

REDTONE INTERNATIONAL BERHAD

(Company No: 596364-U)

(Incorporated in Malaysia)

Date : 20 September 2018

UNAUDITED INTERIM FINANCIAL REPORT FOR THE FIRST QUARTER ENDED 31 JULY 2018

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

UNAUDITED INTERIM FINANCIAL REPORT FOR THE FIRST QUARTER ENDED 31 JULY 2018
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	As at 31 July 2018 RM'000	As at 30 April 2018 RM'000 (Audited)
ASSETS			
Non-current Assets			
Goodwill		423	423
Property, plant and equipment		18,925	19,914
Investment properties		1,160	1,160
Intangible assets		37,001	37,014
Development costs		669	847
Deferred tax assets		5,350	5,350
		<u>63,528</u>	<u>64,708</u>
Current Assets			
Inventories		86	437
Trade receivables	A12	61,702	59,172
Other receivables, deposits and prepayment		6,796	7,783
Tax recoverable		4,030	5,080
Other investments - Cash Management Fund		18,001	17,605
Cash and bank balances		53,789	53,533
		<u>144,404</u>	<u>143,610</u>
TOTAL ASSETS		<u>207,932</u>	<u>208,318</u>
EQUITY AND LIABILITIES			
Equity			
Share capital	A7(a)	147,524	147,524
Equity component of irredeemable convertible unsecured loan stocks ("ICULS")		2,289	2,289
Treasury shares	A7(b)	(5,653)	(5,653)
Reserves		(2,631)	(5,333)
		<u>141,529</u>	<u>138,827</u>
Non-controlling interests		3,043	3,720
Total Equity		<u>144,572</u>	<u>142,547</u>
Non-current Liabilities			
Liability component of irredeemable convertible unsecured loan stocks		231	265
Loans and borrowings	B8	1,635	1,664
Deferred tax liabilities		1,200	1,192
		<u>3,066</u>	<u>3,121</u>
Current Liabilities			
Trade payables	A13	35,108	37,082
Other payables and accruals	A13	19,910	20,234
Loans and borrowings	B8	5,198	5,143
Provision for taxation		78	191
		<u>60,294</u>	<u>62,650</u>
Total Liabilities		<u>63,360</u>	<u>65,771</u>
TOTAL EQUITY AND LIABILITIES		<u>207,932</u>	<u>208,318</u>
Net assets per share (sen)		<u>18.90</u>	<u>18.54</u>

The unaudited Condensed Consolidated Statement of Financial Position should be read in conjunction with the Audited Financial Statements for the year ended 30 April 2018.

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 2018
CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Note	3 months ended	
		31/07/18 RM'000	31/07/17 RM'000
GROUP REVENUE		30,222	30,233
PROFIT FROM OPERATIONS		3,837	1,543
Investment related income		82	74
Finance costs	A11	(258)	(410)
PROFIT BEFORE TAX	B7	3,661	1,207
INCOME TAX EXPENSE	B6	(1,637)	(317)
PROFIT AFTER TAX		2,024	890
<u>Other comprehensive items, net of tax</u>			
<u>Item that may be reclassified subsequently</u>			
<u>to profit or loss</u>			
- Foreign currency translation		1	(2)
Total comprehensive income		<u>2,025</u>	<u>888</u>
for the financial period			
<u>Profit/(loss) attributable to:-</u>			
Owners of the Company		2,701	1,099
Non-controlling interests		(677)	(209)
		<u>2,024</u>	<u>890</u>
<u>Total comprehensive income attributable to :-</u>			
Owners of the Company		2,702	1,097
Non-controlling interests		(677)	(209)
		<u>2,025</u>	<u>888</u>
<u>Earnings per share attributable to owners of</u>			
<u>of the parent (sen per share):</u>			
- Basic, for the period	B11	0.35	0.15
- Diluted, for the period	B11	N/A	N/A

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 year ended 30 April 2018.

