

REDTONE INTERNATIONAL BERHAD

(Company No: 596364-U)

(Incorporated in Malaysia)

Date : 25 June 2019

UNAUDITED INTERIM FINANCIAL REPORT FOR THE FOURTH QUARTER ENDED 30 APRIL 2019

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

UNAUDITED INTERIM FINANCIAL REPORT FOR THE FOURTH QUARTER ENDED 30 APRIL 2019
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	As at 30 April 2019 RM'000	As at 30 April 2018 RM'000 (As restated)
ASSETS			
Non-current Assets			
Goodwill		423	423
Property, plant and equipment		14,838	19,914
Investment in associate		2,344	-
Investment properties		1,160	1,160
Intangible assets		24,791	37,014
Development costs		190	847
Deferred tax assets		5,350	5,350
		<u>49,096</u>	<u>64,708</u>
Current Assets			
Inventories		176	437
Trade receivables	A12	85,218	59,172
Contract assets		-	1,050
Other receivables, deposits and prepayment		11,265	6,733
Tax recoverable		4,448	5,080
Other investments - Cash Management Fund		21,537	17,605
Cash and bank balances		55,534	53,533
		<u>178,178</u>	<u>143,610</u>
TOTAL ASSETS		<u>227,274</u>	<u>208,318</u>
EQUITY AND LIABILITIES			
Equity			
Share capital	A7(a)	147,548	147,524
Equity component of irredeemable convertible unsecured loan stocks ("ICULS")		2,265	2,289
Treasury shares	A7(b)	(5,653)	(5,653)
Reserves		10,029	(5,333)
		<u>154,189</u>	<u>138,827</u>
Non-controlling interests		(1,175)	3,720
Total Equity		<u>153,014</u>	<u>142,547</u>
Non-current Liabilities			
Liability component of irredeemable convertible unsecured loan stocks		125	265
Loans and borrowings	B8	1,566	1,664
Deferred tax liabilities		314	1,192
		<u>2,005</u>	<u>3,121</u>
Current Liabilities			
Trade payables	A13	50,662	37,082
Other payables and accruals	A13	20,265	20,234
Loans and borrowings	B8	116	5,143
Provision for taxation		1,212	191
		<u>72,255</u>	<u>62,650</u>
Total Liabilities		<u>74,260</u>	<u>65,771</u>
TOTAL EQUITY AND LIABILITIES		<u>227,274</u>	<u>208,318</u>
Net assets per share (sen)		<u>20.59</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 FOURTH QUARTER ENDED 30 APRIL 2019
CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Note	3 months ended		12 months ended	
		30/04/19 RM'000	30/04/18 RM'000	30/04/19 RM'000	30/04/18 RM'000 (Audited)
GROUP REVENUE		73,383	31,608	178,925	118,081
PROFIT FROM OPERATIONS		12,700	4,223	27,874	7,228
Investment related income		76	78	252	1,396
Investment related expense		(2,521)	-	(2,521)	-
Finance costs	A11	(274)	(608)	(1,043)	(2,111)
Share of result of associate		(120)	-	(120)	-
PROFIT BEFORE TAX	B7	9,861	3,693	24,442	6,513
INCOME TAX EXPENSE	B6	(4,422)	(1,182)	(10,070)	(1,744)
PROFIT AFTER TAX		5,439	2,511	14,372	4,769
Other comprehensive items, net of tax					
<u>Item that may be reclassified subsequently to profit or loss</u>					
- Foreign currency translation		4	-	-	-
Total comprehensive income for the financial period		5,443	2,511	14,372	4,769
<u>Profit attributable to:-</u>					
Owners of the Company		4,800	3,131	15,362	5,969
Non-controlling interests		639	(620)	(990)	(1,200)
		5,439	2,511	14,372	4,769
<u>Total comprehensive income attributable to :-</u>					
Owners of the Company		4,804	3,131	15,362	5,969
Non-controlling interests		639	(620)	(990)	(1,200)
		5,443	2,511	14,372	4,769
<u>Earnings per share attributable to owners of the parent (sen per share):</u>					
- Basic, for the period	B11	0.63	0.41	2.01	0.77
- 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 FOURTH QUARTER ENDED 30 APRIL 2019
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	<--NON-DISTRIBUTABLE-->								
	Share capital	ICULS - equity component	Treasury shares	Foreign exchange reserve	Revaluation reserve	Retained profits/ (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 after tax, representing total comprehensive income	-	-	-	-	-	15,362	15,362	(990)	14,372
Transaction with owners									
Issuance of shares pursuant to conversion of ICULS	24	(24)	-	-	-	-	-	-	-
Arising from disposal of subsidiary company	-	-	-	-	-	-	-	(3,905)	(3,905)
Total transaction with owners	24	(24)	-	-	-	-	-	(3,905)	(3,905)
At 30 April 2019	147,548	2,265	(5,653)	(663)	641	10,051	154,189	(1,175)	153,014
At 1 May 2017	147,359	2,454	(5,653)	(663)	641	(11,280)	132,858	4,920	137,778
Profit after tax, representing total comprehensive income	-	-	-	-	-	5,969	5,969	(1,200)	4,769
Transactions with owners									
Issuance of shares pursuant to conversion of ICULS representing total transactions with owners	165	(165)	-	-	-	-	-	-	-
At 30 April 2018	147,524	2,289	(5,653)	(663)	641	(5,311)	138,827	3,720	142,547

