

REDTONE INTERNATIONAL BERHAD

(Company No: 596364-U)

(Incorporated in Malaysia)

Date : 20 February 2020

UNAUDITED INTERIM FINANCIAL REPORT FOR THE SECOND QUARTER ENDED 31 DECEMBER 2019

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

UNAUDITED INTERIM FINANCIAL REPORT FOR THE SECOND QUARTER ENDED 31 DECEMBER 2019
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	As at 31 Dec 2019 RM'000	As at 30 Jun 2019 RM'000 (Audited)
ASSETS			
Non-current Assets			
Goodwill		423	423
Property, plant and equipment		21,114	14,330
Investment properties		1,200	1,200
Intangible assets		24,758	24,783
Development costs		138	177
Investment in associates		1,329	1,527
Investment in quoted shares		1,975	-
Deferred tax assets		3,423	3,423
		<u>54,360</u>	<u>45,863</u>
Current Assets			
Inventories		289	349
Trade and other receivables	A12	116,029	35,016
Contract assets		45,166	77,153
Tax recoverable		1,868	6,442
Other investments - Cash Management Fund		450	15,114
Cash and bank balances		43,014	51,760
		<u>206,816</u>	<u>185,834</u>
TOTAL ASSETS		<u>261,176</u>	<u>231,697</u>
EQUITY AND LIABILITIES			
Equity			
Share capital	A7(a)	147,781	147,587
Equity component of irredeemable convertible unsecured loan stocks ("ICULS")		2,032	2,226
Treasury shares	A7(b)	(5,653)	(5,653)
Reserves		23,416	17,162
		<u>167,576</u>	<u>161,322</u>
Non-controlling interests		641	(690)
Total Equity		<u>168,217</u>	<u>160,632</u>
Non-current Liabilities			
Loans and borrowings	B8	3,007	1,543
Lease liabilities	A2	3,520	-
		<u>6,527</u>	<u>1,543</u>
Current Liabilities			
Trade and other payables	A13	70,421	62,898
Contract liabilities		12,750	6,261
Loans and borrowings	B8	438	117
Lease liabilities	A2	2,615	-
Provision for taxation		184	146
Liability component of irredeemable convertible unsecured loan stocks		24	100
		<u>86,432</u>	<u>69,522</u>
Total Liabilities		<u>92,959</u>	<u>71,065</u>
TOTAL EQUITY AND LIABILITIES		<u>261,176</u>	<u>231,697</u>
Net assets per share (sen)		<u>22.35</u>	<u>21.54</u>

The unaudited Condensed Consolidated Statement of Financial Position should be read in conjunction with the Audited Financial Statements for the period ended 30 June 2019.

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 DECEMBER 2019
CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Note	3 months ended		6 months ended	
		31/12/19 RM'000	31/12/18 RM'000	31/12/19 RM'000	31/12/18 RM'000
GROUP REVENUE		44,126	N/A	101,032	N/A
PROFIT FROM OPERATIONS		8,663	N/A	19,401	N/A
Investment related income		111	N/A	221	N/A
Finance costs	A11	(532)	N/A	(745)	N/A
Share of result of associate		(187)	N/A	(198)	N/A
PROFIT BEFORE TAX	B7	8,055	N/A	18,679	N/A
INCOME TAX EXPENSE	B6	(1,829)	N/A	(3,602)	N/A
Total comprehensive income for the financial period		6,226	N/A	15,077	N/A
<u>Profit attributable to:-</u>					
Owners of the Company		5,678	N/A	13,746	N/A
Non-controlling interests		548	N/A	1,331	N/A
		<u>6,226</u>	<u>N/A</u>	<u>15,077</u>	<u>N/A</u>
<u>Total comprehensive income attributable to :-</u>					
Owners of the Company		5,678	N/A	13,746	N/A
Non-controlling interests		548	N/A	1,331	N/A
		<u>6,226</u>	<u>N/A</u>	<u>15,077</u>	<u>N/A</u>
<u>Earnings per share attributable to owners of the parent (sen per share):</u>					
- Basic, for the period	B11	0.74	N/A	1.79	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 period ended 30 June 2019.

