

REDTONE INTERNATIONAL BERHAD

Incorporated in Malaysia: 596364-U

QUARTERLY REPORT ON CONSOLIDATED RESULTS
FOR THE SECOND QUARTER ENDED 30 NOVEMBER 2011

REDTONE INTERNATIONAL BERHAD

(Company No: 596364-U)

The Directors are pleased to announce the unaudited results for the second quarter ended 30 November 2011

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SECOND QUARTER ENDED 30 NOVEMBER 2011**

	Note	UNAUDITED INDIVIDUAL QUARTER		UNAUDITED CUMULATIVE QUARTER	
		1 Sept 11 to 30 Nov 11 CURRENT QUARTER RM'000	1 Sept 10 to 30 Nov 10 PRECEDING YEAR CORRESPONDING QUARTER RM'000	1 Jun 11 to 30 Nov 11 CURRENT YEAR TO DATE RM'000	1 Jun 10 to 30 Nov 10 PRECEDING YEAR CORRESPONDING YEAR TO DATE RM'000
Revenue	A12	35,959	21,560	60,662	45,472
Profit From Operations		2,428	1,447	4,253	3,267
Finance (Expenses)/Income (Net)		(140)	56	(438)	(247)
Depreciation And Amortisation		(2,157)	(1,984)	(4,373)	(3,935)
Profit/(Loss) Before Taxation	B1	131	(481)	(558)	(915)
Taxation	B5	(354)	(442)	(535)	(871)
Loss After Taxation		(223)	(923)	(1,093)	(1,786)
Other Comprehensive Income/(Expenses), Net of tax - Foreign Currency Translation		1,729	(492)	1,264	(1,126)
Total Comprehensive Income/(Expenses) For the Financial Period		1,506	(1,415)	171	(2,912)
Loss After Taxation					
Attributable to:-					
Equity Holders Of The Company		(82)	(915)	(751)	(1,779)
Non-controlling interests		(141)	(8)	(342)	(7)
		(223)	(923)	(1,093)	(1,786)
Total Comprehensive Income/(Expenses)					
Attributable to:-					
Equity Holders Of The Company		1,647	(1,407)	513	(2,905)
Non-controlling interests		(141)	(8)	(342)	(7)
		1,506	(1,415)	171	(2,912)
Basic Loss Per Share (Sen)	B9	(0.02)	(0.23)	(0.17)	(0.45)

The Unaudited Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the Audited Financial Statements for year ended 31 May 2011.

REDTONE INTERNATIONAL BERHAD
(Company No: 596364-U)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 NOVEMBER 2011

		UNAUDITED	AUDITED
	Note	AS AT 30 Nov 2011 RM'000	AS AT 31 May 2011 RM'000
ASSETS			
Non-Current Assets			
Property, Plant And Equipment		37,166	34,279
Investment Property		1,039	1,039
Investment In Associates - Quasi Loan		18,204	16,502
Other Investment	B7	50	10
Intangible Assets		23,973	24,772
Deferred Tax Assets		4,518	4,668
		84,950	81,270
Current Assets			
Inventories		1,968	2,308
Trade And Other Receivables		29,744	21,740
Tax Recoverable		4	386
Other Investment	B7	3,534	934
Cash And Cash Equivalents		20,560	27,927
		55,810	53,295
TOTAL ASSETS		140,760	134,565
EQUITY AND LIABILITIES			
Equity Attributable To Equity Holders Of The Company			
Share Capital		46,642	44,778
Treasury shares		(346)	(311)
ICULS - Equity Component		10,438	12,007
Reserves		18,727	17,926
		75,461	74,400
Non-controlling Interests		6,671	7,013
Total Equity		82,132	81,413
Non-Current Liabilities			
ICULS - Liability Component		4,001	4,555
Deferred Tax Liabilities		128	148
Borrowings	B12	1,867	2,508
		5,996	7,211
Current Liabilities			
Deferred Income		8,899	7,968
Trade And Other Payables		38,186	32,045
Current Tax Payables		904	614
Bank Overdraft		3,596	3,223
Borrowings	B12	1,047	2,091
		52,632	45,941
Total Liabilities		58,628	53,152
TOTAL EQUITY AND LIABILITIES		140,760	134,565
Net Assets Per Share (Sen)		17.61	18.18

The Unaudited Condensed Consolidated Statement of Financial Position should be read in conjunction with the Audited Financial Statements for year ended 31 May 2011.

