

REDTONE INTERNATIONAL BERHAD

Incorporated in Malaysia: 596364-U

**QUARTERLY REPORT ON CONSOLIDATED RESULTS
FOR THE THIRD QUARTER ENDED 28 FEBRUARY 2013**

REDTONE INTERNATIONAL BERHAD

(Company No: 596364-U)

The Directors are pleased to announce the unaudited results for the third quarter ended 28 February 2013

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE THIRD QUARTER ENDED 28 FEBRUARY 2013**

	Note	UNAUDITED INDIVIDUAL QUARTER		UNAUDITED	AUDITED
		1 Dec 12 to 28 Feb 13 CURRENT QUARTER RM'000	1 Dec 11 to 29 Feb 12 PRECEDING CORRESPONDING QUARTER RM'000	1 Jun 12 to 28 Feb 13 CURRENT YEAR TO DATE RM'000	1 Jun 11 to 29 Feb 12 PRECEDING CORRESPONDING YEAR TO DATE RM'000
Revenue	A14 (B)	40,477	23,578	97,828	84,240
Cost of sales		(26,874)	(17,382)	(61,483)	(59,475)
Gross profit		13,603	6,196	36,345	24,765
Other income	A15	596	3,336	1,434	4,645
General and administrative expenses		(5,994)	(6,098)	(17,778)	(21,206)
Provisions		(268)	(130)	(1,980)	(705)
Gain/(loss) on foreign exchange		65	(198)	(18)	(140)
Earnings Before Interest, Tax, Depreciation And Amortisation		8,002	3,106	18,003	7,359
Interest income/(expenses) (net)	A16	43	(160)	(246)	(598)
Depreciation and amortisation		(1,804)	(2,058)	(5,421)	(6,431)
Profit before taxation	A17	6,241	888	12,336	330
Taxation	A18	(2,298)	(453)	(2,438)	(988)
Profit/(loss) for the period		3,943	435	9,898	(658)
Other comprehensive income/(expenses), net of tax - Foreign currency translation		199	(1,273)	(270)	(9)
Total comprehensive income/(expenses) for the financial period		4,142	(838)	9,628	(667)
<u>Profit/(loss) for the period attributable to:-</u>					
Equity holders of the company		3,924	427	9,906	(324)
Non-controlling interests		19	8	(8)	(334)
		3,943	435	9,898	(658)
<u>Total comprehensive income/(expenses) attributable to :-</u>					
Equity holders of the company		4,102	(846)	9,660	(394)
Non-controlling interests		40	8	(32)	(273)
		4,142	(838)	9,628	(667)
Basic Profit/(loss) per share (sen)	A19	0.82	0.10	2.07	(0.08)

The unaudited Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the Audited Financial Statements for year ended 31 May 2012.

REDTONE INTERNATIONAL BERHAD
(Company No: 596364-U)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 28 FEBRUARY 2013

	Note	UNAUDITED AS AT 28 Feb 2013 RM'000	AUDITED AS AT 31 May 2012 RM'000
ASSETS			
Non-Current Assets			
Investment in associates - quasi Loan		22,671	20,235
Property, plant and equipment		29,797	32,637
Investment property		1,129	1,129
Deferred tax assets		3,862	3,943
Other investment	A20	50	50
Goodwill		8,006	8,006
Development costs		9,932	10,567
Other receivables		14,586	14,586
		<u>90,033</u>	<u>91,153</u>
Current Assets			
Inventories		657	672
Trade receivables	A22	35,725	13,288
Other receivables, deposits and prepayments	A22	21,607	12,905
Other investment	A20	-	999
Deposits with licensed banks		26,094	17,524
Cash and bank balances		8,784	4,065
		<u>92,867</u>	<u>49,453</u>
TOTAL ASSETS		<u>182,900</u>	<u>140,606</u>
EQUITY AND LIABILITIES			
Equity			
Share capital		48,083	47,564
Treasury shares		(1,271)	(349)
Reserves		42,423	32,887
Total Equity Attributable To Owners Of The Company		<u>89,235</u>	<u>80,102</u>
Non-controlling interests		7,785	7,817
Total Equity		<u>97,020</u>	<u>87,919</u>
Non-Current Liabilities			
Irredeemable convertible unsecured loan stocks ("ICULS")		3,249	3,576
Finance lease payables	A21	326	403
Hire purchase payables	A21	-	42
Term loans	A21	1,819	1,900
Deferred taxation		72	106
		<u>5,466</u>	<u>6,027</u>
Current Liabilities			
Deferred income		6,742	7,622
Trade payables		27,854	17,162
Other payables and accruals	A23	41,400	17,280
Finance lease payables	A21	103	428
Hire purchase payables	A21	-	27
Term loans	A21	109	109
Provision for taxation		4,002	1,591
Bank overdraft	A21	204	2,441
		<u>80,414</u>	<u>46,660</u>
Total Liabilities		<u>85,880</u>	<u>52,687</u>
TOTAL EQUITY AND LIABILITIES		<u>182,900</u>	<u>140,606</u>
Net assets per share (sen)		<u>20.18</u>	<u>18.48</u>

