

# **REDTONE INTERNATIONAL BERHAD**

(Company No: 596364-U)

(Incorporated in Malaysia)

Date : 20 September 2017

## **UNAUDITED INTERIM FINANCIAL REPORT FOR THE FIRST QUARTER ENDED 31 JULY 2017**

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

**UNAUDITED INTERIM FINANCIAL REPORT FOR THE FIRST QUARTER ENDED 31 JULY 2017**  
**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

	Note	UNAUDITED As at 31 July 2017 RM'000	AUDITED As at 30 April 2017 RM'000
<b>ASSETS</b>			
<b>Non-current Assets</b>			
Property, plant and equipment		21,634	22,365
Investment properties		1,760	1,760
Deferred tax assets		5,518	5,518
Goodwill		423	423
Intangible assets		37,814	37,826
Development costs		3,105	3,208
		<u>70,254</u>	<u>71,100</u>
<b>Current Assets</b>			
Inventories		209	657
Trade receivables	A17	83,296	104,009
Other receivables, deposits and prepayment		10,680	7,642
Tax recoverable		5,707	5,693
Cash and bank balances		49,492	47,798
		<u>149,384</u>	<u>165,799</u>
<b>TOTAL ASSETS</b>		<b><u>219,638</u></b>	<b><u>236,899</u></b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital		147,371	147,359
Reserves		<u>(7,763)</u>	<u>(8,848)</u>
		139,608	138,511
Treasury shares		<u>(5,653)</u>	<u>(5,653)</u>
<b>Equity Attributable to Owners of the Company</b>		<u>133,955</u>	<u>132,858</u>
Non-controlling interests		4,711	4,920
<b>Total Equity</b>		<u>138,666</u>	<u>137,778</u>
<b>Non-current Liabilities</b>			
Irredeemable convertible unsecured loan stocks ("ICULS")		374	404
Loans and borrowings	A18	1,743	1,800
Deferred tax liabilities		1,940	1,933
		<u>4,057</u>	<u>4,137</u>
<b>Current Liabilities</b>			
Trade payables	A19	44,784	49,995
Other payables and accruals	A19	18,219	17,339
Loans and borrowings	A18	13,076	27,125
Provision for taxation		836	525
		<u>76,915</u>	<u>94,984</u>
<b>Total Liabilities</b>		<u>80,972</u>	<u>99,121</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b><u>219,638</u></b>	<b><u>236,899</u></b>
Net assets per share (sen)		<u>17.91</u>	<u>17.76</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 2017.

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

**REDTONE INTERNATIONAL BERHAD**

(Company No.: 596364-U)

The Directors are pleased to announce the unaudited Interim Financial Report for the first quarter ended 31 July 2017.

**UNAUDITED INTERIM FINANCIAL REPORT FOR THE FIRST QUARTER ENDED 31 JULY 2017  
CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

