

REDTONE INTERNATIONAL BERHAD

(Company No: 596364-U)

(Incorporated in Malaysia)

Date : 26 August 2019

UNAUDITED INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 30 JUNE 2019

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

UNAUDITED INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 30 JUNE 2019
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	As at 30 June 2019 RM'000	As at 30 April 2018 RM'000 (As restated)
ASSETS			
Non-current Assets			
Goodwill		423	423
Property, plant and equipment		14,330	19,914
Investment in associate		927	-
Investment properties		1,200	1,160
Intangible assets		24,783	37,014
Development costs		177	847
Deferred tax assets		3,423	5,350
		<u>45,263</u>	<u>64,708</u>
Current Assets			
Inventories		349	437
Trade receivables	A12	118,227	59,172
Contract assets		-	1,050
Other receivables, deposits and prepayment		11,061	6,733
Tax recoverable		6,417	5,080
Other investments - Cash Management Fund		15,114	17,605
Cash and bank balances		51,760	53,533
		<u>202,928</u>	<u>143,610</u>
TOTAL ASSETS		<u>248,191</u>	<u>208,318</u>
EQUITY AND LIABILITIES			
Equity			
Share capital	A7(a)	147,587	147,524
Equity component of irredeemable convertible unsecured loan stocks ("ICULS")		2,226	2,289
Treasury shares	A7(b)	(5,653)	(5,653)
Reserves		16,507	(5,333)
		<u>160,667</u>	<u>138,827</u>
Non-controlling interests		(656)	3,720
Total Equity		<u>160,011</u>	<u>142,547</u>
Non-current Liabilities			
Liability component of irredeemable convertible unsecured loan stocks		100	265
Loans and borrowings	B8	1,543	1,664
Deferred tax liabilities		280	1,192
		<u>1,923</u>	<u>3,121</u>
Current Liabilities			
Trade payables	A13	47,951	37,082
Other payables and accruals	A13	38,039	20,234
Loans and borrowings	B8	117	5,143
Provision for taxation		150	191
		<u>86,257</u>	<u>62,650</u>
Total Liabilities		<u>88,180</u>	<u>65,771</u>
TOTAL EQUITY AND LIABILITIES		<u>248,191</u>	<u>208,318</u>
Net assets per share (sen)		<u>21.45</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 PERIOD ENDED 30 JUNE 2019
CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Note	2 months ended		Year to date ended	
		30/06/19 RM'000	30/06/18 RM'000	30/06/19 RM'000	30/06/18 RM'000
GROUP REVENUE		32,534	N/A	211,459	N/A
PROFIT FROM OPERATIONS		10,175	N/A	38,049	N/A
Investment related income		151	N/A	403	N/A
Investment related expense		-	N/A	(2,521)	N/A
Finance costs	A11	(57)	N/A	(1,100)	N/A
Share of result of associate		(1,417)	N/A	(1,537)	N/A
PROFIT BEFORE TAX	B7	8,852	N/A	33,294	N/A
INCOME TAX EXPENSE	B6	(1,855)	N/A	(11,925)	N/A
PROFIT AFTER TAX		6,997	N/A	21,369	N/A
Other comprehensive items, net of tax					
<u>Item that may be reclassified subsequently to profit or loss</u>					
- Foreign currency translation		-	N/A	-	N/A
Total comprehensive income for the financial period		6,997	N/A	21,369	N/A
<u>Profit attributable to:-</u>					
Owners of the Company		6,478	N/A	21,840	N/A
Non-controlling interests		519	N/A	(471)	N/A
		6,997	N/A	21,369	N/A
<u>Total comprehensive income attributable to :-</u>					
Owners of the Company		6,478	N/A	21,840	N/A
Non-controlling interests		519	N/A	(471)	N/A
		6,997	N/A	21,369	N/A
<u>Earnings per share attributable to owners of the parent (sen per share):</u>					
- Basic, for the period	B11	0.84	N/A	2.85	N/A
- 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.

