR THE FIRST QUARTER ENDED 31 AUGUST 2013

	3 MONTHS CURRENT FINANCIAL PERIOD 1 Jun 2013 to 31 Aug 2013 RM'000	3 MONTHS PRECEDING FINANCIAL PERIOD 1 Jun 2012 to 31 Aug 2012 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	4,656	1,884
Adjustments for:		
Non cash items	2,343	1,817
Non operating items	(10)	113
Operating profit before working capital changes	6,989	3,814
Net changes in current assets	(22,664)	(5,614)
Net changes in current liabilities	15,068	1,214
	(607)	(586)
Interest paid	(201)	(267)
Tax refunded	2	-
Tax paid	(757)	(54)
NET CASH USED IN OPERATING ACTIVITIES	(1,563)	(907)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest income received	211	154
Acquisition of subsidiaries, net of cash acquired	(591)	-
Purchase of other investments	-	11
Purchase of property, plant and equipment	(690)	(201)
Expenditure of intangible assets	(925)	(311)
NET CASH USED IN INVESTING ACTIVITIES	(1,995)	(347)
CASH FLOWS FROM FINANCING ACTIVITIES		
Purchase of treasury shares	(8)	(19)
Proceeds from disposed of treasury shares	3,938	-
Repayment of finance lease payables	(26)	(208)
Repayment of term loans	(27)	(26)
Repayment of hire purchase payables	-	(6)
Proceeds from exercise of employee share options	364	281
Proceeds from exercise of warrants	363	-
NET CASH GENERATED FROM FINANCING ACTIVITIES	4,604	22
NET DECREASE IN CASH AND CASH EQUIVALENTS	1,046	(1,232)
EFFECTS OF EXCHANGE RATE CHANGES	1,110	133
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	33,305	19,148
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	35,461	18,049
Cash and cash equivalents comprise of:		
Cash and bank balances	9,523	4,679
Deposits with licensed banks	29,285	16,462
	38,808	21,141
Bank overdraft	(3,347)	(3,092)
Total cash and cash equivalents	35,461	18,049

The unaudited Condensed Consolidated Cash Flow Statement of the Financial position should be read in conjunction with the Audited Financial Statements for year ended 31 May 2013.

REDTONE INTERNATIONAL BERHAD

(Co number: 596364-U)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE FIRST QUARTER ENDED 31 AUGUST 2013

	←-----NON DISTRIBUTABLE-----→							DISTRIBUTABLE			TOTAL EQUITY	
	SHARE CAPITAL	TREASURY SHARES	ICULS	SHARE PREMIUM	FOREIGN EXCHANGE		WARRANTS RESERVE	ESOS RESERVE	RETAINED PROFIT/ ACCUMULATED LOSSES PROFIT	ATTRIBUTABLE TO OWNER OF THE COMPANY		NON-CONTROLLING INTERESTS
					TRANSLATION RESERVES	REVALUATION RESERVE						
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
At 1 June 2013	48,298	(1,950)	9,696	11,765	(1,427)	418	19,331	3,290	16,245	105,666	7,394	113,060
Foreign currency translation, net expense recognised directly in equity	-	-	-	-	1,533	-	-	-	-	1,533	1,183	2,716
Profit for the period	-	-	-	-	-	-	-	-	3,649	3,649	(509)	3,140
Total comprehensive income for the period	-	-	-	-	1,533	-	-	-	3,649	5,182	674	5,856
Treasury shares acquired	-	(8)	-	-	-	-	-	-	-	(8)	-	(8)
Resale of treasury shares	-	1,865	-	2,073	-	-	-	-	-	3,938	-	3,938
Exercise of warrants	145	-	-	390	-	-	(173)	-	-	362	-	362
Acquisition of remaining equity in subsidiaries from minority interest	-	-	-	223	-	-	-	-	-	223	2,256	2,479
Issuance of ordinary shares, pursuant to conversion of ICULS	715	-	(715)	-	-	-	-	-	-	-	-	-
Employee share options:-												
- Granted	-	-	-	537	-	-	-	228	-	765	-	765
- Exercised	252	-	-	-	-	-	-	(424)	-	(172)	-	(172)
At 31 Aug 2013	49,410	(93)	8,981	14,988	106	418	19,158	3,094	19,894	115,956	10,324	126,280

