

REDTONE INTERNATIONAL BERHAD

(Company No: 596364-U)

(Incorporated in Malaysia)

Date : 19 March 2019

UNAUDITED INTERIM FINANCIAL REPORT FOR THE THIRD QUARTER ENDED 31 JANUARY 2019

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

**UNAUDITED INTERIM FINANCIAL REPORT FOR THE THIRD QUARTER ENDED 31 JANUARY 2019
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

	Note	As at 31 January 2019 RM'000	As at 30 April 2018 RM'000
ASSETS			
Non-current Assets			
(As restated)			
Goodwill		423	423
Property, plant and equipment		16,930	19,914
Investment properties		1,160	1,160
Intangible assets		36,977	37,014
Development costs		270	847
Deferred tax assets		5,351	5,350
		<u>61,111</u>	<u>64,708</u>
Current Assets			
Inventories		326	437
Trade receivables	A12	66,815	59,172
Contract assets		10,202	1,050
Other receivables, deposits and prepayment		7,703	6,733
Tax recoverable		2,422	5,080
Other investments - Cash Management Fund		15,653	17,605
Cash and bank balances		51,164	53,533
		<u>154,285</u>	<u>143,610</u>
TOTAL ASSETS		<u>215,396</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		5,225	(5,333)
		<u>149,385</u>	<u>138,827</u>
Non-controlling interests		2,091	3,720
Total Equity		<u>151,476</u>	<u>142,547</u>
Non-current Liabilities			
Liability component of irredeemable convertible unsecured loan stocks		162	265
Loans and borrowings	B8	1,595	1,664
Deferred tax liabilities		1,212	1,192
		<u>2,969</u>	<u>3,121</u>
Current Liabilities			
Trade payables	A13	39,726	37,082
Other payables and accruals	A13	19,807	20,234
Loans and borrowings	B8	115	5,143
Provision for taxation		1,303	191
		<u>60,951</u>	<u>62,650</u>
Total Liabilities		<u>63,920</u>	<u>65,771</u>
TOTAL EQUITY AND LIABILITIES		<u>215,396</u>	<u>208,318</u>
Net assets per share (sen)		<u>19.95</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 THIRD QUARTER ENDED 31 JANUARY 2019
CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Note	3 months ended		9 months ended	
		31/01/19 RM'000	31/01/18 RM'000	31/01/19 RM'000	31/01/18 RM'000
GROUP REVENUE		45,408	27,302	105,542	86,628
PROFIT FROM OPERATIONS		7,913	736	15,174	3,241
Investment related income		60	75	176	1,306
Finance costs	A11	(204)	(515)	(769)	(1,468)
PROFIT BEFORE TAX	B7	7,769	296	14,581	3,079
INCOME TAX EXPENSE	B6	(2,504)	(159)	(5,648)	(630)
PROFIT AFTER TAX		5,265	137	8,933	2,449
<u>Other comprehensive items, net of tax</u>					
<u>Item that may be reclassified subsequently</u>					
<u>to profit or loss</u>					
- Foreign currency translation		(4)	1	(4)	1
Total comprehensive income for the financial period		5,261	138	8,929	2,450
<u>Profit attributable to:-</u>					
Owners of the Company		5,373	663	10,562	3,062
Non-controlling interests		(108)	(526)	(1,629)	(613)
		5,265	137	8,933	2,449
<u>Total comprehensive income attributable to :-</u>					
Owners of the Company		5,369	664	10,558	3,063
Non-controlling interests		(108)	(526)	(1,629)	(613)
		5,261	138	8,929	2,450
<u>Earnings per share attributable to owners of the parent (sen per share):</u>					
- Basic, for the period	B11	0.70	0.09	1.38	0.41
- 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 THIRD QUARTER ENDED 31 JANUARY 2019
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	<-----NON-DISTRIBUTABLE----->						Total	Non-controlling interests	Total equity
	Share capital	ICULS - equity component	Treasury shares	Foreign exchange reserve	Revaluation reserve	Retained profits/ (Accumulated losses)			
	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/(loss) after tax	-	-	-	-	-	10,562	10,562	(1,629)	8,933
Other comprehensive income, net of tax									
- Foreign currency translation	-	-	-	(4)	-	-	(4)	-	(4)
Total comprehensive income	-	-	-	(4)	-	10,562	10,558	(1,629)	8,929
At 31 January 2019	<u>147,524</u>	<u>2,289</u>	<u>(5,653)</u>	<u>(667)</u>	<u>641</u>	<u>5,251</u>	<u>149,385</u>	<u>2,091</u>	<u>151,476</u>
At 1 May 2017	147,359	2,454	(5,653)	(663)	641	(11,280)	132,858	4,920	137,778
Profit/(loss) after tax	-	-	-	-	-	3,062	3,062	(613)	2,449
Other comprehensive income, net of tax									
- Foreign currency translation	-	-	-	1	-	-	1	-	1
Total comprehensive income	-	-	-	1	-	3,062	3,063	(613)	2,450
Transactions with owners									
Issuance of shares pursuant to conversion of ICULS	165	(165)	-	-	-	-	-	-	-
Total transactions with owners	165	(165)	-	-	-	-	-	-	-
At 31 January 2018	<u>147,524</u>	<u>2,289</u>	<u>(5,653)</u>	<u>(662)</u>	<u>641</u>	<u>(8,218)</u>	<u>135,921</u>	<u>4,307</u>	<u>140,228</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 THIRD QUARTER ENDED 31 JANUARY 2019
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	9 months ended	
	31/01/19	31/01/18
	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from operations	89,470	130,617
Payment for operating expenses (including taxes)	(88,475)	(92,100)
Other receipts	464	559
Net cash generated from operating activities	1,459	39,076
CASH FLOWS FROM INVESTING ACTIVITIES		
Decrease/(increase) in deposits and other investments	2,456	(9,083)
Acquisition of property, plant and equipment, intangible assets and development cost	(221)	(1,548)
Interest received	1,500	913
Net cash generated from/(used in) investing activities	3,735	(9,718)
CASH FLOWS FROM FINANCING ACTIVITIES		
Drawdown of bank borrowings and other loans	-	11,409
Repayment of bank borrowings and other loans	(5,040)	(32,953)
Repayment of hire purchase/lease liabilities	(56)	(295)
Interest paid	(769)	(1,468)
Net cash used in financing activities	(5,865)	(23,307)
NET CHANGE IN CASH AND CASH EQUIVALENTS	(671)	6,051
OPENING CASH AND CASH EQUIVALENTS	3,224	(757)
CLOSING CASH AND CASH EQUIVALENTS	2,553	5,294
 Cash and cash equivalents comprise of:		
- Cash on hand and at banks	2,553	5,294
- Deposits with licensed banks	48,611	51,018
Total cash and bank balances	51,164	56,312
Less:		
- Deposits pledged to licensed banks	(48,611)	(51,018)
Total cash and cash equivalents	2,553	5,294