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 SECOND QUARTER ENDED 31 DECEMBER 2019
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

<--NON-DISTRIBUTABLE-->

	Share capital	ICULS - equity component	Treasury shares	Foreign exchange reserve	Revaluation reserve	Retained profits	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 July 2019	147,587	2,226	(5,653)	(663)	641	17,184	161,322	(690)	160,632
Total comprehensive income	-	-	-	-	-	13,746	13,746	1,331	15,077
Transaction with owners:									
- Dividend paid	-	-	-	-	-	(7,492)	(7,492)	-	(7,492)
- Issuance of shares pursuant to conversion of ICULS, representing total transaction with owners	194	(194)	-	-	-	-	-	-	-
At 31 Dec 2019	147,781	2,032	(5,653)	(663)	641	23,438	167,576	641	168,217

The unaudited Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Audited Financial Statements for the period ended 30 June 2019.

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
(Company No: 596364-U)

UNAUDITED INTERIM FINANCIAL REPORT FOR THE SECOND QUARTER ENDED 31 DECEMBER 2019
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	<u>6 months ended</u> <u>31/12/19</u> <u>RM'000</u>	<u>6 months ended</u> <u>31/12/18</u> <u>RM'000</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from operations	52,618	N/A
Payment for operating expenses (including taxes)	(70,001)	N/A
Other receipts (including tax refund)	5,483	N/A
Net cash used in operating activities	<u>(11,900)</u>	<u>N/A</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Disposal of property, plant and equipment	1	N/A
Decrease in deposits and other investments	23,667	N/A
Acquisition of shares	(1,975)	N/A
Acquisition of property, plant and equipment	(363)	N/A
Interest received	707	N/A
Net cash generated from investing activities	<u>22,037</u>	<u>N/A</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Payment of lease liabilities	(1,415)	N/A
Repayment of bank borrowings and other loans	(41)	N/A
Payment of hire purchase	(193)	N/A
Dividend paid	(7,492)	N/A
Interest paid	(745)	N/A
Net cash used in financing activities	<u>(9,886)</u>	<u>N/A</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	251	N/A
OPENING CASH AND CASH EQUIVALENTS	<u>2,708</u>	<u>N/A</u>
CLOSING CASH AND CASH EQUIVALENTS	<u>2,959</u>	<u>N/A</u>
Cash and cash equivalents comprise of:		
- Cash on hand and at banks	2,959	N/A
- Deposits with licensed banks	40,055	N/A
Total cash and bank balances	<u>43,014</u>	<u>N/A</u>
Less:		
- Deposits pledged to licensed banks	(40,055)	N/A
Total cash and cash equivalents	<u>2,959</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 period ended 30 June 2019.

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 SECOND QUARTER ENDED 31 DECEMBER 2019

A1. Basis of preparation

The condensed consolidated interim financial report is not audited and has been prepared in compliance with MFRS 134, Interim Financial Reporting Standards in Malaysia, International Accounting Standards 34 - Interim Financial Reporting, the Companies Act 2016 in Malaysia and applicable disclosure provision of the Listing Requirements of Bursa Malaysia Securities Berhad.

The condensed consolidated interim financial report should be read in conjunction with the audited financial statements of the Group for the financial period ended 30 June 2019. The explanatory notes attached to the interim financial statements provide an explanation of events and transactions which are significant for understanding the changes in the financial position and performance of the Group since the financial period ended 30 June 2019.

A2. Changes in accounting policies

The Group has adopted MFRS 16 "Leases" from 1 July 2019.

MFRS 16 has replaced MFRS 117 Leases, IC Interpretation 4 Determining whether an Arrangement contains a Lease, IC Interpretation 115 Operating Lease-Incentives and IC Interpretation 127 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. MFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under MFRS 117.

Lessor accounting under MFRS 16 is substantially the same as the accounting under MFRS 117. Lessors will continue to classify all leases using the same classification principle as in MFRS 117 and distinguish between two types of leases: operating and finance leases. MFRS 16 also requires lessees and lessors to make more extensive disclosures than under MFRS 117.

The Group adopted the MFRS 16 using the modified retrospective method of adoption, under which the amount of both the lease liability and right-of-use asset are calculated based on the present value of all remaining lease payment at initial application date (i.e. 1 July 2019). The Group does not restate the comparative information, which continues to be reported under MFRS 117.

The effect of adoption of MFRS 16 to the Group as at 1 July 2019 is as follows:

Consolidated Statement of Financial Position	Impact of adopting MFRS 16 on opening balance as at 1 July 2019
	RM'000
Assets	
Property, plant and equipment - Right-of-use assets	7,159
Liabilities	
Lease liabilities	7,159

Significant accounting policies

The Group recognises a right-of-use assets and lease liability at the lease commencement date.