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 2018
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	<---NON-DISTRIBUTABLE--->								
	Share capital	ICULS - equity component	Treasury shares	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
At 1 May 2018	147,524	2,289	(5,653)	(663)	641	(5,311)	138,827	3,720	142,547
Profit/(loss) after tax	-	-	-	-	-	2,701	2,701	(677)	2,024
Other comprehensive income, net of tax									
- Foreign currency translation	-	-	-	1	-	-	1	-	1
Total comprehensive income	-	-	-	1	-	2,701	2,702	(677)	2,025
At 31 July 2018	147,524	2,289	(5,653)	(662)	641	(2,610)	141,529	3,043	144,572
At 1 May 2017	147,359	2,454	(5,653)	(663)	641	(11,280)	132,858	4,920	137,778
Profit/(loss) after tax	-	-	-	-	-	1,099	1,099	(209)	890
Other comprehensive income, net of tax									
- Foreign currency translation	-	-	-	(2)	-	-	(2)	-	(2)
Total comprehensive income	-	-	-	(2)	-	1,099	1,097	(209)	888
Transactions with owners									
Issuance of shares pursuant to conversion of ICULS	12	(12)	-	-	-	-	-	-	-
Total transactions with owners	12	(12)	-	-	-	-	-	-	-
At 31 July 2017	147,371	2,442	(5,653)	(665)	641	(10,181)	133,955	4,711	138,666

The unaudited Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Audited Financial Statements for the year ended 30 April 2018.

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 2018
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	3 months ended	
	31/07/18	31/07/17
	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from operations	28,735	48,726
Payment for operating expenses (including taxes)	(29,796)	(29,471)
Other receipts	151	31
Net cash (used in)/generated from operating activities	(910)	19,286
CASH FLOWS FROM INVESTING ACTIVITIES		
Decrease/(Increase) in deposits and other investments	656	(153)
Acquisition of property, plant and equipment, intangible assets and development cost	(95)	(381)
Interest received	492	293
Net cash flow generated from/(used in) investing activities	1,053	(241)
CASH FLOWS FROM FINANCING ACTIVITIES		
Drawdown of bank borrowings and other loans	86	6,203
Repayment of bank borrowings and other loans	(20)	(20,212)
Repayment of hire purchase/lease liabilities	(40)	(96)
Interest paid	(258)	(410)
Net cash flow used in financing activities	(232)	(14,515)
NET CHANGE IN CASH AND CASH EQUIVALENTS	(89)	4,530
OPENING CASH AND CASH EQUIVALENTS	3,224	(757)
CLOSING CASH AND CASH EQUIVALENTS	3,135	3,773
 Cash and cash equivalents comprise of:		
- Cash on hand and at banks	3,219	3,870
- Deposits with licensed banks	50,570	45,622
Total cash and bank balances	53,789	49,492
Less:		
- Deposits pledged to licensed banks	(50,568)	(45,621)
- Bank overdrafts	(86)	(98)
Total cash and cash equivalents	3,135	3,773

The unaudited Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Audited Financial Statements for the year ended 30 April 2018.

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

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

A. NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT FOR THE FIRST QUARTER ENDED 31 JULY 2018

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") and comply with the requirements of Companies Act 2016 in Malaysia.

The following notes provide an explanation of events and transactions that are significant to the understanding of the changes in the financial position and performance of the Group.

A2. Changes in accounting policies

The Group has adopted MFRS 15 "Revenue from Contracts with customers" and MFRS 9 "Financial Instruments" from 1 May 2018.

MFRS 15 provides a single model for accounting for revenue arising from contracts with customers, focusing on the identification and satisfaction of performance obligation. Under the new standard, revenue is recognised when control over the goods or services is transferred to customer.

MFRS 9 "Financial Instruments" which replaces the existing MFRS 139 "Financial Instruments: Recognition and Measurement" introduces new requirements for classification and measurement of financial instruments, impairment assessment and hedge accounting.

The initial application of the MFRSs, Amendments to MFRSs 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.

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 on or after 1 May 2018.

A3. Nature and amount of unusual items

There were no unusual items during the financial period under review.

A4. Changes in estimates

There were no material changes in estimate of amount reported in prior financial year which have a material effect in the current interim period.

A5. Changes in the composition of the group

There were no changes in the composition of the Group during the financial period under review.