	Note	3 months ended	
		31/07/17 RM'000	31/07/16 RM'000
GROUP REVENUE	A12	30,233	38,446
Less: Revenue from discontinued operations		-	(3,140)
Revenue from continuing operations		<u>30,233</u>	<u>35,306</u>
<b><u>Continuing Operations</u></b>			
PROFIT/(LOSS) FROM OPERATIONS		1,543	(747)
Investment related income	A12	74	154
Finance costs	A13	<u>(410)</u>	<u>(693)</u>
PROFIT/(LOSS) BEFORE TAX	A14	1,207	(1,286)
INCOME TAX EXPENSE	A15	<u>(317)</u>	<u>(15)</u>
PROFIT/(LOSS) AFTER TAX FROM CONTINUING OPERATIONS		890	(1,301)
<b><u>Discontinued Operations</u></b>			
LOSS AFTER TAX FROM DISCONTINUED OPERATIONS		-	(431)
PROFIT/(LOSS) AFTER TAX		<u>890</u>	<u>(1,732)</u>
Other comprehensive items, net of tax			
<u>Items that may be reclassified subsequently to profit or loss</u>			
- Foreign currency translation		(2)	84
<u>Items that will not be reclassified subsequently to profit or loss</u>			
- Revaluation of properties		-	<u>234</u>
<b>Total comprehensive income for the financial period</b>		<u>888</u>	<u>(1,414)</u>
<b><u>Profit/(loss) attributable to:-</u></b>			
Owners of the Company			
- From continuing operations		1,099	(972)
- From discontinued operations		-	(185)
		<u>1,099</u>	<u>(1,157)</u>
Non-controlling interests		<u>(209)</u>	<u>(575)</u>
		<u>890</u>	<u>(1,732)</u>
<b><u>Total comprehensive income attributable to :-</u></b>			
Owners of the Company		1,097	(2,674)
Non-controlling interests		<u>(209)</u>	<u>1,260</u>
		<u>888</u>	<u>(1,414)</u>
<b><u>Earnings/(loss) per share (sen)</u></b>			
	A16		
- Basic, for the period from continuing operations		0.15	(0.12)
- Basic, for the period from discontinued operations		-	(0.02)
- Basic, for the period		<u>0.15</u>	<u>(0.14)</u>

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 2017.

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 2017**  
**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

<-----NON-DISTRIBUTABLE----->

	SHARE CAPITAL	TREASURY SHARES	ICULS	SHARE PREMIUM	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	RM'000
<b>At 1 May 2017</b>	147,359	(5,653)	2,454	-	(663)	641	(11,280)	132,858	4,920	137,778
Profit after taxation	-	-	-	-	-	-	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)	-	-	-	-	-	-	-
<b>At 31 July 2017</b>	<b>147,371</b>	<b>(5,653)</b>	<b>2,442</b>	<b>-</b>	<b>(665)</b>	<b>641</b>	<b>(10,181)</b>	<b>133,955</b>	<b>4,711</b>	<b>138,666</b>
<b>At 1 May 2016</b>	<b>75,728</b>	<b>(5,631)</b>	<b>2,513</b>	<b>71,572</b>	<b>(3,580)</b>	<b>418</b>	<b>(5,849)</b>	<b>135,171</b>	<b>10,525</b>	<b>145,696</b>
Loss after taxation	-	-	-	-	-	-	(1,157)	(1,157)	(575)	(1,732)
Other comprehensive income, net of tax										
- Foreign currency translation	-	-	-	-	(1,751)	-	-	(1,751)	1,835	84
- Revaluation of investment property	-	-	-	-	-	234	-	234	-	234
Total comprehensive income	-	-	-	-	(1,751)	234	(1,157)	(2,674)	1,260	(1,414)
Transactions with owners										
Treasury shares acquired	-	(22)	-	-	-	-	-	(22)	-	(22)
Issuance of shares pursuant to conversion of ICULS	8	-	(8)	-	-	-	-	-	-	-
Total transactions with owners	8	(22)	(8)	-	-	-	-	(22)	-	(22)
<b>At 31 July 2016</b>	<b>75,736</b>	<b>(5,653)</b>	<b>2,505</b>	<b>71,572</b>	<b>(5,331)</b>	<b>652</b>	<b>(7,006)</b>	<b>132,475</b>	<b>11,785</b>	<b>144,260</b>

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 2017.