The right-of-use assets is initially measured at cost, and subsequently at cost less accumulated depreciation and impairment losses, and adjusted for remeasurement of the lease liability where applicable.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate as the discount rate. The carrying amount of the lease liability is subsequently increased by the interest on the lease liability and reduced to reflect the lease payment made. In addition, the carrying amount of lease liability is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

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 period 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 quarter ended 31 December 2019:

(a) Share capital

	Number of Ordinary Shares	RM
Issued share capital as at 1 July 2019	758,479,932	147,587,215
Arising from conversion of ICULS	775,200	193,800
Share capital as at 31 December 2019	<u>759,255,132</u>	<u>147,781,015</u>

(b) Share buy-back

There was no share buy back transacted during the cumulative period ended 31 December 2019 and the number of treasury shares held in hand as at 31 December 2019 are as follows:

	Average price per share RM	Number of shares	Amount RM'000
Total treasury shares as at 31 December 2019	0.595	9,502,000	5,653

As at 31 December 2019, the number of outstanding shares in issue with voting rights was 749,753,132 (30 June 2019: 748,977,932) ordinary shares.

A8. Contingent liability

Bank guarantees of the Group are as follows:

	As at 31 Dec 2019 RM'000	As at 30 June 2019 RM'000 (Audited)
Performance bonds in favour of various customers	<u>27,930</u>	<u>27,758</u>

A9. Dividends paid

During the financial period, the Company paid an interim dividend of 1.0 sen per share on 10 October 2019 in respect of the 14 months financial period ended 30 June 2019.

A10. Segment information

The segment information for the reportable segments by line of business for the period ended 31 December 2019 are as follows:-

	Year to date 31/12/19 RM'000
<u>Revenue</u>	
Telecommunication services	40,334
Managed telecommunication network services ("MTNS")	59,248
Industry digital services	1,450
Total revenue	<u>101,032</u>
<u>Results</u>	
Telecommunication services	15,134
Managed telecommunication network services ("MTNS")	6,736
Industry digital services	<u>(1,107)</u>
	20,763
Indirect corporate expenses	<u>(1,362)</u>
Profit from operations	19,401
Investment related income	221
Finance costs	(745)
Share of result of associate	<u>(198)</u>
Profit before tax	18,679
Income tax expense	<u>(3,602)</u>
Profit after tax	<u>15,077</u>

A11. Finance costs

	3 months ended		6 months ended	
	31/12/19 RM'000	31/12/18 RM'000	31/12/19 RM'000	31/12/18 RM'000
Interest expense on:				
- hire purchase	17	N/A	23	N/A
- ICULS	38	N/A	78	N/A
- term loans	18	N/A	37	N/A
- bank guarantee	317	N/A	332	N/A
- lease liability	110	N/A	224	N/A
- others	19	N/A	38	N/A
	<u>532</u>	<u>N/A</u>	<u>745</u>	<u>N/A</u>

A12. Trade and other receivables

Trade receivables mainly consist of 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.

Receivables of the Group are as follows:

	As at 31 Dec 2019 RM'000	As at 30 Jun 2019 RM'000 (Audited)
Trade receivables	104,638	23,955
Other receivables		
- Third parties, associates and sundry receivables	6,858	7,141
- Deposits receivables	2,496	2,287
- Prepayments	2,037	1,633
	<u>11,391</u>	<u>11,061</u>
Total	<u>116,029</u>	<u>35,016</u>

A13. Trade and other payables

Payables of the Group are as follows:

	As at 31 Dec 2019 RM'000	As at 30 Jun 2019 RM'000 (Audited)
Trade payables	50,924	44,031
Other payables		
- Provision for Universal Service Fund Contribution	6,352	6,722
- Accruals	10,684	8,812
- Deposits payable	1,915	1,953
- Sundry payables	546	1,380
	<u>19,497</u>	<u>18,867</u>
Total	<u>70,421</u>	<u>62,898</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 quarter ended 31 December 2019

	3 months ended			6 months ended		
	31/12/19 RM'000	31/12/18 RM'000	% + / (-)	31/12/19 RM'000	31/12/18 RM'000	% + / (-)
Revenue	44,126	N/A	N/A	101,032	N/A	N/A
Profit from operations	8,663	N/A	N/A	19,401	N/A	N/A
Profit before tax	8,055	N/A	N/A	18,679	N/A	N/A

Review of result for the quarter

For the quarter under review, the Group reported a revenue of RM44.13 million. There were no comparative figures for previous year corresponding quarter due to the change of financial year end.

The Group posted a profit before tax for the current quarter of RM8.06 million.

