

REDTONE INTERNATIONAL BERHAD

(Company No: 596364-U)

(Incorporated in Malaysia)

Date : 26 September 2016

UNAUDITED INTERIM FINANCIAL REPORT FOR THE FIRST QUARTER ENDED 31 JULY 2016

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REDTONE INTERNATIONAL BERHAD
(Company No.: 596364-U)

UNAUDITED INTERIM FINANCIAL REPORT FOR THE FIRST QUARTER ENDED 31 JULY 2016
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	UNAUDITED As at 31 July 2016 RM'000	AUDITED As at 30 April 2016 RM'000
ASSETS			
Non-current Assets			
Property, plant and equipment		25,872	26,770
Investment properties		1,101	550
Deferred tax assets		5,605	5,612
Available-for-sale investments	A17	50	50
Goodwill		423	423
Intangible assets		37,826	37,839
Development costs		2,565	2,263
		<u>73,442</u>	<u>73,507</u>
Current Assets			
Inventories		877	572
Trade receivables	A18	99,403	86,546
Other receivables, deposits and prepayment		11,275	11,750
Tax recoverable		5,248	4,831
Cash and bank balances		45,006	43,031
		<u>161,809</u>	<u>146,730</u>
Assets of disposal group classified as held for sale		30,973	31,808
		<u>192,782</u>	<u>178,538</u>
TOTAL ASSETS		<u>266,224</u>	<u>252,045</u>
EQUITY AND LIABILITIES			
Equity			
Share capital		75,736	75,728
Treasury shares		(5,653)	(5,631)
Reserves		62,392	65,074
Equity Attributable to Owners of the Company		<u>132,475</u>	<u>135,171</u>
Non-controlling interests		11,785	10,525
Total Equity		<u>144,260</u>	<u>145,696</u>
Non-current Liabilities			
Irredeemable convertible unsecured loan stocks ("ICULS")		494	525
Loans and borrowings	A19	3,091	3,631
Deferred tax liabilities		995	995
		<u>4,580</u>	<u>5,151</u>
Current Liabilities			
Trade payables	A20	36,724	42,470
Other payables and accruals	A20	17,181	17,692
Loans and borrowings	A19	41,881	18,693
Provision for taxation		66	76
		<u>95,852</u>	<u>78,931</u>
Liabilities of disposal group classified as held for sale		21,532	22,267
		<u>117,384</u>	<u>101,198</u>
Total Liabilities		<u>121,964</u>	<u>106,349</u>
TOTAL EQUITY AND LIABILITIES		<u>266,224</u>	<u>252,045</u>
Net assets per share (sen)		<u>18</u>	<u>18.05</u>

The unaudited Condensed Consolidated Statement of Financial Position should be read in conjunction with the Audited Financial Statements for the period ended 30 April 2016.

The annexed notes form an integral part of this interim financial report.

REDTONE INTERNATIONAL BERHAD
(Company No.: 596364-U)

The Directors are pleased to announce the unaudited Interim Financial Report for the first quarter ended 31 July 2016.

UNAUDITED INTERIM FINANCIAL REPORT FOR THE FIRST QUARTER ENDED 31 JULY 2016
CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Note	3 months ended	
		31/07/16 RM'000	31/07/15 RM'000
GROUP REVENUE	A12 (A)	38,446	N/A
Less: Revenue from discontinued operations		(3,140)	N/A
Revenue from continuing operations		<u>35,306</u>	<u>N/A</u>
<u>Continuing Operations</u>			
LOSS FROM OPERATIONS		(747)	N/A
Investment related income	A12 (A)	154	N/A
Finance costs	A13	<u>(693)</u>	<u>N/A</u>
LOSS BEFORE TAX	A14	(1,286)	N/A
INCOME TAX EXPENSES	A15	<u>(15)</u>	<u>N/A</u>
LOSS AFTER TAX FROM CONTINUING OPERATIONS		(1,301)	N/A
<u>Discontinued Operations</u>			
LOSS AFTER TAX FROM DISCONTINUED OPERATIONS		(431)	N/A
LOSS AFTER TAX		<u>(1,732)</u>	<u>N/A</u>
Other comprehensive items, net of tax			
<u>Items that may be reclassified subsequently to profit or loss:</u>			
- Foreign currency translation		84	N/A
-Revaluation of investment property		<u>234</u>	<u>N/A</u>
Total comprehensive income for the financial period		<u>(1,414)</u>	<u>N/A</u>
<u>Loss attributable to:-</u>			
Owners of the Company			
- From continuing operations		(972)	N/A
- From discontinued operations		<u>(185)</u>	<u>N/A</u>
		(1,157)	N/A
Non-controlling interests		<u>(575)</u>	<u>N/A</u>
		<u>(1,732)</u>	<u>N/A</u>
<u>Total comprehensive income attributable to :-</u>			
Owners of the Company			
- From continuing operations		(1,694)	N/A
- From discontinued operations		<u>(980)</u>	<u>N/A</u>
		(2,674)	N/A
Non-controlling interests		<u>1,260</u>	<u>N/A</u>
		<u>(1,414)</u>	<u>N/A</u>
<u>Loss per share (sen)</u>			
	A16		
- Basic, for the period from continuing operations		(0.12)	N/A
- Basic, for the period from discontinued operations		<u>(0.02)</u>	<u>N/A</u>
- Basic, for the period		<u>(0.14)</u>	<u>N/A</u>