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 2017**  
**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**

	<b>3 months ended</b>	<b>3 months ended</b>
	<b>31/07/17</b>	<b>31/07/16</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from operations	48,726	21,255
Payment for operating expenses (including taxes)	(29,471)	(23,162)
Other receipts	31	863
Net cash generated from/(used in) operating activities	<u>19,286</u>	<u>(1,044)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Increase in deposits	(153)	(3,710)
Acquisition of property, plant and equipment, intangible assets and development cost	(381)	(1,446)
Interest received	293	207
Net cash flow used in investing activities	<u>(241)</u>	<u>(4,949)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Drawdown of bank and other borrowings	6,203	28,146
Repayment of borrowings and loan	(20,212)	(27,075)
Repayment of hire purchase/lease liabilities	(96)	(446)
Interest paid	(410)	(693)
Purchase of treasury shares	-	(22)
Net cash flow used in financing activities	<u>(14,515)</u>	<u>(90)</u>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	4,530	(6,083)
<b>EFFECT OF EXCHANGE RATE CHANGES</b>	-	(2,374)
<b>OPENING CASH AND CASH EQUIVALENTS</b>	<u>(757)</u>	<u>4,658</u>
<b>CLOSING CASH AND CASH EQUIVALENTS</b>	<u>3,773</u>	<u>(3,799)</u>
<b>Cash and cash equivalents comprise of:</b>		
Continued operations		
- Cash on hand and at banks	3,870	2,279
- Deposits with licensed banks	45,622	42,727
	<u>49,492</u>	<u>45,006</u>
Discontinued operations (PRC)		
- Cash on hand and at banks	-	1,225
- Deposits with overseas banks	-	12,230
	-	13,455
<b>Total cash and bank balances</b>	<u>49,492</u>	<u>58,461</u>
Less:		
- Deposits pledged	(45,621)	(54,786)
- Short term deposits	-	(169)
- Bank overdrafts	(98)	(7,305)
<b>Total cash and cash equivalents</b>	<u>3,773</u>	<u>(3,799)</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 2017.

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 30 APRIL 2017**

**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 that became effective on 31 January 2017 in Malaysia.

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

**A2. Changes in accounting policies**

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 1 January 2017.

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.

**A3. Qualification of financial statements**

The auditors' report of the Company's most recent annual audited financial statements did not contain any qualification.

**A4. Nature and amount of unusual items**

There were no unusual items during the quarter under review.

**A5. Changes in estimates**

There were no material changes in estimates for the quarter ended 31 July 2017.

**A6. Changes in the composition of the group**

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

**A7. Seasonality or cyclicity of interim operations**

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

**A8. Debt and equity securities**

There were no issuances and repayment of debt and equity securities, share buy-back, share cancellation, shares held as treasury shares for the period ended 31 July 2017 except for the following:

(a) Movement in share capital

	Number of Ordinary shares	RM
Share capital - issued and fully paid up as at 1 May 2017	757,564,472	147,358,350
Arising from conversion of ICULS	51,000	12,750
Share capital as at 31 July 2017	<u>757,615,472</u>	<u>147,371,100</u>

**A8. Debt and equity securities (contd.)**

(b) Share buy-back

There was no share buy back transacted during the period ended 31 July 2017 and the number of treasury shares held in hand as at 31 July 2017 are as follows:

	Average price per share RM	Number of shares	Amount RM'000
<b>Total treasury shares as at 31 July 2017</b>	0.595	9,502,000	5,653

As at 31 July 2017, the number of outstanding shares in issue and fully paid up with voting rights was 748,113,472 (30 April 2017: 748,062,472) ordinary shares.

**A9. Contingent liability**

Bank guarantees of the Group are as follows:

	As at 31 July 2017 RM'000	As at 30 April 2017 RM'000
Performance bonds in favour of various customers	20,969	22,347

**A10. Dividends**

There were no dividends declared or paid by the Company for the current quarter under review.

**A11. Material events subsequent to the end of the reporting period**

There were no material transactions or events subsequent to the quarter ended 31 July 2017 (the latest practicable date which is not earlier than 7 days from the date of issue of this quarterly report).