B2. Review of result of second quarter 2020 vs first quarter 2020

	3 months ended		% + / (-)
	31/12/19 RM'000	30/09/19 RM'000	
Revenue	44,126	56,906	-22.46
Profit from operations	8,663	10,738	-19.32
Profit before tax	8,055	10,624	-24.18

Commentary on revenue

The Group reported a revenue of RM44.13 million in this current quarter under review as compared to RM56.91 million in the preceding quarter. The drop was mainly due to lower revenue from MTNS segment.

Commentary on pre-tax profit

The Group reported a profit before tax of RM8.06 million as compared to profit before tax of RM10.62 million in the preceding quarter. The drop in pre-tax profit was mainly due to lower revenue registered in the MTNS segment.

B3. Prospects and business outlook

The Government's impending plan to change the spectrum allocation policy may affect the business performance of the Group going forward. The Board is closely monitoring the development and assessing the potential financial impact.

Apart from this, the Board of Directors is of the view that the operating performance of the Group for the remaining period of the financial year ending 30 June 2020 will remain competitive for the Group. The Group will continue to focus on measures to improve operational efficiencies and profitability in its core businesses. The Board expects the contributions 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 proposal for the current quarter under review.

B6. Income tax expense

	3 months ended		6 months ended	
	31/12/19 RM'000	31/12/18 RM'000	31/12/19 RM'000	31/12/18 RM'000
Current income tax:				
Provision in current period				
- Malaysian income tax	(1,829)	N/A	(3,602)	N/A

The disproportionate tax charge of the Group for the current financial quarter and period ended 31 December 2019 was mainly due to utilisation of unabsorbed tax losses for which the deferred tax benefit was not recognised previously.

B7. Profit before tax

	3 months ended		6 months ended	
	31/12/19 RM'000	31/12/18 RM'000	31/12/19 RM'000	31/12/18 RM'000
Profit before tax is arrived at after charging/(crediting):-				
Audit fee - Statutory audit	87	N/A	176	N/A
Amortisation of development cost	32	N/A	64	N/A
Depreciation of property, plant and equipment	1,489	N/A	2,915	N/A
Loss/(gain) on foreign exchange:				
- realised	-	N/A	(4)	N/A
- unrealised	2	N/A	(2)	N/A
Allowance for/(writeback of) doubtful debts on:				
- Trade receivables	39	N/A	(38)	N/A
Provision for Universal Service Fund Contribution	409	N/A	780	N/A
(Writeback of)/provision for annual leave	(54)	N/A	12	N/A
Properties, plant and equipment written off	-	N/A	8	N/A
Rental of computers	5	N/A	19	N/A
Rental of offices	35	N/A	87	N/A
Staff cost:				
- Salaries, bonus, wages and allowances	6,138	N/A	12,295	N/A
- Defined contribution plan	733	N/A	1,473	N/A
Interest income	(345)	N/A	(707)	N/A
Other income	(111)	N/A	(221)	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 31 Dec 2019 RM'000	As at 30 June 2019 RM'000 (Audited)
Current		
<u>Secured</u>		
Term loan facilities, which are denominated in Ringgit Malaysia	86	83
<u>Unsecured</u>		
Hire purchase, which is denominated in Ringgit Malaysia	352	34
	438	117
Non current		
<u>Secured</u>		
Term loan facilities, which are denominated in Ringgit Malaysia	1,455	1,499
<u>Unsecured</u>		
Hire purchase, which is denominated in Ringgit Malaysia	1,552	44
	3,007	1,543
Total	3,445	1,660

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 does not recommend any dividend for the current quarter under review.

B11. Earnings per share

Basic earnings per share is calculated as follows:

	3 months ended		6 months ended	
	31/12/19 RM'000	31/12/18 RM'000	31/12/19 RM'000	31/12/18 RM'000
Profit attributable to owners of the Company	5,678	N/A	13,746	N/A
Impact on income statement upon conversion of ICULS	38	N/A	78	N/A
Adjusted net profit attributable to owners of the Company	5,716	N/A	13,824	N/A
Weighted average number of ordinary shares in issue with voting rights ('000)	749,361	N/A	749,361	N/A
Weighted average number of shares to be issued upon conversion of mandatorily convertible ICULS ('000)	23,936	N/A	23,936	N/A
Number of shares used in the calculation of basic earnings per share ('000)	773,297	N/A	773,297	N/A
Basic earnings per share (sen)	0.74	N/A	1.79	N/A

There are no potential ordinary shares outstanding as at 31 December 2019. As such, the fully diluted earnings per share of the Group is equivalent to the basic earnings per share.