

REDTONE INTERNATIONAL BERHAD

(Company No: 596364-U)

(Incorporated in Malaysia)

Date : 17 December 2018

UNAUDITED INTERIM FINANCIAL REPORT FOR THE SECOND QUARTER ENDED 31 OCTOBER 2018

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

UNAUDITED INTERIM FINANCIAL REPORT FOR THE SECOND QUARTER ENDED 31 OCTOBER 2018
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	As at 31 October 2018 RM'000	As at 30 April 2018 RM'000 (Audited)
ASSETS			
Non-current Assets			
Goodwill		423	423
Property, plant and equipment		17,928	19,914
Investment properties		1,160	1,160
Intangible assets		36,989	37,014
Development costs		492	847
Deferred tax assets		5,350	5,350
		<u>62,342</u>	<u>64,708</u>
Current Assets			
Inventories		110	437
Trade receivables	A12	52,695	59,172
Other receivables, deposits and prepayment		8,343	7,783
Tax recoverable		3,100	5,080
Other investments - Cash Management Fund		15,965	17,605
Cash and bank balances		53,450	53,533
		<u>133,663</u>	<u>143,610</u>
TOTAL ASSETS		<u>196,005</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		(144)	(5,333)
		<u>144,016</u>	<u>138,827</u>
Non-controlling interests		2,199	3,720
Total Equity		<u>146,215</u>	<u>142,547</u>
Non-current Liabilities			
Liability component of irredeemable convertible unsecured loan stocks		196	265
Loans and borrowings	B8	1,607	1,664
Deferred tax liabilities		1,208	1,192
		<u>3,011</u>	<u>3,121</u>
Current Liabilities			
Trade payables	A13	27,155	37,082
Other payables and accruals	A13	19,243	20,234
Loans and borrowings	B8	114	5,143
Provision for taxation		267	191
		<u>46,779</u>	<u>62,650</u>
Total Liabilities		<u>49,790</u>	<u>65,771</u>
TOTAL EQUITY AND LIABILITIES		<u>196,005</u>	<u>208,318</u>
Net assets per share (sen)		<u>19.23</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 SECOND QUARTER ENDED 31 OCTOBER 2018
CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

	Note	3 months ended		6 months ended	
		31/10/18 RM'000	31/10/17 RM'000	31/10/18 RM'000	31/10/17 RM'000
GROUP REVENUE		29,912	29,093	60,134	59,326
PROFIT FROM OPERATIONS		3,424	962	7,261	2,505
Investment related income		34	1,157	116	1,231
Finance costs	A11	(307)	(543)	(565)	(953)
PROFIT BEFORE TAX	B7	3,151	1,576	6,812	2,783
INCOME TAX EXPENSE	B6	(1,507)	(154)	(3,144)	(471)
PROFIT AFTER TAX		1,644	1,422	3,668	2,312
Other comprehensive items, net of tax					
<u>Item that may be reclassified subsequently to profit or loss</u>					
- Foreign currency translation		(1)	2	-	-
Total comprehensive income for the financial period		1,643	1,424	3,668	2,312
<u>Profit attributable to:-</u>					
Owners of the Company		2,488	1,300	5,189	2,399
Non-controlling interests		(844)	122	(1,521)	(87)
		<u>1,644</u>	<u>1,422</u>	<u>3,668</u>	<u>2,312</u>
<u>Total comprehensive income attributable to :-</u>					
Owners of the Company		2,487	1,302	5,189	2,399
Non-controlling interests		(844)	122	(1,521)	(87)
		<u>1,643</u>	<u>1,424</u>	<u>3,668</u>	<u>2,312</u>
<u>Earnings per share attributable to owners of the parent (sen per share):</u>					
- Basic, for the period	B11	0.33	0.17	0.68	0.32
- Diluted, for the period	B11	N/A	N/A	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 SECOND QUARTER ENDED 31 OCTOBER 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
Total comprehensive income	-	-	-	-	-	5,189	5,189	(1,521)	3,668
At 31 October 2018	<u>147,524</u>	<u>2,289</u>	<u>(5,653)</u>	<u>(663)</u>	<u>641</u>	<u>(122)</u>	<u>144,016</u>	<u>2,199</u>	<u>146,215</u>
At 1 May 2017	147,359	2,454	(5,653)	(663)	641	(11,280)	132,858	4,920	137,778
Total comprehensive income	-	-	-	-	-	2,399	2,399	(87)	2,312
Transactions with owners									
Issuance of shares pursuant to conversion of ICULS	147	(147)	-	-	-	-	-	-	-
Total transactions with owners	147	(147)	-	-	-	-	-	-	-
At 31 October 2017	<u>147,506</u>	<u>2,307</u>	<u>(5,653)</u>	<u>(663)</u>	<u>641</u>	<u>(8,881)</u>	<u>135,257</u>	<u>4,833</u>	<u>140,090</u>