The unaudited Condensed Consolidated Statement of Financial Position should be read in conjunction with the Audited Financial Statements for year ended 31 May 2012.

REDTONE INTERNATIONAL BERHAD

(Company No: 596364-U)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW FOR THE THIRD QUARTER ENDED 28 FEBRUARY 2013

	9 MONTHS CURRENT FINANCIAL PERIOD 1 Jun 12 to 28 Feb 13 RM'000	9 MONTHS PRECEDING FINANCIAL PERIOD 1 Jun 11 to 29 Feb 12 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	12,336	330
Adjustments for:		
Non cash items	7,369	5,104
Non operating items	167	421
Operating profit before working capital changes	19,872	5,855
Net changes in current assets	(33,035)	(6,059)
Net changes in current liabilities	31,491	3,104
	18,328	2,900
Interest paid	(768)	(830)
Tax refunded	232	-
Tax paid	(569)	(782)
NET CASH GENERATED FROM OPERATING ACTIVITIES	17,223	1,288
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest income received	601	410
Net proceeds from disposal of subsidiaries, net of cash and cash equivalent	-	(84)
Proceeds from exercise of warrants	1	-
Proceeds from upliftment of structured fund investment	999	-
Proceeds from disposal of property, plant and equipment	54	-
Purchase of other investments	-	(64)
Purchase of property, plant and equipment	(1,148)	(5,613)
Expenditure of intangible assets	(877)	(651)
NET CASH USED IN INVESTING ACTIVITIES	(370)	(6,002)
CASH FLOWS FROM FINANCING ACTIVITIES		
Purchase of treasury shares	(922)	(38)
Repayment of finance lease payables	(403)	(2,273)
Repayment of term loans	(82)	(118)
Repayment of hire purchase payables	(69)	(23)
Proceeds from exercise of employee share options	379	1,207
NET CASH USED IN FINANCING ACTIVITIES	(1,097)	(1,245)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	15,756	(5,959)
EFFECTS OF EXCHANGE RATE CHANGES	(230)	(9)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	19,148	24,704
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	34,674	18,736
Cash and cash equivalents comprise of:		
Cash and bank balances	8,784	11,659
Deposits with licensed banks	26,094	10,063
	34,878	21,722
Bank overdraft	(204)	(2,986)
Total cash and cash equivalents	34,674	18,736

The unaudited Condensed Consolidated Cash Flow Statement should be read in conjunction with the Audited Financial Statements for year ended 31 May 2012.

REDTONE INTERNATIONAL BERHAD

(Co number: 596364-U)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE THIRD QUARTER ENDED 28 FEBRUARY 2013

<-----NON DISTRIBUTABLE----->

	SHARE CAPITAL	TREASURY SHARES	ICULS	SHARE PREMIUM	FOREIGN EXCHANGE TRANSLATION RESERVES	CAPITAL RESERVE	WARRANTS RESERVE	ESOS RESERVE	(ACCUMULATED LOSSES) /DISTRIBUTABLE RETAINED PROFIT	ATTRIBUTABLE TO OWNER OF THE THE COMPANY	NON- CONTROLLING INTERESTS	TOTAL EQUITY
	RM'000	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 2012	47,564	(349)	10,079	10,963	(1,056)	-	19,331	2,417	(8,847)	80,102	7,817	87,919
Foreign currency translation, net expense recognised directly in equity	-	-	-	-	(230)	-	-	-	-	(230)	(40)	(270)
Profit for the period	-	-	-	-	-	-	-	-	9,906	9,906	8	9,914
Total comprehensive income for the period	-	-	-	-	(230)	-	-	-	9,906	9,676	(32)	9,644
Treasury shares acquired	-	(922)	-	-	-	-	-	-	-	(922)	-	(922)
Issuance of ordinary shares, pursuant to conversion of ICULS	274	-	(274)	-	-	-	-	-	-	-	-	-
Issuance of ordinary shares, pursuant to exercise of ESOS	245	-	-	498	-	-	-	(364)	-	379	-	379
At 28 Feb 2013	48,083	(1,271)	9,805	11,461	(1,286)	-	19,331	2,053	1,059	89,235	7,785	97,020