EDTONE INTERNATIONAL BERHAD

(Co number: 596364-U)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MAY 2013 (AUDITED)

	←-----NON DISTRIBUTABLE-----→							DISTRIBUTABLE (ACCUMULATED LOSSES)/		ATTRIBUTABLE TO OWNER OF THE THE COMPANY RM'000	NON- CONTROLLING INTERESTS RM'000	TOTAL EQUITY RM'000
	SHARE CAPITAL RM'000	TREASURY SHARES RM'000	ICULS RM'000	SHARE PREMIUM RM'000	FOREIGN EXCHANGE TRANSLATION RESERVES RM'000	REVALUATION RESERVE RM'000	WARRANTS RESERVE RM'000	ESOS RESERVE RM'000	RETAINED PROFITS RM'000			
At 1 June 2012	47,564	(349)	10,080	10,962	(1,056)	-	19,331	2,417	(8,847)	80,102	7,817	87,919
Profit after taxation for the financial year	-	-	-	-	-	-	-	-	25,092	25,092	70	25,162
Other comprehensive income for the financial year, net of tax:-												
- Revaluation of investment properties	-	-	-	-	-	418	-	-	-	418	-	418
- Foreign currency translation	-	-	-	-	(371)	-	-	-	-	(371)	(20)	(391)
Total comprehensive income for the period	-	-	-	-	(371)	418	-	-	25,092	25,139	50	25,189
Treasury shares:												
- Acquired	-	(1,706)	-	-	-	-	-	-	-	(1,706)	-	(1,706)
- Disposed of	-	105	-	85	-	-	-	-	-	190	-	190
Issuance of ordinary shares, pursuant to conversion of ICULS	385	-	(384)	(1)	-	-	-	-	-	-	-	-
Exercise of warrants	-	-	-	1	-	-	-	-	-	1	-	1
Employee share options:-												
- Granted	-	-	-	-	-	-	-	1,412	-	1,412	-	1,412
- Exercised	349	-	-	718	-	-	-	(539)	-	528	-	528
Accrediton arising from disposal of a subsidiary	-	-	-	-	-	-	-	-	-	-	(473)	(473)
At 31 May 2013	48,298	(1,950)	9,696	11,765	(1,427)	418	19,331	3,290	16,245	105,666	7,394	113,060

REDTONE INTERNATIONAL BERHAD
(Co number:596364-U)

A. NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE FIRST QUARTER ENDED 31 AUGUST 2013

A1. Basis of preparation

The interim financial report is unaudited and has been prepared in accordance with the requirements of the Malaysian Financial Reporting Standard (MFRS) 134: Interim Financial Reporting (previously known as FRS 134) 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 2013.

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 Group has not applied in advance the following accounting standards and interpretations (including the consequential amendments) that have been issued by the Malaysian Accounting Standards Board (MASB) but are not yet effective for the current financial year:

MFRS 9	Financial Instruments
MFRS 10	Consolidated Financial Statements
MFRS 11	Joint Arrangements
MFRS 12	Disclosure of Interests in Other Entities
MFRS 13	Fair Value Measurements
MFRS 119	Employee Benefits
MFRS 127	Separate Financial Statements
MFRS 128	Investments in Associates and Joint Ventures
Amendments to MFRS 7: Disclosures - Offsetting Financial Assets and Financial Liabilities	
Amendments to MFRS 9: Mandatory Effective Date of MFRS9 and Transition Disclosures	
Amendments to MFRS 10, MFRS 11 and MFRS 12: Transition Guidance	
Amendments to MFRS 10, MFRS 12 and MFRS 127: Investment Entities	
Amendments to MFRS 101: Presentation of Items of Other Comprehensive Income	
Amendments to MFRS 132: Offsetting Financial Assets and Financial Liabilities	
IC Interpretation 20 Stripping Costs in the Production Phase of a Surface Mine	
Annual Improvements to MFRSs 2009 - 2011 Cycle	

The above accounting standards and interpretations (including the consequential amendments) are not relevant to the Group's operations.

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 2013.

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 August 2013.

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 3 July 2013, the Company incorporated a 70%-owned subsidiary in Malaysia, namely REDtone MEX Sdn Bhd ("RMSB"). RMSB is currently dormant and the intended principal activity is to provide tele-health services.