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 SECOND QUARTER ENDED 31 OCTOBER 2018
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	6 months ended	
	31/10/18	31/10/17
	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from operations	67,170	85,832
Payment for operating expenses (including taxes)	(64,423)	(59,768)
Other receipts	331	227
Net cash generated from operating activities	<u>3,078</u>	<u>26,291</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Decrease/(increase) in deposits and other investments	1,050	(490)
Acquisition of property, plant and equipment, intangible assets and development cost	(177)	(529)
Interest received	1,028	595
Net cash flow generated from/(used in) investing activities	<u>1,901</u>	<u>(424)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Drawdown of bank borrowings and other loans	-	6,409
Repayment of bank borrowings and other loans	(5,038)	(28,077)
Repayment of hire purchase/lease liabilities	(48)	(195)
Interest paid	(565)	(953)
Net cash flow used in financing activities	<u>(5,651)</u>	<u>(22,816)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	(672)	3,051
OPENING CASH AND CASH EQUIVALENTS	<u>3,224</u>	<u>(757)</u>
CLOSING CASH AND CASH EQUIVALENTS	<u>2,552</u>	<u>2,294</u>
Cash and cash equivalents comprise of:		
- Cash on hand and at banks	2,552	3,110
- Deposits with licensed banks	50,898	45,959
Total cash and bank balances	<u>53,450</u>	<u>49,069</u>
Less:		
- Deposits pledged to licensed banks	(50,898)	(45,959)
- Bank overdrafts	-	(816)
Total cash and cash equivalents	<u>2,552</u>	<u>2,294</u>

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 SECOND QUARTER ENDED 31 OCTOBER 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 October 2018:

(a) Share capital

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

(b) Share buy-back

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

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

As at 31 October 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 October 2018 RM'000	As at 30 April 2018 RM'000 (Audited)
Performance bonds in favour of various customers	23,833	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 6 months ended 31 October 2018 are as follows:-

	6 months ended 31/10/18 RM'000
Revenue	
Telecommunication services	40,730
Managed telecommunication network services	18,442
Industry digital services	962
Total revenue	60,134
Results	
Telecommunication services	14,756
Managed telecommunication network services	(4,462)
Industry digital services	(2,186)
	8,108
Indirect corporate expenses	(847)
Profit from operations	7,261
Investment related income	116
Finance costs	(565)
Profit before tax	6,812
Income tax expense	(3,144)
Profit after tax	3,668

A11. Finance costs

	3 months ended		6 months ended	
	31/10/18 RM'000	31/10/17 RM'000	31/10/18 RM'000	31/10/17 RM'000
Interest expense on:				
- bank overdrafts	-	-	-	39
- bankers' acceptance	-	8	-	41
- finance lease and hire purchase	47	7	49	15
- ICULS	41	40	83	83
- term loans	107	38	226	86
- short term financing	-	59	-	231
- bank guarantee	90	56	167	112
- others	22	335	40	346
	307	543	565	953

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 October 2018 RM'000	As at 30 April 2018 RM'000 (Audited)
Trade payables	27,155	37,082
Other payables		
- Provision for Universal Service Fund Contribution	7,822	7,065
- Accruals	6,728	6,168
- Deposits payable	2,059	2,050
- Deferred income	1,825	2,209
- Sundry payables	809	2,742
	<u>19,243</u>	<u>20,234</u>
Total	<u>46,398</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 second quarter ended 31 October 2018

	3 months ended			6 months ended		
	31/10/18 RM'000	31/10/17 RM'000	% + / (-)	31/10/18 RM'000	31/10/17 RM'000	% + / (-)
Revenue	29,912	29,093	2.82	60,134	59,326	1.36
Profit from operations	3,424	962	255.93	7,261	2,505	189.86
Profit before tax	3,151	1,576	99.94	6,812	2,783	144.77

Review of result for the quarter

For the quarter under review, the Group reported a revenue of RM29.91 million, which was 2.82% higher than the RM29.09 million reported in the previous year corresponding quarter, due to higher revenue contribution from MTNS segment.

The Group posted a profit before tax for the current quarter of RM3.15 million, compared to RM1.58 million reported in Quarter 2 ended 31 October 2017, as the telecommunications services segment posted higher gross profits.