As announced on 2 May 2019, the financial year end has been changed from 30 April to 30 June 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 PERIOD ENDED 30 JUNE 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	-	-	-	-	-	21,840	21,840	(471)	21,369
Transaction with owners:									
Issuance of shares pursuant to conversion of ICULS	63	(63)	-	-	-	-	-	-	-
Arising from disposal of subsidiary company	-	-	-	-	-	-	-	(3,905)	(3,905)
Total transaction with owners	63	(63)	-	-	-	-	-	(3,905)	(3,905)
At 30 June 2019	147,587	2,226	(5,653)	(663)	641	16,529	160,667	(656)	160,011
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
Transaction 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 PERIOD ENDED 30 JUNE 2019
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	14 months	14 months
Note	30/06/19	30/06/18
	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from operations	168,380	N/A
Payment for operating expenses (including taxes)	(167,854)	N/A
Other payments (including tax refund)	(267)	N/A
Net cash generated from operating activities	<u>259</u>	<u>N/A</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Net cash amount on deconsolidation of subsidiary	(387)	N/A
Decrease in deposits and other investments	3,743	N/A
Acquisition of property, plant and equipment, intangible assets and development cost	(236)	N/A
Interest received	2,352	N/A
Net cash generated from investing activities	<u>5,472</u>	<u>N/A</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of bank borrowings and other loans	(5,077)	N/A
Repayment of hire purchase/lease liabilities	(70)	N/A
Interest paid	(1,100)	N/A
Net cash used in financing activities	<u>(6,247)</u>	<u>N/A</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	(516)	N/A
OPENING CASH AND CASH EQUIVALENTS	<u>3,224</u>	<u>N/A</u>
CLOSING CASH AND CASH EQUIVALENTS	<u>2,708</u>	<u>N/A</u>
Cash and cash equivalents comprise of:		
- Cash on hand and at banks	2,708	N/A
- Deposits with licensed banks	49,052	N/A
Total cash and bank balances	<u>51,760</u>	<u>N/A</u>
Less:		
- Deposits pledged to licensed banks	(49,052)	N/A
Total cash and cash equivalents	<u>2,708</u>	<u>N/A</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.

As announced on 2 May 2019, the financial year end has been changed from 30 April to 30 June 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.

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REDTONE INTERNATIONAL BERHAD
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A. NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 30 JUNE 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

There were no changes in the composition of the Group during the 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 period ended 30 June 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	251,760	62,940
Share capital as at 30 June 2019	<u>758,479,932</u>	<u>147,587,215</u>

(b) Share buy-back

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

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

As at 30 June 2019, the number of outstanding shares in issue with voting rights was 748,977,932 (30 April 2018: 748,726,172) ordinary shares.

A8. Contingent liability

Bank guarantees of the Group are as follows:

	As at 30 June 2019 RM'000	As at 30 April 2018 RM'000 (Audited)
Performance bonds in favour of various customers	<u>27,758</u>	<u>22,720</u>

A9. Dividends paid

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 period ended 30 June 2019 are as follows:-

	Year to date 30/06/19 RM'000
<u>Revenue</u>	
Telecommunication services	95,699
Managed telecommunication network services ("MTNS")	113,110
Industry digital services	2,650
Total revenue	<u>211,459</u>
<u>Results</u>	
Telecommunication services	35,013
Managed telecommunication network services ("MTNS")	10,260
Industry digital services	(4,443)
	<u>40,830</u>
Indirect corporate expenses	(2,781)
Profit from operations	38,049
Investment related income	403
Investment related expenses	(2,521)
Finance costs	(1,100)
Share of result of associate	(1,537)
Profit before tax	<u>33,294</u>
Income tax expense	(11,925)
Profit after tax	<u>21,369</u>

A11. Finance costs

	2 months ended		Year to date ended	
	30/06/19 RM'000	30/06/18 RM'000	30/06/19 RM'000	30/06/18 RM'000
Interest expense on:				
- finance lease and hire purchase	1	N/A	283	N/A
- ICULS	27	N/A	194	N/A
- term loans	10	N/A	293	N/A
- bank guarantee	3	N/A	235	N/A
- others	16	N/A	95	N/A
	<u>57</u>	<u>N/A</u>	<u>1,100</u>	<u>N/A</u>

A12. Trade receivables

Trade receivables mainly consist of accrued revenue and 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 June 2019 RM'000	As at 30 April 2018 RM'000 (Audited)
Trade payables	47,951	37,082
Other payables		
- Provision for Universal Service Fund Contribution	6,722	7,065
- Accruals	8,814	6,168
- Deposits payable	1,953	2,050
- Deferred income	1,195	2,209
- Advances for a project	17,974	-
- Sundry payables	1,381	2,742
	<u>38,039</u>	<u>20,234</u>
Total	<u>85,990</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 period ended 30 June 2019

	2 months ended			Year to date ended		
	30/06/19	30/06/18	%	30/06/19	30/06/18	%
	RM'000	RM'000	+ / (-)	RM'000	RM'000	+ / (-)
Revenue	32,534	N/A	N/A	211,459	N/A	N/A
Profit from operations	10,175	N/A	N/A	38,049	N/A	N/A
Profit before tax	8,852	N/A	N/A	33,294	N/A	N/A

Review of result for the period

For the period under review, the Group reported a revenue of RM32.53 million. There was no comparison numbers for previous year corresponding period due to change of financial year end.

The Group posted a profit before tax for the current period of RM8.85 million.

Review of result for the 14-month financial period

For the financial period under review, the Group reported a revenue of RM211.46 million. This was not comparable with the previous financial year due to change of financial year end.

The Group posted a profit before tax for the current period of RM33.29 million. This was not comparable with the previous financial year due to change of financial year end.