A6. Seasonality or cyclicity of interim operations

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

A7. Debt and equity securities

There were no issuances and repayment of debt and equity securities, share buy-back and share cancellation for the quarter ended 31 July 2018:

(a) Share capital

	Number of Ordinary shares	RM
Share capital as at 1 May 2018/31 July 2018	758,228,172	147,524,275

(b) Share buy-back

There was no share buy back transacted during the period ended 31 July 2018 and the number of treasury shares held in hand as at 31 July 2018 are as follows:

	Average price per share RM	Number of shares	Amount RM'000
Total treasury shares as at 31 July 2018	0.595	9,502,000	5,653

As at 31 July 2018, the number of outstanding shares in issue with voting rights was 748,726,172 (30 April 2018: 748,726,172) ordinary shares.

A8. Contingent liability

Bank guarantees of the Group are as follows:

	As at 31 July 2018 RM'000	As at 30 April 2018 RM'000 (Audited)
Performance bonds in favour of various customers	22,833	22,720

A9. Dividends

There were no dividends paid by the Company for the period under review.

A10. Segment information

The segment information for the reportable segments by line of business for the 3 months ended 31 July 2018 are as follows:-

	Year to date ended 31/07/18 RM'000
Revenue	
Telecommunication services	20,056
Managed telecommunication network services	9,724
Industry digital services	442
Total revenue	<u>30,222</u>
Results	
Telecommunication services	7,278
Managed telecommunication network services	(1,861)
Industry digital services	(1,158)
	<u>4,259</u>
Indirect corporate expenses	(422)
Profit from operations	3,837
Investment related income	82
Finance costs	(258)
Profit before tax	<u>3,661</u>
Income tax expense	(1,637)
Profit after tax	<u>2,024</u>

A11. Finance costs

	Year to date ended	
	31/07/18 RM'000	31/07/17 RM'000
Interest expense on:		
- bank overdrafts	-	39
- bankers' acceptance	-	33
- finance lease and hire purchase	2	8
- ICULS	42	43
- term loans	119	48
- short term financing	-	172
- bank guarantee	77	56
- others	18	11
	<u>258</u>	<u>410</u>

A12. Trade receivables

Trade receivables are mainly due to progress billings for government projects for managed telecommunications network services ("MTNS") as well as corporate voice and data services.

A13. Trade and other payables

Payables of the Group are as follows:

	As at 31 July 2018 RM'000	As at 30 April 2018 RM'000 (Audited)
Trade payables	35,108	37,082
Other payables		
- Provision for Universal Service Fund Contribution ("USOF")	7,467	7,065
- Accruals	7,260	6,168
- Deposits payable	2,052	2,050
- Deferred income	2,076	2,209
- Sundry payables	1,055	2,742
	<u>19,910</u>	<u>20,234</u>
Total	<u>55,018</u>	<u>57,316</u>

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B. ADDITIONAL INFORMATION REQUIRED BY THE BURSA MALAYSIA SECURITIES BERHAD (ACE MARKET) LISTING REQUIREMENTS

B1. Review of group performance for the first quarter ended 31 July 2018

	3 months ended		%
	31/07/18 RM'000	31/07/17 RM'000	
Revenue	30,222	30,233	(0.04)
Profit from operations	3,837	1,543	148.67
Profit before tax	3,661	1,207	203.31

Review of result for the quarter

For the quarter under review, the Group reported a revenue of RM30.22 million, which was 0.04% lower than the RM30.23 million reported in the previous year corresponding quarter, as industry digital services segment contributed lower revenue.

The Group posted a profit before tax for the current quarter of RM3.66 million, compared to RM1.21 million reported in Quarter 1 ended 31 July 2017. The improvement in results was mainly due to higher gross profit in MTNS and telecommunications services segment and lower operating expenses incurred for the current quarter under review.

B2. Review of result of first quarter 2019 vs fourth quarter 2018

	3 months ended		%
	31/07/18 RM'000	30/04/18 RM'000	
Revenue	30,222	31,608	(4.38)
Profit from operations	3,837	4,223	(9.14)
Profit before tax	3,661	3,693	(0.87)

Commentary on revenue

The Group reported a revenue of RM30.22 million in this current quarter under review as compared to RM31.61 million in the preceding quarter. The quarter-on-quarter decrease was due to lower revenue from telecommunications services and industry digital services segments.