On 25 July 2013, the Company's wholly-owned subsidiary, REDtone Technology Sdn Bhd had entered into a Share Sale Agreement with TSM Global Berhad ("TSM") for the acquisition of the remaining 700,001 ordinary shares of RM1.00 each, representing 50% of the total paid-up capital of Meridianotch Sdn Bhd ("MSB") from TSM for a total cash consideration of RM490,001 ("Acquisition").

Upon completion of the Acquisition, MSB will be a wholly-owned subsidiary of REDtone.

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 August 2013 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 1.6.2013	482,978,925	48,297,893
Arising from conversion of ICULS	7,153,420	715,342
Arising from exercise of Warrants	1,351,600	135,160
Arising from exercise of ESOS	2,620,000	262,000
Share capital as at 31.8.2013	<u>494,103,945</u>	<u>49,410,395</u>

(b) Share buy-back

During the quarter ended 31 August 2013, the Company purchased to total of 10,000 shares under the share buyback scheme at an average cost of RM0.79 per ordinary share for a total cash consideration of RM7,957 which includes transaction costs, and was financed by Company's internally generated funds. They are held as treasury shares in accordance with Section 67A of the Companies Act, 1965 and stated at cost. During the quarter ended 31 August 2013, the Company also resold 5,452,800 treasury shares for a total consideration of RM3,938,193. At as the end of the quarter under review, a total 10,000 shares of RM 0.10 each were held as treasury shares in accordance with Section 67A of the Companies Act, 1965.

A10. Contingent liabilities

Contingent Liabilities of the Group comprise the following:-

	RM'000
<u>Secured</u>	
Bank guarantee given to third parties for infrastructure works	<u>15,333</u>

A11. Off balance sheet financial instruments

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

A12. Dividends

During the quarter ended 31 August 2013, the Board of Directors had declared a single tier interim dividend of 1.5 sen per ordinary share in respect of the financial year ended 31 May 2013 and is payable on 31 October 2013.

A13. Material events subsequent to the end of the reporting period

There were no material transactions or events subsequent to the current quarter ended 31 2013 (the latest practicable date which is not earlier than 7 days from the date of issue of this quarterly report).

A14. Segment information

A) The segment information for the reportable segments by country for the three months ended 31 August 2013 and its comparative figures are as follows:-

	Malaysia RM'000	Singapore RM'000	The People's Republic Of China RM'000	Total RM'000
For the 3 months ended 31 August 2013				
Revenue	31,310	-	4,800	36,110
Cost of sales	(20,364)	-	(2,621)	(22,985)
Gross profit	10,946	-	2,179	13,125
Other income	780	-	-	780
Expenses	(5,964)	(32)	(1,297)	(7,293)
EBITDA	5,762	(32)	882	6,612
Interest (expense)/income, net	(172)	-	136	(36)
Depreciation and amortisation	(1,500)	-	(420)	(1,920)
Profit/(loss) before taxation	4,090	(32)	598	4,656
Income tax expenses	(512)	-	14	(498)
Profit/(loss) after taxation	3,578	(32)	612	4,158

	Malaysia RM'000	Singapore RM'000	The People's Republic Of China RM'000	Total RM'000
For the 3 months ended 31 August 2012				
Revenue	24,011	1	6,658	30,670
Cost of sales	(15,785)	-	(4,678)	(20,463)
Gross profit	8,226	1	1,980	10,207
Other income	401	-	16	417
Expenses	(4,973)	(119)	(1,710)	(6,802)
EBITDA	3,654	(118)	286	3,822
Interest (expenses)/income, net	(215)	-	84	(131)
Depreciation and amortisation	(1,411)	-	(396)	(1,807)
Profit/(loss) before taxation	2,028	(118)	(26)	1,884
Income tax expenses	165	-	(45)	120
Profit/(loss) after taxation	2,193	(118)	(71)	2,004

B) The segment information for the reportable segments by line of business for the three months ended 31 August 2013 and its comparative figures are as follows:-