**A12. Segment information**

The segment information for the reportable segments by line of business for the 3 months ended 31 July 2017 are as follows:-

	<b>3 months ended 31/07/17 RM'000</b>
<u>Revenue</u>	
Telecommunication services	20,003
Managed telecommunication network services	8,816
Industry digital services	1,414
Total revenue	<u>30,233</u>
<u>Results</u>	
Telecommunication services	4,359
Managed telecommunication network services	(1,392)
Industry digital services	(715)
	<u>2,252</u>
Unallocated corporate expenses	(709)
Profit from operations	1,543
Investment related income	74
Finance costs	(410)
Profit before tax	<u>1,207</u>
Income tax expense	(317)
Profit after tax	<u>890</u>

**A13. Finance costs**

	3 months ended	
	31/07/17 RM'000	31/07/16 RM'000
Interest expense on:		
- bank overdrafts	39	5
- bankers' acceptance	33	16
- finance lease	6	5
- ICULS	43	43
- term loans	48	212
- short term financing	172	329
Others	69	83
	410	693

**A14. Profit/(loss) before tax**

	3 months ended	
	31/07/17 RM'000	31/07/16 RM'000
Profit/(loss) before tax is arrived at after charging/(crediting):-		
Audit fee - Statutory audit	84	71
- continuing operations	84	57
- discontinued operations	-	14
Audit fee - Other services	45	-
- continuing operations	45	-
- discontinued operations	-	-
Amortisation of development cost	115	257
- continuing operations	115	101
- discontinued operations	-	156
Depreciation of property, plant and equipment	1,112	1,451
- continuing operations	1,112	1,275
- discontinued operations	-	176
Loss/(gain) on foreign exchange:		
- realised	80	(488)
- continuing operations	80	(488)
- discontinued operations	-	-
- unrealised	4	486
- continuing operations	4	486
- discontinued operations	-	-
Allowance for doubtful debts on:		
- Trade receivables	114	123
- continuing operations	114	123
- discontinued operations	-	-
Rental of computer	70	95
- continuing operations	70	95
- discontinued operations	-	-
Rental of office	137	391
- continuing operations	137	195
- discontinued operations	-	196
Staff cost:		
- Salaries, bonus, wages and allowances	5,729	5,035
- continuing operations	5,729	4,671
- discontinued operations	-	364
- Defined contribution plan	650	642
- continuing operations	650	578
- discontinued operations	-	64
Interest income	(293)	(207)
- continuing operations	(293)	(206)
- discontinued operations	-	(1)

**A15. Income tax expense**

	3 months ended	
	31/07/17 RM'000	31/07/16 RM'000
Current income tax:		
Provision in current period		
- Malaysian income tax from continuing operations	(310)	(8)
- Foreign income tax	-	(5)
- continuing operations	-	-
- discontinued operations	-	(5)
	(310)	(13)
Deferred tax		
- Origination and reversal of temporary differences	(7)	(7)
- continuing operations	(7)	(7)
- discontinued operations	-	-
	(7)	(7)
Income tax expense attributable to:-		
- continuing operations	(317)	(15)
- discontinued operations	-	(5)
	(317)	(20)

**A16. Earnings/(loss) per share**

Basic earnings/(loss) per share is calculated as follows:

	3 months ended	
	31/07/17 RM'000	31/07/16 RM'000
Profit/(loss) attributable to owners of the Company from continuing operations	1,099	(972)
Impact on income statement upon conversion of ICULS	43	43
	1,142	(929)
Loss attributable to owners of the Company from discontinued operations	-	(185)
Adjusted net profit/(loss) attributable to owners of the Company	1,142	(1,114)
Weighted average number of ordinary shares in issue with voting rights ('000)	748,077	747,838
Weighted average number of shares to be issued upon conversion of mandatorily convertible ICULS ('000)	24,875	25,117
Number of shares used in the calculation of basic earnings per share ('000)	772,952	772,955
Basic earnings/(loss) per share (sen)		
- From continuing operations	0.15	(0.12)
- From discontinued operations	-	(0.02)
	0.15	(0.14)

There are no potential ordinary shares outstanding as at 31 July 2017. As such, the fully diluted earnings/(loss) per share of the Group is equivalent to the basic earnings/(loss) per share.