Commentary on pre-tax profit

The Group reported a profit before tax of RM3.66 million as compared to profit before tax of RM3.69 million in the preceding quarter. The quarter-on-quarter decrease in pre-tax profit was due to lower gross profit in MTNS segment in current quarter.

B3. Prospects and business outlook

The Board of Directors is of the view that the operating performance of the Group for the remaining quarters of the financial year ending 30 April 2019 will remain challenging and competitive for the Group. The Group will continue to focus on measures to improve operational efficiencies and to improve profitability in its core businesses. Barring any unforeseen circumstances, the Board expects significant contribution from its MTNS segment while data services for enterprise market will continue to contribute to the growth of telecommunications services segment.

B4. Profit forecast

No profit forecast was announced.

B5. Corporate proposals

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

B6. Income tax expense

	3 months ended	
	31/07/18 RM'000	31/07/17 RM'000
Current income tax:		
Provision in current period		
- Malaysian income tax	(1,629)	(310)
Deferred tax		
- Origination and reversal of temporary differences	(8)	(7)
Total	(1,637)	(317)

The disproportionate tax charge of the Group for the current quarter ended 31 July 2018 was mainly due to certain expenses being disallowed for tax purposes and non-availability of Group tax relief in respect of losses incurred by certain subsidiary companies.

B7. Profit before tax

	3 months ended	
	31/07/18 RM'000	31/07/17 RM'000
Profit before tax is arrived at after charging/(crediting):-		
Audit fee - Statutory audit	85	84
Audit fee - Other services	31	45
Amortisation of development cost	190	115
Bad debts written off	233	-
Depreciation of property, plant and equipment	1,085	1,112
Loss on foreign exchange:		
- realised	44	80
- unrealised	1	4
(Writeback of)/allowance for doubtful debts on:		
- Trade receivables	(114)	114
Rental of computer	18	70
Rental of office	142	137
Staff cost:		
- Salaries, bonus, wages and allowances	6,052	5,729
- Defined contribution plan	734	650
Interest income	(492)	(293)
Other income	(82)	(74)

There were no gain or loss on disposal of quoted or unquoted investments or properties, impairment of assets, gain or loss on derivatives and exceptional items included in the results of the current quarter.

B8. Loans and borrowings

Loans and borrowings of the Group were as follows:

	As at 31 July 2018 RM'000	As at 30 April 2018 RM'000 (Audited)
Current		
<u>Secured</u>		
Term loan facilities, which are denominated in Ringgit Malaysia	5,080	5,079
Bank overdrafts, which are denominated in Ringgit Malaysia	86	-
<u>Unsecured</u>		
Finance lease facilities, which are denominated in Ringgit Malaysia	-	32
Hire purchase, which is denominated in Ringgit Malaysia	32	32
	5,198	5,143
Non current		
<u>Secured</u>		
Term loan facilities, which are denominated in Ringgit Malaysia	1,559	1,580
<u>Unsecured</u>		
Hire purchase, which is denominated in Ringgit Malaysia	76	84
	1,635	1,664
Total	6,833	6,807

B9. Material litigation

There is no material litigation since the last annual reporting date up to the date of this announcement.

B10. Dividend proposed

There were no dividend proposed by the Board for the current quarter under review (previous year corresponding quarter ended 31 July 2017: Nil).

B11. Earnings per share

Basic earnings per share is calculated as follows:

	3 months ended	
	31/07/18 RM'000	31/07/17 RM'000
Profit attributable to owners of the Company	2,701	1,099
Impact on income statement upon conversion of ICULS	42	43
Adjusted net profit attributable to owners of the Company	<u>2,743</u>	<u>1,142</u>
Weighted average number of ordinary shares in issue with voting rights ('000)	748,726	748,077
Weighted average number of shares to be issued upon conversion of mandatorily convertible ICULS ('000)	<u>24,838</u>	<u>24,875</u>
Number of shares used in the calculation of basic earnings per share ('000)	<u>773,564</u>	<u>772,952</u>
Basic earnings per share (sen)	<u>0.35</u>	<u>0.15</u>

There are no potential ordinary shares outstanding as at 31 July 2018. As such, the fully diluted earnings per share of the Group is equivalent to the basic earnings per share.