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 FOURTH QUARTER ENDED 30 APRIL 2019
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	12 months ended	
		30/04/19 RM'000	30/04/18 RM'000 (Audited)
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from operations		149,669	161,004
Payment for operating expenses (including taxes)		(139,439)	(115,146)
Other receipts (including tax refund)		483	107
Net cash generated from operating activities		<u>10,713</u>	<u>45,965</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Net cash amount on deconsolidation of subsidiary	A5	(387)	-
Increase in deposits and other investments		(2,415)	(22,445)
Acquisition of property, plant and equipment, intangible assets and development cost		(239)	(1,506)
Interest received		2,016	1,282
Government grant received		-	1,828
Net cash used in investing activities		<u>(1,025)</u>	<u>(20,841)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Drawdown of bank borrowings and other loans		-	11,408
Repayment of bank borrowings and other loans		(5,061)	(30,044)
Repayment of hire purchase/lease liabilities		(64)	(396)
Interest paid		(1,043)	(2,111)
Net cash used in financing activities		<u>(6,168)</u>	<u>(21,143)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS		3,520	3,981
OPENING CASH AND CASH EQUIVALENTS		<u>3,224</u>	<u>(757)</u>
CLOSING CASH AND CASH EQUIVALENTS		<u>6,744</u>	<u>3,224</u>
Cash and cash equivalents comprise of:			
- Cash on hand and at banks		6,744	3,223
- Deposits with licensed banks		48,790	50,310
Total cash and bank balances		<u>55,534</u>	<u>53,533</u>
Less:			
- Deposits pledged to licensed banks		(48,790)	(50,309)
Total cash and cash equivalents		<u>6,744</u>	<u>3,224</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 FOURTH QUARTER ENDED 30 APRIL 2019

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.

On 2 May 2019, the Company announced that the Board of Directors approved the change of the Company's financial year end from 30 April to 30 June. This is to coincide with the financial year of its ultimate holding company, Berjaya Corporation Berhad. Thus, the next set of financial year statements will be made up from 1 May 2018 to 30 June 2019 covering a period of 14 months. Thereafter, the financial year end of the Company shall end on 30 June for each subsequent financial year.

For financial period ending 30 June 2019

2-month period - 1 May 2019 to 30 June 2019

Quarters for financial year ending 30 June 2020

1st Quarter - 1 July 2019 to 30 September 2019

2nd Quarter - 1 October 2019 to 31 December 2019

3rd Quarter - 1 January 2020 to 31 March 2020

4th Quarter - 1 April 2020 to 30 June 2020

The change of financial year end shall apply to the Company and its subsidiaries.

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. There was no impact on MFRS 15 in accordance to our assessment except reclassification on contract assets:

	As Previously Reported RM'000	Reclassification of Account RM'000	As Restated RM'000
<u>As at 30 April 2018</u>			
Other receivables, deposits and prepayment	7,783	(1,050)	6,733
Contract assets	-	1,050	1,050

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

On 19 March 2019, the Company announced that following a restructuring exercise, the control in management and operations of REDtone Mex Sdn. Bhd. ("RMEX") has changed which resulted in RMEX ceasing to be a subsidiary and being re-classified as an associated company of REDtone although the Company continues to hold a 56% stake in RMEX.

Analysis of the effects of subsidiary company deconsolidated:

	RM'000
Property, plant and equipment	633
Intangible assets	12,173
Net other assets less liabilities	(3,916)
Net assets deconsolidated	8,890
Loss on deconsolidation of subsidiary	(2,521)
Excluding: Cash and cash equivalents of subsidiary deconsolidated	(387)
Investment classified as an associated company	(2,464)
Non-controlling interests	(3,905)
Cash flow on deconsolidation (net of cash in subsidiary company deconsolidated)	(387)

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 30 April 2019:

(a) Share capital

	Number of Ordinary shares	RM
Issued share capital as at 1 May 2018	758,228,172	147,524,275
Arising from conversion of ICULS	97,760	24,440
Share capital as at 30 April 2019	758,325,932	147,548,715

(b) Share buy-back

There was no share buy back transacted during the cumulative period ended 30 April 2019 and the number of treasury shares held in hand as at 30 April 2019 are as follows:

	Average price per share RM	Number of shares	Amount RM'000
Total treasury shares as at 30 April 2019	0.595	9,502,000	5,653

As at 30 April 2019, the number of outstanding shares in issue with voting rights was 748,823,932 (30 April 2018: 748,726,172) ordinary shares.