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 THIRD QUARTER ENDED 31 JANUARY 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.

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	Reclassification of Account	As Restated
<u>As at 30 April 2018</u>			
Other receivables, deposits and prepayment	7,783	(1,050)	6,733
Contract assets	-	1,050	1,050
	-	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 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 January 2019:

(a) Share capital

	Number of Ordinary shares	RM
Share capital as at 1 May 2018/31 January 2019	758,228,172	147,524,275

(b) Share buy-back

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

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

As at 31 January 2019, 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 January 2019 RM'000	As at 30 April 2018 RM'000 (Audited)
Performance bonds in favour of various customers	27,788	21,582

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 9 months ended 31 January 2019 are as follows:-

	9 months ended 31/01/19 RM'000
<u>Revenue</u>	
Telecommunication services	61,652
Managed telecommunication network services ("MTNS")	42,106
Industry digital services	1,784
Total revenue	105,542
<u>Results</u>	
Telecommunication services	22,165
Managed telecommunication network services ("MTNS")	(2,474)
Industry digital services	(3,055)
	16,636
Indirect corporate expenses	(1,462)
Profit from operations	15,174
Investment related income	176
Finance costs	(769)
Profit before tax	14,581
Income tax expense	(5,648)
Profit after tax	8,933

A11. Finance costs

	3 months ended		9 months ended	
	31/01/19 RM'000	31/01/18 RM'000	31/01/19 RM'000	31/01/18 RM'000
Interest expense on:				
- bank overdrafts	-	-	-	39
- bankers' acceptance	-	-	-	41
- finance lease and hire purchase	47	6	96	20
- ICULS	42	41	125	124
- term loans	38	37	264	123
- short term financing	-	16	-	247
- interest-bearing prepayments	-	312	-	624
- bank guarantee	57	71	224	183
- others	20	32	60	67
	204	515	769	1,468

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 31 January 2019 RM'000	As at 30 April 2018 RM'000 (Audited)
Trade payables	39,726	37,082
Other payables		
- Provision for Universal Service Fund Contribution	7,822	7,065
- Accruals	6,801	6,168
- Deposits payable	2,002	2,050
- Deferred income	2,636	2,209
- Sundry payables	546	2,742
	<u>19,807</u>	<u>20,234</u>
Total	<u>59,533</u>	<u>57,316</u>

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(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 third quarter ended 31 January 2019

	3 months ended			9 months ended		
	31/01/19 RM'000	31/01/18 RM'000	% + / (-)	31/01/19 RM'000	31/01/18 RM'000	% + / (-)
Revenue	45,408	27,302	66.32	105,542	86,628	21.83
Profit from operations	7,913	736	975.14	15,174	3,241	368.19
Profit before tax	7,769	296	2,524.66	14,581	3,079	373.56

Review of result for the quarter

For the quarter under review, the Group reported a revenue of RM45.41 million, which was 66.32% higher than the RM27.30 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 RM7.77 million, compared to RM0.30 million reported in Quarter 3 ended 31 January 2018, as the MTNS segment posted higher revenue.