REDTONE INTERNATIONAL BERHAD

(Co number: 596364-U)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MAY 2012 (AUDITED)

<-----NON DISTRIBUTABLE----->

	SHARE CAPITAL RM'000	TREASURY SHARES RM'000	ICULS RM'000	SHARE PREMIUM RM'000	FOREIGN EXCHANGE TRANSLATION RESERVES RM'000	CAPITAL RESERVE RM'000	WARRANTS RESERVE RM'000	ESOS RESERVE RM'000	ACCUMULATED LOSSES RM'000	ATTRIBUTABLE TO OWNER OF THE THE COMPANY RM'000	NON- CONTROLLING INTERESTS RM'000	TOTAL EQUITY RM'000
At 1 June 2011	44,778	(311)	12,007	9,403	(1,877)	343	19,331	1,721	(10,995)	74,400	7,013	81,413
Profit after taxation for the financial year	-	-	-	-	-	-	-	-	2,148	2,148	(288)	1,860
Other comprehensive income for the financial year, net of tax:- - Foreign currency translation	-	-	-	-	821	-	-	-	-	821	435	1,256
Total comprehensive income for the period	-	-	-	-	821	-	-	-	2,148	2,969	147	3,116
Treasury shares acquired	-	(38)	-	-	-	-	-	-	-	(38)	-	(38)
Issuance of ordinary shares, pursuant to conversion of ICULS	1,996	-	(1,928)	(68)	-	-	-	-	-	-	-	-
Employee share options:-												
- Granted	-	-	-	-	-	-	-	1,901	-	1,901	-	1,901
- Exercised	790	-	-	1,628	-	-	-	(1,205)	-	1,213	-	1,213
Accredition arising from disposal of a subsidiary	-	-	-	-	-	(343)	-	-	-	(343)	657	314
At 31 May 2012	47,564	(349)	10,079	10,963	(1,056)	-	19,331	2,417	(8,847)	80,102	7,817	87,919

The unaudited Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Audited Financial Statements for year ended 31 May 2012.

REDTONE INTERNATIONAL BERHAD
(Co number:596364-U)

A. NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE THIRD QUARTER ENDED 28 FEBRUARY 2013

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 2012.

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.

FRS9	Financial Instruments
FRS10	Consolidated Financial Statement
FRS11	Joint Arrangements
FRS12	Disclosure of Interest in Other Entities
FRS13	Fair Value Measurement
FRS119	(Revised) Employee Benefit
FRS127	(2011) Separate Financial Statements
FRS128	(2011) Investments in Associates and Joint Ventures
Amendments to FRS7 Disclosure -Offsetting Financial Assets and Financial Liabilities	
Amendments to FRS9 Mandatory Effective Date of FRS9 and Transition Disclosures	
Amendments to FRS101 (Revised) Presentation of Items of Other Comprehensive Income	
Amendments to FRS132 Offsetting Financial Assets and Financial Liabilities	
IC Interpretation 20 Stripping Cost in the Production Phase of a Surface Mine	

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 2012.

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 28 February 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.

A8. Seasonality or cyclical 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 28 February 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 1.12.2012	479,708,825	47,970,883
Arising from conversion of ICULS	98,000	9,800
Arising from exercise of Warrants	-	-
Arising from exercise of ESOS	<u>1,023,000</u>	<u>102,300</u>
Share capital as at 28.2.2013	<u>480,829,825</u>	<u>48,082,983</u>

(b) Share buy-back

During the quarter ended 28 February 2013, the Company purchased a total of 2,877,400 shares under the share buyback scheme at an average cost of RM0.396 per ordinary share for a total cash consideration of RM1,140,174.98 which include transaction costs, and was financed by Company's internally generated funds. Shares purchased to date totalling 4,093,300 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:-

	RM'000
<u>Secured</u>	
Bank guarantee given to third parties for infrastructure works	<u>1,576</u>

A11. Off balance sheet financial instruments

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

A12. Dividends

There were no dividends declared or paid by the company for the current quarter under review.