REDTONE INTERNATIONAL BERHAD

(Co number:596364-U)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW FOR THE SECOND QUARTER ENDED 30 NOVEMBER 2011

	6 MONTHS CURRENT FINANCIAL PERIOD 1 Jun 11 to 30 Nov 11 RM'000	6 MONTHS PRECEDING FINANCIAL PERIOD 1 Jun 10 to 30 Nov 10 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss Before Taxation	(558)	(915)
Adjustments For:		
Non Cash Items	4,680	1,691
Non Operating Items	(55)	(179)
Operating Profit Before Working Capital Changes	4,067	597
Net Changes In Current Assets	(9,407)	3,901
Net Changes In Current Liabilities	6,160	(10,441)
	820	(5,943)
Tax Refunded / (Paid)	363	(199)
Net Cash Generated From/(Used In) Operating Activities	1,183	(6,142)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest Received	284	396
Proceeds from unliftment of Structural Fund Investment	-	9
Purchase of an unquoted investment	(40)	-
Purchase of an other investment	(2,600)	-
Purchase of Property, Plant And Equipment	(5,532)	(1,757)
Expenditure of Intangible Assets	(931)	(1,632)
Net Cash Used In Investing Activities	(8,819)	(2,984)
CASH FLOWS FROM FINANCING ACTIVITIES		
Treasury shares acquired	(36)	(60)
Repayment for Finance Lease	(1,823)	(1,722)
Repayment for Term Loan	(79)	(79)
Repayment for Hire Purchase	(13)	(13)
Proceeds from exercise of ESOS	583	-
Net Cash Used In Financing Activities	(1,368)	(1,874)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(9,004)	(11,000)
EFFECTS OF EXCHANGE RATE CHANGES	1,264	(1,126)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	24,704	48,945
CASH AND CASH EQUIVALENTS AT END OF PERIOD	16,964	36,819
Cash And Cash Equivalents Comprise:		
Cash And Bank Balances	11,563	19,662
Deposits With Licensed Bank	8,997	18,389
	20,560	38,051
Bank Overdraft	(3,596)	(1,232)
Total cash and cash equivalents	16,964	36,819

The unaudited Condensed Consolidated Cash Flow Statement should be read in conjunction with the Audited Financial Statements for year ended 31 May 2011.

REDTONE INTERNATIONAL BERHAD

(Co number: 596364-U)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE SECOND QUARTER ENDED 30 NOVEMBER 2011

	-----NON DISTRIBUTABLE-----											
	SHARE CAPITAL	TREASURY SHARES	ICULS	SHARE PREMIUM	FOREIGN EXCHANGE			ESOS RESERVE	ACCUMULATED LOSSES	ATTRIBUTABLE TO OWNER OF THE THE COMPANY	NON- CONTROLLING INTERESTS	TOTAL EQUITY
					TRANSLATION RESERVES	CAPITAL RESERVE	WARRANTS 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 2011	44,778	(311)	12,007	9,404	(1,878)	343	19,331	1,721	(10,995)	74,400	7,013	81,413
Foreign currency translation, net expense recognised directly in equity	-	-	-	-	1,264	-	-	-	-	1,264	-	1,264
Loss for the year	-	-	-	-	-	-	-	-	(751)	(751)	(342)	(1,093)
Total comprehensive income/(loss) for the period	-	-	-	-	1,264	-	-	-	(751)	513	(342)	171
Treasury shares acquired	-	(35)	-	-	-	-	-	-	-	(35)	-	(35)
Issuance of ordinary shares, pursuant to conversion of ICULS	1,511	-	(1,569)	58	-	-	-	-	-	-	-	-
Issuance of ordinary shares, pursuant to exercise of ESOS	353	-	-	672	-	-	-	(442)	-	583	-	583
Share options granted under ESOS, recognised in the income statement	-	-	-	-	-	-	-	-	-	-	-	-
At 30 Nov 2011	46,642	(346)	10,438	10,134	(614)	343	19,331	1,279	(11,746)	75,461	6,671	82,132

REDTONE INTERNATIONAL BERHAD

(Co number: 596364-U)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MAY 2011 (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 2010	43,181	(92)	13,666	9,342	(484)	343	19,331	-	7,525	92,812	475	93,287
Effect of dilution arising from investment in subsidiaries	-	-	-	-	(41)	-	-	-	(6,806)	(6,847)	6,847	-
	43,181	(92)	13,666	9,342	(525)	343	19,331	-	719	85,965	7,322	93,287
Foreign currency translation, net expense recognised directly in equity	-	-	-	-	(1,353)	-	-	-	-	(1,353)	(641)	(1,994)
Loss for the year	-	-	-	-	-	-	-	-	(11,714)	(11,714)	332	(11,382)
Total comprehensive loss for the period	-	-	-	-	(1,353)	-	-	-	(11,714)	(13,067)	(309)	(13,376)
Treasury shares acquired	-	(219)	-	-	-	-	-	-	-	(219)	-	(219)
Share options granted under ESOS, recognised in the income statement	-	-	-	-	-	-	1,721	-	-	1,721	-	1,721
Issuance of ordinary shares, pursuant to conversion of ICULS	1,597	-	(1,659)	62	-	-	-	-	-	-	-	-
At 31 May 2011	44,778	(311)	12,007	9,404	(1,878)	343	19,331	1,721	(10,995)	74,400	7,013	81,413

The Unaudited Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Audited Financial Statements for year ended 31 May 2011.