N/A denotes Not Applicable

The unaudited Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the Audited Financial Statements for the period ended 30 April 2016.

As announced on 7 August 2015, the financial year end has been changed from 31 May to 30 April to be coterminous with the ultimate parent company's financial year end. As such, no comparative figures are presented due to the change of financial year end.

The annexed notes form an integral part of this interim financial report.

REDTONE INTERNATIONAL BERHAD

(Company No.: 596364-U)

UNAUDITED INTERIM FINANCIAL REPORT FOR THE FIRST QUARTER ENDED 31 JULY 2016
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

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

	SHARE CAPITAL	TREASURY SHARES	ICULS	SHARE PREMIUM	FOREIGN EXCHANGE RESERVE	REVALUATION RESERVE	ACCUMULATED LOSSES	TOTAL	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
At 1 May 2016	75,728	(5,631)	2,513	71,572	(3,580)	418	(5,849)	135,171	10,525	145,696
Loss after taxation	-	-	-	-	-	-	(1,157)	(1,157)	(575)	(1,732)
Other comprehensive income, net of tax										
- Foreign currency translation	-	-	-	-	(1,751)	-	-	(1,751)	1,835	84
- Revaluation of investment property	-	-	-	-	-	234	-	234	-	234
Total comprehensive income	-	-	-	-	(1,751)	234	(1,157)	(2,674)	1,260	(1,414)
Transactions with owners										
Treasury shares acquired	-	(22)	-	-	-	-	-	(22)	-	(22)
Issuance of shares pursuant to conversion of ICULS	8	-	(8)	-	-	-	-	-	-	-
Total transactions with owners	8	(22)	(8)	-	-	-	-	(22)	-	(22)
At 31 July 2016	75,736	(5,653)	2,505	71,572	(5,331)	652	(7,006)	132,475	11,785	144,260

The unaudited Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the Audited Financial Statements for the period ended 30 April 2016.

As announced on 7 August 2015, the financial year end has been changed from 31 May to 30 April to be coterminous with the ultimate parent company's financial year end. As such, no comparative figures are presented due to the change of financial year end.

The annexed notes form an integral part of this interim financial report.

REDTONE INTERNATIONAL BERHAD

(Company No: 596364-U)

**UNAUDITED INTERIM FINANCIAL REPORT FOR THE FIRST QUARTER ENDED 31 JULY 2016
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**

	Note	3 months ended	
		31/07/16 RM'000	31/07/15 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from operations		17,545	N/A
Payment for operating expenses (including taxes)		(23,162)	N/A
Other receipts		863	N/A
Net cash flow used in operating activities		<u>(4,754)</u>	<u>N/A</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of property, plant and equipment		(1,055)	N/A
Purchase of intangible assets		(391)	N/A
Interest received		207	N/A
Net cash flow used in investing activities		<u>(1,239)</u>	<u>N/A</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Drawdown of bank and other borrowings		28,146	N/A
Repayment of borrowings and loan		(2,437)	N/A
Repayment of hire purchase/lease liabilities		(446)	N/A
Repayment of other borrowings		(24,638)	N/A
Interest paid		(693)	N/A
Purchase of treasury shares		(22)	N/A
Net cash flow used in financing activities		<u>(90)</u>	<u>N/A</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS		(6,083)	N/A
EFFECT OF EXCHANGE RATE CHANGES		(2,374)	N/A
OPENING CASH AND CASH EQUIVALENTS		4,658	N/A
CLOSING CASH AND CASH EQUIVALENTS		<u>(3,799)</u>	<u>N/A</u>
Cash and cash equivalent comprise of:			
Continued operations			
- Cash on hands and at banks		2,279	N/A
- Deposits with licensed banks		42,727	N/A
		45,006	N/A
Discontinued operations (PRC)			
- Cash on hands and at banks		1,225	N/A
- Deposits with overseas banks		12,230	N/A
	*	13,455	N/A
Total cash and bank balances		58,461	N/A
Less:			
- Deposits pledged		(54,786)	
- Short term deposits		(169)	N/A
- Bank overdrafts		(7,305)	N/A
Total cash and cash equivalents		<u>(3,799)</u>	<u>N/A</u>

N/A denotes Not Applicable

* 13,455 is included in assets of disposal group classified as held for sale

The unaudited Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Audited Financial Statements for the period ended 30 April 2016.