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

There were no material transactions or events subsequent to the current quarter ended 28 February 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 nine months ended 28 February 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 9 months ended 28 February 2013				
Revenue	80,017	3	17,808	97,828
Cost of sales	(49,397)	(1)	(12,085)	(61,483)
Gross profit	30,620	2	5,723	36,345
Other income	1,312	-	122	1,434
Expenses	(15,804)	(91)	(3,881)	(19,776)
EBITDA	16,128	(89)	1,964	18,003
Interest (expense)/income, net	(558)	(2)	314	(246)
Depreciation and amortisation	(4,245)	-	(1,176)	(5,421)
Profit/(loss) before taxation	11,325	(91)	1,102	12,336
Income tax refunded/(expenses)	(1,922)	-	(516)	(2,438)
Profit/(loss) after taxation	9,403	(91)	586	9,898

	Malaysia RM'000	Singapore RM'000	The People's Republic Of China RM'000	Total RM'000
For the 9 months ended 29 February 2012				
Revenue	64,269	7	19,964	84,240
Cost of sales	(47,418)	(10)	(12,047)	(59,475)
Gross profit	16,851	(3)	7,917	24,765
Other income	4,313	-	332	4,645
Expenses	(16,725)	(155)	(5,171)	(22,051)
EBITDA	4,439	(158)	3,078	7,359
Interest (expenses)/income, net	(797)	-	199	(598)
Depreciation and amortisation	(5,287)	-	(1,144)	(6,431)
(Loss)/profit before taxation	(1,645)	(158)	2,133	330
Income tax expenses	(233)	(5)	(750)	(988)
(Loss)/profit after taxation	(1,878)	(163)	1,383	(658)

B) The segment information for the reportable segments by line of business for the nine months ended 28 February 2013 and its comparative figures are as follows:-

	UNAUDITED Individual Quarter		UNAUDITED Cumulative Quarter	
	1 Dec 12 to 28 Feb 13 RM'000	1 Dec 11 to 29 Feb 12 RM'000	1 Jun 12 to 28 Feb 13 RM'000	1 Jun 11 to 29 Feb 12 RM'000
<u>Revenue by line of business:-</u>				
Voice	13,459	17,880	45,811	59,409
Data	23,975	3,536	45,402	20,970
Digital television services	-	171	-	176
Others	3,043	1,991	6,615	3,685
	40,477	23,578	97,828	84,240
<u>Profit/(loss) before taxation by line of business:-</u>				
Voice	2,247	1,314	5,777	2,850
Data	3,386	361	5,725	1,006
Digital television services	-	(901)	-	(3,703)
Others	608	114	834	177
	6,241	888	12,336	330

A15 Other income

	UNAUDITED		UNAUDITED	AUDITED
	Individual Quarter		Cumulative Quarter	
	1 Dec 12 to	1 Dec 11 to	1 Jun 12 to	1 Jun 11 to
	28 Feb 13	29 Feb 12	28 Feb 13	29 Feb 12
	RM'000	RM'000	RM'000	RM'000
Net gain from de-consolidation arising from divestment of subsidiary companies	-	2,442	-	2,442
Net income from investment in trust fund	-	109	-	143
Net gain on conversion and amortisation of irredeemable convertible unsecured loan stock	80	162	327	753
Gain on disposal of fixed asset	18	-	-	-
Miscellaneous income	498	623	1,107	1,307
	<u>596</u>	<u>3,336</u>	<u>1,434</u>	<u>4,645</u>

A16 Interest income/(expenses) (net)

	UNAUDITED		UNAUDITED	AUDITED
	Individual Quarter		Cumulative Quarter	
	1 Dec 12 to	1 Dec 11 to	1 Jun 12 to	1 Jun 11 to
	28 Feb 13	29 Feb 12	28 Feb 13	29 Feb 12
	RM'000	RM'000	RM'000	RM'000
Breakdown:				
Finance income	321	126	601	410
Finance expense :				
Interest charges	(93)	(115)	(302)	(435)
Term loan interest	(12)	(12)	(36)	(36)
Hire purchase interest	(5)	(1)	(7)	(3)
ICULS liability component interest	(168)	(158)	(502)	(534)
	(278)	(286)	(847)	(1,008)
	<u>43</u>	<u>(160)</u>	<u>(246)</u>	<u>(598)</u>