A8. Contingent liability

Bank guarantees of the Group are as follows:

	As at 30 April 2019 RM'000	As at 30 April 2018 RM'000 (Audited)
Performance bonds in favour of various customers	27,758	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 12 months ended 30 April 2019 are as follows:-

	12 months ended 30/04/19 RM'000
Revenue	
Telecommunication services	82,303
Managed telecommunication network services ("MTNS")	94,440
Industry digital services	2,182
Total revenue	<u>178,925</u>
Results	
Telecommunication services	29,785
Managed telecommunication network services ("MTNS")	4,751
Industry digital services	(4,232)
	<u>30,304</u>
Indirect corporate expenses	(2,430)
Profit from operations	27,874
Investment related income	252
Investment related expenses	(2,521)
Finance costs	(1,043)
Share of result of associate	(120)
Profit before tax	24,442
Income tax expense	(10,070)
Profit after tax	<u>14,372</u>

A11. Finance costs

	3 months ended		12 months ended	
	30/04/19 RM'000	30/04/18 RM'000	30/04/19 RM'000	30/04/18 RM'000 (Audited)
Interest expense on:				
- bank overdrafts	-	-	-	39
- bankers' acceptance	-	-	-	41
- finance lease and hire purchase	186	3	283	23
- ICULS	42	42	166	166
- term loans	19	110	283	233
- short term financing	-	-	-	247
- interest-bearing prepayments	-	349	-	973
- bank guarantee	8	93	232	311
- others	19	11	79	78
	<u>274</u>	<u>608</u>	<u>1,043</u>	<u>2,111</u>

A12. Trade receivables

Trade receivables are mainly from progress billings for government projects for MTNS, which includes building, maintaining and operating large scale WiFi hotspots, radio access network infrastructure and fibre optic infrastructure.

A13. Trade and other payables

Payables of the Group are as follows:

	As at 30 April 2019 RM'000	As at 30 April 2018 RM'000 (Audited)
Trade payables	50,662	37,082
Other payables		
- Provision for Universal Service Fund Contribution	7,210	7,065
- Accruals	8,015	6,168
- Deposits payable	1,993	2,050
- Deferred income	2,077	2,209
- Sundry payables	970	2,742
	<u>20,265</u>	<u>20,234</u>
Total	<u>70,927</u>	<u>57,316</u>

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

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

B1. Review of group performance for the fourth quarter ended 30 April 2019

	3 months ended		%	12 months ended		%
	30/04/19	30/04/18		30/04/19	30/04/18	
	RM'000	RM'000	+ / (-)	RM'000	RM'000	+ / (-)
Revenue	73,383	31,608	132.17	178,925	118,081	51.53
Profit from operations	12,700	4,223	200.73	27,874	7,228	285.64
Profit before tax	9,861	3,693	167.02	24,442	6,513	275.28

Review of result for the quarter

For the quarter under review, the Group reported a revenue of RM73.38 million, which was 132.12% higher than the RM31.61 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 RM9.86 million, compared to RM3.69 million reported in Quarter 4 ended 30 April 2018, as the MTNS segment posted higher revenue.

Review of result for the 12-month financial period

For the financial period under review, the Group reported a revenue of RM178.93 million, which was 51.53% higher than the RM118.08 million reported in the previous year corresponding period, mainly due to higher MTNS revenue.

The Group posted a profit before tax for the current period of RM24.44 million, compared to RM6.51 million reported in previous year corresponding period. The higher MTNS revenue has resulted in RM4.75 million MTNS segment profit, which was much improved compared to RM7.49 million segment loss last year.

B2. Review of result of fourth quarter 2019 vs third quarter 2019

	3 months ended		%
	30/04/19	31/01/19	
	RM'000	RM'000	+ / (-)
Revenue	73,383	45,408	61.61
Profit from operations	12,700	7,913	60.50
Profit before tax	9,861	7,769	26.93

Commentary on revenue

The Group reported a revenue of RM73.38 million in this current quarter under review as compared to RM45.41 million in the preceding quarter. The quarter-on-quarter increase was mainly due to higher revenue from MTNS segment.