Review of result for the 9-month financial period

For the financial period under review, the Group reported a revenue of RM105.54 million, which was 21.83% higher than the RM86.63 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 RM14.58 million, compared to RM3.08 million reported in previous year corresponding period. The improvement in results was mainly due to higher revenue in MTNS segment and lower operating expenses incurred.

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

	3 months ended		% + / (-)
	31/01/19 RM'000	31/10/18 RM'000	
Revenue	45,408	29,912	51.81
Profit from operations	7,913	3,424	131.10
Profit before tax	7,769	3,151	146.56

Commentary on revenue

The Group reported a revenue of RM45.41 million in this current quarter under review as compared to RM29.91 million in the preceding quarter. The quarter-on-quarter increase was due to higher revenue from MTNS segment.

Commentary on pre-tax profit

The Group reported a profit before tax of RM7.77 million as compared to profit before tax of RM3.15 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 quarter 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		9 months ended	
	31/01/19 RM'000	31/01/18 RM'000	31/01/19 RM'000	31/01/18 RM'000
Current income tax:				
Provision in current period				
- Malaysian income tax	(2,068)	-	(5,196)	(456)
Under provision in respect of previous years	(427)	(152)	(427)	(152)
	(2,495)	(152)	(5,623)	(608)
Deferred tax				
- Origination and reversal of temporary differences	(9)	(7)	(25)	(22)
Total	(2,504)	(159)	(5,648)	(630)

The disproportionate tax charge of the Group for the current quarter ended 31 January 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		9 months ended	
	31/01/19 RM'000	31/01/18 RM'000	31/01/19 RM'000	31/01/18 RM'000
Profit before tax is arrived at after charging/(crediting):-				
Audit fee - Statutory audit	82	86	248	264
Audit fee - Other services	3	33	36	78
Amortisation of development cost	234	224	614	564
Bad debts written off	-	-	233	167
Depreciation of property, plant and equipment	1,040	1,170	3,203	3,384
(Gain)/loss on foreign exchange:				
- realised	(69)	31	(17)	138
- unrealised	2	9	(3)	29
(Writeback of)/allowance for doubtful debts on:				
- Trade receivables	(135)	61	(403)	187
Impairment loss on inventories	-	-	135	-
Rental of computer	13	33	46	133
Rental of office	101	151	329	488
Staff cost:				
- Salaries, bonus, wages and allowances	5,969	5,730	17,970	17,207
- Defined contribution plan	747	825	2,190	2,272
Interest income	(472)	(318)	(1,500)	(913)
Other income	(59)	(75)	(175)	(1,306)

There were no 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 January 2019 RM'000	As at 30 April 2018 RM'000 (Audited)
Current		
<u>Secured</u>		
Term loan facilities, which are denominated in Ringgit Malaysia	82	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
	115	5,143
Non current		
<u>Secured</u>		
Term loan facilities, which are denominated in Ringgit Malaysia	1,536	1,580
<u>Unsecured</u>		
Hire purchase, which is denominated in Ringgit Malaysia	59	84
	1,595	1,664
Total	1,710	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 31 January 2018: Nil).

B11 Earnings per share

Basic earnings per share is calculated as follows:

	3 months ended		9 months ended	
	31/01/19 RM'000	31/01/18 RM'000	31/01/19 RM'000	31/01/18 RM'000
Profit attributable to owners of the Company	5,373	663	10,562	3,062
Impact on income statement upon conversion of ICULS	42	41	125	124
Adjusted net profit attributable to owners of the Company	<u>5,415</u>	<u>704</u>	<u>10,687</u>	<u>3,186</u>
Weighted average number of ordinary shares in issue with voting rights ('000)	748,726	748,365	748,726	748,365
Weighted average number of shares to be issued upon conversion of mandatorily convertible ICULS ('000)	<u>24,226</u>	<u>24,587</u>	<u>24,226</u>	<u>24,587</u>
Number of shares used in the calculation of basic earnings per share ('000)	<u>772,952</u>	<u>772,952</u>	<u>772,952</u>	<u>772,952</u>
Basic earnings per share (sen)	<u>0.70</u>	<u>0.09</u>	<u>1.38</u>	<u>0.41</u>

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