A17 Profit/(loss) before taxation

	UNAUDITED		UNAUDITED	AUDITED
	Individual Quarter		Cumulative Quarter	
	1 Dec 12 to	1 Dec 11 to	1 Jun 12 to	1 Jun 11 to
	28 Feb 13	29 Feb 12	28 Feb 13	29 Feb 12
	RM'000	RM'000	RM'000	RM'000
Audit fee	75	109	375	564
Amortisation of development cost	513	718	1,512	2,447
Bad debts (write back)/written off	-	-	(4)	41
Depreciation of property, plant and equipment	1,291	1,339	3,909	3,984
(Gain)/loss on foreign exchange				
- realised	(8)	(3)	41	72
- unrealised	(58)	201	(23)	68
Impairment loss/(write back) on trade receivables	125	(7)	52	200
Impairment loss on other receivables	-	-	1,500	-
Salaries, wages and allowances	3,041	3,182	8,417	10,333
	<u>3,041</u>	<u>3,182</u>	<u>8,417</u>	<u>10,333</u>

A18 Taxation

	UNAUDITED		UNAUDITED	AUDITED
	Individual Quarter		Cumulative Quarter	
	1 Dec 12 to	1 Dec 11 to	1 Jun 12 to	1 Jun 11 to
	28 Feb 13	29 Feb 12	28 Feb 13	29 Feb 12
	RM'000	RM'000	RM'000	RM'000
Tax refunded	33	-	232	-
Current period provision	(2,331)	(453)	(2,670)	(988)
	<u>(2,298)</u>	<u>(453)</u>	<u>(2,438)</u>	<u>(988)</u>

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

A19. Profit/(loss) per share

Basic profit/(loss) 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		UNAUDITED	AUDITED
	1 Dec 12 to 28 Feb 13	1 Dec 11 to 29 Feb 12	1 Jun 12 to 28 Feb 13	1 Jun 11 to 29 Feb 12
Basic (loss)/profit per share				
Profit/(loss) attributable to equity holders of the company	3,924	427	9,906	(324)
Weighted average number of ordinary shares in issue ('000)	479,151	462,766	479,151	462,766
Basic profit/(loss) per share (sen)	<u>0.82</u>	<u>0.10</u>	<u>2.07</u>	<u>(0.08)</u>

A20. Other investments

	UNAUDITED 28 Feb 13 RM'000	AUDITED 31 May 12 RM'000
Unquoted in Malaysia Investment in unquoted shares, at cost	50	50
Unquoted outside Malaysia Investment in trust fund, at cost	-	999
Total other investments as at 28 February 2013	<u>50</u>	<u>1,049</u>

A21. Group borrowings

As at 28 February 2013, total borrowings of the Group are as follows:

	UNAUDITED 28 Feb 13 RM'000	AUDITED 31 May 12 RM'000
<u>Total Secured Borrowings:-</u>		
Leasing facility from IBM Malaysia Sdn. Bhd. and Cisco System Capital Sdn. Bhd. which are denominated in Ringgit Malaysia	429	831
Fixed loan facility from Public Bank Bhd. which are denominated in Ringgit Malaysia	1,928	2,009
Hire purchase facility from Public Bank Bhd. which are denominated in Ringgit Malaysia	-	69
Bank overdraft from HSBC Bank Malaysia Berhad, which are denominated in Ringgit Malaysia	<u>204</u>	<u>2,441</u>
	<u>2,561</u>	<u>5,350</u>

A22. Receivables

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

A23. Other payables and accruals

As at 28 February 2013, other payables and accruals of the Group are as follows:

	UNAUDITED 28 Feb 13 RM'000	AUDITED 31 May 12 RM'000
Other payables	3,173	5,643
Accruals	5,519	3,842
USOF	7,958	7,577
Advances for projects	<u>24,750</u>	<u>218</u>
	<u>41,400</u>	<u>17,280</u>

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 third quarter ended 28 February 2013

For the quarter under review, the Group reported a revenue of RM40.48 million, representing an increase of RM16.90 million as compared to preceding year's corresponding quarter, mainly due to the increase in data revenue in Q3 FYE 2013.