As announced on 7 August 2015, the financial year end has been changed from 31 May to 30 April to be coterminous with the ultimate parent company's financial year end. As such, no comparative figures are presented due to the change of financial year end.

The annexed notes form an integral part of this interim financial report.

A. NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE FIRST QUARTER ENDED 31 JULY 2016

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 issued by the Malaysian Accounting Standards Board ("MASB") and ACE Listing Requirements of the Bursa Malaysia Securities Berhad ("BMSB").

The interim financial report should be read in conjunction with the audited financial statements for the period ended 30 April 2016.

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 early adopted new or revised standards and amendments to standards that have been issued but not yet effective for the Group's accounting period beginning 1 May 2016.

The initial application of the FRSs, Amendments to FRSs and IC Interpretations, which will be applied prospectively or which requires extended disclosures, is not expected to have any significant financial impact to the financial statements of the Group upon their first adoption.

A3. Qualification of financial statements

The audit reporting of the Company's most recent annual audited financial statement did not contain any qualification.

A4. Changes in estimates

There were no material changes in estimates for the quarter ended 31 July 2016.

A5. Property, plant and equipment

During the quarter under review, the Group had transferred one of the office lot to investment property.

A6. Changes in the composition of the group

There are no changes in the composition of the Group during the quarter under review.

A7. Seasonality or cyclicity of interim operations

The Group's operations are not significantly affected by any seasonal or cyclical factors.

A8. Debt and equity securities

There were no issuances and repayment of debt and equity securities, share buy-back, share cancellation, shares held as treasury shares for the quarter ended 31 July 2016 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 May 2016	757,279,392	75,727,939
Arising from conversion of ICULS	84,000	8,400
Share capital as at 31 July 2016	<u>757,363,392</u>	<u>75,736,339</u>

(b) Share buy-back

Month	Price per share (RM)			Number of shares	Total consideration RM'000
	Lowest	Highest	Average		
May 2016	0.52	0.53	0.528	40,000	21
July 2016	0.40	0.40	0.400	1,000	1
			0.526	41,000	22

(c) The number of treasury shares held in hand as at 31 July 2016 are as follows:

	Average price per share RM	Number of shares	Amount RM'000
Balance as at 1 May 2016	0.595	9,460,000	5,631
Increase in treasury shares	0.526	41,000	22
Total treasury shares as at 31 July 2016	0.595	9,501,000	5,653

As at 31 July 2016, the number of outstanding shares in issue and fully paid up with voting rights was 747,862,392 (30 April 2016: 747,819,392) ordinary shares of RM0.10 each.

A9. Contingent liability

Bank guarantees of the Group are as follows:

	As at 31 July 2016 RM'000	As at 30 April 2016 RM'000
Performance bonds in favour of various customers	<u>25,705</u>	<u>25,705</u>

A10. Dividends

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

A11. Material events subsequent to the end of the reporting period

There were no other material transactions or events subsequent to the quarter ended 31 July 2016 (the latest practicable date which is not earlier than 7 days from the date of issue of this quarterly report).

REDtone had on 3 August 2016 incorporated a new wholly-owned subsidiary, Ansar Mobile Sdn Bhd ("AMSB") with an issued and paid-up share capital of RM10.00. The intended principal activity of AMSB is provision of telecommunications and telecommunications related services.

A12. Segment information

A) The segment information for the reportable segments by country for the 3 months ended 31 July 2016 are as follows:-

	<u>Continuing Operations</u>		<u>Discontinued Operations</u>	<u>Total</u> RM'000
	<u>Malaysia</u> RM'000	<u>Singapore</u> RM'000	<u>The People's Republic Of</u> <u>China</u> RM'000	
For the 3 months ended 31 July 2016				
Revenue	35,306	-	3,140	38,446
Cost of sales	(25,662)	-	(1,827)	(27,489)
Gross profit	<u>9,644</u>	<u>-</u>	<u>1,313</u>	<u>10,957</u>
Finance income	206	-	1	207
Investment related income	154	-	4	158
General and administrative expenses	(9,209)	(12)	(1,412)	(10,633)
Profit/(Loss) before interest, tax, depreciation and amortisation	<u>795</u>	<u>(12)</u>	<u>(94)</u>	<u>689</u>
Finance costs	(693)	-	-	(693)
Depreciation and amortisation	(1,376)	-	(332)	(1,708)
Loss before tax	<u>(1,274)</u>	<u>(12)</u>	<u>(426)</u>	<u>(1,712)</u>
Income Tax expenses	(15)	-	(5)	(20)
Loss after tax	<u>(1,289)</u>	<u>(12)</u>	<u>(431)</u>	<u>(1,732)</u>