	UNAUDITED Individual Quarter 1 Jun 2013 to 31 Aug 2013 RM'000	AUDITED Individual Quarter 1 Jun 2012 to 31 Aug 2012 RM'000	UNAUDITED Cumulative Quarter 1 Jun 2013 to 31 Aug 2013 RM'000	AUDITED Cumulative Quarter 1 Jun 2012 to 31 Aug 2012 RM'000
<u>Revenue by line of business:-</u>				
Voice	13,620	17,719	13,620	18,151
Data	22,436	11,371	22,436	11,371
Others	54	1,580	54	1,148
	36,110	30,670	36,110	30,670
<u>Gross profit by line of business:-</u>				
Voice	3,812	3,879	3,812	3,879
Data	9,282	5,215	9,282	5,215
Others	31	1,113	31	1,113
	13,125	10,207	13,125	10,207

A15 Other income

	UNAUDITED Individual Quarter 1 Jun 2013 to 31 Aug 2013 RM'000	AUDITED Individual Quarter 1 Jun 2012 to 31 Aug 2012 RM'000	UNAUDITED Cumulative Quarter 1 Jun 2013 to 31 Aug 2013 RM'000	AUDITED Cumulative Quarter 1 Jun 2012 to 31 Aug 2012 RM'000
Net gain on conversation and amortisation of irredeemable convertible unsecured loan stock	308	137	308	137
Miscellaneous income	472	280	472	280
	<u>780</u>	<u>417</u>	<u>780</u>	<u>417</u>

A16 Interest expenses (net)

	UNAUDITED Individual Quarter 1 Jun 2013 to 31 Aug 2013 RM'000	AUDITED Individual Quarter 1 Jun 2012 to 31 Aug 2012 RM'000	UNAUDITED Cumulative Quarter 1 Jun 2013 to 31 Aug 2013 RM'000	AUDITED Cumulative Quarter 1 Jun 2012 to 31 Aug 2012 RM'000
Breakdown:				
Finance income	211	155	211	155
Interest charges	(93)	(105)	(93)	(105)
Term loan interest	(12)	(12)	(12)	(12)
Hire purchase interest	-	(1)	-	(1)
ICULS	(142)	(168)	(142)	(168)
	(247)	(286)	(247)	(286)
	<u>(36)</u>	<u>(131)</u>	<u>(36)</u>	<u>(131)</u>

A17 Profit before taxation

	UNAUDITED Individual Quarter 1 Jun 2013 to 31 Aug 2013 RM'000	AUDITED Individual Quarter 1 Jun 2012 to 31 Aug 2012 RM'000	UNAUDITED Cumulative Quarter 1 Jun 2013 to 31 Aug 2013 RM'000	AUDITED Cumulative Quarter 1 Jun 2012 to 31 Aug 2012 RM'000
Audit fee	86	130	86	130
Amortisation of development cost	463	494	463	494
Bad debts write back	-	(3)	-	(3)
Depreciation of property, plant and equipment	1,457	1,313	1,457	1,313
Loss on foreign exchange				
- realised	31	20	31	20
- unrealised	270	392	270	392
Write back on impairment loss of trade receivables	-	(44)	-	(44)
Salaries, wages and allowances	3,201	2,739	3,201	2,739
	<u>5,018</u>	<u>4,851</u>	<u>5,018</u>	<u>4,851</u>

A18 Taxation

	UNAUDITED Individual Quarter 1 Jun 2013 to 31 Aug 2013 RM'000	AUDITED Individual Quarter 1 Jun 2012 to 31 Aug 2012 RM'000	UNAUDITED Cumulative Quarter 1 Jun 2013 to 31 Aug 2013 RM'000	AUDITED Cumulative Quarter 1 Jun 2012 to 31 Aug 2012 RM'000
Tax refunded	2	199	2	199
Current period provision	(500)	(79)	(500)	(79)
	<u>(498)</u>	<u>120</u>	<u>(498)</u>	<u>120</u>

A19. Profit per share

Basic profit per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the period.