Commentary on pre-tax profit

The Group reported a profit before tax of RM9.86 million as compared to profit before tax of RM7.77 million in the preceding quarter. The quarter-on-quarter increase in pre-tax profit was attributed to higher revenue 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 period of the financial period ending 30 June 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		12 months ended	
	30/04/19 RM'000	30/04/18 RM'000	30/04/19 RM'000	30/04/18 RM'000 (Audited)
Current income tax:				
Provision in current period				
- Malaysian income tax	(2,381)	(1,851)	(7,577)	(2,160)
Under provision in prior years	(2,032)	-	(2,459)	(157)
	<u>(4,413)</u>	<u>(1,851)</u>	<u>(10,036)</u>	<u>(2,317)</u>
Deferred tax				
- Origination and reversal of temporary differences	(9)	669	(34)	534
- Underprovision of deferred tax in prior years	-	-	-	39
	<u>(9)</u>	<u>669</u>	<u>(34)</u>	<u>573</u>
Total	<u>(4,422)</u>	<u>(1,182)</u>	<u>(10,070)</u>	<u>(1,744)</u>

The disproportionate tax charge of the Group for the current 12 months period ended 30 April 2019 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		12 months ended	
	30/04/19 RM'000	30/04/18 RM'000	30/04/19 RM'000	30/04/18 RM'000 (Audited)
Profit before tax is arrived at after charging/(crediting):-				
Audit fee - Statutory audit	92	97	340	329
Audit fee - Other services	45	4	81	34
Amortisation of development cost	92	194	707	758
Bad debts written off	329	248	562	503
Depreciation of property, plant and equipment	941	1,101	4,144	4,485
(Gain)/loss on foreign exchange:				
- realised	(140)	139	(157)	272
- unrealised	2	52	(1)	81
Loss on deconsolidation of a subsidiary	2,521	-	2,521	-
(Writeback)/provision of doubtful debts on:				
- Non-trade receivables	-	36	-	(43)
- Trade receivables	(259)	192	(662)	(48)
Impairment loss on development costs	-	1,653	-	1,653
Provision for Universal Service Fund Contribution	280	103	1,361	1,208
Provision of annual leave	105	63	62	63
(Writeback)/provision of inventories	-	(183)	135	(185)
Inventories written off	-	168	63	168
Properties, plant and equipment written off	537	58	538	58
Rental of computers	13	33	59	166
Rental of offices	113	145	441	633
Staff cost:				
- Salaries, bonus, wages and allowances	6,058	6,102	24,028	23,309
- Defined contribution plan	708	850	2,898	3,122
Interest income	(516)	(450)	(2,016)	(1,363)
Other income	(76)	(78)	(251)	(1,396)
	<u>(76)</u>	<u>(78)</u>	<u>(251)</u>	<u>(1,396)</u>

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

B8. Loans and borrowings

Loans and borrowings of the Group were as follows:

	As at 30 April 2019 RM'000	As at 30 April 2018 RM'000 (Audited)
Current		
<u>Secured</u>		
Term loan facilities, which are denominated in Ringgit Malaysia	83	79
<u>Unsecured</u>		
Loan from a holding company	-	5,000
Finance lease facilities, which are denominated in Ringgit Malaysia	-	32
Hire purchase, which is denominated in Ringgit Malaysia	33	32
	116	5,143
Non current		
<u>Secured</u>		
Term loan facilities, which are denominated in Ringgit Malaysia	1,515	1,580
<u>Unsecured</u>		
Hire purchase, which is denominated in Ringgit Malaysia	51	84
	1,566	1,664
Total	1,682	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 30 April 2018: Nil).

B11. Earnings per share

Basic earnings per share is calculated as follows:

	3 months ended		12 months ended	
	30/04/19 RM'000	30/04/18 RM'000	30/04/19 RM'000	30/04/18 RM'000 (Audited)
Profit attributable to owners of the Company	4,800	3,131	15,362	5,969
Impact on income statement upon conversion of ICULS	42	42	166	-
Adjusted net profit attributable to owners of the Company	4,842	3,173	15,528	5,969
Weighted average number of ordinary shares in issue with voting rights ('000)	748,730	748,453	748,730	748,453
Weighted average number of shares to be issued upon conversion of mandatorily convertible ICULS ('000)	24,222	24,499	24,222	24,499
Number of shares used in the calculation of basic earnings per share ('000)	772,952	772,952	772,952	772,952
Basic earnings per share (sen)	0.63	0.41	2.01	0.77

There are no potential ordinary shares outstanding as at 30 April 2019. As such, the fully diluted earnings per share of the Group is equivalent to the basic earnings per share.