B) The segment information for the reportable segments by line of business for the 3 months ended 31 July 2016 are as follows:-

	<u>3 months ended</u>	
	<u>31/07/16</u> RM'000	<u>31/07/15</u> RM'000
<u>Revenue by line of business:-</u>		
Telecommunication services	21,934	N/A
Managed telecommunication network services	15,942	N/A
Industry digital services	570	N/A
	<u>38,446</u>	<u>N/A</u>
Less: Revenue from discontinued operations	(3,140)	N/A
Revenue from continuing operations	<u>35,306</u>	<u>N/A</u>
<u>Gross profit by line of business:-</u>		
Telecommunication services	5,477	N/A
Managed telecommunication network services	5,330	N/A
Industry digital services	150	N/A
	<u>10,957</u>	<u>N/A</u>
Less: Gross profit from discontinued operations	(1,313)	N/A
Gross profit from continuing operations	<u>9,644</u>	<u>N/A</u>

A13. Finance costs

	3 months ended	
	31/07/16 RM'000	31/07/15 RM'000
Interest expense on:		
- bank overdrafts	5	N/A
- bankers' acceptance	16	N/A
- finance lease	5	N/A
- ICULS	43	N/A
- term loans	212	N/A
- short term financing	328	N/A
Others	83	N/A
	<u>693</u>	<u>N/A</u>

A14. Loss before tax

	3 months ended	
	31/07/2016 RM'000	31/07/2015 RM'000
Loss before tax is arrived at after charging/(crediting):-		
Audit fee	71	N/A
- continuing operations	57	N/A
- discontinued operations	14	N/A
Amortisation of development cost	257	N/A
- continuing operations	101	N/A
- discontinued operations	156	N/A
Depreciation of property, plant and equipment	1,451	N/A
- continuing operations	1,275	N/A
- discontinued operations	176	N/A
(Gain)/Loss on foreign exchange:		
- realised	(488)	N/A
- continuing operations	(488)	N/A
- discontinued operations	-	N/A
- unrealised	486	N/A
- continuing operations	486	N/A
- discontinued operations	-	N/A
Impairment of trade receivables	123	N/A
- continuing operations	123	N/A
- discontinued operations	-	N/A
Rental of computer	95	N/A
- continuing operations	95	N/A
- discontinued operations	-	N/A
Rental of office	391	N/A
- continuing operations	195	N/A
- discontinued operations	196	N/A
Staff cost:		
- Salaries, bonus, wages and allowances	5,035	N/A
- continuing operations	4,671	N/A
- discontinued operations	364	N/A
- Defined contribution plan	642	N/A
- continuing operations	578	N/A
- discontinued operations	64	N/A
Finance income	(207)	N/A
- continuing operations	(206)	N/A
- discontinued operations	(1)	N/A

A15. Income tax expenses

	3 months ended	
	31/07/2016 RM'000	31/07/2015 RM'000
Current income tax:		
Provision in current period		
- Malaysian income tax from continuing operations	(8)	N/A
- Foreign income tax	(5)	N/A
- continuing operations	-	N/A
- discontinued operations	(5)	N/A
	(13)	N/A
Deferred tax		
- Origination and reversal of temporary differences	(7)	N/A
- continuing operations	(7)	N/A
- discontinued operations	-	N/A
	(20)	N/A

A16 Loss per share

Basic loss per share is calculated as follows:

	3 months ended	
	31/07/2016 RM'000	31/07/2015 RM'000
Loss attributable to owners of the Company from continuing operations	(972)	N/A
Impact on income statement upon conversion of ICULS	43	N/A
	(929)	N/A
Loss attributable to owners of the Company from discontinued operations	(185)	N/A
Adjusted net loss attributable to owners of the Company	(1,114)	N/A
Weighted average number of ordinary shares in issue with voting rights ('000)	747,839	N/A
Weighted average number of shares to be issued upon conversion of mandatorily convertible ICULS ('000)	25,117	N/A
Number of shares used in the calculation of basic loss per share ('000)	772,955	N/A
Basic loss per share (sen)		
- From continuing operations	(0.12)	N/A
- From discontinued operations	(0.02)	N/A
	(0.14)	N/A

There are no potential ordinary shares outstanding as at 31 July 2016. As such, the fully diluted loss per share of the Group is equivalent to the basic loss per share.