	UNAUDITED Individual Quarter 1 Jun 2013 to 31 Aug 2013	AUDITED Individual Quarter 1 Jun 2012 to 31 Aug 2012	UNAUDITED Cumulative Quarter 1 Jun 2013 to 31 Aug 2013	AUDITED Cumulative Quarter 1 Jun 2012 to 31 Aug 2012
Basic profit per share				
Profit attributable to equity holders of the company (RM'000)	3,649	2,008	3,649	2,008
Weighted average number of ordinary shares in issue ('000)	494,104	478,743	494,104	478,743
Basic profit per share (sen)	0.74	0.42	0.74	0.42

A20. Other investments

	UNAUDITED 31 Aug 2013 RM'000	AUDITED 31 May 2013 RM'000
Unquoted in Malaysia		
Investment in unquoted shares, at cost	50	50
Unquoted outside Malaysia		
Investment in trust fund, at cost	1	1
Total other investments as at 31 August 2013	51	51

A21. Group Borrowings

Total borrowings of the Group are as follows:

	UNAUDITED 31 Aug 2013 RM'000	AUDITED 31 May 2013 RM'000
<u>Total Secured Borrowings:-</u>		
Leasing facility from Cisco System Capital Sdn. Bhd. which are denominated in Ringgit Malaysia	377	403
Fixed loan facility from Public Bank Bhd. which are denominated in Ringgit Malaysia	1,924	1,952
Bank overdraft from HSBC Bank Malaysia Berhad, which are denominated in Ringgit Malaysia	3,347	3,293
	5,648	5,648

A22. Trade receivables

Receivables mainly due from progressive billings for major government projects as well as data projects.

A23. Other payables and accruals

Other payables and accruals of the Group are as follows:

	UNAUDITED 31 Aug 2013 RM'000	AUDITED 31 May 2013 RM'000
Other payables	3,426	4,408
Accruals	17,688	5,683
USP fund	8,070	8,035
Advances for projects	24,750	24,750
	53,934	42,876

The advances for projects comprise receipts for future projects which, on completion of those projects, will be recognised as revenue.

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

B1. Review of group performance for first quarter ended 31 August 2013

For the quarter under review, the Group reported a revenue of RM36.11 million, representing an increase of RM5.44 million as compared to preceding year's corresponding quarter, mainly due to the increase in data revenue in Q1 FYE 2014.

The Group's profit before taxation for Q1 FYE 2014 was RM4.66 million as compared to profit before taxation of RM1.88 million for the preceding year's corresponding quarter. It represents an increase in profit before tax of RM2.78 million. The improvement in profit was mainly due to the higher data revenue.

B2. Prospects and business outlook

The Group achieved remarkable performance in FYE2013 through its success in the data and broadband business. Data and broadband services, which includes the Group's WiFi hotspots, is expected to be the main contributor to the Group's profit for FYE 2014, while the voice business segment will continue to be the Group's cash cow.

The Group intends to continue to build its success as a data and broadband solutions provider by actively tendering projects from the government sectors and telco industry, as well as securing more small and medium enterprise (SME) customers.

The Group's profit for FYE 2014 will be strengthened by collaboration with Maxis Broadband Sdn Bhd on its Network Sharing and Alliance Agreement and is expected to contribute positively to the Group's earnings for the next 10 years. Its collaboration with Telekom Malaysia on its High-Speed Broadband services is also expected to yield positive results.

In addition, the Group had recently incorporated a 70%-owned subsidiary in Malaysia, namely REDtone MEX Sdn Bhd ("RMSB"). RMSB is currently dormant and the intended principal activity is to provide tele-health services.

The Group expects limited growth prospects from the discounted voice call business and distribution of prepaid and reload services in China. Nevertheless, this segment continues to generate solid cash flow to the Group.

B3. Material changes in profit before taxation compared to the preceding quarter

	1st Quarter 31 Aug 13 RM'000	4th Quarter 31 May 13 RM'000
Revenue	<u>36,110</u>	<u>44,219</u>
Profit before taxation and non-controlling interest	<u>4,656</u>	<u>21,328</u>

In Q1 FYE 2014, the Group registered a turnover of RM36.11 million compared to RM44.22 million for the quarter ended 31 May 2013 ("Q4 FYE 2013"). The decrease in turnover of approximately 18.34% is mainly due to the lower revenue derived from data projects in Q1 FYE 2014.

The Group recorded a profit before tax of RM4.66 million for Q1 FYE 2014 as compared to profit before tax of RM21.33 million for Q4 FYE 2013. The decrease in profit of RM16.67 million was mainly due to higher data revenue in Q4 FYE2013.

B4. Profit forecast

No profit forecast was announced.

B5. 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.

B6. Corporate proposals

There are no corporate developments for the current quarter under review.