Review of result for the 6-month financial period

For the financial period under review, the Group reported a revenue of RM60.13 million, which was 1.36% higher than the RM59.33 million reported in the previous year corresponding period. The increase in revenue was mainly due to higher revenue registered from MTNS segment.

The Group posted a profit before tax for the current period of RM6.81 million, compared to RM2.78 million reported in previous year corresponding period. The improvement in results was mainly due to higher gross profit in telecommunications services segment and lower operating expenses incurred for the 6-month financial period.

B2. Review of result of second quarter 2019 vs first quarter 2019

	3 months ended		% + / (-)
	31/10/18 RM'000	31/07/18 RM'000	
Revenue	29,912	30,222	(1.03)
Profit from operations	3,424	3,837	(10.76)
Profit before tax	3,151	3,661	(13.93)

Commentary on revenue

The Group reported a revenue of RM29.91 million in this current quarter under review as compared to RM30.22 million in the preceding quarter. The quarter-on-quarter decrease was due to lower revenue from MTNS segment.

Commentary on pre-tax profit

The Group reported a profit before tax of RM3.15 million as compared to profit before tax of RM3.66 million in the preceding quarter. The quarter-on-quarter decrease in pre-tax profit was due to lower gross profit margin in the 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 higher contribution from its MTNS segment going forward 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		6 months ended	
	31/10/18 RM'000	31/10/17 RM'000	31/10/18 RM'000	31/10/17 RM'000
Current income tax:				
Provision in current period				
- Malaysian income tax	(1,499)	(146)	(3,128)	(456)
Deferred tax				
- Origination and reversal of temporary differences	(8)	(8)	(16)	(15)
Total	(1,507)	(154)	(3,144)	(471)

The disproportionate tax charge of the Group for the current quarter ended 31 October 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		6 months ended	
	31/10/18 RM'000	31/10/17 RM'000	31/10/18 RM'000	31/10/17 RM'000
Profit before tax is arrived at after charging/(crediting):-				
Audit fee - Statutory audit	81	94	166	178
Audit fee - Other services	2	-	33	45
Amortisation of development cost	190	225	380	340
Bad debts written off	-	167	233	167
Depreciation of property, plant and equipment	1,078	1,102	2,163	2,214
Loss on foreign exchange:				
- realised	8	27	52	107
- unrealised	(6)	16	(5)	20
Allowance/(writeback of) for doubtful debts on:				
- Trade receivables	(154)	12	(268)	126
Rental of computer	15	30	33	100
Rental of office	86	200	228	337
Staff cost:				
- Salaries, bonus, wages and allowances	5,949	5,748	12,001	11,477
- Defined contribution plan	709	797	1,443	1,447
Interest income	(536)	(302)	(1,028)	(595)
Other income	(34)	(1,157)	(116)	(1,231)

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 October 2018 RM'000	As at 30 April 2018 RM'000 (Audited)
Current		
<u>Secured</u>		
Term loan facilities, which are denominated in Ringgit Malaysia	81	5,079
<u>Unsecured</u>		
Finance lease facilities, which are denominated in Ringgit Malaysia	-	32
Hire purchase, which is denominated in Ringgit Malaysia	33	32
	<u>114</u>	<u>5,143</u>
Non current		
<u>Secured</u>		
Term loan facilities, which are denominated in Ringgit Malaysia	1,540	1,580
<u>Unsecured</u>		
Hire purchase, which is denominated in Ringgit Malaysia	67	84
	<u>1,607</u>	<u>1,664</u>
Total	<u>1,721</u>	<u>6,807</u>

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 October 2017: Nil).

B11. Earnings per share

Basic earnings per share is calculated as follows:

	3 months ended		6 months ended	
	31/10/18 RM'000	31/10/17 RM'000	31/10/18 RM'000	31/10/17 RM'000
Profit attributable to owners of the Company	2,488	1,300	5,189	2,399
Impact on income statement upon conversion of ICULS	41	40	83	83
Adjusted net profit attributable to owners of the Company	<u>2,529</u>	<u>1,340</u>	<u>5,272</u>	<u>2,482</u>
Weighted average number of ordinary shares in issue with voting rights ('000)	748,726	748,198	748,726	748,198
Weighted average number of shares to be issued upon conversion of mandatorily convertible ICULS ('000)	<u>24,838</u>	<u>24,754</u>	<u>24,838</u>	<u>24,754</u>
Number of shares used in the calculation of basic earnings per share ('000)	<u>773,564</u>	<u>772,952</u>	<u>773,564</u>	<u>772,952</u>
Basic earnings per share (sen)	<u>0.33</u>	<u>0.17</u>	<u>0.68</u>	<u>0.32</u>

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