A17. Available-for-sale investments

	As at 31 July 2016 RM'000	As at 30 April 2016 RM'000
At Cost:		
Non-current		
Unquoted shares in Malaysia	50	50

A18. Trade receivables

Trade receivables are mainly due from progress billings for major government projects under Managed Telecommunications Network Services as well as corporate voice and data services.

A19. Loans and borrowings

Loans and borrowings of the Group were as follows:

	As at 31 July 2016 RM'000	As at 30 April 2016 RM'000
Current		
<u>Secured</u>		
Term loan facilities, which are denominated in Ringgit Malaysia	1,756	1,756
Term loan facility, which is denominated in US dollar	11,019	10,560
- Foreign currency amount: USD 2,716,000* (30 April 2016: USD 2,716,000)		
Trade financing, which are denominated in Ringgit Malaysia	21,436	4,700
Bank overdrafts, which are denominated in Ringgit Malaysia	7,305	1,191
<u>Unsecured</u>		
Finance lease facilities, which are denominated in Ringgit Malaysia	365	486
	<u>41,881</u>	<u>18,693</u>
Non current		
<u>Secured</u>		
Term loan facilities, which are denominated in Ringgit Malaysia	2,676	3,216
<u>Unsecured</u>		
Finance lease facilities, which are denominated in Ringgit Malaysia	415	415
	<u>3,091</u>	<u>3,631</u>
Total	<u>44,972</u>	<u>22,324</u>

* Converted at exchange rate as at 31 July 2016.

A20. Trade and other payables

Payables of the Group are as follows:

	As at 31 July 2016 RM'000	As at 30 April 2016 RM'000
Trade payables	36,724	42,470
Sundry payables	556	2,509
Provision for Universal Service Fund Contribution ("USOF")	6,224	5,972
Accruals	6,191	4,896
Deposits payable	2,008	1,805
Deferred income	2,202	2,510
Other payables and accruals	17,181	17,692
Total	<u>53,905</u>	<u>60,162</u>

REDTONE INTERNATIONAL BERHAD
(Company No.: 596364-U)

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

B1. Review of group performance for the first quarter ended 31 July 2016

Following the completion of the conditional take over by Berjaya Corporation Berhad on 8 May 2015, the Board of Directors of REDtone International Berhad ("the Company") has approved the change of the Company's financial year end from 31 May to 30 April to be coterminous with the ultimate parent company's financial year end and to comply with Section 168(1) of the Companies Act, 1965. As a result, the performance for the period ended 31 July 2015 which consisted of only 2 months results, was not comparable.

For the quarter ended 31 July 2016

The group reported revenue of RM38.4 million (comprised of RM35.3 million from continuing operations and RM3.1 million from discontinued operations) that was mainly derived from Telecommunication Services and Managed Telecommunication Network Services, which contributed 98% of total revenue.

The loss after tax for the current quarter was RM1.73 million, comprised of RM1.3 million loss from continuing operations and RM0.43 million loss from discontinued operations.

B2. Material changes in loss before tax compared to the preceding quarter

For the quarter under review, the Group reported a lower loss before tax of RM1.71 million (comprised of RM1.28 million loss from continuing operations and RM0.43 million loss from discontinued operation) as compared to loss before tax of RM31.1 million in the preceding quarter. The higher loss before tax in preceding quarter was mainly due to higher impairment of trade receivables, additional impairment of goodwill, higher project cost and impairment of property, plant and equipment.

B3. Prospects and business outlook

Given the current macro-economic outlook and the prevailing weak Malaysian Ringgit, the Board of Directors is of the view that the operating environment for the remaining quarters will continue to be challenging for the Group.

B4. Profit forecast

No profit forecast was announced.

B5. Corporate proposals

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

B6. Realised and unrealised profits/(loss)

Breakdown of the Group's realised and unrealised profits/(loss) are as follows:

	As at 31 July 2016 RM'000	As at 30 April 2016 RM'000
Total retained profits/(loss) of the Company and its subsidiaries:		
Realised	(35,716)	(34,383)
Unrealised	4,105	4,590
	(31,611)	(29,793)
<u>Total share of retained profits of associates:</u>		
Realised	-	-
Unrealised	-	-
	-	-
	(31,611)	(29,793)
Less: Consolidation adjustments	24,605	23,944
	(7,006)	(5,849)