B2. Review of result of fifth period 2019 vs fourth quarter 2019

	2 months	3 months	% + / (-)
	30/06/19	30/04/19	
	RM'000	RM'000	
Revenue	32,534	73,383	-55.67
Profit from operations	10,175	12,700	-19.88
Profit before tax	8,852	9,861	-10.23

Commentary on revenue

The Group reported a revenue of RM32.53 million in this current period under review as compared to RM73.38 million in the preceding quarter. The period-on-quarter decrease was mainly due to lower revenue from MTNS segment, and partially due to lower number of months in the period.

Commentary on pre-tax profit

The Group reported a profit before tax of RM8.85 million as compared to profit before tax of RM9.86 million in the preceding quarter. The decrease in pre-tax profit was due to lower revenue in the MTNS segment in current period, and partially due to lower number of months in the period.

B3. Prospects and business outlook

The Board of Directors is of the view that the operating performance of the Group for the next financial year ending 30 June 2020 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 the contribution from its MTNS segment will remain significant while data services for enterprise market would continue to be the main focus in extracting growth from recurring businesses.

B4. Profit forecast

No profit forecast was announced.

B5. Corporate proposals

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

B6. Income tax expense

	2 months ended		Year to date ended	
	30/06/19 RM'000	30/06/18 RM'000	30/06/19 RM'000	30/06/18 RM'000
Current income tax:				
Provision in current period				
- Malaysian income tax	105	N/A	(7,472)	N/A
Under provision in prior years	(67)	N/A	(2,526)	N/A
	38	N/A	(9,998)	N/A
Deferred tax				
- Origination and reversal of temporary differences	(1,893)	N/A	(1,927)	N/A
Total	(1,855)	N/A	(11,925)	N/A

The disproportionate tax charge of the Group for the current financial period ended 30 June 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

	2 months ended		Year to date ended	
	30/06/19 RM'000	30/06/18 RM'000	30/06/19 RM'000	30/06/18 RM'000
Profit before tax is arrived at after charging/(crediting):-				
Audit fee - Statutory audit	120	N/A	460	N/A
Audit fee - Other services	62	N/A	143	N/A
Amortisation of development cost	21	N/A	728	N/A
Bad debts written off	-	N/A	562	N/A
Depreciation of property, plant and equipment	505	N/A	4,649	N/A
Loss/(gain) on foreign exchange:				
- realised	84	N/A	(73)	N/A
- unrealised	(11)	N/A	(12)	N/A
Loss on deconsolidation of a subsidiary	-	N/A	2,521	N/A
Provision/(writeback) of doubtful debts on:				
- Non-trade receivables	9	N/A	9	N/A
- Trade receivables	(56)	N/A	(718)	N/A
(Writeback)/provision for Universal Service Fund Contribution	(137)	N/A	1,224	N/A
Provision of annual leave	20	N/A	82	N/A
Provision of inventories	5	N/A	140	N/A
Inventories writeback	(205)	N/A	(142)	N/A
Properties, plant and equipment written off	-	N/A	538	N/A
Rental of computers	8	N/A	67	N/A
Rental of offices	47	N/A	488	N/A
Staff cost:				
- Salaries, bonus, wages and allowances	3,923	N/A	27,951	N/A
- Defined contribution plan	433	N/A	3,331	N/A
Interest income	(336)	N/A	(2,352)	N/A
Other income	(152)	N/A	(403)	N/A

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 period.

B8. Loans and borrowings

Loans and borrowings of the Group were as follows:

	As at 30 June 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	34	32
	117	5,143
Non current		
<u>Secured</u>		
Term loan facilities, which are denominated in Ringgit Malaysia	1,499	1,580
<u>Unsecured</u>		
Hire purchase, which is denominated in Ringgit Malaysia	44	84
	1,543	1,664
Total	1,660	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

The Board has declared an interim dividend of 1 sen per share (previous financial year ended 30 April 2018: Nil) in respect of the financial period ended 30 June 2019 and payable on 10 October 2019. The entitlement date has been fixed on 11 September 2019.

B11. Earnings per share

Basic earnings per share is calculated as follows:

	2 months ended		Year to date ended	
	30/06/19 RM'000	30/06/18 RM'000	30/06/19 RM'000	30/06/18 RM'000
Profit attributable to owners of the Company	6,478	N/A	21,840	N/A
Impact on income statement upon conversion of ICULS	28	N/A	194	N/A
Adjusted net profit attributable to owners of the Company	6,506	N/A	22,034	N/A
Weighted average number of ordinary shares in issue with voting rights ('000)	748,763	N/A	748,763	N/A
Weighted average number of shares to be issued upon conversion of mandatorily convertible ICULS ('000)	24,189	N/A	24,189	N/A
Number of shares used in the calculation of basic earnings per share ('000)	772,952	N/A	772,952	N/A
Basic earnings per share (sen)	0.84	N/A	2.85	N/A

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