**A17. Trade receivables**

Trade receivables are mainly due from progress billings for government projects under Managed Telecommunications Network Services as well as corporate voice and data services.

#### A18. Loans and borrowings

Loans and borrowings of the Group were as follows:

	As at 31 July 2017 RM'000	As at 30 April 2017 RM'000
<b>Current</b>		
<u>Secured</u>		
Term loan facilities, which are denominated in Ringgit Malaysia	1,143	1,586
Trade financing, which are denominated in Ringgit Malaysia	11,495	22,056
Bank overdrafts, which are denominated in Ringgit Malaysia	98	3,086
<u>Unsecured</u>		
Finance lease facilities, which are denominated in Ringgit Malaysia	310	367
Hire purchase, which is denominated in Ringgit Malaysia	30	30
	<u>13,076</u>	<u>27,125</u>
<b>Non current</b>		
<u>Secured</u>		
Term loan facilities, which are denominated in Ringgit Malaysia	1,635	1,653
<u>Unsecured</u>		
Finance lease facilities, which are denominated in Ringgit Malaysia	-	32
Hire purchase, which is denominated in Ringgit Malaysia	108	115
	<u>1,743</u>	<u>1,800</u>
Total	<u>14,819</u>	<u>28,925</u>

#### A19. Trade and other payables

Payables of the Group are as follows:

	As at 31 July 2017 RM'000	As at 30 April 2017 RM'000
Trade payables	44,784	49,995
Sundry payables	1,834	1,670
Provision for Universal Service Fund Contribution ("USOF")	7,037	6,702
Accruals	4,987	4,385
Deposits payable	2,202	2,126
Deferred income	2,159	2,456
Other payables and accruals	18,219	17,339
Total	<u>63,003</u>	<u>67,334</u>

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

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

**B1. Review of group performance for the first quarter ended 31 July 2017**

For the quarter under review, the group reported a revenue wholly from continuing operations of RM30.2 million for the current quarter, which was 14.4% lower than the RM35.3 million reported for continuing operations in previous year corresponding quarter. Managed telecommunication network services segment contributed lower revenue in line with lower actual project completions. The group revenue for the previous year corresponding quarter was RM38.4 million if the RM3.1 million revenue from discontinued operations was included.

The Group posted a profit before tax for the current quarter under review of RM1.21 million from continuing operations, compared to the RM1.71 million loss before tax reported in Quarter 1, 2017, which comprised of RM1.29 million loss from continuing operations and RM0.42 million loss from discontinued operations. The improvement in results for the quarter was achieved on the back of improved gross margins and better control of operating costs.

**B2. Material changes in profit before tax compared to the preceding quarter**

For the quarter under review, the Group reported a profit before tax of RM1.21 million as compared to profit before tax of RM3.85 million in the preceding quarter. The quarter-on-quarter decrease was due to lower revenue and gross profit recorded from managed telecommunications network services as a result of lower project completions in the quarter.

**B3. Prospects and business outlook**

Given the macro-economic outlook and the prevailing market environment, the Board of Directors is of the view that the operating environment will continue to be challenging for the Group going forward.

**B4. Profit forecast**

No profit forecast was announced.

**B5. Corporate proposals**

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

**B6. Realised and unrealised profits/(loss)**

Breakdown of the Group's realised and unrealised profits/(loss) are as follows:

	As at 31 July 2017 RM'000	As at 30 April 2017 RM'000
Total retained profits/(loss) of the Company and its subsidiaries:		
Realised	(54,558)	(55,474)
Unrealised	3,997	3,970
	<u>(50,561)</u>	<u>(51,504)</u>
<u>Total share of retained profits of associates:</u>		
Realised	-	-
Unrealised	-	-
	<u>-</u>	<u>-</u>
	(50,561)	(51,504)
Less: Consolidation adjustments	40,380	40,224
	<u>(10,181)</u>	<u>(11,280)</u>