The Group's profit before taxation for Q3 FYE 2013 was RM6.24 million as compared to profit before taxation of RM0.89 million for the preceding year's corresponding quarter. It represents an increase in profit before tax of RM5.35 million. The significant improvement in profit was mainly due to the divestment of non-core and loss making business within the Group as well as higher data revenue.

B2. Prospects and business outlook

The Board of Directors is pleased to announce that the Group's repositioning from primarily a voice business to data and broadband has again shown positive results in Q3 FYE 2013. After recording losses for the past four years, the Group returned to profitability since Q4 FYE 2012.

For the current financial year ending 31 May 2013 ("FYE 2013"), the Board has put in place a few strategies to further improve the Group's profit. Data and broadband services, which includes the Group's approximately 4,500 Wifi hotspots, will continue to be the main contributor to the Group's profit for FYE 2013, while the voice business segment will continue to be the Group's cash cow.

The Group's profit for FYE 2013 will be further strengthened by its collaboration with Telekom Malaysia on its High-Speed Broadband services and the recent network sharing and alliance agreement with Maxis Broadband Sdn Bhd. The Group expects the network sharing and alliance to contribute positively to the Group's earning for FYE 2013 and for the next 10 years.

In addition, the Group was recently awarded numerous major Wifi and government projects which provides a steady stream of revenue and is expected to be the driving force for more profitability to the Group. The Group will continue to participate actively in tender for government data and broadband projects that gives high yields. The Group's China operations faced stiff competition but will continue to contribute to the Group's profit and cash flow.

Subject to a favourable outcome of the business plans and strategies outlined above, the Group expects the overall results and cash flows for FYE 2013 to be positive with stronger growth numbers compared to the results in financial year ended 31 May 2012.

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

	3rd Quarter 28 Feb 13 RM'000	2nd Quarter 30 Nov 12 RM'000
Revenue	<u>40,477</u>	<u>26,681</u>
Profit before taxation and non-controlling interest	<u>6,241</u>	<u>4,210</u>

In Q3 FYE 2013, the Group registered a turnover of RM40.48 million compared to RM26.69 million for the quarter ended 30 November 2012 ("Q2 FYE 2013"). The increase in turnover of approximately 52% is mainly due to the higher revenue derived from data projects in Q3 FYE 2013.

The Group recorded a profit before tax of RM6.24 million for Q3 FYE 2013 as compared to profit before tax of RM4.21 million for Q2 FYE 2013. The increase in profit for RM2.03 million was mainly due to the increase in data revenue.

B4. Profit forecast

No profit forecast was announced.

B5. Profit on sale of unquoted investments and/or properties

During the quarter ended 28 February 2013, the Company uplifted the unquoted investment in trust fund at cost of RM998,531.

B6. Material litigation

On 30 August 2010, the Company announced that Redtone Technology Sdn Bhd ("RT") and Redtone Telecommunications Sdn Bhd ("RTC") 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 ("Quantum") for the acquisition of Redtone Telecommunications (Pakistan) Pte Ltd.

A sole arbitrator was appointed on 1 March 2011 for the above-mentioned arbitration. RT and RTC filed a statement of claim on 25 May 2011 and Quantum filed a counterclaim against RT and RTC on 6 September 2011. RT and RTC filed their response and defence to the counterclaim on 19 April 2012 and had meanwhile also sought directions from the Arbitrator on amending their Statement of Claims to include an additional claim and is now awaiting the Arbitrator's directions for the additional inclusion. In the meantime, Quantum had filed their Response and Counterclaim dated 15 October 2012 to address the amendments proposed by RT and RTC to the Statement of Claim. Between late January 2013 and April 2013, the parties have filed their respective witness statements in the form of affidavits; additional witness statements may be filed in the near future. Thereafter, the Arbitrator will issue further directions on the conduct of the arbitration.

B7. Corporate proposals

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

- 1) On 6 December 2012, the Company announced that its wholly-owned subsidiary, REDtone Marketing Sdn Bhd ("RMSB") had received a letter from Malaysian Communications and Multimedia Commission ("MCMC") dated 5 December 2012 informing RMSB that the Frequency Division Duplex spectrum band from 2500 MHz to 2510 MHz paired with 2620 MHz to 2630 MHz has been allocated to RMSB for the purpose of providing Mobile Broadband Wireless Access services.

B8. Utilisation of rights proceeds

The Proceeds from the Rights Issue were fully utilized as at 31 August 2012.

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