REDTONE INTERNATIONAL BERHAD
(Co number:596364-U)

A. NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE SECOND QUARTER ENDED 30 NOVEMBER 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 2011.

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 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.

(a) FRS 3 (revised) "Business Combinations"

FRS 3 (revised) introduces significant changes to the accounting for business combinations, both at the acquisition date and post acquisition, and requires greater use of fair values. In addition, all transaction costs, other than share and debt issue costs, will be expensed as incurred. This revised standard will be applied prospectively and therefore there will be no impact on prior periods in the Group's 2011 consolidated financial statements.

(b) FRS 127 (revised) "Consolidated and Separate Financial Statements"

FRS 127 (revised) requires accounting for changes in ownership interests by the group in a subsidiary, while maintaining control, to be recognised as an equity transaction. When the group loses control of a subsidiary, any interest retained in the former subsidiary will be measured at fair value with the gain or loss recognised in profit or loss. The revised standard also requires all losses attributable to the minority interest to be absorbed by the non-controlling interest instead of by the parent. The Group will apply the major changes of FRS 127 (Revised) prospectively and therefore there will be no financial impact on the financial statements of the Group for the current financial year but may impact the accounting of its future transactions or arrangements.

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.

FRS 124 (revised)	Related Party Disclosures
Amendments to IC	
Interpretation 14	Prepayments of a Minimum Funding Requirement
IC Interpretation 15	Agreements for the Construction of Real Estate
IC Interpretation 19	Extinguishing Financial Liabilities with Equity Instruments

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 2011.

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 30 November 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.

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 30 November 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 1.9.2011	448,944,025	44,894,403
Arising from conversion of ICULS	14,949,900	1,494,990
Arising from exercise of ESOS	2,531,000	253,100
Share capital as at 30.11.2011	<u>466,424,925</u>	<u>46,642,493</u>

(b) Share buy-back

During the quarter ended 30 November 2011, the Company purchased a total of 100,000 share under the share buyback scheme at an average cost of RM 0.25 per ordinary share for a total cash consideration of RM25,182 which include transaction costs, and was financed by Company's internally generated funds. Shares purchased to date totalling 1,644,900 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:-

Secured

Bank Guarantee given to third parties for infrastructure works

RM'000

1,357

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 Cumulative Quarter	
	1 Sept 2011 to 30 Nov 2011 RM'000	1 Sept 2010 to 30 Nov 2010 RM'000	1 Jun 2011 to 30 Nov 2011 RM'000	1 Jun 2010 to 30 Nov 2010 RM'000
<u>Revenue by Types of Products:-</u>				
Communication Services	26,292	20,756	47,447	42,799
Computer-Telephony And Other Related Products And Services	9,665	780	13,210	2,592
Digital Television Services	2	24	5	81
	<u>35,959</u>	<u>21,560</u>	<u>60,662</u>	<u>45,472</u>
<u>Profit/(Loss) Before Tax:-</u>				
Communication Services	996	366	1,755	878
Computer-Telephony And Other Related Products And Services	362	11	489	53
Digital Television Services	(1,227)	(858)	(2,802)	(1,846)
	<u>131</u>	<u>(481)</u>	<u>(558)</u>	<u>(915)</u>

A13. Dividends

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

A14. Material Events Subsequent To The End Of The Reporting Period

There were no material transactions or events subsequent to the current quarter ended 30 November 2011 till 16 January 2012 (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 3 January 2012, the Company announced that its wholly owned subsidiary, REDtone Technology Sdn Bhd had divested 65% of its shareholding in REDtone Mobile Sdn Bhd to Teh Beng Hock and Tee Yew Yaw.

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 Second Quarter Ended 30 November 2011 ("Q2 FYE 2012")

For the quarter under review, the Group reported a revenue of RM35.96 million, representing an increase of RM14.40 million compared to the revenue recorded by the Group for the corresponding quarter of RM21.56 million. The increase of approximately 67% is mainly due to revenue contribution from data business carried out by the Group.

The Group profit before taxation for Q2 FYE 2012 was RM0.13 million as compared to loss before taxation of RM0.48 million for the corresponding quarter (Q2 FYE 2011). The improvement in the profit before tax of approximately 127% is mainly due to higher revenue contributed by data projects of approximately RM6.20 million.

B2. Prospects

The Board of Director is pleased to announce that the rigorous plans, as disclosed in last quarter results, and the repositioning of the Company from primarily a Voice business into data and broadband has shown encouraging results.

For the 6 months ended 30 November 2011, the Group's data and broadband recorded a revenue of RM17.4 million as compared to RM13.2 million for the 12 months ended 31 May 2011 ("FYE 2011"). By extrapolate our actual 6 mths results, the increase in revenue from data is approximately 167% as compared to FYE 2011. The Group will continue to build on its corporate and SME customer base in order to achieve a critical mass. In addition, the Group will also continue to bid for broadband projects initiated by the Government projects and special projects for the provisioning of Wifi hotspots solutions.

The Group has also implemented rationalisation plans whereby the Group will focus and strengthen its profit from the profit generating business and divest the non-core and loss-making businesses.

Subject to a favourable outcome of the measures and strategies outline above, the Group expects good improvement in its financial performance and sees growth in its business in the current financial year.

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

	2nd Quarter ended 30 Nov 2011 RM'000	1st Quarter ended 31 Aug 2011 RM'000
Revenue	<u>35,959</u>	<u>24,703</u>
Profit/(Loss) Before Taxation and Non-controlling Interest	<u>131</u>	<u>(689)</u>

For Q2 FYE 2012, the Group registered a turnover of RM35.96 million compared to RM24.70 million for the quarter ended 31 August 2011 ("Q1 FYE 2012"). The increase of approximately 46% is mainly due to the increase in data revenue of RM6.00 million and increase in revenue from China operation of RM6.00 million.

The Group recorded a profit before tax of RM0.13 million for Q2 FYE 2012 as compared to a loss before tax of RM0.69 million for Q1 FYE 2012. The improvement in profit before tax of approximately 119% is mainly due to increase in revenue from data and increase in other income from the conversion of the Company's ICULS.

B4. Profit forecast

No profit forecast was announced.

B5. Taxation

	UNAUDITED Individual Quarter		UNAUDITED Cumulative Quarter	
	1 Sept 2011 to 30 Nov 2011	1 Sept 2010 to 30 Nov 2010	1 Jun 2011 to 30 Nov 2011	1 Jun 2010 to 30 Nov 2010
	RM'000	RM'000	RM'000	RM'000
Current period provision	354	442	535	871

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	50
Unquoted outside Malaysia	
Investment in trust fund, at cost	3,534
Total other investment at 30 November 2011	<u>3,584</u>

B8. 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 have filed a statement of claim on 25 May 2011 and Quantum has filed a counterclaim against RT and RTC on 6 September 2011. RT and RTC is in the process of filing their response and defence to the counterclaim.

B9. Loss Per Share

	UNAUDITED Individual Quarter		UNAUDITED Cumulative Quarter	
	1 Sept 2011 to 30 Nov 2011	1 Sept 2010 to 30 Nov 2010	1 Jun 2011 to 30 Nov 2011	1 Jun 2010 to 30 Nov 2010
Basic loss per share				
Loss Attributable To Equity Holders Of The Company (RM'000)	(82)	(917)	(751)	(1,779)
Weighted Average Number Of Ordinary Shares In Issue ('000)	451,528	401,908	451,528	401,908
Basic Loss Per Share (Sen)	<u>(0.02)</u>	<u>(0.23)</u>	<u>(0.17)</u>	<u>(0.45)</u>

B10. Corporate Proposals

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

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 30 November 2011, the status of the utilisation of proceeds from the Rights Issue is as follows:

Details of Utilisation	Approved RM'000	Revised RM'000	Actual RM'000	Intended Timeframe for Utilisation	Deviation RM'000	%
Capital Expenditure	38,210	23,210	20,140	Within 3 years	-	N/A
Working Capital	1,802	16,802	15,288	Within 1 year	-	N/A
Estimated expenses for the Rights Issue	600	600	596	Within 1 year	-	N/A
Total	40,612	40,612	36,024		-	

B12. Group Borrowings

As at 30 November 2011, total borrowings of the Group are as follows:

	30 Nov 2011 RM'000	31 May 2011 RM'000
Total Secured Borrowings:-		
Leasing facility from IBM Malaysia Sdn. Bhd. which are denominated in Ringgit Malaysia	911	2,529
Fixed loan facility from Public Bank Bhd. which are denominated in Ringgit Malaysia	1,920	1,974
Hire purchase facility from Public Bank Bhd. which are denominated in Ringgit Malaysia	83	96
	<u>2,914</u>	<u>4,599</u>
Long Term Borrowings:-		
Lease liability, repayment more than one year	-	574
Fixed loan liability, repayment more than one year	1,811	1,865
Hire purchase liability, repayment more than one year	56	69
	<u>1,867</u>	<u>2,508</u>
Short Term Borrowings:-		
Lease liability, repayment less than one year	911	1,955
Fixed loan liability, repayment less than one year	109	109
Hire purchase liability, repayment less than one year	27	27
	<u>1,047</u>	<u>2,091</u>